



## Social media and value co-creation in multi-stakeholder systems: A resource integration approach



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### ABSTRACT

This paper provides a theoretical framework of multi-stakeholder systems to explain value co-creation through the contextual means of actor-to-actor (A2A) interactions. In applying the A2A model, we explicate the resources provided by three actors in particular – customer, firm and social media platform in co-creating value via resource integration. The resources afforded by social media platforms positions these actors as “systems resource integrators” in both B2B (business-to-business) and B2C (business-to-consumer) contexts. The role of social media platforms as systems resource integrators is to provide a technological platform that exposes its modular resources to facilitate higher order resource formations through the active participation of non-intermediary actors (i.e. customers and firms); which otherwise limits the ability of firms and customers to realize their optimal value co-creation potential.

Six propositions are derived from the conceptual framework provided in this paper. Through the higher order resource formation analogy underpinning the discussion in this paper, we argue the significance of understanding the qualities of social media resources for managers to facilitate more efficient resource configurations in the creation, transformation and renewal of resources via resource integration in actor interactions. The paper concludes with the strategic implications of the conceptual framework provided and future research directions.

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### 1. Introduction

The foundational construct of “exchange” has arguably underpinned the essence of marketing for several decades (Alderson, 1957; Bagozzi, 1975; Hunt, 1976; Sheth & Uslay, 2007). The proponents of the exchange paradigm have come to concur that exchange is not an end in itself, but really a means to an end of value creation. The argument that the customer is not a passive actor but rather is an active participant in the exchange process (see Vargo & Lusch, 2004, 2008) has been a long-standing assumption in the industrial marketing and purchasing (IMP) literature domain (see Ford, 2011; Håkansson, 1982). Against this backdrop, we discuss the concept of value co-creation in the following sections of the paper to demonstrate how social media serves as a platform for value co-creation activities between two interacting actors – firm and customer.

In evaluating the concept of value creation, extant literature has been heavily skewed to viewing value creation through the non-interactive value formation approach (see Alderson, 1957; Bagozzi, 1975; Hunt, 1976). In this perspective, value is perceived to be generated

by segregating the value systems of both the firm and the customer and viewing the value creation process as a phenomenon that hinges on the firm, as advocated by the resource based view (see Barney, 1991; Penrose, 1959; Peteraf, 1993; Wernerfelt, 1984). “Value is embedded in the products or services that focal organizations produce; is added during the production process, which is separated from the customer; and equals the price that the customer pays for products and services – value is objectively measured in terms of money” (Echeverri & Skålén, 2011, p.353). In other words, the price of a product or service is the measure of value to which all economic exchanges should be reduced. Customers are seen as value destroyers (consuming value) and must therefore return to the value system of the firm to gain access to further value. This notion that customers are value destroyers is based on the assumption that customers, by themselves, offer no resources for integration in co-creating value in exchange processes with firms. Instead, firms are seen to offer resources, when combined in unique configurations which result in the creation of products and services (i.e. value as indicated by the Goods-Dominant Logic) that address customer needs and wants (Vargo & Lusch, 2008).

However, marketing literature recognises the prominence of value creation from the interactive value formation perspective (see Prahalad & Ramaswamy, 2000, 2003, 2004; Vargo & Lusch, 2004). In contrast to conceptualizing value as embedded in a product or a service, “this view holds that providers co-create services and products in collaboration with their customers. This implies that value, rather than

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being added during a separated and non-interactive production and consumption process, is co-created, realized, and assessed in the social context of the simultaneous production and consumption process" (Echeverri & Skålén, 2011, p.353) (see also Prahalad & Ramaswamy, 2004; Ramirez, 1999; Vargo & Lusch, 2004). Interactive value formation, although not explicitly referred to as "value co-creation", as first coined by Prahalad and Ramaswamy (2000), gained prior recognition in the B2B (business-to-business) marketing literature through the Industrial Marketing and Purchasing (IMP) group of scholars (Håkansson, 1982; Håkansson & Snehota, 1995).

In more recent times, social media platforms are emerging to provide consumers with an avenue to engage with one another through the exchange of user-generated content (e.g. text, image, audio and video content) (Kaplan & Haenlein, 2010; Kietzmann, Hermkens, McCarthy, & Silvestre, 2011). Notably, consumers in social media spaces who are constantly engaging in service exchanges both with firms and their brands is the result of firms creating and/or maintaining a strong social media presence (Kaplan & Haenlein, 2010; Schau, Muniz, & Arnould, 2009). In addition, firms recognise the significance of social media impacting and influencing the lives of consumers and the capabilities provided by social media platforms have allowed them to remain congruent in an increasingly digital business landscape (Day, 2011; Kaplan & Haenlein, 2010). In contrast, others have labelled firms as "uninvited crashers" of social media and argue that social media was intended for connecting people, not imposing firms and brands on a social media audience (Fournier & Avery, 2011). Given that these are important, thus, the issue of if/how social media serves, as a platform for value co-creation activities between two interacting actors such as customers and firms has still remained unresolved.

Until recently, social media platforms (including but not limited to Facebook, Twitter and Instagram) have been seen as contexts rather than actors in their own right (Xiang & Gretzel, 2005), hence the paucity in academic literature concerning the resources that might exist in social media platforms and its value contribution to service exchanges. Nevertheless, there is an incipient literature recognizing technological platforms such as social media platforms as "an arrangement of resources connected to other systems [i.e. actors] by value propositions" (Vargo & Lusch, 2008, p. 149) (also see Barrett, Davidson, Prabhu, & Vargo, 2015; Lusch & Vargo, 2014). Empirical studies to validate this assertion have begun to emerge in scholarly work to highlight the generative nature of digital technologies (e.g. Henfridsson & Bygstad, 2013; Hsu & Tsou, 2011). Social media platforms, increasingly recognized as technology based engagement platforms, in themselves are seen to afford other actors in the network (i.e. firms and customers) the combinatorial potential (Yoo, Boland, Lyytinen, & Majchrzak, 2012) of integrating different sets of resources for value co-creation (Barrett et al., 2015; Kietzmann et al., 2011; Maglio & Spohrer, 2008; Sashi, 2012).

Hence, the contribution of this paper is in using the 'linguistic telescope' of the actor-to-actor (A2A) model (see Håkansson & Snehota, 1995) offered by the IMP interaction approach (see Håkansson, 1982) in combination with the service-dominant (S-D) logic literature (see Vargo & Lusch, 2004, 2008) to highlight the interaction between firms and customers. In doing so, we explicate the granular dynamics of resource integration in value co-creation processes between firms and customers enabled by social media platforms. We attain this outcome by explicating the concepts of interaction, resources, resource interfaces and resource integration in dynamic value creation processes (Frow & Payne, 2013; Gummesson & Mele, 2010; Sheth & Uslay, 2007). In recognizing the increasing prominence of social media platforms as actors with system integration qualities, this paper exemplifies the modular technological functions (see Meyera & DeToreb, 2001; Sanchez, 1995, 1999; Sanchez & Collins, 2001) that position social media platforms as facilitators of higher order resource formations (see Madhavaram & Hunt, 2008) between firms and customers. In this way, the resource integration episodes between two actors (i.e. firm and customer) in a

social media setting is exposed and the higher order resource formation dynamics that emerge as a result of these resource integration episodes can be observed and articulated to explain value co-creation outcomes in enhancing the business performance of firms. In this regard we recognise the role of social media platforms as technology engagement platforms in business network value co-creation processes (see Frow, Nenonen, Payne, & Storbacka, 2015).

This paper begins with a section that reviews IMP literature and the S-D Logic. In applying the A2A model, the first section explicates the resources afforded by three actors in particular – customer, firm and social media platform in co-creating value via resource integration. The nature of the resources offered by each of these interacting systems is discussed. Next the unique properties of the resources offered by social media platforms in particular are highlighted to emphasize the significance of social media platforms as *systems resource integrators* in the interaction between firms and customers. A resource based theoretical framework is then introduced to discuss the social media enabled higher order resource formations that result in the integration of operant resources between the customer and the firm. The discussion of the conceptual framework is then supplemented with theoretical propositions. The paper concludes by briefly discussing the resulting managerial implications, and points to directions for future research.

## 2. Interaction and resource integration: The A2A interactive perspective with multiple actors (customer – firm – social media platforms)

Interaction in marketing literature has been most prominently defined in the concept of the service encounter (see Lovelock & Wirtz, 2010). As Gummesson and Mele (2010, p. 185) contend, "the parties interact to communicate needs and wants, thus laying the foundation for exchange". The interaction experienced between two or more actors in an exchange process is a means to gaining access to resources and then collaboratively co-creating mutual value in exchange processes (Achrol & Kotler, 2006; Galaskiewicz, 1985; Knoke & Burt, 1983; Payne, Storbacka, & Frow, 2008; Salman & Saives, 2005; Wasserman & Faust, 1994).

The Industrial Marketing and Purchasing (IMP) interaction approach model argues that value in business markets is generated through exchanges that occur within interaction episodes in dyadic relationships between active actors (Håkansson, 1982). Subsequent developments in the IMP literature through the introduction of the now classic actor–resource–activity (ARA) model recognised that every firm operates within a complex business network (Ford, 2011; Ford et al., 1998; Håkansson & Snehota, 1995). This recognition shifted the focus of the study of value creation in business markets from the dyadic relationship to the network level (see Håkansson, Ford, Gadde, Snehota, & Waluszewski, 2009; Håkansson & Snehota, 1995).

In contrast to the understanding of value creation through the IMP lens, the S-D logic states that value is at all times co-created with the customer (Vargo & Lusch, 2008). Through relational processes of offer making (i.e. value propositions), the S-D logic places an explicit emphasis on users/customers and the resources they bring to the interaction as fundamental for co-creating value together with firms (Vargo & Lusch, 2004, 2008). Hence, the emphasis is on the customer (i.e. the primary beneficiary in an exchange process) as the value evaluator (i.e. value-in-context) (Gummesson, 2008). The argument is that the customer is not a passive actor but instead is an active participant in the exchange process (see Vargo & Lusch, 2004, 2008). Nevertheless, this has been a long-standing assumption of the IMP perspective (see Ford, 2011; Håkansson, 1982).

According to the S-D logic, the customer is perceived as the value evaluator (value-in-context) and therefore challenging the distinction between B2B (business-to-business) and B2C (business-to-consumer) marketing (Vargo, 2009). In contrast, the IMP literature is not primarily concerned with benefits provided for the customer alone, but rather is

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