

Value co-creation practices in professional services: Matchmaking of resources and meaning

Work in progress

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ABSTRACT

Generating professional services relies on mutual knowledge integration processes between collaborative actors. Thus, applying a practice approach to understand how value co-creation is constructed in professional services is well-argued. In this work-in-progress paper, we aim to answer this call, especially in the area of B-to-B professional services.

Our empirical data will support the idea of focusing on co-creation practices. It is composed of varied narratives about the relationship in focus, both from buyer and seller organizations. We will focus on creative professional services, as our case is the relationship between an advertising agency and its client. Later we will widen our scope to other types of professional services (management consultancy, law and engineering services) to create a comparative setting. This is done because these different professional services can vary remarkably in their knowledge and thus varying in their value co-creation practice point of view.

This condensed WIP paper includes a short description of theoretical underpinnings and a preliminary case analysis. We wanted to use this limited amount of space to present our preliminary data analysis, because getting feedback for that would be most beneficial at this stage of the research.

Keywords: Professional services, value co-creation, practices

INTRODUCTION AND THEORETICAL UNDERPINNINGS

Professional services are typically generated in close interaction between collaborative organizations. This is because these often complex and highly customised services call for intensive interaction, close cooperation and knowledge integration (Løwendahl et al., 2001), essentially value co-creation. However, there may be particular challenges in the co-creation of value (Kerkhoff et al., 2003). This is because of the loosely coupled nature of professional work (Nätti and Ojasalo, 2008), cultural resistance towards common procedures among professionals or the lack of consistency in relationship-coordination practices (Von Nordenflycht, 2010), and the highly tacit, person-embedded and abstract nature of knowledge used to generate professional services, just to mention a few reasons. All of these intrinsic characteristics of professional services can potentially lead to difficulties in integrating resources into the collaborative value co-creation process.

The idea of professional knowledge work being first and foremost knowledge integration processes between collaborative actors and related activities leads us to think of applying a practice approach to understand what value co-creation really is in professional services, not as a static phenomenon, but as a dynamic, ongoing phenomenon. Thus, we aim to adopt the conceptualization of ‘knowing’ as dynamic, emergent and ongoing through practice. Orlikowski (2002) calls this a practice-based perspective on organizational knowing, stressing that *knowledge and practice are not separate*; but the focus should be on the knowledgeable ability of action—knowing as a verb—rather than knowledge as a noun. Therefore, we believe that what are called ‘knowledge-based’ or professional services are particularly fruitful avenues for studying value co-creation as a practice, due to the nature of professional work as knowing, doing, acting and interacting. Both parties of the dyad possess indeed an important role in this, engaging in the situated practices of service exchange, what we call value co-creation.

Some attempt has explicitly and implicitly already been directed to understand and identify value co-creation practices in the B-to-B field (see, e.g., Kohtamaki & Partanen, 2016; Aarikka-Stenroos & Jaakkola, 2012). Similarly, there have been attempts to categorize value co-creation practices in B-to-B relationships (see, e.g., Marcos-Cuevas et al., 2016). In addition, in the conceptualization of markets as constituted by practice, Kjellberg and Helgesson (2007) identify three core sets of market practices. By crossing boundaries between the fields mentioned above, we answer the call to take a practice approach to value co-creation in business markets (Kohtamaki & Rajala, 2016), especially in the area of B-to-B professional services.

Our empirical data will support this idea, for it is a set of individual narratives about the relationship in focus. The kind of data supports our theoretical approach. In this first phase of our study, we gathered narratives about a business relationship between an advertising agency and its customer. All together six stories of the relationship were gathered from six persons involved in the relationship, both from the advertising agency and the customer organizations. This work-in-progress paper is based on this data set. Later our aim is to widen our scope to other types of professional business services (management consultancy, law and engineering services) to create a comparative setting. This is because these different professional services can vary remarkably in their knowledge and thus in the practice point of view (see, e.g., Malhotra & Morris, 2009). In the following, the preliminary analysis of single case data is briefly described based on themes found from the data.

PRELIMINARY EMPIRICAL FINDINGS

Individual orientation as a starting point

The first stage of the analysis of our empirical data interestingly shows how such a creative professional service creation process is always approached from individual perspectives, forming individual, person-bound resources and evaluation criteria to approach value co-creation events or even the whole relationship. Critical events of the relationship reveal these individual practices, which are partly subconscious and partly recognized by individuals themselves.

'I have been interested in going into that kind of [visual] world --- A certain turning point [in the relationship] was when customer V joined us. He did not know about this history of the relationship. So he thought of it maybe more on a rational basis, and me, as usual, more based on feelings'. (Customer rep S),

'A business relationship is about doing agreed things and then evaluating the results'. (Customer rep V)

As these comments show, personal valuations, interests and personality form expectations for common value co-creation, and in which mode it should happen, on both sides of the relationship. This expectation further influences the attitude of the participating actor, what is expected from the interaction, and what is considered the proper nature and mode for the value co-creation in the relationship. It is reasonable to think that because creative professional service is very abstract by nature, these personal expectations and valuations get a bigger role than they would get in more concrete and identifiable professional services (like engineering).

From knowledge asymmetry to resourceful customers

Yet another issue is the influence of prior experience, accumulated know-how and the professional identity individuals hold when they approach value co-creation, and how those influence their individual practices. For example, an interesting question in this context seems to be about what happens when the customer is very capable and knowledgeable of the content, even able to create the substance him/herself. Where lies the 'ownership' of the creative work? For example, customer representative P wanted to do a lot herself with marketing communication material. But because that material (photos, etc.) was administered by the service provider, getting 'raw material' for the work became (from her point of view) slow, sometimes even impossible:

'It was slow; we did not get everything. We felt that it was too difficult. She had to call them always ---we were frustrated'. 'P has got the capability to do that, and she would like to do that'. (Customer rep A)

The whole existence of professional service business has been based on knowledge asymmetry between service provider and customer in these types of professional services as well.

'They did it a lot by themselves [in the agency] and they came to present it'. (Customer rep V)

However, this asymmetry is now often questioned. Customers hold more own resources and are also capable of participating in value co-creation in roles other than information providers or evaluators and commentators on just the end result.

'From someone's point of view, it might be fine to just let them know and they (the agency) will do it – but some would just like to have graphic instructions and do it him/herself!' (Customer rep P)

This challenges the traditional roles of an agency as a 'presenter of results' and customers as 'acceptors or neglecters of the result'. The question of knowledge ownership arises along that development.

'Of course they want to keep their cash cows. That is typical for ad agencies'. (Customer rep P)

This kind of 'ownership' of creative work (although the customer had already paid for it) seems to be a strong convention among advertising agencies in this case as well. This is also understandable because (in the partnership) agencies see that they are holding a role in the customer's brand maintenance as well, and work conducted by individual customer representatives may in their view potentially even 'contaminate' the work - if it does not happen in their close supervision, as the following comment suggests.

'First I feel I got ignored, but then they accepted my work'. (Customer rep P)

It is an interesting question indeed about who owns the results of creative work if the customer has paid for it and how the customer can use those results to create new content from the creative work originally generated by the advertising agency. This is not only a legal question, but one bound to organizational practices and industry conventions.

This viewpoint on value co-creation practices is tentatively named *role negotiation*.

Searching for common understanding in single projects– from colour themes to visual entities

Paradoxically, although for some, an agency's dominant role in co-creation can be irritating, it also seems to help in generating a stable ground for common discussion.

'When we then checked [the results of the work], they very quickly grasped our thoughts and visualized those . . . There were always many representatives from the agency present [to present and discuss with the customer]'. (Customer rep V)

When there is a single campaign or creative task at hand, there are certain ways to create a common platform for discussion, to form a common understanding of the goal and means of value co-creation from a very ambiguous and abstract starting point. In the beginning of a concrete campaign or production, for example, benchmarking can be one means to concretize and form a platform for discussion:

'We [together with the customer] went through several videos from global competitors, what kind of materials they had produced, what kind of image, style, and what kind of special cases there are'. (CEO of an agency)

'We discussed a lot what we would like to communicate [with the marketing communications material] . . . We had a lot of these kinds of discussions'. (Customer rep S)

Based on the kind of benchmarking effort, the common understanding of the customer needs is refined in interaction with the help of concrete material, which seems to be very helpful in this process, which is otherwise very dependent on abstract, individual-bound tacit knowledge and creativity, not so easily understood by participating actors who are approaching co-creation

from different angles. Furthermore, and following these preliminary stages, scripts, storyboards and illustrations are created to concretize preliminary ideas and facilitate discussion towards final production:

'Of course, we need to present for them how it goes, and it demands a lot from the customer... . . . They have to think themselves and imagine. I have often said that you just have to imagine now; this flies this way and this will be dropped there... You just have to present it --- We just presented one launching video idea for the customer in the form of a storyboard of photos, and he said that he got goose bumps, this is awesome! So, he could internalize how it would be, although it was just in the form of photos and a story'. (CEO of an agency)

In general, while abstract reality prevails, it seems to be crucial to find a starting point to make things more concrete to build a common understanding. The starting point of concretization can be, for example, detailed discussion about colours:

'... It went on from colours. Can't remember if it was there already or not, but we went towards gold, found common factors and communicational factors and things that we are able to work with, also subconsciously'. (CEO of an agency)

'The idea of "precious metals" has stayed here for almost ten years now'. (Customer rep S)

This approach to value co-creation practices is tentatively named *Creating platforms for interaction*.

Boosting creativity

Indeed, as an additional viewpoint, it is worth mentioning that good personal chemistry and mutual appreciation is not without its meaning when it comes to boosting creativity in co-creation, which is at the core of this type of professional service.

'Creative people --- they perceive that if their ideas do not progress [with the customer], it is soon seen in the level and amount of creativity. A clever customer would support the creativity, and then the art director would think of their concepts while walking the dog in the evening --- - this is not from an eight to four job'. (CEO of an agency)

This perspective on practices is tentatively named *'boosting creativity'*.

Relational practices

A whole different story in this case seemed to be how value co-creation at the relationship, long-term level would or should happen. Here, personal valuations, earlier experiences, personalities and professional identities really got an emphasized role.

'V had a more technical, process-based or juridical approach, from my point of view, that one should organize competitive biddings and analytically compare service providers, whereas I do not want to analytically compare but do business with people with whom things progress and who can do those things. It is a different approach. We are pretty different personalities, but that is a strength, too'. (Customer rep S)

Indeed, a customer representative named in the previous comment felt that procedures needed in the relationship were not in place. His perception was mostly based on how he had seen relationships administered in an earlier workplace, which had become ideal for him:

'I tried to push this towards a business relationship format, its administration --- Is there a contract, for example. No, there is not --- I think it all stayed underdeveloped --- We did not get into relationship maintenance and development ---- I met their CEO in the city centre and only there he asked if we should organize a meeting!' (Customer rep V)

'I do not need reporting, concrete results only --- I said that you can do the contract if you wish, but I think it is relevant that we contribute. The other way around, if we are not able to contribute, contracts do not matter --- He (V) wanted to make it official'. (Customer rep S)

This viewpoint on value co-creation practices is tentatively named *'forming relational practices'*.

Close bonds and periphery of the relationship

The business relationship in question started because a customer key contact in marketing communications had collaborated with this agency before. So when there was the need for finding the partner, he contacted a known agency:

'There [in the earlier work place] I learned to trust them. I just asked them to visit us --- So in a way I brought it with me --- If there is a long-term contact, and if you have to start with the new partner, with some random agency, it is not worth it ---- I have always appreciated their visual intelligence --- That you can trust them, and they are experts in the field'. (Customer rep S)

From this starting point, we can see that strong mutual trust between these representatives of the customer and the service provider organization (between S and CEO of the agency) formed a strong ground for collaboration. Good personal chemistry between them helped a lot, as did mutual appreciation, valuations and interests.

'We did their marketing from the beginning of 2000, got to know him. And when he went to this [new organization], they had a certain lack of policies in marketing communications --- we had always had good communication with him (customer rep S), so it went on pretty soon --- The starting point is mutual appreciation, both appreciating each other ---- especially in advertising agencies, customer relationships are very dependent on personal chemistry --- if there is a match, the fruits of cooperation are better, likewise commitment and a willingness to succeed'. (CEO of an agency)

During the first stages of a business relationship, one critical event occurred that seemed to have strengthened the perceived trust between the main representatives on both sides, which was mutually recognized:

'[There was an urgent need to build web pages], and I laughed and said to him [the CEO of an agency] that these should be ready next Monday. Well, not quite, but no later than Friday --- this convinced me that we are dealing with the right team'. (Customer rep S)

As many previous examples show, on the customer side of value co-creation, a variety of people with very different valuations, professional backgrounds, know-how and identities were present. All in all, this led to a certain fragmentation of the 'customer view', and some actors even felt that they were left outside of the relationship, although they would have wanted to get a stronger role in it. Indeed, it seems as if the first ones to enter the relationship are able to 'set the tone' for value co-creation, and if prerequisites (like good personal chemistry and shared valuations) are in place, it might be harder for others to see their role in value co-creation

(although they might hold a powerful position in the organization). Because of that, many challenges occur, as the previous examples show.

'I think that internally we were not organized sufficiently; but someone took over, and it was not group-like [doing or decision-making in the relationship] --- It was about how [the things] should be done or visualized'. (Customer rep V)

Although the results of the creative work (like advertisements, company videos, etc.) were not to blame, and the satisfaction of those was brought up on many occasions...

'It was not about them being incompetent. On the contrary'. (Customer rep V)

... Relational practices and a certain conflict in expectations of what is expected from a business relationship seem to have brought frustration to many of those interviewed from the customer side, which also hampered value co-creation from their point of view.

This viewpoint on co-creation practices is tentatively named *'negotiating over relational positions'*.

Finally, the relationship ended under the strong influence of actors other than Rep S, who still tries to find ways to collaborate with the service provider, although other units of the organization have already built relationships with other service providers.

The following illustration gathers preliminary findings. The next stage of the study is to do more interviews in this focal case to strengthen the analysis. In addition, the link to the practice approach should be developed further. This will happen alongside theory development and choosing the right focus for challenging the conception of practice in this specific study.

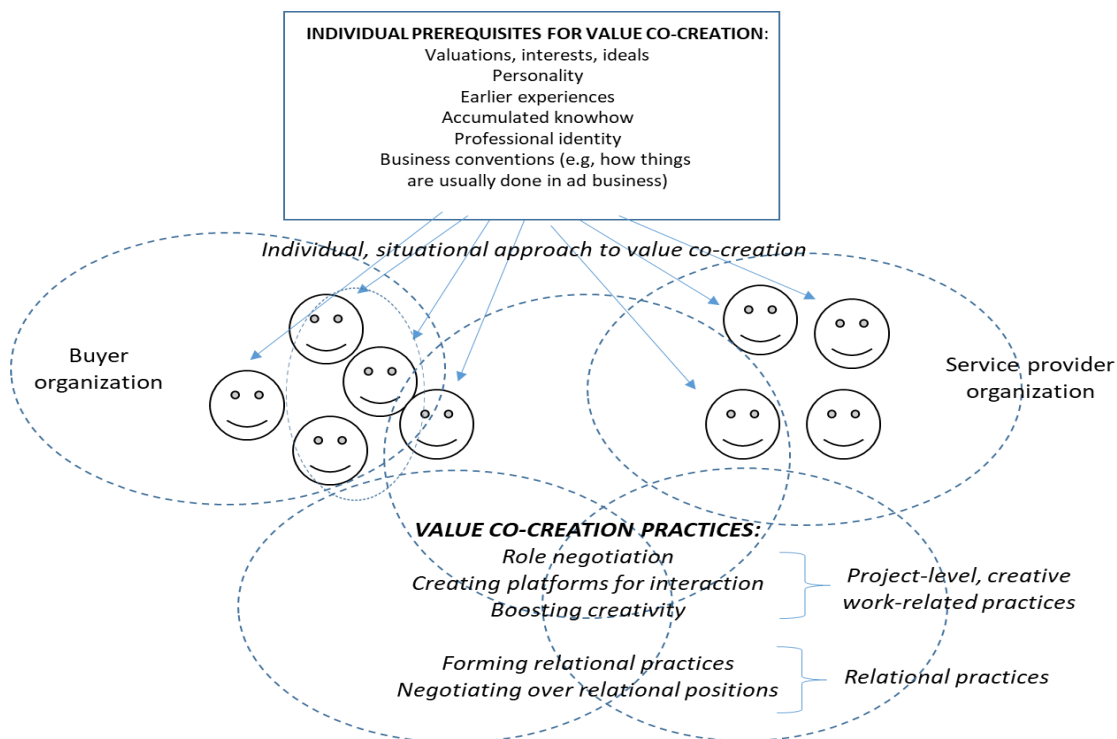


Figure 1. Preliminary empirical analysis/findings

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