VALUE CO-CREATION ROLES
IN TRIADIC SERVICE RELATIONSHIPS

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Abstract
In this study, our aim is to increase understanding of the roles and activities in value co-creation the parties of triadic business relationships will have. Both the conceptual and empirical characteristics essential for implementing value co-creation in triadic B-to-B service relationship are studied, especially as they relate to interaction and learning, relationship development, resource and knowledge transfer, and service recovery. Preliminary empirical analysis (based on a case study in property maintenance industry) shows that the actors in the triadic B-to-B service relationship can have several co-creator, intermediator and conciliatory roles.

Keywords: Value co-creation, B-to-B service relationship, triadic service relationship, service recovery

Work-in-progress paper
INTRODUCTION

By now it is widely accepted that value is not only value-in-exchange embedded in products or services delivered to a customer (Normann & Ramirez, 1994), but more often value-in-use, defined as a customer’s outcome, purpose, or objective that is achieved through a service (Vargo & Lusch, 2004; 2008) where the role of the service provider is to use its resources for the benefit of the customer. This means that value is not “produced” by the supplier only, but mostly by the customer him/herself (e.g., Grönroos, 2006; 2008) using and experiencing the service (Macdonald et al., 2011; Aarikka-Stenroos & Jaakkola, 2012) with the help of variety of network actors contributing to the process.

The triadic approach is powerful in the sense that it offers us the possibility of studying a kind of network dynamic, since as the smallest form of network it provides an adequate research environment to reveal many relevant network phenomena (Smith and Laage-Hellman 1992, 40; Cova & Salle, 2008). Dyadic approaches may not always be enough to grasp the elements of service relationships or encounters, in which case incorporating a third actor would contribute to our understanding of the dynamics and dependencies in service relationships (see e.g., Svensson 2002).

Havila (1994, 12) defines a triad as a unitary phenomenon: “In three-party relationships where all three parties are in frequent contact with each other and perceive that every other party is important for the business relationship seen as a whole, one could say that the parties have their focus on the whole.” In triadic relationships there may be characteristics that do not exist in dyads. Sometimes the main role of the buyer is just to act as an intermediary between the supplier and the end customer. For example, if between two actors there is no connection, a third agent can act as a bridge (as a gatekeeper) of information between the two actors (e.g., Li and Choi 2009). In addition, in situations where the service is delivered directly from the supplier to the end customer, the intermediary actor may only be involved in negotiating the contract on behalf of the customer together with the supplier.

This study approaches the issue of value co-creation activities and roles in triadic relationships first through theoretical considerations, but it also addresses the issue empirically in an explorative, qualitative study of triadic relationships in the property maintenance business. In the empirical part, value co-creation roles will be conceptualized by examining the viewpoints of each party within a triad (end customer (=housing corporation), property manager and property maintenance organization). We argue that triadic approaches will be suitable for exploring value co-creation in business service relationships, especially when the firm providing services has a direct relationship also with the end customer, not only the firm that is the buyer of the services. Value creation as a joint activity is mostly researched in dyadic relationships (Grönroos, 2008 and 2011; Hakanen and Jaakkola, 2012; Hjelmgren and Dubois, 2013; Eichentopf et al., 2011), and likewise the roles customers can take in value co-creation (see e.g., Sampson and Spring, 2012; Aarikka-Stenroos and Jaakkola, 2012). In this study, the triadic approach is utilized to find out how the value perceived by the end customer (a housing corporation) is co-created together with the supplier (the property maintenance service provider) and commercial property manager. In this setting, the property manager seems to have a strong mediating role in the triad in communicating and organizing interaction, resources, and activities (see e.g., Hjelmgren and Dubois, 2013), which highlights interesting phenomena. Our aim is to research value-creation
activities in the triad, likewise related roles different actors can take. We will give special attention to different kind of activities and roles the mediating actor can have, because we suggest that in this paper and related to triadic approach the strongest possibility for contribution lays there.

Value and perceptions in terms of value co-creation are always subjective and context-dependent (e.g., Corsaro et al. 2013). Thus, the case approach enables the rich and deep description, which is necessary considering the nature of the phenomenon in question. For this study data was collected from several actors in a variety of roles. After discussing the theoretical basis of value co-creation and related roles, a preliminary analysis of the case study is presented in this work-in-progress version.

THEORETICAL FOUNDATION; ELEMENTS OF VALUE CO-CREATION

Value co-creation

Many authors suggest that a customer’s value creation process (Vargo and Lusch, 2004; 2008; Payne et al., 2008; Grönroos, 2008; Heinonen et al. 2010) should be the starting point for every organization when planning its offerings and co-operating with different stakeholders. The aim should be to provide resources and support the customer’s own value creation. This support manifests in a variety of encounters and in interactions involving emotional, behavioral, and cognitive elements (Payne et al., 2008). Thus, in this mindset, value is not embedded in offerings, but is produced by the customers themselves – and a supplier’s role is to offer supporting resources for the customer (e.g. Grönroos, 2006; Ballantyne and Varey, 2006). It is about co-creation of value (Payne et al., 2008; Heinonen et al. 2010; Grönroos, 2011). Enhancing value co-creation is suggested to be one of the important prerequisites when aiming at developing a good customer experience (Prahalad and Ramaswamy, 2004; Frow and Payne, 2007) and maximizing the value of the relationship (Payne and Frow, 2005). It is also suggested that customers should be encouraged to participate in co-creation even more (Bendapudi and Leone 2003).

Indeed, in order to fully benefit from the service or wider offerings, customers may take a more active role in maintaining and adapting offerings to their own unique needs. In those processes, the customer continues the marketing, consumption, value creation, and delivery processes of the supplier (e.g., Vargo and Lusch 2004) or produces those (or part of those) processes instead of the supplier (Sampson & Spring, 2012). However, customers’ ability and willingness to do that is also influenced by their ability to conduct the process, the clarity of roles and goals, and the expected value from their point of view (Meuter et al., 2005; Dong, Evans and Zou, 2008). There is also the obvious connection to some bigger trends. For example, recent technological breakthroughs (e.g., digital applications and mobility) provide plenty of opportunities to renew known processes with customers for providers to offer superior value propositions (Payne et al., 2008).

Value co-creation activities and roles

Based on Vargo and Lusch’s (2004) ideas of service dominant logic, Ballantyne and Varley (2006, 336-337) suggest three important relational elements behind value co-creation: 1) relating
(“to give structural support for the creation and application of knowledge resources”); 2) communicating (“interaction to develop these relationships”); and 3) knowing (“knowledge needed to improve the customer service experience, especially when co-created through dialogue and learning together”). “Relationships can provide structural support that is useful for sustaining value-creating activities” (Ballentyne and Varley 2006, 342). However “how to manage relationship quality is a consequence of learning together over time” (Ballentyne and Varley 2006, 337). In value co-creation there is the possibility of ongoing learning between the parties (Lusch & Vargo 2006). This learning is needed since although an offering might be suitable now, its value creation capacity is not guaranteed in the long run without constant learning (Kowalkowski 2011). In the process of relating (Ballentyne & Varley 2006), the parties are able to enhance their own identities and to adapt for the cooperation: changing ways of doing things to build and maintain the relationship (McColl-Kennedy et al. 2012) – and to co-create value.

To learn, communication in different forms and channels is needed. Communicating, however, is a tricky question in the context of value co-creation. It is not a one-directional concept anymore, but should involve all the parties to “generate and circulate information, co-create meaning, acquire knowledge… and to make value together” (Ballentyne and Varley 2006, 338). Thus, in addition to ordinary information exchange, constant dialogue is needed to not only develop and learn together, but also to nurture value co-creation and related innovativeness and creativity (Ballantyne & Varey, 2006). A commitment to interaction in long-term cooperation calls for rich and sophisticated forms of communication. Thus, understanding the goals and meaning of interaction from every actors’ viewpoint is essential. Flexibility in practices and communication channels may be needed to make commitment easier for the partner (Prahalad & Ramaswamy, 2000).

Knowledge renewal is one thing all parties can aim for, focusing on knowledge generation and application. In this perspective also tacit and explicit aspects of knowledge should be taken into consideration. (Ballantyne & Varey, 2006.) For example, McColl-Kennedy et al. (2012) define activities through which the customer can enable and support value co-creation: by organizing information for a partner’s use, actively seeking and sharing information from different sources, and assisting with redesigning service offerings (see also Grönroos 2011). Also Hakanen and Jaakkola (2012) emphasize the meaning of openness and willingness to share information and clarity of requirements – which is closely related to knowledge sharing - as important prerequisites in value co-creation.

Sampson and Spring (2012) highlight the role of customers in quality assurance, i.e., monitoring what is the service outcome and how is it delivered to the customer. In line with that, one additional and interesting example of value co-creation in triadic relationships is customer participation in service recovery. Successful co-creation in service recovery situations diminishes the perceived risk, enhances value creation, and clarifies the roles of different parties. All these encourage further co-creation efforts (Dong et al. 2008; Meuter et al. 2005). When customers’ roles in service recovery increase, opportunities open up for service providers to mold customers’ perceptions of their roles in service co-production (Prahalad and Ramaswamy 2004).

Likewise, collaborators’ roles as co-marketers are worth noting. For example, Aarikka-Stenroos and Jalkala (2012) analyze reference customers as co-marketers in B2B markets. They point out
that a co-marketer’s role depends on the means through which the reference customer is co-creating value. This may happen, for example, by giving evidence of the potential outcome and benefits of the offering, sharing knowledge in the form of advice and judgments on the purchase and use of the offering (roles like co-diagnoser, co-solver of the customer problem, and co-messenger), serving as a reference site host (roles like co-evidencing, co-decision supporter, co-experience creator, co-salesman), and finally, offering testimonials by speaking in favor of the offering, and revealing information on its own business (roles of co-salesman, co-decision supporter, co-experience creator).

In addition, Sampson and Spring (2012) present empirical findings on the role of the customer as value co-creator in consumer services like dry cleaning and car repairing. However, they argue that the customer’s roles they propose are applicable also in the business-to-business context. They suggest that customers can provide extensive diagnostics information on needs (see also “co-diagnoser” by Aarikka-Stenroos and Jaakkola, 2012) and can also act as advisors, assisting in the service production. Very often customers know more about the precise specification required in the service situation, which is helpful in new service development and service recovery situations, for example (see also McColl-Kennedy et al., 2012; “co-designer” by Aarikka-Stenroos and Jaakkola 2012). Also Bendapudi and Leone (2003) suggest that service providers can encourage customers to define their needs in terms that are more concrete and thus facilitate value co-creation.

When a service is created at the service encounter, and is under the direction and influence of the customer, a customer may act almost as a “production manager” or co-producer (Aarikka-Stenroos and Jaakkola 2012; Sampson and Spring 2012). For example, in the context of property maintenance, services are carried out by a service provider (the property maintenance organization), but the exact day-to-day control is carried out by the customer (the property manager). Finally, co-operating parties can act as co-developers with each other, providing know how and feedback needed in improving operations (Aarikka-Stenroos and Jaakkola 2012).

**METHODOLOGY**

The chosen method for this paper is an explorative, in-depth, single case study. Qualitative research methods are appropriate, because there were no exact, theoretic constructs of a phenomenon in focus for empirical research. The case study method enables researchers to more thoroughly understand the complex phenomenon in focus (Yin, 2003).

Abductive research logic enables the interplay between and simultaneous development of theoretical and empirical material (Kovács and Spens, 2005). Our approach was abductive in the sense that theoretical and empirical understanding grew in the course of developing the understanding of theoretical aspect of value co-creation, and also in the case organization. In this paper, the value co-creation process is studied in the triad of the customer, housing corporation, property manager and property maintenance organization. In this industry, the customers (the housing corporation or company owners) are end-customers. They have active interaction with both the property manager firm and the service provider (the property maintenance organization). However, the property manager firm is also very active, mediating the relationship between the end customer and service provider. This triadic setting involves many interesting
phenomena related to value co-creation, thus making the triad in question informative considering the focus of this study.

Property managers administrate large property portfolios and many processes. For them, functional service networks and property maintenance firms are critical resources facilitating (or enabling) value creation with their customers. Thus, the three actors’ interests in value co-creation are also the main argument for choosing a triad setting for this study. The figure below illustrates the setting.

![Figure 1: The relationship triad in focus](image)

Data were collected during years 2012 and 2013 from actors with different roles in the case triad. The informants came from the property maintenance organization, property managers, and the customer side. 15 interviews were conducted. The data were analyzed with the help of content coding, theme-based categorizing, and mind mapping, while themes arose from the data. Additionally, all other data available have been utilized to better understand value co-creation in triadic business settings, such as a company’s own materials and Web pages, workshops, personal discussions (service provider), and minutes of meetings. The authors agreed with the organizations that the company names and names of informants would remain confidential.

In this WIP paper, only one part of the data is utilized: interviews with property managers and representatives of the property maintenance service provider. At the moment, data is also being collected from the customers and further interviews with property maintenance organization representatives are being conducted. Our aim is to link this data to the analysis until end of year 2013.
EMPIRICAL PART: VALUE CO-CREATION IN TRIADIC RELATIONSHIPS; PRELIMINARY FINDINGS

Relationship development within the triad

Relational trust is an important prerequisite for value co-creation. Especially when the final customer is common to both other parties in the triad, expectations for trust development and maintenance are high in the cooperation. The property manager understands that they make promises on behalf of the property maintenance organization. Thus, they also expect that they will come up with the goods. If the final customer is content with the service, it enhances the perceived trust in the relationship between the property manager and the property maintenance organization. The co-development of trust and commitment is needed and all the actors are co-working together for not only enabling and developing the value proposition toward the customer’s (house corporation) expectations of the benefits - but also co-sharing a part of the benefits with the other two actors.

“It is really a lifeline for the cooperation, to be able to trust…. It fulfills the promise we have given. In practice, we make promises on their behalf.” (Property Manager D)

The property managers have an important mediating role in enhancing the competitiveness of the property maintenance organization in relation to the final customer. The property managers perceive that for the final customer it is very important to be heard and in that process, the property managers can help the maintenance organization; and in a functioning, well-developed relationship, they are willing to do that. In practice, they collect feedback and information from the final customers and communicate it to the property maintenance organization. Based on that feedback, the property maintenance organization is able to develop its processes and service quality. Thus, one role the property managers have is co-developer and even co-producer of superior service quality.

It is interesting to note that a long and trustworthy relationship also tends to increase the flexibility and effectiveness of value creation processes. An initiative undertaken jointly diminishes the amount of resources consumed. This brings the property maintenance organization’s subcontractor network into the picture; the whole network strongly influences customer perceived trust, especially when there is a shared final customer in question.

A well-developed relationship evidently contributes to marketing communication as well; and the property maintenance organization can benefit in many ways from that communication. In particular, it gets references and support in relation to customers.

“It is such a difficult industry… I think the so-called bush telegraph is the best of all for them, in order to expand their customer base. I am one of their salesmen” (Property Manager A)

However, in the competitive bidding situation, the property managers want to maintain their neutrality (working as an intermediary), not to guide the decision making of the customer. Experiences of a variety of service providers are shared with the customer. Consequently, a service provider with a good history obtains support in that sense, so that facts are provided when asked for; and the potential customers almost always ask.
From Dialogue to “Trialogue”: Elements of mutual interaction and learning

According to our data, value propositions are based on thorough discussions. Discussions are not beneficial only for the supplier side (i.e., the property maintenance organization, that learns about both property managers and housing corporations as the customers), but also for the customers themselves. In their interactions with the suppliers, customers learn to define their own processes better, thus developing their own activities. All the parties are co-learning to define their own needs and processes better.

“A property manager does not necessarily possess knowledge of the maintenance of outdoor areas, which is needed for a good proposal.” (Representative of the property maintenance organization).

Co-operating parties also learn how to prioritize a variety of processes, which makes practical issues such as scheduling, for example, easier. Transparency of their own and other parties’ (and its subcontractor network’s) processes is important to every actor to develop the value proposition. For example, the property manager needs this transparency of activities to be able to communicate with the customer about assignments progression and/or the schedule of work to be done on the behalf of the service provider to the end customer.

Property managers recognize the need to clarify their own processes, and likewise the processes of the customer to make the final customers’ expectations more realistic. However, the property manager needs support for that from the representatives of the property maintenance organization. The final customer is not necessarily knowledgeable about what is possible in the first place and this might hamper the perceived value of the service. The more transparent and well understood are the processes between the property maintenance organization and the property manager, the less disappointment there will be among final customers.

“... What is the viewpoint of the property maintenance organization, what is it with the final customer, and we have tried to put it to the paper so it would be clearer... What is realistic, maybe that is something we have learned from the property maintenance organization...” (Property Manager C)

Intensive interaction supports this mutual learning. In consequence, actors are able to form suitable value propositions, and specify their needs. In this cooperation, both the property managers and the representatives of the property maintenance organization step into the other parties’ shoes and learn what the realities/facts for every actor are. This understanding is further transferable to the final customer. This will support the experience the customer has from the service, which means that the service provider and the buyer are engaged in the customer’s value process generating value-in-use.

“I would say that we have developed ourselves together. This is what I would like to say. We have a very good contact person who masters technology and together we are able to discuss about issues; savings and other issues. Development happens there and here.” (Property Manager A)
Property managers, as *mediating actors in the triad*, are able to speed up critical processes and in that way help the property maintenance organization to adjust and/or correct resources, processes, or quality if needed. The property manager may have a closer relationship with the customer and in certain situations, managers are able to speed up decision making, for example. *The idea of process transparency* also includes a need to know when some process has changed or is about the change within the triad – whenever those changes influence the logic of value creation. These changes should be communicated throughout the triad relationship and, as the earlier research suggests, the customers really want to know how the service provider and its subcontractor network are organized, so they are able to contact the right people at the right times. Moreover, process transparency makes pricing easier (e.g., Prahalad and Ramaswamy 2004).

It was easy to see that in the established cooperation property managers had started to recognize themselves as a source of competitiveness for its supplier and are learning about the property maintenance industry as a partner, but are also communicating their development propositions to the property maintenance organization on behalf of themselves and final customer.

**Value co-creation in service recovery situations**

The property manager can act as a *conciliatory actor* between the property maintenance organization and the final customer, and in a well-developed relationship, this mediating role is even more important. In this case, the property manager is a critical resource for the property maintenance organization, not just another customer.

Property managers may even *actively participate in service recovery by offering solutions based on their own expertise*. They may even *collect external resources* for service recovery if the property maintenance organization has reacted sufficiently to the situation. The role of the property manager here is as co-creator for perceived value or, to put it more mildly, as co-facilitator of value creation.

“*Here we think of different possibilities and understand each other. There are issues in which I have long experience and relationship, I will contact those and make them do it. Thus, I take care of the service recovery myself.*” (Property Manager A)

The property manager discusses with the customer their needs, and likewise about the property maintenance organization’s faults and development needs. Thus, the property manager participates in service recovery to a significant extent by *collecting and communicating feedback*.

In service recovery *communication* is one critical issue. Quick response to the final customer is needed in the difficult situation. If the property manager is well informed, it may communicate with the customer directly without consuming the resources of the property maintenance organization. The property manager usually possesses a wider understanding of the situation, and likewise has realistic viewpoints on the issue. Thus, they can also moderate customer’s experience by *highlighting circumstances and realities of the situation*:
“We can tell the customer that if you look outside, you can see what the situation is like (in the case of winter storm)” (Property manager D)

Thus, the property managers may take an active role in deepening the understanding of the human aspects of the situation on behalf of the property maintenance organization. In addition, the property managers learn from the customers, especially where there is understanding and flexibility in force majeure situations. This may help the property maintenance organization prioritize customers in difficult situations and hence the property manager mediates and has a role in helping the service provider co-design and -produce services more successfully.

“Resources are not always there; communication has to be very quick” (Property manager A)

The strong role of communication in this kind of triad supports the conclusion that resource integration and management is one of the critical capabilities the service provider and the buyer can jointly develop through different co-activities for the benefit of the customer.

Previous empirical analysis shows that the property manager has several co-creator, intermediator and conciliatory roles in B-to-B service triad. In the following illustration, main finding from the analysis are collected. It is important to notice that at this point focus has been on data collected from supplier (property maintenance company) and buyer (property manager). In the following analysis (later on this year) end customer viewpoint will be examined in relation to property maintenance company and property managers to fulfill the triadic approach.
Figure 2. Summarized preliminary findings
REFERENCES


