Collaboration reasoning or social heuristics? Value proposition validity in omnium-gatherum business models

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A B S T R A C T

Central to the value co-creation business model is mutualistic interaction, through which business value producers propose offers and affirm the final meaning of offering values with customer experience. The model treats each upstream offering of value production merely as a part of value proposition (Grönroos, 2011; Vargo, 2008). Thus, the interaction becomes a locus, key source of value co-creation. Contemporary literature on interactive marketing and service research contain a myriad of theories clarifying the relevance and prominence of the interaction. However, there are still limited discussions regarding how business actors may propose a new potential value, and how the actors can judge the validity of the value co-creation in multi-actor business environments. This study provides a literature review on two main judgment paradigms used as a means to validate new value proposition and co-creation. The two paradigms are as follows: (1) collaborative rationality that evaluates rationales behind business actors’ interactions for value co-creation; (2) social heuristics that concerns group-based satisficing decisions and judgments on a specific value proposition. Social heuristics use social information that does not necessarily stem from a formal, accurate analysis. To corroborate the theoretical implications of the two paradigms, the study analyzes a set of field case value validation processes for a novel product life cycle management information platform. The case study findings illustrate implications for collaborative business modeling and verification on new service-dominant value creation. Finally, the case study presents a prescriptive framework for smarter multi-actor value propositions and co-creation procedures.

1. Background

In service-dominant logic perspectives of marketing management, a value provider is not deemed to have fulfilled the value it is offering to customers until the customers are able to substantively use and experience the value. As such, marketing managers in organizations are shifting their attention from product variety to experience variety (Prahalad & Ramaswamy, 2004). The actual value that a customer receives is situationally driven and is subject to how the customer gets involved in exploiting the value offered. This concept reflects an epistemological belief in value co-creation. Organizations team up with collaborating actors to develop value concepts and value co-production processes. The contributions of the collaborating actors may be service or knowledge driven, and may emphasize new experience co-creation instead of merely product-centric marketing activities. This is especially true in today’s networked economies, in which organizations cannot hold or systematically internalize all value proposition competences or knowledge (Granovetter, 1985). Collaboration among business actors and customers usually involves complex interaction processes. To master such interactive processes, management must comprehend new opportunities for value co-creation. Academics have created research agendas to understand the interaction preconditions, the mechanisms and the outcomes of such collaborative value creation. The contemporary research literature studying value proposition and co-creation is substantial. Normann and Ramirez (1994), Echeverri & Skalen, (2011) explain the implications of interaction for consumer value creation. Vargo (2008) and Grönroos (2011) emphasize the service-dominant logic and challenge the product-centric marketing principles, as customers do not in reality seek product variety, but instead seek experience variety. Ataide and Zhang (2011) and Grönroos (2012) elucidate the concept of value proposition and value co-creation as a means of joint problem solving, rather than a way of targeting potential markets. Da Silveira (2011) examines a co-design business model, wherein value co-creation goes beyond the offering of customization and emphasizes individual users’ experiences of personalization. All of these researchers’ arguments have shared a common locus that emphasizes interaction as a means of creating feasible and valid value propositions and enabling co-creation.

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This study leverages the principles of collaborative interaction to investigate opportunities for value propositions and co-creation. Regarding this issue, the arguments center around the significance of value proposition validity, wherein actors judge the potential and appropriateness of a value proposition in collaboration with customers. The study argues that the collaborative rationalities involved can be used to judge the validity and potential of value propositions. This is a motivational perspective that takes into account collaborating actors' reasoning and behavior toward sharing knowledge, contributing efforts, setting common goals, etc. (Bacharach, Gold, & Sugden, 2006; Gintis, 2016; Innes & Booher, 2010; Sugden, 2011).

In the decision-theoretic view of organizational heuristics, actors emphasize sets of rules or criteria, either on a sequential or a networked basis, to adaptively reach satisfying decisions. Such rules provide a fast-and-frugal means for replacing an all-faceted analytic evaluation of decision problems involved in assessing usability (Guercini, la Rocca, Runfola, & Snehota, 2015; Lai & Woodside, 2015). Separately, a stream of heuristics research has treated much of individual decision making and judgment as a cognitive process employing a fast and frugal response to stimuli. Such cognitive heuristics can also capture the effects of stimuli on social interaction. In addition to the collaborative rationality paradigm, this study adopts the social heuristics paradigm to examine the collective decision and judgment validity involved in value proposition processes. This social heuristics paradigm represents a context-dependent judgment perspective, wherein collaborating actors validate new value proposition potentials using sets of social heuristics involving social information to determine complex social interaction and business requirements. This is a prominent characteristic of heuristics for sociability (Gigerenzer & Gaissmaier, 2011; Hertwig & Herzog, 2009; Loock & Hinne, 2015). This study examines the significant roles these two judgment paradigms play in today's service-driven business models.

The paper is organized as follows. The next section presents a joint research-consultancy project case as the analytic subject of this study. The case concerns a novel information system platform and architecture for the product conception and commercialization processes that purports to address the challenges of future industrial practice, i.e., Industry 4.0. Over an investigation period of six months, the project team invited a group of public officials, industrialists, technological specialists and engineers to review the new values of the platform. Through observation of this expert group's interactions and collaboration, this study attempts to explore anthropologically the theoretical premises for new business value judgments and the related managerial implications. The third section examines a set of theoretical propositions while constructing prescriptively a reasoning framework for value co-creation and validation. A much-expanded literature review combined with dialectic scripting analyses expands the theoretic inquiry and induces the theory structure of the framework. Based on such premises, the study corroborates different strategies of collaboration rationalities and social heuristics applicable to the verification and judgment of innovative value.

The fourth section discusses the findings of the case study. Notably, this study affirms the complementarity between collaborative rationality and social heuristics in producing collaborative judgment. Considering the prescriptive framework, the case study proposes effective managerial guidelines for reaching collaborative judgment where value interests are diverse and uncertain. The last section concludes the findings and research limitation, and provides advice for future research with regard to value proposition and co-creation in open-access dynamic business ecosystem.

2. Research method

2.1. Case study

To understand the value validation process in new business model development, the study conducted a case analysis and in-depth interviews in a 2016 joint research-consultancy program. The effort helped validate the functions and potential of a new industry-specific product life cycle management (PLM) system. A PLM system is made up of computer-mediated product design and supply information systems. Standard PLM systems emphasize versatile, multi-module configurations to support creative teams engaged in all supply chain activities, from product design and development, sourcing and manufacturing to distribution/inventory controls. These PLMs are usually composed of a large bundle of prototyping, processing and business information modules, each acting as an integrated workstation. Most PLMs exchange data through middleware. They are also geographically dispersed, which means that the users cannot easily process distributed PLM tasks collaboratively on a real-time basis. Significant to the novel system evaluated in this study is an initiative relating to collaborative platform-based PLM that allows users to propose jobs, submit feedback, and access other users' product ideas or end use alternatives. This novel PLM system represents an attempt to create a nimble platform that non-professional users can utilize when conducting design and business tasks aimed at developing individualized social commerce (Yadav, de Valck, Thorsten, Hoffman, & Spann, 2013).

The development of this platform has resulted in a private-collective innovative business model that is non-exclusive to any particular user group (von Hippel & von Krogh, 2003). The platform's users can attain private rewards by proposing new product concepts and new production methods and sources, and by opting for new supply business opportunities. This feature value serves omnium-gatherum users, i.e., individual users who can voluntarily assume most of the actor roles as customers, product designers, product planners, producers, and reviewers in nearly all kinds of business activities. The eventual platform will be a lightweight, open-access PLM intelligent platform. However, the platform's development sidesteps a number of critical questions, such as how the end users may perceive the value of this open-access social commerce platform, how a prospective user group can evolve into a sustainable platform community, and how the platform developers and users can maintain collaborative interaction without any clearly specified pre-commitments (von Krogh, Spaeth, & Lakhani, 2003).

In the course of developing and validating the PLM value potential, the program invited 16 industry practitioners as guest users to review all the PLM functions and performance features over a six-month period. The study invited 16 industrial users to act as study informants by providing data and information on their expectations based on the value co-creation business model and related experiences. The informants explained their validation approaches and corresponding judgments in assessing the values of the conceived platform-based PLM. To avoid receiving views and opinions that are too general in the responses, this study checked whether the informants had a sufficient understanding of the new PLM module structures, and then asked them to collectively judge the potential of individual module values. During the meetings, the informants' social interactions and behavior were recorded. Then, the study examined the observed interaction experience from the 16 guest users, three code/network specialists, and two program chiefs. Finally, the analysis of the record helped assert the nature and approaches that the practitioners rationalized the PLM platform value design and validity.

Table 1 highlights the PLM's core modules and values in this private-collective innovation, which form the basic framework for discussing and validating the platform-based PLM value components during the value co-creation process.

2.2. Data analysis

In this case study, the research team analyzed three qualitative data sources: formal meeting minutes and narrative scripts on the project meetings, voice recordings, and individual in-depth interviews. The 16
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