Designing business models for value co-creation: A case study of local firms in Vietnam

ABSTRACT

Business models (BM) for value co-creation, designed for multiple interactions, and multidirectional resource integration, is examined as a source of competitive advantage. While scholars emphasise the importance of a single theme which organises and connects all elements in BM, much less is known about how these elements are orchestrated together by that theme, especially in the context of emerging markets (EM). This research adopts a qualitative case-study of two firms in Vietnam. The findings reveal a firm can develop a competitive advantage in EM by achieving internal and external configurational fit in the design of BM for value co-creation. The fit is addressed by developing human relations across the dimensions of 'employee' and 'partner'. Human-relations, driven by the integration of a 'family-like culture', is fundamental for a firm to engage customers and its partners in the value co-creation process in EM. Employee dimension enables internal configurational fit between all BM elements. Partner dimension enables the external configurational fit between the firm' and its partners' BM. This study contributes to the literature on configuration and BM by providing an in-depth understanding of the synergies of the BM' elements and an extension of the BM framework designed for value co-creation in EM.

Key words:

Sustainable Value Creation; Organization Design; Employee Engagement/Participation; Emerging Markets

I. INTRODUCTION

1.1. Background to the research

Since Prahalad and Ramaswamy (2004) discussed the concept of value co-creation and Vargo and Lusch (2004) introduced Service-Dominant logic (SDL), there has been a growing interest in co-creation. Mele and Polese (2011) indicate that SDL implies new processes of value creation, modern business interactions, new forms of integration of resources, of which the resources and capabilities to create value are no longer within a firm's boundaries (Vargo and Lusch, 2004, Vargo and Lusch, 2008). As firms work together with customers, partners, and other actors organizational boundaries become increasing blurred and permeable (Payne et al., 2008, Gummesson and Mele, 2010).

To engage customers and other actors in purposeful co-creation, firms need business models to depict and manage value co-creation (Storbacka et al., 2012). While the traditional business model is based on a hierarchical system and competition (Michel et al., 2008, Normann, 2001), the boundary-spanning business model addresses multiple interactions, and multidirectional resource integration for value creation (Zott and Amit, 2008). It describes the organizational structure for possibly interlinked boundary-spanning transactions and identifies the connection with the markets, the suitable parties in the network, the resources and capabilities to deploy and integrate, and the mechanism and incentives to manage the interaction between parties (Zott and Amit, 2008). Therefore, business models that integrate resource integration for customer value co-creation are recognized as an essential prerequisite for any firm to develop a competitive advantage. However, there is scant research exploring and understanding the systemic nature of resource integration and the ways in which the activities of resource integrators are coordinated and adjusted to each other (McColl-Kennedy et al., 2012).

The research literature has indicated an urgent need to develop studies to explain business models in emerging markets (Peng et al., 2008, Sartor and Beamish, 2014). Emerging markets lead global economic growth with projected 65% of global growth within the next five years (Dobbs et al., 2017). Karnani (2011) specifies firms fail—or are unable to achieve profitability in emerging markets—due to the organizations' inability to respond accordingly to issues of inadequate infrastructure, chronic shortage of resources, and/or under-utilization of resources; unbranded competition, market heterogeneity, channel of distribution challenges, clientelism, and prevalence of informal institutions (Kitschelt and Wilkinson, 2007). With the importance of emerging markets as a driver for the global economy, it is necessary to understand the business models that enable organizations to integrate resources with partners to address the whole ecosystem surrounding their offerings. Accordingly, we propose to address the following research questions:

Research question 1:

How does a firm in emerging markets engage customers and its partners in a value co-creation process?

Research question 2:

How do the different elements of a business model, designed for value co-creation, change in emerging markets?

Our paper is structured as follows - we review the relevant literature and then present, and justify, our chosen methodology. After discussing the results, we provide a conclusion, an overview of managerial implications and suggestions for future research. The theoretical contribution will incorporate the emerging market context into future definitions and studies of business model development in general, and business model development for co-creative activities, which will have practical application by managers to develop an appropriate framework within which to design business models that engage co-creation in emerging markets.

II. BACKGROUND AND OVERVIEW OF THE LITERATURE

2.1. Value Co-Creation

According to SDL, production and value creation are inseparable processes. This logic stresses that value is not created by the firm but rather takes place through mutually beneficial interactions among actors within business ecosystems (Vargo and Lusch, 2008, Vargo and Lusch, 2016). Lusch et al. (2010) suggest that all social and economic actors are resource integrators who co-create value in markets as networked systems. They also imply that the creation of value rests on social context gaining from an interconnected relationship. Value creation requires an ecosystem approach, as value is always co-created by actors within networked ecosystems (Vargo and Lusch, 2008). Therefore, the success of this process relies on the integration of resources, and the interconnected relationship within a value network (Vargo and Lusch, 2004, Vargo and Lusch, 2008).

Mele and Polese (2011) indicate that SDL implies new processes of value creation, modern business interactions, and new forms of integration of resources whereby, the resources and capabilities to create value are no longer within a firm's boundaries (Vargo and Lusch, 2004, Vargo and Lusch, 2008). This increasingly blurs the traditional boundaries of a firm (Nenonen and Storbacka, 2010). Therefore, Payne et al. (2008) observe the need to design a specific exchange and interaction process to integrate all resources to respond to this change—via frameworks for firms to manage value co-creation in a network. Kohtamäki and Rajala (2016) also emphasize the necessity for greater understanding of the design of business models—at an ecosystem level—for value co-creation that business ecosystems enable. Subsequently, it requires firms to transform the traditional business model based on a hierarchical system and competition, to a new business model designed for multiple interactions, and multidirectional resource integration for value creation (Michel et al., 2008, Normann, 2001).

2.2. Business model

Business models are a useful alternative for enterprise and industry analysis; a concept, a tool or a framework to describe an economic activity (Teece, 2007). However, research has focused on different streams of organizational and management disciplines such as e-business, strategy, innovation, and technology management (George and Bock, 2011). The result, therefore, is that there is still no commonly agreed definition of a business model.

Nenonen and Storbacka (2010) review and identify the similarities of business model definitions from different research. They include: (i) the customer's value creation as the core element; (ii) earning logics; (iii) value network; (iii) resources and capabilities; and (iv) strategic decisions, choices, or principles. Based on this, business model is defined as the "*constellation of interrelated designed elements, outlining the design principles, resources and capabilities related to markets, offerings, operations and organization*" (Storbacka et al., 2012, p. 55) As value creation in a network is at the center of this definition, the authors address the lack of value co-creation aspects in business model definitions (Zolnowski et al., 2013). As such, the above definition by Storbacka et al. (2012) is used as the basis for this case study.

While Maglio and Spohrer (2013) position business model development on the value- proposition design, Nenonen and Storbacka (2010) and Storbacka et al. (2012) focus on developing a model that enables value co-creation in a networked environment consisting of the firm, its customers, and network partners (see Figure

1). This model has evolved from previous research (Baldwin and Clark, 2000, Nenonen and Storbacka, 2010, Storbacka and Nenonen, 2011, Payne et al., 2008).

Insert Figure 1 about here

Three components: (i) design principles; (ii) resources; and (iii) capabilities are the principles of this model. Resources can be optimally integrated in the value co-creation processes when the design principles direct the organizational capabilities accordingly. The above components are then classified by four dimensions: market, offering, operations, and organization. The authors also specify that a co-creative business model enables the focal firm to engage in practices that influence how that firm relates to other partners in the network

2.3. Configuration theory

Business models link to the literature on configuration as they are systemic by nature (Teece, 2010, Tikkanen et al., 2005). Configuration research starts in the early 1970s under different names including modes (Mintzberg, 1973), archetypes (Miller and Friesen, 1978), typologies (Miles et al., 1978), generic strategies and strategic groups (Porter, 2001); and gestalts (Miller, 1981). Meyer et al. (1993) define a configuration as "*any multidimensional constellation of conceptually distinct characteristics that commonly occur together*" (p. 1175). The theory adopts a holistic view of an organization and suggested it should be considered as an organizational whole rather than variable-by-variable (Miller, 1996). Highlighting the complexity of an organization, the theory structures an organization into four imperatives of environment (including technology), organizational structure, leadership (personality of the CEO), and strategy (Miller, 1987). It further breaks down the imperatives into sets of varieties which mutually influence each other (Miller, 1987). Meyer et al. (1993) indicate that any multidimensional constellation of design elements generally happens together because when they are interdependent, they systematically cluster around each other.

Pels et al. (2012) posit that configuration is built upon concepts of enactment strategic choice (Child, 1972), and enactment (Weick, 1969). These two concepts underpin the role of strategic choice in an organization's environment, structure, and performance; and explain how an organization is structured—along with the responsive process to the environment—through the agency of their people. They further explain that configuration theory offers useful insight into the process of resource integration related to the co-creation of value, whereby internal and external resources influence the collaboration process for value co-creation in response to the environment or context. The positive effects of interrelationship are defined as the configurational "*fit*" between elements to support the firm in capturing, and delivering value co-creation opportunities (Storbacka et al., 2012).

Miller (1996) highlights configuration as the degree to which an organization's resources and activities are orchestrated and coordinated by a single theme. Miller (1990) suggests that the themes are possibly products of a Chief Executive Officer's vision, a unique organizational talent, a competitive advantage, or a special corporate culture that refers to the art of involving others and the ability to apply personal strength to achieve a certain goal (Sarasvathy, 2001). Tsui et al.

(2007) suggest that the development of a configuration model would be necessary to further increase the construct validity of culture. Miller and Whitney (1999) determine that organizational culture could serve as *"the object of a good configuration is always to develop a committed, enthusiastic cadre of people who collaborate seamlessly to get and keep customers who value their services*" (p. 5) because it influences internal and external collaboration as the way persons interact with external parties (Campbell, 1998). Existing research also highlights the relationship between organizational constructs and organizational culture (Allaire and Firsirotu, 1984, Homburg and Pflesser, 2000). Dauber et al. (2012) emphasize how organizational culture affects organizations' imperatives in its role as a moderating influence on the organization during operationalization. As a configurational fit is a prerequisite for a value co-creation business model (Storbacka et al., 2012), it is necessary to understand the organizational culture that enables the establishment of constructive dialogues, and interactions leading to positive interrelationships.

2.4. Organizational culture

Value co-creation requires collaborative efforts with internal and external partners (Lee et al., 2012). As opportunities for creating value-in-use may arise from multiple areas and the knowledge and skills for value co-creation reside in the different organizational functions (Lambert and García-Dastugue, 2006), it requires the application of a variety of competencies. Barratt (2004) claims that it is imperative for the organization to have an internal collaborative culture in place to facilitate external collaboration. Biemans (1991, p. 738) explains that *"relationships with external parties need to be coordinated internally to be successful. Thus, external cooperation results in a need for internal coordination"*

Despite the significant role of internal collaboration in successful external collaboration, and hence, an organization's success, effective internal collaboration is still challenging to accomplish (Moenaert and Souder, 1990, Fawcett and Magnan, 2002). Staw et al. (1994) emphasize that negative emotion in the workplace creates difficulties in engaging in a supportive social context between co-workers and supervisors, and leads to ineffective cooperation. Serious barriers that obstruct collaboration are embedded in corporate cultures (Parker and Anderson, 2002). Campbell (1998) suggests that organizational culture influences internal and external collaboration as the way persons interact with external parties, and *"is shaped by accepted social guidelines or norms which have become institutionalized within the firm"* (Campbell, 1998, p. 199). Therefore, if an employee cooperates closely with other employees, the practices of cooperation will be established.

Grace and Lo Iacono (2015) state that the firm's internal value proposition deeply influences, not only employees' financial well-being, but also their social and psychological welfare. Employees who experience an organizational life with positive emotion have greater support from supervisors, and co-workers because they react more favorably to others, resulting in greater altruism, and cooperation with others (Staw et al., 1994). They also show more persistence and their cognitive functioning is enhanced which altogether leads to work achievement (Staw et al., 1994). Grace and Lo Iacono (2015) explain that social actions of the employees create and reinvent the organization's social structure (Barsade and O'Neill, 2014a) . VanMaanen and Kunda (1989) suggest the concept of "*control the heart*" should be the key focus of organizational socialization, and managerial attempts to enhance organizational culture.

Barsade and O’Neill (2014b, p. 552) propose the organizational culture of companionate love —*“feelings of affection, compassion, caring, and tenderness for others at work”*—to create a culture promoting “*love and care*”. They argue that companionate love is relevant to organizational culture as it is a social emotion that focuses on interdependence, and sensitivity towards other people formed by social context (Gonzaga et al., 2001). They differentiate the culture of companionate love which they name “*emotional culture*” from cognitive culture which has been long established in the organizational culture theory. Emotional culture of companionate love is defined as “*the behavioral norms, artifacts, and underlying values and assumptions reflecting the actual expression or suppression of affection, caring, compassion, and tenderness, and the degree of perceived appropriateness of these emotions, transmitted through feeling and normative mechanisms within a social unit*” (Barsade and O’Neill, 2014b, p. 6). Based on the lack of emotional content in the current notion of organizational culture research—which is defined as a set of cognitions shared by members of a social unit (O'Reilly et al., 1991)—their argument is supported in anthropology (Rosaldo, 1984), sociology (Goffman, 2002), and psychology (Keltner and Haidt, 1999) which recognize the emotional nature of culture.

Canevello and Crocker (2010) conclude that employees may contribute more toward compassion-oriented goals with greater positive interpersonal responsiveness. As a strong culture of companionate love is based on interactions with others in the environment, it likely has the positive effect on the internal collaboration of the value co-creation process.

2.5. Research Problem

Whilst Storbacka et al. (2012) address the lack of value co-creation aspects in current business model definitions and suggest a business model framework engaging value co-creation, its application in a wider variety of contexts remains a question. Narver and Slater (1990) remark that research on business models is based on the assumption of established market structures, known customer preferences, and existing competitors. However, in emerging markets, market norms, rules, and boundaries are uncertain (Holloway and Sebastiao, 2010). The existing business model studies *"have missed a critical element of business model development – the stages prior to the establishment of clearly and widely understood market norms, rules, and boundaries"* (Holloway and Sebastiao, 2010, p. 88) in the application of emerging markets.

Secondly, there is a question regarding the role of human agency in the resource integration process. Value is co-created as the outcome of resource integration (Vargo and Lusch, 2008). While configuration theory considers technology as resource integrator in the integration process, it is debated that human experience is the core of value co-creation. Ramaswamy (2011,

p. 196) argue that value is a function of human experience which is co-created by *"the collaborative, dynamic, contextual, and generative human interactions"*. If the human and social experience generated from the interaction based on engagement platforms is central, it raises the question of facilitating these interactions and experiences to make business models at the meso- level for value co-creation effective?

Thirdly, there is also an urge for more empirical research to investigate how organizational elements are orchestrated together by a single theme (Pettigrew and

Fenton, 2000). The notion of central orchestrating theme has always played a critical role of configuration theory since it was introduced. However, there has been scant research after Miller (1990), Miller and Whitney (1999), and Miller and Le Breton-Miller (2005) to expose how a central theme synthesises the various individual elements of an organization and drives its inner coherent for the success of the organization.

III. METHODOLOGY

3.1. Qualitative case study

Walsham (1993) recommends interpretive case study in studying the problems at their early phases in research, and theory. Neuman (2006, p. 41) further speculates that *"Case studies help researchers connect the micro level, or the actions of individual people, to the macro level, or large-scale social structures and processes".* This complements this research approach whereby organizations are socially constructed, and organizational employees are well-informed individuals able to create their own reality. Yin (2013a) emphasizes that case study research is used to answer "*how*" or "*why*" questions to conduct an investigation into a phenomenon in its context when they address a contemporary set of events over which the researcher has little or no control. The case study approach is also recommended for investigating the situation where little is known about the phenomena as it leads to unseen constructs, and explores their logical association (McCutcheon and Meredith, 1993)—such as in this study examining the influence organizational culture on internal collaboration for value co-creation. Therefore, a qualitative, multiple interpretive case study has been adopted as it serves the research objective of illustrating, supporting, or challenging theoretical assumptions formed prior to the data being gathered (Merriam, 1988), and allows the researcher to find patterns across cases which enhance the validity, and allow generalizability (Yin, 2013b).

3.2. Research context

Although the 'BRIC' nations (Brazil, Russia, India, and China) have been dominant in studies on emerging markets, attention has increasingly shifted to smaller emerging markets because of their rapid economic and demographic growth rates

(Boumphrey and Bevis, 2013) . Vietnam is often highlighted as the country of focus and ranks among the *Top Emerging Markets for 2012-2017* (M-Brain, 2012). Vietnam is also among the top three '*frontier markets'* that multinational enterprises are most interested in for future investment in the quarterly-based survey by the *Wall Street Journal* of 200 multinationals regarding their market priorities (Keeler, 2014). In the *2015 Outlook for Emerging Market Economies*, Vietnam is forecasted as the second fastest growing economy amongst emerging markets (including the BRIC economies) with an expected real GDP growth of 5.6 percent (Euromonitor, 2015). These factors best support the context of this study.

3.3. Data collection

A key feature of case study research is the use of multiple data sources to enhance data credibility (Eisenhardt, 1989, Yin, 2013b). Flick (1992) confirms that triangulation of data collection promises the rigor, breadth and depth for a study. Therefore, for this study, data sources are compiled from both primary and secondary data. Firstly, primary data is collected through the form of semi-structured in-depth interviews with senior and middle management of selected case study firms in Vietnam. As individuals at different organizational hierarchies have different perspectives about a phenomenon (Lincoln and Zeitz, 1980), cross-functional interactions at lower organizational levels can differ from what was initially planned for the relationship at higher organizational levels. Senior managers were selected as first key respondents due to their influencing roles in the company's overall strategy, organizational culture, and the direction for partner relationship. Middle managers were also important respondents since they provided rich insights based on their knowledge and experience, and close involvement in relationships with larger customers, and cross functional coordination.

Vietnam agricultural organizations provide a rich context for this research. The majority of agriculture producers in developing countries are limited in scale and independently organized. These characteristics have restricted their access to technology, capital, extension services, and market integration (Devaux et al., 2009) which in return makes them less competitive. The obstacle signifies enhanced opportunities for these organizations to engage in a wide range of co-creative practices to access resources and correct resource deficiencies through the integration of resources.

Five cases where contacted using criterion purposeful sampling, as this technique is suitable to identify cases that would gather the greatest possible amount of information (Flyvbjerg, 2006) with some predetermined criterion of importance (Patton, 2002). The firms are identified based on the following criteria: (i.) outstanding success in their industries with dynamic experience of growth, and competitiveness in Vietnam; (ii.) variety in the forms and characteristics of business (B2B, B2C, family firm, listed corporation); (iii.) engaging value co- creation activities in their business; and (iv.) willingness to provide business information. Each case firm will consist of at least five face-to-face interviews: The Chief Executive Officer (CEO) and four from the management team, and middle managers of the selected company. By employing multiple interviewees, each case is depicted more richly, and at the same time with less bias in historical data recall (Yin, 2013a).

3.4. Sources of information

Among five cases, two firms agreed to participate into the research (see Table 1).

Insert Table 1 about here

Within the two firms, the interviews started with the CEO, and focused on the macro perspectives of the firm: its vision, strategies, and how the business models designed for value- co-creation are innovated to eliminate disadvantages, and achieve competitive advantages; and the type of culture built to facilitate collaboration internally and externally. The CEO then nominated suitable senior managers and middle managers within the organization. This "*snowball*" sampling adoption, therefore, allowed for the recruitment of further participants which added value and another dimension to the study (Noy, 2008). These managers were interviewed for their perspective on the key research issues relating to their department, and function operations in relation to cross-functional collaboration. Finally, secondary data (see Table 2) including archival documents, published articles and reports, information regarding the company, informal observation, and any form of information relating to the company formed or distributed during the research period were collected. This triangulation of data collection will mitigate the opportunities for bias by one source or one kind of data (Denzin and Lincoln, 1994).

Insert Table 2 about here

IV. CASE STUDIES

4.1. Organization A

Organization A was established in 1976 as a coffee and dairy company. It commenced with two dairy factories, mainly producing condensed milk and ice cream, handed over from the former regime. In 2003, through its initial public offering (IPO), it was renamed, and reformed as a Joint Stock Company. It also invests in three manufacturing plants in the United States (US), Cambodia, and New Zealand. Organization A has become Vietnam's largest dairy firm, among the world's Top 50 milk producers by revenue, a Forbes Global 2000 firm. Table 3 indicates the key findings and representative quotes from the research.

Insert Table 3 about here

4.2. Organization B

Organization B is the largest shrimp-producing company—both in Vietnam and globally—and leads the local and international markets of processing and frozen shrimp. This listed but family owned business (82% of company shares belong to the founder's family) started as a shrimp sourcing agent for state-owned enterprises in Vietnam in 1988. In 1992, it was registered as a private enterprise when the constitution in Vietnam officially recognized the role of the private sector. In 2002, it was re-formed into a Limited Liability Company and turned into a seafood import–export company. From this period, the organization has specialized in shrimp, and has developed into a leading firm in shrimp exports in Vietnam. In 2006, through its initial public offerings (IPO), it was re-formed as a Joint Stock Company.

Currently, Organization B is a holding company with more than 10 subsidiaries and processing factories. Products have been exported to more than 80 countries and territories such as the US, Japan, Canada, Europe, and Australia. Table 4 indicates the key findings and representative quotes from the research.

Insert Table 4 about here

V. DISCUSSION

5.1. Cross-case analysis

A summary of the two case studies is presented in Table 5. It displays the individual case study firms and the findings based on the business models' four dimensions (market, offerings, operations, and organization) with three layers (design, resources, and capability) underneath each dimension. This allows conclusions to be made for the cross-case analysis.

Insert Table 5 about here

This section reports on the outcomes of the cross-case analysis in relation to the research questions in this study

5.2. Research question 1:

How does a firm engage customers and its partners in a value co-creation process in emerging markets?

5.2.1 Market

The clear customer and market identification in the design has shed light for both organizations in integrating resources with others, and building capabilities. Both organizations have built their *capabilities* in customer insight practices, following different approaches. Organization A applies the insight from the indirect interaction with customers to collaborate with other partners to rapidly respond to customers' concerns and comments, namely: research and development to introduce and produce offerings, media and advertising to create and share the communication stories, and distributors to make the offerings available. Value proposition is continuously enhanced through the indirect collaboration with customers, and direct collaboration with other partners. Organization B directly collaborates with every B2B customer to co-design the value propositions, and collaborates with other partners to co-develop the value propositions. They have together developed co-learning including joint organizational learning, relationship learning, and co-innovation.

5.2.2 Offering

Both organizations adopt the product diversification strategy in a single industry. This strategy allows them to specialize resources and capabilities of their own, and from the resource integration process with other partners. This focus enables the production of a superior value proposition that fits with customers' practice constellations at a more competitive cost. This strategy is positively correlated with the organization's performance (Siggelkow, 2003). Through collaboration, both organizations' value propositions outline the *offering* component available, and the possible offering configurations that require resources missing from the firms. The resources are then integrated from their networks to form a complete whole resource for the process of co-producing the value propositions. Gummesson and Mele (2010) suggests that each actor in the network has different resources that serve to form the value proposition in a different way, hence, the resources need to be integrated to engineer the value-creating process.

The development and expansion of both organizations is accompanied by the investment and improvement of their technology not only from them, but also their partners. Spohrer and Maglio (2010) argue that advances in technology significantly improve the necessary resources integrated for the co-creation of the best possible value.

5.2.3 Operations

Operations of both organizations are *designed* as they outsource most of the key materials through the collaborative partners, and make the offering themselves. Both organizations share similar patterns in operations which become the main *resources* of operations, including the most advanced infrastructure, international standards of process, and management to facilitate the speed of operations. The two organizations own close ties to partners, and trusting relations with their suppliers and partners—which both consider the strongest operations *capability* in supply chain management. Therefore, the collaboration with external partners is built on a mutual willingness to contribute more than what is formally required by the agreement. Any decision in the collaboration is based on the concern for both the company's welfare, and partners' well- being. The two organizations place effort to balance the mutual benefits. Price and Arnould (1999) recognize the existence of friendship in business—if that relation involves a reciprocal wishing of value, a mutual awareness of this reciprocal wishing, and equal exchanges. Stable relationships are built, with the recognition of others' well-being, and encouraged within the context of collaboration (Roca, 2015). The close tie of relationship has increased the efficiency of the collaboration, improved the resource integration, and offered competitive advantages for the partners in the network (Ahuja, 2000, Roca, 2015).

Another key operations *capability* identified in both firms is internal collaboration. As all the aspects of the *offering* reside in different functions, internal collaboration brings them together. Job rotation, which is encouraged in Organization A, and compulsory in Organization B, also assists internal collaboration as it develops diversity of backgrounds for employees to understand other functions' perspective, builds organizational contact (Hafkesbrink and Schroll, 2010), and fosters internal communication (Van Hoek and Mitchell, 2006). It also eliminates corporate bureaucracy resulting in high responsiveness to short lead times.

5.2.4 *Organization*

Both organizations design the theme of family for the employees to work together in a warm, "*caring and loving*" atmosphere which is defined as an emotional culture of companionate love (Barsade and O'Neill, 2014b). Employees who work in such a culture create close workplace relationships with internal peers, supervisors and upper-level management, feel more satisfied with their jobs, are committed to the organization, and accountable for their performance (Grace and Lo Iacono, 2015).

Few research findings mention emotions—and usually as an outcome of job satisfaction or organizational commitment that is variable and indistinguishable from employee attitudes (O'Reilly, 2008). However, our study indicates that an employee's emotion is as important as employee's cognition, and the content of the emotions could lead to differential outcomes for employees, and the organization. The outcome of this study supports Bayo- Moriones and de Cerio (2004) that when employees feel they are part of the company—and are respected by others—a sense of belonging is built resulting in diligent workers. Human resources intertwined with human relations—in the forms of personal ties and organizational skills—supported by financial resources are the main *resources* associated with the management dimension of business - in this case the family-like culture, at the two companies. Organizational agility, internal collaboration, and collaborative innovation are the key *capabilities* at both companies. These capabilities are facilitated by leaders, as the conduct of top management inevitably influences employees' attitudinal, normative, and control beliefs (Sharma and Yetton, 2003). As the executives focus their investment and efforts in supporting social relationships, demonstrating collaborative behaviors themselves, and balancing task and relationship among employees, they create a sense of belonging and community among employees, and foster the organizational culture promoting collaboration. This is supported by Tsai (2011) who highlights the positive correlation between leadership behavior and organizational cultures.

5.3. Research question 2:

How do the different elements of a business model, designed for value co-creation, change in emerging markets?

Both firms engage customers and partners in a value co-creation process based not only on mutual benefits, and business relationships, but also human relations defined as friendship. This has been demonstrated in the principles of partner selection, and how each firm develops and nurtures the collaboration of its network. Networks of suppliers and partners are the main resources of an organization’s operations (Gulati, 1998, Storbacka et al., 2012), which engage in value co-creation requiring supply chain management, manufacturing and assembly, management of the delivery channel, and invoicing of delivered offerings.

Human relations with internal employees is another dimension that both organizations highlight in the value co-creation process. They recognize that employees’ feelings, affection, and bonds between themselves and the company impact their way of doing business, influence their social networks at work, and affects the way they cooperate internally and externally. Storbacka et al. (2012) discount human relations in the design of organization in value co- creation business models and suggested including topics such as organizational structure, roles and responsibilities, metrics, remuneration, and meeting structure. The authors also recognize human resources, not human relations, as the organization's resources. This is another difference the study discloses. The case findings suggest that in the business models for value co-creation, at the two case firms, employee and partner should be considered as separate dimensions.

5.3.1. *Employee*

In the dimension of *employee*, human relations are the core principle of the *design*. The human relations design defines the human connections at work depicting working relations between employees from different functions, between employees and leaders, and between employees and the organization. It covers the topics of workplace emotions, and employee's well-being that affect these relations (Grant et al., 2007, Page and Vella-Brodrick, 2009). The main resources associated with employee dimension are the organizational culture, and healthy workplace practices. Research discusses the influences of these on employees' overall well-being and emotions which mould the behaviour of employees in the workplace (Grawitch et al., 2006, Barsade and O'Neill, 2014b). Storbacka et al. (2012) suggest the dependence of co-creation on resource availability. Thus, co-creation initiatives involving employees need to be built on the culture, and practices that support employees to engage in collaboration.

In addition to planning and control, strategy and human resources development (Storbacka et al., 2012), leadership and management requires the capabilities to manage the workplace emotion (Kaplan et al., 2014). Research emphasizes organizational leaders as a strong influence on organizational affective experience, and the greatest determinant of employees' emotions (Dasborough, 2006, Gooty et al., 2010). A business model designed for value co- creation requires emotion regulation—in the context of employees' response to co-worker emotions and partner emotions—for effective internal and external collaboration.

5.3.2. *Partner*

In the dimension of *partner*, partner relations are at the center of the design. The main resources associated with partner relations are organizational culture, relational ties, and relational governance. Research highlights the significant role of organizational culture (Parker and Anderson, 2002, Gopal et al., 2016), relational governance (Whipple et al., 1999), and relational ties (Palmatier, 2008) in lifting the barriers to form an effective partnership relationship, to governing the relationship, and enhancing the strength of the collaborative

partnership relationship. As resources are the foundation for co-creation (Storbacka et al., 2012), the partner relations designed for value co-creation needs the social context, and the relational assets that enable partners to engage in collaborative activities.

Capabilities related to partner relations are relational capabilities involving human capability, managerial systems-based capability, and cultural interaction capability. Human capability is understood as employees' knowledge, skills and practices in internal collaboration that enable interfirm collaboration. Håkansson and Ford (2002) propose the influence of managerial systems capability on the relationship characteristics comprising of each partner's structures, strategies, resources, and relations, while Johnsen and Ford (2006) discusses the cultural relational capability enabling the firm to manage the diverse cultures of its partners. A business model designed for value co-creation requires the organization to relate to the culture and values of its partners to handle the conflict and inconsistency in its customer relationship for an effective collaboration.

VI. CONCLUSION AND IMPLICATIONS

6.1. Main findings

Our study suggests that business model designed for value co-creation needs to be adapted to ensure the configurational fit of the elements in emerging markets. The revised framework (Figure 2) is proposed to include human relations elements and expands from original 12 categories of design elements that sit in 4 dimensions to 20 categories in 6 dimensions.

Insert Figure 2 about here

Human relations are integral to the success of internal and external collaboration which is the prerequisite for purposeful value co-creation. Internal collaboration relates to the integration of resources within the firm, and plays a role as vehicle for sharing and transferring resources in the forms of skills and knowledge of individuals, and functions within the organization (Kogut and Zander, 1992). External collaboration based on the relational embeddedness demonstrates more effective resources transmitting and integrating (Rindfleisch and Moorman, 2001). Vargo et al. (2008) posit that value co-creation depends on resource integration in the network—hence, human relations impact value co-creation processes in emerging markets.

Human relations related to internal collaboration are illustrated by *employee* dimension. The cooperation, interaction, and integration of resources that forms the resource intensive nature of collaboration requires close relationships among employees that are not simply related to techniques, tools, or process. The findings emphasize the influence of emotion on social relations at the workplace instead. The case studies reveal that employees with positive emotion attain persistence, enhanced cognitive functioning, and altruism in the employee. Under the contagiousness nature of emotion, an employee's positive emotions can resonate with other organizational members, and create chains of events carrying positive meaning for other employees (Hatfield et al., 1993). It enhances social support from co-workers, and transforms people at work into more effective and socially integrated employees (Staw et al., 1994) which predict effective internal collaboration. Employee dimension acts as the enabler for the achievement of intra-actor configurational fit between elements of the framework. It mobilizes resources residing in different functions in the organization—and provides those that fit into the resource-integrated process with the partners in the network.

The research demonstrates that the internal collaborative culture that nurtures employee's positive emotions is a family-like culture. The study also reveals that employees' experiences in such a culture significantly relate to their level of workplace engagement, and develop deep and compassionate relationships and form emotional ties with their co-workers (Azoury et al., 2013). Baron and Hannan (2002) suggest a family-like organizational environment promotes strong, trust-filled, family-like relationships within social networks throughout the organization. Employees are bonded to the firm in a sense of personal belonging and love. As a result, the employee establishes a connection among all employees and a willingness to share knowledge and ideas with co-workers across the firm (Collins and Kehoe, 2008). The research shows that the behaviors and mindsets derived from the family-like culture motivate employees to adopt a collaborative approach to acquire new resources, initiate entrepreneurial activities, and identify and solve problems. Thus, the effect of internal collaboration on the process of value co-creation is enhanced. The study concludes that the family-like culture orchestrates interaction among employees, and guides resource integration by taking the role of a facilitator defining specific rules of collaboration for the employee to engage in the value emergence process.

Human relations related to external collaboration is illustrated by *partner* dimension. The study suggests that the *partner* dimension pays attention to partner relations to identify how the organization reconfigurates the relations among the network of partners. The study is supported by Larson (1992) who argues that the success of a resource exchange in a network is strongly influenced by social factors. Polyvyanyy and Weske (2011) suggest that partner relations are critical for value-co-creation in the network which echo the findings. This dimension involves other partners in a process of collaboration and dialogue by holding each partner together under a collective willingness to mobilize the resources to co-create value. The study concludes the role of partner dimension as the enabler for the inter-actor configurational fit among partners.

As the locus of value creation increasingly resides outside the organizational borders, the inter-actor fit is particularly important. In supporting the resource integration within a network, the research suggests that value co-creation in a network is held together throughout by high levels of trust, as well as relational ties. The trust and relational ties among partners in a network, administer the collaboration by stimulating a collective willingness to mobilize the resources to co-create value to enhance mutual and reciprocating interests. The data shows that the collaboration based on high levels of trust and relational ties sterns the sustained purposeful collaboration that connects organizational capabilities and resources across partners in the network. The sustained purposeful collaboration forms a joint effort to share the risk and benefits of co-creation beyond the contractual mechanisms, particularly in the new, unforeseen circumstances in the process of resource integration.

6.2. Implications for academics and managers

6.2.1 Theoretical contribution

This paper aims to respond to the call for empirical research of configuration theory (Pettigrew and Fenton, 2000) by demonstrating the existence of a thematic focus by identifying organizational culture of companion love as the theme serves that focus and reinforces other elements in the configurations of an organization. The study also answers the call from Mintzberg and Lampel (1999), and Miller and Whitney (1999) to set out of the traditional American strategic management framework and its conventional strategy, structure, system. It attempts to provide a new model of configuration extending the traditional management system that underestimates the peculiarities of employees to a new framework that emphasizes on building a rich, engaging, and collaborating organization, highlights the human aspects in which employees can have deep and meaningful relationships at work that guide the collaboration for resource integration and value co-creation.

This research attempts to respond to a gap in the empirical research on business models (Birkin et al., 2009, Schaltegger et al., 2011) by empirically contextualizing the framework of business models for value co-creation in emerging markets, and demonstrating how it works in practice.

This study contributes to the literature of value co-creation by developing a framework for organizations to manage co-creation in emerging markets. It also enriches the understandings of designing business models for value co-creation that is still in an emergent stage (Frow et al., 2015). The case study defines the role of *employee* as the enabler of the intra-configurational fit and *partner* as the enabler of the inter-configurational fit to accommodate elements in the business models for value co-creation, which is unanswered in the original framework (Storbacka et al., 2012). By identifying the niche, the research provides a foundation for an organization to improve the potential for value co-creation.

This study links value co-creation to organizational culture theory (Liz et al., 2011, María et al., 2013) and identifies the emotional culture of love and care as a facilitator defining specific rules of collaboration to orchestrate interaction among employees. This new role of the emotional organizational culture offers a broader lens that highlights the human aspects in which employees can have deep and meaningful relationships at work that guide the resource integration in the value co-creation process in emerging markets. In addition, the discussion of organizational emotions in this research thesis has challenged the current view which places organization cognition at the center stage to understand business models (Doz and Kosonen, 2010), and therefore suggests a new avenue for future research in business models in general, and business models for value co-creation in emerging markets in particular.

6.2.2 *Managerial implications*

The study emphasizes that the collaboration for resource integration in emerging markets are not simply techniques, tools or processes; it involves the culture, human relations, and emotions. Accordingly, this case study can support practitioners in better designing and managing a business model designed for value co-creation in emerging markets based on effective internal and external collaboration. Moreover, it offers insights for managers and practitioners on how to develop the organizational culture promoting social and emotional wellbeing to mobilize and enhance the best combination of resources for creating a collaborative, and networked environment. The business model framework with 20 design elements plays the role as the list of requirements for firms to engage value co-creation in the network in emerging markets.

The facts that human relation elements directly affect the intra and inter configurational fit of the value co-creation business models in emerging markets will demand management review their management practices in these specific geographical markets. To achieve intra- configurational fit, firms in emerging markets require a strategic approach, and new practices to integrate employee relations with the current human resources practices, encouraging internal collaboration. A higher level of inter configurational fit can be achieved by enhancing the emotional organizational culture that pays attention to employees' emotions. To achieve extra configurational fit, firms first need to develop a deeper understanding regarding how to identify primary customers and partners that are compatible with the firms' business perspective.

6.3. Limitations and future research

The case study's approach is based on the networked and ecosystem perspective in the process of value co-creation. However, the study is conducted using the firm as a unit of analysis to simplify the discussion of value co-creation process, and focus on developing the new elements of the framework. Future research may validify this framework for designing business models engaging value co-creation in emerging markets in a service network with a network- centric approach, especially to understand how collaboration occurs between individuals from multiple functions, and from multiple partners in the network.

Other limitations involve the number of industries studied, and the generalizability of results. The applicability of the research could be improved if a larger number of firms were studied with multiple firms originating from multiple industries in different countries in emerging markets. This would allow for comparisons to be made both within and across industries.

The research shows that emotions directly influence human relations between employees, and between the firm and the partners, and hence, the collaboration to integrate resources in the process of value co-creation. It would be interesting to understand different ways to measure specific emotions alongside the overall emotions that affect internal collaboration and external collaboration. It would be especially worth exploring emotions at various stages when employees engage in collaboration. Future studies may focus more precisely on the role of emotional control in maintaining, and enhancing the specific kinds of internal and external collaboration in the process of value co-creation.

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LIST OF FIGURES AND TABLES

Figure 1: A Framework for Business Model Design (Storbacka et al. 2012)

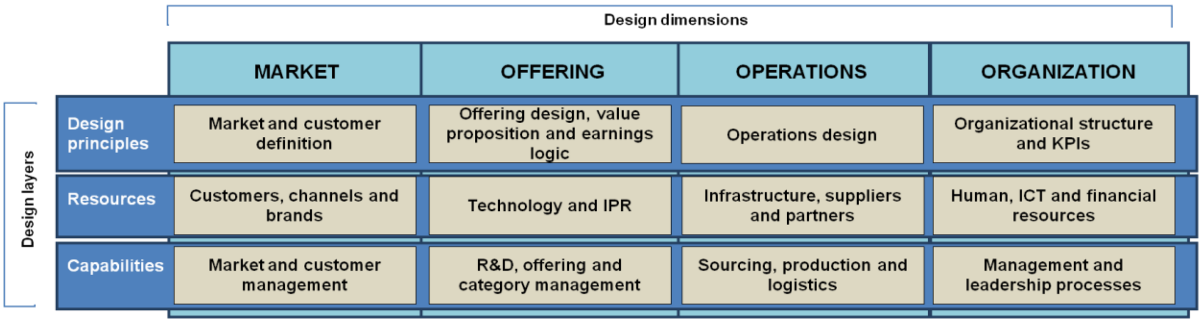

Figure 2: Framework for business models designed for value co-creation in emerging markets

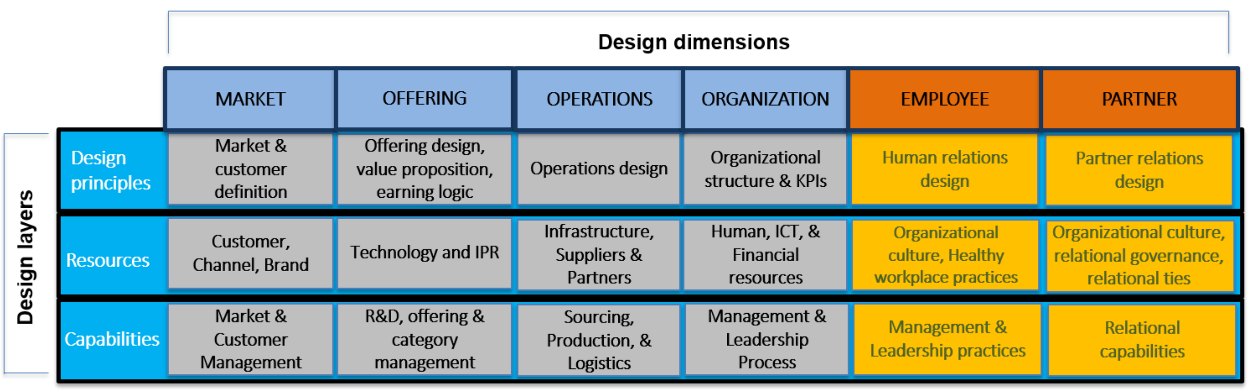

Table 1: Case study profiles

	Organization A	**Organization B**
Organization	Dairy and products from dairy	Shrimp and products from shrimp
Established	1976	1992
Type of organization	Listed corporation	Joint stock, 82% family owned
Number employees	6000	10,000

Table 2: Data Sources and Profile of Interviews

	Organization A	Organization B
Organization	Dairy and products from dairy	Shrimp and products from shrimp
	Data Source	
Interview	• CEO (Respondent 1) • Executive Director - Marketing (Respondent 2) • Executive Director - Production (Respondent 3) • Human Resources & Training Manager cum Human Relations (Respondents 4,5,6) • Dairy Development Manager (Respondent 7)	• Founder cum Chairman cum CEO (Respondent 1) • General Manager 1 - former Group HR Vice President (Respondent 2) • General Manager 2 - former Group CFO (Respondent 3) • HR manager 1 cum Human Relations (Respondent 4) • HR manager 2 cum Human Relations (Respondent 5) • QA manager 1 (Respondent 6) • QA manager 2 (Respondent 7) • Sales director (Respondent 8) • Production Director (Respondent 9) • Production - Vice President (Respondent 10) • Technical - Vice President (Respondent 11) • Quality Police Manager (Respondent 12) • Social Enterprise Director (Respondent 13)
Documents of archival data	• Annual reports • Investor reports and market analysis • Organizational charts • Company's value book Website contents • Media articles, videos, interviews • Other research articles Partner's website	• Website content • Media articles, interviews • Investor reports and market analysis • Organizational charts • Partner's website
Observation	• Informal conversations with executive assistant, former employees, supporting staff	• Informal conversation with executive assistant, other employees and executive • Social café, lunch and dinner.

Table 3: Key findings from Organization A

Dimension	Key findings	Representative quotes
Market	1. Business design to focus on B2C in local market. 2. Building deep understanding of customer insights and network of distributors to become the relational resources. 3. Developing a marketing team and deep collaboration with partners to build strong capability in customer insight practices.	2. **Marketing Executive Director:** *"we have better local insights than multinational companies which have been translated into the product taste… we know how to mix the ingredients to make the taste and flavors that consumers have been familiar with, which is very unique and hard for multinationals to match… The local insights are also illustrated in our product communication."* 3. **CEO:** *"Marketing had never been the strength of local companies but multinational firms. But we dare to learn, develop and invest in marketing department, budget, and strategies for marketing. Up till now, our marketing [department] is equivalent or much bigger than other multinational firms."*
Offering	1. Following product diversification strategy in a single industry. 2. Investing hugely in technology to become more competitive with this offering related resource. 3. Building capabilities in research and development, and product development through the collaboration with local and international R&D partners.	2. **CEO:** *"When we decide to invest, we will choose to invest the most advanced technology at the time. This is the key of Organization A. Because it will increase the productivity and decrease cost."*

Operations	1. Outsourcing key materials through collaborative partners and making the offering on its own. 2. Building operation's speed, strong collaboration of external partners to be the operations' resources. 3. Building capability in developing close ties to partners and effective internal collaboration.	2. **Marketing Executive Director**: "*The way of working here is cutting complexities and bureaucracy. At multinationals, there are so many layers and non-productive processes. While at Organization A, there are flexibility so that we can cut the non-productive parts and go straight to the point, to what makes sense. We save cost of business and people.*" 3. **Production Executive Director:** *"Every division interacts with each other and relates to each other. Production interacts [with other divisions] and people must collaborate…the collaboration across divisions, there will be different opinions, agreement but at the end we will come up with a common solution to bring benefits for the whole company, not for this division or that division… it is ultimately for the company's optimal results."* 3. **Dairy Development Manager:** *"We select friends before select business*

		partners… It means that good friends will generate good partnership…we meet them, share with them our business and listen to their sharing about their business. There is no business at that time. Sitting down together and sharing with each other to understand their way of doing business, open to each other…"
Organization	1. Designing a family-like culture and recognize the role of people with the balance of emotional and cognitive aspects. 2. Creating human relations, human resources, and financial to become key resources. 3. Developing organizational agility, internal collaboration, and collaborative innovation for organization's capability.	1. **CEO:** *"We create an environment where employees feel like their home… it is the responsibilities of all managers to create this environment…we understand if people go to work and do not earn a living from work, no one will stay with the company… we do whatever we can [to improve employees' life] and build the welfare and reward fund for employees…. This is a big family. It is not only an 8- hour job but also a kinship relationship."* 2. **CEO:** *"We have to follow the principles and good practices of management. However, apart from that, there are so- called emotions, not only this principle or that principle."*

Table 4: Key findings from Organization B

Dimension	Key findings	Representative quotes
Market	1. Global business targeting B2B customers. 2. Long-term customer relationship is the important customer asset. Customer loyalty is key relational resources. 3. Superior insights through direct collaboration with customers become the key capability.	2. **CEO:** *"In many years, we have retained 50% of our customers going together with us since the early days…there were customers doing business with us since 1999, they were very small, no one knew. Nowadays they have become the leaders. There was a customer from US, leading US market, 1 customer from Japan, leading Japan market, 2 customers lead Canada's market. We also built a customer in UK, it becomes very big now…"*
Offering	1. Following product diversification strategy in a single industry. 2. Being forefront in technology in the industry globally. 3. Building the *capabilities* in research and development through investing and collaborating with partners.	2. **CEO:** "*We must innovate … so then we started to build a smart factory. A factory that follows 4.0 generation of technology… We have always to innovate, to develop in order to response to customers' needs."*
Operations	1. Outsourcing key materials through collaborative partners and making the offering on its own through the vertically- integrated production. 2. Speed of operations based on the informal communication channel and a well-kit value chain based on the resources of highly effective internal collaboration and tight external collaboration. 3. Building capability in developing close ties to partners and effective internal collaboration.	2. **Sales Director:** *"Most of us live nearly… company has housing policy for managers hence we live close to the company. Yesterday we went to one house for party. Today we will go to another house… We are like friends and brothers… Through the information exchange, we are up to date that makes our work more effective."* 2. **Sales Director:** "*This way of working has been established from the beginning so the new comers just follow…private companies are often known for speed. The speed here is even faster. Sometimes we can do first and report later as long as it doesn't harm the mutual benefits. All of us work for the common benefits"* 3. **CEO:** *"The perspective is that you (customer) and I (Organization B) is one. You think for your business, you must also think for mine and vice versa. Until then we can go together, it is the true meaning of mutual benefits."*

Organization	1. Enhancing family culture to build organization development based on employees' trust, love, and care. 2. Creating human relations, human resources, and financial to become key resources. 3. Developing organizational agility, internal collaboration, and collaborative innovation for organization's capability.	1. **CEO:** *"In order for the employees to think of this company as their second family we must take care of our employees' life better. Only when we take care of their life, they will feel this is their real family and contribute all efforts for this family. That is always what we are striving for"* 2. **Q&A manager**: *"Even though this is a family business and from the beginning the majority (of managers) are family member, there are non-family member managers like us at present. The treatment for us is the same for family members. Therefore, there is few conflicts for interest. We are together to develop the company"*

Table 5: Summary of Key Findings

Dimension	Layer	Organization A	Organization B
Market	Design	• Local market • B2C customers • Direct distribution	• International markets • B2B customers • Direct delivery
	Resource	• Customer understandings and relational resources • Strong brand equity	• Customer assets and relational resources • Strong brand equity
	Capabilities	• Customer insight practices	• Customer insight practices
	Co-creation opportunities	• Co-distribution • Co-conception	• Co-pricing • Co-design
Offering	Design	• Diversification with low level of customization • Superior value proposition	• Diversification with high level of customization • Superior value proposition
	Resource	• Relational assets: technology advance	• Relational assets: technology advance
	Capabilities	• R&D practices, • New product development	• R&D practices, • New product development
	Co-creation opportunities	• Co-conception • Co-design • Co-producing value propositions	• Co-conception • Co-design • Co-producing value propositions
Operations	Design	• Make and outsource	• Make and outsource modification: vertical integrated production
	Resource	• Advanced infrastructure • Int'l standards of process and management • Network of suppliers and partners • Partner relations • Collaborative environment	• Advanced infrastructure • Int'l standards of process & management • Network of alliances and partners • Partner relations • Collaborative environment
	Capabilities	• Supply chain management & manufacturing • Relational capabilities • Internal collaboration	• Supply chain management and manufacturing • Relational capabilities • Internal collaboration
	Co-creation opportunities	• Co-sourcing • Co-development of offerings • Co-learning	• Co-sourcing • Co-development of offerings • Co-learning
Organization	Design	• People design • Clear role and responsibilities • Individual empowerment • Attractive remuneration	• People design • Clear role and responsibilities • Individual empowerment • Attractive remuneration
	Resource	• Family-like, supporting culture • Employee bond • Competent employees • Leadership inspiration	• Family-like, supporting culture • Employee bond • Competent employees • Leadership inspiration
	Capabilities	• Organizational agility • Internal collaboration • Collaborative innovation • Leadership & Management practices	• Organizational agility • Internal collaboration • Collaborative innovation • Leadership & Management practices
	Co-creation opportunities	• Internal collaboration	• Internal collaboration