The study of value creation – An assessment in the context of the financial industry in the UK
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Abstract

One of the central ideas in latest customer value research has been the attempt to understand the role of customer when engaging with suppliers in order to co-create value (Prahalad and Ramaswamy, 2004a). The role of providers has also been subject of attention with views questioning the extent to which they can actually influence value creation (Vargo and Lusch, 2004). To Vargo & Lusch (2008a), value is ultimately defined by the beneficiary in the context of consumption. Value potential of a given proposition becomes subject to a wider range of contextual elements. In that sense, the provider’s ability to influence outcome becomes more challenging particularly in industries where human interaction is the central proposition. This research attempts to understand the role of individuals in influencing value creation through a qualitative study carried out in 6 firms in the brokerage insurance industry, where 48 managers approximately will be offering their views on the dynamics of value co-creation. Ultimately, the objective is to understand the nature of barriers against value co-creation in order to offer new routes for value maximization.

Researchers have been emphasizing the central role of value in business management, suggesting that value is key in firms’ competitive advantage (Whittaker, 2007, Kaufman, 1998). Traditionally, value has been studied through a variety of different approaches, either by emphasizing its monetary (Porter, 1985), psychological (Gutman, 1982, Becker, 1965), economic (Parolini, 1999) or strategic aspects (Horovitz, 1999). The study of value has been applied in several business areas such as relationship management, pricing, consumer behaviour, total quality management, and strategy (de Chernatony and Harris, 2000). One of the central aspects of customer value research refers to the role of customers and providers in value creation with studies demonstrating how customers are engaging with suppliers in order to generate new solutions and how suppliers are benefiting from this intervention (Prahalad and Ramaswamy, 2004a).

Vargo & Lusch (2004) highlight that much of the debate on value tends to overstate the role of exchange related attributes of a given offer in detriment of its utility value. The relevance of this perspective is that it calls attention to an economic paradigm that has dominated mainstream marketing thought which considers value as originated within the organization to then be exchanged through units of output for consumption. Vargo & Lusch (2004) suggests that value happens in the context of consumption, and that exchange related attributes support such consumption. According to this view, value is ultimately defined by the beneficiary, and providers can, at best, make value propositions. Subsequently, the term value-in-use was replaced by value in context in order to capture its contextual dimensions and highlight its phenomenological nature (Vargo and Lusch, 2008a). Other scholars saw this conceptual revision as recognition of the need to develop a more balance view between exchange and utility attributes in value co-creation, which is more aligned with calls for a reorientation of customer centricity towards a wider stakeholder approach (Gummesson, 2010, Prahalad and Ramaswamy, 2004a). Grönroos (2006) highlight that in some cases, such as when interaction
is low, traditional goods logic “maybe helpful” (p.329). This discussion might appear to critics to be a merely rhetorical exercise, however the idea of highly interactive exchange dominated by the view of value in context brings important implications for practitioners. For example, in industries where human interface is central in customer-provider interaction, the role of individuals should be better understood in order to not leave value generation opportunities unexplored. Grönroos (2006) recognizes this problem well, suggesting that the perspective of assessing value in terms of its utility dimension brings additional challenges for firms willing to influence the value creation process as it opens a broader range of elements to be managed: “The more content there is in the customer interface, the more complicate it probably is for the firm to manage the whole value-creating process” (p.328).

The purpose of this research is to offer new routes for practitioners involved in customer collaboration. The research approach is unusual in the industry subject of this investigation, which is the corporate segment of the insurance brokerage industry in the UK. In this sector, empirical work often departs from the premise that providers are value generators and clients are beneficiary of the value offered, hence value destroyers. The inevitable result is that clients tend to make value judgements based on how an offer, as it stands, is beneficial to them (Maas, 2010). Consequently, the dynamics of co-creation remains unexplored, its outcome ignored, and more importantly, fundamental relational aspects such as the role of the broker in the process, represented in great deal by its front-line managers, remains unquestioned in its foundation. This research aims to contribute to the debate by investigating the implications that the conceptualization of value as value in context might have on the role of the provider. More simply, how far can a provider go in terms of influencing the outcome of value co-creation? In addition, the research has also a theoretical contribution to offer, as by its empirical nature, findings can feed the debate of the role of the provider in peculiar industries such as the insurance industry, where customers do not expect to ‘consume’ or utilise service offerings that they buy and the clear cut distinction between exchange and utility elements becomes somewhat blurred in the process. Understanding the depth of value generation potential through co-creation in this context can be theoretically insightful to the marketing community.

Studying the theme from the value in context perspective presupposes that value generation is less dependent on the broker’s ability to offer, for instance, timely responses to conventional client queries or favourable insurance premiums; it becomes more important to assess how the broker may influence client’s risk management capabilities instead. The underlining hypothesis is that more value can be obtained by rebalancing the ratio of client’s ability to deal with contextual risks vis-à-vis its capacity to acquire protection, although these exchange-related attributes remain important as previously discussed. Nevertheless, in situations such as this, the relevance of transactional exchanges are replaced by the intensity of relational embeddedness between providers and clients; it is when interaction intensifies, decisions are shared, co-operation consolidates, and role boundaries are reshaped (Håkansson and Snehota, 1995). All in all, there is a pragmatic objective underlining this collaborative interchange as the provider and customers intends to maximize their influence in the interactive process (Ford et al., 2007). Barriers may appear, and the provider may feel restrained, not only because a set of possible initiatives are only accessible within the client’s domain, hence dependent on their internal agenda; but more importantly because individual actions might be restrained by well consolidated practices or other constraints not easily actionable by individuals (Aldrich, 1999). In that sense, a more fundamental research purpose emerges which is the need to understand from the provider side, the degree to which individual actions within a collaborative cluster of actors can overcome structural constraints,
and become an active reflexive force shaping the environment (Giddens, 1984). A set of theoretical views and methodological choices guide the search for answers to questions exposed above. In theoretical terms, the perspective of the Service Dominant Logic (Lusch and Vargo, 2010, Vargo and Lusch, 2008a) with its foundational premises on service for service exchange and value-in-context offers an appropriate frame through which customer value can be considered. The work of the IMP Group (IMP Group, 2010) and the Nordic School (Ford et al., 2007, Håkansson and Snehota, 1995, Håkansson, 1982) with their extensive expertise on cross-firm collaboration offer useful guidance by demonstrating that much of the role attributed to individual actors in the co-creation process does not rely solely on each individual actors ‘abilities per se, but on how they fit within a broader relational network (Jüttner and Wehrli, 1994). It is from this interplay that inter-organizational network is best represented, and provider’s role best understood (Normann and Ramirez, 1993). A revision of the work of role theory (Biddle, 1986) supports the development of a more robust theoretical critique of functional, symbolic, and cognitive aspects of the role of actors. Finally, the work of Antony Giddens (Giddens, 1984) is fundamental in guiding the analytical assessment of the interplay between agent and structure, and the extent to which it shapes the outcome, or the process of value formation.

In methodological terms, the research is mainly qualitative with 48 in-depth semi-structured interviews expected to be conducted in six organizations with operations across the UK. These organizations have different levels of risk management and insurance needs, serviced by three different divisions of one of the largest insurance brokers in the industry. These divisions are set to attend to larger, medium and small corporations. A total of six 6 cases studies will form the basis of the research. Insurance carrier representatives have also been invited to participate. The choice was made on the basis of insurers with contractual relations with organizations chosen. The role of professionals involved is mainly managerial. Managers chosen are identified by broker account executives. In the broker’s client side, roles range from financial directors or sectorial insurance managers; from the broker side account executives and account handlers will also be interviewed. Insurance representatives are mainly claim managers and underwriters. It is expected that an average of 4 interviews will be conducted per case study, forming the triad broker-client-carrier; however in larger organizations this number may reach around 8 interviews. There will be two rounds of interviews with the same respondents over the period of 12 to 15 months starting from January 2011. The longitudinal design was develop with the objective to assess the impact of certain goals on the level of interaction and exchange amongst members of this network over the period. A constructivist grounded theory approach (Holstein and Gubrium, 2008) will drive the iterative process of initial data collection where future enquires could be derived from. Data will be codified through template analysis (King, 2008), and codification will guide the process as it evolves, with the constructivist approach of grounded theory (Holstein and Gubrium, 2008) allowing the research to apply pre-defined perspectives explained above to derive new insights. At a quantitative level, a link for a 5-minutes internet questionnaire will be sent to professionals involved with the daily operations of the insurance policies. Here not only managers already interviewed in the qualitative phase, but also assistants from the client, broker and carrier side are going to be involved. It is expected a number of 60 to 70 responses to be collected, but aggregate results are less important. The objective is to offer an additional view of the level of relationship formed in each network. Two key network data are to be extracted: the degree of closure amongst network members and the level of brokerage in each network. Empirical work has demonstrated that group cohesion and brokerage can lead groups to achieve higher performance (Burt, 2005). It is expected that initial findings of the qualitative phase to be available for discussion in Liverpool 2011.
References
