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When value co-creation fails: Reasons that lead to value co-destruction

Henna Järvi[a,*], Anni-Kaisa Kähkönen[a], Hannu Torvinen[b]

[a] School of Business and Management, Lappeenranta University of Technology, P.O. Box 20, FI-53851 Lappeenranta, Finland
[b] Oulu Business School, University of Oulu, P.O. Box 4600, FI-90014 Oulu, Finland

A R T I C L E I N F O

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A B S T R A C T

Value co-destruction is a possible outcome of business, public and consumer collaboration. We examine reasons that lead to value co-destruction and when these reasons emerge. Since previous research on the topic is limited, our research approach is abductive qualitative research. The empirical data emerges from 19 semi-structured interviews conducted in seven organizations operating in Finland. Results indicate that value co-destruction emerges due to eight reasons. Our empirically grounded framework for value co-destruction demonstrates when these reasons emerge (before or after the collaboration or interaction) or they are time-independent. Results provide important insights for academics and managers into how value co-creation efforts can have negative outcomes and at what stage each reason is more likely to happen.

1. Introduction

It's all about value creation—or is it? Research on value creation and value co-creation has increased in recent decades; however, interest in the destruction of value in relationships has now emerged. Researchers have increasingly examined issues related to the dark side of relationships, such as risks, power and value co-destruction. For example, the *Journal of Marketing Management* has a forthcoming special issue on the topic of the dark side of marketing. Additionally, service experts have emphasized the importance of understanding negative outcomes of collaboration and where they stem from (Ostrom, Parasuraman, Bowen, Patricio, & Voss, 2015).

Value co-destruction implies that not all relationships and interactions result in positive or value-creating outcomes; sometimes, the relationships even result in negative outcomes (Echeverri & Skålen, 2011; Plé & Cáceres, 2010). Value co-destruction has been defined as "*an interaction process between service systems that results in a decline in at least one of the system's wellbeing (which given the nature of the service system can be individual or organizational)*" (Plé & Cáceres, 2010, p. 431). Thus, value co-destruction refers to a failed interaction process that has a negative outcome. Value co-destruction can emerge, for example, when the actors involved in a relationship do not possess a certain resource (Smith, 2013), such as information (Vafeas, Hughes, & Hilton, 2016). Value co-destruction can also emerge if actors do not integrate the resource they possess (Plé & Cáceres, 2010; Robertson, Polonsky, & McQuilken, 2014). Thus, value co-destruction emerges due to different reasons or antecedents, such as an absence of information or inadequate communication (Vafeas et al., 2016). The failed interaction process leads to a decline in well-being, which can take the form of frustration or lost resources, such as money or other intangible or tangible losses (Prior & Marcos-Cuevas, 2016; Smith, 2013). The decline in well-being can be so significant that parties may not want to collaborate with each other in the future (Mele, 2011; Prior & Marcos-Cuevas, 2016). Despite the growing significance of and interest in value co-destruction, understanding of the antecedents that initiate value co-destruction remains limited.

Current research still focuses on customer actions leading to value co-destruction or on the customer's perspective on value co-destruction (Smith, 2013). The customer and the provider can have very different perceptions of what actions or behaviors result in positive or negative results (Vafeas et al., 2016). Thus, taking the provider's point of view offers important notions about what providers perceive as actions that initiate the failed interaction process and allows us to compare those insights with existing research (Prior & Marcos-Cuevas, 2016; Vafeas et al., 2016). The current understanding of value co-destruction stems from studies conducted with private companies. To broaden the perspective, discussions of public services have recently acknowledged the existence of value co-destruction. Although any collaborative action with the end users of public services (i.e., the public) is likely to have positive and negative effects on the value created (Alford, 2016), further insight into value co-destruction in the public sector environment is absent (Osborne, Radnor, & Strokosch, 2016). Studying value co-destruction in different industries will provide a more comprehensive picture of the phenomenon, which previous studies have called for (Echeverri & Skålen, 2011; Prior & Marcos-Cuevas, 2016; Vafeas et al., 2016).

* Corresponding author.
E-mail addresses: henna.jarvi@lut.fi (H. Järvi), anni-kaisa.kahkonen@lut.fi (A.-K. Kähkönen), hannu.torvinen@oulu.fi (H. Torvinen).

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To understand value co-destruction, we seek inspiration from value co-creation literature. Value co-creation can be seen through three different processes: the customer process, the joint value creation process (or the service encounter) and the provider process (Grönroos & Gummerus, 2014; Payne, Storbacka, & Frow, 2008). This implies that the provider and the customer need to prepare for the interaction in their own processes. For example, the provider needs to have enough staff on hand to execute the service encounter (e.g., Morosan & DeFranco, 2016). The customer, however, needs to be aware of his, her, or its needs to articulate these needs during the service encounter (Prior & Marcos-Cuevas, 2016). In addition to pre-interaction activities and the actual interaction, actors need to execute post-interaction activities. For example, the customer offers feedback directly to the provider if something went wrong, and the provider delivers the goods that were bought during this service encounter (Celuch, Robinson, & Walsh, 2015; Payne et al., 2008). Thus, the customer and the provider prepare for and execute their collaboration at different time points: before, during and after the interaction (Grönroos & Voima, 2013). Therefore, it could be argued that time plays a part in the emergence of value co-destruction because both parties need to prepare for the collaboration, participate in the collaboration and then engage in tasks after the collaboration. These tasks should be conducted successfully, in order to avoid value co-destruction. Chowdhury, Gruber, and Zolkiewski (2016) proposed that value co-creation and co-destruction exist at the same time. Thus, adopting a temporal lens can help in developing a richer understanding of the phenomenon (here, value co-destruction), because this lens can enrich our understanding of change and provide a new mechanism of interest (Kunisch, Bartunek, Mueller, & Huy, 2015).

Therefore, in this paper, we investigate three issues: the reasons for value co-destruction, their temporal nature and in what kinds of relationships these reasons emerge. To put these issues in specific terms, we ask the following research questions: 1) *What are the reasons for value co-destruction from the provider's perspective,* and 2) *when and in what kinds of relationships do the reasons identified for value co-destruction emerge?* We set out to study value co-destruction in different types of relationships: the business-to-consumer (B2C), business-to-business (B2B), business-to-government (B2G) and government-to-consumer (G2C) markets. Because our interest is in value co-destruction, we investigated the reasons that result in the failed *interaction process* that takes place between the provider and the customer in these different types of relationships. The collaboration or interaction can happen during a long-term project or a purchasing process; however, we are interested in the collaboration angle. Thus, we focused on the *reasons* that lead to value co-destruction that can *emerge before, during or after the interaction* and *in different relationship types*.

We draw our findings from a qualitative study based on 19 interviews conducted in seven organizations. The findings suggest that the reasons for value co-destruction are the absence of information, an insufficient level of trust, mistakes, an inability to serve, an inability to change, the absence of clear expectations, customer misbehavior and blaming. The results bring up new notions of value co-destruction and additionally, confirm current literature (e.g., Echeverri & Skålen, 2011; Kashif & Zarkada, 2015; Vafeas et al., 2016). We also place these reasons on a timeline and identify when they can initiate the failed interaction process (i.e., value co-destruction): before or after or if they are time-independent (meaning they can take effect at any point). Thus, we contribute to the present value co-destruction discussion by recognizing how different reasons or antecedents relate to different time points during collaboration. We also discuss the findings in terms of their relationship type, thus contributing to current research by offering viewpoints from several different types of relationships. Therefore, understanding the aspects of relationships or the actions that result in value co-destruction, and their temporal and relational dimensions, will provide important insights for managers to use to interact and manage relationships with their customers in the most valuable way.

After the introduction, we move on to the conceptual background and discuss value co-creation and co-destruction. Then, we present the research method. This section is followed by the presentation and discussion of the findings. We conclude the paper with our contribution to theory, managerial implications and proposals for future research.

2. Conceptual background

2.1. Value

The concept of value is at the heart of the business literature, and different definitions have been provided. For example, value can be identified as a means-end outcome, a function of benefits versus sacrifices or as contextual and experimental (e.g., Gummerus, 2013; Holbrook, 1994; Woodruff, 1997; Zeithaml, 1998). Value as means-end implies that value consists of different levels, ranging from the lowest to the highest: product attributes, performance attributes and goals and purposes (Gummerus, 2013; Woodruff, 1997). Value, whether created by a provider for itself or for a customer through products and services, refers to goals that both parties, the customer and the provider, wish to accomplish through either the provider's own operations or products the customer uses (Woodruff, 1997). Value can be defined as benefits versus sacrifices, which in the simplest form means that value is a customer's assessment of (service) quality over costs (Zeithaml, 1998). Additionally, value is always defined and viewed by the actor in the particular social system (Edvardsson, Tronvoll, & Gruber, 2011; Lusch & Vargo, 2014). In this paper, we adopt a hybrid definition for value. We define value as benefits versus sacrifices and expand this definition to include the provider and the customer. Thus, value is an actor's assessment of quality over costs. In addition, following Holbrook (1994), we see value as context-specific.

2.2. Value creation and co-creation

Value creation occurs within three different spheres or processes: the provider sphere, the joint sphere (the encounter process) and the customer sphere. In the provider process, the provider utilizes resources, processes and practices to manage its business and relationships with customers and other relevant stakeholders (Payne et al., 2008). Activities performed by the provider in the provider sphere result in outputs that customers may use in their value creation process (Grönroos & Voima, 2013). In the customer sphere, customers "*independently create value and may socially co-create value with actors in their ecosystem*" (Grönroos & Gummerus, 2014, p. 209). Value creation in the customer sphere can be referred to as independent value creation (Grönroos, 2011). In the joint sphere (or the encounter process), the provider and the customer interact and thus, engage in value co-creation (Grönroos & Gummerus, 2014; Payne et al., 2008). Value co-creation refers to a resource integration process between the provider and the customer (Aarikka-Stenroos & Jaakkola, 2012; Vargo & Lusch, 2008). It can take place in a service market context (Chang, Chih, Chew, & Pisarski, 2013; Elg, Engström, Witell, & Poksinska, 2012), where the service and value are co-created in the joint sphere; in a product-oriented market context, where the product is produced beforehand, but the service or experience is co-created alongside the value (Andreu, Sánchez, & Mele, 2010); and in the B2C and B2B sectors and between firms and public actors or vice versa. Depending on the point investigated, either the context or relationship type needs to be considered (Chandler & Vargo, 2011; Lusch & Vargo, 2014). In order to emphasize the different relationship types, we discuss aspects of the B2C, B2B and public markets next.

In the *consumer market*, value co-creation emerges when, for example, dialogue, customer engagement, self-service, customer experience, problem-solving, co-designing and co-developing are present (Alexander & Jaakkola, 2016; Gebauer, Johnson, & Enquist, 2010; Minkiewicz, Evans, & Bridson, 2014; Prahalad & Ramaswamy, 2004). They are the antecedents of value co-creation. B2C product markets, in