Relations-Enabled Knowledge Creation

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The paper discusses the shift of paradigm in marketing, brought to front by the focus on relationships, seen as instruments of knowledge creation. The traditional passive role of customers is replaced with an active one, in which the knowledge exchange goes both ways, as we can't speak, any longer, of trading goods for money, but, more likely, of trading quality for knowledge. The knowledge the company gets from its clients, both internal and external, is further used to build structural capital, to improve the processes which create quality for clients and, respectively, organizational success.
Key words: *relational marketing, intellectual capital, knowledge generation*

1 Introduction

In today's organizations, the place of the traditional mechanism for value creation, the value chain (Porter, 1985), is taken by the intellectual capital of the company (Edvinsson, 2000). The primary and the support processes of the value chain are, thus, substituted by the relational capital and the human capital, on the one hand, and the structural capital, on the other. Knowledge which is extracted from relationships and from employees' expertise is further "invested" in structural capital – for instance, the feedback from both external and internal clients contributes to the improving of the processes of the company. This perspective, of putting intellectual capital to work in order to gain value for the company, and insure a sustainable competitive advantage (Roos, Bainbridge and Jacobsen, 2002), is more complex than the mere cost reduction and profit increase, which characterize the classical approach. By properly using its intellectual capital, the company can benefit from the loyalty of its customers and employees, can take advantage of the innovations introduced by its competitors, by learning about them in due time, can make better decisions, because the amount of knowledge available is greater and more varied. All these, put together, contribute to increased profits, which are acquired not only through financial focus, but also through marketing focus.

The way marketing itself relates to these changes has to do with the combination of two schools of though which used to be addressed to in isolation: the resource-based view of the firm (Rumelt, 1984), and the environmental view (Porter, 1991). In other words, the internally-focused and the externally-focused perspectives. The combined view, that Amit and Schoemaker (1993) advance, claims that a company's own resources and capabilities can be evaluated only *in relation* with the ones of its competitors. Even the sustainable competitive advantage of the past becomes a series of enchained short-term competitive advantages which are successively created and destroyed, in order to limit the time in which competitors are able to imitate (D'Aveni, 1994). Thus, it becomes more important to preserve existing customers, which are a hard to imitate resource, because they are less likely to move to the competitors, then to attract new clients. The company should, then, evaluate which are the most profitable of its clients, and to focus on building long-term relationships with them. This is the stake of the relational marketing.

2. Characteristics of relational marketing

Relational marketing is the mechanism which enables the company to pass from customer acquisition to quality relationship development and maintenance (Payne and Rapp, 2003). All companies are used to cutting costs and improving quality. Still, there is a third element, which is generally overlooked. And this is time. Companies are not used to the importance of time for their operations. Of course, there are many ways to conceptualize time, the most common being delivery time, as companies focus mainly on meeting deadlines. But there is also the time gained in relationships, which are based on trust, and influence the behavioral dynamic decision-making of the company, based on the slogan “do the right thing, but only if others do so” (Bicchieri and Erte, 2007). This points to the importance of relations for strategic planning, which companies tend to disregard (Hussi, 2004). Still, if we agree that the relational capital is a living reality, since Van Buren (2002) includes the average duration of customer relationship among the IC indicators, and Galbreath (2002:123) states that, on the competition battlefield, “once the smoke has cleared, organizations are left with the relationships they acquire, build and maintain”, the question is whether this capital can be generated, disseminated and stocked inside the organization. Can it be broken into measurable parts?

The answer is yes. The relationships of the company with its stakeholders, with no exception, represent the essence of relational capital, which directly influences the company’s market value. Market value can be measured, and large companies have witnessed significant increases in market value, as compared to book value, which lead, actually, to this reassessment of resources which is the theory of intellectual capital. The intensity and the quality of relationships can be measured as well, on categories of stakeholders. Bureaucratic values have to be replaced by relational values (Gummesson, 2002), where the individual needs of customers are paid increased attention, and their satisfaction is more important than the organizational routines and procedures. The partnership between the company and the customer, who is seen as a revenue, and not any longer as a cost, is based on a shift of mentality which represents the milestone of relational marketing: from “we know everything, the customer knows nothing” to “the customer also has knowledge, which may be of interest to us”. Thus, the relationship becomes a partnership between equals, who exchange knowledge which is valuable on both sides. What the company learns from its customers is used to improve processes, routines, behaviors, relationships, which will transform in increased customer satisfaction.

The organization’s ability to innovate is firmly tied to its relationships with the stakeholders, in the form of learning partnerships. Relational capital and intellectual property are put together (Vasilache, 2007), in the sense that, while the second settles matters in the exterior sphere, protecting what the company has acquired, as innovation, the first creates the “laboratory” conditions in which innovation is being transferred and further developed, at the intersection of relational knowledge coming from various sources. The feasibility of an idea, for instance (concept testing, usability testing) can’t be evaluated in the lack of relationships with the end users, and if the feasibility is not tested, money to innovate may be wasted in vain.

Customer relationship management has developed a forecasting component, the so-called predictive customer relationship management (Crowder, 2002), which tries to predict future behaviors of well established customer groups from the data gathered on the present behavior. For instance, a company can determine the average period of time after which a client belonging to a particular group is likely to abandon the organization, and take appropriate measures when the loyalty period expires, given that attracting a new customer may be more than five times more expensive than preserving an already existing customer. Not to mention that, according to Galbreath (2002), loyalized customers tend to become less price-sensitive. Of course, examining information-getting patterns of customers (Prejmerean and Vasilache, 2008) can provide significant insights on the most reliable marketing channels for reaching particular groups of customers.

All these findings plead for an increased attention paid to relationship management issues.

3. Examples of relationship orientation

Ford Motor Company announced in its activity report on 2000 that it wishes to build relationships with its customers, suppliers, distributors, employees, society and investors in order to achieve a development in partnership which assures the achievement of their common goals. The attention the company paid to relationships had positive outcomes. Relationships become a part of sustainable development, by attracting and networking all the key players in a given region. In the report concerning sustainable development on 2007, issued by Ford, besides chapters like *Community*, *Environment*, *Products and customers*, there is also a chapter dedicated to the quality of relationships, the basic principles underlined being trust and mutual respect. We can, thus, conclude that the company has made a step further in making its relationships more efficient, by diversity and inclusion. Diversity means, to its former and present employees, community, distributors, suppliers, attention paid to individual differences, persons inclusion, as individuals important to the company, opinions listened to, integrity. Mass marketing is replaced by a one-to-one marketing, which envisages win-win situations for all partners involved. As relationships are thought to be long time relationships, knowledge gained in the course of these relationships is being stored and reused, and the organization can save the time gained in relationships for meeting innovation deadlines. By improving relational knowledge, by developing employees' creativity and inventiveness, by finding new distribution and communication channels, relational capital, as a pillar of intellectual capital, can increase its value for the organization and, at the same time, contribute to the intensified organizational value creation.

4. Conclusions

The new ways of creating value for companies which is, essentially, value for customers, influence marketing thinking, in the sense that traditional approaches are challenged by a more flexible, relational perspective. Regarding the customer as an advantage, rather than as a cost, the company understands the importance of retaining loyal customers, by building quality relationships with them, which will save its time and money spent in attracting new customers. Relationship strengthening enriches the company's knowledge base regarding its customers and, as time elapses, it becomes easier and easier to anticipate the customers' moves, their changes in preferences, their latent needs. The time to innovate is, thus, significantly shortened. The long-term, sustainable competitive advantage is turned into a series of short-term advantages, which don't allow competitors to develop their imitation mechanisms. To be able to keep the equilibrium between these rapidly changing sequences of short-term advantages, the company should rely on verified relationships, which are likely to ascertain that customers will follow these quick changes in direction.

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