

Value co-destruction, when service collaboration goes wrong

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Abstract

This study, using an exploratory multiple case study design, focuses on the relationship between service provider-customers' social interaction, resource integration, and value. Our research highlights the need for a value definition that is inclusive of practices that contribute to creating or destroying value. We adopted a definition of value that encompasses variation in four forms of capital (economic, cultural, social, and symbolic). The present findings yield a set of categories of value co-destruction practices related to each form of capital. This research shows how the study of service provider-customers' social interaction and resource integration practices can be used to understand the subtle connection between value co-creation and value co-destruction. Our research allows practitioners to recognize and contrast VCD, as it emerges and impacts their service relations.

Keywords: Value co-destruction, Practices, Resource integration.

Track: Services Marketing

1. Introduction

Inspired by Service-dominant logic (Vargo & Lusch, 2004; 2011), prior research focuses often on how service providers and their customers interact to co-create value (Aarikka-Stenroos & Jaakkola, 2012). Recent marketing studies observe that interactions aimed at value co-creation (VCC) can include destructive elements (Ostrom et al., 2015) and provide evidence of service provider-customer interactions leading to value co-destruction (VCD) (Plé & Chumpitaz Cáceres, 2010). These studies suggest that a deeper understanding of the phenomenon of VCC requires also knowledge of the destructive aspects of service provider-customer interaction (Ostrom et al., 2015). Indeed, these insights suggest that both VCC and VCD may result from the same interactions between service providers and their customers and that the study of VCD may be as relevant as the study of VCC (Plé, 2017). VCD may be considered as an integral part of the phenomenon myopically called “value co-creation” (Plé, 2016).

The impact of work practices on VCD is yet not well understood (Payne et al., 2008). In this study, we ask: what are people doing that ends up destroying value?

Addressing this question entails facing two challenges that current research has not met satisfactorily. First, defining value. Most value definitions in VCC literature (Aarikka-Stenroos & Jaakkola, 2012; Grönroos, 2011) do not provide enough conceptual space to the shared dimension of value creation/destruction and do not account for the interactional and resource integration practices that determine the changes in value. *This study adopts a definition of value in terms of the difference in the amount of capital owned by any actor before and after he/she interacts and integrates resources with other actors* (Lombardo & Cabiddu, 2017). The value can materialize in *economic, cultural, social, and symbolic capitals* (Bourdieu, 1990) and *value is made of the coexistence of the 4 forms of capital* owned by an actor (Lombardo & Cabiddu, 2017). Second, explaining VCD in terms of service provider-customer interactions and resource integration practices. This study proposes a way to interpret practices as a determinant of VCD. Our findings uncover and disentangle 15 resource integration practices that negatively affect value (Sandberg & Tsoukas 2011).

2. Theoretical Background

Although the considerable amount of literature on the topic, there is disagreement on the definition of value. Two more or less distinct research streams are identified in the

literature: one focusing on the value of the object of exchange (goods and services) and one focusing on the value of the process of exchange (the relationships, networks, and interactions that the company is embedded in) (Lindgreen et al., 2012). Status quo definitions of “value” are conceptually structured either in terms of value’s constitutive parts (what is valued) (Lombardo & Cabiddu, 2017); or in terms of its social and cultural embeddedness (whose value it is, who measures this value, why is it valued) (Edvardsson, Tronvoll, & Gruber, 2011); or in terms of its metrics (how much value it is); or in terms of the distinction between value creation and value appropriation mechanisms; or else in terms of its production (how is it created? and who captures it?) (Vargo & Lusch, 2016). Several of these aspects might simultaneously concur to co-define value, and determine its contingency on their potential variations. Lombardo and Cabiddu (2017) find that value is determined by the actor’s possibility to access (any form of) capital, and the possibility to exploit his or her capital. VCD practices are practices that cause prevent access to new capital and/or disable capital exploitation.

2.1 The “co-” or the interactive element of value creation

Service-dominant logic occurred as a different way of conceiving value creation and value exchange theorizing value creation from a service standpoint and focusing on the value that arises through value in use (Gronroos, 2011; Vargo & Lusch, 2004). According to the Service-dominant logic, the customer is always a co-creator of value, not simply a target of that value, and “Co-creation is about the joint creation of value by the company and the customer” (Prahalad & Ramaswamy, 2004, p. 8). Service providers may offer value propositions to their customers, but customers can participate in the creation and offering of value propositions (Vargo & Lusch, 2016). The VCC process involves the interaction of customer and service supplier as they mobilize their resources and try to integrate them to create and exploit superior value propositions. VCC is shaped by social forces, is reproduced in social structures, and can be asymmetric for the actors involved (Echeverri & Skålén, 2011). Several studies have recently revealed that the value customers may expect to co-create depends on the practices through which they interact with their service providers (Cabiddu et al., 2019). Indeed, the notion of *practice* is increasingly being adopted in marketing strategy literature, to address the interactive and relational aspects of the co-creation, or co-destruction, of value (Aarikka-Stenroos & Jaakkola, 2012; Frow, Mccoll-Kennedy, & Payne, 2016). The significance of these practices for the definition and assessment of the value is though not sufficiently explained nor understood (Aarikka-Stenroos

& Jaakkola, 2012; Payne et al., 2008). This gap is mainly because most *practice minded studies* do not fully exploit the methodological strengths of practice theory.

3. Methodology

We employed a multiple case study design (Yin, 2009). We collected data from public infrastructure projects at a large Scandinavian engineering firm. We chose cases from this kind of firms because: First, they serve their customers through projects in which the service provider and customer are encouraged to collaborate to examine and resolve problems; we presumed practices to be easier to detect in this context; Second, service provider and clients usually have comparable professional backgrounds and expertise; therefore, economic, social, cultural, and symbolic capital has a pivotal part in the value formation process.

After a careful selection, we looked for value co-destruction practices from eight projects of a Scandinavian engineering consulting firm engaged in public infrastructure planning: 1) Local road-railway traffic; 2) Motorway upgrade; 3) Energy production estimations; 4) Innovative renovation of sewage treatment; 5) Tunnel for ships; 6) International high-speed railway; 7) Regional motorway; 8) Tunnel - environmental quality improvement. All the projects are organized in workshops, we used the conceptual frameworks provided by Stabell & Fjeldstad, (1998), that is, the “value-shop.” The *value-shop has four main phases: problem definition, problem solution, choice, and execution* in which capital forms are addressed by the VCD practices and in which value components are influenced may vary in each phase of the value shop. Inductive qualitative data analysis combined with a practice theory approach (Bourdieu, 1986; Sandberg & Tsoukas, 2011; Reckwitz, 2002) show that VCD happens through practices that predominantly affect one of the four forms of capital: cultural, economic, social, and symbolic (labeled C, E, S, and Sy, respectively). These capitals were classified according to the capital they impacted the most. We named the 26 VCD practices as C.1, C.2 through Sy.5. The data analysis reveals two types of practices: 1) the first group collects actors’ resource integration practices as they handle the combination of cultural and economic capitals; 2) second group gathers actors’ social interaction practices which cause negative variation in the social and symbolic capitals (see Table 1). However, in this paper, we will focus only on the 15 practice related to resource integration to fulfill the page limit.

Table 1: Classification of the value co-destruction practices

| VCD Practices | | | |
|---|--|---|---|
| Value as a multiform concept | | | |
| Resource integration | | Social interaction | |
| Cultural Capital | Economic Capital | Social Capital | Symbolic Capital |
| <ul style="list-style-type: none"> • C.1 Underestimating the project complexity • C.2 Lacking information • C.3 Hiding knowledge • C.4 Scaling down ambitions • C.5 Resisting change • C.6 Ousting an actor from the project • C.7 Wasting knowledge | <ul style="list-style-type: none"> • E.1 Developing a project more expensive than what planned; • E.2 Planning unnecessary activities • E.3 Mismanaging the time • E.4 Determining the investment prematurely • E.5 Reducing the investment established for the project • E.6 Rejecting a budget increment • E.7 Asking for a higher price • E.8 Requiring further unpaid work | <ul style="list-style-type: none"> • S.1 Misconducting • S.2 Blaming/Betraying another actor • S.3 Discrimination • S.4 Removing actors from the project • S.5 Avoiding compromises • S.6 Ignoring the engagement | <ul style="list-style-type: none"> • Sy.1 Distrust • Sy.2 Abusing hierarchical power • Sy.3 Reconsidering already-taken decisions • Sy.4 Anticipating operating activities before taking the related decisions • Sy.5 Boycotting solutions |

4. Findings: VCD Resource Integration Practices in Engineering Projects

Every one of the eight projects is a social environment in which service providers and customers exchange cultural and economic capitals (and so resources) to co-create value. However, the data analysis displays 15 VCD practices (from C.1 to E.8).

How to destroy cultural capital. Cultural capital in professional services setting is represented by the specific know-how of engineers from both the service provider and customers, as well as culture, insights, ideas, academic and job experience. The goal of the project is to facilitate the exchanging and the integration of the mentioned above resources (representative of the cultural capital). However, in the energy production estimation project (case 3), the service provider considered the project as a routine job and greatly misjudged the

project difficulty (C.1). This approach led the service provider to overlook pieces of information shared by the customer which were compulsory for an appropriate assessment of the energy cost (C.2). Both practices limited the integration of the customers' and engineers' know-how and information, efficiently disabling the exploitation of cultural resources. When more information was available and precise assessments became possible, the customer was not kept updated (C.3). When the service provider had to inform that the energy cost-benefit analysis was higher than previously assessed, the customer countered by removing the service provider from the project (C.6). What happened is that the service provider has not even integrated its information and knowledge resources with the customer. But then, the customer cut off the integration process. The non-integration of cultural resources had negative effects on both the customer and the service provider's cultural capital since they mutually deny access to their cultural resources. While, during the renovated sewage treatment project (case 4), the majority of engineers suggested developing an innovative treatment plant, yet, a smaller group disagreed (C.5). The same antagonistic interaction appeared again during the solution development phase, where new practices occurred following a path-dependent sequence at the workshops. Here, the conservative engineers deliberately hid know-how (C.3) to promote their project. Resisting to the change (C.5) triggered misalignment of knowledge resources, causing co-destruction of the service provider's and customer's cultural capital because a part of resources was not integrated. The group of innovative engineers faced a restriction of their ambitions (C.4) that generated VCD as innovators and conservative engineers denied access and disabled exploitation of cultural resources. During the solution assessment, the service provider project manager presented several solutions to the customer and many innovators had to look at how their ideas had been wasted as the consumer selected the less innovative project (C.7). This means that the customer used cultural resources in a manner that was contrasting (part of) the engineers' expectations deteriorating the cultural resource-integration process.

How to destroy economic capital. The construction project budget is divided into engineering design and construction operations. The international high-speed railway project (case 6) had a large budget (more than five million euros) and had the aim of linking two metropolises. Following the problem definition workshop, the service provider did focus on small details trying to reach high-quality outcomes. Such approach required arranging more coordination meetings than usual mismanaging the time dedicated to the design work process (E.3) and rising the engineering costs. This project displayed how the service provider

employed the project's economic resources wrongly, failing to integrate the customer's economic investment with his resources. Moreover, as soon as the customer figured out that the service provider was exceeding the agreed investment (E.1) because the service provider was asking for more economic resources (E.7), the customer rejected to pay for part of the development costs (E.8). In this case, the service provider caused a lack of monetary resources for the customer. In motorway upgrade planning (case 2), the public administration needed to know the investment costs during the solution development phase (E.4) because it could not wait for the information available till the end of the solution assessment. When the project draft has shaped, the service provider requested a review of the construction budget, which the customer refused (E.6). Whilst, in case 7 (the regional motorway planning project), the customer needed to reduce the agreed project investment since the global public works budget was reduced (E.5). Such an unforeseen shortage of financial resources with the rejection of a budget rise (E.6), prevented the integration of resources, as the customer could not pay for the services. So, practices like determining the investment too early (E.4) led the service provider to disable the exploitation of its cultural resources.

5. Discussions

Our study contributes to the literature on VCC and VCD in the service context. Using a multiform notion of value, this paper contributes to an understanding of the social interaction and resource integration practices that shape VCD.

VCD practices and value as a multiform concept. Previous studies have defined value as a uniform concept and provided preliminary knowledge of the connections between practices and value (Kohtamäki & Rajala, 2016). Therefore, it remains uncertain the links between value, social interaction, and resource integration. By exploiting the practice theory approach, our paper integrates prior studies (Echeverri & Skålén, 2011; Kohtamäki & Rajala, 2016) by theorizing how VCD (as 4 forms of capital) is influenced by social interaction and resource integration practices (Payne et al., 2008; Peters et al., 2014; McColl-Kennedy et al., 2012; Plé, 2016). More exactly, whereas former studies have shown that value formation derives from service providers and customers congruent and incongruent elements of practices (Plé, 2016), our findings suggest that VCD practices related to resource integration are mostly to affect cultural and economic capital, whereas social interaction VCD practices are mostly linked to social and symbolic capital.

Table 2: From a monolith to a multiform definition of value

| Main concept | Sub-concepts | VCD Practices | Affected capitals |
|--------------|----------------------|-----------------|-------------------|
| Value | Resource integration | From C1 to C7 | Cultural Capital |
| | | From E1 to E8 | Economic Capital |
| | Social interactional | Form S1 to S6 | Social Capital |
| | | From Sy1 to Sy5 | Symbolic Capital |

VCD enactment. This study explains how VCD practices play out in service collaborations by showing their logic, scope, and form. Previous studies provide some understanding of the interlink between practices and value outcomes (Payne et al. 2008), but it is not clear how VCD is enacted. Using the value-shop approach (Stabell & Fjeldstad, 1998), we show that *VCD is path-dependent*. In the social context of engineering design projects, co-destructive practices tend to follow the project’s predetermined work phases: problem definition, solution development, and solution assessment. VCD practices related to denial of access to cultural capital (knowledge of the problem) affect mostly the problem definition phase (C.5, E.3, and S.3). VCD practices related to denial of access to social capital affect mostly the problem solution phase (E.5 and C.5). These practices are determined in a time sequence and are self-reinforcing. While previous research has demonstrated that interactive value formation derives from providers and customers drawing on consistent and inconsistent components of practices (Echeverri & Skålén, 2011; Plé, 2016), our study shows stronger and more specific links between the concept of value as four capitals (multiform definition) and service collaboration practices (Vargo & Lusch, 2011).

5.1 Managerial implications

Service providers should be aware that service collaboration goes wrong due to their attitudes toward social interaction and resource integration with clients. The opposite is true as well. Clients’ social interaction and resource integration practices may efficiently co-destroy value. In a value-minded service collaboration the name of the game is “Give - Give”: give access to capital, and give possibilities to exploit that capital. The projects show that VCD practices related to denial of access to social capital occur mostly at the outset of the project (e.g., S.3 and S.6). Therefore, practitioners who promote social interactions that support a “Give - Give” attitude and those who are fast to identify and neutralize noxious social interactions would be moving away from VCD. Equally, facilitating cultural and financial resources integration will avoid losses in the related capitals.

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