Exploring the role of clients in value co-creation within professional service triads

Work-in-Progress Paper

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ABSTRACT

Despite the attention given to the concept of value co-creation (VCC), many of the frameworks for VCC are based on conceptual research (Grönroos and Voima, 2013) and the majority of the studies take place in B2C contexts (Lambert and Enz, 2012). In addition, VCC between multiple actors within service networks has received limited attention (Jaakkola and Hakanen, 2013). The VCC literature has largely focused on interactions between customers and suppliers in dyadic contexts (Aarikka-Stenroos and Jaakkola, 2012), even though managing interactions between both customers and suppliers and amongst suppliers is crucial for effective service delivery and value creation in contexts such as service triads. This study, investigates more closely VCC between business actors interacting in professional service triads. Eight triadic case studies have been conducted in the advertising service industry within which 34 in-depth interviews were carried out with clients, advertising agencies and media /events agencies in order to explore this. As data analysis is ongoing, we plan to present our findings at the IMP 2015 conference.

Key Words: value co-creation, service triads, service networks, professional services, advertising
INTRODUCTION

The creation of value is the cornerstone of buyer-supplier relationships (Corsaro and Snehota, 2010). It is now widely accepted that value is not created in isolation within an organization but is co-created through interactions with the organization’s suppliers, customers and other stakeholders in the business network (Ford, 2011; Vargo and Lusch, 2011). The emphasis of the majority of the research on value has historically been on either the buyer’s or supplier’s perspective rather than on joint value creation from the perspective of both buyers and suppliers, i.e. value co-creation (VCC) between buyers and suppliers. VCC research incorporating data from multiple actors in business networks is even rarer due to the obvious difficulty of gaining access to organizations and their business partners. However, VCC between multiple business network actors is an important phenomenon that needs to be examined and understood because buyers and suppliers need to focus on and collaborate towards delivering superior value in this age of increasing global competition, scarcity of non-renewable resources, prices of inputs and customer expectations.

The empirical research of VCC has till date mostly focused on business-to-consumer settings (B2C) (Lambert and Enz, 2012) and while research has been conducted in business-to-business (B2B) settings, these have mostly drawn upon monadic or dyadic data (Jaakkola and Hakanen, 2013). In addition, limited empirical research exists in the area of VCC in service networks although in such contexts it is all the more important to understand how VCC can be managed when multiple network actors interact. This is because service network actors participate in the production of the core offering and are each responsible for the delivery of different components of the service and thus independent actions can heavily influence the service quality and end-consumer satisfaction. As an initial step to overcoming the practical problems of data collection in a network context, triads have been suggested as providing a way to transition from the dyadic perspective to the network perspective and also to help set a boundary in network research (Halinen and Törnroos, 2005; Choi and Wu, 2009a, 2009b). Triads are the smallest units of business networks and thus they represent information from more than one link within the network (Choi and Wu, 2009a, 2009b). Even though service triads are prevalent across the business and not-for-profit sectors around world, e.g. firms working with two service suppliers to deliver services to final customers, they have received limited research attention (van der Valk and van Iwaarden, 2011).

In this work-in-progress paper, we explore VCC in service triads with the aim of addressing the above research gaps, that is, examining VCC from a multiple-actor perspective in B2B settings and developing a deeper understanding of VCC in service triads. Specifically, we investigate the role of clients in managing VCC in buyer-supplier-supplier service triads that are based on a professional service, advertising. Advertising provides an interesting context because it is an area where triads can be easily identified and significant participation is needed from both clients and suppliers to develop advertising campaigns thus providing greater opportunities for value co-creation. An exploratory multiple case study research approach is adopted in this study because the research areas of service triads as well as VCC in B2B network contexts are at a nascent stage (Baron et al., 2013; Grönroos and Voima, 2013; Wynstra et al., 2015). We base our study on eight case studies which unlike previous research, include empirical data from all members within the service triads, i.e. matching sets of clients and their two service suppliers.

In the subsequent sections of this paper, we review the extant literature on VCC and service triads. This is followed by a description of the research method, data collection and analysis techniques used in this study. As our data analysis is still ongoing, we intend to present our findings at the IMP 2015 conference.
LITERATURE REVIEW

VALUE CO-CREATION

VCC is an important concept that represents an evolution of previous research conducted on co-production in services (Bettencourt et al., 2002; Bendapudi and Leone, 2003) and value creation in B2B relationships and networks (Ramírez, 1999; Ulaga and Eggert, 2006; Lindgreen et al., 2012). Authors such as Prahalad and Ramaswamy (2004) and Vargo and Lusch (2004, 2008) argue that buyers and suppliers are active participants in value creation as well as providers and beneficiaries of service in business interactions, thus leading to VCC. VCC research consists of a renewed focus on the reciprocal benefits gained by business actors through interactions with their network partners and integration of resources (Vargo and Lusch, 2011; Valjakka et al., 2013). This can be seen as a complementary approach to that traditionally explored by IMP researchers (Ford, 2011).

Exploring VCC and management of VCC in service networks is considered to be one of the top research priorities in both the service (Ostrom et al., 2015) and in the B2B research field (Lindgreen et al., 2012). VCC forms an essential part of the efforts of firms to become an increasingly relevant provider to buyers and to tap into the capabilities of suppliers to develop superior value propositions for their final customers (Enz and Lambert, 2012). Implementation and management of VCC activities is argued to increase learning, innovation and competitiveness for both buyers and suppliers (Payne et al., 2008; Ramaswamy and Gouillart, 2010).

There is a surprising lack of empirical research that provides direction for managing VCC in B2B settings, especially in network contexts where multiple parties engage in VCC to develop services, for example, within professional service triads. Zolkiewski (2011) explores the concepts of value and power in a health services network, however, the study does not focus on VCC explicitly. Jaakkola and Hakanen (2013) recently examined VCC in a solutions network context using the ARA framework for analyzing business networks (Håkansson et al., 2009). They highlight that VCC occurs at three interrelated levels in the business service network. At the individual level, actors implement VCC activities using the resources within their own organizations; at the dyadic level, actors interact with other actors to exchange and integrate resources; at the network level, a web of actors carry out a pattern of activities to integrate resources into larger resource constellations that represent the solution service. Although Jaakkola and Hakanen (2013) describe VCC activities between multiple actors, their focus remains on describing the benefits and costs for actors when they engage in VCC within the solutions network and they do not scrutinize roles of different actors involved and the management of VCC activities. In addition, because they investigate several actors in the solutions network, their study gives a broader overview of network interactions and does not reflect the specific dynamics that might arise in service triad contexts.

CHARACTERISTICS OF SERVICE TRIADS

Triads consist of a set of three actors and the potential ties between them (Madhavan et al., 2004). There are two different approaches to defining triads. The first approach focuses on the interaction among three actors as the defining feature of the triad (Vedel et al., 2012) and “these three are seen to come together repeatedly or to be in communication often, conversing, exchanging products, and so on” (Thibaut and Kelley, 1959: p.191). The second approach is where the term triad is applied to all constellations of three actors, even when the constellation contains only two interactive relationships meaning all actors do not interact with each other (Vedel et al., 2012). We adopt the first approach in defining triads, as the
focus in this study is on service triads where each actor participates in the delivery of a service and therefore everyone interacts with each other.

Simmel (1950) in his research on triads in microsociology, argues that a third actor does not only entail a quantitative increase in the number of actors, but also a qualitative change in the relationship. In a triad, the link between two actors cannot be explained without considering the role of the third actor. Therefore inaccurate understanding can be arrived at if researchers ignore these qualitative modifications and attempt to examine triads only as the sum of dyadic links between actors (Andersson-Cederholm and Gyimóthy, 2009). Although adding a third party to a dyad completely changes interactions between the group, Simmel (1950) argues that expansion to four or more individuals does not modify the group significantly. Research on triads in the context of business networks is important because in Choi and Wu’s (2009b: p. 265) words: “We need to study how in a network, a dyad is affected by another dyad. Therefore, to study a network, studying triads becomes imperative…dyads are inadequate in capturing the interactive nature inherent in a network’. They underline that in a triad we can observe how a link affects other links, thus capturing an aspect of network dynamics that dyadic research cannot capture (Choi and Wu, 2009a) and recognizing that no business is an island (Håkansson and Snehota, 1989).

Service triads are different from the dyadic and the traditional manufacturing-based buyer-supplier relationships. The critical aspect about service triads is that each actor has a direct connection with the other two members in the triad; such connections maybe constant or intermittent (Wu et al., 2010). Reiterating van der Valk and van Iwaarden(2011) and Hartmann and Herb’s(2014) views, service triads require individual research scrutiny because of two characteristics: the bi-directionality of service and the existence of multiple links. In service settings, customer input in service delivery is crucial and especially in the case of B2B services, service delivery cannot begin until the buyer has provided initial briefing for suppliers to develop and deliver the customized service. There is thus a bi-directional flow of service between buyers and suppliers and between suppliers themselves in the case of service triads, since suppliers need to collaborate in delivery of service. Therefore service triads are characterized by continual bi-directional buyer-supplier interactions. In addition, service delivery does not occur in one and the same link, but across multiple links in the triad. This holds implications for the management of VCC in service triads as multiple touch points between buyers and suppliers needs to be monitored (van der Valk and van Iwaarden, 2011) and VCC activities managed at those touch points. In a service triad, the third actor is not merely an environmental factor or a peripheral actor because of the bi-directionality of service. Analysis of service triads therefore needs to be focused on the interplay among all three inter-firm relationships in the triad rather than just individual dyads(Hartmann and Herb, 2014).

Wynstra, Spring, and Schoenherr(2015) classify service triads into buyer-initiated triads, end customer-initiated triads and supplier-initiated triads. Buyer-initiated triads involve the buying firm making the sourcing decision and the buyer brokers the connection between the other actors in the triad. Customer-initiated triads involves a customer using a third actor to support the exchange with a supplier, for example, a client firm (customer) using a project management firm (buyer) to manage subcontractors (supplier). Finally, supplier-initiated triads originate through the decision of suppliers to use a third actor to support the exchange with the customer, for example, an independent truck driver working with a logistics service provider (buyer) to carry out deliveries to the provider’s customer. We explore buyer-initiated service triads in the advertising industry. In this context, it is the client who invites
campaign pitches from advertising agencies and other suppliers such as media agencies and events agencies to work together on specific projects.

**VALUE CO-CREATION WITHIN SERVICE TRIADS**

The majority of extant literature discusses VCC from a dyadic customer-supplier point of view and investigating triads where multiple relationships are involved is an important step towards the broader conceptualization of VCC in business networks. Because of the regarding bi-directionality of service and existence of multiple links in service triads, VCC in service triads is likely to be more complex and require different management tactics than VCC in dyadic B2B relationships.

There has been limited empirical research into service triads and management of VCC within service triads. For example, Salo, Tähtinen and Ulkuniemi (2009) explored service recovery in triadic business relationships between a service supplier, business customer and the end customer through a single case study. Van der Valk and van Iwaarden (2011) adopt a more explicit service triad focus and recommend the types of contracts and monitoring strategies that can be adopted in service triads based on agency theory. More recently, Wuys, Rindfleisch and Citrin (2015), Modi, Wiles and Mishra (2015) and Zhang, Lawrence and Anderson (2015) examine operational aspects in service triads and all of them explore the potential risks associated with outsourcing front-end or component services, i.e. they study buyer-supplier-end customer triads involving customer support, franchising and customer information security services.

Insights into other types of service triads such as buyer-supplier-supplier service triads are rare, even though these types of service triads are prevalent in knowledge-intensive and B2B professional services which are commonly used by businesses, governments and not-for-profit organizations. While Li and Choi (2009), Peng, Lin, Martinez and Yu (2010), Wu et al. (2010) explore buyer-supplier-supplier triads, their research is carried out in aerospace-related manufacturing settings and focus on hybrid service offerings. Henneberg et al. (2013) point out that in general there is a lack of research on third-order or knowledge-intensive service networks, which they define as networks involving pure B2B services based on knowledge and information. None of the aforementioned studies on service triads consider VCC within service triads as these studies mainly focus on structural properties of different types of triads and other operational risks.

 Näätti, Pekkarinen, Hartikka and Holappa’s (2014) study into the intermediator’s or a third party’s role in service triads in property management services appears to be only one study which has explored VCC within third-order service triads. In this study, they identify various intermediary activities undertaken in the triad by the property management firm to coordinate between the property maintenance services firm and the housing corporation or end-consumer. They find that property managers can facilitate VCC in the triad through two roles: first, as a facilitator by elucidating and speeding up service processes and co-marketing and second, as aconciliator in service recovery situations. These findings shed light on a type of buyer-supplier-customer service triad in which the intermediary or property manager makes promises and acts on behalf of the service provider, i.e. the property maintenance service firm and deals with the customer. However, so far there appears to be no research specifically on B2B professional service triads such as those based on management consultancy, advertising, accounting and legal services although these services comprise a large portion of B2B services (Pemer *et al.*, 2014).
CLIENT’S ROLE IN VALUE CO-CREATION WITHIN PROFESSIONAL SERVICE TRIADS

It is argued that professional services are one of the most important categories of B2B services, as they represent one of the fastest growing industries (Jensen et al., 2010). However, understanding of what makes professional service firms competitive is still limited (Jensen et al., 2010). Professional service firms focus on knowledge-intensive services and their resources are intangible and embedded largely in their professionals or the human resources (Von Nordenflycht, 2010). At the same time, there is a pressure to develop solutions, complete projects and deliver value to the clients. These characteristics of professional service firms mean that all actors involved in managing VCC in professional service triads need to manage in relation to other actors in the triad and facilitate the flow of knowledge within the service triad. It is crucial for buyers and suppliers involved in a professional service triad to orchestrate a coherent strategy for managing VCC in an interactive service that involves integrating the resources of multiple firms.

In service triads based on professional services, buyers are highly dependent on their suppliers who contribute significantly to service delivery and therefore value creation for buyers (van der Valk and van Iwaarden, 2011). Therefore appropriate management of buyer-supplier-supplier interactions during service delivery is important in taking advantage of VCC opportunities in such service triads. VCC in service triads is also important for suppliers because the value of the service for their buyers would depend on the careful integration of their resources into a seamless service offering. Professional service triads consist of buyer-supplier-supplier triads and are often buyer-initiated because they depend on the buyer’s needs for expertise in specific areas of their business. Since it is the client firm who is usually responsible for contracting the two suppliers in professional service triads, it is argued that the client is likely to have the key responsibility regarding the performance of the service triad. Therefore in our research on service triads in the advertising industry, we place a special emphasis on examining the role of the client in managing VCC. As emphasized by Wynstra et al. (2015), the type of service triad and the actors between whom relationships exist will have a bearing on the specific interdependencies in the service triad and should determine the object of enquiry in research on service triads. Because we explore buyer-initiated triads, we focus on identifying what type of role clients play and how they can manage VCC in the service triad to arrive at valuable outcomes for the triadic members.

RESEARCH DESIGN

In VCC and service triad research, there is limited empirical evidence available. Therefore an explorative approach is deemed to be suitable in this study. A case study research approach is an appropriate tool to use in the early phases of theory development (Eisenhardt and Graebner, 2007) and when “how” or “why” questions are being asked about a contemporary set of events over which the researcher has no or limited control (Yin, 2009). We adopt a multiple case study research design as it offers advantages over single case studies in that multiple cases act like discrete experiments that can serve as replications, contrasts and extensions to emerging theory (Yin, 2009). However, a benefit here is that case studies allow examination of phenomena in their natural context, while experiments tend to isolate phenomena from their context (Yin, 2009). In addition, case studies allow researchers to engage in an abductive theory development process through a recursive cycling between the different cases, emerging theory and extant literature (Dubois and Gadde, 2002). This allows the application of the findings to different contexts, improving the transferability (Lincoln and Guba, 1985) of case study research. Furthermore, it is argued that theory-building from
case studies are surprisingly objective because the close adherence to data and natural contexts helps to counteract researcher bias (Eisenhardt and Graebner, 2007).

DATA COLLECTION AND ANALYSIS

We examined VCC in an advertising buyer-supplier-supplier service triad of a client firm, an advertising agency and a third actor (a media agency or an events agency) as shown in Figure 1. In such professional service triads, the service suppliers frequently interact with the client and there are also interactions between the service suppliers in order to plan and implement advertising campaigns. However, since this is a buyer-initiated service triad, the client is very active in maintaining liaison with both service suppliers. Therefore, this triadic setting offers the opportunity to study important aspects related to VCC because here multiple parties need to interact with each other frequently and in a coordinated manner to plan, develop and implement a complex bundle of services (advertising campaigns) with fixed deadlines.

![Figure 1: Buyer-supplier-supplier service triad in the advertising industry](image)

Eight triadic cases were investigated where semi-structured interviews were conducted with all members of each service triad. Semi-structured interviews allowed the order of questions to be flexible depending on the flow of conversations while at the same ensured that key topics based on our framework were covered. Key informants in each organization were interviewed and these were managers who interacted frequently with managers in the other firms of the triad and had first-hand knowledge of advertising campaign responsibilities and activities.

The majority of managers in our sample held middle-level to senior positions in their organizations, ranging from Account Directors to Marketing Directors and Senior Brand Managers. A total of 34 interviews were held across the eight triads in the advertising services industry in Bangladesh, a Next-11 emerging market and one of the fast growing advertising markets in Asia(Uddin, 2007; Saha, 2012). Additionally, documents such as emails exchanged during campaigns and client briefs shared with suppliers as well as creative briefs shared within advertising agencies were collected during case study investigation. One client-agency meeting was also observed. Although attempts were made to observe more meetings, this was not possible due to the reluctance of managers to share confidential brand and campaign information that are discussed in these meetings.
All interviews were transcribed and coded using the NVivo 10, a computer-assisted qualitative data analysis (CAQDAS) software (Bazeley and Jackson, 2013). Several cycles of coding are being conducted, beginning with more descriptive coding during within-case analysis and then moving on to pattern coding during cross-case analysis (Saldaña, 2013). NVivo 10 allows us to maintain an audit trail of the coding process and notes from the documents collected and observation were added to NVivo 10 in the form of memos to improve the reliability of the coding process.

Several steps are being taken to improve the trustworthiness of the case study findings (Lincoln and Guba, 1985). The use of multiple sources of data by interviewing managers from all three firms in the triad allowed triangulation (Creswell and Miller, 2000) and enabled the building of a broader picture of the course of events. Interviewing key informants involved in advertising campaigns in different firms reduced recall bias (Eisenhardt and Graebner, 2007). The use of a semi-structured interview guide improved comparability of data across case studies (Yin, 2009). A team of three researchers are reviewing the findings as they are emerging and using strategies such as pattern-matching and developing rival explanations to help improve validity (Miles et al., 2014).

FINDINGS
The findings highlight the roles that clients need to take on in managing VCC activities within professional service triads and the tactics they use in fulfilling these roles. Data analysis is not complete yet and we are still refining our coding, therefore we would like to share our findings in greater detail at the IMP 2015 conference.

REFERENCES


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