Problems with Communication Quality in Commitment Management

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Abstract.

Quality is becoming more and more important for companies in order to survive on the market. One of the critical issues in order to sustain quality are how companies can improve their commitment management. The concept of commitment management is in this paper focused upon how companies and customers are creating commitments and how these commitments are fulfilled. The reason for addressing this issue is that we in a number of empirical case studies have found that a lot of quality and efficiency problems can be explained by problems in commitment management and deficiencies in IT-systems in order to support this process. The aim of the paper is to describe, discuss and analyse some of these problem from a communication quality perspective.

Keywords: Business transaction, Commitment Management, Validity Claims, Communication Quality

1 Introduction

There is a growing interest in communication and social interaction in the business area. Marketing theories (e.g. Coote et al, 2002; Grundlach & Murphy, 1993; Grönroos, 1990; Håkansson & Snehota, 1995; Zeithaml et al, 1990) stress the importance of social interaction and business relationships for business transactions. The awareness of the role that social interaction has in business transaction for creating and developing sustainable business relationships is becoming more evident. Marketing theories are theories which are rooted in the area of relation and service marketing. Important aspects focused upon in these theories are commitments (or promises), communication and trust.

A mutual commitment as we define it in this paper is an engagement to take on obligations together with other social actors to act in a certain way in the future (Habermas, 1979). This implies that patterns of communication to arrive at, fulfil and evaluate agreements between social actors are essential in order to understand the notion of commitment management. In line with such a definition of the concept of a commitment trust can be described as the notions of credibility or the beliefs that another party can be relied on to fulfil written and spoken promises (Coote et al, 2002). Other researchers in the relation marketing area that focus upon the importance of commitments (or promises) are Gundlach and Murphy (Grundlach, 1993). They talk about the Promise principle which “provides the moral basis for contract law. Individuals can voluntarily impose obligations on themselves under which they can choose to join together for mutual advantage. Trust is one tool through which people can cooperate with others to actively serve one another’s purposes, and promising is thought to be the best vehicle for generating trust”. It is also recognized that conflicts occur and trust is eroded when explicit and implicit agreements are violated (Coote et al, 2002).

The theories in relational marketing have a focus of the importance of commitments, trust and communication for managing long-term business relationships and it is true that these aspects are especially important to sustain these types of relationships. However these concepts are
important for the quality of business transactions no matter if the relationship is short or long-term.

This is recognised in service marketing theory and Grönroos (1990) describes the importance of commitments and communication in relation to the concept of functional quality. Grönroos is then focused upon the customer-service provider interaction in the actual service business transaction. In this interaction Grönroos emphasises the importance of the supplier making correct promises, making the promises in a correct way and fulfilling the promises and commitments made. Grönroos also claims that communication is extremely important in this interaction and that many quality problems can be explained by inflexible systems and poor communication quality.

In communication situations there are at least two actors involved. In order to ensure and evaluate communication quality it is therefore a need to reach a shared understanding between social actors. Habermas maintains that mutual understanding is evaluated and reached among social actors by raising and accepting universal validity claims (c.f. Habermas, 1984). ”A validity claim is equivalent to the assertion that the conditions for the validity of an utterance are fulfilled” (ibid p 38). We think that the idea of evaluating communication quality based on validity claims is important. However the validity claims have to be understood and adopted to the context of business acts constituting business transactions. From the discussion above we can maintain that commitment management, i.e. how companies and customers create commitments and how these commitments are fulfilled, has been recognised as very important for the quality and efficiency of business relationships and transactions. However we have found in a number of empirical case studies that many of the quality and efficiency problems identified can be explained by deficiencies in commitment management, and the poor support that IT-systems give to such business interaction The purpose of the paper is therefore to discuss the importance of communication quality in commitment management in the context of business transactions and information systems. The paper is outlined as follows. In section 2 we will start by first describing how commitments are made and fulfilled in the course of the business transaction and which function communication has in such business interaction. In section 3 a number of typical scenarios that have been observed in different action research projects are described and analysed. Section 4 will conclude the paper.

2 Commitment Management in Business Interaction

2.1 Business interaction as social interaction

A business transaction can be characterized as a type of social interaction where communication and material acts are performed. Goldkuhl (1998) has presented the BAT-model (Business Action Theory model) which describes the business transaction as social interaction. The framework is divided into six phases. 1) Business prerequisites phase, 2) Exposure and contact search phase, 3) Contact establishment and proposal phase, 4) Contractual phase, 5) Fulfillment phase, and 6) Completion phase.

This model has been further developed by Goldkuhl & Lind (2004). A business interaction can be performed in different business interaction contexts. The interaction can take place on a market level where suppliers and customers interact as potential customers and suppliers toward each other (Phase 2 in the original model). When a contact is reached between a supplier and a customer this interaction may proceed to the dyadic level (Phase 3). On the
dyadic level a distinction is made between frame contracting and business transactions. Business transactions occur between a particular supplier and a particular customer on one occasion, and it comprises the establishment, fulfilment and assessment of a business agreement (Phase 3 to 6). Sometimes a business transaction is governed by frame contracts. The frame contract concerns establishment of long-term agreements. These agreements govern recurrent business transactions.

The reason why communication is important and generic both at the market and dyadic level is that communication is used to perform generic business act like to request, offer, order or order confirmation (Goldkuhl, 1998), which create commitments that have to be fulfilled in the course of the business transaction. Figure 1 below describes these patterns of communication acts in the business transaction:

- The customer puts forward a request or a wish for a product that he/she wants. From a communication action perspective the customer is the sender and the supplier is the interpreter.
- The supplier makes a business offer where the supplier is the sender and the customer is the interpreter.
- The customer makes a purchase order where the customer is the sender and the supplier is the interpreter.
- The supplier makes an order confirmation where the supplier is the sender and the customer is the interpreter.

These communication acts creates an agreement which has to be fulfilled in subsequent actions. The supplier is responsible for delivering a product and the customer must receive and pay for the product.

The description that we have made above is of course a simplification. The creation of the agreement is not only dependent on communication, and not only material acts and payments are performed to fulfil the business agreement. For example new agreements have to be made
between the actors on the supplier side when the product is delivered. The supplier and the customer can also make new agreements in the fulfilment phase.

This means that the ability to create business agreements and to fulfil these agreements is generic for the business transaction, which implies that it is very important to be able to create agreements of a high quality and to fulfil commitments made in a reliable way. Commitment management is about managing conditions for and consequences of such commitments. Commitment management is needed since organizations often have several customer (or suppliers) and are involved in several contemporary business transactions.

2.2 Universal Validity Claims

From the discussion above we can see that it is very important to be able to create agreements of a high quality and to fulfill commitments made in a reliable way. The discussion above also illustrates why communication quality is so important for commitment management. The reasons for this are that:

- business communication is used to perform generic business acts: request, offer, order or contract;
- the communication acts create business agreements that imply commitments that must be fulfilled in the course of the business transaction.

But what does it mean to create a high-quality agreement? According to Habermas (1984, p. 287) a high-quality agreement in general is an agreement based on mutual understanding. Such an agreement rests at the levels of normative accord, shared propositional knowledge and mutual trust in the actors sincerity (ibid. p. 307-308). This implies that the agreement should be valid at these three levels. A very important idea is also that the agreement should be based on valid grounds. These grounds (conditions) are claimed explicitly or implicitly in the agreement. Habermas talks about three universal validity claims which are in play when communicating actors tries to create a mutual understanding of something in the world. These validity claims are described below:

1. The claim for truth. So that the actors can share their propositional knowledge. The claim for truth can be discussed both in terms conditions of satisfaction, i.e. what ought to be or existential presuppositions, i.e. what is.

2. The claim for normative rightness which means that the agreement has to be related to the normative context so that the agreement is considered as legitimate. This implies that the communication act or agreement must comply with established norms or rules otherwise it is not considered as valid.

3. The claim for sincerity or truthfulness which means that the agreement should be based on the subjective sincerity of the actors so that the actors can trust each other.

Habermas maintains that these validity claims can be fulfilled in two ways directly or indirectly. The claim for truth can be fulfilled directly in by the certainty of presented facts, or indirectly in a (theoretical) discourse. The claim for normative rightness can be fulfilled directly by referring to an existing normative background that corresponds to the communication act or agreement, or indirectly in a discourse. In the case of a (practical) discourse it is the validity of the normative background that is discussed. The claim for sincerity can be fulfilled through assurance of what appears to be a credible behavior, or indirectly by subsequent actions. This means that the actors have to show in action that it is their expressed intention that really guides them (Habermas, 1979), i.e. the sincerity of the actors is proved by a reliable subsequent behaviour.
This implies that the agreement should be understood in the light of these validity claims. Habermas (1984, p. 38) writes “yes/no positions on validity claims mean that the hearer agree with a criticisable expression and does so in the light of reasons and grounds, such positions are the expression of insight or understanding”.

The descriptions that Habermas makes of these validity claims are quite general. In order to talk about communication quality in commitment management these validity claims have to be understood in more detail, but also questioned, in a business transaction context.

2.3 Validity claims in a business transaction context

The claim for truth

The universality of the truth claim has been challenged e.g. by Thompson (1982), who claims that the main problem is that Habermas does not make a clear distinction between what is the case (claim for truth) and what could be the case (claim for satisfaction). The meaning and understanding of the truth claim is primarily a problem in relation to regulative communication acts e.g. request, offer, order, order confirmation, etc. This was first recognized by Austin (1976) who invented speech-act theory.

Eriksson (1999) maintains that the claim for truth should be understood as a claim for satisfaction when regulative communication acts are performed. A regulative communication act is accepted in the light of the conditions that have to do with the satisfaction (or success) of the proposed action, result, goal or effect.

This is also in line with the critique of Goldkuhl (2000) who maintains that propositional content of a regulative communication act can be challenged in relation to results, effects and desired goals (conditions of satisfaction) not the truth of the communication act. Goldkuhl also points out that material circumstances (existential presuppositions according to Habernas) have to be considered in relation to the efficiency and possibility of performing requested tasks, which means that the existential presuppositions must be related to the ability of actors to perform desired actions.

If we relate the discussion above to the case of a business agreement, we can say that the claim for truth has to be understood or substituted with the following claims:

• A claim for conditions of satisfaction. In a business agreement the conditions of satisfaction is raised by the description of the product and the specified time when it should be delivered.

• A claim for capacity. In order to be valid the business agreement has to be based on material facts, e.g. that there are enough raw material, components, products in stock and labour available so that the product can be produced and delivered. This also implies that the capacity, in most cases, has to be reserved it is not enough to see that there is capacity available.

The claim for normative rightness

This is a claim which to a high extent based both on formal and informal social norms and values that are legitimate in the actual business context, this normative context can be based on explicit norms e.g. price policies, authorized product repertoire, and frame contracts, or implicit norms like keeping commitments made.

The claim for sincerity
The business agreement should be based on a sincere willingness to fulfil the commitments made e.g. knowledge about the actors’ behaviour when they perform business transactions. The sincerity of the actors is very dependent of how they fulfil their commitments in the business transaction, because the sincerity of the actors can really only be checked to the consistency of their subsequent actions.

In a business transaction context a high quality business agreement should comply with the validity claims described below:
1. The claim for conditions of satisfaction
2. The claim for capacity
3. The claim for normative rightness
4. The claim for sincerity.

In the next section we will show how these criteria can be used to discuss the communication quality of in commitment management based on three scenarios.

3 Failures in Commitment Management

In this section three typical “scenarios” are described and analyzed. The scenarios show situations when there is a need for a better commitment management in order to improve the quality and efficiency of the business transactions. These scenarios are based on experiences derived from several case studies.

3.1 Scenario 1: The commitments made in business offers

Scenario description
This example is derived from a steel company producing steel pipes for hydraulic cylinders. This company makes a lot of offers directed towards potential customers. These offers consist of product specifications, prices as well as when to supply the product (conditions for satisfaction). These offers are written in the word processor and then faxed to the customer; they are not registered in the company’s ERP-system.

At the same department, the sales department, incoming customer orders are registered and confirmed. The basis for this order confirmation is a receipt of reserved capacity in the computer system. Open offers (= still valid offers) are however not taken into consideration when a customer order is confirmed. This is the case although the commitments made in the open business offers may affect the possibility to fulfil both the commitments made in the confirmed orders and open offers. The reason for this is that the open offers implies commitments to accept a purchase order based on the conditions of satisfaction described in the offer as long as it is open. As a consequence both open offers and confirmed orders compete about the same production capacity.

Scenario analyses
The situation described above raised questions of how open offers should be considered. In this case no production capacity was reserved for the offers, and as a consequence the capacity for accepting orders based on these open offers were not guaranteed (criterion 2 – the claim for capacity - was not fulfilled). One reason why capacity was not reserved for open offers was that the offers were not integrated with the ERP-system and thereby it was not possible to reserve production capacity based on the offers with the help of the system.
Another reason for this problem was that there were no rules or policies developed how to solve this situation (criterion 3 – the claim for normative rightness - was not fulfilled). Questions not answered were. How should commitments made in open offers be considered? How should different offers be valued and affect other commitments made by the company? Is there any difference between the commitments made in offers to potential customers compared to those made to a particular customer?

3.2 Scenario 2: The quality of the order confirmation

Scenario description
This example is derived from an e-commerce company. At the e-commerce company a lot of customer orders are continuously received by the company. At the arrival of the customer order the customer gets a receipt of the arrived order. Each morning the customer office divides the customer orders among the customer service workers. Each worker will receive a stack of approximately 50 customer orders. For each customer order the worker will check the availability of products in the company’s stock system and then confirm a certain delivery date to the customer (issue an order confirmation). When the whole stack of customer orders are handled in this way the customer orders will be transferred to and reserved for the particular customer in the company’s ERP-system. Customer orders are thus confirmed prior the reservation of the products. Since there are several customer orders concerning the same type of product the potential in promising the same (physical) products for several customers is high. Later in the business transaction this gave rise to the need for splitting specific customer orders into several deliveries due to missing products, some products had also to be substituted.

Scenario analyses
The situation at the e-commerce company raised several questions, but the main question was how to reserve the products so that the products could be delivered to meet customer’s expectations. The commitment made by sending the order confirmation is that the company is obliged to deliver according to the conditions of satisfaction described in the customer’s purchase order. The cause of the problem is that the business agreement is created before the supplier has guaranteed the fulfilling of his commitment, i.e. reserving the capacity to deliver (criterion 2 - the claim for capacity - was not fulfilled). This is also a violation of the criterion for normative rightness (criterion 3) because the e-company should not make commitments that it probably cannot keep. As a consequence criteria 1 (the claim for conditions of satisfaction) and 4 (the claim for sincerity) were also violated because the purchase order could not be fulfilled according to the commitments made in the business agreement.

A basic cause of the problems described above is that the workers at the customer office do not reserve the products in the ERP-system prior to the order confirmation (violating criterion 2 – the claim for capacity). This situation has been created since the e-commerce and ERP-system is not integrated. Another reason is that there is a rule in the e-company that says that all customers should have a confirmation sent to them at the end of the day, and as a consequence the customer service workers are prioritizing this rule before checking and reassuring that the commitments made could be fulfilled. This shows that different validity claims can be in conflict with each other. That is the claim for normative rightness (following the business rule) in conflict with reassuring the claim for capacity.

3.3 Scenario 3: Norms for valid commitments

Scenario description
At another company, a paper manufacturer, the sales men have been instructed that there is a four week lead time before the customer order can be delivered. The company has for a long time worked with rationalizing and making the production extremely efficient. Since the sales men are representatives of the company they make promises directed to customers on behalf of the paper manufacturer. The sales men, however, think that it is not possible to sell under such conditions. In the competitive market of the paper manufacturer much shorter lead times are needed. This has created a situation in which each sales man registers “fake orders”. This was a way of reserving production capacity in order to cut lead time for the real order that is about to come. The “fake orders” are to be substituted with a real customer order before the production is meant to take place. Sometimes the sales man get into the situation that he/she is out of “fake orders” and has to negotiate with other sales men in order to come to an agreement with a particular customer.

**Scenario analyses**

The situation at the paper manufacturer raised a number of questions concerning the quality of the commitment management. How should the norms governing the internal communication be developed to ensure a good way of reserving and utilizing production capacity? How can a situation of sub-optimization be avoided? How can a higher degree of understanding between the actors at the selling and production units be achieved?

The main problem is two-folded; the sales persons discontent with the company rule saying that “you cannot promise a delivery less then 4 weeks after the purchase order”, and the production personnel discontent with the demands of meeting customer demands. The rule put up by the production personnel could be seen as a way to reach the claim for capacity (criterion 2) and the claim for conditions of satisfaction (criterion 1). The sales persons do not want to comply to the rule because they want to have shorter lead times to meet customers’ expectations. To overrule this norm the sales persons make “fake orders” in order to reserve production capacity that can be used to shorten lead times. This implies that the sales persons tell the production personnel that they have made commitments towards the customers, but these are not legitimate, i.e. the claim for normative rightness (criterion 3) is violated. They also behave untruthfully (violating criteria 4 – the claim for sincerity) by making “fake orders” in their communication to the personnel at the production unit. On the other hand the production unit does not contribute to a change in the normative system adjusted to the competitive situation of the salesman. This can be considered as violating criterion 3, the claim for normative rightness.

**4 Discussion**

In previous sections we have presented a theoretical framework which can be used to analyse the communication quality in commitment management and a number of scenarios that describe situations where the communication quality has been violated. The question is what can we learn from this? There are a number of issues that we want to stress.

**Competing commitments**

The idea of focusing on commitments in the business transaction is nothing new but the point that we are trying to make is that earlier descriptions of commitment management (in e.g. the CFA-schema (Winograd & Flores, 1986), the BAT-model (Goldkuhl & Lind, 2004) or DEMO (Dietz, 1999) describes how commitments are made and fulfilled in one single business transaction. The problem that arrives when there are several customers involved in several transactions are not penetrated in these earlier descriptions. Models like CFA, BAT
and DEMO are focused on the logic of the type level of the business transaction. Focusing on competing commitments moves the focus to the instance level of business transactions and the business logic at this level. We both analyse several instances of the same action on type level as well as several instances of different action on type level.

The scenarios that we have outlined in this paper show situations involving several customers and several competing commitments. This makes the commitment management and the logic much more complicated. From the scenarios we can see that the complexity affects the way the workpractice is set up and realised, and this complexity also pose demands of changes in the way the work is performed. This also affects how IT-systems are used. We could e.g. see how the sales men at the paper manufacturer made fake orders by the use of the business rules set up in the IT-system (in order to behave untruthfully) in order to cope with competing commitments from the customers.

From the e-commerce company we could see that the situation with competing commitments triggers a demand on the business rules of reserving the product before confirming the customer order. This also means that the ERP-system and the e-commerce system must be more integrated in order to allow the customer service workers to have direct access so that can reserve the needed capacity.

Competing commitments also put the focus on the normative aspects of business transactions. When there is a lack of capacity decisions have to be made concerning which commitments are the most important, which implies that the normative context is challenged, and when there is a lack of normative guidance this becomes a major problem as in scenario 1 and 2.

**The normative aspect of the business**

The discussion above shows that the normative aspect of the business is very important, and we claim that to focus on the communication quality of commitment management put this important aspect into the fore. It is important to describe the logic of these business processes as it is described e.g. in the CFA-Model, BAT and DEMO, however it is also important to complement these business logic models with a normative dimension. One reason is that the normative dimension affects the business logic and vice versa. As a consequence it is important to combine the business logic and normative aspects of the business transaction in the same framework.

**The information systems support in the commitment management process**

One conclusion that we can draw upon from these scenarios is that the information system does not support the commitment management process in a good way. In scenario 1 the offers were handled outside the order system. In scenario 2 the order confirmation was not integrated with the ERP-system. In scenario 3 the system allowed the violation of important business rules. It seems like the systems are built for other purposes than to support commitment management. In our opinion the system are primarily developed and implemented to support the planning and control of different functions at the companies involved, i.e. there is one system for handling customer orders and a separate production system, and the integration of these systems is low. The effect of building the systems in this way is that the commitment management process becomes difficult to manage.
5 Conclusions

In the paper we have discussed and analysed the critical issue of commitment management. This has been done from both a theoretical point-of-view and by analysing a number of scenarios derived from a number of case studies that we have performed.

From a theoretical point-of-view we have shown how three basic concepts commitment, communication and trust are related to each other in the context of the business transaction by using the BAT-model and communicative action theory. The theoretical framework is based on the idea that in the course of the business transaction commitments are made with the help of generic communication (business) acts which create commitments that have to be fulfilled in a reliable and effective way in subsequent actions. In this way business relationships based on trust can be created and maintained.

Our notion of business interaction (in business transaction) is based upon that there are two actors involved. These actors need to arrive at a shared understanding of universal validity claims raised in such interaction in order to ensure high quality in the interaction. In this paper we have questioned the notion of universal validity claims according to Habermas (1984) based on the context of a business transaction and by criticism put forward by Eriksson (1999) as well as of Goldkuhl (2000). We have therefore proposed a development of the validity claims put forward by Habermas (1984) by dividing the claim for truth into two criterions; The claim for conditions of satisfaction and The claim for capacity. It is also worth noticing that Habermas’ has a passive view of how the validity of regulative communication acts is guaranteed. Our analyses show that if the claim for capacity is to be guaranteed, capacity has to be reserved in an active way (in most cases). It is not enough to see that there is capacity available. This holds for regulative communication acts and agreements in a business context but also for regulative communication acts in other contexts.

In relation to Habermas´ theory it is also of interest to notice how the lack of business rules in the scenarios triggers a practical discourse about the normative context of the workpractice. This discourse is very important for the development of both the workpractice and the IS used in this workpractice.

With the help of a number of scenarios by using these validity claims we have shown some typical examples of deficiencies of the commitment management of three companies and the lack of IT-support. The reason for doing so is that we have found that a lot of quality and efficiency problems that can be explained by problems with communication quality in commitment management, and deficiencies in IT-systems in order to support this process. An important conclusions based on these experiences is that business and systems development should be more focused upon analysing the meaning of commitments and how they are created and fulfilled. Communication quality in commitment management is an important driver for development of business rules and supporting IT-systems!

References


