

## VALUE IN USE AND IN (SOCIAL) CONTEXT

### Analysing how social actors co-create value

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### **Aim**

Recent insights from Service Dominant Logic (Edvardsson, Tronvoll and Gruber, 2011) call for further research on what is value in a (social) context. Such an issue highlights that although value co-creation is a widely researched topic, some concepts and mechanisms are neither conceptually clear nor empirically grounded. Indeed S-D Logic posits that goods and services are operand resources that customers integrate with other resources (operand and operand) in service provision activities, aiming to generate value-in-use (Vargo, Lusch, 2008; 2009) but how is value co-created by the engaged actors – with different values and intentions - during the service provision process?.

This study addresses the challenges of defining the meaning and the essence of value according to an S-D logic ecosystems approach (Vargo, Akaka, 2012). It aims to contribute to the ongoing discussion on where, how, for, and with whom value is co-created and assessed as we provide a better understanding of how value is co-created by social actors defining different concepts and meanings of value as well as a framework which links different concepts to each other.

### **Theoretical framing**

The theoretical framework is based on multiple research streams concerning the empirical phenomena and concept of service and the value co-creation and emphasizes their interconnection to identify the foundational elements for the definition of a value-in-use formula. Furthermore, we consider studies about values from sociology and behavioural field.

Regard to the concept of service we considered the research stream SDL-oriented that propose an ecosystems approach (Spohrer, Maglio, 2010; Vargo, Lusch, 2011). Such studies provide some interesting highlights for understanding value co-creation and systems (re)formation (Vargo, Akaka, 2012) and stress the *reconsideration of the scope of value co-creation and how it influences the actions and interactions of individual actors* (Vargo, Lusch, 2011; Ostrom, 2010).

To define and clarify the concept of value for the scope of this study we focused mainly on contributions that emphasizes the integration of resources (Vargo, Lusch, 2008; 2010) – actors are always embedded in social systems - as a central component to value co-creation in S-D logic (Vargo, Lusch, 2010; Vargo, Akaka, 2012, Lusch and Vargo, 2014). The creation of value depends on social context made of interconnected relationship (Chandler and Vargo, 2011) as the “social context implies norms and values that exert a profound influence on both the service exchange and the value co-creation process” (Edvardsson et al. 2011, p. 239).

Finally, as interaction is the core of the process we aim to investigate, we refer to the theory of values and systems of values (Rokeach, 1973; Schwartz, 2006).

### **Value in use and in (social) context**

The framework

The framework we propose to understand and interpret value-in-use in (social context) is built on three main pillars: Resources, Values and Value creation. The following sections analyze each of the elements.

## Resources

The point of start of our analysis depends on the assumption that resources are becoming (Kleinaltenkamp et al., 2012; Colurcio et al., 2014) when operated on by actors embedded in social systems (McCollough Kennedy et al., 2012). According to this view, resources are both input and output of the service provision activities (Stampacchia, 2013) so the clear understanding of their nature, content and features is a priority in this study. Table 1 shows a categorization of resource detailing the content of operand and operand resources.

Table 1 – A Categorization of Resources

<b>Categories of operand resources (operational)</b>	<b>Categories of operand resources (operational)</b>	<b>Categories of not operational resources (not operand nor operand)</b>
<p><i>Operational strictosensu-resources</i> labor, time, space, primary inputs, technical tools, etc</p>	<p><b>Knowledge/competences resources</b> know how, skills, capabilities, information, patents</p>	<p><b>Monetary resources</b> which are the only "non operational" resources in the sense that money is not used directly in the consumption or production processes, but only to acquire operational resources offered on markets</p>
<p><i>Psychophysical resources</i> psychological conditions, feelings/passions, attitudes and ambitions, perceptions and whatever concerns the way of being of individuals</p>	<p><b>Relational (or Sociological) resources</b> belonging, esteem, trust, brand, reputation, power and whatever related to interpersonal relationship</p>	

Our own elaboration on Stampacchia (2013), p.261

## Values

The interaction of individual actors is the core process for the value creation (Vargo, Lusch, 2008; 2009) and for the service provision (Ostrom, 2010). Values play a crucial role within the social interaction dynamic as "People's values form an ordered system of value priorities that characterize them as individuals, [...] guide the selection or evaluation of actions, policies, people, and events. That is, values serve as standards or criteria" (Schwartz, 2006, p. 268). According to behavioral and sociological approach (Maslow, 1943; Hofstede 2001; Schwartz, 2006) values are about something of important in our lives such as independence, security, self-esteem, success, wisdom...Specifically we share the vision of Schwartz (2006) who distinguishes values from norms and attitudes which refer to specific actions, objects or situation opposite to values which are abstract in nature.

## Value creation – the role of values

Based on theories of values, actors' values shape resource integration and value co-creation as well as value assessment. In fact they determine for each actor if flows of resources generated in use are (perceived as) Benefits or Sacrifices and the dimension of the two; at the same time actors' values determine if resources employed in use are (perceived as) Sacrifices or Benefits and the dimension of the two. Also actors' values affect their "time preference", that is the value assigned to the expected flows of resources depending on the period of occurrence.

## Value creation – multiple value meanings

To analyze how social actors co-create value in social context, we identify different dimensions of value (value in use, value of resources and value in exchange) and we provide the corresponding formulas that clarify the links existing among them (Stampacchia, 2013; 2014).

Value in use is a balance of flows of resources weighted with the effects of actors' values systems. The general formula which expresses this definition is the following:

$$V_u = (R_g - R_e) * V_s$$

where:

- $V_u$  = Value in use
- $R_g$  = Flow of generated resources
- $R_e$  = Flow of employed resources
- $V_s$  = Values (Systems of Values)

The system of values of each actor determines if specific resources flows are perceived as benefits or sacrifices. So, benefits and sacrifices are not immediate consequences of use (Zeithaml, 1988; Costabile, 1996), but the results of interaction between flows of resources and values system, both depending from the actor.

Value of resources depends on the expected value in use. It is a sort of Net Present Value of the expected flows of becoming resources (employed/generated) in service provision activities filtered by lens of individual values' systems of actors:

$$V_R = NPV * V_u$$

As the value of resources depends on the expected flows of resources becoming in use, value of resources also relies on the trust that future real flows will be truly as predicted at the time of evaluation. Trust is a relational resource which concerns not only to resources, but also to actors; anyway, the value of the resources also hails from another variable: trust (or perceived risk, as opposite to trust), which influence the net present value of the expected flows of becoming resources. On this basis we can rewrite the formula of value of resources as follows:

$$V_R = f(F_r, TR, V_s)$$

where:

VR = Value of resources

Fr = Expected flow of becoming resources in use

TR= Trust/perceived risk

Vs = Values (Systems of Values)

Value in exchange depends on value of resources: value of resources (so their expected value in social context) determines if the exchange between two or more resources is perceived by an actor as a gain or not, according to his individual system of values, that is to the importance assigned to different resources:

$$VE(Ra-Re) = VRa - Vre$$

where:

VE (Ra-Re) = Value generated by the exchange of acquired (Ra) and employed (Re) resources

VRa = Value of acquired resources

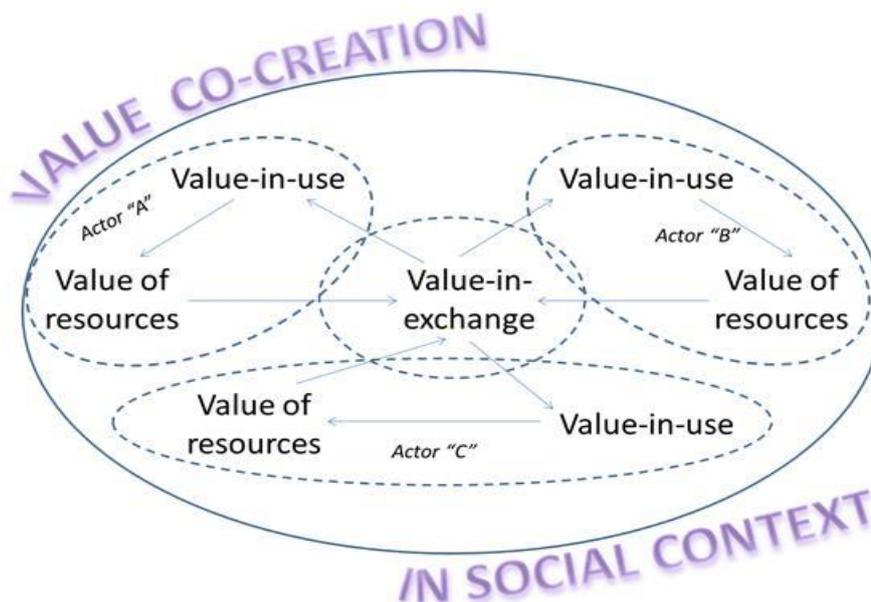
VRe = Value of employed resources

So, at the micro-level value in exchange depends on the value of resources, which in turn depends on expected value in use.

### Value co-creation in social contexts

The following image depicts how the three dimensions of value operate at the micro-level producing interaction among actors that co-create value in social context .

Figure 1 The interaction of actors for the co-creation of value in social context



Value in exchange links all actors that operate according to their specific perspectives of value in social context co-creation.

Exchanges occur if actors perceive value of the exchanged resources as different each other, that is: if expected social contexts of use and/or values are different for different actors.

The resulting exchange is referred to as experienced value in use and affects (new) expected value in use and thus (new) value of resources and propensity to (new) exchanges. So, exchanges (and consequential relationships) occur if all actors engaged in service provision activities expect and experience value in social context.

### **Contribution**

We discuss that value in social context embeds the engaged actors': value in use, value of resources and value in exchange.

The paper advances knowledge both on the theory and the practice side. It contributes to marketing and service research as we provide a value-in-use formula which allows scholar's to pinpoint the sources and the modalities of the formation of value-in-use in the social context. Emphasize the key role of actors, interaction between actors and actors being embedded in social systems and thus their value co-creation activities and interactions shaped by social forces. From a managerial point of view, the value-in-use formula offers a tool for the arrangement of suitable value proposal.

### **Limitations**

The study is theoretical and grounded in research streams that so far in service research have not been combined to extend the understanding of the concept and empirical phenomena service. The interaction of actors for the co-creation of value in social context we suggest is only a first step of a wider research project aimed at investigating the value co-creation process in different social contexts through field research.

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