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## Systemic principles of value co-creation: Synergetics of value and service ecosystems

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## ABSTRACT

While most investigations of value and value co-creation empirically focus on either the individual micro-level or the collective macro-level, a systemic perspective asserts that investigations at one level, in isolation from the other, are incomplete. Based on synergetics and its core principles of emergence and enslavement (consensualization), we argue that value is a systemic property (i.e. an order parameter) that emerges from micro–macro links in service ecosystems. We propose a framework that begins to unravel the complexity of value co-creation and the dynamics of service ecosystem evolution. We introduce nine systemic principles of value co-creation: critical distance, stability, amplification, internal determination, nonlinearity and feedback, phase transitions, symmetry-breaking, limited predictability, and historical dependence. Based on these, we outline future research opportunities in three areas: the moralization of markets, an acceleration of societal dynamics, and the increasing embeddedness of service in society.

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## 1. Introduction

Although there has been a surge of research on value co-creation in recent years, the direct topic of value has not received equal empirical attention, perhaps because value is inherently and implicitly present in any study that investigates satisfaction, profit, or firm performance (Grönroos & Voima, 2013). This includes studies that for instance emphasize value-creating practices (Kjellberg & Helgesson, 2006; Schau, Muniz, & Arnould, 2009), value co-creation and co-production processes (Etgar, 2008; Payne, Storbacka, & Frow, 2008), value networks (Lusch, Vargo, & Tanniru, 2010), and value propositions (Frow & Payne, 2011; Chandler & Lusch, 2015).

Fortunately, extant literature on service ecosystems has given some form and substance to the study of value. The service-dominant logic (SDL) literature places value at the center of service ecosystems, or systems of resource-integrating actors (Lusch & Vargo, 2014), in which actors are joined by value and, specifically, mutual value co-creation efforts (Vargo & Lusch, 2011). Societal megatrends such as a moralization of the markets (Stehr, 2007), an acceleration of society (Rosa, 2005), and an increasing awareness of the social embeddedness of economic actions (Granovetter, 1985) emphasize mutuality in social

systems, underlining the need for a systemic approach that considers the dynamic properties of value co-creation.

Based on this, our proposed framework conceptualizes value as a core organizing principle—or, what synergetics calls an order parameter—of service ecosystems. Because value is simultaneously an individual and collective phenomenon, it is important to study value at the micro-level, meso-level, and macro-level of a service ecosystem (Chandler & Vargo, 2011). To do this, we go beyond a network perspective that is rather static, to focus on the dynamic aspects of system behavior across these levels (Lusch & Vargo, 2014; Haase & Pick, 2015). Because value cannot be separated from either the individual micro-level (e.g. customer value) or the collective macro-level (e.g. public value), it is necessary to develop a theoretical foundation for exploring the systemic nature of value and value co-creation (Prahalad & Ramaswamy, 2004; Lusch & Vargo, 2006).

This is not to say that investigations of value and value co-creation at either the individual micro-level or the collective macro-level perspectives are incorrect; but a systemic perspective would view each of these perspectives, in isolation from the other, as incomplete (Pires, Dean, & Rehman, 2014). We emphasize that value—as a systemic property—cannot be reduced to the individual or the collective level. Although this has been acknowledged from the service ecosystems perspective (Chandler & Vargo, 2011), there has not yet been a comprehensive framework that accounts for dynamic multilevel systems from an SDL perspective. As a result, it is difficult to systematically assess and operationalize the (self-organized) workings of service ecosystems. Current theoretical “tools” are insufficient for opening up the black box “system” and clarifying its behavior. This leads us to the following

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research question: *What are the systemic principles of value co-creation in service ecosystems?*

We seek to contribute to the ongoing debate regarding value and value co-creation within service ecosystems by drawing on self-organization theory, namely synergetics, to catalyze a dynamic perspective on value as a systemic property (Haken, 1977, 1984, 1993). The theory of synergetics, as developed by Hermann Haken (Haken, 1977; Haken & Schiepek, 2005), can help us to explain how individual experience (e.g. customer value) interacts with collective phenomena (e.g. public value). Based on the idea of formalizing micro–macro links (Alexander, Giesen, Münch, & Smelser, 1987) in a system, the synergetics perspective formally articulates when and how a system order changes in a self-organized way. Synergetics asserts that relatively stable macroscopic states tend to emerge out of complex systems of interacting parts. In turn, these order parameters inform how the parts abide by the rules of the game (*enslaving* or *consensualization*). Its independence from a particular (social) scientific discipline makes synergetics a suitable formalized apparatus for inquiry to the dynamic properties of system behavior (Meynhardt, 2004).

Based on the core synergetic processes of emergence and enslavement,<sup>1</sup> we introduce nine systemic principles of value co-creation: *critical distance, stability, amplification, internal determination, nonlinearity and feedback, phase transitions, symmetry-breaking, limited predictability, and historical dependence*. These principles clarify the *sensing and collating nature* of value co-creation when viewed from a systems perspective (Lusch et al., 2010). They begin to shed light on the complexity of service that has recently become salient because intersections between the micro-level of value and macro-level of value have blurred lines among the traditional tasks, roles, and responsibilities of customers and firms (Jaakkola & Alexander, 2014; Piller, Moeslein, & Stotko, 2004; Schau et al., 2009).

The paper is structured as follows. We explore the origins of the service ecosystems concept, emphasizing how value has been conceptualized within service ecosystems. We then explain how synergetics can help to clarify value as a systemic property, and explain the nine systemic principles of value co-creation. Subsequently, we provide illustrative examples of how a synergetics approach can further our understanding of current phenomena that alter the context in which value co-creation processes take place. We end with a discussion of theoretical and practical implications.

## 2. Conceptual background

### 2.1. Service ecosystems

The service-dominant (SD) logic of value creation emphasizes knowledge and skills as primary resources for exchange (Vargo & Lusch, 2004, 2008). By doing so, SD logic emphasizes the activities and processes of value co-creation, rather than its outputs and outcomes. According to SD logic, these activities and processes are catalyzed by service—the application of competences for the benefit of others (Vargo & Lusch, 2004, 2008). This intertwines an actor's competences with the other actors' knowledge, skills, and competences (Vargo & Lusch, 2016). As a result, these actors are joined together by service and their behaviors synchronize with wider market norms and expectations (Akaka, Vargo, & Schau, 2015). Because of this, a service ecosystem, or a “relatively self-contained, self-adjusting system of resource-integrating actors connected by shared institutional logics and mutual value creation through service exchange” emerges (Lusch & Vargo, 2014, p. 161). Actors are thus joined because of mutual value co-creation efforts, and the actors together constitute a self-adjusting, self-contained service ecosystem.

<sup>1</sup> *Enslavement* is the technical term used in the synergetics literature for processes of top-down ordering of the system according to the order parameter. Another term for this phenomenon is *consensualization*.

Viewing service in this way, we can begin to clarify the mechanisms of self-organizing, complex, and adaptive systems because of the “multiple interrelated actors, processes and systems that together move through phases and cycles” in service ecosystems (Chandler & Lusch, 2015, p. 15). As these different processes and actors jointly evolve over time, they effect change on one another in nonlinear and dynamic ways. As a result, some service ecosystems thrive, while others wither away (Vargo, Maglio, & Akaka, 2008). To advance the SDL literature, the proposed systems-level theory offers some explanation about why and how this occurs.

### 2.2. Value and value co-creation

We draw attention to value as a core organizing principle, or systemic property, of a service ecosystem. Value binds together different systemic parts in a coherent way (Edvardsson, Tronvoll, & Gruber, 2011). As a systemic property, value cannot be understood by focusing only on a single component or level of a service ecosystem (Corsaro, 2014; Akaka, Vargo, & Lusch, 2013). It often involves large, expansive networks of actors (Tax, McCutcheon, & Wilkinson, 2013). Because value is simultaneously an individual and a collective phenomenon, the micro, meso, and macro levels of a service ecosystem characterize its emergence (Xie, Bagozzi, & Troye, 2008; Chandler & Vargo, 2011).

For these reasons, it is important to study value as unique to the service ecosystem and context in which it emerges, as well as to the actor for whom it emerges. The micro *individual level of value* is not isolated from a macro *collective level of value*. The micro-level is embedded within a meso-level, which is itself embedded simultaneously in a macro-level (Chandler & Vargo, 2011). The meso-level focuses on a collective, intersection, or relationship of an individual, while the micro-level focuses on the individual, and the macro-level focuses on the environment in which the meso-level and the micro-level exist. Thus, the meso-level points attention to ecosystem *subsystems* that interconnect micro-levels and macro-levels of value (Pires et al., 2014).

These parts contribute holistically to the whole. The study of one level without the other would be akin to for instance studying the value of the human eye (micro-level) without studying the optic nerve and the brain's ability (meso-level) to translate signals into meaningful information for the body (macro-level). The value of the human eye cannot be fully understood by simply looking at the parts it is composed of (iris, pupil, ocular lens, etc.). Rather, if we are to make sense of the eye and understand its value, we need to look at it as part of our complex visual and cognitive system.

Similarly, the disparate elements of a service ecosystem make more sense when they are viewed as synergistic parts of a whole, especially concerning value. Any individual actor that experiences value does so in a specific context while, conversely, value that is realized in a specific context can be shared by an individual in that context. Thus, the mutual constitution of individuals and their contexts makes it difficult to study value as extracted from one level vs. another (Giddens, 1984).

## 3. A synergetics perspective of value co-creation

### 3.1. What is synergetics?

To explore the dynamic interplay between individual and collective value, we draw on the synergetics literature. Synergetics furthers our understanding of how value emerges as an order parameter, and offers principles that clarify how bottom-up emergences and top-down enslavement unfold in service ecosystems (Ebeling & Feistel, 1994; Meynhardt, 2004). Synergetics is based in the natural sciences but has also been applied to other disciplines such as management, economics, and psychology (Haken & Mikhailov, 1993; Haken & Schiepek, 2005). It offers principles that cannot be found in other theories, such as *autopoiesis* by Maturana and Varela (1987), describing self-reproduction of organisms, or Giddens' (1984) *structuration* theory, with its focus on

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