

CO-CREATION EXPERIENCE: ENHANCING THE VALUE THROUGH FLEXIBLE SYSTEMS AND SUPERIOR TECHNOLOGY

Dr Kumar Shalender*

Associate Professor, Chitkara Business School, Chitkara University

Mob: 9717902957, Email: kshalender@gmail.com

Mr. Rajesh Kumar Yadav**

Assistant Professor, Amity School of Business, Amity University, Noida, Uttar Pradesh.

ABSTRACT

The concept of value co-creation is defining new contours of marketing nowadays. Using the literature review and expert interviews, this study delves into detail of value co-creation and underlines the important role of flexible system and superior Information Technology infrastructure in enhancing the value of the product and services offered by an organization. The study identifies various attributes of the flexible system and Information Technology infrastructure which are then used for the underpinning of a conceptual framework. We also relate the value co-creation as an effective strategy against the superior business performance and hedge against the competition. The study concludes with the implications for practitioners and scholars while describing the future course of action.

Key Words: *Customer, Flexible system, Information Technology, Value co-creation*

INTRODUCTION

In the last half-a-decade the theoretical as well as technological advancements emphasized the importance of value co-creation for customer satisfaction and marketing performance (Gurau, 2009). The role of co-creation experience in enhancing the customer value and providing superior business performance couldn't be overemphasized today. More and more marketers nowadays are using co-creation of product and services by involving their customers to a great extent which is a Win-Win situation for both businesses and the customers (Boulding et.al. 2005). Marketers are benefited because they do not need to focus much on the customer retention as the experience of co-creation give the customers' sufficient indication that marketers are concerned about their real need and want. In return, the customers have an opportunity to make the

necessary changes according to their taste and preferences which make their product and services as unique as they feel they are.

Now attractive this proposition may sound the very process of co-creation is a very difficult task to achieve in the reality. It requires a comprehensive makeover of the business - change in the culture, hierarchy, infrastructure, technology support, and more importantly, willingness to include the customer as a part of the production chain. All of these factors are very important in achieving the end objective but as the research demonstrates, the flexibility in the working systems and presence of superior Information Technology support are going to be a key differentiator between an average performer and the superior performance (Prahalad and Ramaswamy 2005). The purpose of the study is, therefore, is to lay down the conceptual framework of the value co-creation model that help to make the implementation of the process easy for the organisations by the use of superior Technology and flexible systems. The variables of system and Information technology are revisited from value co-creation perspective and a conceptual Framework has then been proposed towards the end of the study which will be converted into a full-fledged model and tested for its empirical validation later on.

LITERATURE REVIEW

Flexible systems: The very first variable, i.e., flexible system is the ability of system to recalibrate inputs and outputs in a short period in response to changing environmental context (Grewal and Transtutaj, 2001). This aspect helps the organization to take quick decisions on variety of issues (e.g. in case of marketing, the decision could be on aspects of 4 P's of marketing: Product, Price, Place and Promotion). By quick, responsive, and tailor made efforts that are based on changed preferences of target consumers, flexible system helps a lot on the co-creation. This could, in turn, helps to increase the customer loyalty; thereby making customer retention more effective and cost-efficient.

Another example of flexible system value enhancement can be of the fact that it allows the customer to have enhanced participation in overall business processes. As consumers do not buy products and services but rather life-enhancing experiences (Vargo and Lusch, 2004), enhancing their participation will lead to further the longevity of the mutual relationships. In fact Prahalad and Ramaswamy (2004) suggested that nowadays the value is co-created by companies together with their customers as well as partners. This makes it even more mandatory to have flexible

system in the organization. Benefits will accrue in form of loyal customers as customer now feel more approachable and have escalated signs of brand loyalty.

Superior Information Technology Infrastructure: Superior Information Technology Infrastructure (ITI), in contrast to direct benefits provided by marketing and service, takes the back-up role in up lifting the effectiveness of co-creation experience. ITI helps by seamlessly connecting the various processes and databases across the functional boundaries and has become immensely important especially in the backdrop of phenomenon of ever changing conditions. Gebauer and Schober (2006) defined Superior ITI as the ability of information system to accommodate a certain amount of variation regarding the requirements of the supported business process. In fact superior ITI not only aids to increase the overall effectiveness of co-creation process but also helps by providing the quick and accurate responses in the wake of changed market scenario

RESEARCH METHODOLOGY

The study adopts the insights from the literature review and combines it with the focus group interviews with the experts of co-creation philosophy to give the underpinnings of the value co-creation model. Further, the various online databases along with details of conferences relevant for the studies are referred. Practical case studies from the corporate world have also been included to demonstrate the realized benefits of value co-creation and the role of Flexibility system and Superior ITI in reaching there.

Attributes of Flexible System: Flexible system enables the organizations to have a high market share/ strong market presence (Abbot and Banerjee, 2003). It helps the organization to recalibrate its efforts according to evolving conditions and in realizing the effectiveness of co-creation to customers that is according to latest trends and changed preferences. Despite having greater choices in terms of product and services, customers today are less satisfied with the offerings. One of the reasons they feel that the marketed tends to shave their product and services according to their own will rather than looking at the perspective of the customer. This kind of feeling is not healthy for a sustainable business and might possibly create hurdles for the organization as it tends to achieve its economic and sustainability goals in the future. A flexible system can be of great help and its ability to adjust itself quickly in accordance with the changing needs and preferences is one of its most important merits over the old, rusty hierarchical system. By going through the literature, we have found some important variables of the flexible system.

These variables are then validated by a group of experts and finally taken into the consideration for the value co creation actual framework. Experts pointed out that the support of top management is a necessary requirement for any organization to have flexible system management approach and hence it is required to take into confidence the top management before implementing any kind of change.

Table 1:
Flexible System

ATTRIBUTES	IMPORTANCE
Innovation	Enables targeting broad range of customers
Adaptable	Enables customer retention
Capable	Enables enhanced customer convenience
Compliant	Enables enhanced customer exposure

Superior Iti: As Successful implementation of co-creation rests on the successful cross functional integration of the processes, people, operations, marketing capabilities enabled through information, technology and application (Payne and Frow, 2005). ITI is ability to respond and adapt changing business conditions both within and outside the organization. Similar to what experts commented in the flexible system approach, there are views that top management interest in making an investment in the superior Information Technology infrastructure in the organization is one of the most crucial parameters on which the whole process should be mapped. Without the support of the leadership of the company, it will become difficult for the employees of the organization to make any necessary changes in the ITI as the ultimate requirement of the funds in upgrading and enhancing the competence of ITI will be released on the by the top management. Hence, it is very important to take into confidence that of Management and convince them to make the necessary investment for the long-term business sustainability and profit gains. Though there are various dimensions of ITI; some relevant ones intend to increase the overall effectiveness of co-creation are shown in table 2 as below:

Table 2
ITI attributes

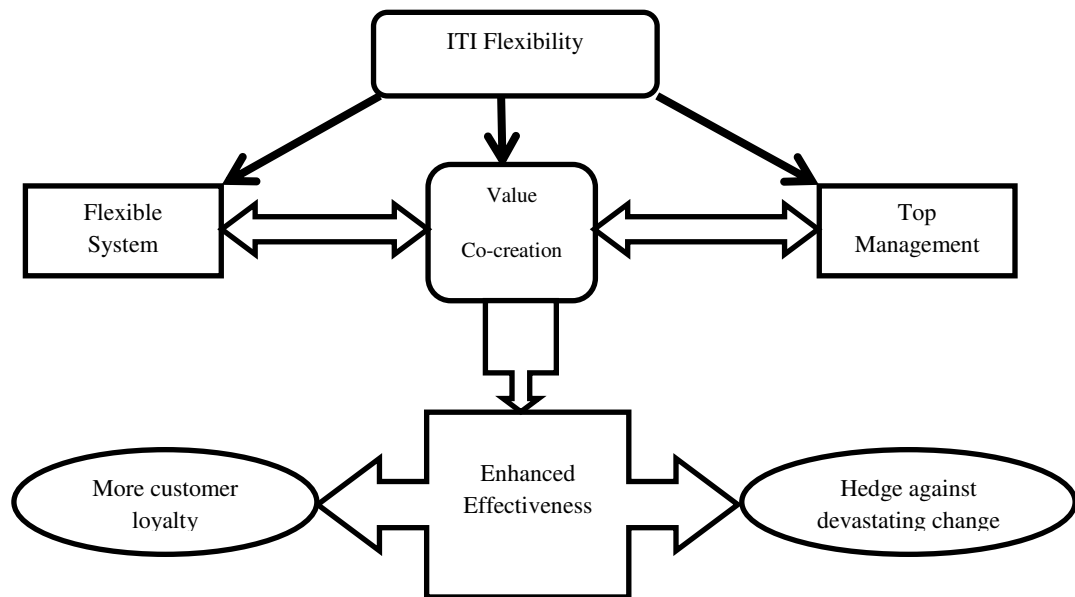
Attributes	Importance
IT connectivity	Effective coordination and enhanced
Data Transparency	Permeability as well as enhances efficiency
IT Compatibility	Smooth completion of cross-functional

RESULTS AND DISCUSSION

A flexible system has inherent ability to act as a distinctive competence of organization and hence provides the competitive edge to the firm. By use of flexible systems, effectiveness of co-creation can be enhanced that not only helps the organization at strategic level by acting as a competitive weapon but also at business level by hedging the organization against the devastating effect of decreasing customers’ loyalty aspect. The increasing importance of value creation can be gauged by the fact that even the industry like automotive passenger vehicle segment has started co-creating the cars with the inputs from the customers.

Figure 1

Value co-creation: Conceptual framework



Source: Pictorial representation of concept by authors

Especially the vehicles from the high-end price range are very much keen to get the input from the customers that they integrate into their products and services. Customers, on the other hand, are happy with the fact that their cars retain the exclusivity dimension and it can be differentiated from the other cars by various means that the company has integrated especially on their own demand.

The study has an implication both for the managers and scholars. The field of co-creation has come into the prominence nowadays and more and more organisations are following this philosophy in order to have more profit and long term relationship with the customers. The concept of value creation can be made even more effective with the use of a flexible system and superior Information Technology infrastructure. Both of these variables warrants a comprehensive change in the organisational philosophy and its work culture. Initially, the process is expected to meet some resistance from the various stakeholders of the organisation but if the top management is convinced of the need of sustainability and better profit margin in the long run, the process of co-creation has to be followed for the overall good of the organisation. Some sacrifices are needed to be made but these are not much when you compare to a bleak scenario in which an organisation is struggling with low demand and customer apathy. The working managers and entrepreneurs know the importance of value co-creation and they are also concerned about the various problems the organisation face while adopting the strategy. But the merit of adopting the philosophy far outweighs the resistance from the employees at the initial stage of the implementation. This conceptual Framework is the first step in the process of developing a Holistic model on the value creation which we also propose to test on various industries for its significance and merit.

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