

AN EXPLORATORY RESEARCH ON RELATIONSHIPS WITH STAKEHOLDERS IN INNOVATION

Rodica Boier

“Gh Asachi” Technical University of Iași
Rodica_Boier@yahoo.com

Abstract

High levels of product innovation activity are occurring through key companies leading and developing stakeholders networks. Thus, an innovating company will be always interested to know the degree to which component suppliers are willing to form partnerships by participating in its new products development process. Recognized as an effective opportunity for innovation, value co-creation allows the company to use relationships with customers and other stakeholders during the generating process, to create a space for mutual learning, co-creation and co-design, in which the stakeholders become an integrated part of the innovation and design process not only as a simple informants. The objective of the study was to describe the way that companies follow in their efforts to innovate involving the stakeholders. Relationships initiated, developed and maintained in this respect were studied on three Romanian companies that activate in the design and development of Enterprise Resource Planning (ERP) software solutions. They also deliver consultancy, implementation and post-implementation services for the products they sell. As source of information were used discussions conducted with directors of marketing from the three companies and also with several stakeholders involved in the innovation processes. Several similarities was found and described, for relationships specific to each category of stakeholder.

Keywords

innovation; new product development; relationship marketing; value co-creation; stakeholders

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1. Introduction

In the *innovation* processes, the *relationship marketing* is applied in a diversity of contexts, each of them with their corresponding particularities. These differences come from the product type – its business-to-business or business-to-consumer settings –, the specific industry, the actual stage of the market evolution – emerging or mature –, the level of technological novelty as dimension of technological uncertainty, the position/ status and role of stakeholders as part in the relationships, the state of the new product development process in which the interactions occurs or special issues like sustainable innovation, for profit and not-for-profit areas etc. (Alam, 2012; Atahaide and Rochard, 2009; Bhalla, 2011, Bonner, 2010; Carbonell et al., 2009; Franke, 2006; Füller et al., 2011; Grönroos, 2011; Gustafsson et al., 2012; Hoyer et al., 2010; Ind and Coates, 2013; Kuusisto and Riepula, 2011; Lagrosen, 2005; Lambert, 2011; Lau, 2011; Lehtimäki et al., 2012; Lynch and O’Toole, 2010; Nambisan, 2009; Piller et al. 2011; Rust et al. 2010; Sofianti et al. 2010; Tanev et al., 2011; Zacharias, 2011).

Interaction management in customer integrated innovation is an opportunity for companies to supply relational service to customer and to improve customer value and relationship quality (Sun et al., 2010). But companies also try to understand how

to ensure the best relational environment so that to provide the best sourcing of ideas from outside the company and even outside the industry, insights and knowledge from customers and end users, suppliers and competitors, universities, independent entrepreneurs, investors, inventors, scientists a.s.o.

For the organizations developing new products it is particularly challenging to understand customer needs which drive significant product innovation. Thus, it is important to identify the dimensions of the customer interaction process which lead to more proactive organizations. In a business-to-business setting, customer interactivity is conceptualized as a multi-dimensional construct consisting of bidirectional communications, participation, and joint problem solving with stakeholders during the projects of new product development. High levels of product innovation activity are occurring through key companies leading and developing *stakeholders networks*.

More and more often seller and a buyer enter into a relationship to mutually undertake the development of an innovative product. The new product development relationships generate a „cooperative competency” (Sivadas and Dwyer, 2000) and involve the product co-design, product co-development, joint problem solving a.o. In this context, a strong chapter of the relationship marketing regards the interactions between sellers and buyers during the new product development process when customizing the products. Thus, an innovating company will be always interested to know the degree to which component suppliers are willing to form partnerships by participating in its new products development process. Three key areas of positive influences on supplier intention for early supplier involvement are found by LaBahn and Krapfel (2000) as being the customer’s exchange behavior, the structure of dependence in a relationship, and the technology factors.

Recognized as an effective opportunity for innovation, *value co-creation* allows the company to use relationships with customers and other stakeholders during the generating process, to create a space for mutual learning, co-creation and co-design, in which the stakeholders become an integrated part of the innovation and design process not only as a simple informants.

2. Three case studies

The objective of the study was to describe the way that companies follow in their efforts to develop new products involving the stakeholders. Relationships initiated, developed and maintained in this respect were observed on three Romanian companies that activate in the design and development of Enterprise Resource Planning (ERP) software solutions. They also deliver consultancy, implementation and post-implementation services for the products they sell. The source of information were the discussions conducted with directors of marketing from the three companies and also with several stakeholders involved in the innovation processes. Several similarities was found, as described in the following ideas.

These specific companies were chosen for the study on the basis of their product portfolios, being in a constant and dynamic evolution. For instance, a new product was launched on the market at every approximatively 5 years. The main benefits brought to the customers consists in an easy and fast access to the accounting and management information, freedom to run on under different operating systems, and the interconnectivity of modules and connectivity with peripheral devices used in accounting management. Step by step, new products resulted from the diversification of the core product, and this evolution required constant adjustment to different use environments. Accumulating a rich history of experience and cooperation, the companies have constantly increased its value through the rapid implementation of

the requirements and ideas coming from the diverse range of customers, collaborators and partners. The product has had a constant upgrading thus there appeared many improved versions of the core product.

In support of this effort to innovate new products, an extensive and constantly active *innovation relationship network* was set up, a real engine that enabled the permanent improvement of the system. The innovation network management has relied in its specific interactions on the essential principles of relationship marketing, i.e. involvement, trust-based relationship and constant communication among partners, long-term customer satisfaction. In all of these three case studies, the partnership is made up of the huge number of individual end users, companies, authorized distributors, and other partners such as professional associations, colleges and universities with programs of study in the field.

The three companies surveyed considered their *customers* to simultaneously play different roles in relation to the new product – executive managers and top managers, the distributors, computer operators and IT specialists. For each of these categories, special relationship marketing actions were developed and implemented. The customer's *executive managers* who operate especially the outputs, the product reports and analysis areas, are a key partner in the innovation relationship network. Their involvement occurs at different stages of the process: in the pre-analysis and analysis stage, where the product can be adjusted to specific needs, then, through checks and tests performed by employees. They are less involved in the post-implementation phase, especially if the provision with solutions, reports etc. has reached its maturity. An increased relationship networking with the managers is once again achieved when the business growth is accompanied by an upgrading of the application configuration additional users, additional necessary modules etc.). The cycle is resumed with their involvement in pre-assessment, analysis and implementation assessment. On the other hand, since the customer as *buyer* expects to benefit from a more effective and efficient product, the relationship networking with *top managers* focuses strictly on the level of satisfaction or, in certain cases, dissatisfaction on the matter.

The value chain also includes the *distributors* who are involved throughout the entire process of innovation, in a complex and continuous relational system. Because of their status as “value added services providers“, rather than just customers, the innovating companies considers them as *business partners*, who act like a real, active and effective interface with final customers. Consequently, the added value allocated to them was dimensioned so that to keep them motivated to build, maintain and develop the appropriate relationships with the customer, including in the post-implementation stage. The distributors' trust was further consolidated through their active involvement in the front-end stages, when the attention focuses on how to stimulate the input flow that represents the customers' requirements, the inputs translation into technical language, the joint analysis/ assessment of the necessary and possible solutions, the making of improvements, tests and implementation at the customer's location. It is interesting, and demonstrated by experience, that the satisfaction of this type of active involvement exceeds in many cases the strict financial satisfaction. The relationships established carefully gave the distributors the feeling of belonging to a family that is solid, cohesive, reliable, competitive, innovation-driven, that is at the forefront of trends both in technology and performance marketing practice.

The customer's *computer operators*, on the other hand, are involved in the current operational phase. The experience accumulated from the relationship with the computer operators proved that reactions to change may range from inertia to hostility

or even violent rejection in some instances. Regardless of their nature – be they ‘pro’ or ‘against’ – the company was interested in gathering the reactions either directly from their supporters or indirectly from the client representatives of the companies’ authorized dealers who maintain the customer relationships. The management of the customer relationship means to collect, analyze, respond and give the adequate solution to customer feedback by approaching each situation either directly or indirectly.

The *IT specialists*, are always in the “front line” of ERP system implementation. They detect and send the problems in real time. They are particularly valuable in the relationship as they do not create technical communication barriers, they can correctly describe the IT processes and have an adequate understanding of possible solutions. Their involvement is direct both in the implementation and post-implementation phases in that they provide the interface for support. They detect, localize and report the ‘bugs’, receive debugged versions, check them in actual use and confirm their correction, provide application architecture solutions, hardware/software solutions that are better adjusted to the actual use of the application.

Last but not least, an important actor in the innovation relationship network of the company is represented by the related *professional associations*. They offered valuable ideas on several aspects such as the improvement of product architecture, interface ergonomics, compliance to legislation, adjustments to the unprecedented turbulence in the Romanian financial-accounting legislation in the transition and post transition period etc. Good relationships developed and maintained with the professional associations were sustained through sponsorship and promotional pricing practices, or substantial discounts from price list offered to members.

Since the commercial success of a new product depends heavily on the compatibility between product and consumer, the innovating companies hadopted a proactive attitude by getting involved in the *education* of the prospective users. Product use rights for WM and WME were given to universities and high schools programmes in accounting and management information. Accommodating future users with a specific application during their school years creates a beneficial, solid information chain with favourable long-term outcomes. Support in installation and maintenance and training of lecturers was provided. The essential issue in this relationship was to monitor the transmission of accurate and complete information on the product, on its extensive use, near the full of its capacity. Careful selection of instructors with the appropriate expertise was crucial to the success of building and maintaining the relationship.

On a continuous basis, the flkow of new ideas for innovative solutions were gathered, discussed, analyzed and jointly tested, all along of these processes.

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