Learnings from joint service spheres

By

Minttu Lampinen and Päivi J. Tossavainen

Abstract

Value creation is one of the main theoretical constructs in recent service research in marketing discipline. Value creation together i.e. value-co-creation with the customers, both B2B and B2C, is popular topic in the marketing practise today. While theoretical discussion has been vivid especially on value co-creation in the recent years, the traditional marketing terminology still implies the firm's dominant position in value creation.

In this article, we suggest that adding the analysis of value creation and co-creation from a sphere perspective supports the analytical construct of value creation and co-creation. The literature on the service-dominant logic (SDL) highlights that service is ultimately experienced by the customer through diverse resource integration activity. In a complex service setting, there are stakeholders, also other than customers, that bring value to the joint service sphere. We examine how the different actors of the joint service sphere contribute to the value creation and to the service experience of the customers. Consequently, we use the joint service sphere concept as an analytical tool to elaborate on the customer's and service provider's roles in the value creation in the studied cases. The article has practical implications through the two real-life case studies. We will provide an empirical examination of two different socio-technical systems: firstly, the traditional face-to-face system and secondly, the on-line virtual one.

Keywords: joint service spheres, value co-creation, resource integration

1   Introduction

Value creation is one of the main theoretical constructs in the recent service research in marketing. While theoretical discussion has been vivid especially on value co-creation in the recent years, the traditional marketing terminology still implies the firm's dominant position for value creation [1]. We argue that analyzing value creation and co-creation from the customer perspective better supports the analytical constructs of value creation and co-creation. The literature on the service-dominant logic (SDL), highlights that service ultimately must be experienced by the customer through resource integration [2,3].

Resource integration is one of the key principles in service-dominant logic [2-4]which highlight the networked world and strongly suggest to include all parties into the engagement of value creation as resources-providing actors. Further, we investigate, how these networks are functioning; where and how these operant resources [2] could interact. Our proposal is a concept of joint service sphere. The joint service sphere is the locus – whereabouts – where actors integrate their own resources and apply in interaction resources provided by other actors. In a complex service setting, there are stakeholders, other than customers and users,

that bring value to the service and should be engaged into the joint service sphere. Thus, an extension to include also stakeholders into the value creation process has been suggested [5] with the discussion on resources to more generic actor-to-actor level [4].

Assumed is that joint service spheres may enhance building the relationships in service business. They can enable and help to develop service design and content, add customer perceived value, and positively influence on the customer experiences and value creation process. Furthermore, assumed is, that besides the customers, also other stakeholders may benefit from participating in such a activity and, thus, the concept of service sphere is extended to joint service sphere. As organizations may struggle with how to engage stakeholders in practice [5], we suggest constructing and facilitating a joint service sphere. The development of the joint service sphere is discussed in the following chapters.

2   Contemporary discussion of collaboration whereabouts

The transition to service-based economies and the change of business management from the industrial, goods-dominant logic to the service-dominant logic (see [1-2]) has changed the way enterprises view, manage, and organize themselves. A service is considered as a joint value creation with varying stakeholder partners such as employees, customers, users, fans, intermediaries, hobbyists, artists, designers, service design professionals, suppliers, authorities, and researchers [3, 8-12]).

Some definitions have been suggested for the whereabouts. Firstly, **Service scape** was defined as the physical environment [6], [13].This framework for understanding environment-user relationships in service organizations was focused on physical aspects in service encounter. Accordingly, it was defined [6:65] as *"a complex mix of environmental features constitute the service scape and influence internal responses and behaviours"*. The instrumental role of the service scape framework was critisized [13] and extended this discussion to include [13:388] "*Physical resources and equipment form the service scape of the service process, where customers, contact staff and systems and resources work together"*. **Value-configuration spaces** where resource integrators and beneficiaries act is discussed [14]. The term **value network** [17] with spontaneity character was suggested as a conceptual framework [16]. Another extension to this discussion is suggestion that firm can create a **joint value sphere** and engage into customer's value creation process [7]. Accordingly, the firm and customers have various roles as value creators and facilitators. Definition for the **joint sphere** [7:16] is "*as a sphere where the customer is in charge of value creation (of value-in-use), but through dialogical process of direct interactions the provider may get the opportunity to influence the customer's value creation process as a value co-creator.*" The terms **arena** for co-creation [16] and **platform** stressing the technical aspect [5] are also suggested.

Yet, the stakeholders are often an un-used source for service (value) creation. For example, discussed is the role of users, professional designers, and researchers in participatory design [11]. Collaborating with diverse stakeholders during service development is a worthy attempt [18] through a network of activities involving a host of stakeholders [19]. To summarize, the users' or customers' roles, capabilities, and involvement as co-producers, co-innovators, or new service developers have been widely recognized potential stakeholders. Thus the service-dominant logic viewpoint has been clarified as value co-creation that requires interactions between stakeholders, i.e., parties that mutually provide service to each other [20].

We believe, that today's networked society, diverse stakeholders are involved and engaged in action and in creation of value with customers and providers. In order to integrate resources and achieve desired interactions requires extension to the discussion. As such we propose the term **joint service sphere**. Joint service sphere is a collaborative socio-technical system in which many-to-many stakeholders interact. Contrary to the spontaneous value network approach, we propose a more structured approach [15]. The joint service sphere enables resources to be integrated through engagement and facilitation into co-creation, which mediates knowledge sharing and experience sharing. Therefore, it must be co-created. The positive expectations and outcomes may include better understanding of value, better fit between service and customer expectations, improved competitiveness or performance to name a few. As such, the joint value sphere provides access to influence.

3   Comparison of the two joint service spheres

This paper provides an empirical examination of two different socio-technical systems ie. "joint service sphere". It is a dynamic entity on people, technology and other resources that can together create value. First, we investigate different parts of the service namely service innovation (development) and service delivery, and second, respectively we examine two different joint spheres: face-to-face and virtual on-line sphere. We explore both small and large setting in order to describe the learnings and to demonstrate the capability of the analytical tool suggested. The investigation of the learnings from two cases is novel approach to the research field.

The first case company, **Lassila & Tikanoja (L&T),** represents a waste management service in a B2B context in which the customer organizations are responsible in sorting aggregated waste in order to re-use the waste in recycling process. Here the re-cycling potential is directly linked to the sorting of waste, and provides not only sustainability benefits but also monetary benefits. The second case investigated, **TaloPeli**, is an independent, non-commercial on-line application that is offered to consumers and professional for free in Internet. It promotes energy and cost efficient construction by demonstrating, visualizing, and otherwise popularizing to construction options in a visible way on a graphical user interface.

3.1   The face-to-face (F2F) joint value sphere

The project investigated through the lens of action research (AR) principles [21]. The underlying theme in action-based studies is learning from one another and learning together, which suggest that this co-created learning is at the core of AR [22] .The actors were engaged into co-creation in order to collaboratively design and build engagement and to develop service for the benefit of all participating stakeholders. During the project a continuous monitoring, inquiry, analysis of the data observed and collected, and reflection took place [23]. In between the cycles there were several events of action, inquiry, and cooperation. Furthermore, two dissemination seminars were organized for a larger audience.

The stakeholding actors came from various organizations and they represented different levels of hierarchy and dissimilar positions. Several internal stakeholders within L&T (salespeople, environmental specialists, ICT specialists) participated the F2F sphere. B2B partners in various industries along with representative from the government and the regulatory body that monitor the state of the environment and any changes within it participated. Altogether, 13 external stakeholder organizations joined F2F workshops which represented the joint service sphere. The stakeholders (actors) did not know each other and all the previous activities between the focal company and the stakeholder companies were bilateral only i.e. dyadic relationships. The understanding the service for both internal and external stakeholders' was

one-sided and narrow. The experiences from multi-party stakeholder collaboration in service development workshops and events were positive. Through the integration of individuals into collaboration activities, the complex service concepts were not only understood more deeply but also further developed. It also quickly demonstrated the collective power in identifying challenges, i.e., development areas.

This case suggests that integrating individuals from various firms' e.g. stakeholders simultaneously into the service innovation can be beneficiary to the development of the service business. Welcoming face-to-face collaboration among multi-party participants may bring in more perspectives, depth, and interchanges to the interaction. Considering service development relative to stakeholder collaboration, a more complete view can be thus achieved. The output of the workshops included: first, a great number of ideas for service development (>140); and second, a thematic analysis of the ideas, discussions, shared understanding, and shared experiences. As a consequence, more focused development projects are being established based on the innovation interaction. Furthermore, the findings indicate that the service 'value-in-use' is important. This is because the time span of the service, the difficulty of pointing to the origin of the raw material (e.g., waste), the quality management complexities throughout the process, and the sourcing and procurement activities within the customer processes are now understood better.

3.2 The on-line virtual joint value sphere

The second case investigated, TaloPeli, is an independent, non-commercial program that is offered to consumers and professional for free in Internet. It promotes energy and cost efficient construction by demonstrating, visualizing and otherwise popularizing to construction options in a visible way on a graphical user interface. A special theme of TaloPeli is to inform the public of energy efficient construction, energy repair and new energy regulations, and their impact on one-family house construction and maintenance. The building technology solutions of the houses are be illustrated in a visual way in TaloPeli program. In addition to a traditional cost estimates, it also calculates energy saving and its theoretical operating costs for each, unique house at the fair.

TaloPeli web-service is designed to help in the early stage of house planning. It is especially useful for families who are planning to build a house and applies in the Finnish house building market. There are also ready links and calculations for all the houses in the annual Housing Fair and Holiday Home Fair of Finland, where the principal function of the Housing Fair Finland Co-op is to improve the quality of housing and living conditions in Finland, in co-operation with its partners like TaloPeli. The fairs provide the opportunity for designers and builders to try out innovative solutions in practice e.g. architectural and other industry related competitions constantly produce a wealth of new ideas for improvements in housing and living conditions. This interests the stakeholders, as they are offered a possibility to showcase their offering in TaloPeli. For example, different banks, construction material providers and house-selling companies can take part providing their technical and fact-based information for TaloPeli users. There are dozens of stakeholders involved in creating content for TaloPeli users. The users can freely select the items they are interested.

TaloPeli is a significant virtual on-line sphere in the Finnish society. It has the largest user database over 80 000 registered users, who are constructing or planning to construct an own house using the parameters and calculations provided by TaloPeli. The program offer cost calculation and budgeting software that are independent from commercial players like house construction companies or companies selling materials for buildings. TaloPeli case offers

experiences from multi-party stakeholder collaboration through the variety of stakeholders involved in the TaloPeli content creation. User (consumer) collaboration in TaloPeli can be considered to be an innovative, user activating and rewarding. The users can use a ready-calculated house plans to design a home of their dreams. They can also start from a scratch and construct the whole virtual house selecting materials from floor to the roof. The user activating content of the TaloPeli drives from its feature that allows the user to see houses that other people have constructed elsewhere in Finland.

In this case, the understanding of the service content available for the consumer can be considered to be on a good level, mainly thanks to the visuality of the user interface. The users and other stakeholders can freely use the content and edit it for their own interests and purposes. The findings also indicate that the service 'value-in-use' is important, as the main goal of the users is to plan a house of their dreams for their families.

3.3 Discussion of the joint service spheres interaction
We investigated two different cases of using joint service spheres. The two cases analyzed represent different way of applying joint service sphere construct. The both cases support the approach that a stronger stakeholder engagement with direct interaction represents an opportunity to bring in more variety into perspectives and information of a service development process [23]. Service research traditionally emphasizes the customer orientation aspect e.g. the interaction between certain employees and customers not only in co-producing and co-creation of value but also in service innovation and new service innovation and development processes [13], [24-25].

The ongoing dialogue between the company and its stakeholders may also further strengthen business cooperation in general. The cases are summarized in the table 1. They are analyzed by using the parameters of stakeholder involvement, collaboration, engagement, value creation process, interaction, activities and sharing information and knowledge. We also compare service experience sharing and service value creation.

In the the case of F2F joint service sphere the studied sphere had a multi-stakeholder approach with over 13 organizations represented and over 30 individuals participating in the simultaneous collaboration. The engagement of participants took place in workshops and events facilitated by a third party and over time span of 2,5 years some 35 co-creation events held to design and develop the project and service. The role of the service provider was to trigger the activities, establish and engage the customers and other stakeholders into value creation. The service was developed by many-to-many interaction and through various collaboration activities. The participants used different methods like sharing, discussions, analysis & prioritization and game playing for knowledge and information sharing. The collaboration was dynamic, because the original topic changed during it. The service development and value creation were shared experiences in this case.

In the case of the virtual joint service sphere, over 80 000 registered users and dozens of other stakeholder organisations bring multi-stakeholder approach view for the case. They all can be using the online-platform and to collaborate simultaneously. The virtual platform is facilitated by the TaloPeli company and the value creation process happens in the service encounter area. Many-to-many interaction is facilitated by e.g. listing the latest houses that are being designed in the system, providing ready links and calculations for several houses and showcasing the materials and services of the other stakeholders. Typically, the user signs in the system more than 10 times before the house plan is ready. The original collaboration topic

changes during the use of TaloPeli, as each of the selections change the house plan. The service experience sharing is, however, limited to feedback and external discussion forums, which is not ideal for knowledge and information sharing. Anyway, the service value creation happens in the virtual joint service sphere.

Table 1. The summary of the two cases discussed

Feature	Case L&T	Case TaloPeli
multi-stakeholder approach	Yes, 13 organizations represented – over 30 individuals	Yes, over 80 000 registered users and dozens of other stakeholder organisations
simultaneous collaboration	yes	yes
The engagement of participants	Face-to-face workshops and events facilitated by a third party, over 35 co-creation events held to design and develop the project and service	virtual platform facilitated by the TaloPeli company.
The value creation process area	Service development/ innovation	Service encounter
Interaction type	Many-to-many interaction	Many-to-many interaction
Collaboration activities	Yes; Trying various co-creation activities; idea-generation, story-telling, experience sharing, discussions, analysis & prioritization, game playing,	Yes; Lists the latest houses that are being designed in the system, including ready links and calculations for all the houses in the annual Housing Fair and Holiday Home Fair of Finland and showcases of the materials and services of the other stakeholders.
Dynamic; Original collaboration topic changed during the collaboration	Yes	Yes
Information sharing	Yes	Yes
Knowledge sharing	Yes	Yes
Service experience sharing	Yes	Yes (limited to feedback and external discussion forums)
Service value creation	Yes	Yes

We propose that by engaging stakeholders into simultaneous joint activities and co-creation, from various organizations from different levels of hierarchy, and dissimilar positions may increase 1) the diversification in the broadness of the information, and 2) the amount and quality of the development suggestions. In the case of virtual joint service sphere this happened naturally, as the users of the online-program were using it together, anonymously and no hierarchy etc. issues played a role in the roles of participation. Similarly to our findings, stated is [26] that collaboration not only maintains quality but also enables information exchange, which increases the degree of service innovations [23]. Thus, multi-stakeholder approach can improve delivery efficiency, technical promotion, training, the manufacturing of products and materials, and product and service promotions. These activities all improve the overall level of service innovation.

4   Learnings from the joint service sphere cases

As an analytical tool, the joint service sphere investigation revealed that both social and technical elements are embedded in both cases. The main learning is that diverse people have diverse ideas, and therefore integration of (human) resources is an opportunity often neglected. Based on our investigation, we learned that resource integration may take place as a result of spontaneous actions or as planned interaction. This paper has focused on the latter,

which is more suitable for the business landscape. The joint service sphere needs to be established, facilitated, and run while otherwise it does not exists for the business purpose. Diverse actors bring diverse perspectives, knowledge, experiences, skills and learning for the benefit of others (service definition). Furthermore, integration brings a more holistic view of the service, its position among the system of services, and development needs.

Altough the service designers have been suggested as intermediaters [9,12], many firms are still not using them. Many firms thus are not familiar with the design principles in general. The cases investigated here describe two different means to collaborate and create value. The philosophical perspective of service-dominant logic can be applied into practical service design. Design thinking can help to match user's needs with what is economically and technologically feasible. Furthermore, a succesful business strategy can convert it into customer value and market opportunity. Model for approaching one-to-many stakeholder co-creation is seen in the Figure 1 below.
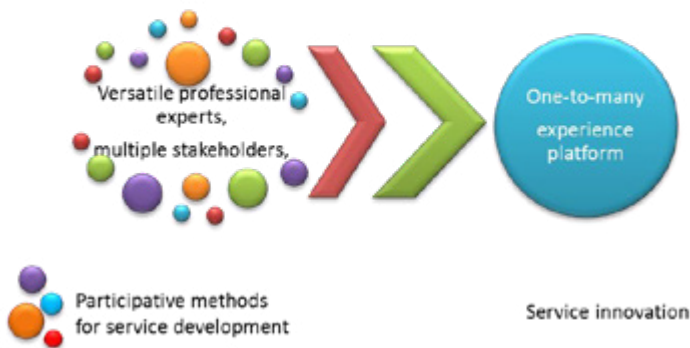

Figure 1. Model for approaching joint service sphere.

The co-creation of value and collaboration not only maintained quality but also enabled information exchange. As a result, multi-stakeholder approach improved delivery efficiency, technical promotion, training, the manufacturing of products and materials, and product and service promotions. These activities all improve the overall level of service innovation. Stakeholders may share similar challenges with the service that can be solved mutually beneficiary way in more integrated approach. More lengthy approach would be to discuss with one by one and in between the discussions to formulate integrated mutually beneficial scalable solution. The challenge here is that once one changes anything in the service, it has impact on other parts of the service, and these might not be wanted changes by all customers or users. Joint service sphere accumulates the experiences, knowledge, and learning for the benefit of others and enables development of mutually acceptable service.

Accordingly, in the joint value sphere, the roles of the customer and supplier are twofold: as a co-producer of resources and processes with the firm, and as a value creator jointly with the firm. Based on this research, the joint value sphere is built with multi-party stakeholders, while the service innovation and development processes may include several different stakeholder groups. Hence, this paper suggests an expansion on the original value creation sphere concept.

5 Conclusions

Value creation and co-creation widely discussed in the contemporary research in marketing. Analyzing value creation and co-creation from the customer perspective, not from the firm's perspective better supports the analytical constructs of value creation and co-creation. Our view on the researched phenomenon also included the stakeholders that play a relevant role in the value creation process. Thus, the concept of joint service sphere was introduced. We used the joint service sphere as an analytical tool to elaborate on the customer's and service provider's roles in the value creation.

We examined how the different actors of the joint service sphere contribute to the value creation and to the service experience of the customers. The both cases supported the approach to involve a strong stakeholder engagement. This paper provided an empirical examination of two different socio-technical systems ie. joint value creation spheres. We analysed both a traditional face-to-face system and an on-line virtual system. In the analysis, we showed how different actors contribute to the customer's experiences and consequently to perceptions of value-in-use. The concept of sphere is an analytical tool which was conceptually developed from the service literature. Previous service literature includes the concepts of service scapes [6], joint value creation spheres [7] or platform [5]. Our investigations extends this discussion and promotes other actors than user/ customer resource integration.

We propose that by engaging stakeholders into simultaneous joint activities and co-creation, from various organizations from different levels of hierarchy, and dissimilar positions may increase 1) the diversification in the broadness of the information, and 2) the amount and quality of the development suggestions. This way, collaboration not only maintains quality but also enables information exchange, which increases the degree of service innovations. Joint service spheres positively influence on the customer experiences of the perceived value and value creation process. We suggest constructing and facilitating a joint service sphere to engage stakeholders in value creation. The use of joint service sphere in service innovation, service development and service delivery enhances building the relationships in service, develop service value, and positively influence on customer experiences. Stakeholders benefit from participating in a joint service sphere that enables the engagement of a wide variety of participants.

This research contributes to the contemporary service marketing and management research. It also contributes to the value co-creation and resource integration discourses. The experiences of collaborative methods and their application to the specific context can be valuable for researchers and business practitioners. Similarly, extends the understanding of how service can be developed in joint service sphere through collaboration. This discussion seeks to extend the discussion of collaborative environments to more conceptual level by proposing joint service sphere as an analysis tool. While the comparison focused on local service, the study warrants limitations in applicability and generalizations. The joint service sphere enhances the potential for different stakeholders and the discussion can be extended to mutual benefits and service value.

Citations and References

[1] Strandvik, T., Holmlund, M. & Edvardson, B. (2012). Customer needing: a challenge for the seller offering. Journal of Business & Industrial Marketing, 27, 132-141.

[2] Vargo, S. L. & Lusch, R. F. (2004). Evolving to a New Dominant Logic for Marketing. Journal of Marketing, 68, 1–17.

[3] Vargo, S. L. & Lusch, R. F. (2008). Service-dominant logic: continuing the evolution. Journal of the Academy of Marketing Science, 36, 1–10.

[4] Vargo, S. L. & Lusch, R. F. (2011). Its all B2B...and beyond: Toward a systems perspective of the market. Industrial Marketing Management, 40, 181-187.

[5] Gouillart, Francis J. (2014). The race to implement co-creation of value with staekholders: five approaches to competitive advantage. Strategy& leadership, 42(1), pp. 2-8

[6] Bitner, M. J. (1992). Servicescapes: The Impact of Physical Surroundings on Customers and Employees. Journal of Marketing, 56, 57-71.

[7] Grönroos, C. & Voima, P. (2012). Critical Service Logic: making sense of value creation and co-creation. . Journal of the Academy of Marketing Science.

[8] Frow P. and Payne A. (2011) A stakeholder perspective of the value proposition concept. European Journal of Marketing 45: 223-240.

[9] Han Q. (2010) Practices and principles in service design. Stakeholders, knowledge and community of service. Dundee, UK.: University of Dundee

[10] Payne A. F., Storbacka K. and Frow P. (2008) Managing the co-creation of value. Journal of the Academic Marketing Science: 83-96.

[11] Sanders, E. B.-N. & Stappers, P. J. (2008). Co-creation and teh new landscapes of design. CoDesign. Preprint article submitted for consideration in CoDesign ed.

[12] Segelström F. (2013) Stakeholder Engagement for Service Design. How service designers identify and communicate insights. . Department of Computer and Information Science. . Linköping. Sweden.: Linköping University

[13] Grönroos, C. (2007). *Service Management and Marketing. Customer management in service competition.,* Hoboken, NJ. USA, John Wiley & Sons, Ltd.

[14] Vargo, S. L. (2008). Customer Integration and Value Creation : Paradigmatic Traps and Perspectives. Journal of Service Research, 11, 211-215.

[15] Lusch, R. F., Vargo, S. L., & Tanniru, M. (2010). Service, value networks and learning. Journal of the Academy of Marketing Science, 38(1), 19–31

[16] Bhalla, G. (2014). How to plan and manage a project to co-create value with styakeholders. Strategy & leadership, 4282), pp. 19-25.

[17] Kamakura, W. A. & Novak, T. P. (1992). Value system segmentation: Exploring the meaning of LOV. Journal of Consumer Research, 19, 119–132.

[18] Ramaswamy, V. & Gouillart, F. (2010). The Power of Co-Creation, New York: Free Press.

[19] Gummesson, E. (2008). Extending the service-dominant logic: from customer centricity to balanced centricity. . Journal of the Marketing Science, 15-17.

[20] Maglio, P. P., Vargo, S. L., Caswell, N. & Spohrer, J. (2009). The service system is teh basic abstraction of service science. Information Systems and E-Business Management, 395-406

[21] Coghlan D. and Brannick T. (2014) *Doing Action Research In Your Own Organization,* London, UK.: SAGE.

[22] Glassmann M., Bartholomew M. and Hur E. H. (2013) The Importance of the Second Loop in Educational Tecnology: An Action Science Study of Introducing Blogging in a Course Curriculum. *Action research* 11: 337-353

[23] Tossavainen, P. (2013). Beyond sporadic actions: How to approach multi-party stakeholder collaboration in service development, Journal of Business Market Management, 6 (4), pp. 171-191

[24] Zeithaml, V.A., Bitner, M.J. and Gremler, D.D. (2009) Services Marketing – Integrating Customer Focus Across the firm. International edition. Irwin: McGraw-Hill Education Management, Vol.3, no 4, pp. 301-310.

[25] Grönroos, C. (2011) Value co-creation in service logic: A critical analysis. Marketing Theory, 11(3), 279-301.

[26] Tomlinson, P. R. (2010). Co-operative ties and innovation: Some new evidence for UK manufacturing. *Research Policy,* 39**,** 762-775.