The enterprise relational view (ERV): exploring future in Strategic management

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ABSTRACT
The importance of relationships in modern society is unquestioned and in certain fields it has acquired a decisive role in value creation under particularly complex conditions. The enterprise system as a socio-economic phenomenon is a network of evolving relationships. Relationality is undoubtedly a useful key to understanding current and future entrepreneurial phenomena that, if used in systems thinking, represent a critical factor to observe complex phenomena. The contribution of systems thinking, in this perspective, is counteract disruptive disorder (Pardi, 1998), or entropy. The term “relationship” signifies interactions born from connections in a specific context and it is the result of the evolutionary dynamics of the interactions of socio-economic phenomena. Relationships can have a nature of contention or exchange (Pellicano, 2016). Contention refers to the antagonistic category of win-lose that leads, in extreme cases to destructive lose-lose interactions. In the exchange case, the nature of the interactions can be occasional (or transactional), symbiotic and relational. The first is fed by an exchange based only on economic advantage. In the second, the exchange characterizes the dependence of a subject on another. In the third, subjects integrate with each other’s resources in a collaborative relationship with a long-term projection. Only in the last case it is possible to talk about “relations” since these manifest a synergic exchange projected over time. Relationships are therefore born from a state of structural connection between two or more parties, that on a systemic level evolve in interactions undertaken in a common path of collaboration and, therefore, of resonance (Beer, 1989). Using a cybernetic lens, the elements of a system are in reciprocal interaction for which
the action of an element on another implies a response (retroaction or feedback) of the second element towards the first. In this case, the two elements by a “feedback loop” are linked. The loop that binds an element “A” to an element “B” is called “positive” (relational) when a variation in a value sense for “A” produces a change in the same value sense for “B” (Wiener, 1948).

Focusing attention on the nature exchange in an integration framework raises questions as to the subjects involved in the entrepreneurial actions and to what the subject of active exchanges between these entities may be. One possible answer may lie in the resources, intended as object of dynamics integration typical of value co-creations processes.

The social and economic sciences (such as management, sociology and economics) have paid special attention to relationship phenomena. Management, as a social science, has framed the relations through different lenses such as trading activities, marketing (customer relationship management) and relationships with stakeholders (stakeholder relationship management). Nevertheless, there seems to have been no particular attention devoted to interpreting the enterprise through the lens of relationality from a systemic and service science point of view.

With regard to trading activities, the research carried out to date focuses attention on the relationship between two or more parties in an “object” (contract, tenders, procurement, etc ...). In this sense, the relationality is manifested in a (similarly) structured manner, within the context of one purpose (the instrument) dedicated mainly to the production of financial value. In this context, the relationships can only be considered instrumental and utilitarian and are not included in their entirety in a diffused enterprise relational culture, but only in part, and they are not framed from a systemic point of view. Relationship management is customer oriented (forming the basis of “Customer Relationship Management”) and therefore falls in the specific area of marketing. Some of the relevant studies in this area have focused on (1) customer relationship management strategies, (2) investigating possible links between customer satisfaction and business performance (Kamakura et al, 2002), (3) the links between customer loyalty and profitability (Rinartz, Kumar, 20900), (4) customer profitability heterogeneity (Niraj, Gupta, Narasimhan, 2001), and (5) customer loyalty programs (Verhoef, 2003). This analysis is reflected in work on relations in business-to-business (Håkansson, 1982; Håkansson, Snehota, 1995), and business-to-consumer marketing (Gronroos, 1983; Gronroos, Gummesson, 1985). Studies carried out by from the stakeholders’ point of view (stakeholder relationship management) seem to be closest to an integration of relationality in modern and future enterprises. This area of study, including stakeholder engagement, highlights the theme of relationship between management and stakeholders emphasizing the opportunity to include them – depending on their differentiated influence – within the decision-making process. This area of research does not seem to consider fully the opportunities for integration of stakeholders in value co-creation processes as an extension of the stakeholder engagement concept. Relationality and inclusivity, which are investigated in this study, should instead be seen as indissolubly linked aspects.

For the purposes of this work, the “relational theory of society” (Donati, 1991, 2011) is today considered as an emerging paradigm of modern sociology. The theory starts with the assumption that “... human reality is relational by essence” (Donati, 1991) and assumes that “...highly
modernized societies do not have an adequate social representation and that while the reality has become increasingly relational ...” (Scarcela Prandstraller, 2008), “… they haven’t yet a reflexive system suited to understand this phenomenology” (Donati, 1991). The theory assumes the principle that the core matter of sociology “…is not the organism, the structure or function, but rather the social relationship” (Donati, 1993).

Even economic studies have focused on the study of relations and in this sense economics acknowledges the “relational theory of happiness” (Bruni & Zamagni, 2004). This theory assumes that “… the critique of the classic economy (and market) ... leads to affirm not only that, intrinsic and instrumental motivations can and should co-exist in an economy, but that the economy (and markets) can become a place of authentic relationality, the creation of relational goods and forms of reciprocity ...” (Giovanola, 2012). On the concept of “relational good”, the sociology of economics areas have started an intense collaboration to better define this term (Martha Nussbaum, 1986 and Pierpaolo Donati, 1986 as sociologists; and Benedetto Gui 1987, and Carole Uhlaner, 1989 as economists). The definition of a relational good more in line with this work is by Martha Nussbaum, who argues that the relational good is human experience, which is the relationship per se that constructs the good: the intersubjective relation, therefore, is not something that “… exists independently of the good that is produced and/or consumed” (Bruni, 2011).

From this recognition arises an opportunity to investigate modern and future enterprises as a socio-economic phenomenon through a new lens. Under this lens it is observer subject (Maturana, 1988) who governs the enterprise through relationships devoted to value co-creation processes. This topic finds its natural place in the area of strategic management respect to the governance.

The key is centred on the relationality decreased in systemic studies and science service and assumes centrality in the perspective of observed subject, responsible for governance of organizations. The theoretical background is founded on a systemic matrix and on services: the “social system” of Parson (1951) and Luhmann (1984), the “viable system” of Beer (1989), the “systems view of life” of Capra & Luisi (2014) and the “service science” concept of Maglio & Spohrer (2008).

Systems thinking is particularly suitable to characterize the construction propositions of a model based on relationality because: (i) it tends to simplify complexity (entropy); (ii) it includes and explains the connections between multiple elements (e.g. the system is “… a whole by virtue of the interdependence of its parts (von Bertalanffy, 1968)); (iii) it puts forth a subjective vision that determines that the system observed depends on the observer (“... all that is said is said by an observer”, (Maturana et al, 1985)).

Service science (Spohrer and Mallet, 2008) and Service Dominant Logic (Vargo, and Lusch, 2004) emphasise in the service culture and in the transition from good to service, the value co-creation as a joint outcome that ensures the social cohesion of systems.

The emerging Enterprise Relational View (ERV) is an interpretive model that allows understanding complex active relationships in the strategic management area by using a systemic perspective. Those relationships manifest the capacity to enable interchanges of resources to mutual benefit between the involved parties, activating/increasing win-win value creation processes. This model is valuable as support for the subject responsible for governing activities in reading (observation) and understanding the relational dynamics underlying enterprise behaviour and in calibrating future actions under a new perspective. The propositions underlying the ERV interpretative model can be summarized as follows (Pellicano, Ciasullo, Troisi, 2016):
- **Relationality and self-reproduction**: the relational nature of communication processes constitutes and sustains the company recognized as a social autopoietic system.
- **Diffusion and definition**: the net-like and its related system are reader/perceived by the Subject Observer as parts of the specific context of the enterprise, considered, in turn, as part of general environment. Therefore, an enterprise, in the dual perspective of structure and system, is the result of a constructive personal observation (Ego – observer subject).
- **Sense and cohesion**: an enterprise is considered as a system that has a symbolic meaning, represented by value co-creation. A sense of belonging can be made possible by a complex mix of rational and emotional factors.
- **Forming and formulating decisions**: as a reflection of a problem’s complexity, to the Subject Observer the decision-making process seems designed when the decision-making seems to be shared and diffuse, albeit with different roles, with all other subjects that make up the enterprise system (Alter – Ego’ interlocutors).
- **Co-creation and regeneration**: the value co-creation internal to the relationships network that represent the organizational pattern of the system allows the self-reproducing regeneration of resources that nurture and allow the viability of the network.
- **Resources and competitiveness**: the competitiveness of the enterprise system is linked to the ability to acquire resources by establishing collaborative relationships, i.e. relationships with subjects who are holders of resources.
- **Leadership and viability**: the governing subject is the guarantor of relational harmony characterized by dynamism and contextuality. It is important, therefore, that its constant monitoring aimed at facilitating communication processes with the ultimate objective of keeping the enterprise system viable (Pellicano, 1994).

The ERV emerging model will be tested with a survey directed to the leaders (CEOs) of international business organizations in order to explore three additional key points:
- **how**: through the analysis of collected data, how should one measure the extent to which the addressees approach or diverge from the ideal model of relationality, and in what respects;
- **where**: in which sectoral/local contexts are central to the relationality of enterprise governance actions;
- **why**: verification of the existence through CEO profiling, or through analysis of typical cultural aspects of an area and of the individuals who are most central to important relationships.

Collected data will be analysed with quantitative techniques and predictive tools useful in validating the model.

In the study, current trends will capture significant signals that show that the survival of enterprises will be based, in the near future, on enhancing a culture of relationality that has been fully internalized by CEOs.

The planned scenario and its practical implications flow from the diffusion of a governance culture in which the subject observer is fully aware of the criticality of relations that are relevant to him/her because they are active (structural aspects) and increasing in importance (systemic aspects) with respect to holders of key resources. From this perspective, survival is linked to the relational capabilities of the observer and governed subject in regard to:

1.enterprise phenomena, which are ultimately nothing more than the daily dialogue between the subject observer (Ego) and its partners (Alter);
2. enterprise’s viability, which depends directly, if not exclusively, on the Ego’s ability to 
activate and cultivate relationships daily.

The relationality will characterize, in our view, the future orientations of strategic management 
and its vision of enterprise governance.

**Keywords:** Enterprise Relational View (ERV), Relations, Strategic Management and 
Governance, Service Science, System Think, Value Co-creation

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