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The Paradigm of Value Co-creation: A Conceptual Review

George Sarantidis

PhD candidate, Deptartment of Social and Political Studies,
University of Peloponnese, Greece.
Email: gs8960@gmail.com

Abstract

According to the conventional approach, value creation is considered a sequential and transitive process, implemented by the producer of the respective product or service, in every step thereof value is "added"; this value is finally materialized at the locus of the exchange ("value-in-exchange"), with the client regarded as its "consumer" (i.e. destroyer). However, recent developments in management and marketing have led to an alternative approach to value creation, namely "value co-creation", based on the idea that customers actually create value during the use of the purchased products or services. Thus, value is "created" and "re-created" over time, through the interaction between consumers and producers in a process of mutual resource integration and value creation. This document hosts a broad discussion on the topic of value co-creation, mainly in the context of Lusch & Vargo's Service-Dominant Logic (SDL) - a theory regarded as one of the dominant approaches on the subject. Also presented are the views of Grönroos and Voima who criticize SDL's foundational concept of "value-in-context" in favor of "value-in-use"; as well as the views of Edvardsson, et al. who, from the perspective of the Social Construction Theories, underline the crucial effect of the social context on the value co-creation process.

JEL Classification: M1, M31, D46

Keywords: Co-creation, Service-Dominant-Logic, SDL, Value-in-context, Value-in-use

1. Introduction

This document discusses the process of value generation that takes place in the context of the transaction between a provider and a consumer, through the perspective of Service-Dominant Logic and value co-creation - a paradigm that runs counter to that of "the value chain". The aim is to provide the reader with a comprehensive understanding of the main elements and concepts that make up the paradigm of value co-creation and the new - enhanced - role it attributes to the provider organization.

Service-Dominant Logic (hereinafter SDL) is a modern school of thought that is gaining appeal during the last decades, at the core of which lies the concept of value co-creation. According to Vargo & Lusch (2004), the founders of SDL, goods are viewed only as the means to the service, and therefore every provider of either products or services is considered a service provider. In that respect, the service becomes the object of the exchange and value is always co-created by the provider and the respective client(s). In the context of the transaction between the provider and the consumer/user, resources such as knowledge, money, products, services, and solutions, become the object of the exchange, thus creating "value in exchange". Next, in the context of the client's value-creation processes, these resources are integrated and activated, producing "value in use". Following their activation, the integrated resources produce an experience for the actors (as well as for other relevant stakeholders), in the form of a combination of benefits, reactions, knowledge, and emotions, creating "value in experience". The array of the above functions makes up the process of value co-creation, while the set of the values created constitutes what Vargo & Lusch (ibid) define as "value in context".

However, researchers such as Grönroos and Voima (2013), argue that such an overarching definition is making the whole concept of value co-creation to seem as having a symbolic nature (in the sense that everything can be interpreted as co-creation and everyone is co-creating value), thus limiting the potential for further analysis. Instead, they propose value co-creation to be defined only in terms of "value in use", where the client is creating value in his own (social, economic, temporal, etc.) context, with the provider merely facilitating the client's value-creation processes through the provision of his products or services. That, according to Grönroos and Voima creates a coherent conceptual structure, in the context of which the roles of the actors and their respective "spheres" of value creation are clearly distinguished and delimited.

Finally, by focusing more closely on the social dimension of the context within which the value co-creation process takes place, Edvardsson et al. (2011) regard co-creation through the lens of the Social Construction Theories and argue that value should be conceptualized as "value in the social context". In their view, value co-creation is a dynamic process, shaped continuously by the effect of social forces; the involved actors are undergoing a continuous process of learning and adaptation of their roles to the particular conditions of the service system within which they operate; and their social reality (including their perception of value and value creation) is being molded by the respective social structures, systems, positions, and roles, as well as the social exchanges they conduct.

This document is structured in five sections, as follows:

- In the first section, the concepts of value and value creation are presented, preceded by a historical review of the concept of value and the transition from the conventional theory of value creation to that of value co-creation.

- The second section focuses on the process of value co-creation, firstly in relation to the principles of SDL and the concept of "value in context" and secondly through the alternative approach based on the concept of "value in use" and the "spheres" of value creation. The section ends with a reference to the major factors affecting value co-creation - with emphasis on the client-side.

- The third section is dedicated to resources and the process of resource integration, as the mechanism inducing/underlying value co-creation and its relation to actor networking.

- The fourth section deals with the interaction between the actors - the core element of value co-creation - and the processes of learning and adaptation; and finally,

- The fifth section approaches the concept of value co-creation through the prism of the social construction theories, with the application of the concepts of social systems, interactions, positions, and roles of the relevant actors, steering in the direction of the “value in the social context” theory.

Instead of conclusions, the document presents opinions expressed by renowned scholars in the field, regarding the role of the provider organizations in the value co-creation process and strategies that can help them engage more substantially in value co-creation with their clients.

2. Value and Value Co-Creation

2.1 A short historical review of the concept of value

As Grönroos και Voima (2011) point out, even though the quest for the meaning of value is dated back to the age of the ancient Greeks - and possibly even before that - an integrated and commonly accepted definition of what value is and how it is created, still does not exist. Over time, both value and its creation process have been conceptualized in many different ways, each reflecting the particular conditions and needs of the respective socio-economic context. According to Ramirez (1999), the term “value” initially referred to a person’s skills, actions, and accomplishments and at the same time it also denoted how he traded goods. With the passage of time, these two meanings became separated. The word “valeur” (originating from the Latin word “valor”) appeared at the end of the 11th century holding a double meaning: (a) the reputation of a person according to his virtues and his abilities; and (b) an evaluation of the quality of goods and the interest invested in them. The first of these meanings expanded, at the beginning of the 12th century, so that it denoted a person’s importance; and a little later it came to also include acts of valor that the person had performed in his life. The latter of the above meanings, denoted that something has value based on its utility. Therefore, one could argue that the modern concept of “value in use” is actually a little less than 1.000 years old.

Later, in the 13th century the concept of value acquired a measurable connotation, thus laying the foundation for the modern concept of the “exchange value” that is still applied to traded goods. Going forward, in the 16th century, the meaning of the word “value” became synonymous with a measurable unit, as a precursor of the concept of “price” which was introduced near the end of the 17th century. Finally, although the notion that a product’s utility is subjected to personal judgment dates back to the 18th century, the idea that the value of a product is determined subjectively took another century to become commonly accepted (Ramirez, 1999).

Investigating the social dimension of value, anthropologists tried to trace the way that, in the context of western civilization, certain values are transferred down from the society to the individual - a reaction to the tendency of markets to disrupt the stability of values that are embedded into the fabric of society (Dumont, 1980). Individuals, in their everyday life, face numerous choices over which decisions must be made; these are based on judgments that in turn depend on the personal values of the individual - the ones taught by society. Such judgments, and the values that they relate to, form concepts such as the “scale of values” and “value systems” that essentially distinguish one culture from another (Ramirez, 1999).

2.2 From value creation to value co-creation

Up until the 1980s, assembly line manufacturing was considered the basis for most of the management theories in the 20th century. Its influence was so strong that the concept of value in industrial production was expressed in terms of a “value chain”, with value creation regarded as a serial and transitive process, at each step of which value is "added". As an example of the universal appeal and application of the principle of the value chain, one can consider Value Added Tax (VAT) - a taxation system developed during that period and implemented to this day by governments all over the world (Ramirez, 1999).

According to the above conventional approach, value creation is a process implemented by the producer through value chain operations that are internal to the organization; a process in which the customer has no part. This unilateral role of the producer/provider organization in value creation, according to Porter (1985), is typical to the value chain principle. In that spirit, the customer is referred to as a “consumer” - i.e. the subject who consumes/destroys the value that the producer has created. For the producer, value is realized during the transaction with the consumer, which is considered the locus of value extraction. In that respect, it makes sense that provider organizations focus especially on the transaction, since - according to the above logic - no other interaction between them and their customers is regarded as contributing to value creation (Normann and Ramirez, 1993; Wikström, 1996). Furthermore, as organizations unilaterally decide which products and services to produce, they also - indirectly - decide what is of value to the customer. It is only understandable that such a system does not reserve a significant (or none at all) role for the customer in the value-creation process (Prahalad and Ramaswamy, 2004a).

The progress achieved in recent decades in the social sciences and especially marketing, as well as the rise of the Nordic school of Services Management, has led to the development of an alternative approach to the issue of value creation. According to this school of thought, the locus of value creation moves from the action space (or “sphere”) of the producer to that of the customer. This new approach was initially named by Lusch and Vargo (2006) "value co-production" and later "value co-creation" (in order to be disassociated from the notion of production). It marks a major shift in the conceptualization of the value-creation process and the respective roles of the relevant actors; especially the role of the customer, who from being a consumer (i.e. destroyer) of value is redefined as its creator. In this context, value is not created according to the principles of the "value chain"; instead it is created and recreated in perpetuity, during the interactions taking place between providers and customers. At the locus of these interactions, involved actors jointly contribute different resources that are combined/integrated to produce benefit, in the context of the synchronous and interactive process of value co-creation. As a consequence, Business-to-Customer (B2C) - and even Business-to-Business (B2B) transactions can be thought of as converging into the generic form of Actor-to-Actor (A2A).

2.3 The concepts of value and value creation

In this document, the concepts of value and value creation are defined in the context of the customer-centric logic expressed mainly through the terms "value in use" (Grönroos, 2008) and "value in context" (Vargo and Lusch, 2004), which are discussed below. Hence, for the purposes of this document, value is defined as a subjectively and empirically perceived benefit which is due to the capacity of a good or service to produce results in the interest of an entity - a definition proposed by Grönroos and Voima (2013).

Regarding the process of value creation, Lusch et al. (2008) claim that value is created when a potential resource is transformed into a specific benefit. Grönroos and Voima (2013), for their part, define value creation (and also destruction) as a long-term, dynamic and empirical process; a process that takes place in a specific social, spatial and temporal environment, with value emerging through the experience that the service user acquires in an individual or social level. According to Helkula et al. (2012), as well as Voima et al. (2010), value for the customer emerges through the accumulated (individual or collective/societal) experiences he/she has acquired from his/her contact with the resources, processes, and/or their results, as well as corresponding experiences derived from the past, present and imagined future of his/her life.

Thus, for example, a beautiful dress starts accumulating value even before it is purchased and it adds value every time it is worn; and even when it is not in use, it can still add value accounting for the enjoyment of imagining the next occasion it will be worn and perhaps the social impact it will produce.

3. The value co-creation process

3.1 Services and Service-Dominant Logic (SDL)

Vargo (2006) defines service as the utilization of operant resources (i.e. capabilities, skills knowledge, etc.) by an entity, for the benefit of itself and/or other entities. Normann and Ramirez (1993) extend this definition to include all activities which, in order to deliver utility value, require the creation of value by the customer. Also, in their attempt to define the link between the provider and the customer, they coined the term "offering" which is attributed to the products and services being provided by the producer to the customer for use or consumption. For example, a refrigerator produced by a firm is considered an “offering” that has the potential to provide the customers with the capacity to create value-in-use by preserving their food supplies and providing them with cool beverages.

As mentioned above, SDL is a modern school of thought originating from the field of marketing that is founded on the concept of value co-creation. Robert Lusch and Stephen Vargo are considered to be the "founding fathers" of SDL who, based on pre-existing research on services (especially in the B2B environment), developed an integrated conceptual framework based on the following fundamental premises (FPs):

FP1: The application of specialized skills and knowledge is the fundamental unit of exchange.

FP2: Indirect exchange masks the fundamental unit of exchange.

FP3: Goods are distribution mechanisms for service provision.

FP4: Knowledge is the fundamental source of competitive advantage.

FP5: All economies are service economies.

FP6: The customer is always a co-producer.

FP7: The enterprise can only make value propositions.

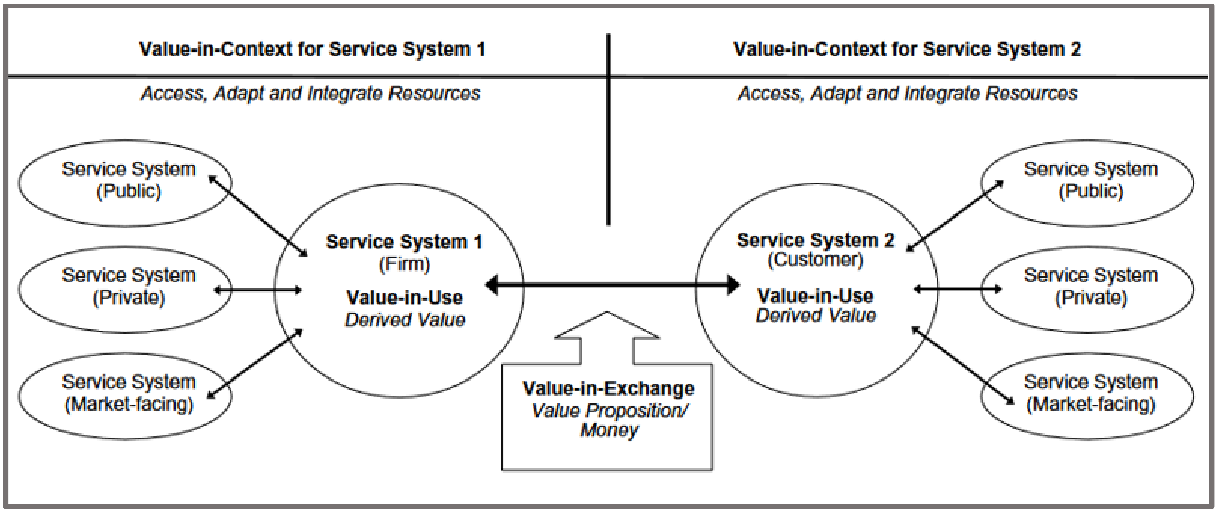
FP8: A service-centered view is customer-oriented and relational” (Vargo and Lusch, 2006:161).

According to SDL, all suppliers of goods and services are fundamentally considered service providers, with the service forming the fundamental basis of the transaction. Value is co-created by both providers and customers, and assessed on the basis of "value in context" where, according to Chandler and Vargo (2011), the term "context" refers to a unique set of actors joined together by mutual ties.

In the context of SDL, the roles of both providers and customers are redefined, so that both actors be regarded as contributors to the value co-creation process. Thus, when the customer either exchanges a configuration of resources with the provider or activates mutually contributed resources, is always considered a co-creator of value (Vargo and Lusch, 2004, 2008a). In a school, for example, the service provided is learning (not teaching or educating) and consequently the process of value co-creation is the learning process. In this context, student and teacher jointly contribute and use their resources (skills, knowledge, time, effort) in order to co-create learning, while receiving support from resources from the network in which they participate, which may include other students' or teachers' skills and knowledge, computers, books, etc.

According to SDL, goods have no use other than to serve as the means for the provision of services (see FP3 above)[1]. A significant consequence of this idea, is that the provider is now deprived of his capacity to create value through his own unilateral actions (as in conventional value creation of GDL); instead, he is limited to creating value propositions through the provision of goods ("offerings" in SDL terminology). These value propositions set the stage for the value-creation processes, carried out by the customer (and potentially other members of his/her personal network), either on their own capacity or together with the provider. Thus, according to Vargo and Lusch, the (provider-centric) concept of "value in transaction" and the (customer-centric) "value in use" are merged into the concept of "value in context (see Figure 1 below).

Figure 1: Value co-creation among service systems (value-in-context) (Vargo et al., 2008)



In the same vein, Vargo and Lusch (2004) hold that, in the context of SDL, resources do not possess value inherently. On the contrary, value is always co-created together with customers when resources are put to use and the value produced is determined by unique and empirical/phenomenological ways by the actors of the transaction, within a specific socio-economic context (see Figure 5 below).

3.2 Value in use and value-creation spheres

However, researchers such as Grönroos and Voima (2013) consider the term "value in context" to be an overarching definition that attributes to the concept of value-creation purely symbolic character. A definition so broad that everyone can be regarded as value co-creator and every action as value co-creation. Instead, they suggest value creation be defined only in the context of "value in use", where:

α) the customer is the only one who creates (through the integration of resources/processes/outcomes) and empirically enjoys the value within his/her own social framework; and
β) the provider only facilitates (i.e. provides the conditions necessary for) the creation of value by the customer.

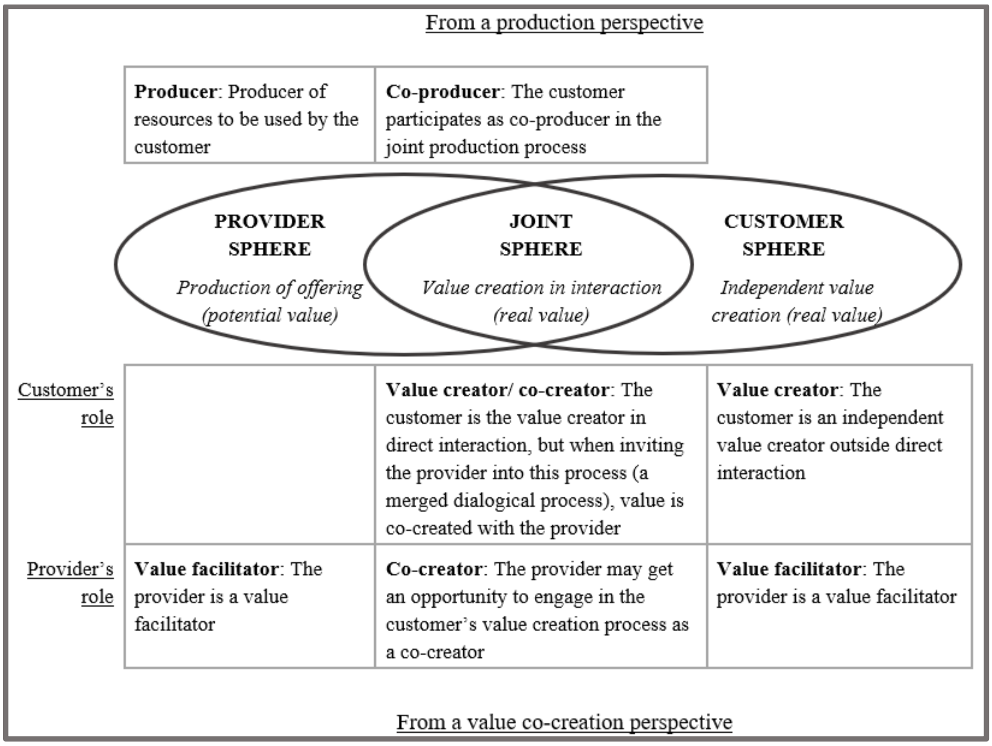
[1] For example, in the perspective of SDL, a washing machine is considered as the vessel bringing to the consumer the service of washing his/her clothes; beyond that, it is just a useless piece of equipment occupying valuable home real estate.

What this means, in effect, is that the organization during the production process[2] creates only potential value (embedded into the respective goods), which the customer in turn has the opportunity to convert into “value in use” (actual value) (Gummesson, 2007). This forms a comprehensive conceptual structure, in the context of which the roles of the actors and their respective "spheres" of value creation - namely, the provider’s, the customer’s, as well as the sphere shared by both - are clearly defined and delimited.

According to this model, depicted in figure 2 below:

- In the "provider sphere", the organization produces the resources as well as the processes that the customers will use for the creation of “value in use”;
- In the "shared sphere", the customer holds a dual role, as a co-producer of resources and processes together with the provider, and/or as a co-creator of value together with the provider. In that context, through a dialogical process of direct interaction[3] with the customer, the organization has the opportunity to gain access to the customer's internal value-creation processes and participate in them as a value co-creator.
- Finally, in the “customer sphere”, where the producer has no access, the customer creates "value in use" (real value) independent of the provider. In this sphere, there is either indirect interaction[3] or no interaction with the provider and thus no co-creation of value (Grönroos and Voima, 2013).

Figure 2: Value-creation Spheres (Gronroos & Voima (2013))



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[2] In the context of this document, the term "production process" includes the phases of design, development, manufacturing, and delivery, as well as the "back-office" and "front-desk" operational functions.

[3] According to Gronroos & Voima (2013), from the perspective of value creation, two types of interaction can be distinguished:

- Direct interaction, in the context of which the client and the provider-organization’s resources (personnel, systems, etc.) interact with the customer through some kind of active dialogic process; and
- Indirect interaction, where the customer uses or consumes resources that are outputs of the provider organization (e.g. a product) and through them he/she interacts with the organization itself.

It should be noted that inside the “customer sphere”, the customer creates value for the fulfillment of personal, social, or collective needs and goals, making use of his/her own value-creating processes. These processes may be under the influence of a network of other related actors (family, friends, other users of the same product/service, etc.). The "customer's sphere", also considered the “customer's sphere of experience”, lies outside the scope of direct interaction with the provider. It constitutes the specific social, physical, mental, temporal, and spatial context, within which the customer's accumulated experiences with the resources and the related processes create “value-in-use”.

To get a better understanding of the above approach, let’s consider the case of purchasing a set of kitchen furniture from IKEA:

- In the Provider Sphere, IKEA is producing the parts that make up the furniture, thus creating potential value for the customer;
- In the Joint Sphere, through dialog with the store’s staff, the customer chooses the pieces and decides upon the design, thus co-producing the “offering”[4] and at the same time co-creating value through interaction with the provider; and finally,
- In the Customer Sphere, the customer (independent from the provider) is using the product, together with his/her personal network, creating value-in-use; while IKEA - through the provision of the product - functions as the facilitator of this value creation process.

Furthermore, even though, typically, the production of the offered product/service precedes the value-creation processes, a proactive customer has the opportunity to participate in the design, development - and even production - of the offered item (something quite common in B2B). In this case, the "common sphere" can be expanded in such a way that the overall process is initiated directly inside it. For example, customer value creation may begin with collaboration during the development phase of the offering, which provides an opportunity for the provider to engage early in value co-creation activities with the customer. The customization options provided by automobile manufacturers - such as Volvo - are involving the prospective buyer into the design of their own vehicles, thus letting the customer operate inside the Producer Sphere.

3.3 Factors that affect the value co-creation process

Etgar (2008), in his conceptual model of value co-production, distinguishes a number of significant factors influencing the process of value co-creation, in terms of their relation to (a) the customers; (b) the providers and the type of service offered; and finally, (c) the environment (social, spatial, temporal, etc.). Thus, for providers, dominant factors are mainly of an operational nature, such as organization structure, resources, processes, risk management, etc.; while for the value co-creation environment, critical factors relate mainly to economic, social, cultural, and technological conditions[5].

However, despite the differences between the abovementioned approaches to value co-creation by Vargo & Lusch and Gronroos & Voima, they both view the customer as the main actor in the value-creation process, leaving for the provider a facilitative/quasi-supportive role. Focusing on the customer’s motivation and capacity for participating in value co-creation activities, Etgar (2008) considers the following factors as the most influential:

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[4] Another form of co-production of the “offering”, employed by IKEA, is the option that the operations regarding furniture moving and assembly being performed by the customer.
[5] Indirect reference to the most important factors is made in subsequent sections of this document.

a. Self-efficacy[6] and know-how, such as skills (existing and the possibility of their development) especially in matters of ICT, execution of technical tasks, coordination and communication skills, etc.;

b. Inflicted costs:

- of an economic nature, mainly concerning contributed operand resources, and

- of a non-economic nature, such as the need for cultural and behavioral adjustments, loss of freedom of choice, physical and psychological effort, as well as risks related to low performance, opportunistic behaviors, social stigma, etc.;

c. Expected financial benefits;

d. Psychological motivations:

- extrinsic such as fun, learning, the search for autonomy, excellence, the exercise and use of personal abilities, the bias in favor of oneself, etc., and

- intrinsic such as joy, inclination towards morality, spirituality, search for aesthetics, thrills, variety, etc.;

e. Social motives, such as the desire for control, social contact, recognition, self-esteem, etc.; and

f. Reduction of risks, such as financial, social, or related to physical condition, as well as risks related to performance, time, lack of stability, etc.

Special mention should be made to self-efficacy; a factor that, according to a number of researchers, maintains a direct relationship to the customer’s tendency to prticipate in value co-creation activities. For example, Xie et al. (2008) support that value-creating activities undertaken by customers are primarily a function of their own level of self-efficacy. In the same vain, Bandura (1977) theorizes that resources are recognized and evaluated through individuals' personal self-efficacy assessment which is reflected in their personal choices and efforts. Also, a study by Alves et al. (2016) demonstrates how resources, expressed in reference to the clients' social capital, expertise and especially self-efficacy, help explain: (a) the range of co-creation activities in which they engage; and (b) how their engagement in co-creation is related to their perception of the benefits acquired by these activities[7]. Therefore, since an increase in perceived benefit logically should, in turn, cause a further increase in the customer's motivation for future engagement in co-creation, we can infer that an increase in the customer's self-efficacy may indirectly activate an upward spiral of value co-creation.

4. Resource integration and actor networking

According to SDL, resources do not possess intrinsic value; instead, value is created through the transformation of resources into a specific benefit for an actor, through the process of resource integration - a process to which all relevant actors are potential contributors. However, before looking into the process of resource integration, it is necessary to develop an under-

[6] The term “self-efficacy” refers to a person's perception of his/her own capabilities to organize and perform certain actions, which lead to specific levels of results (Alves et al., 2016). For a methodological tool for measuring self-efficacy see Nunes, Schwarzer, and Jerusalem (1999).
[7] According to this study, for each unit of increase in co-creation, there was an increase in the perceived benefit by 0.58 units.

standing of resources in the context of value creation. In a taxonomy scheme proposed by Arnould and Thompson (2006), two categories of resources are distinguished:

- Operand resources, that represent tangible elements, such as financial resources, equipment, raw materials, etc., over which at least one of the contributors of the integration process has control; and

- Operant resources, which can be material, social or cultural in nature: material operant resources include cognitive-motor capabilities, physical strength, etc.; cultural ones include specialized knowledge, skills, tastes, etc.; and finally, social resources refer mainly to interpersonal/social relationships[8].

Operand resources are - for the most part - static, while operant resources are dynamic and subject to renewal and replenishment. Comparative advantage for the organization is created mostly through its operant resources (such as knowledge and skills), which operate upon and exploit other resources for purposes such as problem-solving, satisfaction of the customer's needs and desires, etc. (Vargo and Lusch, 2004). At the same time, through the process of transferring and sharing resources between the relevant actors, social capital is generated - both a value in itself and a catalyst for the proliferation and enhancement of the value co-creation process. In addition, according to Gummesson & Mele (2010), the process of resource integration is not limited to the mere accumulation of common resources; in order to harness the benefits of value co-creation, the integration of the resources of one actor into the operational processes of the other actor is required. For comprehensive examples of this process in a B2B environment, see Boeing's DDAM Program in the article by Ramírez (1999) and the cooperation between Volvo and a firm called "The Laundry" in the respective article by Wikström's (1996).

Also, since the resource integration process is performed always in line with the respective actors' capabilities, needs, desires and expectations, there always exists an underlying social/cultural process, which ultimately drives the individual to become a member of a network. Through networking, the customer has the opportunity to exchange experiences with other members of the network, shaping accordingly their own experiences and, by extension, the value they empirically derive from the relevant services. In this way, every member in the network indirectly becomes a potential actor in the resource integration (and subsequently value creation) process of other actors (Vargo and Lusch, 2008b). This is a very common practice in the social media platforms (e.g. Facebook, X, Pinterest, etc.), especially in the context of the communication within groups; as well as in the comments posted online by product/service users regarding the performance of the relevant products/services and/or their respective providers.

At the same time, Gummesson & Mele (2010) point out that provider organizations are not simply buyers of inputs and suppliers of outputs; they are in themselves agents of resource integration by transforming specialized micro-competences (such as skills and knowledge of their employees) as well as other resources from their internal environment (the organization) and their external environment (the market) into services. The need for resource diversity and specialization urges organizations to seek partners with whom to exchange, integrate and/or jointly develop resources. In this context, the interconnection of the organization with external co-producers becomes extremely important, generating synergies named "Service Ecosystems" by Lusch and Vargo (2014) or "Value Creation Systems" by Ramirez (1999). In this context, Gummesson & Mele (2010) argue that an actor's potential for value co-creation is

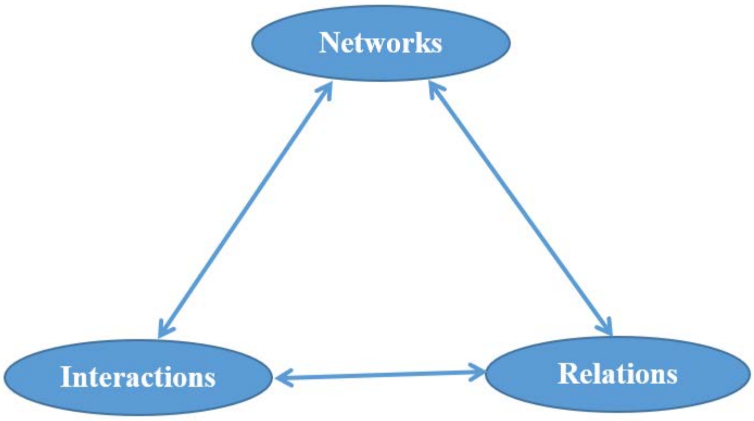
[8] See also, Arnould et al. (2006), Baron & Harris (2008), Baron & Warnaby (2011).

highly dependent on its ability to "fit in" with other actors and operate within a network, contributing positively to its success and development. The capacity to align its goals, resources, and processes with those of the other actors, improves the actor's capacity to develop effective value propositions and stimulate value co-creation processes.

The close relationship that exists between resource integration and actor networking is highlighted by a multitude of scholars: Vargo (2008) argues that resource integration is a multidimensional network process, in the context of which, each of the involved parties (provider - customer/user) pool multiple resources with other parties, for their benefit and the benefit of others. Similarly, Nenonen and Storbacka (2010) discuss the role of resources in the operation of business models, highlighting the network topology of value creation actor relations. Finally, Vargo and Akaka (2008) support that value creation presupposes the operation of a "network-to-network" topology of relations, converging to create value through a mesh of unifying resources.

5. Actor Interaction, Learning, and Adaptation

Figure 3: The three dimensions of relational marketing - (Gummesson (2008))

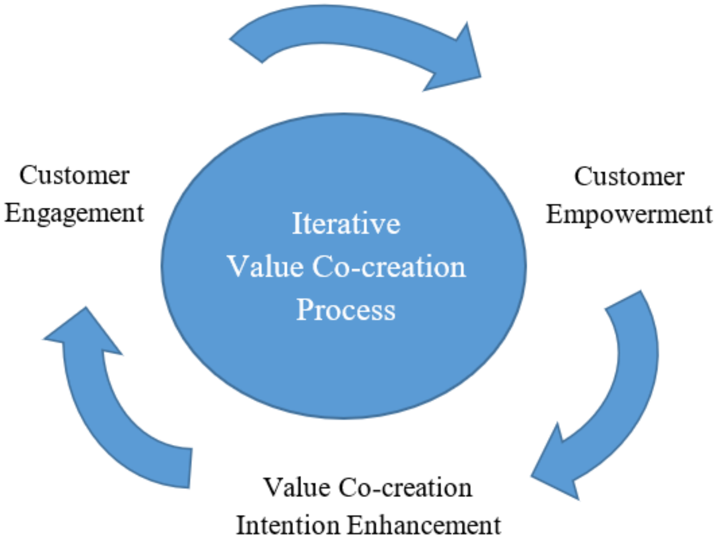


As mentioned above, from the conventional value creation approach, where the provider organization manages its processes with the aim of providing value to its customers through the supply chain, we are moving to a new approach; one that identifies multiple actors, operating within networks which jointly create value. For that purpose, the provider's value chain expands and takes the form of a network which in turn is interconnected with the customer's value creation network. In this context, Gummesson (2008) defines relational marketing as "interactions within networks of relationships", thus identifying interactions, relations and networks as its three dimensions (see Figure 3 above), with networks gradually emerging as the central concept supported by the pillars of interactions and relations.

Sleth and Parvatiyar (1995) noticed that, while marketing evolves from a transactional to a relational approach, there is a corresponding shift in focus from value exchange to value creation; in tandem with a strong tendency towards the development of close, interactive relations between the entities cooperating within the value chain. Thus, involved parties (even in cases of B2B where typically they may be in competition with each other) collaborate in a joint effort to create value through resource sharing and the development of strong economic, structural and emotional bonds. Through multi-level interactions, a provider organization aligns its resources, capabilities, and processes with those of its customers; thus, jointly co-creating value in the context of a relationship that evolves in perpetuity (Grönroos, 2004).

According to Gummesson & Mele (2010), the term "interaction" is attributed to actions that attend to various levels of relations and which, added together, constitute episodes, then sequences (of episodes), and finally relationships. Interactions are part of the practices used by providers and customers during the processes of provision and consumption/use of products and services, in the context of which, the two parties engage in a dialogue and transfer of resources. The transfer of resources can involve material goods, such as real estate, some kind of merchandise or product, etc. Beyond that, it can also concern information, skills and knowledge, such as in the context of learning or during the design phase of a project.

Figure 4: The iterative value co-creation process



Highlighting the key role of interaction in value co-creation, Wikström (1996) defines the process of value co-creation as a process of social interaction and adaptation which takes place between the customer and the provider for the purpose of achieving further value. In the same spirit, Gummesson & Mele (2010) support that meaningful dialogue and effective interaction between the participating actors has the potential to activate socialization processes, resulting in: (a) the osmosis and fertilization of knowledge and ideas on both sides; (b) the production of new knowledge through continuous learning; and (c) the stimulation of a cognitive spiral within the network. The shared information, ideas, knowledge, and experiences act as the foundation for learning and the development of shared mental models which, in turn, help create a common vision. With time, that vision is gradually adopted by all actors in the network, providing stability and creative intensity to the network's activities, and promoting the creation of value and social capital (Senge, 1994). This view is also supported by Ballantyne and Varey (2014), who underline the importance of effective communication between network members as a necessary condition for the co-creation of value through trust, learning, and adaptation. Nestle, for example, striving to harness the potential of effective communication with its customer base, set up an online service to offer to its customers free consultation services by professional dietologists on infant dietary issues (Etgar, 2008).

Furthermore, according to Grabher (1993), successive iterations of the above processes of interaction and adaptation have the ability to promote the development of interdependence between network members. In that context, any disagreements that arise over time tend to be resolved within the relationship, rather than causing a reorganization of the relationship; in effect, replacing "exit" (that is, the breaking of the relationship) with "voice" - if we were to use Hirschman's (2004) terminology. Of course, the effective implementation of the above-mentioned learning process, presupposes that each actor is assigned with a specific role which places corresponding demands on him. For the customer/user, that role should tend to provide them with the appropriate information and the capacity to reflect, formulate and voice their opinion to the provider. On the other side, the provider organization should have in place appropriate operational structure, policies, processes and resources, enabling it to effectively perceive, evaluate and exploit emerging ideas and innovation coming from its customer base. To that effect, let’s not forget that electronic games would have never evolved without active participation of - and the innovative ideas contributed by - their user base.

According to Prahalad et al. (2000), during the last decades a sharp increase is observed regarding the level of interaction and networking among the actors in the value co-creation process. This is attributed mainly to the rapid development and world-wide adoption of the use of Information and Communication Technologies (hereinafter ICT). In their view, a host of new technological applications, such as the internet, social networks, wireless communication, new digital consumer devices, etc. work in concert to facilitate high-quality and low-cost interactions between producers and consumers, as well as among consumer networks. Thus, ICT contributes: (a) to the development of an ever-growing number and variety of “touch points” connecting the provider to the end-user/consumer; and (b) to the dramatic reduction of financial costs, time and effort related to the participation of customers in value co-creation activities. Therefore, by exploiting the potential of ICT, customers, organizations and other contributors to the value-creation process, now have the opportunity to interact with each other in an immediate, easy and cost-effective fashion (e.g. taking advantage of the potential provided especially by social networking platforms such as Facebook, Instagram, YouTube, WhatsApp, TikTok, etc.). As an example of firms trying to develop effective touchpoints in order to establish a communication channel with their customers through ICT, Nike developed the online platform “Nike+” where customers have access to valuable information (i.e. operant resources) regarding ways to exercise in order to enhance their performance and avoid injuries (Alves et al., 2016).

Another interesting point related to the above, made by Pralahad and Ramaswamy (2004b), is that customers’ efficacy in communication/interaction with providers and other parties depends primarily on their access to computer skills and digital communication technologies. Therefore, customers who possess greater skills and access to pertinent resources, tend to exhibit higher participation in value co-creation activities than customers who lack them. This has important implications, especially at the macro-level, as it implies that the drive for value co-creation will be greater in societies that have a higher level of general education, widespread use of ICT, as well as fewer political and/or social barriers hindering the use of such technologies.

6. The Social Context of Value Co-Creation

In the SDL literature there is frequent reference to the term "Service System" or "Service Delivery System" as the context of service exchange processes. Spohrer et al. (2007) define Service Delivery System (hereinafter SDS) as a mechanism whose purpose is to co-create value. It is comprised of people, technological means, other (internal or external) SDSs, as well as information resources such as language, policies, laws, regulations, processes, prices, etc. In that context, Vargo et al. (2008) add that SDSs sustain their existence, adapt and evolve with time through the use of resources emanating from transactions with other systems and in this way they create value for themselves and these other systems (see Figure 1 above). Examples of SDSs are public organizations, enterprises, hospitals, universities, and even cities; among them, the smallest could be considered an individual, and the largest the US - or even the global - economy.

In that respect, the SDL's term "value in context", according to Edvardsson et al. (2011), refers to a multi-dimensional phenomenon that is socially produced by the relevant actors (provider and customer/user) in the context of an SDS. To support the predominantly social connotation of value co-creation, they point out that, in terms of service exchange, both customers and provider organizations, in order to realize and delimit the mutual provision of services, need certain resources such as language, norms, values and moral standards, that are provided by the relevant social structure. Thus, attitudes and behaviors exhibited by the relevant actors regarding the exploitation of resources for the co-creation of value, as well as the value assigned to those resources, are dependent - to a large extent - on the abovementioned resources (language, norms, etc.), drawn exclusively from the respective social system.

At the same time, the actors, by using the rules of the social structure in the exchange of services, in effect reproduce the respective social structure. Thus, both the actors and the resources participating in the social exchange, are considered elements of the social system within which they function; as a result, they are influenced by it and, at the same time, by their decisions and actions they actively shape and reproduce it. In the same context, Edvardsson et al. (2011) argue that the social positions and roles, held by the respective actors, exercise great influence on their perception of the value of the resources involved in the processes of value co-creation, as well as its outcomes (i.e. perceived benefits). So, grafting the SDL paradigm with concepts from the Social Construction Theories[9] and using them as a tool for the study of service exchange and value co-creation, has the potential to reveal their underlying mechanisms[10].

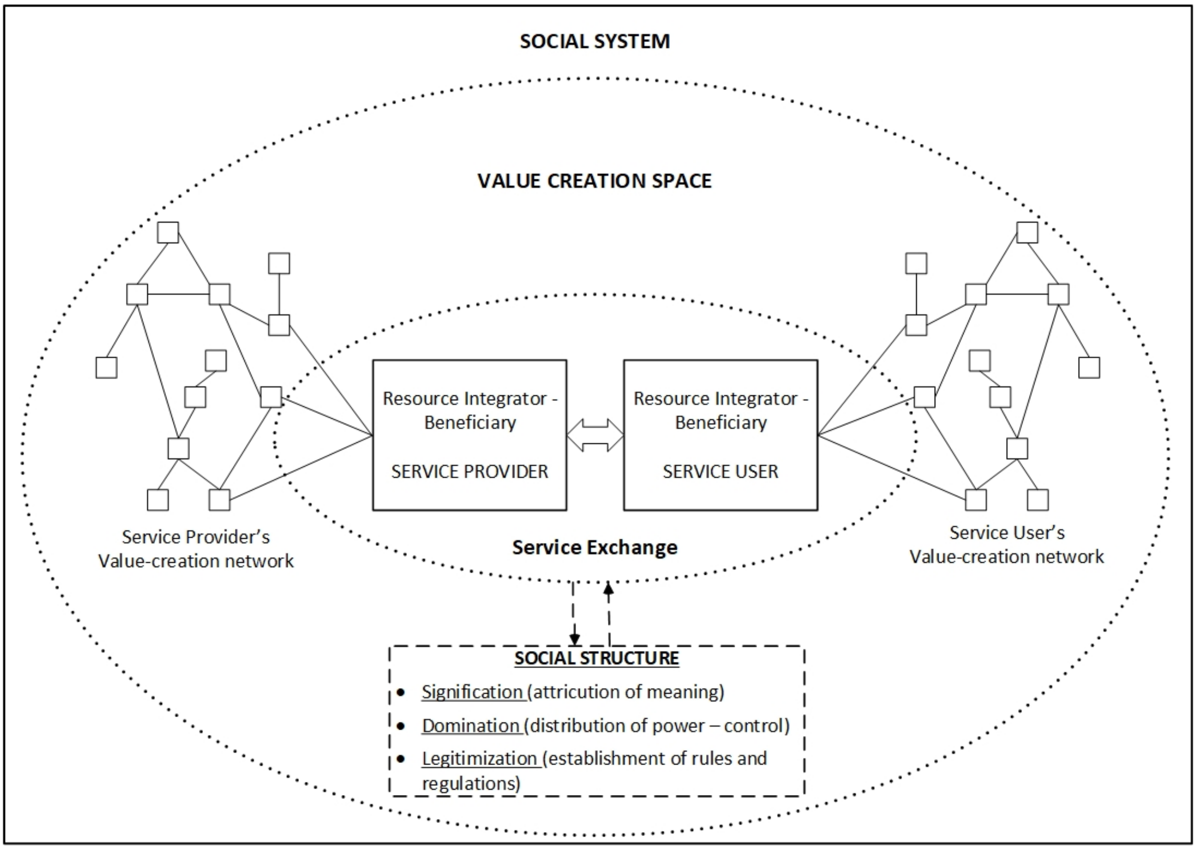
In that spirit, Edvardsson et al. (2011), citing Berger and Luckmann (1967), support that *"[…] actors who interact in a social system form 'mental models' of each other's behaviors; over time, these models eventually become habituated into reciprocal roles that the actors play out in relation to each other, thus reproducing and institutionalizing social interactions. In this process of institutionalization, meaning is embedded in the social system and in society in general. According to this view, the individual's values, beliefs and norms regarding reality become embedded in the institutional fabric of society."*. In that context, Cheung (1997) claims that (according to the Social Construction Theories) individuals involved in a social transaction process are automatically considered creators of meaning. Respectively, identical transactions between a provider and a customer, carried out in different social systems, can produce different meanings - both personally and socially.

At the same time, Deighton and Grayson (1995) argue that the social consent attributed to the value of a certain product or service has a substantial effect on the particular value. Therefore, the perception of the value of a specific product or service cannot be considered as based solely on the individual's personal perception (as supported by SDL), but also on broader social parameters. In that sense, consider, for example, the variability of the value attributed to a particular piece of contemporary music or fashionable garment in respect to the place and time that it is been assessed.

[9] To that effect, Edvardsson et al. (2011) make reference to Giddens' (1984) three dimensions of Social Systems, namely signification (i.e. attribution of meaning), domination (i.e. the distribution of power and control) and legitimization (i.e. establishment of rules and regulations)

[10] For example, by harnessing Social Construction Theories' tools, it would be possible to effectively analyze how shared perceptions create social consensus which, in turn, shapes individuals' perceptions and defines the terms of their interactions, and ultimately the value attached to the outcomes of the co-creation process (Edvardsson et al., 2011).

Figure 5: The S-D logic paradigm after the inclusion of social structure and service/social systems (adapted from Edvardsson et al. (2011))



Therefore, Edvardsson et al. (2011) support that the perception of the social reality - including value and value creation - by the actors participating in the value co-creation process is being influenced in a decisive manner by the respective social structures, social systems, social positions and roles, as well as the social exchanges these actors conduct (see Figure 5 below). In that respect, they claim that "*[…] value is a social construction and therefore both the concepts of value and value co-creation should be defined and studied within the relevant social context. [….] Co-creation is shaped by social forces, is reproduced in social structures, and can be asymmetric for the actors involved. Service exchanges are dynamic, and actors learn and change their roles within dynamic service systems*" (2011:1) and therefore, SDL's term "value in context" should be interpreted as "value in the social context".

7. Instead of Conclusions

As stated in the introduction, the purpose of this article is to provide the reader with a broad understanding of the main elements and concepts that make up the paradigm of value co-creation. To that effect, it hosts a discussion on the topic of value co-creation, mainly under the perspective of Lusch & Vargo's Service-Dominant Logic (SDL) - a theory centered around the concept of "value-in-context". Also presented are the views of Grönroos and Voima who criticize SDL's foundational concept of "value-in-context" for its all-encompassing character, proposing instead the notion of "value-in-use"- an alternative approach that limits value creation to the customer. Finally, the ideas of Edvardsson, et al. were presented, who from the perspective of the Social Construction Theories, underline the crucial effect of the social context on the value co-creation process, putting forward the concept of "value-in-the-social-context". The above views expressed by Grönroos and Voima and

Edvardsson, et al. were selected to be included in this article as valid arguments and valuable contributions to the theoretical framework of the value co-creation paradigm. Of course, there is an ocean full of other - equally valid and important - scientific opinions and approaches to value co-creation which were not included due to space or scope limitations, for which the rather extended bibliography provided here can be used as navigation aid.

The goal behind the above discussion was to highlight the major implications of Service Dominant Logic and value co-creation as a general change in perspective - a way to “reinvent the wheel” - regarding the central issue of value creation in the business environment. For that purpose, in spite its "customer-centric" approach - consistent with the dominant role of the customer in the value co-creation paradigm - the focus of this document is actually on the new - enhanced - role of the provider organization. A role that, in the context of the value co-creation paradigm, extends beyond the scope of the typical producer of products and services, rendering services that will provide support to the client during the execution of his own value-creation processes.

But, what does that mean for the organization? Or rather, as Prahalad and Ramaswamy (2004b:9) put it: "*How do we build a system for co-creation of value?*". And they continue to answer their own question as follows: “*First, we have to start with the building blocks of interactions between the firm and consumers that facilitate co-creation experiences. Dialog, access, risk-benefits, and transparency (DART) are emerging as the basis for interaction between the consumer and the firm. These building blocks of consumer-company interaction challenge the strong positions managers have traditionally taken on labeling laws, disclosure of risks (as in smoking or genetically modified plants), transparency of financial statements, and open access and dialog with consumers and communities. Dialog is an important element in the co-creation view. Markets can be viewed as a set of conversations between the customer and the firm* (Levine et al., 2000). *Dialog implies interactivity, deep engagement, and the ability and willingness to act on both sides. It is difficult to envisage a dialog between two unequal partners. So, for an active dialog and the development of a shared solution, the firm and the consumer must become equal and joint problem solvers. The dialog must center around issues of interest to both—the consumer and the firm and must have clearly defined rules of engagement.*”

Implementing the above ideas at the operational level is no easy task. In order for organizations to perform in the context of the value co-creation paradigm, they need to do an number of changes to their business model. They need to redesign both their business strategy and structure and to develop appropriate policies and operational capabilities that will enable them to leverage their internal knowledge, skills, and other (mainly operant) resources. Then, building upon these capabilities they should implement appropriate processes and develop multiple touchpoints in order to engage in effective interactions with their customers. And ultimately - harnessing the capabilities provided by the modern technologies - organizations should strive to integrate their customers' resources into their own value co-creation processes (Nenonen and Storbacka, 2010; Payne et al., 2008).

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