

17 Improving Performance Through Value Co-Creation with Key Customers and Suppliers

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Overview

Central to the relationship view of supply chain management described in this book is the recognition that businesses should be managed in a way that enables value co-creation with key customers and suppliers.¹ Opportunities for value co-creation arise when the capabilities and knowledge that exist within each firms' organizational functions are leveraged by implementing the eight cross-functional, cross-firm, supply chain management processes. In this chapter, we will show that: 1) more value is co-created in business-to-business (B2B) relationships where cross-functional, cross-firm teams are implemented; 2) financial measurement of value changes both management perceptions and behaviors towards customers and suppliers; and, 3) tools such as the Collaboration Framework and The Partnership Model can be used to develop PSAs and generate initiatives to enable value co-creation.

Introduction

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Value co-creation is based on a service-dominant logic of business,² where the management of key business relationships and the exchange of services are fundamental drivers of value. Value is not viewed as embedded in products, but as an outcome of the interactions that occur when customers and suppliers exchange services. Value co-creation occurs over time and takes place when resources and skills are exchanged across a business relationship. Figure 17-1 shows the differences between a product-centered view of value creation and value co-creation.

¹ This chapter is based on: Matias G. Enz and Douglas M. Lambert, "Using Cross-functional, Cross-firm Teams to Co-create Value: The Role of Financial Measures," *Industrial Marketing Management*, Vol. 41, No. 3 (2012), pp. 495-507; and, Douglas M. Lambert and Matias G. Enz, "Managing and Measuring Value Co-creation in Business-to-Business Relationships," *Journal of Marketing Management*, Vol. 28, No. 13/14 (2012), pp.1588-1625.

² Vargo, Stephen L. and Robert F. Lusch, "Evolving to a New Dominant Logic for Marketing," *Journal of Marketing*, Vol. 68, No. 1 (2004), pp. 1-17; Ramirez, Rafael, "Value Co-production: Intellectual Origins and Implications for Practice and Research," *Strategic Management Journal*, Vol. 20, No. 1 (1999), pp. 49-65.