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# VALUE CO-CREATION IN SERVICE INTERACTIONS DIMENSIONS AND ANTECEDENTS

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## ABSTRACT

The purpose of this article is to further develop the conceptualization of value co-creation and discuss its dimensions and antecedents. We propose that in service interactions, value co-creation should be understood as a joint collaborative activity between service employees and customers consisting of six dimensions, which correspond to simpler joint actions (individuated, relational, empowered, ethical, developmental and concerted joint actions). Furthermore, we address communicating, relating and knowing as antecedents of value co-creation. This article is among the first to propose an analytical framework for the study of value co-creation and can drive both future research and guide managers interested in implementing the service logic principles.

## INTRODUCTION

Recent years have seen a surge in research in the newly coined field of service logic<sup>1</sup>, which has been influential in redefining the key elements of marketing. A key concept within this field is that of value co-creation, the idea that value is not solely being created for the customer by the provider of a service, but for and by both parties throughout the time of their interaction. Since Vargo and Lusch's (2004) seminal article that first introduced the premises of the service logic, more than 740 articles mention co-creation in their title<sup>2</sup>, yet this literature is marred by significant conceptual confusion and ambiguity.

While several researchers agree that value co-creation is a complex concept consisting of several dimensions, there is little agreement as to which these dimensions are (Randall et al., 2011; Yi and Gong, 2012). We believe this confusion has been sparked by Vargo and Lusch's (2008) initial proposition that customers are always value co-creators, a stance that has recently been challenged by Grönroos and Voima (2013), who established that although customers create value-in-use while using firm products and services, value co-creation is primarily a function of the interaction between service employees and customers.

Moreover, to date, most studies of value co-creation have either focused on the meso- and macro-perspectives rather than the micro-level of service interactions (Chandler and Vargo, 2011), or have focused on the output rather than the value co-creation activity itself (Gummerus, 2013), therefore providing few answers regarding how customers and employees co-create value in direct interactions.

This article continues the efforts of Grönroos and Voima (2013) of conceptualizing value co-creation. First, we propose that value co-creation (on the micro-level) can be understood as a joint activity consisting of six formative dimensions, corresponding to simpler joint actions: individuated, relational, empowered, ethical, developmental and concerted joint actions. These dimensions have been originally discussed as part of a service logic firm orientation by Karpen et al. (2012) and, in this article, are being adapted to the micro-level of service interactions between service employees and customers.

Second, we continue the search for conceptual clarity by differentiating these dimensions from three antecedents - relating, communicating and knowing – discussed originally by Ballantyne and Varey (2006). The discussion of the antecedents strengthens our conceptualization as it sets the boundaries of value co-creation by distinguishing the activity itself from the factors that promote it. By discussing both the dimensions and antecedents of value co-creation we develop a conceptual framework of value co-creation, which clarifies the boundaries of the concept and is capable of driving fruitful future research (Gilliam and Voss, 2013; MacKenzie, 2003). This framework is also valuable for practitioners interested in adopting a service logic strategy and encouraging value co-creation as a means of developing a competitive advantage (see e.g. Prahalad and Ramaswamy, 2004).

## CONCEPTUALIZING VALUE CO-CREATION

Grönroos conceptualizes value co-creation as “joint collaborative activities by parties involved in direct interactions, aiming to contribute to the value that emerges for one or both parties” (2012: 6). This conceptualization is the first to set the boundaries of value co-creation by moving away from the belief that value is always co-created (Vargo and Lusch, 2008) towards claiming that value can only be co-created in direct interactions.

In services, joint activities that require customer and service employee interactions, can be considered complex, as they include several discrete joint actions. These joint actions create value in different ways: empowering customers can increase their sense of self-worth, while developing a relationship can nurture a feeling of belonging to a group. Although the discrete joint actions have different objectives, together they compose the value co-creation activity. To summarize, we consider value co-creation to be a multidimensional concept.

## VALUE CO-CREATION DIMENSIONS

This article is not the first to consider value co-creation as a multidimensional concept. Randall et al. (2011) discuss three potential dimensions of value co-creation, namely connection, trust and commitment. Yi and Gong (2012) investigated the customer perspective and concluded that value co-creation

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<sup>1</sup> Following Grönroos (2011), we prefer the term ‘service logic’ to that of ‘service-dominant logic’

<sup>2</sup> Number derived from Google Scholar search (April, 2013)

is a third order construct, consisting of customer citizenship behaviour and customer co-creation behaviour as second-order dimensions. The most recent article to discuss value co-creation dimensions is that of Gustafsson et al. (2012) which addresses four dimensions of communication as potential dimensions of value co-creation within an innovation context. It is obvious that there are little similarities between these three studies, mostly caused by the lack of a unifying conceptualization of value co-creation. The most significant problem is that the aforementioned studies do not address the locus of value co-creation (service interactions) or its conceptual boundaries, therefore contributing to the confusion surrounding the concept of value co-creation and its dimensions.

The only article to date that addresses service interactions from a service logic perspective is that of Karpen et al. (2012). Their conceptual article has identified six types of interactions between customers and service firms: individuating, relating, empowering, ethical, developmental and concerted interactions. The concept of value co-creation is implied within the article of Karpen et al. (2012), but not directly addressed, the authors preferring to discuss interactions at the firm level and focusing on firm capabilities rather than manifestations of these capabilities within service interactions, or the roles of customers and service employees in these interactions. However, customers and employees are the enactors of these capabilities, and it is through their actions that value is co-created. Therefore, we argue that an understanding of value co-creation should commence with investigating the actions customers and employees engage in interactions, with the goal of generating value for at least one of the participants, in line with Grönroos (2011; 2012). In order to focus on the activity of value co-creation, we continue by adapting the interactions identified by Karpen et al. (2012) to the micro level of customer-employee service interactions and discuss them as joint collaborative actions that constitute the dimensions of value co-creation.

### Individualizing joint actions

At the organizational level, Karpen et al. (2012: 25) defined a firm's individuated interaction capability as "an organization's ability to understand the resource integration process, contexts and desired outcomes of individual customers and other value network partners." Therefore, at the service interaction level, we define individualizing joint actions as collaborative actions between customers and employees aimed at establishing a mutual understanding of each other's resource integration processes, roles, and desired outcomes. Individualizing joint actions aim at the development of a mutual understanding of the purposes of the interaction, of each participant's possible contribution, as well as the resources they have access to in order to achieve their goals.

### Relating joint actions

Any interaction involves a relational element. While relating can be seen as a necessary condition for interactions to occur (Ballantyne and Varey, 2006), relating actions are also part of the value co-creating activity. Relationship marketing has been widely acknowledged as a significant

source of customer value. While discussing a firm's relational interaction capability, Karpen et al. (2012: 25) defined it as "an organization's ability to enhance the connection of social and emotional links with customers and other value network partners." Consequently, within a service interaction, this dimension would translate into actions aimed at establishing or enhancing a social and emotional connection between service employees and customers. These connections can vary in intensity between mere agreeableness to sometimes friendship.

### Empowering joint actions

Joint collaborative activities are built on the premise that both participants have the power to influence the outcome of the interaction. At the firm level, this translates into the firm's "ability to enable its customers and other value network partners shape the nature and content of exchange" (Karpen et al., 2012: 28). Therefore, at the service interaction level, we define empowering joint actions as collaborative actions aimed at negotiating the power to influence the outcome of the interaction among customers and service employees.

### Ethical joint actions

We consider ethical joint actions to be collaborative actions aimed at setting fair, honest and moral guidelines between interacting participants. Ethical behaviour is a key element to collaboration, as successful interactions require that participants are working towards a shared goal and hold no conflicting hidden agendas (personal gains).

### Developmental joint actions

A firm's developmental interaction capability is defined as its "ability to assist customers and other value network partners' knowledge and competence development" (Karpen et al., 2012: 29). Within service interactions, developmental joint actions are those actions aimed at improving the customers' and employees' operant and operand resources. Operand resources are tangible in nature, and can include products being exchanged (Vargo and Lusch, 2004). Operant resources on the other hand are intangible and include knowledge, skills, networks (Madhavaram and Hunt, 2008; Vargo and Lusch, 2008).

### Concerted joint actions

Concerted joint actions are collaborative actions aimed at the synchronization between customers and service employees through either relevance or timing. In service interactions, concerted joint actions include adapting participants' behaviours to one another, engaging in movement coordination, establishing agreements, coordination, and perspective taking.

To summarize, we have discussed value co-creation as a joint activity consisting of simpler joint collaborative actions. Specifically, we have adapted the six dimensions of value co-creation, derived from Karpen et

al. (2012) to the micro level of service interactions and discussed them as joint collaborative actions between customers and employees. The next step is to clarify the antecedents of value co-creation.

## VALUE CO-CREATION ANTECEDENTS

To the authors' knowledge, the only article to discuss value co-creation antecedents is that of Ballantyne and Varey (2006), which examines the role of communicating, relating and knowing. These three overarching concepts are considered fundamental for the success of most joint collaborative activities (Clark, 1996) as they provide the structural support for the actions of the interacting customers and employees, improve the coordination of their actions and intensify their cooperation (Ballantyne and Varey, 2006).

First, communicating allows participants to engage in dialogical interactions in which both the voices of the customer and service employee can be heard, and both have the power to influence the outcome of the interaction. Second, relating promotes the social aspects of interactions and aids the development of trust and positive social initiatives. Third, knowing allows participants to develop a shared mental model and to improve each other's knowledge bases therefore promoting the co-creation of value via operant resources.

## A SYNTHESIS

By taking a critical look at the concept of value co-creation at the micro-level, it is possible to start discussing its dimensions and antecedents. This analysis is based on the notion that at its basis, value co-creation is a joint collaborative activity between a customer and a service employee. In service interactions, these participants are customers and service employees. The goal of these collaborative activities is to create value for at least one of the participants. Joint activities comprise of several discrete joint actions, and are therefore considered to be multidimensional. Specifically, we have discussed six types of collaborative joint actions that can be combined to create a more comprehensive value co-creation concept: individualizing, relating, ethical, empowering, developmental and concerted actions.

While these dimensions are part of the process of value co-creation, we also discuss communicating, relating and knowing, and how they contribute to the success of value co-creation activity (Ballantyne and Varey, 2006) by allowing participants to align their goals, establish an emotional connection, negotiate power, establish ethical guidelines, and coordinate their actions.

## LIMITATIONS AND FUTURE STUDIES

As the aim of this article was to conceptualize value co-creation and discuss its dimensions and antecedents, the proposed framework is conceptual, and therefore in need of empirical validation. This empirical validations should start with the development of a scale that can be used to measure

value co-creation activities between customers and service employees. Second, while this framework includes the dimensions and antecedents of value co-creation, it does not cover the outcomes of this joint collaborative activity, in terms of customer satisfaction, service experience, perceived value or loyalty intentions. Similarly, while service interactions are moving toward higher levels of value co-creation, the effects of this change on employee wellbeing, job autonomy and satisfaction or turnover intentions have yet to be explored.

Finally, future studies are also encouraged to aim for depth in explaining value co-creation with the help of qualitative methods which are suited to explore the experiential aspect of value co-creation: ethnographic studies could help understand the role of value co-creation in customer culture, as well as the differential roles customers assume during value co-creation; observational studies could investigate the dyadic perspective of value co-creation by observing co-creating interactions; in-depth interviews can highlight potential problems between the process and the outcome of value co-creation by analyzing the process in light of the participant's individual goals, resources, networks and personal history.

## MANAGERIAL IMPLICATIONS

Understanding the different value co-creation dimensions and its antecedents is a critical first step in implementing strategies aimed at encouraging value co-creation activities and contributing to their success, especially for firms interested in using value co-creation as a competitive advantage. First, by understanding co-creation as a joint collaborative activity, and having an overview of its comprising dimensions, managers can start tracking their own service interactions and identify how to strengthen their own portfolios. Second, identifying the antecedents of value co-creation in service interactions allows managers to understand how they and their employees can contribute to successful value co-creation interactions. Third, raising awareness about the important role that both customers and service employees play in value co-creation will require significant changes in training programs across the service industry that focus on encouraging communication, relating and knowing.

Overall, we believe that this framework has opened an avenue for exciting new research that will shed light on why, when and how service employees and customer co-create, and what antecedents improve this value co-creation. This article has taken the first steps towards helping managers understand how they can encourage successful value co-creation across their firms by focusing on employee-customer interactions.

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