



Theory and practice of value co-creation in B2B systems



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ABSTRACT

The co-creation of value and the coproduction of value proposition have attracted enormous interest in the B2B service and solutions research. To analyze this body of knowledge, we searched for published studies on co-creation and coproduction in top-tier journals in the areas of management, marketing, strategy, and operations. We selected 54 papers for further analysis. Our review demonstrates that research of value co-creation and the coproduction of value proposition covers a myriad of viewpoints to the economic and social exchange among actors in multi-actor service ecosystems. We identify a variety of definitions and meanings associated with value co-creation. Our analysis provides insight into the theories and methods used in the area. We also discuss the need to study the co-creation of value in the B2B context from the institutional and practice theory perspectives, and suggest some avenues for future research.

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1. Introduction

As the networked economy becomes more pervasive than ever, the co-creation of value is becoming a prominent theme in the literature. Similarly, the collaborative development of new service offerings, and the coproduction of value propositions, is becoming an increasingly common practice in the B2B context. The concepts of *value co-creation* and the *coproduction of value propositions* offer a vantage point from which to comprehend the inter-organizational, dynamic, and systems-oriented view of value creation. Moreover, they help to explain what value is and how it is generated through interactions among actors in diverse B2B and B-to-C contexts. There has been special interest in the processes and mechanisms of value creation across firm boundaries (Kohtamäki & Partanen, 2016; Lambert & Enz, 2012). We know from previous research (see, for example, Vargo & Lusch, 2008, 2016) that value co-creation takes place through mutually beneficial interactions among actors within business ecosystems. To master such networked value creation, managers in firms need to understand the opportunities for cooperative value creation that their business ecosystems enable. The multi-actor collaboration for value creation can influence the ecosystem-level practices that affect competition, strategy formation and innovation.

Contemporary research on service provision comprehends value as always cocreated in interaction among actors. According to this view, a service provider “can only make value propositions” (Vargo & Lusch,

2004, 2008). A beneficiary is therefore always involved in value creation. Stated in terms of the latest updates of the service-dominant (S-D) logic, “Actors cannot deliver value but can participate in the creation and offering of value propositions” (Vargo & Lusch, 2016, p. 8). The literature on S-D logic has challenged the goods-centric manufacturer–consumer logic, in which — a “consumer” expends the value created by a manufacturer. S-D logic emphasizes the active role of customers in all value co-creation processes. In the coproduction of value propositions, the customer is an important contributor to the development of service offerings (Vargo & Lusch, 2011). Conversely, in value co-creation, the customer takes an active role in the creation of the value experience and the ultimate perception of value based on the interaction. Putting emphasis on the active role of customers in shaping service offerings and experiences, the literature (e.g., Vargo & Lusch, 2011) illustrates that value co-creation among the partners of collaboration is best understood in terms of networked systems of economic actors.

The literature on value co-creation has expanded significantly, utilizing a rich variety of concepts such as codesign and codevelopment of the value propositions, as well as colearning, which includes joint organizational learning and relationship learning, and coinnovation. In all of these concepts, the prefix “co” indicates shared work among actors within dyadic relationships, multilateral networks and ecosystems. These perspectives are particularly salient in traditional B2B collaborations, in which suppliers and customers may operate in close collaboration, bundling products and services. For instance, in “knowledge-intensive business services” (KIBS), in which tacit knowledge needs to be explicated and combined (Kohtamäki & Partanen, 2016), collaborative practices supporting the coproduction of service offerings, as well

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as the practices of cocreating value in use, are of special importance. One of the bedrock principles of S-D logic postulates that “value is cocreated by multiple actors, always including the beneficiary” (Vargo & Lusch, 2016). This principle suggests that value co-creation takes place in direct and indirect interactions among suppliers, customers and third parties within ecosystems, such as service systems (Spohrer, Maglio, Bailey, & Gruhl, 2007).

The concepts of value co-creation and the coproduction of value propositions are receiving unprecedented amounts of attention from researchers. This attention is most evident in the number of publications appearing in prestigious journals. To scan the state of the field, we ran an analysis of the terms “co-creation” and “coproduction” using Scopus (titles, abstracts and keywords). The search revealed 115 published articles – 5 published in 2002, 8 in 2006, 38 in 2010 and 64 in 2014 – demonstrating how quickly the research on co-creation and coproduction has grown.

Limiting the search to the co-creation and coproduction papers that concentrate explicitly on B2B context revealed 49 articles and slower but steady growth in the number of papers published annually – 1 in 2002, 4 in 2006, 35 in 2010 and 9, in 2014. Of course, the evidence of the impact of these concepts is by no means limited to these articles, which were identified from searches only of titles, keywords, and abstracts. A search based on full texts would no doubt reveal even more articles.

Although the literature has proliferated, the body of empirical research has become fragmented, as the literature covers a myriad of viewpoints reflecting the diversity of scholars' research traditions and theoretical backgrounds. Therefore, there is a need to review and reconcile the conceptual and empirical works on coproduction and co-creation in B2B fields of research, to clarify the conceptual landscape, and make suggestions for future research.

There has been very little discussion of the ontological basis of the processes of co-creation and coproduction in the B2B context (Vargo & Lusch, 2011). Questions pertaining to the constituents of value creation, including practices and their conceptualizations, are important when researchers design their studies and make essential methodological choices. When reviewing the literature, we found that co-creation studies in B2B settings give very limited space to the practice perspective on value creation, whereas studies of consumer co-creation have begun applying the practice theory (e.g. Echeverri & Skalen, 2011; Schau, Muniz, & Arnould, 2009). Our intention is to extend the B2B co-creation literature by looking for ways to apply the practice theory. In this respect, our review generates suggestions for future research by analyzing the B2B co-creation literature from the practice perspective. Therefore, this article suggests that researchers pay attention to the practice perspective in the co-creation of value in B2B systems.

2. Review process

We reviewed the literature on the co-creation of value and the co-production of value propositions through a systematic search of research papers (Tranfield, Denyer, & Smart, 2003), in which we combined two search strings to find articles from journals ranked in the Chartered Association of Business Schools (CABS) Academic Journal Guide (AJG). We focused on journals in the fields of marketing, management, strategy and operations management, that appear in the AJG categories 3 to 4* in the 2015 edition of the guide, with 4* as the highest level of quality (CABS, formerly known as ABS, is used in the UK in categories from 1 to 4*). We searched the Scopus database for articles on co-creation and coproduction, covering the titles, abstracts, and keywords in the search. Several rounds of iterations of the search criteria identified 86 articles. We read their abstracts to evaluate the fit of each paper for the purpose of the research. Fifty-four articles were identified for further study. We included articles on “coproduction” or “co-creation” in different B2B settings in the B2B marketing literature. Ten articles that were published in lower-tier journals than AJG 3 (2015)

were removed from the data. Another 22 articles that did not link to marketing, management, strategy, or organizational literature, but used, for example, the term “codesign” in a purely technical manner, were likewise removed. In addition to the selected 54 articles, several seminal articles from other fields were used to add complementary perspectives and fresh empirical insights to the analysis.

3. Research on the co-creation of value in the B2B context

As noted, researchers of B2B exchange have paid much attention to coproduction of service offerings and the co-creation of value. The literature has produced a myriad of concepts, applied a variety of theories and assigned a range of meanings to these activities. The concepts touch upon many aspects of business, such as strategy, sales, marketing and organization. Therefore, we discuss the definitions of coproduction and value co-creation in the literature to lay the groundwork for research on coproduction and value co-creation in B2B systems.

In the B2B context, an actor's subjective experience of value has been considered as an outcome of a value co-creation process, in which value propositions (e.g., a product, “service” or solution) act as conveyors of potential value in the exchange processes among the supplier, the service provider and the customer. While the literature holds many views on the creation of value, the economic value has been conceived merely as the benefits subtracted from the sacrifices associated with the B2B exchange, subjected to the supplier when conducting the transactions (Vargo, Maglio, & Akaka, 2008).

Then again, some researchers define *value* as “what customers are willing to pay” (Porter, 1985: 3). Yet, building on the early writings, the marketing literature highlights the role of *use-value* (Dixon, 1990; Vargo et al., 2008), whereby value is created when the customer integrates the offering with other resources and competences needed for the usage. The marketing perspective is grounded in the view that value emerges through use, whereby value-in-use is associated with the user experience (Grönroos, 2012). The literature largely agrees that such an experience is cocreated by the customer and the supplier (Vargo & Lusch, 2004, 2008). According to the S-D logic, value is not consumed or destroyed, as in the traditional industrial logic (Vargo & Lusch, 2004, 2008, 2016). Instead, value proposition may be coproduced, and value experience can be cocreated in the interaction among the actors that participate in the process.

Prior research on the coproduction of value propositions uses a variety of terms such as coproduction, co-creation, codesign and codevelopment to describe the process of creating or developing something together (Payne, Storbacka, & Frow, 2008). In codesign, the customer contributes to product or service design; codevelopment, in contrast, is a collaborative process, where a customer is involved in a supplier's process development. In co-branding, customers and suppliers develop a brand together.

To clarify the definition of *value co-creation* in the way that encompasses the coproduction of value propositions, we distinguish the interactions for the creation of value experience from the collaborative production of value propositions. First, it is important to understand that the exchange for value entails both economic and social exchange; both of which may be value-focused. Conversely, the collaboration for valuable experience in the context of use may involve several aspects of social, physical and cognitive experiences that are valuable to the beneficiary. Economic behavior in general is the exchange of applied resources. This service model, is guided by the aim to benefit some actors, potentially including other stakeholders, and even external audiences. *Social exchange* is defined as a set of organizational actions that is contingent on rewarding reactions from others. It implies a reciprocal and mutually binding relationship between at least two parties in transactions (Blau, 1964). As economic exchanges are always embedded in the social (Granovetter, 1985; Uzzi, 1997), the interplay between value experience and social ties is particularly interesting.

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