Re-Conceptualizing Value-Creation
From Industrial Business Logic to Service Business Logic

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Re-Conceptualizing Value-Creation: From Industrial Business Logic to Service Business Logic

Key words: Value creation, Value co-creation, Value, Service, Service Logic, Service-Dominant Logic, Service Science

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“Re-Conceptualizing Value-Creation”

From Industrial Business Logic to Service Business Logic

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Abstract

There is an urgent interest in marketing to move away from neo-classical value definitions suggesting that value creation is a process of exchanging goods for money.

In the present paper, value creation is conceptualized as an integration of two distinct, yet closely coupled processes. First, actors co-create what this paper calls an underlying basis of value. This is done by interactively re-configuring resources. By relating and combining resources, activity sets, and risks across actor boundaries in novel ways actors create joint productivity gains – a concept very similar to density (Normann, 2001).

Second, actors engage in a process of signification and evaluation. Signification implies co-constructing the meaning and worth of joint productivity gains co-created through interactive resource re-configuration, as well as sharing those gains through a pricing mechanism as value to involved actors.

The conceptual framework highlights an all-important dynamics associated with ‘value creation’ and ‘value’ - a dynamics the paper claims has eluded past marketing research.

The paper argues that the framework presented here is appropriate for the interactive service perspective, where value and value creation are not objectively given, but depend on the power of involved actors’ socially constructed frames to mobilize resources across actor boundaries in ways that ‘enhance system well-being’ (Vargo et al., 2008).

The paper contributes to research on Service Logic, Service-Dominant Logic, and Service Science.

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Introduction

Arguably, one of the key purposes of research on service logic is to provide a genuinely service-centered model of value creation (Normann and Ramírez, 1993; 1994; Normann; 2001; Grönroos, 2004; Vargo and Lusch (2004; 2008).

Despite past efforts, however, value creation has remained unclear. Exploring issues such as: “What exactly are the processes involved in value-creation from a service perspective?” and “Through what mechanisms do value-creation and value-capture take place in a service setting?” and “How can we measure value-creation in service settings?” still ‘raises as many questions as it answers’ (Vargo, 2008).

Following Normann (2001), service may be defined as a process of ‘re-configuring the whole process of value creation, so that the process – rather than the physical object – is optimized in terms of its relevant actors, asset availability and asset costs’. This paper argues that the Normannesque view of value creation as open-ended, embedded, and inherently co-creative requires that we not only understand value but equally importantly the process of value creation.

Importantly, value creation here refers to a process of becoming better off mutually through a process of resource integration involving two or more actors. This claim meshes perfectly with call made by others both in the past and more contemporarily (Alderson, 1957; Ramírez, 1999; Normann, 2001; Sheth and Uslay, 2007; Grönroos, 2008; Lusch, Vargo, and Wessels, 2008).

Whereas value is value is fairly well understood as a concept, value creation as a process of becoming better off, however, has remained elusive. This paper argues that the disconnect results – as will be shown later in the paper – from a basic ontological unclarity that characterizes our view of value creation.

That there is a close relationship between the terms ‘value creation’ and ‘value’ is evident. In a very basic sense, value creation denotes a process of creating benefits (Bowman and Ambrosini, 1998), productivity gains (Davis, 1955) or utility (Smith, 1776 / 1904) whereas value typically denotes an estimate of the worth of those benefits
(e.g. Zeithaml, 1988; Cravens, Holland, Lamb & Moncrieff, 1988; Monroe, 1990; Porter, 1985) gains (Davis, 1955), or utility (e.g.; Say, 1821; Mill, 1929; in Dixon, 1990). In a sense, the process of creation refers to creating an underlying basis of value whereas value refers to a measure or an indicator of the worth of that other base construct.

In mainstream marketing and strategy literature, unfortunately, value creation may refer to either the process of creating the underlying basis of value, as well as to the process of estimating or assessing the worth of that underlying basis as value. Value creation is thus used interchangeably to mean both the process of creating the underlying basis for value and the process of measuring or indicating the worth of that underlying base construct. The unfortunately consequence is that marketing literature has lost track of a positive understanding of value creation.

Specifically, the above disconnect is manifested in two basic ways in mainstream marketing literature. On one hand, many – if not most- mainstream value concepts view value creation as a process of estimating the worth of benefits, performance, or utility relative to a compensation (typically exchange value, or price). Thus, value is created for the customer when use value exceeds the sacrifices associated with an offering. Such a view is proposed by many - if not most - marketing models (e.g.; Zeithaml; 1988; Cravens, Holland, Lamb & Moncrieff, 1988; Monroe, 1990). In a similar vein, provider value is typically conceptualized as the difference between the price the customer pays and the cost of serving that customer (e.g. Porter, 1985).

On the other hand, past research on service has provided a number of conceptual frameworks for understanding value creation as a function of interactive re-configuration of resources (Normann and Ramírez, 1993; 1994; Ramírez, 1998; Normann, 2001; Grönroos, 2000; 2004; 2008; Vargo and Lusch, 2004; 2008; Maglio and Spohrer, 0000).

Importantly, both approaches to value creation have their respective strengths. Basically, the first type of the two basic value creation models (value as an assessment of benefits and sacrifices) denotes whether value is created. In contrast, the second type of the two value creation models indicates how that value is created.
However, in a positive sense, value creation implies becoming somehow ‘better off’ (Grönroos, 2008). Importantly, becoming better off requires that we understand how the two approaches to value creation are linked. This means understanding how interactive re-configuration of resources creates what could be called an underlying basis of value created and whether the process of creating the underlying basis of value actually results in value for the involved parties.

The important consequence becomes that both models of value creation separately fail to account for becoming better off. Whereas the first type of the two basic value creation models (value as an assessment of benefits and sacrifices) fails to capture how value is created, the second type of the two value creation models fails to capture whether creating the underlying basis of value actually leads to value. Although both approaches to value creation contribute important understandings of value creation, we need to understand the two approaches jointly to understand value creation as a process of becoming better off. The paper argues that the implied disconnect is problematic in that it reveals an under researched domain at the very heart of research on service as a logic.

Arguably, it takes a positive re-building of the conceptual basis to create a positive understanding of value creation. To that end, the paper suggests that a positive model involves conceptualizing value creation as an integration of two distinct, yet intertwined aspects of value – a process of creating what could be called an underlying basis and value as a measure or an estimate of the worth of that underlying base construct.

The remaining paper is organized as follows: First, the paper argues the case for understanding value creation as an integration of two distinct, yet closely intertwined facets – i.e.; a process of creation and as an assessment or perception of the outcome of that process. Second, the paper provides a closer look at the process of co-creating the underlying basis of value. Third, the paper provides a closer look at the process of signifying and evaluating the worth of the co-created performance gains as value. Fourth, the paper illustrates metrics for understanding value creation as a process of becoming better off in terms described above. Finally, the paper chapter concludes with a discussion.
Conceptual framework for interactive value creation

The purpose of this section is to present a conceptual framework for service-centered value creation.

Based on a literature review and an intensive field study, the paper conceptualizes value creation as an integration of two distinct, yet closely intertwined facets. The first facet of value creation comprises co-creating the underlying basis of value. This means that actors engage in co-creative interactions through which they relate and combine resources with other resources across actor boundaries in novel ways. However, the paper argues that combining resources in novel ways does not automatically imply value creation. For that to take place, the second facet of value creation is required.

Figure 1: Value creation as an integration of two processes: co-creating the underlying basis of value and signification and economic evaluation

Building on Penaloza (2006), the second aspect of value creation involves a process of some form of valuation or signification. Examining value creation from the point of view of valuation implies looking at how performance outcomes (that may or may not be monetized) of interactive resource configuration, when shared through a compensation mechanism accrue as value to the involved parties.

How does the conceptual framework presented here help understand value creation from the point of view service? The framework illustrates that value from the point of view
view of interactive service is an outcome of the interplay between interactive re-
configuration of resources and a process of valuation or signification.

The interplay means that actors create joint performance gains through interactive 
resource re-configuration. When these joint performance gains are shared through a 
pricing mechanism, their worth accrues to the involved parties as value (Davis, 1955). 
Value is created to the customer when the worth of the joint performance gains, when 
shared through a pricing instrument, more than compensates for the price the customer 
pays. Value is created to the provider when price more than compensates for the costs 
accrued in the process of serving that particular customer.

Co-creating the underlying basis of value

The purpose of this section is to provide a closer look at the first of the two processes 
associated with value creation – the process of co-creating the underlying basis of 
value. A framework illustrating the process of co-creating the underlying basis of value 
is provided in Figure 2. The framework illustrates that actors co-create the underlying 
basis of value by interactively re-configuring resources, activities, and risks across actor 
boundaries in novel ways. The framework argues that this underlying basis of value as 
may be conceptualized as a joint productivity gain. Value creation thus becomes a 
process of creating joint-productivity gains and sharing the worth of those gains as 
value through a pricing mechanism.

Interactive resource integration

The paper takes as a starting point that all actors – be they economic or social - are 
resource integrators. As resources are unevenly distributed – not everyone has the same 
resources or skills – we need each other to complement our vital resources. As a 
consequence, actors rely on others for wellbeing, if not survival (Vargo, 2008).

The framework suggests that actors gain access to each others´ complementary 
resources through service. Following Normann (2001; pp. 105), service may be defined 
as a process of ‘re-configuring the whole process of value creation, so that the process – 
rather than the physical object – is optimized in terms of its relevant actors, asset 
availability and asset costs’. This means that resource access is not so much about 
exchanging value-laden goods for money, as it is about engaging in a mutually
beneficial process of resource integration and transformation (Vargo et al., 2008). As a consequence, service becomes the key to understanding how that resource integration and transformation is carried out.

Service also suggests that value of resources is not only a function of ownership but perhaps more importantly a function of how resources are combined with other resources (e.g. Normann and Ramírez, 1993; Ramírez, 1999; Håkansson et al., 2004). Resource integration – and consequently value creation – therefore becomes interactive.

![Figure 2: The process of co-creating the underlying basis of value](image)

As suggested by Grönroos (2008), interaction implies a process 'where two or more parties are in contact with each other for a commercial (or other) reason, and in these contacts they have opportunities to influence one another’s processes’. Thus, interaction effectively ‘moves’ resources relative to each other and consequently affects their value and how embedded they are in each other. Colson (1924; in Ramírez, 1999) seems to have intimated a similar when he suggested that:

‘In economics, production consists of nothing else than to arrange combinations and transformations which are useful to us [...] To influence these transformations, man’s actions only produce shifts’.

Taken together, this means that actors can and do impact the value of their resources by relating their existing resources to those of others across actors and actor boundaries in
novel ways. As a consequence, value is not added or passed on, as is suggested by Manufacturing logic (GDL), but is ‘co-created [co-produced] by two or more actors, with and for each other, with and for yet other actors’ (Ramírez, 1999). Building on Normann (2001), the paper suggests that creating the underlying basis of value may therefore be understood as a process of re-configuring roles, activity sets, as well as risks across a number of actors for the purpose of mobilizing the best combination of resources for any particular situation.

The framework depicted in Figure 2 also suggests that interactive resource re-configuration is basically an open process. As suggested by Håkansson et al. (2004), however, if it is to have utility or efficiency it has to be ‘closed’ jointly by the involved parties into a networked pattern of resource and actors. Closing of interactions thus emphasizes the embedded nature of resource integration.

Building on Håkansson et al. (ibid.), the closing of interactions takes place across three contexts (Figure 2). Interactions that occur within the context of the beneficiary aim at integrating the resources rendered by the provider in the activities in the beneficiary’s own context. Depending on how the resource integration processes in the beneficiary’s context are closed determines the actions and interactions that the acquired resources make possible for the beneficiary. The interactions in the beneficiary’s context are therefore the source of “services that resources render” (Penrose, 1959; in Håkansson et al.; 2004), and thus creation of use value (ibid.).

Interactions that occur in the context of the provider aim at integrating resources rendered by earlier or other interactions into activities that help support the beneficiary’s resource integration. Depending on how these interactions are closed determines not only the extent to which the provider can help the beneficiary interact in its own context (and hence create use value), but also the costs associated with the specific beneficiary.

Finally, interactions that occur between the beneficiary and the provider involve closing the resource integration processes that link the two actors together. This implies deciding on the resources in question as well as how the interactions that link the two actors together are to be handled. The important consequence is that depending on how the actors close the interactions between them also determines how the resource
integration processes in both actor’s own contexts are closed. The three interactions contexts are therefore linked.

Service is also closely related with specialization. Specialization means that actors select some and deselect other resources and competencies so as to better adapt to a specific function or environment. By relating individual specialization process to each other across actors’ boundaries, important gains in terms of innovation, capacity, timing, competence, and cost structure can be created (Håkansson et al.; 2004). Importantly, specialization also affects division of labor. As a consequence, specialization towards one resource integration process typically involves specialization away from another (ibid.).

The framework also suggests that specialization and division of labor directly point towards co-production and co-creation* (* in a sense of not just co-producing the offering, but also co-creating NN). In a sense, co-production and co-creation become the means of ‘delivering’ service. As service involves a process of ‘re-configuring the whole process of value creation, so that the process – rather than the physical object – is optimized in terms of its relevant actors, asset availability and asset costs’ (Normann, 2001), co-production and co-creation concretely enact the specialization, division of labor, and mutual investments that the service entails.

*Capturing the effects of resource integration as underlying basis of value*

In much of economic study and political philosophy, value – and in particular, use value - is a measure or an indicator of another base construct. Typically, that base construct is conceptualized as utility. In a very basic sense, utility denotes an actor’s relative satisfaction. Closer to marketing, utility is perhaps more often expressed in terms of benefits or performance.

The important distinction is that utility is not use value. How are utility and use value then related? Put simply, use value is an indicator of utility. This means that use value indicates or measures the capacity of resource integration to generate utility. That is, whereas utility captures the success of resource integration, use value captures the outcomes of resource integration as perceived, estimated or experienced by the involved actors. Although the two processes are distinct – and must be kept distinct - they are also closely intertwined.
However, the paper argues that the link between utility creation and use value is more fine-grained that is assumed the past studies. The framework presented here argues that performance benefits that a customer creates through resource integration may be conceptualized as utility. The framework further conceptualizes utility as a function of the customer’s external and internal efficiency. Thus, customers increase their utility by increasing their revenues or by reducing their costs, or both.

But utility is a concept that is not readily accessible for conceptual development or measurement. Following Davis (1955), the framework posits that the concept that captures changes in utility is *productivity*. Productivity is a function of external, internal and capacity efficiency. This means that productivity is intrinsically geared towards capturing the changes in – not only cost efficiency – but also in revenue effectiveness that may stem from customer’s resource integration efforts.

In a service process that spans across a number of actors, creation of utility may also involve other actors than the customer. By integrating their specific resources, providers help customers integrate *their* resources in more meaningful ways. Importantly, resource integration implies an effort or a sacrifice for the providers that may or may not be expressed as costs. The framework argues that also the provider’s costs are captured by productivity – increases or decreases of costs are a captured by an actor’s internal efficiency.

Combined, the framework argues that utility for the customer and the (monetized or non-monetized) cost of resource integration efforts for the provider form an underlying basis of value. Importantly, this underlying basis of value may be conceptualized as *joint productivity*.

**Signification and evaluation**

The purpose of this section is to take a closer look at the second aspect of value creation – signification and evaluation of joint productivity gains as value. Signification involves actors co-constructing their understanding of the meaning and worth of joint-profitability gains, as well as the extent to which these gains accrue to the involved parties once they are shared through a pricing mechanism*. (*The paper assumes a commercial context and non-natural access to resources. This implies that actors
typically reciprocate by compensating the other party(ies) through some form of payment).

In a process of signification and evaluation, the meaning and worth of joint productivity gains is agreed and shared through a pricing mechanism as value to the involved parties. But how are joint productivity gains and value related? Put simply, value is a measure of the profitability of resource integration (Davis, 1955; Courbois and Temple 1975; Gollop 1979; Kurosawa 1975; Pineda 1990). That is, whereas joint productivity gains capture the success of resource integration, value captures the effects of resource integration in the involved actors’ process of signification and evaluation.

In other words, to understand how actors become better off through service – and the interactive resource re-configuration it entails - we must understand the interplay between resource integration, joint productivity gains and value for the involved parties. This is depicted in Figure 3 below.

![Figure 3: The process of signification and economic evaluation](image)

This means that value is created when the worth of the joint productivity gains from actors’ resource integration exceeds the costs of resource inputs incurred during that process. How that value accrues to the involved actors depends on how the joint productivity gains are shared through a pricing mechanism as value to the involved parties.
Metrics for value creation from the point of view of service

This section illustrates metrics that enable understanding value creation from a service-centered point of view. As illustrated by the conceptual framework, estimating service-centered creation is a process that takes place through two phases. First, actors need to quantify and monetize joint productivity gains that are created through interactive re-configuring of resources. Second, they need to share the joint productivity gains through price as value to the involved parties. Both phases are illustrated below.

Determining joint productivity gains.

Joint productivity gain is determined in two steps as follows:

\[ 
\text{JPG} = f(\Delta \text{ External Effectiveness Customer} [\Delta \text{EE}_C], \Delta \text{ Internal Efficiency Customer} [\Delta \text{IE}_C], \Delta \text{ Internal Efficiency Supplier} [\Delta \text{IE}_S]) 
\]

Such that:

\[ 
\text{JPG} = (\Delta \text{EE}_C - \Delta \text{IE}_C) - \Delta \text{IE}_S 
\]

Where:

\[ 
\begin{align*} 
\text{JPG} &= \text{Joint productivity gain} \\
(\Delta \text{EE}_C - \Delta \text{IE}_C) &= \text{A change in customer’s value-in-use} \\
\Delta \text{EE}_C &= (\text{Customer revenue Proposed} - \text{Customer revenue Current}) \\
\Delta \text{IE}_C &= (\text{Customer costs Proposed} - \text{Customer costs Current}) \\
\Delta \text{IE}_S &= (\text{Supplier costs Proposed} - \text{Supplier costs Current}) 
\end{align*} 
\]

The first step involves examining whether the practice matching leads to a change in the customer’s revenue-generating capacity that exceeds the change in customer’s costs. The net difference between the two concepts corresponds to a net change in customer’s value-in-use. The second step involves determining whether the net change in customer’s revenues and costs exceeds the change in costs that the supplier incurs, when following the practice matching process, it helps the customer create more value-in-use. When the net change in customer revenues and costs more than compensates the change in costs that the supplier may have incurred in the practice matching process, a joint productivity gain (JPG) is created. Inversely, when the net change in customer revenues and costs does not exceed the change in costs that the supplier has incurred in the practice matching process, a joint productivity loss is created (JPL).
Sharing joint productivity gains as value

The second phase in estimating service-centered value creation involves sharing the joint productivity gains through a pricing mechanism as value to the customer and the supplier. That is, value simply denotes the share of the joint productivity gain that the involved parties obtain, once the gains are shared through a price mechanism.

**Customer value**

Sharing joint productivity gain as value to the customer is determined as follows:

\[
CVC = ((\Delta EE_C - \Delta IE_C) - \Delta IE_S) \times (1-P)
\]

Where:

- \(CVC\) = Customer value creation
- \((\Delta EE_C - \Delta IE_C)\) = A change in customer’s value-in-use
- \((\Delta EE_C - \Delta IE_C) - \Delta IE_S\) = Joint productivity gain
- \((1-P)\) = The share of the joint productivity gain that accrues to the customer when shared through price

As illustrated by the equation, customer value (CVC) is created when the difference between joint productivity gain and the share of the joint productivity gain that accrues to customer when shared through price is larger than zero. Inversely, negative customer value – effectively a loss – is created when the difference between joint productivity gain, and the share of the joint productivity gain that accrues to customer when shared through price is smaller than zero.

**Provider value**

Sharing joint productivity gain as value to the supplier is determined as follows:

\[
PVC = ((\Delta EE_C - \Delta IE_C) - \Delta IE_S) \times P
\]

Where:

- \(PVC\) = Supplier value creation
- \((\Delta EE_C - \Delta IE_C)\) = A change in customer’s value-in-use
- \((\Delta EE_C - \Delta IE_C) - \Delta IE_S\) = Joint productivity gain
- \(\Delta IE_S\) = A change in supplier costs
- \(P\) = Supplier’s share of the joint productivity gain once the gain is shared through price.
As illustrated by the equation, supplier value creation takes place when the share of the joint productivity gain that accrues to the supplier when shared through price exceeds zero. Inversely, negative supplier value – a loss – is created when the difference between joint productivity gain and the share of the joint productivity gain that accrues to the supplier when shared through price is smaller than zero.

**Relative worth to the customer**

As we have determined the value that both the customer and the provider stand to gain by interactively re-configuring their resources, the next step involves determining the relative worth of the resource integration proposal (Vargo et al., 2004; 2008) for the *customer*. Relative worth, as demonstrated by Anderson and Narus (1999), denotes how much more value a business proposal helps the customer create when compared to existing situation or a competing alternative. In so doing, relative worth helps answer the question: “How much better off will the proposal leave the customer?” The relative worth of the proposal to the customer is measured as follows (ibid.):

\[(\text{Value-in-Use}_B - \text{Price}_B) > (\text{Value-in-Use}_A - \text{Price}_A)\]

Where:

- Value-in-Use\(_B\) = Use value of the practice matching proposal
- Price\(_B\) = Price associated with the practice matching proposal
- Value-in-Use\(_A\) = Use value of existing situation or a competing alternative
- Price\(_A\) = Price associated with existing situation or a competing alternative

If the net difference between value-in-use and price of the practice matching proposal exceeds the net difference between value-in-use and price associated with the initial situation there is an incremental value to be gained for the customer from the practice matching.

**Relative worth to the provider**

Determining the relative worth of the resource integration proposal for the provider involves finding out the extent to which the *provider* is better off in financial terms after the practice matching. The relative worth of the proposal to the provider is measured as follows:
\[ \text{RW}_P = (\Delta P - \Delta C) \]

Where:

- \( \text{RW}_P \) = Relative worth for the provider
- \( \Delta P \) = A change in price
- \( \Delta C \) = A change in provider costs

The interactive resource re-configuration therefore leaves the provider better off if the joint productivity gains created together by the customer and the provider allow the provider to charge a higher price that more than compensates for the increase in provider’s costs. Hence, if the difference between the joint productivity gain and the net change in price and provider’s costs is positive, the provider is better off financially when compared to the initial situation.

**Discussion**

The research described above pertains to a nation-wide research initiative aiming at understanding service as a logic in an industrial setting. The main purpose of this paper was to cast light on value creation from the point of view of service. To that end, the paper put forth a novel, and genuinely service-centric conceptualization of value creation. The framework defines service-centric value creation as ‘an interactive process of creating and sharing joint-productivity gains’.

Reflecting the close link between ‘value’ and ‘value creation’, the framework conceptualizes value creation as an integration of two independent, yet closely intertwined facets: first, a process of co-creating an underlying basis of value, and second, a process of signifying and evaluating the meaning and worth associated with the outcomes of that process of co-creation. Although the two processes are distinct – and must be kept distinct - they are also closely intertwined. In fact, understanding value creation as a process of becoming better off in fact requires that we understand the two processes as an integrated one.

Co-creating the underlying basis of value engages the actors in a process of interactive resource re-configuration. The actors co-create performance gains – similar to density, as suggested by Normann (2001) – by interactively re-configuring resources, activities, and risks across actor boundaries. The performance changes in the involved actors’
resource integration processes are captured by productivity. For customer, resource integration potentially implies changes in the actor’s external, internal, and capacity efficiency. For the provider, resource integration only implies changes in internal efficiency. The underlying basis of value – conceptualized as joint productivity gains – is created when changes in the customer’s external, internal, and capacity efficiency more than compensate for changes in provider’s internal efficiency.

The process of signification and evaluation implies that actors co-construct an understanding of the meaning and worth of the co-created performance gains, as well as agree to how those gains should be shared among the involved parties as value. Value is created for the involved parties when the worth of joint productivity gains exceeds the costs of resource integration, once it is shared among the involved actors through a pricing mechanism.

The framework points towards an all-important link between what it call the underlying basis of value – a notion that has striking similarities with density (Normann, 2001) - and value itself. Joint productivity gains and value are related in that value is a measure of the profitability of resource integration (Davis, 1955; Courbois and Temple 1975; Gollop 1979; Kurosawa 1975; Pineda 1990). That is, whereas joint productivity gains capture the success of resource integration, value captures the effects of resource integration in the involved actors’ process of signification and evaluation.

This means that value is created when the worth of the joint productivity gains from actors’ resource integration exceeds the costs of resource inputs incurred during that process. How that value accrues to the involved actors depends on how the joint productivity gains are shared through a pricing mechanism as value to the involved parties.

The conceptual framework presented in this paper underscores the interactive and embedded nature of value creation. In essence, interactivity suggests a view of commerce where resources, and thus strategies for value creation, and not given, as is suggested by microeconomics, but are an outgrowth of interactivity.

The consequence of viewing value creation as interactive is that it does not exist in an objective sense; there is no objectively given process of value creation. Value creation is
what the involved actors make it to be. Value creation is therefore a ‘social construction’ created by involved actors for the purpose of accessing complementary resources.

The socially constructed nature of value creation underscores the importance of the involved actors’ mental models. Mental models have the capacity to shape how involved actors understand the resource integration landscape, as well as the opportunities and challenges it entails. Mental models limit actors’ value creation opportunities when they hinder the actors from perceiving novel ways of creating density. Conversely, mental models enhance actors’ value creation opportunities when they support and amplify signals leading to novel ways of creating density. Most importantly, however, mental models illustrate that there are no given strategies for value creation. Rather, value creation is an outgrowth actors’ interpretation of resource integration opportunities, as well as their performative power to mobilize other resource integrators for jointly beneficial purposes.

The view of value creation as embedded encourages a wider perspective than is typically found in mainstream marketing literature. It naturally focuses on the focal actors – typically a provider and a customer – but it also expands the resource integration context to involve also the networks of resources, activities and actors available to the focal customer and provider. Depending on the mental models of involved actors, as well as their performative power, actors’ resource integration efforts link the focal actors with a web of adjoining actors whose resources, activities and risk bearing capacity is brought to bear. The embedded view of value creation thus intimates the view of an ‘extended enterprise’ and resource integration ecosystems.

The findings presented in this paper have the capacity – no matter to however limited extent – to rekindle the debate about the nature of interactive value creation. In so doing, the paper echoes the call of Alderson (1957): “What is needed is not an interpretation of the utility created by marketing but a marketing interpretation of the whole process of creating utility.”
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