

## **Examining networked NGO services: Reconceptualising value co-creation**

### **Abstract**

**Purpose** – This study explains how value is co-created in a many-to-many context. We use a case study of a non-governmental sector service delivery consortium engaging multiple actors to examine how value is co-created beyond the buyer-supplier dyad.

**Design/methodology/approach** – An explanatory case study of a consortium of seven UK non-governmental organisations (NGO) delivering public service contracts is presented. Multiple data collection methods are combined; semi structured interviews (n=30) and focus groups with internal stakeholders (n=5), participant observations (n=4) and document analysis.

**Findings** – We use three illustrative empirical examples to show how different sources, types, enablers and mechanisms of VCC are evident during service provision activities. Our findings show how different service provision activities utilise different dimensions, leading us to suggest that dimensions of VCC may be context dependent.

**Research limitations/implications** – As consortia differ in their context and function our findings may not be generalisable. Nevertheless, they provide specific examples of sources, types, enablers and mechanisms of value co-creation that may be applicable to private, public and non-governmental organisations.

**Practical implications** – Understanding how value is co-created with multiple stakeholders can offer competitive advantages likely to lead to improved sustainability, impact and performance.

**Originality/value** – The empirical study offers a reconceptualisation of value co-creation in a many-to-many context. The paper combines disparate perspectives of value co-creation to offer a more holistic perspective.

**Keywords:** Service delivery, value creation, collaboration

**Article Type:** Research Paper

## **Introduction**

Against the global backdrop of austerity and the widening gap left by the gradual withdrawal of funding for services historically provided by the state, non-governmental organisations (NGOs) are increasingly designing and delivering public services (Bovaird *et al.*, 2012; Glennon *et al.*, 2017). There is a clear focus on scalability in this new environment of public service provision and consequently smaller NGOs are often excluded due to capacity constraints (Thompson *et al.*, 2017; Mills *et al.*, 2013). Further, it is argued that the magnitude and complexity of socioeconomic problems facing societies exceed the capabilities of single organisations and hence collaboration is perceived as essential (Austin and Seitanidi, 2012). Collaborative activity has subsequently accelerated, with partnerships and consortia becoming the “modality of choice” between NGOs wishing to work together to share and combine resources to create value by providing services (Hodges and Howieson, 2017).

For many NGOs a collaborative approach to service provision is a departure from the historically competitive nature of the NGO landscape (Addicott, 2017). Collaborative many-to-many (MTM) relationships require actors to engage in collective activities with common goals, adopting a combined and holistic perspective to value creation (Mills *et al.*, 2013). With funding in short supply, NGOs are often in competition for contracts and historically many have been fiercely independent in order to secure funding for service delivery, and hence their longevity (Glennon *et al.*, 2017). In contrast, collaborative entities work on reciprocity and enable actors to exchange and apply knowledge and skills to the benefit of the collective; a concept known as value co-creation (VCC) (Vargo and Lusch, 2008). As funding for NGOs is often contingent on the demonstration of value (Moxham, 2009), there are economic and social imperatives driving NGOs to establish collaborative relationships.

Value co-creation has received significant research attention, particularly in the marketing domain, yet it principally exists as a metaphorical construct with limited empirical analysis (Grönroos and Voima, 2013). Scholars have developed multiple dimensions used to define and operationalise value co-creation, yet there is a lack of empirical support for the relative significance of each of these dimensions, how they interact and how they can or should be utilised. Our study thus makes a contribution to the topical area of value co-creation by focusing specifically on the dimensions of VCC in service delivery networks. A focus on VCC in a network is important as despite recognition of multiple actors, few VCC models go

beyond adopting a primarily provider and product focus and, in consequence, significantly underplay the complex interactions between actors (Spring and Araujo, 2009; Mills *et al.*, 2013). The emphasis is often on one actor as ‘supplier’ and another as ‘customer’ (Galvagno and Dalli, 2014). For NGO service provision in particular, the concept of a customer is problematic as the actor funding the service may not be the recipient (Haley and Grant, 2011). Thus the notion of market exchange in the determination of value is not straightforward (Prahalad and Ramaswamy, 2004; Vargo and Lusch 2004). In addition, the challenges of co-creating value in an environment of rigid rules from funders and regulators, bureaucratic reporting requirements and the complexities of balancing the needs of multiple stakeholders should not be underestimated (Wellens and Jegers, 2014). Thus the continued focus on value and its creation and co-creation from a dyadic transactional perspective tends to neglect the facets of multi-organisational and multi-stakeholder contexts (Galvagno and Dalli, 2014; Ranjan and Read, 2016; Leclercq *et al.*, 2016). Interactions in contemporary MTM settings, of which NGO service provision is a good example, are complex and challenging (Mills *et al.*, 2013); hence an empirical analysis of VCC that goes beyond the narrow focus on the traditional buyer-supplier dyad is apposite (Tax *et al.*, 2013; Mills *et al.*, 2013).

Studies present broad definitions and conceptualisations of the dimensions of VCC, yet discourse as to which dimensions are utilised during the provision of public services, and empirical analysis as to how value is co-created by a network through these dimensions, is relatively under-represented. In consequence, the paper argues that the conceptualisation of VCC in MTM service delivery relationships is underdeveloped as there is a lack of specificity about *how* value is co-created in service networks. Research on value co-creation in networked service provision has focused on rationale and antecedents (e.g. Prahalad and Ramaswamy, 2004; Jaakkola and Hakanen, 2013) and/or its outcomes (Grönroos and Voima, 2013; Payne *et al.*, 2008). Consequently there is insufficient empirically grounded research that develops understanding of how shared value is jointly created (Weber *et al.*, 2017). Knowledge of how the dimensions of VCC interact in a MTM setting is important for theoretical advancement and to provide practitioner guidance (Austin and Seitanidi, 2012). To gain insight into networked service provision, we situate our empirical study in the NGO sector and examine VCC in a consortium that delivers public services in a region of the UK. Our study aims to address calls for a more comprehensive approach to identifying the

dimensions of multi-stakeholder value co-creation (Tantalo and Priem, 2016; Frow *et al.*, 2015).

The paper begins by developing a conceptual framework for VCC in the MTM context. We then detail our qualitative research design, before moving on to present the findings from our NGO sector case study. The findings are presented as three illustrative examples of VCC in different public service provision activities. Drawing on our conceptual framework we show how dimensions of VCC are differentiated during service provision activities, and demonstrate how differing dimensions are operationalised in a networked service setting. In reflecting on our findings, we discuss how value is co-created beyond the dyad and offer a re-conceptualisation of VCC based on our empirical work.

### **Conceptual Framing**

The mutual creation of value is central to value co-creation (Leclercq *et al.*, 2016). VCC is conceptualised as an emergent process in which actors exchange resources to reciprocally co-create value by performing two sequential roles as provider and beneficiary (Lusch and Vargo, 2006; Payne *et al.*, 2008; Truong *et al.*, 2012). The outcome of VCC is the production of new value, both materially and symbolically (Galvagno and Dalli, 2014). Value creation and, to some extent, co-creation have received increased research attention since the emergence of the ‘meta idea’ of service dominant logic (SDL) for social and economic value creation (Lusch and Vargo, 2014; Ekman *et al.*, 2016). Further, improving consumption and usage experiences (Payne *et al.*, 2008) and stimulating innovation (Bitner *et al.*, 2008) have been perceived as important drivers for VCC.

Scholars have acknowledged the theoretical fragility of the construct and how little is known about the process (Leclercq *et al.*, 2016; Vargo and Lusch, 2016). Recent research has challenged the SDL implication that value creation involves participants in static roles, moves in a fixed direction (from supplier to customer) and is limited to the actor or dyad (Ekman *et al.*, 2016). There is recognition of a blurring of the intersections between the traditional roles and responsibilities of providers and customers, which adds to the challenge of understanding how value is created and how stakeholders capture their share of value. (Jaakkola and Alexander, 2014). Frameworks explore the engagement of actors in VCC (see e.g. Payne *et al.*, 2008, Jaakkola and Hakanen, 2013, Saarijärvi *et al.*, 2013 Frow *et al.*, 2015, Austin and Seitanidi, 2012), yet restrict their focus to the dyad and hence ignore the

complexities of the MTM setting. Further, these frameworks offer a conceptual contribution with limited empirical support.

Multiple stakeholder involvement in VCC requires a shift from a dyadic relationship involving individual direct service-for-service exchange, to a network perspective with complicated direct and indirect service exchanges across multiple actors (Pinho *et al.*, 2014). Three key factors help to explain why value co-creation is differentiated in a MTM context. Firstly, the operating environment through which services are delivered is wider, more complex, adaptive, and more dynamic than that of a dyadic setting (Meynhardt *et al.*, 2016). Secondly, the number and roles of actors, and their types of exchanges, differ in a MTM context (Meynhardt *et al.*, 2016). In multi-stakeholder collaborations more complex processes and different actors jointly evolve (Meynhardt *et al.*, 2016). Moreover, actors can hold multiple roles that change over time (Edvardsson *et al.*, 2011) and their level of engagement may vary (Chandler and Lusch, 2015). Thirdly, the dynamic and complex context of a MTM setting predicates a requirement to understand VCC dimensions collectively rather than in isolation (Meynhardt *et al.*, 2016; Mills *et al.*, 2013). Actors may perceive value differently, and over time may identify different types of value (Ekman *et al.*, 2016). Complementary objectives are seen as crucial to a joint perception of value (Truong *et al.*, 2012). Co-creation in a network thus creates new challenges for developing shared processes and outcomes, which need to be understood (Reypens *et al.*, 2016).

#### *Dimensions of value co-creation*

As we are seeking to explain how value is co-created in a service delivery network, we bring together dimensions pertinent to the process of VCC. In doing so, it is important not to ignore the significant body of research that examines the role of the actor in VCC. Important considerations include the benefits and sacrifices perceived by each actor (e.g. Jaakkola and Hakanen, 2013), antecedents for joint value creation (e.g. Weber *et al.*, 2017) and motives for co-creation, including those focused on the customer perspective (e.g. Fuller, 2010), the network perspective (e.g. Fryberg and Jürriado, 2009), the individual (e.g. Ogawa and Piller, 2006), and the lead firm (e.g. Frow *et al.*, 2015). As noted, it is important to recognise that stakeholders hold different views of what is valuable and that these views may change over time. Frow *et al.*, (2015) also find that actors have different motivations from the outset and that these must be reconciled. Moreover, the duration of both an interaction and the collaborative relationship varies (Fuller, 2010), wherein actors participating in co-creation

over an extended time have more at stake in maintaining their relationship than those with limited participation (Wasko and Faraj, 2000). Frow *et al.*, (2015) suggest three categories of duration: one-off interactions; recurring interactions; and continuous interactions.

In developing our conceptual framework we build on previous work, including research examining VCC actors, and identify four dimensions as important theoretical constructs to inform our process focused empirical study; types of value, sources of value, enablers of VCC and mechanisms of VCC. Each dimension is now discussed in turn.

*Types of value:* Whilst it is widely acknowledged that value is determined by the beneficiary (Vargo and Lusch, 2011; Ranjan and Read, 2016), it is often difficult to measure co-created value (Ramirez, 1999). For ease, there is a tendency to focus on economic value (e.g. Farrell, 2005; Amit and Zott, 2001), yet this underplays the mission driven value created by NGOs. In taking a broader perspective, Ekman *et al.*, (2016) identify three types of perceived value; economic, sustainability (or societal) and brand. Their study reinforces how value is not one dimensional and may accumulate through increased levels of a single type and/or different types of perceived value (Meynhardt *et al.*, 2016). From a NGO sector perspective Austin and Seitanidi (2012) conceptualise collaboration in NGO-business partnerships to define types of value as associational, transferred, interaction and synergistic. Associational value, the derived benefit accruing to another partner from having a collaborative relationship with another organisation, is particularly pertinent to NGOs as they strive for legitimacy (Glennon *et al.*, 2017). Transferred resource value refers to the value derived by those in receipt of a resource, interaction value relates to benefits such as improved knowledge, communication and/or transparency that emerge from co-creation, and synergistic value refers to the output of the VCC process as being greater than the sum of its parts (Austin and Seitanidi, 2012). Whilst acknowledging the limitations of the dyadic focus, Austin and Seitanidi's typology offers a detailed analytical framework to inform our empirical study.

*Sources of value:* In broad terms, studies on sources of value in multi-actor settings tend to focus on pre-requisites such as information sharing, goal congruence and resource sharing (Cao and Zhang, 2011; Olorunniwo and Li, 2010). To offer a more fine grained analytical framework we again find Austin and Seitanidi's (2012) work on NGO sector collaboration to be informative. Their typology of sources of value as resource complementarity, resource nature, resource directionality and linked interests permits an examination of how value is co-

created in a MTM setting (Austin and Seitanidi, 2012). Drawing on resource dependence theory (Pfeffer and Salancik, 2003; Hillman *et al.*, 2009), Austin and Seitanidi (2012) offer an extension in terms of co-creation by emphasising the need not only for access to resources but also organizational fit; a source of value they term as resource complementarity. Resource nature concerns whether contributed resources are generic (e.g. money) or organisation specific (e.g. knowledge and capabilities). Resource directionality is conceptualised as the flow of resources between stakeholders as unilateral, bilateral or reciprocal, and linked interests concerns the interests of the organisation and how these are linked to the interests of the network.

*Enablers of VCC:* As per Lessard and Okakwu (2016) we label the third dimension as enablers of VCC. VCC is a dynamic process and scholars offer particular factors that enable high performing stakeholder relationships. This body of research identifies factors that enable collaborative stakeholder relationships to excel and for positive value outcomes to emerge. From our examination of the literature we identify three distinct enablers: collaborative capacity (Lusch and Vargo, 2006; Henneberg *et al.*, 2009), adaptive capacity (Vargo and Lusch, 2008) and relational capacity (Johnson *et al.*, 2004, Kazadi *et al.*, 2016). These enablers are unsurprising as collaborative capacity involves an ability to work with partners in an open, honest and symmetric manner; a key competency in the context of knowledge sharing (Lusch and Vargo, 2006). Partners seeking to augment their strengths by combining their proficiencies through a dense web of information and resource sharing speaks to the value of capability enhancement through ‘supplementation’ wherein the visibility and credibility of individual partners are supplemented through their combined capability (Proulx *et al.*, 2014). Adaptive capacity advocates that when actors work with and integrate resources with others in a mutually beneficial manner, the potential for co-creation is supported (Vargo and Lusch, 2008). Relational capacity is perceived as critical to building inter-personal and inter-organisational trust and shared learning across organisational boundaries (Hartmann *et al.*, 2014), as well as in the application of socially complex routines, procedures and policies in inter-organisational relationships (Johnson *et al.*, 2004). Indeed studies investigating success factors in collaborative alliances uphold the importance of social relationships and organisational leadership (Proulx *et al.*, 2014).

*Mechanisms of VCC:* By drawing on Saarijärvi (2012), Saarijärvi *et al.*, (2013) and Gummesson and Mele (2010) we label the fourth dimension in the process of VCC as

mechanisms of VCC. Mechanisms support the co-creation of value. In contemporary contexts, where value co-creation opportunities are extended through multiple actor exchanges (Gummesson and Mele, 2010), mechanisms coordinate the contributions of different actors (Frow *et al.*, 2015) and facilitate resource integration and service for service exchange activities (Vargo and Lusch, 2017). The concept of a mechanism is in line with Frow *et al.*,’s (2015) development of co-creation forms, and from our reading of the literature we posit that the terminology of co-creation mechanisms and co-creation forms are interchangeable. Mechanisms may be firm, customer or community-led activities through which additional resources are offered to, and integrated with, other actors (Saarijärvi *et al.*, 2013, Gummesson and Mele, 2010). As mechanisms reconfigure the traditional roles of customers and firms by harnessing the resources of each in new ways, they extend the locus of attention from goods and money towards the provision of additional resources to aid another’s value-creating processes (Saarijärvi *et al.*, 2013). Recognised as important, there is a dearth of studies on mechanisms through which resources are engaged to create value for an organisation. For those that do, the focus is often on one specific mechanism or form of co-creation (e.g. co-production) (Elofson and Robinson, 2007) or a specific sector (e.g. knowledge intensive business services) (Lessard and Okakwu, 2016). We therefore borrow from Frow *et al.*, (2010) and Sheth and Uslay (2007) and draw on co-production, co-design and co-development as examples of VCC mechanisms pertinent to public service provision (Bovaird and Loeffler, 2012) to inform our conceptual frame. Table 1 provides a diagrammatic representation of our theoretical framework.

<Insert Table 1 here>

#### *Summary and development of research question*

Our examination of the literature illustrates the importance of value co-creation, yet much of the empirical work to date has ignored VCC in a MTM context, despite the prevalence of multi-actor networks. Hence conceptualising VCC as a dyadic construct limits potential gains for both the firm and its actors. Conceptualising dimensions of VCC as; types of value, sources of value, enablers and mechanisms offers opportunities for further investigation into how value is co-created across a network. We therefore pose the following research question: *How is value co-created in a NGO service delivery network?*



## **Research Design**

### *Research setting*

We adopt an explanatory case study approach and situate our study in a NGO sector consortium providing public services across a region of the UK. We are interested in explaining how value is co-created in a networked service setting. The consortium comprises seven NGO disability-focused organisations delivering two public sector contracts with a total annual value of £1.5m. Formed in 2010, the consortium's mission is to help people with disabilities gain and/or retain meaningful employment. Using Ekman *et al.*'s (2016) typology, the types of value created as outputs by the consortium are economic and societal. Since its inception, key performance indicators have been achieved that have generated financial surpluses. The consortium is managed through a representative steering group, chaired by joint lead partners (from two of the consortium organisations). In delivering the two public sector contracts, relationships between the seven organisations that comprise the consortium are sophisticatedly interrelated, as illustrated in Figure 1. Over 50 employees deliver consortium services funded by a UK government department. Chief Executive Officers (CEOs) of the seven consortium organisations and their respective Board of Directors assume shared governance of the consortium.

<insert Figure 1 here>

This case study extends an information rich opportunity to study VCC in a complex inter-organisational service delivery setting that engages multiple stakeholders. Case studies are recognised as appropriate for studying networks with complex and dynamic characteristics (Aaboen *et al.*, 2012; Gummesson, 2001; Halinen and Törnroos, 2005). Consistent with more contemporary studies of value co-creation in complex services with multiple actors (e.g. Pinho *et al.*, 2014), a single case study approach is deemed appropriate as i) it provides access to a consortium engaging multiple actors, ii) organisations comprising the consortium include national, regional and local service delivery providers, affording multi-level insights into the VCC process and iii) the consortium co-creates value with multiple stakeholders thus extending the focus of the study to the network.

### *Data collection*

The consortium designs and delivers multiple services. We focus on one service delivery network; the provision of disability awareness training to employers based in the same UK

region as the consortium. Focusing on one service provides a clear focus for data collection and analysis. This approach is comparable with studies examining multiple stakeholder collaborations and complex processes (Reypens *et al.*, 2016; Eisenhardt and Graebner, 2007). We are interested in explaining how value is co-created in the provision of the disability awareness training service. From October 2013 to May 2015 we conducted semi-structured interviews, focus groups and participant observations of meetings with multiple internal and external stakeholders involved in the service delivery network. These stakeholders work across a range of functions including corporate procurement, project management and service delivery. This sample represents a diverse set of theoretically relevant actors central to an examination of value co-creation in complex service delivery networks with many actors (Pinho *et al.*, 2014). By drawing on the dimensions of value co-creation identified as our conceptual framework, we asked questions about how value is co-created through multiple actor exchanges and what processes support and enable the co-creation of value (see Appendix 1 for interview schedule).

Semi-structured interviews were conducted with 30 managers from across the disability awareness training service delivery network. The interviews covered representatives across the full range of service organisations in the network. All interviews were tape-recorded, transcribed and checked for accuracy by the interviewee. We co-ordinated five focus groups (comprising 33 service delivery staff across the seven consortium organisations) and four consortium steering group meetings. Data in the form of service user testimonials, performance monitoring records, improvement plans, partnership agreements, satisfaction surveys and project reports were collected. Data saturation was determined at the point where no further new insights were forthcoming (Eisenhardt, 1989).

### *Data analysis*

The authors systematically analysed the data by incorporating manual and electronic coding using NVivo 10 as applied to an open coding process (Cresswell, 2009). By adopting a concurrent process of data collection and analysis we were able to identify key themes, patterns and relationships important to the study findings (Saunders *et al.*, 2012). Key themes important to respondents were related to subthemes using axial coding and the properties and dimensions were specified (Corbin and Strauss, 2008). Data categories identified were defining value, sources of value, types of value, transitional stages, challenges, outcomes, measurement, expectations and processes. We also mapped the

service process to understand the activities involved in service provision and the actors engaged in each activity. The validity of the research findings, including the service mapping, was assessed by applying the techniques of triangulation and informant feedback (Miles and Huberman, 1994) involving a presentation and discussion session with the consortium steering group during May 2015.

## **Findings**

In mapping the service process and analysing the primary and secondary data we find three illustrative examples to explain how value is co-created in a NGO service delivery network providing economic and societal value. We use these examples to show how during different activities of service provision different sources, types, enablers and mechanisms of VCC are evident. We structure this section to examine each of these examples in turn as: Example 1: development of the value proposition, Example 2: preparing for service delivery and Example 3: service delivery. We show how different enablers support different sources and types of value to be exchanged and received across multiple actors through their involvement in different engagement mechanisms. Table 2 provides a comprehensive analysis of the sources, types, enablers and mechanisms that were most evident in the three examples and provides details of how these were operationalised in the MTM context.

<insert Table 2 here>

Our illustrative examples show how during different activities of networked service provision there is evidence of differing mechanisms and enablers. Figure 2 provides a graphical representation of the stakeholders involved in each activity and of the differing enablers and mechanisms of VCC that were identified, thus illustrating the complex and dynamic research setting. We find that in addition to the mechanisms of co-design, co-delivery and co-production, an additional mechanism was identified as co-evaluation.

<insert Figure 2 here>

### *Example 1: Development of the value proposition*

Tackling stigma in the form of workplace discriminatory and prejudicial attitudes, and/or lack of knowledge preventing service users gaining meaningful employment, inspired the co-lead partners to invite partners from the consortium to collaborate on the co-design of an

employer-focused disability awareness training programme. The value proposition was ill-defined at this initial stage; however the need for disability awareness training in the region had been established by the co-lead partners:

*“There’s definitely something there about disability awareness training which we need to do and the way to do it is to get staff to start putting something together on that and then see how we might roll that out”* (Co-Lead Partner).

Securing collaborative commitment from members of the consortium was critical at this stage. As one of the overall aims of the consortium was to promote the employability of service users, the establishment of disability awareness training was perceived by the co-lead partners as central to this aim. All members of the consortium agreed to participate in the design and delivery of this service.

The logic of interest motivating commitment to the co-design of the disability awareness training initially differed between the co-lead partners and the other organisations that formed the consortium. While the co-lead partners proposed a collaborative value proposition concentrated on what could be achieved through collective action, the logic of interest from other organisational partners was initially focused on securing potential gains for their respective organisations:

*“It’s opened up a lot of opportunities for our organisation. For example it’s moved our programme out of [UK city] and so all of a sudden there’s a regional context around services we can offer people”* (Consortium Steering Group Member).

The motivation of the government funder was different again from that of either the co-lead partners or the consortium members. The perspective of the funder was to adopt a custodial approach focused on overseeing improved efficiencies and accountability through a collaborative approach to programme design

*“We have to look at value for money, so is the quality of the service that’s being provided value for money?”* (Funder)

Securing commitment from employers was perceived as essential at this stage of the service provision process. This set of stakeholders’ initial motivations for engaging with the disability awareness training were largely performance orientated and driven by the potential for reduced sickness absence. By understanding how to make positive reasonable adjustments in the workplace, and developing a greater understanding of how to support employees with disabilities, employers hoped to tackle long term sickness absence (and associated costs) primarily caused by stress related illness and musculoskeletal disorders. We

therefore identify differing motivations from stakeholders during the development of the value proposition. Co-lead partners interested in promoting the employability of service users through a collective effort from the consortium, consortium organisations interested in securing potential gains for their own organisations, the funder expecting improved efficiencies and accountability and the employer focused on cost saving through reduced sickness absence.

Whilst these motivations differ, they do appear to be broadly cohesive in that the provision of the service is expected to deliver on all of these stakeholder expectations. In developing a clear value proposition however, differences in stakeholder expectations created tensions in satisfying the predominantly socially driven interests of the consortium and the more instrumentally driven interests of the government funder. Reaching consensus on how to measure the outcome of the service reflected these tensions, as illustrated by the following excerpt from an interview with a Steering Group member:

*“Any sort of focus group that we have where I say tell me about how we helped you to find a job, it will be I’ve got more friends now, I’ve got more money, I’m able to travel, I’m happier, I’m less anxious, things are better at home, my Mum and I aren’t fighting all of the time ...the value for a Government Department is... moving somebody off benefits and into work and... for our Employment Officers I know they get a hit from somebody getting a job.... they’re really pleased but the real buzz is about seeing someone transforming I suppose and feeling happier”* (Steering Group Member).

As the development of the value proposition evolved, there was evidence of a convergence of expectation between the co-lead partners, the consortium organisations and the employer. All became keenly focused on promoting the employability of service users. In discussing further, one employer noted how saving cost was an initial motivator, however in developing a shared value proposition the motivation shifted to supporting employees.

*“As you’re probably aware, the civil service is very keen on reducing [the cost of] sickness levels and so whilst that might have been the initial driver it very quickly became a side issue”* (Employer).

Specific mechanisms were identified as facilitating the development of a shared value proposition. Co-joined meetings represented important VCC mechanisms as collaborative engagement platforms that framed the task of sending, receiving and integrating knowledge.

These mechanisms strengthened the consortium's collaborative capacity by bundling and leveraging the collective specialisms and resources of its members. Dialogical interactions afforded through joint project management and consortium meetings extended opportunities for the co-exchange and pooling of important sources of value. Interviews with senior managers found that linked interests, focused on improving the quality of life of service users through opportunities for enhanced social and economic inclusion, extended a shared context of understanding. Linked interests also informed a shared sense of purpose in tackling workplace stigma in the interests of inspiring more positive attitudes and higher levels of diversity in the workplace.

*"It's about changing attitudes and hearts and minds of people who haven't worked with somebody with a disability"* (CEO Consortium Member).

*"we all are looking out for the best interests of our clients, so that's inherently built into our programmes...we want to drive quality and want to give the best possible service and have the best possible outcome for our clients"* (Steering Group Member).

The nature of complementary and specialist resources, including each partner's established employer networks, service delivery approaches, specialist knowledge, human and physical assets, brand and reputation represented important sources of value. These sources of value, exchanged through direct and indirect actor engagement in conjoined meetings, and enabled through the collaborative capacity of actors, created two specific types of value: associational value and interaction value. Considering associational value, a history of joint collaboration increased the consortium's legitimacy with the funder, which perceived the consortium as an expert service delivery and knowledge provider. In developing a shared value proposition, the consortium was therefore able to offer proposals that were accepted by the funder.

*"We had faith in the organisations who were delivering this programme"* (Funder).

The considerable investment in time and effort made in assessing organisational compatibility and fit within the consortium enabled associational value in the form of higher brand visibility and knowledge acquisition through co-learning and knowledge exchange.

*"We spent a year and a half coming together and working out what our ethos and value base was, and other organisations wanted to join us and we didn't take them."* (CEO Consortium Member).

The proposal for the co-design of training improved the consortium's legitimacy with the funder as this practice aligned with the funder's motivation of achieving value for money. There was recognition that each consortium organisation needed access to knowledge held by other partners, and thus each had the potential to use its partner's know-how for private gain. For example, in the interests of adding value to the service user experience, some consortium members required specialist training from other members, which simultaneously strengthened the competitiveness of the consortium and its partner organisations in their bids for funding.

*“We are skilling up our competitor. It's not everybody that you would skill up knowing that in the next funding round they're going to be as fit as me”* (CEO Consortium Member).

*“One of the drivers was really trying to get a best practice model and primarily doing that through local providers within [UK Region].....so it was better to work together than to compete against each other”* (Steering Group Member).

In summary, through this example we identified sources of value as resource complementarity, resource nature and linked interests. Types of value are identified as associational and interaction. Co-design is the predominant mechanism and collaborative capacity the enabler.

#### *Example 2: Preparing for service delivery*

The consortium used co-delivery mechanisms, for example joint staff training workshops, to improve the capability of staff in delivering the training to employers. Co-delivery mechanisms extended important platforms for upskilling, knowledge exchange, shared decision-making and problem solving for staff of the partner organisations; important in preparing for service delivery by the consortium.

*“The training has helped us to work as a team and bounce ideas off each other and discuss issues and problems that we may have and that's certainly helping towards improving our service. We all have different problems with different clients and employers at different times so we talk as a group about these and try to resolve them”* (Staff)

During focus groups staff suggested that case conferences and joint training workshops extended their adaptive capacity to deliver services beyond the narrow boundary of their organisational specialism. These VCC enablers facilitated a shift away from pre-defined roles towards roles with adaptive responsibilities.

*“We’ve had to adapt our knowledge and skills to cover DDA (Disability Discrimination Act), equality, a range of disability specialisms and reasonable adjustments that we had not previously covered with employers, and they use us as a safety net” (Staff).*

Moving from pre-defined roles to adaptive responsibilities was not without challenges. Tensions arising from competing priorities made demands on adaptive capacity. These tensions added to the complexities of balancing interests as a result of split identity loyalties, extended responsibilities and competing priorities. Conjoined working arrangements were also not without challenges. Staff working across multiple programmes, staff turnover, and staff-service user ratios all had quality and time-based influences on adaptive capacity.

*“I think it’s a difficult balance in that we are a consortium delivering this programme but at the same time we all have our own identity and other programmes to deliver.... you’re always trying to balance your efforts in this programme with those in our own organisations” (Steering Group Member).*

Resource directionality was identified as a source of value in preparing for service delivery. Our analysis found evidence of bilateral forms of engagement leading to the exchange of knowledge and expertise across specialisms, informing consistency in co-delivery practices, and joint problem solving. Staff discussed how capacity-building practices enabled the integration of disparate knowledge and expertise to better support the peripatetic needs of service users and employers. Leveraging the collective knowledge of staff enabled transferred resource value and strengthened cross functional team support and engagement with service users and employers; simultaneously creating value through alignment with the funder’s value proposition.

*“Say for example that a client with a learning disability has mental ill-health also, their [the consortium] officers should be working together in shadowing and should be looking at joint courses and continuous professional development” (Funder).*

In summary, through this example we identified the source of value as resource directionality and the type of value as transferred resource value. Co-delivery was identified as the mechanism and adaptive capacity as the enabler.

*Example 3: Service delivery*



Service delivery required the consortium to negotiate the delivery of a co-designed disability awareness training programme to employers, and to subsequently deliver the programme to multiple employees. In addition to co-production mechanisms, we found evidence of co-evaluation mechanisms developing positive expectations and relationships; integral to the development of stakeholder co-operation. Relational capacity was identified as an important enabler during service delivery. Positive relationship building between the staff delivering the training and the employers receiving the training directly influenced the exchange of employer testimonies and supported employment outcomes for service users.

*“The better the relationship with employers the more people we can support to get more jobs and there’s better word of mouth feedback as they talk to other employers as well” (Staff).*

*“The ones [staff] who engage more strongly and directly with employers have a lot more success in terms of job outcomes” (Steering Group Member).*

Resource directionality was identified as an important source of value during service delivery. Unilateral deployment of staff in the co-production of training to multiple employees through dialogical exchanges generated interaction value for different actors. Knowledge exchanged by staff helped to frame a context of understanding important in informing positive attitudinal changes amongst employees towards workplace diversity.

*“The training has been very good and she [staff] spent a morning here over a year ago with 10 to 12 managers here...we all hear about mental health and the stigma attached to it... and that’s been broken down significantly within the workplace” (Employer).*

Tackling stigma in the workplace enabled a range of value outcomes important to staff, the consortium, service users, and employers. For example, positive post training feedback, testimonials and recommendations made through dyadic exchanges across employer organisations improved visibility, and enabled the consortium to secure innovative opportunities to co-design and co-deliver tailored disability training to another prime contractor and their supply chain. Knowledge acquisition informed positive attitudes to disability, enabling employers to promote workplace diversity, staff to secure service user employment outcomes, and service users to enjoy improved access to opportunities that improved their quality of life.

*“I did a good news story for a young chap and he didn’t mention the job he mentioned all the other things about the social side, the routine and actually getting*

*on with people again which aren't part and parcel of the outcomes, and the job is secondary" (Staff).*

Co-evaluation mechanisms were identified as generating sources of value for actors. For example, dialogical post training feedback from employees extended an important source of interaction value for staff informing continuous improvements to be made to the programme aligned to employer expectations.

*"it's a collective response. We're all delivering to the appropriate standards, delivering the job outcomes, and delivering a quality service to meet the needs of various stakeholders. I think those values come through within the consortium and there does seem to be a genuine sense of trying to work together and sharing best practice" (Steering Group Member).*

Stakeholder interdependencies influenced the generation of synergistic value across multiple stakeholders. Positive employer and service user testimonials earned the consortium increased legitimacy with the funder. Associational value had the effect of improving the image of organisations comprising the consortium, whilst simultaneously generating synergistic value for the funder through access to a representative forum able to inform policy level consultations. Greater levels of legitimacy with the funder were enhanced through the evolution of joint innovative initiatives between the funder, employers and the consortium, including the creation of job trials for service users. Positive reciprocity was observed through funder-consortium exchanges beyond the boundary of the service. For example, the funder's recognition of the specialist expertise and unified 'voice' of the consortium afforded opportunities for the consortium's input to a new disability strategy.

*"Outside of the [disability awareness training] programme their remit [the consortium] as disability sector organisations shaping how the disability strategy is going to look is vital" (Funder).*

Staff also discussed how the delivery of services to employers generated sources of value extending the boundaries of direct actors to non-essential stakeholders.

*"We would find mothers and partners saying to us our home life is so much better so now I can go out to work because my husband or daughter is able to work by herself or she's happier or I'm even able to go out and get my hair done or something" (Steering Group Member).*

In summary, through this example we identified sources of value as resource directionality and types of value as interaction and synergistic. Evidence to support mechanisms as co-delivery and co-evaluation was found and relational capacity was identified as an enabler.

## **Discussion**

The contribution of our paper is twofold. First, we offer a framework and empirical evidence to explain *how* value is co-created in a MTM setting. We find that whilst sources, types, enablers and mechanisms of VCC are evident in our illustrative examples, these dimensions are differentiated and dynamic. Research acknowledges how actors may have differing motivations for engaging in VCC activities (Frow *et al.*, 2015), may perceive value differently (Ekman *et al.*, 2016) and may hold multiple roles that change over time (Edvardsson *et al.*, 2011). What is less understood are the dimensions supporting the process of VCC. Therefore our findings take further the work of Austin and Seitanidi (2012), Lessard and Okakwu (2016), Saarijärvi (2012), Saarijärvi *et al.*, (2013) and Gummesson and Mele (2010) by providing empirical examples of the conceptualisations of sources, types, enablers and mechanisms of VCC. Through our illustrative examples we are able to show a nuanced, less linear articulation of value co-creation than perhaps suggested by service-oriented research that is grounded in the lexicon of goods dominant logic (e.g. Grönroos and Voima, 2013; Vargo and Lusch, 2004). Our conceptualisation of dynamism in the dimensions of VCC complements research by Ekman *et al.*, (2016) on the dynamic role of the generic actor by demonstrating how the processes of VCC are differentiated and may be context dependent, and how sources and types of value are multidimensional.

Our findings also offer insightful access to the value co-creation process. We show how VCC challenges and opportunities in a multi-stakeholder setting are more complex and extensive than those of a dyad. In recognising how multiple logics play a part in an actor's engagement and role in a VCC network, our findings acknowledge differing value outcome expectations across different actor groups. Success within a network does not necessarily translate into success for every network participant (Reypens *et al.*, 2016). Maintaining multiple actor engagement in a dyadic VCC process predicates an understanding of discrete value propositions important to different actors (Smals and Smits, 2012). The complexities of managing competing value outcomes in an interactive network are more profound, requiring practitioners to adopt a holistic perspective in the interests of developing superior value propositions (Smith *et al.*, 2014). Engagement platforms define the interaction structure and

limits of multi-actor exchanges (Prahalad and Ramaswamy, 2004). Our study provides specific examples of how engagement platforms can be operationalised.

Second, we offer insights for VCC in public service delivery. As much of the empirical analysis of VCC has focused on the private sector, consideration of the not-for-profit sector is helpful in extending our understanding. With the sustained retraction of government funding for public services delivered by NGOs, the demonstration of co-created value and its associated gains is of particular importance to the longevity of NGO service provision (Glennon *et al.*, 2017). Collaborative capacity is an important enabler of NGO VCC as competitive tendering impacts upon the structures of NGOs, which must adapt to standardisation (Bode and Brandsen, 2014). For many NGOs VCC is a new mode of working and our findings show how collaboration in developing a shared value proposition places significant demands on the service delivery network, requiring actors to interact in ways that are unnecessary when they act independently (Proulx *et al.*, 2014). For example, in considering the logic of motivation, an actor's engagement in a network can be either preceded by an invitation to co-create (Tax *et al.*, 2013; Ekman *et al.*, 2016), or informed through the joint development of a value proposition in a network (Truong *et al.*, 2012). For VCC activities NGOs must therefore understand the intrinsic, extrinsic, social and economic motivations for co-creation (Antikainen, 2011); requirements that are less important when working independently. Conceived as narratives of value potential co-created among multiple actors (Vargo and Lusch, 2016), value propositions change over time and are important in securing and maintaining an actor's engagement as either an active or passive beneficiary and/or provider (Ekman *et al.*, 2016). Our empirical findings provide examples of how actors in a network do not have the same logic of interest motivating their initial engagement in a relationship. In recognising how multiple logics play a part in an actor's engagement and role in a VCC network, our findings demonstrate the competing value outcome expectations across different actor groups. Moreover, while maintaining multiple actor engagement in a dyadic VCC process predicates an understanding of discrete value propositions important to different actors (Smals and Smits, 2012), the complexities of managing competing value outcomes in an interactive network are more profound, requiring practitioners to adopt a holistic perspective in the interests of developing superior value propositions (Smith *et al.*, 2014).

Our study demonstrates the complexities of operating in a service delivery network; complexities with which NGOs may be unfamiliar and ill equipped to manage independently. As many NGOs rely on volunteers and operate on a relatively small scale, it is often resource dependency (Sowa, 2009), network connectedness (Guo and Acar, 2005) and mission attainment (Arsenault, 1998) that motivate collaboration with other NGOs. Co-operation can stabilise uncertain resource inflows, yet it is particularly risky amongst NGOs competing for similar resources (Bunger, 2013). Our findings reflect that while multi actor collaboration precipitates risks, including co-opetition and power irregularities, risks are moderated through co-design mechanisms and enablers that extend the collaborative capacity of actors. Our study reinforces the criticality of understanding stakeholder-interdependencies in the VCC process in the interests of achieving balanced centrality (Gummesson, 2008) by managing implicit (normative) and explicit (instrumental) expectations and claims across the stakeholder network. The process of resource exchanges raises expectations of reciprocity (Vargo and Lusch, 2008) wherein actors within a network gain financial and non-financial benefits. Consequently, and as per previous studies, we contend that greater value is co-created when stakeholder interests are aligned through normative or instrumental logics.

Our contributions offer a response to calls for a better understanding of mechanisms underlying VCC (Ranjan and Read, 2016). We find evidence of four; co-design, co-delivery, co-production and co-evaluation. These mechanisms underpin the importance of co-determining VCC with multiple stakeholders, shifting the boundary beyond that traditionally defined by the firm to one encompassing greater stakeholder involvement in co-creation. This is important as a dyadic perspective compromises the potential for actualising the full value of resources from different actors (Frow *et al.*, 2015). Moving beyond the firm-customer dyad examined in other studies (e.g. Mills *et al.*, 2013) can help managers to understand the multiple tangible and intangible sources of value as important to specific stakeholder groups (Tantalo and Priem, 2016). Contemporary scholars increasingly acknowledge oscillations in actors roles, from passive recipients to active formulators of value within a network (Prahalad and Ramaswamy, 2004; Ramirez, 1999), which raises challenges requiring further investigation into how network VCC emerges (Ekman *et al.*, 2016). In providing illustrative examples of the dimensions of VCC in differing service provision activities we offer a positive contribution to developing understanding of how value is co-created in a MTM setting. In this context we thus support the conception of stakeholders as actors

“restlessly seeking to redefine their own productive opportunity, while their network counterparts are doing the same” (Spring and Araujo, 2014, p. 167).

### **Conclusions and further research**

Our findings offer theoretical and managerial contributions. Towards theory development, we present empirically grounded research that develops understanding of how shared value is jointly created in networked service provision. We extend current thinking on VCC by proposing that dimensions of VCC are differentiated and dynamic in the provision of a networked service. We suggest that our findings offer a reconceptualisation of VCC in a networked setting by considering the notion of context dependency. Our findings show evidence of changing VCC dimensions, which may appear to be contingent on variables including type of service activity, type and number of stakeholders, actor expectations and type and availability of resources. Our study focused on explaining how value is co-created in MTM settings and did not consider the relationship between particular variables and VCC dimensions, and we see this as an interesting area for future study. Further work could adopt a quantitative approach to examine causal relationships between VCC dimensions in differing contextual settings.

Managerially we offer the following contributions. Firstly, the identification and operationalisation of dimensions of VCC in differing service delivery activities offers information that may enable managers delivering publicly funded services to better understand important relationships and how these change over time. Our reconceptualisation of VCC presents a pragmatic and holistic representation; important in mitigating the risks of stakeholders either not engaging or being more conservative in their engagement if mechanisms and enablers are unclear (Nambisan and Sawhney, 2011). Practical examples of how to co-create value are important for managers in the interests of both optimising the effective acquisition and deployment of resources and in managing the complex and divergent value outcomes and expectations of different actors. Importantly, our study finds that in a network the dimensions of value operate dynamically and collectively. Accordingly, our conceptualisation of VCC offers insight into contractual and relational challenges, interdependencies and value exchange, critical to the demonstration of value-for-money in contemporary public services. The findings of our study help managers to recognise the different types of value that emerge through co-creation across multiple actors as critical to the development of competitive advantage through superior value propositions.

Secondly, as value is created and embedded in personal relationships and exchanges across multiple actors, managers need to know how the value potential of resources from different actors is actualised through a dual approach, with different VCC mechanisms deployed by both an organisation and its stakeholders. Our analysis suggests that in a MTM context value is not co-created by considering disparate elements of a framework, but rather by understanding the dynamics of a holistic conceptualisation. Understanding that different VCC mechanisms, working alongside each other, can enable and elevate the progression of VCC opportunities extends the potential for practitioners to sustain and facilitate new actor engagement in the VCC process.

Firms are embedded within a larger context of networks. Consequently, the behaviour of managers is a joint function of the individual and their ability to make sense of the totality of their environment (Co and Barro, 2009). The potential to create and actualise value is an important management priority. The complexities of multi-organisational collaboration require a holistic determination and understanding of VCC dimensions enabling the creation and exchange of value across multiple interdependent actors. By focusing on the dimensions of VCC, managers working in sectors with clear network structures with multiple stakeholders can strengthen competitive advantages likely to lead to improved sustainability, impact and performance (Frow *et al.*, 2015). Our study is situated in the NGO sector and provides examples of VCC in this context; examples which are also expected to be of interest to public and private sector organisations and consortia.

Our study is not without its limitations. We were not afforded an opportunity to include primary data collection with service user respondents in our study. We took two steps to overcome this limitation. Firstly, focus groups involving staff delivering front line services were held to gather views on issues important to service users and their involvement in the co-creation process. Practical and case examples were shared. Secondly, service user testimonials and service user feedback were included in the documentation analysis and helped to capture the service user perspective. We also acknowledge the limitations of a single case study and see opportunities for comparative studies within and outside of the UK. Recognising the dynamism of stakeholder networks over time (Artto *et al.*, 2016), opportunities exist to extend the range of actors by including other essential and nonessential stakeholders vital to a firm's survival (Tantalo and Priem, 2016). Further studies could

usefully examine the logic of interest motivating stakeholder engagement in VCC, leading to the identification of new opportunities for co-creation. The utilisation of quantitative approaches may afford the opportunity to test our reconceptualisation in a wider setting. We suggest our reconceptualisation to be applicable to VCC in MTM contexts regardless of industrial sector and see it as a platform for further research on this important topic.

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## **Appendix 1. Semi-structured questions for interviews and focus groups**

1. Who are the consortium's stakeholders?
2. How are stakeholders identified?
3. How does the consortium communicate or engage with stakeholders?
4. How does the consortium manage stakeholders?
5. How does the consortium develop and maintain relationships with stakeholders?
6. How important is stakeholder management to the success of the consortium?
7. How does the consortium gain support from stakeholders?
8. What factors influence stakeholder co-operation?
9. How does the consortium prioritise stakeholders?
10. How does the consortium deliver value? Discuss and give examples of
  - sources of value
  - types of value
  - levels of value
  - enablers
  - mechanisms
11. How does the consortium get value? Discuss and give examples of
  - sources of value
  - types of value
  - levels of value
  - enablers
  - mechanisms
12. What factors influence value creation?
13. How is value renewed over time?
14. Since its inception how has the consortium supported the achievement of higher levels of value?
15. How does the generation of value impact on financial performance?

## Tables and Figures

Dimensions of Value Co-Creation			
<b>Types of Value</b>	<b>Sources of Value</b>	<b>Enablers</b>	<b>Mechanisms</b>
Associational	Resource complementarity	Collaborative capacity	Co-production
Transferred	Resource nature	Adaptive capacity	Co-design
Interaction	Resource directionality	Relational capacity	Co-development
Synergistic	Linked interests		

Table 1 – Dimensions of value co-creation

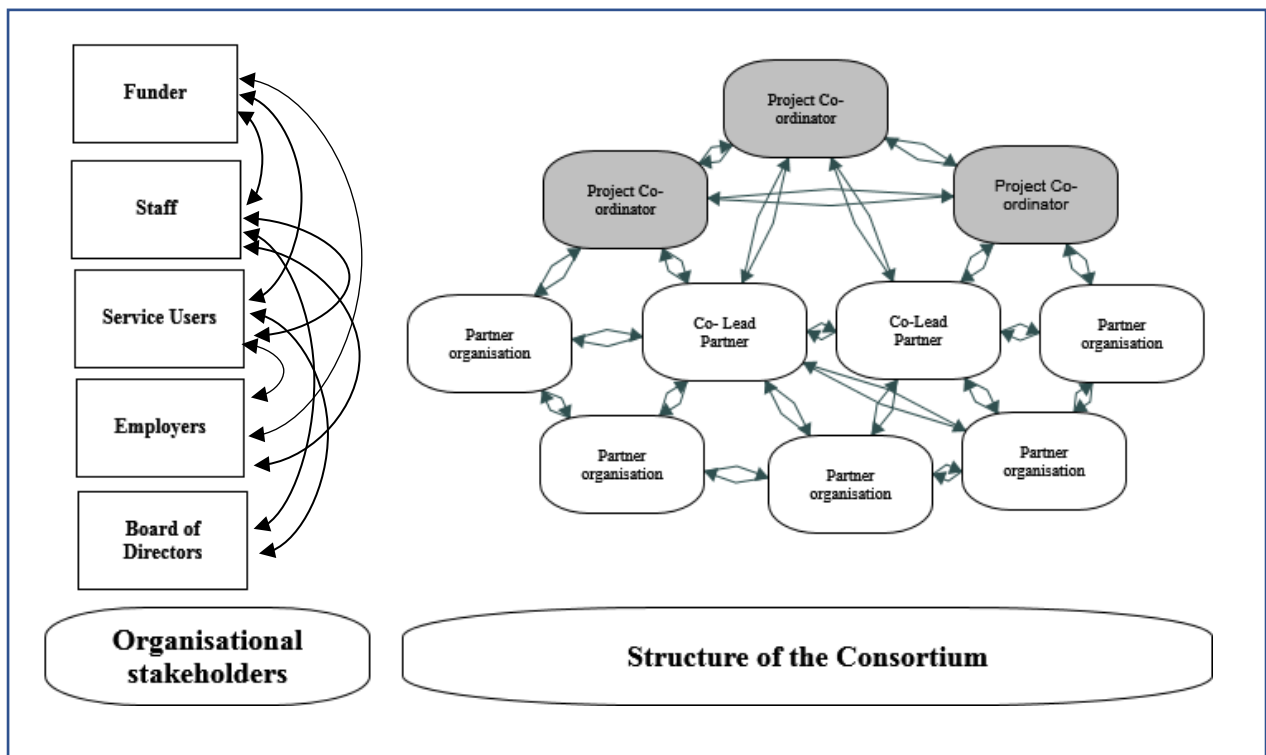


Figure 1 - Inter-related relationships between organisation stakeholders and illustration of the structure of the consortium

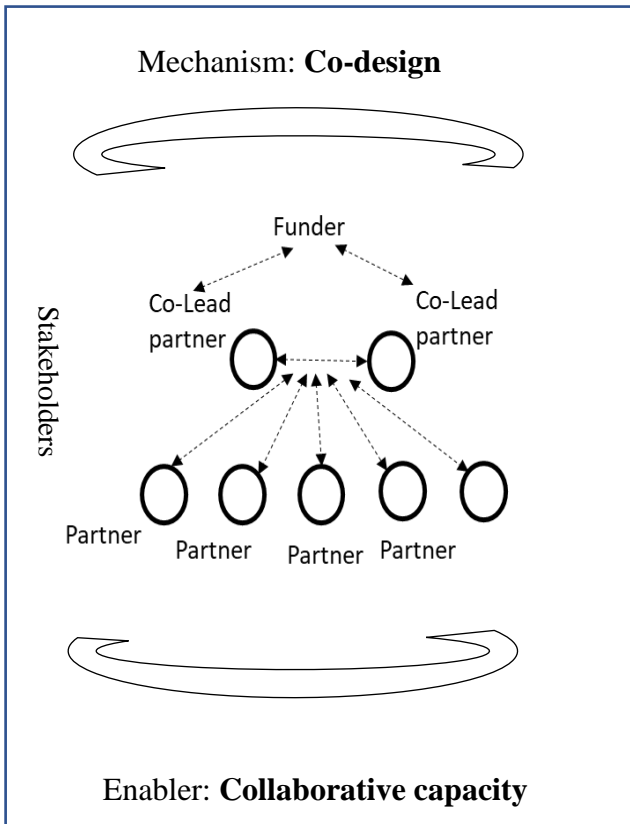
<b>Illustrative Example</b>	<b>VCC Dimension</b>	<b>Operationalised</b>
Development of value proposition	<b>Sources of value</b> <i>Resource complementarity</i>	<ul style="list-style-type: none"> <li>- Specialist expertise</li> <li>- History of joint collaboration</li> <li>- Organisational reputation</li> </ul>
	<i>Resource nature</i>	<ul style="list-style-type: none"> <li>- Partner specific training programmes, networks and resources</li> </ul>
	<i>Linked interests</i>	<ul style="list-style-type: none"> <li>- Shared sense of purpose and value in tackling stigma</li> </ul>
	<b>Types of value</b> <i>Associational value</i>	<ul style="list-style-type: none"> <li>- Funder has confidence in the ability of the consortium to deliver services</li> <li>- Co-learning</li> </ul>
	<i>Interaction value</i>	<ul style="list-style-type: none"> <li>- Intangible assets are exchanged across consortium partners</li> <li>- Co-funding</li> </ul>
	<b>Mechanisms</b> <i>Co-design</i>	<ul style="list-style-type: none"> <li>- Project management meetings</li> <li>- Joint steering group meetings</li> <li>- Dialogical exchanges between co-lead partners and the funder</li> <li>- Open dialogue</li> <li>- Co-partner employer support interventions agreed</li> </ul>
	<b>Enablers</b> <i>Collaborative capacity</i>	<ul style="list-style-type: none"> <li>- Pooling of shared knowledge and expertise across partner disability specialisms</li> </ul>



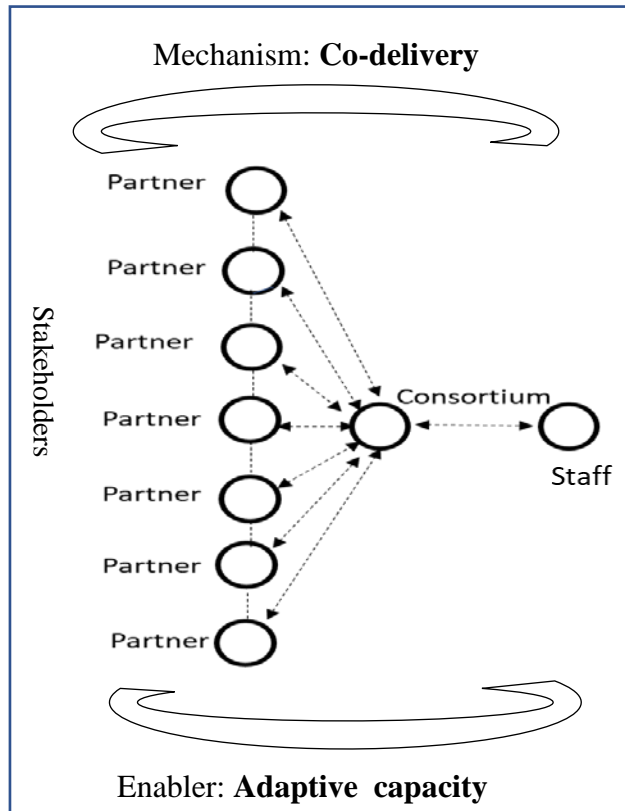
		- Deeper relationships supporting the sharing of information even in the presence of co-opetition
Preparing for service delivery	<b>Sources of value</b> <i>Resource directionality</i>	- Bilateral exchange of expertise
	<b>Types of value</b> <i>Transferred resource value</i>	- Cross functional team support and engagement - Move from pre-defined roles to adaptive responsibilities.
	<b>Mechanisms</b> <i>Co-delivery</i>	- Conjoined staff training and development workshops
	<b>Enablers</b> <i>Adaptive capacity</i>	- Upskilling and capacity building of staff - Shared problem solving - Co-delivery mechanism agreed
Service delivery	<b>Sources of value</b> <i>Resource directionality</i>	- Unilateral deployment of skilled staff - Staff delivery of generic training to multiple employees
	<b>Types of value</b> <i>Interaction value</i>  <i>Synergistic value</i>	- Improved quality of life for service users - Post-training feedback - Employee attitudinal change through improved awareness - Opportunities for the work-based integration of service users - Improved workplace diversity

		- Improved visibility of consortium
	<b>Mechanisms</b> <i>Co-delivery</i>	- Consultation and programme negotiation between staff and employers
	<i>Co-evaluation</i>	- Delivery of disability awareness training delivered by staff to employees
		- Feedback on employee levels of satisfaction
		- Collective disability strategy and policy consultation
		- Determination of employee attitudes to disability and workplace diversity
	<b>Enablers</b> <i>Relational capacity</i>	- Building positive relationships between trainer and trainee

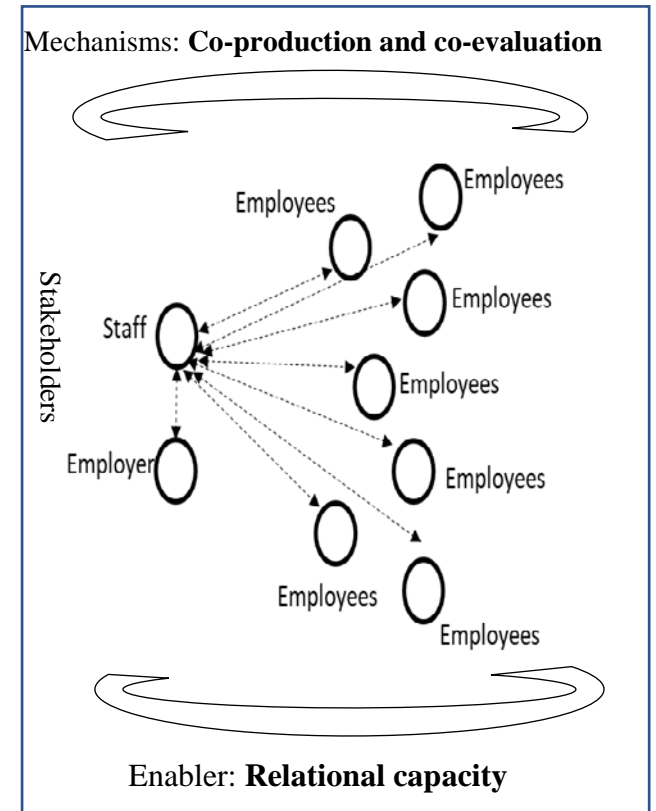
Table 2 – Practical examples of dimensions of VCC



Development of value proposition



Preparing for service delivery



Service delivery

Figure 2 – Examples of VCC stakeholders, mechanisms and enablers during service provision