ABSTRACT

Service-Dominant logic provides a framework for refinements in the concepts of value creation and co-creation between multiple actors. Moreover, S-D logic provides a shift from outcome to process by arguing that value is not created and delivered in terms of output but rather co-created in a process. Recently, the interest has focused on Higher Education and how value is co-created between actors in Higher Education. However, it is not yet known, whether the practices within value are co-created in the Higher Education. Drawing on S-D logic framework and practice theory, the aim of this paper is to develop and understand how practices in Higher Education such as interacting may offer opportunities to facilitate co-creation and contribute to value in-use in the higher education sector.

KEYWORDS Service-Dominant logic, Practice Theory, Value Co-Creation, Higher Education.
1 INTRODUCTION

Service-Dominant (S-D) logic provides a broader framework for the investigation of how value is created, co-created, destroyed and co-destroyed among multiple actors. Since, its appearance, S-D logic change the traditional view in marketing activities from an output oriented logic to a process oriented logic (Vargo and Lusch 2004, 2008a). Therefore, although traditionally, firms created and delivered value for customers in terms of products and services, in S-D logic value is co-created between firms and customers collaboratively (Vargo and Lusch, 2004, 2006).

After the seminal paper of Vargo and Lusch’s (2004) regarding the Service-dominant logic, a paradigm shift has been established with profound influence on marketing and management. Among other foundational premises, authors suggested that customers are always co-producers because they “... always involve in the production of value by ... continuing the marketing, consumption, and value-creation and delivery processes” (Vargo and Lusch, 2004, p. 11). Later, Vargo and Lusch, (2006; 2008) changed that premise from “The customer is always a co-producer” to “The customer is always a co-creator of value” due to the fact that the term “co-production” was a good-dominant logic term and a component of value co-creation (Vargo and Lusch, 2008a).

Since value is not a new term, it has long been examined. In this paper, we follow the definition of Vargo, Maglio, and Akaka (2008, p. 149) who define value as “an improvement in system well-being” which can be measured “in terms of a system’s adaptiveness or ability to fit in its environment”. They highlight the “central role of resources” to S-D logic and to the co-creation of value as well (Vargo and Lusch, 2011, p. 184). More specifically, value is co-created when service systems (for example individuals and organisations) integrate “operant resources” (the intangible resources that produce effects) and “operand resources” (those resources that must be acted on to be beneficial, such as natural resources, goods, and other generally static matter) in a mutually beneficial way, (Vargo et al., 2008). In line with this, researchers such as Grönroos (2008) argued that companies are
not even co-creators of value but simple value facilitators trying to deliver value propositions. Consequently, value is co-created during the interaction between customers and providers (Prahalad and Ramaswamy, 2004; Ramírez, 1999; Vargo and Lusch, 2004) who can actively and directly influence their experiences and therefore also their value creation (Grönroos & Ravald, 2011).

Despite the wide interest, it is not yet clear how value is co-created in the higher education industry between students and lecturers. Therefore, drawing from S-D logic, and practice theory we seek to address these issues, by theoretically explore the process of value co-creation in the tourism industry. S-D logic, and practice theory suggest that students’ capabilities and value-expected outcomes with co-creation process shaped practices where co-creation of value is derived. We suggest that in parallel with the shift of perspective from a value delivery approach – doing something “to” students – to a co-creation approach – doing something “with” students (Díaz-Méndez, & Gummesson, 2012) understanding the practices of resource integration process provides a broader framework for improvement teaching quality in higher education.

2 LITERATURE REVIEW

2.1 Service-Dominant logic and Value Co-Creation

Traditionally, firms controlled all business activities and consequently it was their view of value that was dominant (Prahalad & Ramaswamy, 2002). In this firm-centric logic goods are tangible output embedded with value and services are intangible goods or add-ons which enhance the value of goods (Vargo and Lusch, 2008b), while the source of value creation is the internal cost efficiency (Prahalad & Ramaswamy, 2002). Customer has little or no influence in the value creation until the point of exchange where the ownership of the product is typically transferred to the consumer from the firm (Prahalad & Ramaswamy, 2002) and value-in-exchange was realized. That is, value-in-exchange characterized the Good-dominant Logic (G-D) logic (Vargo and Lusch, 2004; Vargo et al., 2008) and value
is embedded in good or services (Grönroos, 2008; Vargo and Lusch, 2008a), it is created by the firm and distributed in the market, usually through exchange of goods and money (Vargo et al., 2008).

This prevalent, logic was challenged by a consumer-centric logic (Prahalad & Ramaswamy, 2002; Vargo and Lusch, 2004; Grönroos, 2008) according to which consumers influence value creation in multiple ways. According to this customer-centric logic, also called as Service-Dominant Logic (S-D) logic (see Vargo and Lusch, 2004; Vargo and Lusch, 2008) or Service Logic (see Grönroos, 2006; Grönroos, 2008; Grönroos and Ravald, 2011), the value is created when customers use goods and services (value-in-use) (Grönroos, 2008;), therefore value shifts from value-in-exchange to value-in-use (Vargo and Lusch, 2004; Grönroos, 2008) and the basis for value shifts from products to experiences (Prahalad & Ramaswamy, 2002). In the consumer-centric logic service is the application of specialized competences (operant resources knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself while goods are the distribution mechanisms for service provision (Vargo and Lusch, 2004; 2008b).

In this aforementioned, service-grounded perspective, the concept of co-creation is dominant and has attracted considerable attention. Gradually, the concept of co-creation has become a central issue in conferences presentations and marketing journals. First, Prahalad & Ramaswamy, (2000; 2002) introduce the term of co-creation and argue that “companies must learn to co-create value with their customers”, (Prahalad & Ramaswamy, (2002, p. 4). Later, authors argued that, “value will have to be jointly created by both the firm and the consumer”, (Prahalad & Ramaswamy, 2004a, p.7) and that value of co-creation is realized “through personalized interactions” and that “all the points of consumer-company interaction are critical for creating value” (Prahalad & Ramaswamy, 2004, p.10). Furthermore, authors developed the building blocks of interactions between the firm and consumers that facilitate co-creation experiences, DART model of co-creation which is made up four components: dialogue, access, risk assessment and transparency (Prahalad & Ramaswamy, 2004a; b). At the same time, in their seminal paper Vargo and Lusch (2004)
regarding the Service-dominant logic, a paradigm shift has been established with profound influence on marketing and management.

Among others, foundational premises authors suggested that customers are always co-producers because they “... always involve in the production of value by ... continuing the marketing, consumption, and value-creation and delivery processes” (Vargo and Lusch, 2004, p. 11). Later, Vargo and Lusch, (2006; 2008a) changed that premise from “The customer is always a co-producer” to “The customer is always a co-creator of value” due to the fact that the term “co-production” was a good-dominant logic term and a component of value co-creation (Vargo and Lusch, 2008a). Contrary to (S-D) logic and following the Nordic school of thought, Grönroos, (2008) argued that customers are not co-creators of value but they are value creators and suppliers are value facilitators, who could be invited to join this process as co-creators (Grönroos, 2011). The author explains that due to the fact that value is created in the customer’s sphere, as value-in-use, in a value creating process in which consumer is in charge (Grönroos, 2000; Grönroos 2008; Grönroos 2011), and therefore customer is the value creator.

Value is not a new term and it has been extensively examined. First, Aristotle made the distinction between value-in-exchange and value-in-use (Aristotle 4th century B.C.) and concluded that value is derived subjectively through the user’s experiences with resources, while stated that all consumption involves interactions between a subject and an object. Value-in-exchange is a function of value-in-use (Aristotle, Ethica, 1133, 26-29), and according to Smith, 1776/2000, p.31 “the things which have the greatest value in use have frequently little or no value in exchange; and on the contrary, those which have the greatest value in exchange have frequently little or no value in use”, cited by Vargo et al., (2008). Although value-in-use is more important than value-in-exchange (Grönroos, 2008), and it is possible to exist without value-in-exchange (Vargo and Lusch, 2006), the latter is required for value creation (Vargo et al., 2008) and can exist at different points during value creation process, where potential value exists (see Grönroos and Voima, 2013).
Value-in-use emerges during consumption process (Becker, 1965; Lusch and Vargo, 2006; Grönroos, 2006; Grönroos, 2008; Grönroos and Voima, 2013). The notion that value is realized through consumption has its roots in Marxian economics. In support of this, I would like to take a step back to the Karl Marx’s book, A Contribution to the Critique of Political Economy, in which Marx asserts that: “A use-value has value only in use, and is realized only in the process of consumption.” The concept of consumption traditionally has been treated as a black box in marketing (Grönroos, 2006). An important contribution in the consumption concept was made by Grönroos, (2006) who extended the consumption concept by arguing that except the customers’ interactions with physical objects, consumption also encompasses other elements such as information, people-to-people encounters, encounters with systems and infrastructures and customers’ perception of elements of any sort with which they interact during the consumption processes that together have an impact on customer’s value creation.

Vargo, et al., (2008, p. 149) define value as “an improvement in system well-being” which can be measured “in terms of a system’s adaptiveness or ability to fit in its environment”. Later, Vargo and Lusch, (2011, p. 184) highlighted the “central role of resources” to S-D logic and to the co-creation of value as well. More specifically, value is co-created when service systems (for example individuals and organisations) integrate “operant resources” (the intangible resources that produce effects, e.g knowledge and skills) and “operand resources” (those resources that must be acted on to be beneficial, such as natural resources, goods, and other generally static matter) in a mutually beneficial way, (Vargo et al., 2008). Consequently, value is co-created during the interaction between customers and providers (Prahalad and Ramaswamy, 2004; Ramírez, 1999; Vargo and Lusch, 2004) who can actively and directly influence their experiences and therefore also their value creation (Grönroos & Ravald, 2011).

2.2 Resources and Resource Integration

According to Hunt (2000, p.138) resources are the “tangible and intangible entities available to the firm that enable it to produce effi-
ciently and/or effectively a market offering that has value for some market segment(s)”. Previously literature on resources suggests different classification. Barney (1991) classifies firm resources into three categories: physical capital resources (e.g. technology, equipment), human capital resources (e.g. experience, intelligence, relationships) and organizational capital resources (e.g. controlling, planning, coordinating systems). Later, Constantin and Lusch (1994) categorize resources as operand and operant resources. Operant resources are employed to act on operand resources (and other operant resources), and operand resources, are resources on which an operation or an act is performed to produce an effect. Hunt & Morgan, (1995) categorize them into tangible and intangible. In their work, in which they proposed a new theory of competition by contrasting the neoclassical theory, they expanded the resources from capital, labor, and land (Neoclassical Theory) to financial, physical, legal, human, organizational, informational, and relational (Comparative Advantage Theory). Similarly, with the categorization of resources into tangible and intangible of Hunt & Morgan, (1995) (regarding the function) and based on Constantin and Lusch (1994), later Vargo and Lusch, (2004) categorized them as operand and operant. Hunt, (2004) by commented the new dominant logic of Vargo and Lusch’s, through resource-advantage theory argued that operand resources are typically physical (e.g. raw materials), while operant resources are mainly human (e.g., the skills and knowledge of individual employees), organizational (e.g. cultures, competences), informational (e.g. knowledge about market competitors), and relational (e.g. relationships with customers, suppliers, etc.).

According to S-D logic, all economic actors are resource integrators (FP9) (Lusch and Vargo 2006; Vargo and Lusch 2006; 2008a) and value co-creation is realized through resource integration (Vargo and Lusch 2004; 2008a). Integration requires process (es) and forms of collaboration (Kleinaltenkamp et al, 2012), while resources provided by customers into company process are called customer resources (Moeller, 2008).

Most representative paper regarding the process of resource integration is the work of Moeller. Moeller (2008), provides a useful
framework (FTU) of service provision to examine customer and firm integration process. She argues that customer integrates his/her resources (physical possessions, nominal goods, and personal data) with company resources, in order to transform them into value. Customer integration enables service provision to be divided into the following stages: facilities, transformation, and usage. The first stage *facilities*, is prerequisite to any offering and includes all company resources (tangible and intangible e.g employees, know-how etc.). In this stage firms *operate autonomously* regarding its decision, and exhibit only *potential value*. The second stage *transformation* is the stage that either company resources are combined with other company resources to accomplish a transformation (company-induced transformation) or customer resources are integrated into the service provision for the purposes transformation (customer-induced transformation). In the former case (company-induced transformation) customers are neither co-producers nor co-creators, while in the latter case, *consumption* begins with the integration(customers are co-creators of value, by using value propositions). In this stage, in case of company-induced transformation, firms continue to operate autonomously and only potential value exists. Contrary, in case of customer-induced transformation, firms’ level of autonomy is low and *value-in-transformation* (that can be positive or negative) exists. The transition from transformation to the *usage* (third stage) depends on whether the transformation is induced by the company or the customer (e.g who is the prime resource integrator). From a company-induced transformation perspective, customers creating value for themselves and assume their roles of co-creators, while from a customer-induced transformation perspective, the transition from transformation to usage occurs when consumers resources exit the company’s sphere, therefore benefits and usage begin after the transformation (e.g students graduation). In this stage, form a company-induced perspective, *value-in-use* is accomplished as well as from a customer-induced perspective. Last, in case of *direct service provision*, customers contribute to customer-induced transformation (and to usage with resources and activities, while in the case of *indirect service provision*, customers only contribute during usage in co-creating their own value.
2.3 Co-Creation in higher education

Co-creation has been examined in higher education (e.g., Bowden and D’Alessandro, 2011; Fagerstrøm & Ghinea, 2013; Díaz-Méndez & Gummesson, 2012). Bowden and D’Alessandro (2011) examined whether student perceived value, namely social or functional value, satisfaction, and loyalty differs for students participating in a personal response technology enabled classroom experience, versus a more traditional classroom experience. They suggested that it is the pedagogy, and not the technology that matters in higher education provision. Fagerstrøm & Ghinea (2013) argue that social network marketing in higher education gives a great opportunity to replace the passive view of customers with an active view in which applicants are invited to use their own initiatives rather than simply react to predetermined marketing activities. Díaz-Méndez & Gummesson, (2012) investigate value co-creation in university service and especially the implications of the status of the interacting parties, nature of service, methods to evaluate teaching quality, real value for students, and long-term consequences. They found that value co-creation has not been considered in the design of the specific teaching evaluation program.

2.4 Practice Theory

Practice theory consists of key propositions, rather than being a specific theory. A practice has been described as “background coping skills” (Chia, 2004, p. 32) and practices are formed as the resources of customers and providers interlink with different contextual elements (Reckwitz, 2002). Practices can be understood as the routine activities and sense making frameworks that people carry out and use in a particular context (Skålén et al., 2014); practices are enacted by people in order to act and to make sense of other people’s actions (Reckwitz 2002; Schatzki 1996). Drawing on practice theory, we will describe and analyze how resource integration and co-creation are realized through real activities and interactions in different service systems in the higher education industry ecosystem.
Giddens (1979, 1984) stressed that action, e.g., value co-creation and resource integration, which we focus on, and social order, e.g., service systems and other systems relating to the tourism ecosystem including formal hotel, travel agencies only become possible and comprehensible in relation to common and shared practices. These practices include shared routines, ways of doing things, scripts, and habits, all of which actors enact in order to act and to interpret the actions of other actors (Giddens, 1979; Reckwitz, 2002; Schatzki, 1996). We use Practice Theory (Kjellberg and Helgesson 2006, 2007) to examine the value co-creation in the higher education industry highlighting the role of practices, interactions and norms that direct the activities and interactions of resource integrators in institutional ecosystem.

3 SYNTHESIS OF THEORETICAL FRAMEWORK

We argue that value is co-creation in the higher education sector between multiple actors in the same ecosystem as a result of specific practices. As practice theory stresses, the way that actors in the higher education sector views their role in the ecosystem (representation-al practices) affects how they interact with others through accepting or adjusting norms (normalizing practices) which in turn, affects the way that do things in their daily activities (their exchange practices). For example, lecturers in a hotel adopt specialized roles which help organizational development, sustain a positive attitude towards customer service, co-create value with students etc. lecturers can adjust their roles very quickly in order to co-create value with students by assessing the impact of any changes in their environment. However the way of the lecturers view themselves, adopt their roles and adjust their norms highly depends on the context as well as from both psychological factors. Moreover, this view has an impact on their exchange practices. Lecturers daily, interacting with students through a series of practices e.g suggesting, supporting in value co-creation, informing, and helping. These specific practices, reflect how value is co-created and consequently how value is co-destroyed in the specific service ecosystem of the higher education sector. Lectureurs in the university suggesting students in their decision making process, regarding different things (e.g in their dissertation). In this ex-
ample, the practice is “suggesting” during which value is co-created, because during this specific verbal communication, lectureurs and students approach each other mutually and provide the basis for a relationship between them. In the same vein, lectureurs supporting students in their daily activities in value co-creation by providing them a operand and operant resources (e.g. manner of thinking, possible solutions in problems, facilities in the university, opportunities to innovative etc.). The specific practice here is “supporting” in daily activities and represents the direct interaction for value co-creation. Moreover, the role of lectureurs do not restrict in their duties. Informally, they inform students in different choices regarding their decision to continious their study, e.g for a master degree, and therefore co-creating leanring experience. In this way, students can co-create better experiences due to the appropriate information. The practice of “informing” contributes to the improvement of the “learning experience”. Last, the lectureurs help students when faced different problems such as difficulties to solve a mathematical problem, or with problems related to process and procedures to educational system. The practice of “helping” also improvement co-creation of value and is also an interactive practice.

4 DISCUSSION

To the best of our knowledge this is the first paper which theoretically explores the application of service dominant logic into higher educational system through practice theory. Since, S-D logic provides a fundamental shift from goods to service, from outcome to process (see Vargo and Lusch, 2004;2008), we suggest that this framework should be applied to the higher educational sector for value co-creation between multiple actors. Traditionally, lectureurs create and deliver value (knowledge) to the students through the teaching process, and students acquired this value by learning inside the classroom. However, our suggestion according to S-D logic is that since knowledge cannot be created and delivered, it is better to focus on these specific practices in order to co-create it and maximize the learning experience. Our point of view is that since value is a personal evaluative judgement (Hilton et al., 2012), it cannot be delivered either in edu-
cation sector, while it should be co-created, through suggesting, supporting, informing, and helping lecturers integrate their resources with students resources and therefore value is co-created for both of them. Empirical research is needed for further understanding of the factors which affect lecturers’ behaviour toward these specific practices. Moreover, the role of context in value co-creation in the higher education remains unexplored. Future research should address these issues in order to provide a better understanding of different systems’ behaviour in the higher educational ecosystem.

REFERENCES


