

Relational Economics and Organization Governance

Lucio Biggiero · Derick de Jongh ·
Birger Priddat · Josef Wieland ·
Adrian Zicari · Dominik Fischer *Editors*

The Relational View of Economics


A New Research Agenda for the Study
of Relational Transactions



Springer

Relational Economics and Organization Governance

Series Editors

Lucio Biggiero , University of L'Aquila, L'Aquila, Italy

Derick de Jongh, University of Pretoria, Pretoria, South Africa

Birger P. Priddat, Witten/Herdecke University, Witten, Germany

Josef Wieland, Zeppelin University, Friedrichshafen, Germany

Adrian Zicari, ESSEC Business School, Cergy-Pontoise, France

This interdisciplinary book series examines recent developments concerning the “relational view” in economics. While the relational research perspective primarily has roots in philosophy, sociology and economic geography, this series offers contributions to the relational view from such diverse fields as institutional and organisational economics, management, organisational theory, and mathematics. Focusing on a relational approach to contracts and governance, leadership, rents, global cooperation, intersectoral cooperation and civil society, the series welcomes theoretical and empirical research on relational structures in market theory, institutional and organisational economics, the resource-based view of the firm, organisational studies, behavioural economics and economic sociology. Within this range of fields, researchers are invited to contribute to the further development of a relational view in economics.

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Editors

Lucio Biggiero 
University of L'Aquila
L'Aquila, Italy

Birger Priddat
Witten/Herdecke University
Witten, Nordrhein-Westfalen, Germany

Adrian Zicari
École Supérieure des Sciences Économi
Cergy-Pontoise, France

Derick de Jongh
Department of Business Management
University of Pretoria
Hatfield, South Africa

Josef Wieland
LEIZ
Zeppelin University
Friedrichshafen, Baden-Württemberg
Germany

Dominik Fischer
Zeppelin University
Friedrichshafen, Germany

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Editors and Contributors

About the Editors

Lucio Biggiero is a professor at University of L'Aquila (IT). His background is in industrial economics, and his scientific research rounds on inter-firm networks and coordination, economic theory, and organizational design. His works employ mostly social network analysis and agent-based simulation modeling. Empirical studies concern various types of economic networks, like knowledge and R&D collaboration, ownership, and international trade.

Derick de Jongh is a professor and director of the Albert Luthuli Leadership Institute, University of Pretoria, South Africa, specializing in corporate citizenship and responsible leadership. He is passionate about creating learning opportunities through research and education that build individual and institutional capacity. He contributes to the emerging responsible leadership approach through relevant research aimed at informing strategy and policy, and by influencing and shaping undergraduate and postgraduate curricula to be more responsive to and relevant in broader society. He has been collaborating with the Leadership Excellence Institute Zeppelin (LEIZ) at Zeppelin University in their Transcultural Leadership and their Relational Economics projects since 2018. He is a co-author of the Manifesto for Relational Economics initiated by Josef Wieland.

Birger Priddat is a senior professor of economics and philosophy at the University of Witten/Herdecke and Zeppelin University in Friedrichshafen. Previously, he held the chair of economics and philosophy at Witten/Herdecke (since 1991) and Zeppelin University. His primary research interests are philosophy of economics, institutional economics, history of economic thought, and digital modernization.

Josef Wieland is a professor of Institutional Economics, Organizational Governance, Integrity Management, and Transcultural Leadership at Zeppelin University in Friedrichshafen and director of the Leadership Excellence Institute Zeppelin

(LEIZ). He is the initiator and president of the German Forum Compliance and Integrity (FCI). He served as the former chairman of the German Network of Business Ethics (DNWE) and is currently as the chairman of DNWE's advisory board. He is a member of the National CSR Forum of the BMAS (German Federal Ministry of Labour and Social Affairs) and serves on the jury board for the "CSR Prize" of the German government. He received the Max Weber Prize for Business Ethics of the IW (German Economic Institute) in 1999. In 2004, he received the highly estimated State Research Prize for Applied Research from the State of Baden-Württemberg, Germany. From 2017 until 2021, he was the Vice-President (Research) of Zeppelin University, Friedrichshafen, Germany.

Adrián Zicari is a professor in the Accounting and Management Control Department at ESSEC Business School. He is Academic Director of the Council on Business & Society. Born in Argentina, he holds a doctorate from Universidad Nacional de Rosario, Argentina, and an MBA from Universidad Adolfo Ibáñez, Chile. Before entering academia, he was a controller in healthcare organizations in Argentina. He is also the honorary representative of Buenos Aires City in Paris. His research interests include measurement systems and management practice in sustainability. His work appears in several academic journals: *Journal of Business Ethics*, *Journal of Cleaner Production*, *Comptabilité-Contrôle-Audit*, *Corporate Social Responsibility*, and *Environmental Management, Social and Environmental Accountability Journal*, *BMC Health Services Research*, and *Harvard Business Review—Latin American Edition*. He is one of the series editors for the *Relational Economics and Organizational Governance* book series, Springer.

Dominik Fischer is a post-doctoral researcher at the Chair of Institutional Economics at Zeppelin University. His research focuses on strategy and governance in global value chains with an emphasis on emerging markets based on relational economics. He also focuses on innovation and cooperation in stakeholder networks.

Contributors

Julika Baumann Montecinos Zeppelin University, Friedrichshafen, Germany

Lucio Biggiero University of L'Aquila, L'Aquila, Italy

Vincent Bouchet Ecole Polytechnique, Palaiseau, France

Tim Cummins Leeds University Business School, Leeds, UK

Derick de Jongh Department of Business Management, University of Pretoria, Hatfield, Pretoria, South Africa

Christian Fiedler Zeppelin University, Friedrichshafen, Germany

Dominik Fischer Zeppelin University, Friedrichshafen, Germany

Sally Guyer Durham University Business School, Durham, UK

Markus Helfen Freie Universität Berlin, Berlin, Germany

Sebastian Lehrack Cognostics AG, Pullach i. Isartal, Germany

Stefan Linder ESSEC Business School, Cergy, France

Nicolas Mottis Ecole Polytechnique, Palaiseau, France

Marco Möhrer Zeppelin University, Friedrichshafen, Germany

Jean Müßgens Zeppelin University, Friedrichshafen, Germany

Andrej Nikonov Cognostics AG, Pullach i. Isartal, Germany

Birger P. Priddat University Witten/Herdecke, Zeppelin University,
Friedrichshafen, Germany

Michael Schramm University of Hohenheim, Stuttgart, Germany

Elke Schüßler Johannes Kepler Universität Linz, Linz, Austria

Yolande Steenkamp Department of Business Management, University of Pretoria,
Hatfield, South Africa

Jörg Sydow Freie Universität Berlin, Berlin, Germany

Leonhard Teichert Cognostics AG, Pullach i. Isartal, Germany

Lukas Törner Zeppelin University, Friedrichshafen, Germany

Albrecht von Müller Parmenides Foundation, Ludwig-Maximilians-Universität
München, München, Germany

Adrian Zicari ESSEC Business School, Cergy, France

Part I
Introduction

Preface



Josef Wieland

For several years now, in the field of economics a research perspective has gradually emerged that can be characterized as the “relational view.” Thinking in terms of relations has a venerable tradition in, for example, network theory, economic geography, complexity research and relational sociology. In economics, various research programs have contributed to this trend. Examples there of are institutional and organizational economics, as well as several variations of the resource-based view of the firm, that are increasingly focusing on relational elements such as relational contracts, relational governance and relational rents. These relational elements serve as fundamental aspects of grasping economic transactions and value creation in global and regional networks. The central aspect of relational goods, as covered in the perspective of happiness research also belongs to this context. In terms of organizational and management theories, the stakeholder theory of the firm and relational leadership approaches are fundamentally based on a relational view. This trend, only briefly outlined here, corresponds to an advanced epistemological and methodological reflection on how the previously mentioned research approaches can be mathematically formalized in economics and the management sciences.

An implicit paradigmatic reorientation is a shared component of these research developments. Essentially, they no longer observe economic and social behavior as a series of dyadic, discrete exchanges on the market but instead as relational, multi-sectoral transactions involving multiple actors. Accordingly, relational transactions are powerful attractors for various behavioral and decision logics, while the optimally friction-free interaction influences said transactions’ economic and social performance. In this context, the successful continuation of the relation, its pattern and structure formation, and the adaptability of the governance mechanisms required for the cooperation of actors and events are essential to private and societal value creation. This also poses challenges for the basic assumptions of methodological

J. Wieland (✉)
Zeppelin University, Friedrichshafen, Germany
e-mail: Josef.wieland@zu.de

individualism and the various approaches based on rational choice. The same is true for the relation between discipline-specific and interdisciplinary research, which is evolving in keeping with societal challenges and explorations of research.

The contributions gathered in this book are the outcomes of a research conference organized in 2019 by the Leadership Excellence Institute at Zeppelin University, Friedrichshafen. The conference's goal was, on the basis of an interdisciplinary discourse, to explore and discuss the topic of Relational Economics from various perspectives.

The first major outcome of the conference was the formulation of a *Manifesto for a Relational Economics* jointly written by *Lucio Biggiero, Derick de Jongh, Birger P. Priddat, Josef Wieland and Adrián Zicari*, which, as Chapter II of this book, discusses the shared intentions of the editors of the book series "Relational Economics and Organization Governance."

In turn, Part II *Economic Theory & Relational Method* brings together articles that concern themselves with theory building and methodological questions. Josef Wieland, in his article *Relational Economics: Theoretical Framework and Managerial Implications—A Short Introduction*, proposes a categorical taxonomy for Relational Economics, chiefly focusing on questions concerning the dynamic development of pattern and structure formation in transactions and their governance structures. In the article *Why We Could Need a Relational Economics and Why Standard Economics and Its (Orthodox) Derivations Do not Help*, Lucio Biggiero explores potential elements of a new field of research, Relational Economics. As, methodologically and epistemologically speaking, they are based on the complexity sciences, he especially favors behavioral and evolutionary economics, analytical and relational sociology, and organization science as building blocks for a new research approach. In their article *Modeling Relational Transactions*, the authors Josef Wieland, Albrecht von Müller, Andrej Nikonov, Leonhard Teichert, Sebastian Lehrack and Lukas Törner put forward a proposal for using actor-based network theory to model these transactions. Here, the dependence of cooperative value creation on the availability and qualities of polyvalent cooperation corridors is at the heart of the discussion.

In Part III *Shared Value Creation & Social Responsibility*, precisely this concept of shared value creation and social responsibility is explored in more detail from the standpoint of strategic management. Adrian Zicari reflects on Benedetto Cotrugli's (1458) book on the art of trade in his article *Bringing Inspiration from the Past: A Renaissance Manual for Merchants*. Relational interpersonal relationships, the dimension of time in contrast to the standard annual period, and business ethics serve to embed economic operations in the logics of private and public affairs; in turn, this embeddedness can be used to fathom the scope of relational economic analysis. Marco Möhrer then takes a deeper and more technical approach to the discussion of stakeholder value creation. In his article *Shared Value Statement: New Perspectives on Measuring Business Value Creation*, the goal is to identify and measure a firm's tangible and intangible value creation by means of a Shared Value Statement (SVS). This culminates in a proposal for sustainability-based or relational accounting for firms. The relation between economic and social value creation in inter-firm and global production networks is also the main focus for Jörg Sydow, Elke Schüßler

and Markus Helfen. Their article *Managing Global Production Networks: Towards Social Responsibility via Inter-organizational Reliability?* addresses from a network perspective the question of whether, and if so, under which conditions, global production networks can yield, in addition to the desired economic effects, social upgrading. Their conclusion: inter-organizational reliability and social responsibility can be promoted through the suitable management of network production, the mechanisms of which require further research. Vincent Bouchet, Stefan Linder and Nicolas Mottis subsequently discuss the efficacy of managers' bonuses in precisely the same context. Their article *Incentives, Autonomous Motivation, and Bank Managers' Socially Responsible Behavior* presents empirical evidence to support the thesis that financial rewards are a poor incentive for Socially Responsible Behavior (SRB) among managers.

Part IV *Global Value Networks & Relational Contracting* also investigates the requisite conditions for successful value creation in networks, though it does so in various other directions. Julika Baumann Montecinos concentrates on the challenges posed by the fact that global value creation always involves transcultural cooperation. Her article, *Transcultural Cooperation in Global Networks. A Contribution to the Research Program of Relational Economics*, analyzes the relevance of cultural factors in the process of economic value creation. These factors can, for example, serve as a form of transcultural commons that view diversity as a potential opportunity to achieve a shared learning process. Yolande Steenkamp, Dominik Fischer and Derick de Jongh address the same question from the other side, namely, with regard to leadership in transcultural collaborations. From a theoretical standpoint, *Leadership in Multi-stakeholder Partnerships (MSPs) that Address the SDGs: Relational Leadership and Ubuntu in Dialogue* focuses on the similarities and differences between Western theories of relational leadership and the African ontology ubuntu. From a practical standpoint, the frame of reference is provided by the global, cooperative implementation of the UN's Sustainable Development Goals as a process of resource sharing. The effectiveness of SDG-related activities ultimately depends on successful setting the two relational leadership concepts in relation. Tim Cummins and Sally Guyer show in their article *Relational Contracting in Practice: A Route to Relational Economics?* that the evolution of the relational economy as a networked world of cooperation between multiple actors is hindered by an institutional, procedural and regulatory deficit. In this regard, relational contracting could serve as a catalyst and bridge-builder, provided it is understood as a process of contracting and not just a specific type of contract. In turn, the theoretical and practical implications of adopting this stance are discussed.

The epistemological aspects of Relational Economics are addressed in Part V *Epistemology & Relational Economics*. Michael Schramm examines precisely these aspects in his article *Relational Processes in Whitehead's Metaphysics and Commons' Economics. The Relevance of Cosmology for Economic Theory*. One of the main focus areas involves the question, which applies to all theoretical work, of how the "messiness" of reality and the resultant response, namely the reduction of complexity, can produce sound theoretical and practical insights. In this regard, the poly-dimensionality of transactions and their networks is an important factor.

Christian Fiedler’s article *Relational Money—Working to Define the Conditions of Non-payment* employs a dogma-historical reconstruction of the theory of money put forward by John R. Commons to provide points of departure for a relational theory of money. He shows that, for Commons, above all the temporal distance involved in cooperative projects is what provides the basis for his monetary and financial market theory. Separating the definition of the economic process from the generation of the desired profit leads to a view of money as an institution, the key functions of which are the creation of, negotiation of and release from debt. Accordingly, money takes on a processed form that can accommodate the asymmetry of process and event, one in which the relation between firms, banks and financial markets develops its dynamics.

In his article *Reasons, Theoretical Underpinnings, and Core Features of a Novel Paradigm of Acting in Economics*, Albrecht von Müller explores the potential ramifications for a social theory of behavior resulting from fundamental epistemological discussions in the modern natural sciences. When said theory’s paradigmatic core is based on an assumption of self-unfolding processes, it has consequences for the conceptualization of human and cooperative behavior. For the standard economy, this behavior is based on rational choice. Jean Müßgens and Birger P. Priddat point out in their article *Contracts as Cooperation: About an Implicit Ethics of Transactions* that relational transactions have always required a “minimal sociology” that obeys various decision logics, not necessarily maximizing personal gain. In addition, a discussion on the ethical prerequisites for a gift economy yields new insights into the digital economy.

Relational Economics is a work in progress. All of the articles gathered here represent valuable contributions to various facets of a relational view on economics and their further investigation. I would like to thank all conference participants and the authors for their valuable input. By publishing this work, the editors’ hope is that it will foster the emergence of a distinct research agenda, as a contribution to economic theorization in times characterized by rapid and disruptive societal and economic transformation. In terms of preparing this book, I would like to especially thank my co-editor Dominik Fischer, and also Jean Müßgens, Pauline Fiedler and Mara Sagert, who did a wonderful job. Anyone who has coordinated an edited work from concept to author management, to technical implementation knows what I mean. Matthew Fentem at gonative language solutions supplied high-quality translations for selected texts.

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Josef Wieland

Josef Wieland is professor of Institutional Economics, Organizational Governance, Integrity Management, and Transcultural Leadership at Zeppelin University in Friedrichshafen and director of the Leadership Excellence Institute Zeppelin (LEIZ). He is the initiator and president of the German Forum Compliance and Integrity (FCI). He served as the former chairman of the German Network of Business Ethics (DNWE) and currently as the chairman of DNWE’s advisory board. He is a member of the National CSR Forum of the BMAS (German Federal Ministry of Labour

and Social Affairs) and serves on the jury board for the “CSR Prize” of the German government. He received the Max Weber Prize for Business Ethics of the IW (German Economic Institute) in 1999. In 2004, he received the highly estimated State Research Prize for Applied Research from the State of Baden-Württemberg, Germany. From 2017 until 2021, he was Vice-President (Research) of Zeppelin University, Friedrichshafen, Germany.

Manifesto for a Relational Economics



Lucio Biggiero, Derick de Jongh, Birger P. Priddat, Josef Wieland,
and Adrian Zicari

There is no such thing as a dyadic and discrete exchange transaction in a modern network economy. Economic, private and social value creation results from the investment and relating of multiple resources by individual and collective actors from the economy, civil society and politics. The willingness and ability to build and continue such complex relationships through social cooperation are fundamental and constitute the core of Relational Economics.

1 Societal Change and Economic Theory

The forms, mechanisms and processes of economic value creation have been subject to rapid and dynamic changes over several decades.

The development of business models based on worldwide cooperative networks has substantial consequences for regional and national economies. These business models challenge the political applicability of conventional general equilibrium models and theories on international trade. At an industry and organisational level,

L. Biggiero
University of L'Aquila, L'Aquila, Italy

D. de Jongh
University of Pretoria, Pretoria, South Africa

B. P. Priddat
Witten/Herdecke University, Witten, Germany

J. Wieland (✉)
Zeppelin University, Friedrichshafen, Germany
e-mail: Josef.wieland@zu.de

A. Zicari
ESSEC Business School, Cergy-Pontoise, Cergy, France

the empirical developments of intra-sectoral and trans-sectoral networks of cooperation can no longer be characterised solely by microeconomic market assumptions and transaction cost governance.

Nowadays, disruptive innovations mainly facilitate and speed up the development and utilisation of digital and exponential technologies, including platforms that severely impact cooperative business models. These changes require new forms of organisation and a new conception to further integrate the diversity of governance mechanisms in economic theory.

The predominance of the financial markets in the economic system, the emergence of a narrow group of markets and society-dominating companies, particularly in the field of future technologies, have reached levels that pose unmet challenges to the relationship between civil society, state and the market. The relation between the visible and invisible hand to create effective competition and the associated questions of private and public value creation, distributive justice, and public welfare are not adequately addressed.

The worldwide challenges of sustainable business development and growth as well as public welfare affect stakeholder management, accounting, reporting, business strategy and monitoring of economic success and require the creation of shared value for all business and societal stakeholders. The core of these developments is that modern value creation is achieved by interlinking the resources of stakeholders originating from multiple economic as well as social systems and organisations.

All these points are facets of the aforementioned fundamental developmental dynamics of contemporary society's economies, increasingly pushing the underlying epistemological and methodological assumptions and concepts of economic theory building to the limits of their explanatory power.

2 The Case for Relational Economics

Conventional economic theory is characterised by methodological individualism, homo economicus, rational choice theory, discrete and dyadic exchange transactions, general equilibrium, individual as well as independent utility maximisation, the neoclassical theory of the firm, and the theorisation of moral and social values as external effects to name a few. They have massively reduced the descriptive, explanatory and prognostic capacity of mainstream economics. Thus, the economic and social applicability and recognition of mainstream economics have been shrinking in recent years and decades. This is not at all a new issue. They have been disputed from the beginning, and this has been the subject of long-running methodological debates. The problem is less the unrealistic underlying assumptions of conventional economics than the lack of analytical fruitfulness and the explanatory power of real economic developments.

The emergence of alternative, economic research programmes, such as the economics of governance, resource and capability theory of the firm, industrial economics, institutional economics, organisational economics, behavioural

economics, managerial economics or stakeholder value creation, are reflections of this development. Even though these selective approaches are still an enriching exercise to deepen and broaden our understanding of economic life, they have not yet succeeded in creating a new integrative research paradigm and framework.

The authors of this Manifesto suggest taking a different path. It is the economy of complex, recursive and non-linear transactions as well as cooperative polyvalent resource networks in which the continuity of relations is a source of economic and societal value creation on its own, which asks for Relational Economics. To achieve this target, both conceptual and empirical research is plainly needed. We also aim to develop the required taxonomy of categories of economic theory formation as a fundamental objective in the development of a Theory of Relational Economics.

The development of Relational Economics as a comprehensive theory of the governance of regional, national and transnational economic transactions is of paramount importance. In doing so, we are convinced that it may contribute to creating a categorical framework and research agenda for the explanation and design of interconnected economic organisations and socially productive networks.

3 Defining the Research Agenda

Relational Economics, as a political economy, is concerned with the production and distribution of private and public value creation in the various sectors and organisations of society and their relationships with one another. The basic unit of their analysis is a relational transaction involving multiple actors.

Relationships bundle different types of economic and social value and are based on interests and norms. Relational transactions are economic exchange relationships that are designed for continuity and, in their course, become attractors of different perceptual frames and polyvalent decision logics. Economics, law, ethics, politics, technology, religion and other disciplines are those frames and logics that dock onto economic transactions and enter into relations that determine economic performance and its sustainable growth. This can only be understood and explained from the interaction of these relations and the adaptability of the required governance structures.

Therefore, the following fields are just a few possible illustrations of the relational research agenda:

- regional and global production clusters
- creation and distribution of relational rents
- corporate governance and relational contracting
- governance and innovation of exponential technologies
- happiness research and relational goods
- stakeholder management
- social responsibility
- sustainable development goals

- shared value creation and business ethics
- social accounting and integrated reporting
- leadership and transcultural management and
- relational society and complex adaptive systems.

Relational Economics is also concerned with the interaction and interference of regional, national, transnational and global economic as well as social transactions. It does not attempt to limit economic theory to personal relationships; instead, its epistemological and methodological perspective assumes that all being is relational.

The relationships between ‘people and people’, ‘people and things’, ‘systems and organisations’, ‘structures and processes’, ‘past, present and future’, ‘different decision logics, and their semantics’ are not bilateral relations but each of these events itself and their interaction with each other are relational. Through this lens, complexity is a multiplex of economic, social, political, artificial and natural interactions and they form the core of the nurturing field of relational research. Economic interactions are not limited to the relationships between agents mediated by prices.

Thus, the point of reference for Relational Economics is not the pure market relation but the relating of multiple decision logics in and by different types of organisations and societal institutions. It is the unfolding process and the continuity of relational adaptive forms of governance for mutually determining economic and multivalent social decision logics in the cooperative process of economic transactions. Therefore, Relational Economics is interested in the interaction of economic, legal, technical, political, cultural and moral events and language games, which constitute the process and success of economic transactions.

Consequently, epistemologically and methodologically, Relational Economics focuses not upon the analysis of isolated and homogeneous individual or collective events but upon the process of relating within and between these events. A relation is the form of the relationship between events. Relationality is the self-unfolding process of proportioning, networking and considering trade-offs of multivalent events or decision logics regarding the execution of a specific economic transaction and its contribution to economic value creation for all stakeholders. Forms and processes, the governance of relationality, and its continuation are fundamental elements of cooperative economic value creation for mutual benefit and thus the paradigmatic starting point of the relational view on economic transactions and the required governance for social cooperation.

Relational Economics is a constitutively process-oriented and interdisciplinary political economy. It is not only open to contributions from all areas of the social sciences and humanities, the natural sciences, philosophy of science, mathematics, and network theory but also encourages transdisciplinary cooperation. We invite interdisciplinary epistemological and methodological, fundamental and applied research as well as conceptual and empirical contributions to the discussion of these research topics.

Lucio Biggiero is professor at University of L'Aquila (IT). His background is in industrial economics, and his scientific research rounds on inter-firm networks and coordination, economic theory, and organizational design. His works employ mostly social network analysis and agent-based simulation modeling. Empirical studies concern various types of economic networks, like knowledge and R&D collaboration, ownership, and international trade.

Derick de Jongh is professor and director of the Albert Luthuli Leadership Institute, University of Pretoria, South Africa, specializing in corporate citizenship and responsible leadership. He is passionate about creating learning opportunities through research and education that build individual and institutional capacity. He contributes to the emerging responsible leadership approach through relevant research aimed at informing strategy and policy, and by influencing and shaping undergraduate and postgraduate curricula to be more responsive to and relevant in broader society. He has been collaborating with the Leadership Excellence Institute Zeppelin (LEIZ) at Zeppelin University in their Transcultural Leadership and their Relational Economics projects since 2018. He is a co-author of the Manifesto for Relational Economics initiated by Josef Wieland.

Birger P. Priddat is senior professor of economics and philosophy at the University of Witten/Herdecke and Zeppelin University in Friedrichshafen. Previously he held the chair of economics and philosophy at Witten/Herdecke (since 1991) and Zeppelin University. His primary research interests are philosophy of economics, institutional economics, history of economic thought, and digital modernization.

Josef Wieland is professor of Institutional Economics, Organizational Governance, Integrity Management, and Transcultural Leadership at Zeppelin University in Friedrichshafen and director of the Leadership Excellence Institute Zeppelin (LEIZ). He is the initiator and president of the German Forum Compliance and Integrity (FCI). He served as the former chairman of the German Network of Business Ethics (DNWE) and currently as the chairman of DNWE's advisory board. He is a member of the National CSR Forum of the BMAS (German Federal Ministry of Labour and Social Affairs) and serves on the jury board for the "CSR Prize" of the German government. He received the Max Weber Prize for Business Ethics of the IW (German Economic Institute) in 1999. In 2004, he received the highly estimated State Research Prize for Applied Research from the State of Baden-Württemberg, Germany. From 2017 until 2021, he was Vice-President (Research) of Zeppelin University, Friedrichshafen, Germany.

Adrián Zicari is professor in the Accounting and Management Control Department at ESSEC Business School. He is Academic Director of the Council on Business & Society. Born in Argentina, he holds a doctorate from Universidad Nacional de Rosario, Argentina, and an MBA from Universidad Adolfo Ibáñez, Chile. Before entering academia, he was a controller in health-care organizations in Argentina. He is also honorary representative of Buenos Aires City in Paris. His research interests include measurement systems and management practice in sustainability. His work appears in several academic journals: Journal of Business Ethics, Journal of Cleaner Production, Comptabilité-Contrôle-Audit, Corporate Social Responsibility, and Environmental Management, Social and Environmental Accountability Journal, BMC Health Services Research, and Harvard Business Review—Latin American Edition. He is one of the series editors for the Relational Economics and Organizational Governance book series, Springer.

Part II
Economic Theory and Relational Method

Relational Economics: Theoretical Framework and Managerial Implications—A Short Introduction



Josef Wieland

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This article introduces readers to the research program of Relational Economics. The fundamental categories for analyzing a relational view of economics—the transaction, governance, and cooperation rent—are developed in terms of their process logic for private and societal value creation. The management of stakeholder networks on one hand, and pattern and structure formation on the other hand, two important drivers of shared value creation in the relational economy are also included in the discussion.

1 The Relational Economy as a Self-unfolding Process

1.1 *Phenomena and Theories*

In this chapter, I will attempt to provide a brief introduction to the fundamental taxonomy of Relational Economics, a topic I have developed in more detail elsewhere (Wieland, 2018, 2020).¹

Relational Economics is a political economy that focuses on the driving forces of and processes involved in private and public value creation. It is the governance of

¹Although doing so involves a certain degree of redundancy, I have consistently sought to develop the relational view as a process, and to connect it with new or partly modified theoretical considerations.

J. Wieland (✉)
Zeppelin University, Friedrichshafen, Germany
e-mail: Josef.wieland@zu.de

relational transactions in modern societies, which constitutes the core of the theoretical and practical interest of Relational Economics. Relational Governance as a research program is interested in the process of ongoing, frictionless, and cost-effective value creation in multivalent collaborative networks of economic and societal, individual, and collective actors. Economic value creation through cooperation takes place not just in regional and global intra-firm and inter-firm networks; rather, from a systemic perspective, these networks also include financial, academic, political, and civil-societal actors (see Fernandez-Stark & Gereffi, 2019; Sydow et al. in this volume). These extra-firm connections, which I will refer to as stakeholder networks, are characteristics of modern economies. Universities and think tanks cooperate with firms in the area of exponential technologies and innovations for digital transformation (see Chang, 2017; de Moraes Silva et al., 2018; Geisler, 1995; Mascarenhas et al., 2018). The “networked information economy” (Benkler, 2006) is based on “peer production” (Benkler, 2017) and has led to a “substantial non-market sector” (Benkler, 2006, p. 131), which, compared to classical market solutions, has resulted in more effective access to knowledge and information as input factors of value creation. The UN Principles of Responsible Investors (PRI) and the Sustainable Development Goals (SDGs) encourage economic, political, and civil-societal actors to cooperate in the development of sustainability strategies for products and processes. Social standards and corporate strategies for respecting human rights in global supply chains are just as much part of this picture (Ruggie & Sherman, 2017) as the enforcement of legally binding regulations via Ethics and Compliance Management on the part of firms and their global networks (see Wieland et al., 2020).

These examples of relational transactions should suffice to illustrate the relevance of the issue at hand. Their theoretical quintessence, from the standpoint of Relational Economics, is as follows: modern economies are cooperative economies (see Wieland, 1998) and are based on the productive networking of local clusters and global value networks (see De Marchi et al., 2018) of economic, political and societal resources. Value creation derives from the involvement of multiple stakeholders who are the owners of these resources and yields a shared value for all invested resources (see Wieland, 2014, 2017a; Freeman et al. 2020).

The successful continuation of cooperation processes in value creation networks is one of the most fundamental prerequisites for and sources of value creation in modern economies. From the perspective of Transaction Cost Economics, the continuity and adaptivity of the requisite governance structures are the critical factors. In addition to contracts and organizational mechanisms, relational governance includes leadership and management processes that have to be integrated with the analysis as value-creating factors. Accordingly, Williamson’s (1985, 2005) pioneering work on the economics of governance is a theoretical reference guide that provides the starting point for Relational Economics.

The relational governance research program also ties into the work of Elinor Ostrom (2005, 2010) on “polycentric governance”. Viewed through this lens, the complexity of economic transactions, according to Ostrom (while referring to V. Ostrom, Thiebout, & Warren, 1961, p. 831) arises from the interaction of poly-contextural decision making agencies, which through this interactions become an

“interdependent system of relations” (ibid.). Thus, the object of study changes from the linear interaction of independent actors to the study of the processes of a system of relations. The research interest of polycentric governance is the process of creation and processing the complexity of relational economies. “We need to ask how diverse polycentric institutions help or hinder innovativeness, learning, adapting, trustworthiness, levels of cooperation of participants” (Ostrom, 2010, p. 665).

The view of polyvalent transactions as relational transactions, and the institutional and organizational arrangements that make them possible, as relational governance is rooted in the work of Commons (1934/1990). It represents the theoretical core of his well-known assumption that an economic transaction is a relation involving multiple participants and various decision logics (ibid., p. 58), and that, through the execution of such transactions, the firm as a going concern comes into being and is continuously changed and reproduced (ibid., p. 53).

1.2 Processes and Experience

A relational economic theory in the tradition of Commons, Williamson and Ostrom (see Wieland, 2020; Schramm in this volume) is a departure from the static and equilibrium-based paradigm of conventional textbook economics. Commons’ institutional economics reflects the process philosophy of Alfred N. Whitehead in which a process is understood as “the becoming of experience” (Whitehead, 1941, p. 166) and as the “relatedness of ‘actual entities’” (ibid., Chap. xiii) and proceeds on the premise that the “‘relatedness’ is dominant over ‘quality’” (ibid., Chap. xiii). Such a philosophy must, according to Whitehead, be not only coherent and logical but also practically applicable and adequate, that is, be observable through human experience (ibid., p. 3 f.). In this view, processes are “the becoming of experience” and “apart from experiences of subjects there is nothing, nothing, nothing, bare nothingness” (ibid., p. 167).

Accordingly, first of all, the reflection of practically relevant societal experience is what matters for the development of Relational Economics as a process theory.

Second, however, a process can only be understood immanently, as pattern and structure formation through the continual interaction and relationing of the events taking place within it. With regard to relational transactions and their governance, the phases of pattern formation and structure formation can be distinguished. In the pattern formation phase, economic transactions attract events from their societal environment. These events begin to interact with each other and change the nature of the transaction. In the course of this interaction, the ways in which the different events relate to each other, and in which the results of these relations are fed back into the process, form a temporalized pattern. We speak of structure formation when the temporary stabilization of the interaction of events from the first phase leads to the development and implementation of permanent governance structures. Their adaptivity shapes the interaction of events in such a way as to give rise to the continuity of the process of relationing and economic value creation. Continuity in the context

of Relational Economics is non-linear continuity, i.e. the process of interaction of events enables the continuity of cooperation by changing its texture.

Third, the introduction of time—past, present, and future—is constitutive of economic value creation. Relational processes are self-unfolding in precisely this sense. Schumpeter (1950) explains this with regard to the analysis of macroeconomic structures and their evolution: “we are dealing with a process [...] as it unfolds through decades or centuries” and one “that incessantly revolutionizes the economic structure from within” [emphasis added] (p. 83). For the microeconomic analysis of the firm as a collective actor, Penrose (1959/1995) observed that its growth, both quantitative and qualitative, is the “result of a continuous on-going or ‘unfolding’ process” (p. 1) of interaction in a polyvalent “collection of productive resources” (ibid., p. 24) that are used to evoke and deliver “a bundle of potential services” (ibid., p. 25) for economic performance.

Adopting a relational view on the processes of economic value creation as defined in this manner has epistemological and methodological consequences for economics. Some of the most important consequences for its categorical taxonomy will be discussed in this paper. These involve the terms “transaction,” “governance,” and “cooperation rent.” These terms are logically related, and the epistemic focus of Relational Economics as a political economy is on investigating this relation and its managerial ramifications.

2 The Relatedness of Relational Transactions

2.1 *Exchanges and Transactions*

Conventional microeconomic price theory views economic transactions as dyadic and discrete exchanges. Two individual actors are involved, who, in a finite time-frame t_1 , exchange goods for money or vice versa in a one-time act. The exchange relation created in the process is strictly limited to the actors’ purely economic interests; personal relations and the actors’ identities are wholly irrelevant. Coase (1937) suggested calling this type of transaction “exchange transactions co-ordinated through the price mechanism” (p. 393).

The Transaction Cost Theory developed by Williamson (1979, 1985, 1991), starting from market transactions, shifted the focus of economic analysis from discrete transactions to “discrete structural alternatives” (Williamson, 1991, p. 1). As a result, the way was paved for the analysis of the theoretical and practical characteristics of relational transactions as “ongoing contractual relations” (Williamson, 2005, p. 2) within economic theory. This supplementation (not supplanting) of the market perspective allowed him to distinguish between, on the one hand, economic interactions as the result of one-time or of ongoing contractual relations of market exchange and, on the other, organizational cooperation, the feasibility and corresponding transaction costs of which are in turn determined by discrete governance

structures (market, firms, hybrids) (Williamson, 1985). As a result, he integrated the economic logic (economizing on transactions costs) and explicitly the logic of the law and that of private, contractual relational arrangements, in which the actors' identities are highly relevant, into economics. Building on this theoretical advance, Relational Economics proceeds under the assumption that effective and cost-efficient relational governance structures require the economic transaction itself to possess economically relevant relational qualities. Accordingly, its research interest, unlike that of Williamson, is not only in the comparative cost structure for the governance of a transaction but also in how governance can be shaped with a view to enabling cooperative value creation.

The observation and description of relational transactions were also the point of departure for the contractual theory contributions of Macaulay (1963) and Macneil (1974, 1978). Though Williamson refers to the latter, the concept of the relational transaction as the antonym of the exchange transaction does not serve as the starting point in his own work. Instead, when he defines the transaction so broadly and technically that it includes a microeconomic perspective on market transactions, he does so in an attempt to find a common basis for exchange and relational transactions:

A transaction occurs when a good or service is transferred across a technologically separable interface (Williamson, 1996, p. 379).

This was likely one of the reasons why Macneil (1985) classified the Transaction Cost Theory, despite a few qualifying remarks, as belonging to neoclassical microeconomics (see p. 495f.). A few years earlier (Macneil, 1981), he had claimed that Transaction Cost Economics was significant for neoclassical standard economics' continuing development but not "sufficient for useful economic analysis of all contractual relations" (*ibid.*, p. 1025, emphasis in original).

Williamson himself employs other distinctions:

The transaction is a semimicroanalytic unit of analysis—more microanalytic than economics has characteristically been concerned with, but a larger unit than the decision premise (Williamson, 1996, p. 45).

When economic cost calculations regarding the ability of private contractual arrangements to adapt to future contingencies and the ethical opportunism of not wholly rational actors become important factors in the analysis, then the rational choice-based world of standard economics is no longer critically relevant. Yet unlike Commons (1950, p. 45), as previously mentioned, Williamson does not distinguish between exchanges and transactions; rather, he focuses on the dimensions of economic transactions. The attributed dimensions by which transactions can be distinguished and compared are their asset specificity, uncertainty and frequency; in this regard, the first dimension is also the most important (Williamson, 1985).

2.2 *Exchange Transactions and Relational Transactions*

In contrast to Williamson's Transaction Cost Theory, Relational Economics starts with the distinction between exchange transactions and relational transactions as having their own distinct dimensions and reference systems (see Wieland, 2020, Chap. 2). As previously mentioned, exchange transactions are dyadic and discrete, that is, there are only two actors involved in this type of transaction, who, in the market system, make their decisions using an economic code (price). Discrete transactions take place in the present (t1) and have neither a historical nor a future dimension. Here, the actors' identities have no relevance, and collective actors (organizations) are, as the result of methodological individualism, modeled as a "uni brain" (Machlup, 1963, p. 133), that is, as if they were individual actors. The mode of interaction is competition; the reference system is the market. Exchange transactions are a relation but are not relational. They are executed in a world of thing–thing relations.

Relational transactions are not discrete; rather, they are distinct. Distinct means that each one constitutes a limited, specific relation of events with characteristically defined qualities. Each transaction involves more than just two individual or collective actors who belong to different systems within society (such as the economy, law, civil society, politics, science, culture) and/or employ different decision logics (such as economic, legal, ethical, political, aesthetic). I (for a discussion of the relevant literature, see Wieland, 2020) have dubbed the first aspect the polycontextuality (belonging to multiple systems) and the second, the polycontexturality (using multiple decision logics) of relational transactions. It follows then that their execution is situated in a polylingual communicative environment with various language games (such as, for the economy: payment/non-payment; law: legal/illegal; science: true/false) that determine how transactions are assessed, and the mutual comprehension and integration of which are essential to a given transaction's chances of success and potential for creating value. The level and quality of a given societal actor's polylingual competence define how they perceive and grasp events in the context of their transactions, which can potentially dock with them. A given business model's standards for sustainability and integrity, for example, are the result of societal discourses. As such, they have a significant influence on the recognizability and manageability of new risks, on the general direction of product-based and process-based innovations; and thus on the firm's ability to capitalize on market opportunities. The capacity to understand and recognize the meaning of communications between diverse societal stakeholders critically influences a firm's ability and opportunities to cooperate across societal sectors. Accordingly, polycontextuality, polycontexturality, and polylingualism are not only what drive the relatedness of relational transactions but they are also the operationalization of the latter's function as the execution and reproduction of society.

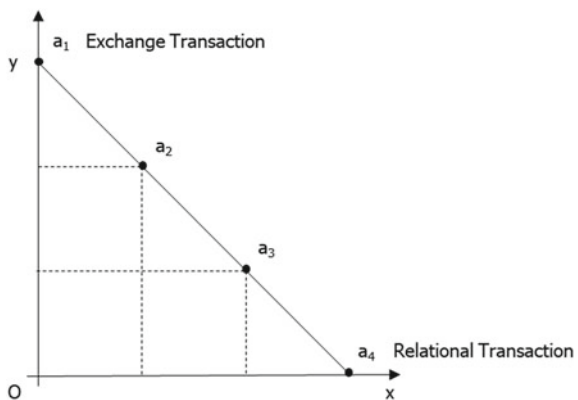
The specific mode of interaction in relational transactions is cooperation; its reference system is the organization. Relational transactions seek to achieve continuity, making the past and the future relevant time dimensions for value creation. The identities of both individual and collective actors (such as their motivations, abilities and

resources) are essential to executing transactions, since they influence their feasibility and the resulting economic benefits for the actors. Relational transactions are structurally coupled with the market system of the exchange transaction because their execution generates costs and earnings and/or attendant payments from/to actors on the market. While the relational transaction is the basic analytical unit of Relational Economics, its relation to the market-mediated exchange transaction is an important aspect of the research approach that I will explain in more detail in the following section (see Wieland, 2020, Chap. 4).

To sum up this discussion: relational transactions are dynamic attractors (see Wieland, 2020; Priddat, 2016; Müßgens & Priddat in this volume) for multiple societal actors, multiple decision logics, language games and their relationalization, that is, the continuity of the relation and the mutual influencing through interaction that this relation permits. Attractors are forms of interaction and generate complexity. Relational transactions are an ongoing process of polyvalent interactions, which leads to new pattern formations and the need to give form to them through appropriate governance structures. The distinction made here between discrete and relational transactions is of a purely analytical and definitional nature. Macneil (1974, pp. 696–718) pointed out that, from the standpoint of contract theory, the two terms essentially constitute two ideals or limiting cases, and that in economic practice, there is a continuum of mixed forms lying between them. In his eyes, criteria for a transaction to be classified as discrete include: (i) the degree to which the agreed-upon services can be specified, (ii) the unambiguousness with which they are communicated and (iii) the measurable reciprocity of the services. Criteria for a transaction to be considered relational include: (i) the desire to cooperate, (ii) the acceptance of, response to and handling of one’s dependence on one’s partner, and finally (iii) the mutual desire to continue cooperating.

Figure 1 applies this logic but replaces the criteria with the characteristics of discrete and relational transactions, as developed in this paper.

Fig. 1 Continuity of exchange–relation–exchange (from Wieland, 2020, p. 31)



An ideal discrete transaction is defined on the y-axis by the characteristics (i) dyadic, (ii) purely economic decision logic, (iii) no personal identity, and (iv) time-frame t_1 . A distinct relational transaction is defined on the x-axis by the characteristics (i) multi-personal, (ii) polyvalent decision logics, (iii) personal identity, and (iv) timeframe $t_0-t_1-t_n$. The points a_1 (e.g. commodities) and a_4 (e.g. relational goods (see Bruni, 2013; Gui, 2005; Uhlaner, 1989)) demarcate the two types of transaction in their pure forms; the points a_2 and a_3 represent mixed forms, for example, long-term contracting or changing relations with a supplier over time (a_2), or the relation of permanent employment (a_3). Accordingly, the majority of economic transactions can be characterized as relational and classified as mixed forms, whose systematic governance structure is not the market, but rather the various forms of contract and organization. As Richardson (1972) already noted:

...to refer to co-operation and market transactions as distinct and alternative modes of coordinating economic activity, we must not imagine that reality exhibits a sharp line of distinction; what confronts us is a continuum passing from transactions, such as those on organized commodity markets, where the co-operative element is minimal, through intermediate areas in which there are linkages of traditional connection and goodwill, and finally to those complex and interlocking clusters, groups and alliances which represent co-operation fully and formally developed (p. 887).

3 The Governance of Self-unfolding Processes

3.1 Governance and Process

If we view relational economic transactions as dynamic attractors for societal events—which, in turn, denote multiple actors and decision logics—we need to remember that these transactions are not only part of a process but are themselves simultaneously fluctuating processes, not static and isolated substances or qualities. The societal events that a transaction attracts and relationalizes are significant in their own right and for all other events (see Whitehead, 1968, p. 146). If a transaction is relational, it means that every attracted event is also an event that interacts (<->) with other events. Taken together, these events determine the configuration and dynamics of the transaction by the specific form of their relationalization. In formal terms, one might say that a relational transaction's distinctiveness results from interactions between different decision logics. If (for simplicity's sake) we assume only three dimensions are involved—an economic (e), a legal (l) and a moral (m) dimension—then the result is:

$$RTe, l, m \langle - \rangle (e \langle - \rangle l \langle - \rangle m)$$

As such, in relational transactions related to exchange transactions, all forms of knowledge (e, l and m) are potential business knowledge, making them relevant for value creation. Viewed in this light, a relational transaction requires an adaptive