

Antecedents to value diminution: A dyadic perspective

Abstract

The purpose of this paper is to identify the antecedents of diminished value in business-to-business exchange. There is only a limited amount of research on value destruction in the context of Service-Dominant logic and, to the best of our knowledge, no dyadic studies. From a business perspective, awareness of factors that have the potential to impede value creation will enable relationship partners to increase mutual value realisation. The paper examines the accuracy of the term 'value co-destruction' as a blanket description for interaction that results in value reduction, and proposes that, in many instances, 'value diminution' may be more appropriate. The study adopts an exploratory, qualitative approach. One-to-one interviews are conducted with clients and their creative agencies. The results suggest that diminished value outcomes are caused by resource deficiencies and resource misuse by both relational partners, separately and jointly. We propose a model of five higher-order antecedents of value diminution: absence of trust, inadequate communication, power/dependence imbalance, inadequate coordination, and inadequate human capital.

Keywords

Value diminution, value co-destruction, value co-creation, business-to-business, client-agency relationships, service-dominant logic, resource integration

Introduction

There is a growing interest in expanding the Service-Dominant (S-D) logic literature to recognise the potential for negative as well as positive value outcomes. Plé and Chumpitaz Cáceres (2010: 431) conceptualise *value co-destruction* as “an interactional process between service systems that results in a decline in at least one of the systems’ well-being” resulting from the failure of one service system to “integrate and/or apply resources in a manner that is appropriate and expected by the other service system.” They suggest that value loss for one party can result in value gain for the other, positing that the misuse of resources could be intentional as well as accidental.

The notion of value destruction in marketing literature is not new. Several papers in S-D logic literature allude to the potential for value destruction as well as creation (Crowther and Donlan, 2011; Grönroos, 2011; Gummerus, 2013; Lambert and Enz, 2012; Mele, 2011; Reikli, 2013; Worthington and Durkin, 2012). More broadly, within the relationship marketing literature, the body of work addressing the dark side of long-term relationships has highlighted the potential for concepts such as opportunism and excessive social capital to impede value creation (e.g. Crosno and Dahlstrom, 2008; Villena et al., 2011). However, to the best of our knowledge, only a small number of papers specifically address the concept within the context of S-D logic (Echeverri and Skålén, 2011; Plé and Chumpitaz Cáceres, 2010; Smith, 2013). This lack of attention has led to calls for research into the factors leading to value destruction (Plé and Chumpitaz Cáceres, 2010), both from a dyadic perspective and in the context of long-term, business-to-business relationships (Echeverri and Skålén, 2011; Smith, 2013). From a managerial perspective too, given that value realization is fundamental to marketing, an understanding of the causes of value diminution is crucial to organizations. In response to the sparseness of empirical research, and with

these contextual gaps in mind, our aim is to develop existing theory around the concept of value co-destruction. The specific research question we address is: *what are the antecedents of diminished value in the context of interfirm relationships in the UK creative industry?*

With regard to terminology, we propose the adoption of *value diminution* in preference to value co-destruction. Although Smith (2013) adopts the term value co-destruction, she questions the appropriateness of the term as a blanket description, acknowledging that scenarios may exist where co-created value can be *diminished* and where value can be unevenly distributed. The perspective we take is that *destruction* is inadequate as an all-encompassing term, because it implies irreparable loss. While *destruction* can be applied to the element of the value proposition that is lost for good, the process of interaction and resource integration, however imperfect, may still result in the realisation of *some* of the value promised and expected. *Value diminution* may be more accurate than *value destruction* because it acknowledges that, while the resultant value may be sub-optimal, it may still engender some improvement in the customer's (and provider's) well-being. Value diminution also alleviates difficulties with the use of the prefix 'co', implying 'joint'. While both relationship partners might be willing participants and joint (co-) creators of the service experience (Hilton et al., 2012), it would be misleading to label them as 'co-destroyers' of value if only one partner is misusing resources, and when the resultant value is uniquely, and therefore potentially asymmetrically, determined. We define value diminution as *the perceived suboptimal value realisation that occurs as a consequence of resource deficiencies in, or resource misuse by, one or more interacting actors. Any or all of the actors may, to a greater or lesser extent, be victims of value diminution.* We use Vargo et

al.'s (2008) 'improvement in well-being' as our definition of value, be that at the individual, group, or organizational level.

Our findings contribute to theory in several ways. First, we develop a model of antecedents to diminished value outcomes, identifying the locus of these contributory factors (client, agency, or joint situated) and their provenance (resource deficiency or resource misuse). Second, our research findings expand understanding of value diminution by exploring the concept through the lens of multiple business-to-business relationship dyads rather than business-to-consumer service encounters. The context of our research – client-agency relationships – is characterised by intense customer participation in the creation of the service offering, multiple stakeholders, frequent provider-customer interaction in the context of an often long-term relationship, and complex work with an inherently ambiguous outcome. This combination of characteristics contrasts the typical business-to-consumer setting. Third, we propose a more accurate descriptor (*value diminution* as opposed to *value co-destruction*) for instances where realised value is suboptimal and less than potential value.

The literature review that follows examines value co-creation, value diminution, and then value co-creation in the context of the client-agency relationship. Next, we outline our research method. This is followed by the presentation and discussion of the findings, where we propose a model of the antecedents of diminished value outcomes. We summarise our contribution to theory, discuss implications for practice, and conclude by identifying areas for further research.

Literature review

Service-dominant logic and value co-creation

The nature of value is highly contested and has been the subject of considerable debate, (e.g. Sánchez-Fernández and Iniesta-Bonillo, 2007). Our understanding of value creation has been enhanced by the work on S-D logic (Vargo and Lusch, 2004, 2008, 2011) and the subsequent discourse. S-D logic challenges the goods-dominant logic of exchange in which value is embedded in a product, instead recognizing the importance of value-in-use and contending that value is co-created by supplier and customer (Vargo and Lusch, 2004). Value is not simply created by the supplier and passed on to the customer, because suppliers cannot create value unilaterally (Vargo and Lusch, 2008). Suppliers offer value propositions that have potential value for their customers (Ballantyne et al., 2011). Value is a perception on the part of the customer and is co-created and determined at the point of using, consuming, or experiencing the outcomes of service (Vargo and Lusch, 2004, 2008). Subsequent discussion in the literature has developed the idea of the complex and multi-faceted nature of value as a perception (Ballantyne et al., 2011). Value can be experienced by both the firm and its customers (Frow and Payne, 2011) or more broadly by a number of stakeholders (Kowalkowski, 2011), and will be evaluated in a wide variety of ways by those involved in proposing or deriving value (Hilton et al., 2012). Within the business-to-business sphere, value has been assessed in utilitarian, relational, and most recently, experiential terms (Mencarelli and Rivière, 2015).

Diminished value outcomes

In contrast with the literature that sees the interactive process as one that fosters value co-creation, interaction and value creation may not always be a harmonious process. Where conflict occurs, the value that is created may be reduced (Mele, 2011). Aarikka-Stenroos and Jaakola (2012) found that divergent perceptions of value between customer and supplier

lead to value conflicts that limit the attainment of value-in-use. Pinnington and Scanlon (2009) highlight the potential for value destruction because of disputes and power misuse. Crowther and Donlan (2011) identify incongruent strategic direction leading to ineffective resource integration. Value loss is also implicit in Grönroos and Gummerus' (2014) proposition that value realisation and fulfilment is dependent upon the extent to which actors are prepared for, and exploit, the value co-creation opportunity.

Besides the S-D logic perspective, value loss has been addressed, explicitly or implicitly, in interfirm relationship literature. While Zajac and Olsen (1993) propose that ongoing relationships create value, they acknowledge that conflict is an obstacle to value maximisation. Goal incongruence lowers the incentive for cooperation, resulting in the expenditure of valuable time and effort to resolve differences (Song et al., 2000). Unfairness has been identified as a relationship-damaging factor that has a negative effect on relationship performance (Samaha et al., 2011). While information exchange leads to increased value in the relationship, reaping the full benefit of information sharing is contingent on the content and quality of the information provided by one partner to another (Li et al., 2013). Delay or distortion of information leads to uncertainty (Bello et al., 2003). A frontline employee's understanding of customer needs is a key driver of value (Homburg et al., 2009). Where needs are perceived incorrectly, value will be reduced. Literature on the dark side of long-term relationships identifies value loss in the form of ineffective decision-making, loss of objectivity, and reduced innovation. These are attributed to staleness, similarity in thinking between relational partners (redundant knowledge), and excessive social capital (Anderson and Jap, 2005; Mooi and Frambach, 2012; Villena et al., 2011). Opportunistic behaviour in long-term relationships has a negative effect on satisfaction, communication, and relationship performance (Crosno and

Dahlstrom, 2008; Grayson and Ambler, 1999). Within the client-agency relationship literature, several value-reducing forces have been highlighted, including role ambiguity (Beard, 1999), client inability to evaluate creative work (Mills and Morris, 1986), poor project briefing (Koslow et al., 2006), client risk-aversion (El-Murad and West, 2003), and client-agency conflict (Devinney et al., 2005).

While the notion of value loss is not new, the term 'value co-destruction' is a recent addition to S-D logic. In their conceptual paper, Plé and Chumpitaz Cáceres (2010) argue that, while the notion of value co-destruction had previously been implicit in S-D logic, it had not been addressed directly. They propose that, through the accidental or intentional misuse of resources during interaction, the customer, supplier, or both, can cause value co-destruction. They define the misuse of resources as the integration or application of resources in a manner that is unexpected or considered inappropriate by another party. Two empirically based studies specifically address value co-destruction. The first, from Echeverri and Skålén (2011), defines co-destruction as the collaborative destruction or diminishment of value by providers and customers during interaction. The authors focus on the provider-customer face-to-face service encounter and explore the provider perspective in a single case study. They identify interaction practices that lead to either value co-creation or co-destruction. The second, from Smith (2013), describes value co-destruction as an unexpected resource-loss because of the firm's failure to fulfil its value proposition. Exploring resource loss from the customer perspective, Smith (2013) identifies customer loss of material, self-related, and social resources, energies, leisure, and hope, caused by organizations misusing their own, and customer, resources. Consequences of resource loss include negative emotions (anger, disappointment, anxiety) and negative behaviour (switching, negative word of mouth, complaining).

Client-agency value creation

Clients hire agencies for their creative ideas. The determinants of effective creativity, in the context of marketing communications, are generally cited as divergence and relevance (Smith and Yang, 2004). Amabile et al. (1996) describe the conditions necessary for creativity and innovation to flourish (table 1). They can be classified as human (skills and knowledge of employees), informational (collective knowledge of, for example, customers and competitors), organizational (routines, cultures, and competences), financial, and relational resources (Madhavaram and Hunt, 2008). We include capabilities (processes and procedures) as organizational resources (Kozlenkova et al., 2014).

Individual (or team) creativity	
Expertise	Domain-relevant knowledge; problem-solving skills
Creativity	Risk-orientation; flexibility; independence; lack of concern for norms
Task motivation	Intrinsic (more than extrinsic) motivation; commitment
Work environment	
Motivation to innovate	Risk-orientation; recognition and reward for idea generation; fair and constructive judgement of ideas
Adequate resources	Time; finance; information; people; training
Organizational practices	Goal clarity; sense of challenge; autonomy; sense of ownership; trust; open and active communication

Table 1. Factors influencing creativity (based on Amabile et al., 1996).

In the creative industries, there is a long tradition of the client (customer) collaborating with the agency (provider) to co-create the service and enhance the value outcome (West, 1999). In contrast with consumer markets where customers participate in the co-development of the offering *if* invited to do so by the provider and where control

remains in the hands of the provider, interaction between client and agency is different. First, no invitation is required because the client's participation in co-developing the creative output is mandatory (identifying the problem/opportunity, selecting and briefing the agency, and evaluating the agency's creative ideas). Second, given that the client is the ultimate arbiter of what the creative output will look/sound like, the balance of power is weighted towards the customer. An additional aspect of client-agency relationships is that value-in-use can emerge prior to final exchange since the client will evaluate the service experience, not just the creative output. For example, a client might benefit from, *inter alia*, the stimulating and rewarding experience of co-developing the creative output, or from enjoyable social interactions with agency personnel.

With regard to the beneficiaries of value (or the victims, or casualties, of value diminution), the customer in the client-agency relationship can be interpreted in its narrowest sense as the collective client organization, or in a broader sense as multiple customers, such as the brand manager who interacts with the agency, a senior manager, or a parent company. Value will be uniquely determined by each of these customers. Some might perceive value in economic (utilitarian) terms (increased revenues that accrue over the long-term once the advertising campaign has been aired), whereas a brand manager might determine value as the positive (hedonic) experience of self-expression afforded by the co-design of the creative output. Besides the customer(s), the provider in the relationship should be a beneficiary of value (Maglio et al., 2009). While the agency at the firm level will receive value through monetary exchange and potential customer lifetime value, value outcomes for other stakeholder groups, such as members of the agency's creative or account management teams, may be evaluated differently, given their unique needs and value systems (Kover and Goldberg, 1995). Thus, the client-agency dyad provides

a readily accessible, yet sufficiently complex, research context through which to examine the antecedents of asymmetric value outcomes.

In summary, interfirm relationship literature highlights a range of factors that negatively affect relationship performance and relationship quality, the most cited of which are conflict and opportunism. Several studies in the S-D logic literature allude to the possibility for value co-creation experiences to be sub-optimal, but only recently have studies specifically addressed value co-destruction. Our study contributes to the literature by investigating diminished value from a resource deficiency/misuse perspective.

Research method

Context

The context for our study is the relationship between clients and their creative agencies; specifically, advertising and design agencies, defined as knowledge-intensive professional services (Schertzer et al., 2013). Clients of advertising and design agencies are generally marketing practitioners rather than 'professional buyers'. Agencies, for their part, usually consist of two core functions: creative services and client services (or account management). Account managers are the boundary spanners who represent the expectations, needs, and ideas of each side (client and agency) to the other (Walter, 1999). The creative process, in the context of client-agency relationships, includes problem identification, creation of the brief and agency briefing, idea generation, idea evaluation and modification, and finally idea selection and production. Once produced, the client will put the creative idea to use in the marketplace and assess the value it delivers over the longer term.

Data and sample

We adopted an in-depth qualitative approach for the study, given the need for exploratory research to develop insights into value diminution. We considered a flexible approach more appropriate because of the under-researched nature of the concept and the need to understand context. We adopted a case study approach because it is appropriate for theory development (Eisenhardt, 1989) and because it facilitates study of the holistic characteristics of organizational processes and interorganizational relationships (Robson, 2002). We used purposeful sampling – the strategic and purposeful selection of information-rich cases (Patton, 2002) – to ensure coverage of client-agency relationships that have a steady stream of substantial projects and frequent interaction. We considered it important to include organizations of varying size as this might uncover a broader range of perspectives and be more representative of the population. The case studies consisted of paired clients and agencies, and captured creative and client services perspectives from all but one of the agencies. We felt this would be revealing, given the acknowledged differences in their respective value systems (Kover and Goldberg, 1995). We report findings from nine case studies consisting of 25 semi-structured, one-to-one interviews lasting an average of 60 minutes each, with specific interview guides for each respondent-type. We conducted interviews in 2013 in the south of England at the respective offices of each client and agency organization. There were seven client respondents, 10 client services respondents, and eight creative services respondents. The imbalance in respondent types is explained by the fact that in one case (case number 3) we were not permitted to interview a creative representative, while in another (case number 6), we had the opportunity to

interview two representatives from client services. In two instances, client respondents recommended that we interview two of their respective agencies because of the different relationship dynamics with each agency, with the result that cases 6 and 7 share the same client, and cases 8 and 9 share the same client. For the client organizations, we interviewed marketers ranging from brand manager to marketing director. On the agency side, client services respondents were either account managers or account directors, while creative personnel were either senior creatives or creative directors. Client organizations ranged in size from 20 to 700 million turnover (GBP), while agencies ranged in size from 10 to 400 employees. Table 2 summarises the contextual information for each of the cases.

Case	Client firm	Agency firm (number of employees)	Length of relationship to date	Client respondent (years of experience)	Client services respondent (years of experience)	Creative services respondent (years of experience)
1	National drinks' wholesaler	In-house advertising and design agency (11)	Not applicable	Marketing manager (7)	Studio manager (12)	Senior designer (12)
2	Global beverages' producer	Graphic design agency (15)	10 years	Senior brand manager (13)	Managing director (30)	Creative director (17)
3	Global food manufacturer	Advertising agency (400)	6 years	Marketing director (20)	Group account director (9)	Unable to conduct interview
4	National safety certification service provider	Graphic design agency (20)	2 years	Brand manager (15)	Account manager (3)	Senior creative (8)
5	National housebuilder	In-house advertising and design agency (10)	Not applicable	Marketing manager (20)	Studio manager (24)	Senior designer (16)
6	Global transport service provider	Graphic design agency (25)	9 years	Head of marketing (30)	Senior account manager (8) Group account director (20)	Creative director (15)
7	As per case 6	Graphic design	18 months	As per case 6	Group account	Creative director (14)

		agency (55)			director (15)	
8	Global food manufacturer	Graphic design agency (18)	5 years	Brand manager (10)	Senior account manager (11)	Creative director (17)
9	As per case 8	Advertising agency (27)	5 years	As per case 8	Managing director (30)	Creative director (20)

Table 2. Contextual information for study participants.

Data analysis

Interviews were recorded and transcribed by the researchers. We imported transcripts into Nvivo 10 for coding and followed an analytic process based on Gioia et al. (2013). The process, which organises data into first- and second-order concepts, enhances qualitative rigour by demonstrating the progression from raw data to theoretical constructs. First, we selected a particularly ‘rich’ transcript from each respondent type and analysed these three transcripts, line by line, in order to develop an initial list of first-order concepts. This task was conducted independently by two of the researchers. We then compared the two lists of concepts in order to identify similarities and differences, and refine the list. This process of “check-coding” improves reliability and definitional clarity (Miles and Huberman, 1994: 64). As subsequent transcripts were coded, the set of concepts expanded. Once the initial coding was complete, we searched for relationships between first-order concepts in order to categorise them into higher, second-order concepts. This was followed by a process of abstraction to overarching aggregate dimensions. For example, *risk aversion* and *fear of opportunism* were aggregated to the theoretical dimension of *absence of trust*. The process (summarised in figure 1) was extended across the whole data set.



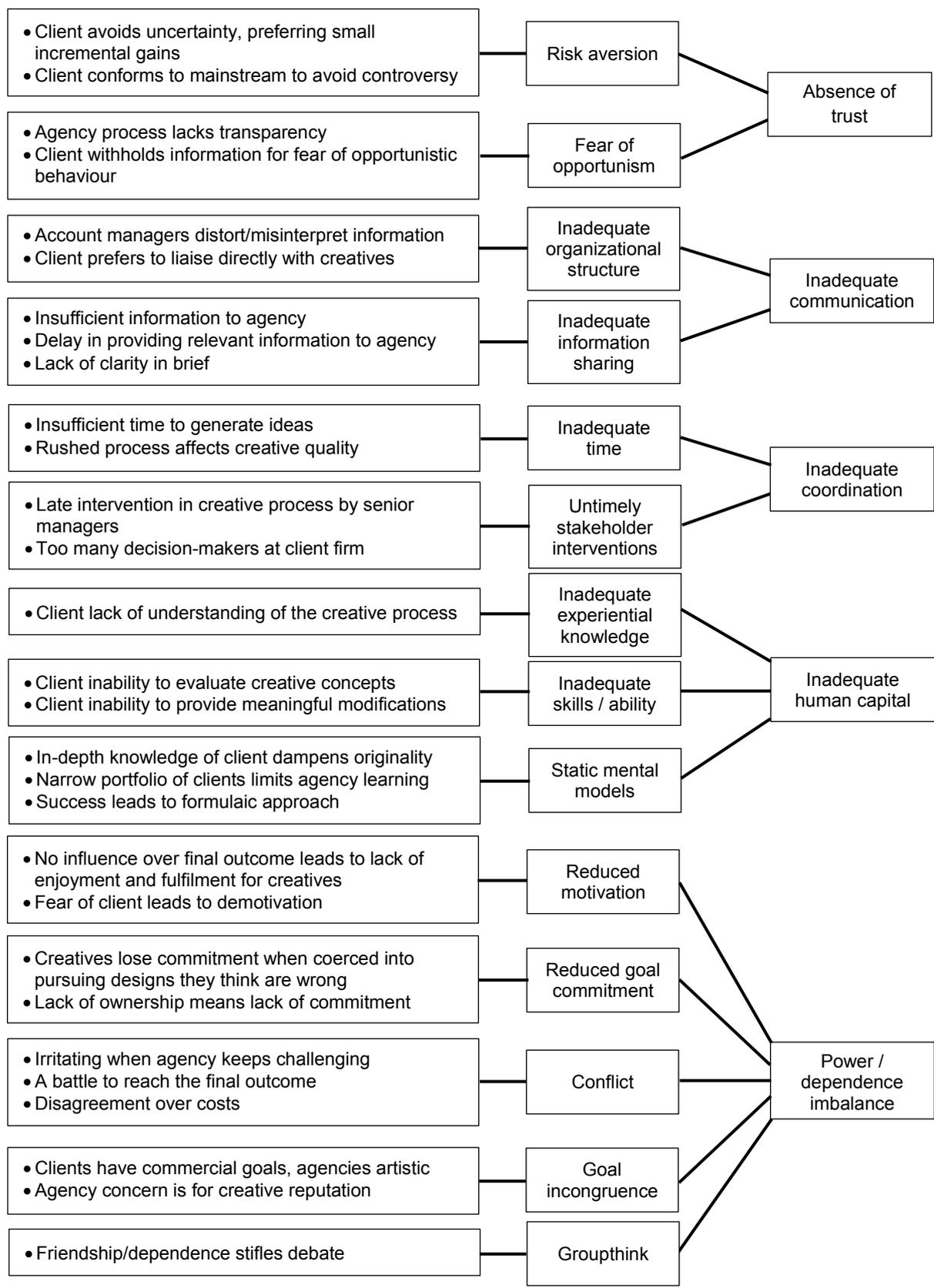


Figure 1. Data analysis framework.

In the interests of establishing trustworthiness, we show, in table 3, “proof quotes” (Pratt, 2008: 501), to provide supporting data for our second-order concepts. These are additional to the quotations contained in our findings section.

Second-order concepts	Representative respondent quotations
Risk aversion	<p>“Marketers are also less willing to take risks as they’re under pressure from finance directors to deliver higher ROI.” (Managing director, case 9)</p> <p>“It’s frustrating if you want to try and do something and the communications team say ‘no, bring it back, you’ve gone too far’.” (Studio manager, case 1)</p>
Fear of opportunism	<p>“Trust is about giving me ideas because they think it’s a good idea for what I need, rather than giving me ideas because they’re trying to manufacture work for themselves.” (Client, case 4)</p> <p>“Ultimately, you have to have confidence in the relationship. We used to have a relationship with another agency and it wasn’t transparent. We need to see exactly how many hours are used and what we get for that.” (Client, case 6)</p>
Inadequate organizational structure	<p>“Attending a meeting, hearing it first hand from the client can be key, rather than from the account team. Even if it’s perfectly well communicated back, you sometimes lose the emphasis on a word.” (Creative director, case 2)</p> <p>“Sometimes, if I’m feeding back to an account manager, if I feel that communication is being lost in the middle, it can be irritating. I’d much rather deal with a creative.” (Client, case 4)</p>
Inadequate information sharing	<p>“Some clients are shabby about getting us a proper brief which is dangerous because you can go back with work and they say ‘it’s not on brief’ and you’ve got nothing to fall back on.” (Account director, case 3)</p> <p>“Clients waste a lot of money...We say ‘why didn’t you tell us that in the first place?’” (Creative director, case 8)</p>
Inadequate time	<p>“Time is a huge issue. That’s one of the reasons why I talk about research through gritted teeth...You have less time to make decisions. Less time to generate the work.” (Account director, case 3)</p> <p>“Ultimately, the biggest, biggest issue is time. If you’re under pressure because time is short, everything gets squeezed.” (Client, case 3)</p>
Untimely stakeholder interventions	<p>“There are too many stakeholders in large organizations. The senior people haven’t been involved all the way through. They haven’t lived it and then they make significant changes at the last minute.” (Managing director, case 2)</p> <p>“Allow us to present to the decision-makers so that we can have meaningful conversations immediately...Clients waste a lot of money by making a design go up the chain and then it comes straight back down again.” (Creative director, case 8)</p>
Inadequate experiential knowledge	<p>“Others haven’t a clue how we work. They think we just press F12 and something shoots out of the printer.” (Studio manager, case 1)</p> <p>“There’s a lot pf people out there who think they know what they’re talking about but don’t.” (Managing director, case 9)</p>
Inadequate skills and ability	<p>“They don’t have the slightest clue what they’re doing.” (Account director, case 6)</p> <p>“I don’t think there’s loads of training for clients about how to judge creative work.” (Account director, case 3)</p>
Static mental	<p>“We’ve just lost the pitch for [Brand N] for 2015. We gave the client what we thought she</p>

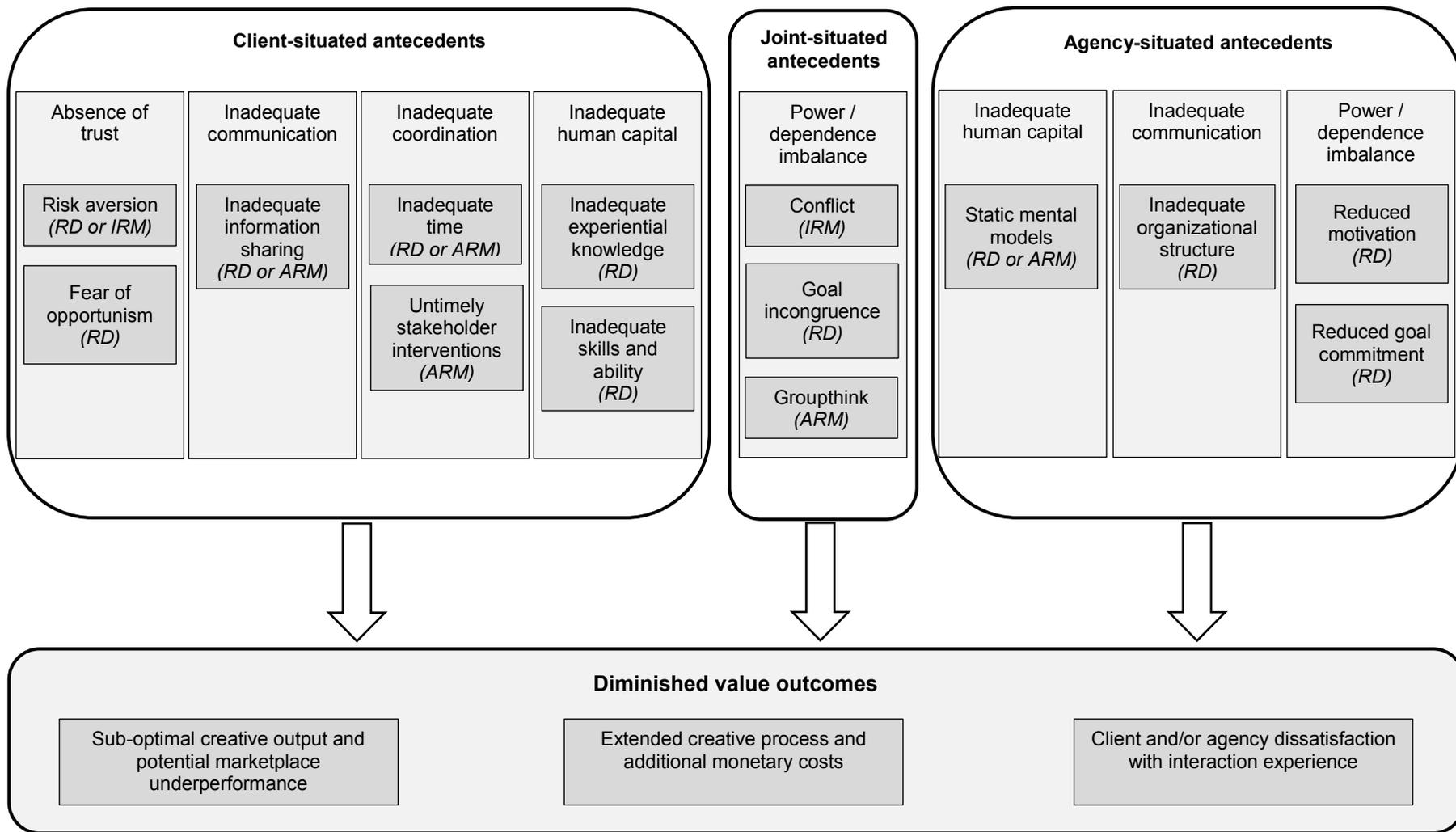
models	would go for, having worked with her for years, but in the end it wasn't her making the decision, it was her boss. We lost sight of the bigger picture." (Account manager, case 8) "They're not keen to try new things. They don't get experience of designing outside the sector." (Client, case 4)
Reduced motivation	"We had a client who had very strong opinions and didn't demonstrate trust in our judgement. We were there simply to do exactly what the client said. This started to get the team down. They began to look demotivated." (Account manager, case 6) "You become almost like a workshop and they ask you 'can you put this colour on there and that logo there' and we become like puppeteers." (Creative director, case 2)
Reduced goal commitment	"Ownership of an idea is important. If they have that, they'll be committed. You've got to give them the opportunity to own the idea. Otherwise they'll lose that passion and the end result might be good but not amazing." (Creative director, case 7)
Conflict	"There's a lot of stuff that the agency gets frustrated with. If you don't sit down and wash it all up...what worked, what didn't work, it could fester." (Client, case 3) "There can be conflict...Some are easy to get on with, some are stubborn. Take [Client 5]; if she doesn't like something she'll dig her heels in and cause you grief." (Creative, case 5)
Goal incongruence	"The trouble with many agencies is that for them it's all about hours, whereas for the client it's about the output." (Head of Marketing, case 6/7)
Groupthink	"Friendships are fine until something goes wrong. If it's someone you've been in the bar with one night, and then you try to have a conversation when something has gone wrong, I think that can be quite hard." (Account director, case 3)

Table 3. Supporting data for second-order concepts.

Findings

The data structure illustrated in figure 1, showing second-order order concepts and aggregate dimensions, provided the basis for our model (figure 2) of diminished value outcomes and their antecedents. Figure 2 shows the five theoretical dimensions with their constituent concepts (as shown in the data analysis framework), as antecedents to three key diminished value outcomes identified in our data. All of the antecedents have the potential to lead to one or more of the diminished value outcomes. For example, conflict leads to dissatisfaction with the interaction experience, extends the process and increases the cost of reaching the creative outcome, and from the perspective of the partner (usually the agency) forced to concede to the wishes of the dominant partner, leads to an outcome that is less effective than it might have been. We categorise the antecedents as client, agency, or joint-situated resources. This approach is similar to Payne et al.'s (2008) value co-creation

conceptual framework that identifies three sets of interconnected processes (customer, supplier, and encounter). For example, agencies regard clients as risk averse (shown as a client-situated antecedent) while clients accuse agencies of rigidity of thinking which we refer to as static mental models (thus, an agency-situated antecedent). Figure 2 also differentiates between resource deficiency and resource misuse (whether accidental or intentional). For example, we see inadequate experiential knowledge as a resource deficiency, whereas we regard inadequate information sharing either as a resource deficiency, when information is unavailable, or as an accidental resource misuse, when clients fail to share information in a timely manner. The reporting of our findings is anchored around the three domains (client, agency, joint) and their relevant aggregate dimensions and constituent concepts.



RD = resource deficiency
 ARM = accidental resource misuse
 IRM = intentional resource misuse

Figure 2. Antecedents of diminished value outcomes in client-agency relationships.

Client-situated antecedents

Absence of trust

Agencies complain of a climate of caution that stifles innovation, accusing clients of *risk aversion*. They attribute this in part to a lack of trust in the agency. They believe that, once trust has developed, the client will be more inclined to follow the advice of the agency and take risks: “they’re risk averse. It comes back to trust in the agency. Once they know we deliver and get results, they’ll commit” (Account director, case 7). In figure 2, we show risk-aversion as a symptom of a lack of trust (Mayer et al., 1995) and a resource deficiency. An example of the client’s risk-aversion is the perceived excessive use of focus groups to pre-test creative work and minimise risk. Agencies argue that pre-testing reduces levels of creativity because consumers evaluate creative work within a limited frame of reference: “they’re going to research the hell out of this and we’ll be left with a generic piece of work” (Creative director, case 2). This encourages agencies to create campaigns that will get a ‘green light’ in pre-testing at the expense of creating novel ideas: “everything becomes tactical and this means it doesn’t always create the big emotional idea” (Managing director, case 9). Agencies argue that risk-averse clients favour predictability over novelty, rejecting the agency’s truly creative work. By misusing the ‘risk orientation’ resource, they fail to actualise the full potential of the value proposition (Vargo and Lusch, 2008) offered by the agency.

In two cases, agencies highlighted a tendency among some clients to withhold information because of a *fear of opportunism* by the agency:

They think that if they tell us how much they’ve got, we’ll spend every penny. Of course, we’re a business and we’re here to make money, but our motivation is to

deliver the best work we can, which is mutually beneficial...We could help them but they don't give us the chance. (Account Director, case 7)

Fear of opportunistic behaviour reduces the value created for the client by inhibiting the agency's ability to maximise value for its partner. Fear of opportunism is indicative of a lack of trust, since information exchange inevitably involves risk (Gong et al., 2013). In figure 2, we show fear of opportunism as a symptom of a lack of trust in a partner, and identify this as a resource deficiency.

Inadequate communication

Inadequate information sharing was highlighted by agencies as a significant barrier to effectiveness and efficiency. There were information deficiencies at operational and strategic levels. Operational information relates to executional detail: "You know, it's so vague sometimes. For example, it will just say 'banner size'. It relies on the designer going back and asking the right questions, but if you get a designer who says 'I'll just do the job as it is', you can get the wrong result" (Studio manager, case 1). In addition, there were deficiencies in terms of more fundamental, strategic information that guides the agency's entire approach to concept development: "to design something that's going to create wealth, we need to understand the client's strategy" (Creative Director, case 8). Information was described as insufficient, ambiguous, or late: "I think previously we've gone wrong because the brief isn't tight enough or we're not aligned around what we're trying to achieve" (Client, case 3). When agencies lack information, the consequence is that they are less likely to reach a satisfactory creative solution with their first attempt. The ramifications of an extended creative process are diminished value outcomes for both parties in the form

of additional financial resource to fund further stages of creative development, the potential for missed launch date and sales, and client and agency dissatisfaction with the interaction experience:

There was a time when we used to get 15 to 20 proofing stages with marketing. They didn't understand the cost of that and the effect it has on the people within the studio. I went to them and said 'do you realise what all these changes are costing? Do you realise the effect it has on the designers? Do you realise you won't get your brochure printed on time for the launch of the development?' (Studio Manager, case 5)

In figure 2, we show inadequate information sharing as a component of communication, and identify it as a resource deficiency or accidental resource misuse.

Inadequate coordination

Amabile et al. (1996) suggest that extreme time pressures reduce creativity in task outcomes. In our study, *inadequate time* for idea generation (a resource deficiency) is identified by agencies as a significant inhibitor of value realisation: "it restricts creativity more than anything else" (Creative director, case 2). Agencies acknowledge there is a balance to be struck between satisfying the realities of the commercial world and creating a memorable piece of creative work, but argue that the balance is wrong and that clients fail to appreciate the time required for idea incubation. Client 3 acknowledged instances where advertising had been aired that was not as good as it might have been: "it's 90% there, but the extra 10%? Maybe with more time we could have got more drama." Insufficient

resource allocation leads to an outcome of diminished value. In figure 2, we explain inappropriate time allocation by the client as a coordination issue – a mismanagement of workflow and tasks (Bruns, 2013) within the client firm that interferes with the agency's ability to perform to its full potential.

Clients and agencies highlight the disruption that can ensue when senior managers, excluded from the early stages of the creative process, are invited to give feedback on the agency's creative work just prior to it moving to the production stage. We refer to this as *untimely stakeholder intervention* and it is an example of institutional norms and processes – coordinating mechanisms – shaping actors' behaviour and, in this instance, constraining resource integration and value co-creation (Edvardsson et al., 2014). In our study, the view of senior managers often contradicts the perspective of the junior managers who briefed the project, resulting in an unravelling and re-briefing: "I send the client the design. They show it to their line manager and then all the comments come back and you find they want something completely different" (Creative, case 5). Multiple perspectives lead to delay, jeopardising timely fulfilment of the project: "If I'd been making the decisions we'd have got there a year earlier. It was a long and slow process. I got the decisions I wanted, but it took a long time." (Client, case 4). In figure 2, we show untimely stakeholder intervention, evidenced by poorly timed feedback and a lack of synchronization of actions inside the client firm, as a component of coordination. The result is delay, and additional stages of costly creative development, diminishing value realisation.

Inadequate human capital

Agencies accuse many clients of *inadequate experiential knowledge, skills and ability* to perform their role:

Some are very creatively minded and can see where the concepts are going. Others don't have that ability and get scared...They aren't capable of seeing beyond a basic concept. They don't have the skill or training. Those that are capable can contribute, but it's dangerous getting clients involved in the early stages. (Account manager, case 6)

Given the necessity for a significant degree of client co-creation, a deficiency of requisite knowledge and skills can reduce the quality of the creative output, thus diminishing the value of the service outcome. One of the more experienced clients in our sample admitted to feeling uncomfortable when evaluating creative ideas: "I enjoy it, but sometimes I'm not all that confident" (Client, case 2).

A deficiency in task-related expertise and knowledge might be less of a problem if clients were motivated to learn from agencies (the experts). However, agencies suggest that some clients are unwilling to follow advice or learn from them:

Increasingly now you get people who are less effective and less competent, but they think they know better than you. Some can be open to learning from their agencies, but most are defensive and purport to know when they don't. This can compromise the quality of work. (Account director, case 6).

Thus, agencies suggest that the potential value inherent in their creative skills is not fully realized because of the inhibiting and conflicting actions of clients. In figure 2, we

explain inadequate client knowledge and skills as a resource deficiency in context-specific human capital (Ployhart and Moliterno, 2011).

Agency-situated antecedents

Inadequate human capital

Clients complain of the rigidity of thinking of some agencies. They develop, albeit unintentionally, *static mental models*. Mental models are deeply ingrained assumptions and generalizations (Senge, 1990). In the context of the creative industries where innovation is crucial, static mental models lead to an inability to adapt or generate novel ideas. In some instances, this is explained by a routinized environment, where the scope of creative work is limited to a small number of client firms or product/service sectors, and there is little or no exposure to new contexts. One client complained that she had to compensate for the creative team's lack of creativity by inputting more ideas of her own: "they are too restricted in style. It has to come from me. A high proportion of the finished product is mine" (Client, case 5). A second explanation is the accidental misuse of relationship-specific knowledge (Ballantyne, 2004); ordinarily, a value-creating resource that develops through repeated interaction between relational partners. However, extensive knowledge of the client can encourage the agency to respond to problems with familiar solutions:

You get used to working with clients and give them what you think they're going to buy, but you stop inspiring them...then they wake up and realise they're not getting the creativity they want. (Creative director, case 7)

Inadequate communication

In our study, several clients identified the agency account manager as a barrier to effective communication between client and creatives, leading to client frustration at having to relay information more than once before it is actioned: “I’m not always confident that what I say is relayed correctly to the creatives. The whole process is elongated” (Client, Case 9). Several creatives said they liked to attend project briefings because there is no substitute for hearing, first hand, what the client wants. No matter how good the account manager, creatives feel that nuance and emphasis is lost: “the more the creative develops a relationship with the client, the more chance there is that the job is right, and right first time” (Creative director, case 8). Therefore, in figure 2 we show inadequate organizational structure as a resource deficiency, impeding direct interaction and communication between clients and creatives.

Power/dependence imbalance

Given the perceived ease with which agencies can be substituted, there is a *power and dependence imbalance* in client-agency relationships. Agencies complain that some clients misuse their power, showing a lack of respect for the agency’s expertise, overruling agency recommendations and coercing them to pursue creative directions against their better judgement. The imposition of creative solutions on the agency leads to *reduced motivation* among the creative team:

They tell us what they want and we do it. With clients like that, we don’t feel ownership...You end up being the person who uses the software and moves the mouse. In all honesty, they don’t get much value out of us working in that way...but ultimately you need to do as they say (Creative, case 5)

Lack of control of the creative process leads to a reduction in perceived ownership and *reduced goal commitment*. Goal commitment is an important antecedent of task performance (Wofford et al., 1992):

Creatives don't want to progress something they fundamentally disagree with. They lose some of their commitment. They'll do it because they have to, but you know they're not putting their hearts into it." (Account manager, case 8)

In figure 2, we show the imbalance of power and dependence explaining reduced motivation and goal commitment. These resource deficiencies lead to sub-optimal creative output – a failure to realise full potential from the agency's value proposition.

Joint-situated antecedents

Power/dependence imbalance

From the client perspective, there is a feeling that some agencies are stubborn and obstructive, resulting in *conflict* and an extended creative process: "they continue to insist on doing things their way, and it delays the whole process...don't get me wrong, they have produced great work in the past, but it's a battle to get there" (Client, case 9). Agencies also talk of battles and wasted time:

We spend hours fighting battles, or sorting problems that they [clients] created. The relationship becomes unbalanced. We end up wasting our time and gain very little financially. (Account manager, case 6)

The consequence of conflict is reduced value from the interaction experience. Respondents attribute much of the conflict to *goal incongruence*, or different perceptions of what constitutes value (Song, Xie, and Dyer, 2000):

The agency loves the story telling, the artistic element, but they're not keen on the brand side of things. We're trying to sell a product; they're trying to promote their artistic work, so that's where you can have tension (Client, case 3).

Groupthink refers to a defective mode of decision-making that emphasises consensus and the avoidance of conflict at the expense of a careful analysis of all the alternative options (Janis, 1982). Although not widely mentioned in our data, we include the concept in figure 2 because of the exploratory nature of the research. We relate groupthink to dependence, since reliance on a relational partner encourages consensus. The account manager in case 9 admitted to finding it difficult to challenge one of her agencies because of the strong social bond she feels: "it does make it more awkward...I feel more comfortable telling [Agency 9] that what they've done is rubbish, whereas I wouldn't want to say that to [Agency 8]". Interpersonal cohesion suppresses disagreement (Brockman et al., 2010). There is an incomplete search for, and evaluation of, alternative creative solutions with the result that the chosen creative option may not be the one most suited to maximising potential value.

Discussion and contribution to theory

Although the notion of value destruction is not new, only a limited number of papers have examined the concept through the lens of S-D logic. We contribute to the growing debate on value destruction (or *value diminution* as we prefer to call it) in a number of ways. First, we answer calls to explore the concept simultaneously from supplier and customer perspectives (Smith, 2013) and in a business-to-business context (Echeverri and Skålén, 2011). Given the interactive and reciprocal nature of value creation, and the subjectivity of value judgements, there is a strong case for examining value diminution from both supplier and customer perspectives. Furthermore, the complexity of value realisation in business-to-business contexts, where value for the buyer and seller can be much more than the core product delivered and the monetary reward received, warrants investigation from a value diminution perspective. Our research context is particularly suitable given that it is one in which there is considerable customer participation in the value creation (and potentially, diminution) process, and in which multiple benefits can accrue to provider and customer.

Second, we answer the call to identify the causes of reduced value outcomes (Plé and Chumpitaz Cáceres, 2010) and offer a model of antecedents to diminished value (figure 2). We identify five overarching resources that, through deficiency or misuse, explain suboptimal value outcomes: trust, communication, power/dependence, coordination, and human capital. All of these, with their constituent elements, have been identified previously as important to relationship performance. However, to the best of our knowledge, our paper is the first to investigate their role as misused or deficient resources in value diminution.

Trust is a critical construct within relationship development (Morgan and Hunt, 1994). When firms trust, they are more likely to be open and take risks (Mayer et al., 1995). Risk-taking is considered an intrinsic component of creativity (Amabile et al., 1996). In our

study, absence of trust influenced the propensity of clients to take risks. Since originality is a key determinant of creativity, and creativity is instrumental in differentiating one brand from the next (El-Murad and West, 2003), the tendency to favour safety over novelty reduces the potential value outcome for the client in terms of market performance. In addition, fear of agency opportunistic behaviour led to client unwillingness to share information, hampering decision-making (Dyer and Hatch, 2006) and resulting in actions that fail to deliver full value potential.

The relationship marketing literature highlights the importance of *communication* – the exchange of timely and meaningful information (Mohr and Nevin, 1990) – for value creation in buyer-seller relationships (Dyer and Singh, 1998). In our study, agencies complained that information is frequently incomplete, ambiguous, or late, leading to an extended co-creation process and diminished value in the form of additional costs. A highly formalized organizational structure was cited as a barrier to communication, hindering resource integration and co-creation (Edvardsson et al., 2014).

Dyer and Singh (1998) propose that *power and dependence* asymmetry and the exercising of coercive power undermine a relationship by reducing the dependent partner's willingness to invest in the relationship. In our study, agency personnel reacted negatively to reduced autonomy and the perception that their goals were secondary. Conflict and reduced motivation lead to diminished value for client and agency in terms of interaction experience and creative output.

Coordination of interface processes between management levels has a strong influence on the quality and timeliness of decision-making (Raes et al., 2011). Interactive value creation is reliant on good coordination (Eichentopf et al., 2011). Agencies complained of poor coordination inside the client organization, evidenced by the late intervention of

senior managers in the decision-making process or insufficient time, leading to higher costs, delay, or reduced opportunity for idea generation.

“Required firm-specific *human capital*” is the combination of knowledge, skills, and abilities that is necessary to satisfactorily complete tasks and create value (Molloy and Barney, 2015: 311). When one party in the co-creation process lacks necessary specialised competences, the result can be task misperformance (Etgar, 2008). In our study, agencies highlighted the limited ability of junior managers, leading to reduced value through poor decision-making. For their part, some clients pointed to reduced originality from agencies as the relationship developed. While domain-specific knowledge has been identified as a value-creating resource, it also manifests itself as a tendency to respond to novel tasks with old problem-solving frameworks (Devine and Kozlowski, 1995).

An additional contribution of our paper is the suggestion that *value diminution*, rather than value destruction, more accurately describes scenarios (of which there are many in this study) where value outcomes may be perceived as less than satisfactory (for example, a sub-optimal creative output), but where an element of the value proposition has still been realised. While it may be convenient to refer to the opposite of value creation as value destruction, it is inappropriate as an all-encompassing term. In many instances too, the blame for the less than satisfactory outcome can be attributed to one party, making the term *co-destruction* doubly inappropriate.

Adopting the terminology of Plé and Chumpitaz Cáceres (2010), our antecedent factors are categorised as examples of resource deficiency (for example, experiential knowledge), accidental resource misuse (for example, poor coordination of stakeholder interventions), or intentional resource misuse (for example, coercive power). However, the assessment as to whether a resource is deficient or misused may vary between service

systems. For example, while the client may insist that time is restricted (a resource deficiency), the agency may feel that this is the result of poor coordination by the client (accidental resource misuse). Thus, whether an actor is regarded as a casualty of resource deficiency or a victim of resource misuse is value-laden in itself. Consequences are compounded when the deficiency of one resource (for example, trust) negatively influences the provision of another requisite resource (for example, information provision). In this instance, the value-facilitating potential of the service provider's resources (i.e. creative skills) is reduced because of the imposed resistance to resource utilization and integration (Vargo and Lusch, 2011).

Research into asymmetric relationships suggests that smaller suppliers may have to give up individual goals to maintain a relationship with a larger customer (Johnsen and Ford, 2008). Our research provides some evidence for the asymmetric distribution of value (Edvardsson et al., 2011). Agencies often perceive themselves to be sacrificing creative integrity to satisfy clients and maintain a vital revenue stream. They are obliged to implement what they deem to be ill-informed client requests. They respond by surrendering 'psychological ownership' of their work. Thus, while the client receives the creative output requested, and the agency still derives economic value in the form of revenue, the agency's creative personnel are denied the potential intrinsic and emotional value that emanates from the creative process. The distribution of value is uneven.

Finally, the extent to which value has been created or diminished will be determined individually by resource integrators. In our study, value determination is made more complex by the ambiguity inherent in the creative industries, which stems from lack of task clarity and from evaluative subjectivity (Devinney et al., 2005). Although the creative output may have been created collectively, it, and the interaction process, are experienced

subjectively. Even if an advertising campaign is deemed successful in creating incremental sales and meeting the target return on investment, one or both service systems might still argue that the value created was less than it might have been, had resources or resource application been optimised.

Managerial implications

On completion of the analysis of our research findings, we conducted a series of workshops for client and agency representatives in which we shared our findings and gathered feedback. Several of our research participants attended as delegates. We use this practitioner feedback as a foundation for our managerial implications.

Regarding conflict, clients in the workshops attributed this in large part to a lack of agency understanding of the 'client world'. They suggest that agencies need to appreciate the internal pressures that confront clients, including time and budget restrictions, and the differing expectations of stakeholders. Clients are rarely free agents. In order to minimise conflict, agencies need to demonstrate greater empathy for the client's predicament and less intransigence.

Junior clients admit that, just as agencies lack an understanding of the client world, they lack knowledge of the creative process and of how to manage the agency team. We suggest that agencies take responsibility for client training in the creative process, organising an induction day at the agency for new managers. However, training in how to manage business relationships must be implemented within the client firm. While junior managers can and do learn on the job, some element of training would reduce the risk of poor decision-making and relationship-damaging behaviour. As one client delegate put it: "[our inexperience] is as disconcerting for us as it is for agencies".

With regard to fear of opportunistic behaviour, clients in larger organizations suspect they are regarded as 'cash cows' and charged more because of their ability to pay. Time-consuming arguments over costs quickly sour a relationship. Agencies need to be transparent about the costing process and keep clients informed of any potential mismatch between initial estimate and final invoice. Agencies must also inform clients of their responsibilities; inadequate or late information results in delayed and costlier outputs.

In relation to the concept of rigid thinking, agency delegates at our workshops, supported by clients, talked of the importance of being aware of the "stage of the journey you are on". There was agreement that agencies are slow to adapt to changing client needs. Possible solutions include giving newcomers the freedom to challenge, rotating employees from one team to another, and hiring freelance contactors on an ad hoc basis.

Client delegates agreed it is useful when creatives are present at meetings because there is an immediate response to questions. However, some agency delegates indicated that not all creatives take kindly to hearing their work criticised. Receiving negative feedback first hand from the client would be, as one agency delegate put it, "like putting two warring countries together in a room". Furthermore, giving the client freedom to speak to either account manager or creative may exacerbate, rather than minimise, the risk of miscommunication and role ambiguity. The bigger the agency, the more likely it is that fixed lines of communication are required to ensure clarity, consistency, and efficiency.

Limitations and future research

Suggestions for future research emanate from the methodological limitations of this study. Future research in business-to-business contexts could explore value diminution across a broader range of industries, particularly given the idiosyncratic and asymmetric nature of

supplier-customer relationships in the creative industries. Given our focus on developing a broad model, further research could investigate the influence of individual relationship contexts on each antecedent in our model. In fact, client 3 in our study highlights the fact that, while her firm is risk averse, preferring the certainty of incremental growth, other firms have a greater propensity to take risks and accept mistakes in the pursuit of higher rewards. A longitudinal study would also be beneficial since this would overlay relationship development and dynamics onto value creation. It would reveal whether value diminution, resource deficiencies, and resource misuse are more, or less, prevalent at a given relationship lifecycle stage. It would also be interesting to test whether resource deficiencies and resource misuse have differing levels of impact on value outcomes. Finally, while this study was exploratory, with the aim of providing insights into a currently under-researched area, a quantitative approach would test the model, facilitating generalization.

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