

VALUE ORIENTED PLANNING OF INTANGIBLE CUSTOMER CONTRIBUTIONS

BERNHARD HIRSCH & YVONNE SCHNEIDER

This article presents a theory-based approach to the identification and integration of intangible elements of customer contribution to value-oriented planning. Our analysis is premised on the Resource Based View and the concept of Value Based Management. We develop a value driver tree, which systematically incorporates the information, coordination, synergy and reference contributions of customers within a long-term business relationship.

THE IMPORTANCE OF INTANGIBLES

In managerial literature, the significance of intangible assets (intangibles) has recently become a crucial issue in corporate planning. Yet, existing accounting and planning practices are increasingly considered insufficient for the control of intangible company assets. Although an awareness of this situation has led to numerous proposals for dealing with the transfer of procedures for business valuation to intangibles, there remains a lack of specific planning and control tools for intangible resources (Millman, 2002; Kirchner-Khairy, 2006). In the recent past, companies have indeed used information systems for mapping intangibles. However, these systems are based mainly on purely financial ratios and cannot adequately be applied to intangibles (Edvinsson, 1997; Sveiby, 1997; Gu and Lev, 2001). With the exception of the Balanced Scorecard, most standard ratio systems provide mainly financial information and yield only incomplete data on the relevance of intangibles to future corporate success (Kirchner-Khairy, 2006; Günther/Grüning, 2000). Consequently, decision-relevant information about the interdependency of intangible corporate resources in the context of important (investment) decisions is either unknown or not included sufficiently into the relevant processes.

In order to deal adequately with intangibles, with reference to the future success and growth of a company, it is necessary to take intangibles into account explicitly and prominently in strategic planning processes. This is the only way to ensure the efficient and appropriate allocation of resources (Kaplan and Norton, 2001).

This paper contains a proposed methodology on how value propositions for intangible resources can be identified and integrated systematically into value-based corporate planning. Aside from design, implementation and reporting systems, value-based planning is a core element of value-based corporate management (Weber et al. 2004). Because of the highly diverse character of intangibles, the following comments and analysis refer to the intangible elements of customer contributions within a long-term business relationship. These contributions are defined as intangible elements of customer value. We focus on customer value for two reasons. Firstly, customer value is accepted as a central category of intangibles (Boulton et al., 2000; Wullenkord, 2000). Secondly, by focusing on the intangible elements of customer value, we also consider that today, the intangible contributions of customers could have a notable impact on the success of a value-oriented

company (Strack and Villis, 2004; Stoi, 2004).

In the literature, the impact of intangible elements of customer contribution to the success of value-oriented companies is identified and discussed on a very basic level. The literature either focuses only on certain aspects of tangible elements of customer value (e.g. Krafft, 1999; Homburg et al., 2003) or does not link customer value to corporate planning (e.g. Ramani and Kumar, 2008; as an exception Möller and Walker, 2003). Therefore, we focus our analysis on the relevance of the intangible elements of customer value and identify value-drivers of this customer contribution in a long-term business relationship.

Our analysis is embedded in the relevant international marketing literature (e.g. Srivastava et al., 2001; Möller and Törroenen, 2003; Möller, 2006). For an estimation of the value proposition of customer contributions, which can be generated by certain customer competences and activities to be specified in due course, we must choose a theoretical perspective which interprets those particular customer competences and activities as (value-enhancing) resources of the company. For this reason, the analysis is conducted by means of the Resource Based View (RBV). By focusing on this one theoretical perspective, its explanatory power is used optimally, and allegations of theoretical eclecticism can surely be rejected (Homann, 2002, p. 128).

This paper is structured as follows. Section 2 justifies the use of the RBV as a theoretical perspective and describes its underlying assumptions. Section 3 explains why intangible elements of customer value can be interpreted as resources in terms of the RBV and how they can be used in the context of value-based corporate planning. In Section 4, the main value drivers of intangible customer contributions are identified and structured from the perspective of the RBV. Section 5 contains some practical recommendations on how to integrate the conceptually-based findings into value-based corporate planning. The final Section 6 discusses the findings and points out the limitations of the approach, as well as some possible directions for further research.

THE RBV AS A THEORETICAL PERSPECTIVE

In order to prevail successfully in the market, it does not suffice for companies to simply analyse the competitive environment (competitors, sector etc.). Additionally, the firm's own competitiveness and the resources available to it, need to be identified (Porter, 1985; Marr and Gray, 2004). Explaining

the long-term success of a company is, therefore, inevitably related to its resource base and concerned with providing a foundation for success in the long run, beyond the short run-ups and downs of the market. Intangibles are, without doubt, one of these resources fundamentally relevant for success (Kaplan and Norton, 2001). The most prominent and established managerial theory emphasising the importance of resources within the scope of strategic management is the Resource Based View. It is now the dominant approach for explaining competitive advantages in the context of strategic management (Srivastava et al., 2001; Spanos and Lioukas, 2001). The RBV addresses the question of 'what gives rise to competitive advantage and how can it be sustained?' This is 'the most fundamental challenge at the heart of organisational survival' (Srivastava et al., 2001, p. 777). The RBV works on the assumption that companies create competitive advantages over competitors, due to their specific resources and are thus able to generate above-average yields (Marr and Gray, 2004; Barney, 2001; Grant, 1991; Penrose, 1959; Peteraf, 1993; Barney, 1991; Wernerfelt, 1984)). From the perspective of the RBV, resources should generate permanent competitive advantages. The RBV claims that four requirements must be fulfilled in order to achieve such ongoing competitive advantage. The resources must be: (1) value-creating, (2) limited (rare), (3) almost impossible to imitate and (4) not substitutable (Peteraf, 1993; Dierickx and Cool, 1989).

In Section 3, we analyse the possibility of achieving a permanent competitive advantage using intangibles. Moreover, we clarify the importance of value drivers for the consideration of intangibles in value-based planning. This enables the identification of specific value drivers of intangible potential for creating customer value (see Section 4) and their integration into value-based planning (see Section 5).

CONCEPTUAL CONSIDERATIONS OF INTEGRATING THE INTANGIBLE ELEMENTS OF CUSTOMER VALUE INTO VALUE-BASED PLANNING

Resource Based View and Intangible Elements of Customer Value

From the RBV perspective, the outstanding relevance of the intangible elements of customer value is attributable to their (1) value creation, (2) difficult imitability and (3) expensive substitutability. The requirement of (4) rareness is also fulfilled.

Ad (1): In addition to paying the purchase price, a customer is also able to fulfil other functions from which companies can benefit. In many cases, the advantages of good customer relations will exceed the costs involved. For example, this should occur if a company receives information and ideas from customers which are reflected in improved productivity and the quality of the product or service offered. By assuming the part of an interactor, ideally, the customer contributes to the smoother production of goods and services and the lower costs of goods or service provision. In this manner, customer collaboration on value creation or achievement of synergies through their integration exerts a positive impact on a company's efficiency and competitiveness (Gouthier and Schmid, 2001).

Ad (2): Besides purchasing goods or services, customers mainly support a company by, for instance, recommending it to others or suggesting product improvements. However, this will only occur if they have established a relationship of trust with the company, which goes beyond mere short-term transactions (Gouthier and Schmid 2001). This implies adequately meeting customer requirements and obtaining their commitment. The customer relationship must be characterised by satisfaction, loyalty and such commitment (Dyer and Nobeoka, 2000; Halinen, 1997; Lorenzoni and Lipparini, 1999; Spiteri and Dion, 2004). The resulting loyalty between a company and its customers, which generally evolves and develops over a considerable period of time is extremely difficult for competitors to replicate. Moreover, the reasons why customers stay loyal to 'their' company over many years are often complex and not easily grasped by outsiders. The underlying social processes are complex and personal, making it difficult for competitors to imitate (Möller, 2006).

Ad (3): Despite the above, the value-enhancing activities of certain customers can be substituted by other customers or a third party. Nonetheless, the literature refers to the experiences of some companies, for whom acquiring new customers turns out to be very expensive. Accordingly, the costs of acquiring a new customer can be up to five times higher than those associated with customer retention (Friedrich von den Eichen et al., 2006; Gouthier and Schmid, 2001). Furthermore, new customers do not always provide the same value proposition as existing customers. Only if certain customers have been successfully integrated into the company's value creation process, are those customers willing to make recommendations and support the company of their own accord.

In many cases, it is quite possible for companies to substitute those services provided by their customers with the services of other players. Accordingly, product recommendations or suggested improvements could be provided by professional marketing agencies on the basis of market analysis. However, this generally involves higher costs and greater effort. Furthermore, such players are normally regarded as considerably less reliable than satisfied customers (von Wangenheim, 2003).

Ad (4): In various sectors characterised by increasing competitive intensity and market saturation, developing a clientele and maintaining such relationships is of outstanding importance (Gouthier and Schmid, 2001). Empirical experience further demonstrates that companies are not able to do business with each and every customer successfully. Companies usually earn 80 per cent of their profits from only 20 per cent of their customers (Meyer et al., 2006). Therefore 'profitable' customers are rare. Acquiring customers and winning them over is a constant challenge for companies.

RBV, Customer Value and Value-based Management

The RBV is problematic in that it does not define clear criteria for specifying key resources which lead to the creation of competitive advantages (Collis, 1994; Srivastava et al., 2001). Supporters of the RBV consider a resource to be valuable if it is highly valued by the market (e.g. Bamberger and Wrona, 1996). However, this definition is very diffuse and leaves much room for interpretation. Therefore, it is necessary to define goals and criteria, which describe the value of a resource more precisely and 'operationalise' the concept of the RBV. If this can be done effectively, a goal-oriented use of intangibles can enable management to realise the potential of value creation more effectively (Möller, 2004).

For the precise determination of operational corporate goals, it seems appropriate to link the theoretical concept of the RBV with the goals of Value-based Management (VBM) []. The basic idea behind the VBM-concept is the enhancement of a company's market value. This implies a consistent orientation of strategy, all corporate activities and resources towards the enhancement of corporate value. The pursuit of this objective should ensure the company's existence in the long run (Möller, 2004; Weber et al., 2004).

From the VBM perspective, the creation of competitive advantages is no longer an end in itself, but is geared to

contributing to the enhancement of corporate value. Accordingly, it is possible to interpret those resources as vital, which are expected to generate additional cash flows, and therefore, make a substantial contribution to the enhancement of company value (value proposition). Companies should influence those resources through goal-oriented activities, which will exert an effective leverage on the enhancement of value (Srivastava et al., 2001; Srivastava et al., 1998). The orientation of all corporate activities and resources towards the enhancement of company value explicitly includes the development and use of its intangible resources. Günther et al. (2004), for instance, stress that intangible resources contribute to the goal of value enhancement. Kaplan/Norton (2001) even state that in the age of knowledge economics, permanent added value can only be achieved through enhancing intangible assets. Therefore, not only material assets, but also the intangible elements of assets have to be taken into account when dealing with corporate value enhancement (Möller, 2004; Roos et al., 2004; Edvinsson and Kivikas, 2004).

These general considerations concerning the orientation of intangibles towards corporate value are also valid for intangible customer-value elements. Freiling (2001) stresses that companies are mainly concerned with customer value matters. However, this is not an end in itself. In fact, it is a matter of developing structures which form a basis for sustainable competitive advantages, in order to achieve outstanding corporate performance in comparison with the competition.

The above considerations demonstrate that the assumptions underlying the RBV can be concretised by using the concept of Value-based Management. This also applies to considering the importance of the intangible elements of customer value in the context of achieving competitive advantages.

The Importance of Strategic Value Drivers for Value-Based Planning

If specific targets relating to the value-enhancing benefits of intangible elements of customer value are articulated and integrated into corporate planning, they will be respected by those responsible for the planning process, the company's managers. The managers' orientation towards the various targets is supported by individual goal agreements and personalised incentive systems (Weber et al., 2004). The explicit consideration of the intangible elements of customer value in corporate planning therefore postulates, on the one hand, that management is

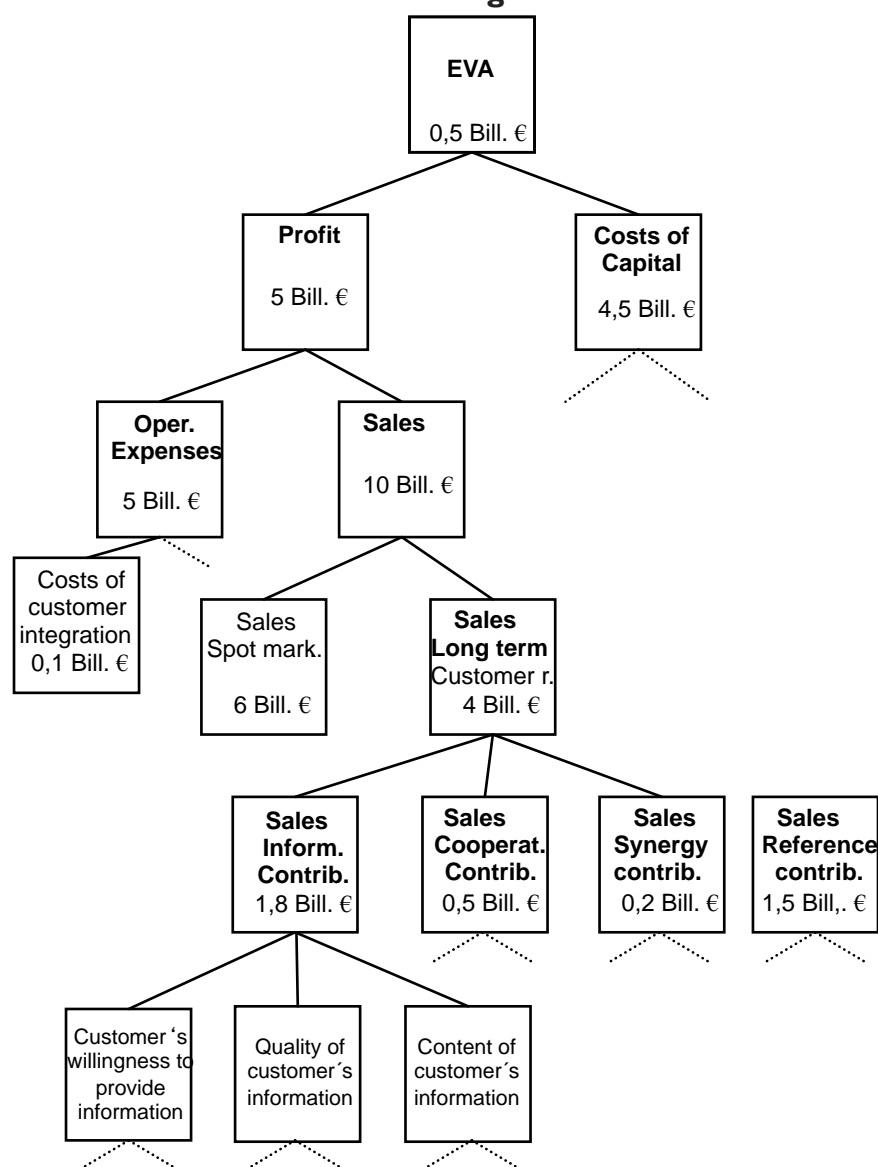
aware of the character and potential of these resources. On the other hand, the value of these resources can only be realised if the managers know how to handle customer contributions adequately. Thus, these intangible resources have to be operationalised through the identification and definition of specific value drivers. A value driver is a factor which significantly influences company value. A fundamental challenge in customer value research and in its practical application is the creation of a meaningful, logical value driver system. (Roos et al., 2004). Positive developments with respect to value drivers result, *ceteris paribus*, in an enhancement of company value (Weber et al., 2004; Copeland et al., 2000).

Figure 1 depicts the logic of value driver trees on the basis of a fictitious example. The figure shows how the intangible elements of customer value can be classified in terms of value-driver logic. As the key performance indicator of value-based corporate management, the Economic Value Added (EVA) is calculated from the factors of profit (NOPAT) and cost of capital (Stern et al., 1995): The EVA is defined $\text{NOPAT} - \text{WACC} \times \text{investment}$.

The NOPAT (net operating profit after taxes) comprises total sales less operative costs, and total sales comprise the sales from long-term customer relationships and those from short-term relationships. In our paradigm, sales from long-term customer relationships result from both tangible and intangible customer contributions. The latter; as shown in Sections 4 and 5, are sales resulting from using information, synergy and recommendations from the customer. The sales resulting from customer information contributions are influenced by three non-monetary value drivers.

Whereas the relationship between value enhancement, profit and sales are based on mathematical logic, the factors determining the partial elements of customer value follow only an assumed principle of cause and effect.

Figure 1: Value Driver Tree with Intangible Elements of Customer Value



THE IDENTIFICATION OF INTANGIBLE ELEMENTS OF CUSTOMER VALUE FROM A RBV PERSPECTIVE

In this section, the individual elements of customer value are analysed from the RBV perspective. These are the information, cooperation, reference and synergy contributions of customers. They can be regarded as top level strategic drivers of customer value, because they fulfil the requirements of value, rareness, and low substitutability and limitability. Why this is in fact the case, is considered below.

This specifically selected system differs from those used in literature. Previous contributions referring to customer value, use a marketing- specific perspective, focusing on the role of the customer (Gouthier and Schmid, 2001). By contrast, the present analysis is characterised by a theory-based operationalisation of the intangible elements of customer value, in order to implement value-oriented corporate planning.

The Customer's Information Contribution

The customer's information contribution includes all innovative and useful information a customer provides to a company and which could enhance the value and quality of the company's products and processes (in the fields of production, sales or marketing) (Cornelsen, 2000). It is important to note that this process deals only with information flows from the customer to the company – unlike the customer's reference contribution which is based on information flows from the customer to a third party.

From the RBV perspective, information from customers constitutes a particularly valuable resource in identifying customer preferences (Srivastava et al., 2001), p. 781; Wang and Lindert, 2004) and incorporating them in product development processes. Obtaining improved access to current customer preferences makes it possible for the company to supplement its resource base through integrating so-called 'firm-addressable resources' (Freiling, 2001, p. 88, Fleury and Fleury, 2003). This refers mainly to information about customer requirements regarding product development. The company has to be in a position to process data, that is, prepared and able to establish information systems which facilitate systematic data reception and the transfer of customer information to the company, in order to enhance the development of products or services according to customer needs. The greater the extent to which this specific customer information can be integrated

to complement that which is already within the company, the greater the probability of achieving a leap in efficiency (Ramani and Kumar, 2008).

Moreover, customer information about search, purchasing, and usage behaviour, i.e. those determinants of a product associated with the buying decision, can also provide a considerable value proposition. If a company empathises with its customers, it can be more responsive to their needs and align the process of providing goods and services with the provision of customer-oriented services. Furthermore, by virtue of detailed customer information, marketing and customer-care costs can be reduced by means of selective application (Woodruff, 1997; Freiling, 2001). The ability to perceive and process new information is referred to as knowledge absorption ability in the RBV literature. Nonaka and Takeuchi explicitly point out that knowledge absorption can normally only be achieved by combining in-house knowledge with knowledge components from outside the company (Nonaka and Takeuchi, 1997; Cohen and Levinthal, 1990; Kogut, 2000). A company's ability 'to recognize the value of new, external information, assimilate it, and apply it to commercial ends' (Cohen and Levinthal, 1990, p. 128) thus describes a complex, intellectual process which is not generally transparent to outsiders, and is thus difficult to understand and barely imitable (Stahl et al., 2003; Besanko et al., 2000).

Moreover, a company's knowledge absorption ability is path-dependent, that is, characterised by the company's previous experiences. This means that not all information provided by customers can be handled by the company. This is the case if the company lacks adequate customer-handling processes and the appropriate past experience (Dierickx and Cool, 1989). The path-dependent knowledge-absorption ability of the company therefore restricts the amount of customer information that can be used in a value-creating manner. Because outsiders are unlikely to be able to similarly combine customer information with existing knowledge within the company and thus enhance value, the information provided by customers and specifically analysed by the company, is also rare and either not at all or barely substitutable.

Accordingly, the value-creating utilisation of the customer information contribution not only reflects its genuine contribution concerning the provision of information itself, but also indicates the ability

of the company to develop such information, so as to create value in a manner which is difficult or impossible for outsiders to understand and to imitate. Third parties who could potentially do so, such as competitors or market research institutions, often do not have the necessary knowledge to recognise the importance of customer information and to react to it appropriately. What is also possible is that market research institutions charge high transfer payments for refining information, thus resulting in decreasing value propositions in this context.

The Customer's Cooperation Contribution

The increasing specialisation and division of labour in international business, new communication possibilities through innovative information technologies as well as more intensive competition have led many companies to the conclusion that they are unable to survive on their own. As a result, cooperation has become a fundamental and even essential element of their operations and strategies (Möller, 2006; Ramani and Kumar, 2008). The kind of cooperation considered in this paper and the resulting benefits refer to the collaboration between companies and their customers. A cooperation contribution is the result of customer willingness and ability to procure production factors for the company, and from the company's willingness and ability to use the applied resources of the customer to generate value (Möller and Halinen, 1999; Ritter et al., 2004; Ramani and Kumar, 2008). The utilisation of cooperation contributions leads to value propositions, which result from the deliberate and systematic integration of the customer into the production process of goods and services. Together with the company's internal resources, the external resources of the customer, more specifically, his knowledge and abilities, are employed temporarily in the production process (Dahlke and Kergaßner, 1996). It is then possible to utilise these production factors, which are temporarily available to the supplier, and instrumental in providing goods and services. The involvement of customers can be implemented in the various different stages of the value creation process, that is, in research and development, production, logistics, organisation and marketing (Kleinaltenkamp and Schweikart, 2001). Cooperation with customers enables the company to achieve various advantages which have generally been underestimated in the past. In order to improve competitiveness, companies often focus excessively on their core competencies and reduce vertical integration. This kind of specialisation in fact requires an intensified collaboration with

both suppliers and customers (Möller, 2006; Möller and Halinen, 1999; Möller and Svahn, 2003; Ritter et al., 2004). Accordingly, costs can be reduced, processes shortened and the integration of customers into the manufacturing process can improve the quality of the outputs, through the advantages of specialisation, predictive efficiency and more efficient time management. These advantages are reflected in an increased value enhancement of the company (Rudolf-Sipötz and Tomczak, 2001; Jacob, 2006). The customer can thus become a so-called 'prosumer', acting as a co-producer of the services he himself requires (Wikström, 1996).

Wikström (1996) and Piller et al. (2008) give many examples of successful customer integration into the product configuration. Customers have been involved systematically in car design (Volvo, BMW), kitchen and couch design (IKEA) and in software development. In these cases, customers actively worked with the companies' product development teams. Such an intensive integration of the customer into the value creation process, which goes beyond the mere provision of information about customer preferences, however, is by no means self-evident. As intensive cooperation between customer and company is often mentioned in the literature, a trusting long-term relationship is helpful (Gouthier and Schmid, 2001; Day, 1994), motivating the customer to undertake positive and intrinsic action. Consequently, such an intensive voluntary engagement of the customer is very rare indeed. If customers agree to provide such commitment, which involves effort and even a degree of financial outlay, companies have a realistic opportunity of achieving competitive advantages in the market. If such commitment does occur, it is normally relatively inexpensive for the company to use the customer's contribution, because intrinsically motivated customers often expect only small monetary rewards or even turn down such offers.

The value-creating integration of customers into the production process is often associated with increased manufacturing complexity (Möller and Törönen, 2003). On account of this, the involvement of the customer in the company's development and manufacturing process requires a high degree of trust and loyalty between customer and company. Thus, it is unlikely that competitors could easily imitate or indeed want to imitate or replicate this mutual trust. Precisely because companies use customers' increasing competencies, due to the advantages mentioned

above, there are no other players who have similar knowledge and can *substitute* this involvement.

Customers can contribute actively to achieving synergies in a company. Generally, management relates the synergy concept to the effect of a combination of factors which is greater than the sum of effects of the individual factors. A frequently cited formulation of this is the definition “ $2 + 2 = 5$ ” from Ansoff (1986). What seems a more precise description is to state that synergies exist if a company can work more efficiently (e. g. lower costs) or more effectively (with a better resource allocation) than would be the case with units working autonomously and independently of one another (Lubatkin, 1983). A customer is able to actively influence the fusion or collaboration of two organisational entities of a company by articulating his product requests. This is why customer value synergetic potential entails the utility of a customer-formed organizational structure to which the different company entities are geared and from which additional value propositions are generated (Vizjak, 1994).

Comparing customer’s cooperation contribution with the customer’s synergy contribution, the latter is defined as those value propositions, which — activated by the activities of customers or customer groups — can be achieved within the company in the form of internal organisational changes.

The literature seldom focuses on those cost advantages, with respect to which companies exploit internal organisational changes, because of certain customer activities. Thus, instead, synergies are often linked to the integration of new products into the company’s product range or in relation to corporate mergers and acquisitions (e. g. Ansoff, 1986; Lubatkin, 1983; Vizjak, 1994).

With respect to the central issue of this paper, the comments of Steidl (1999) are helpful. From a resource-oriented perspective, he describes so-called strategic resources as the foundations of synergy management. Steidl (1999) explicitly mentions intangible resources as strategic resources, which are of central importance for a company’s product, and he thus includes the intangible elements of customer value. For Steidl, the value proposition of company-wide synergy management entails intelligent coordination activity with respect to the usability of resources. Although such resources are normally only allocated in certain specific ways, the process can be extended by means

of ‘leveraging’, thereby creating added value for the whole company. Thus, the company can reduce costs in one or more division(s) and offer products within them which are more capable of differentiation and therefore result in higher market prices. Freiling (2001), who analyses the importance of customer value from the RBV perspective, also explicitly considers the cost reduction potential of customers and, at the same time, emphasises the importance of transactional costs. Thus, he includes the company’s potential to provide more specific and thus more cost-effective services by means of a close customer relationship.

Applying Steidl’s and Freiling’s reasoning to the present paper implies the following. If the need for coordination resulting from the demand behaviour of certain high-volume customers is handled appropriately and intelligently within the company, value enhancement can be achieved through cost reduction or by selling products which are more readily differentiated. More specifically, this can be achieved, *inter alia*, through the activities of key account managers, who ensure a consistent orientation to the individual needs of important customers. This yields higher margins and reduces process costs (e. g. cost cutting in the ordering process, using standardised bulk orders).

One basic prerequisite for achieving such synergies is that an optimisation of coordination costs is possible, through the company’s focus on the needs of relatively few customers. A look at managerial practice reveals that this assumption is far from self-evident. Thus, numerous companies in the retail business deal with many end customers, while only some of their customers bring in most of the profits. Empirical studies show that companies often achieve positive value drivers with a relatively small customer group (Meyer et al., 2006). However, they are afraid of giving up the remaining 80 per cent and orientating processes mainly around their premium customers. This means that achieving synergies is only possible, if the company’s internal processes focus on a few core customers, thus yielding substantial cost savings. Such a focus seldom occurs in the real world.

Our arguments that the requirements of imitability and substitutability are fulfilled are similar to the discussion of cooperation contribution. Not only customer integration into the production process, but also the generation of value enhancement due to economies of scale requires specific knowledge about

a company's customer topology and about effective internal coordination. Few companies succeed in establishing such know-how, given that knowledge is both *hard to acquire and imitate*. Up to the present, there are few methods that can exploit such know-how. This further indicates the *low level of substitutability* of such knowledge.

The Customer's Reference Contribution

Customer recommendations are a form of direct verbal communication between two providers, in which positive, negative or neutral information about a provider or his products, brand and so on, is conveyed, without any vested commercial interests (Cornelsen, 2000). A recommendation generally has one or two focuses. Either the recommendation refers to the provider company itself or to one of its services (Cornelsen, 2000). According to Helm (2000), customer recommendations are a form of resource and should be considered in the planning process of intangible assets. The capability and desire of an existing customer to influence the purchase decision of a potential customer in his social network through positive or negative information about a company (Bauer et al., 2006) is referred to in the literature as a reference contribution. The expression refers not only explicit recommendations, but rather to satisfied customers who influence other potential ones in their relationship decisions, by creating a positive company reputation, conveying a firm's competency. Such customers increase the company's reputation capital and thus reduces its initiation costs (Stahl et al., 2001; Srivastava et al., 2001; Ramani and Kumar, 2008). The more new customers that a current customer can acquire for a company through recommendation behavior, influence, and the nature, extent, frequency and intensity of his social relationship network, the greater his reference potential (Rudolf-Sipötz and Tomczak, 2001; Meyer and Shaffu, 2007).

From the perspective of the RBV, the supplier's service capability (the development of competencies) is reflected in the nature and extent of transactions between supplier and customer (Freiling, 2001). Although, due to the complexity of products and services, potential customers are often unable to determine the nature and level of supplier competence (Dierickx and Cool, 1989). If purchasers make recommendations to other (potential) customers of the supplier, those recommendations not only make a valuable contribution reducing risk and complexity, but they also aid customers in choosing a suitable

supplier.

The outcome of this is added value for the company, which is measured in terms of 'reference value'. The value, which comprises the reference contributions and the reference volume (an average customer's annual contribution margin, weighted by the extent to which a reference influences the customer's purchase decision), includes all monetary and indirect effects caused by the reference activities of a customer (Cornelsen, 2000).

Due to the confidential nature of a reference, they are regarded as extremely reliable and thus exceptionally relevant to the provider company (Cornelsen, 2000). Thus, from the perspective of the RBV, such references are of very substantial value to providers (Freiling, 2001). In order to maintain their own creditability when making recommendations, customers generally only make them, if they are truly convinced of the competency of the company in question (Meyer and Shaffu, 2007). Because one can assume that a company which is the subject of a customer recommendation cannot influence its content, or only to a limited extent — possibly through marketing activities — the recommendation usually has a high level of credibility. Moreover, the establishment of credibility by virtue of customers' recommendations requires the acceptance of recommendations by third parties. Not until the latter buys a product based on the recommendation, is value created for the selling company. Because companies cannot force satisfied customers to make recommendations, the resource of 'reputation' based on customer recommendations can be categorised as extremely valuable and difficult to substitute or imitate (Cornelsen, 2000; Hall, 1992).

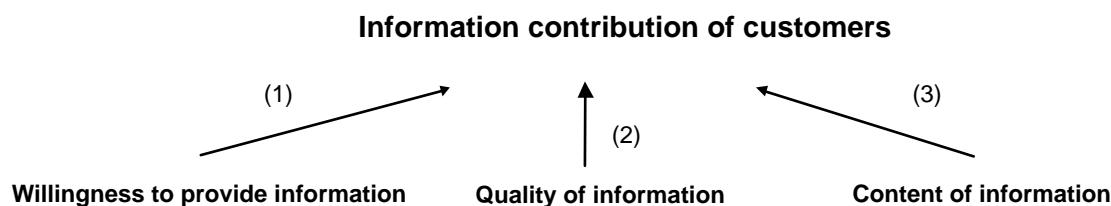
THE USE OF THE THEORETICAL FINDINGS FOR VALUE-ORIENTED PLANNING

The Need for Second Order Value Drivers

The first-order value drivers of customer-value intangible elements, which were identified in Section 4, are now concretised and integrated into the value driver tree system. After doing so, value drivers of different orders can be used systematically as goals for managers in different hierarchical levels of value-oriented companies. We deduce second-order value drivers from our first-order value drivers from Section 4, because only these more specific targets can be conceived and influenced by managers and personnel

at lower management levels (principle of controllability; Ewert and Wagenhofer, 2008). Figure 2 demonstrates the (subordinate) value drivers of the customer's information contribution. The concepts and ideas are again the result of theory-driven perspective of the RBV.

Figure 2. Value Drivers of the Customer's Information Contribution



The following second order value drivers influence the customer's information contribution: (1) The customer's willingness to provide information (feedback) is a highly relevant requirement for obtaining information from the customer. (2) In addition the information itself, its quality is of decisive importance regarding the value of the information contribution. Besides the quality of customer information and the customer's willingness to provide it (3) the content of the information plays a prominent role.

Ad (1): Only if customers are willing to provide information about their needs, preferences, experience and cognitions concerning a specific product, will the company be able to work with this information and enhance its value in combination with the company's current knowledge. Due to the fact that customer information is rare, difficult to substitute and to imitate, it is assumed that access to customer information leads to higher value propositions. This is certainly essential, if the content and quality of customer information is high.

Ad (2): The quality of information depends on its provider, so that it reflects typical customer requirements as representatively as possible. The more representative the customer information, the greater is the proximity to a large number of customers who actually purchase (or may purchase) the company's products. Representative customer information will, *ceteris paribus*, contribute to high value propositions for customers or customer groups in the form of improved product offers or production processes, because it such information is better able to reveal the needs of numerous customers or customer groups (Freiling, 2001).

Ad (3): The information content expresses the

relevance of the contribution of the customer information in generating new usable (product) knowledge in the company. The more relevant the customer information the generation of new knowledge, the more valuable it is. This contribution of customer information is rare and must be hardly imitable, because customer information is only a relevant contribution to new knowledge, if it is compatible with the company's present level of knowledge. This could barely be imitated by third parties, because they only partially know the status quo of the company's knowledge and, in many cases, do not have access to customer information at all. Only if customer knowledge becomes company knowledge, is the company able to use the newly developed knowledge in a value-enhancing manner (Dierickx and Cool, 1989). Substitutes of this knowledge are difficult to conceive.

The Implementation of Value Drivers in Strategic Planning

The integration of customer-specific targets in the corporate planning process implies adequate decisions about the design of a value-oriented planning system. This addresses the following target elements: (1) objects, (2) dimensions, (3) deduction basis and (4) the formation process (Weber et al., 2004).

Only if decisions about the adequacy of the four dimensions are made adequately, would it be possible to successfully integrate the value drivers of the intangible elements of customer value into the planning process.

Ad (1): Basically, every decision maker can be seen as a recipient of value-oriented planning. Companies often focus on the first two management levels as addressees of the planning process, because these managers have the power to strongly influence the

success of their company.

Due to the considerable importance of intangible resources to corporate success, the top management levels should be made responsible for considering the intangible elements of customer value. Therefore, related targets should be included in the planning process. We additionally suggest that such goals also be formulated for departments and entities affected in customer involvement.

Ad (2): In order to govern the entire group portfolio effectively, it is appropriate that the company headquarters defines targets for the business units in the form of value-oriented performance indicators. This is often combined with target setting in the form of additional value drivers (Weber et al., 2004). Such a procedure is also suitable for integrating the intangible elements of the customer value. In addition to classical key performance indicators, customer-specific value drivers should be used which, as shown in Sections 3 and 4, can include non-financial targets.

The *target dimension* needs to be planned in such a way that an adequate fulfillment of shareholders' expectations is possible (Weber et al., 2004). With regard to the intangible resources obtained from customer relationships, this means that value propositions which can be achieved from customer contributions, need to be linked to value drivers which directly represent the enhancement of company value.

To operationalise the enhancement of company value, it is necessary to plan the goals as recurrent ones. This seems to be the best way for the value drivers of customer value as well, because the behavioral control function can be used by annual target settings. Long-term target setting would run the risk of postponing the endeavours to later periods and thus de-motivate the managers.

Ad (3): In order to deduce the extent of value-oriented targets regarding the intangible elements of customer value, some deduction bases are more appropriate than others. To identify which magnitude of customer contribution is realistic to fulfilling headquarter expectations, a company should look at the past performance of its business units, its resources, equipment, specific competitive and environmental conditions, benchmarks with certain competitors, or industry-wide averages. The capital market, as a basis of target formulation, did not seem suitable as a

deduction basis due to the specificity associated with the intangible elements of customer value.

Ad (4): To find the specific target settings, knowledge of the business units should also be used. The managers in the business units know the specifics of their regional markets and the willingness and ability of customers to contribute to the company's success. Stockholder expectations and the knowledge of a company's local business units can be aligned by using both top-down and bottom-up planning.

CONCLUSION

The literature offers neither a systematic approach to handling value-relevant factors of intangible customer contribution, nor proposals for integrating customer-specific value drivers into the logic of value-based corporate planning. In order to close this research gap, our paper provides a theory-based proposal of a value-driver system which integrates the intangible elements of customer value and can be used for value-based planning.

Of course, one must not discount the fact that, although intangible elements of customer value are indeed important, they are nevertheless not the only resource enabling a company to achieve competitive advantages and thus enhance company value. In our analysis, we focussed on the resource based view. This method inevitably entails ignoring other theoretical perspectives and thus the non-consideration of certain aspects of the intangibles research, which can only be explained from other theoretical perspectives. Thus, by choosing one theoretical perspective, an eclectic approach was avoided. The identification of specific value drivers proved to be suitable for a number of reasons. The goal of enhancing the company value can be well operationalised by using specific value drivers, and coherences of cause and effect can be visualised in value-driver trees. Furthermore, a large number of incoherent business ratios is avoided. The approach can be helpful in decision-making, contributing to making the value-creating potential of customer contribution more tangible and usable in the planning process. This also leads to a greater acceptance of the value-based management concept by managers and scientists.

What can be considered as problematic is a possible pseudo-accuracy of the value drivers as indicators for value enhancement, as well as the danger of extrapolating the trend line and lack of regularity in

quantifying value drivers.

We did not empirically test the systematics that we developed. By focusing on conceptual considerations, we oriented our work towards similar approaches in the marketing context. Additionally, there is the fact that value-driver hierarchies, with reference to the intangible elements of customer value, are not yet much in evidence, in either the literature or in managerial practice. If manager and controller awareness of the phenomenon of 'intangibles' and specifically of the intangible elements of customer value were to increase, a (major) empirical study would be a logical step forward in the research on intangibles.

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Explanatory Notes

[1] Cf. Analogous to the combination of RBV and marketing: Srivastava et al, 2001; Srivastava et al,

1998.

A U T H O R
P R O F I L E S

Dr. Bernhard Hirsch is Full Professor for Management Accounting and Control at Bundeswehr University Munich. His research focuses on the areas 'Behavioural Accounting' and 'Value Based Management'. E-mail: bernhard.hirsch@unibw.de

Dr. Yvonne Schneider is a manager in the chemicals industry. She received her doctorate (PhD) at WHU - Otto Beisheim School of Management, Vallendar. Her research interest lies in the area of intangibles. E-mail: yvonne.schneider@whu.edu