A stakeholder perspective of the value proposition concept

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Abstract

Purpose – The value proposition concept and the stakeholder perspective have received relatively little attention within Service-Dominant (S-D) logic. This paper sets out to explore value propositions in the context of S-D logic, within the multiple stakeholder domains that form part of a marketing system. Its purpose is to identify how use of the value proposition concept, in this broader context, provides new insight into value creation within a value network.

Design/methodology/approach – This paper explores the development of value propositions in key stakeholder market domains. A five-step process is developed for identifying key stakeholders and co-creating value propositions for them within a marketing system.

Findings – Value propositions have a key role in co-creation of value between stakeholders. The development of value propositions in multiple stakeholder domains can provide an important mechanism for aligning value within a marketing system.

Practical implications – Stakeholder value propositions provide enhanced opportunities for value co-creation and can assist managers in aligning value and stabilizing relationships within an organization's value network.

Originality/value – This paper considers a broader view of value through creation of value propositions for key stakeholders. An iterative framework is proposed that couples the stakeholder concept and value co-creation.

Keywords Customers, Stakeholder analysis

Paper type Conceptual paper

Introduction

The importance of the value proposition concept and the related issue of co-creation of value have been highlighted in recent work on service-dominant (S-D) logic (Vargo and Lusch, 2004, 2008a, b). In this work these authors develop ten foundational premises (FPs), which include: recognition of the significant role of value propositions (FP7); how the firm and the customer should be considered in a relational context (FP8); and, how the customer is always a co-creator of value (FP6). Initially, these authors focused on customer-supplier interactions. More recently they extend their work to consider value configurations of social actors interacting and exchanging across networks (Vargo and Lusch, 2008b). Prior research in the area of relationship marketing contributed substantially to this discussion. However, despite considerable emphasis in the relationship marketing literature on the importance of multiple stakeholders (e.g. Christopher *et al.*, 1991; Kotler, 1992; Gummesson, 1995), the stakeholder perspective has, to date, received relatively little attention within S-D logic. Our paper addresses this gap in the literature.

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The aim of this paper is to explore value propositions in the context of S-D logic, within the multiple stakeholder domains that form part of a marketing system. We argue that S-D logic thinking helps enterprises consider value propositions entirely differently. Our purpose is to illustrate how use of the value proposition concept in this broader context provides new insights into value creation within a value network. This research responds to the call from several writers, that the focus on customer supplier relationships, should be extended to the network of stakeholder relationships (e.g. Flint and Mentzer, 2006; Gummesson, 2008; Lusch *et al.*, 2007).

Marketing scholars are becoming increasingly interested in this broader stakeholder context. Bhattacharya and Korschun (2008), drawing on work by the Stakeholder Marketing Consortium (a Marketing Science Institute collaborative project), identify the need to better understand relationships within an enterprise's network of stakeholders. Recently, Vargo (2009) acknowledge that a relationship "captures the networked, interdependent, co-creative, nature of value creation through reciprocal service provision" (p. 14). While the focus of this special issue is on research relating to S-D logic, there are also broader ramifications of value propositions as a research area. From a marketing strategy perspective, Webster (2002) argues that the value proposition "should be the firm's single most important organizing principle" (p. 61). However, there is little extant research in this area and we find that no detailed review of the value proposition concept exists.

The paper is organized as follows. First, we review briefly the origins of the customer value proposition concept. Second, we broaden the discussion to consider value propositions within a range of stakeholders and consider six key stakeholder groupings. Third, we examine the explicit and implicit development of value propositions within each of these key stakeholder groups. Fourth, we consider stakeholders and marketing systems. Next, we propose value propositions as an important value alignment mechanism within multiple stakeholder relationships and outline a five-step process for co-creating stakeholders value propositions. We close with a discussion and research agenda.

The value proposition concept

Over the past 20 years, the value proposition term (hereafter VP) has been increasingly used in both the academic and practitioner settings. The origins of the customer VP concept lie in work by Lanning and Michaels (1988). This work focuses on two key activities: developing a VP; and, creating a value delivery system. Their approach involves three processes: analyzing customer groups by the attributes that customers consider of value; assessing opportunities in each segment to deliver superior value; and, explicitly choosing the VP that optimizes these opportunities.

Customer value proposition research

A review of the literature on customer VPs shows that, although the term VP is widely used within industry and academia, there is only a very small amount of literature considering the concept in depth (Frow and Payne, 2008). This is not surprising as, prior to the late 1990s, detailed discussion of VPs was restricted to consulting firm's internal documents (e.g. Lanning and Michaels, 1988). More recently, several contributions have developed the customer VP concept further.

First, Kambil *et al.* (1996) suggest using a value map for developing VPs. This approach identifies a value frontier, positioning a company and its competitors in terms of a trade-off of cost and performance variables. The value map suggests three strategies for extending the value frontier and thereby improving competitive positioning: reducing cost and performance; increasing performance and price; and, enhancing value without increasing price.

Second, later work by Lanning (1998) adopts a more interactive, experiential and relationship-based perspective, in contrast to earlier work emphasizing more mechanistic "delivery of value". Here Lanning defines value as resulting experiences customers derive by doing business with the organization, compared with competitors' alternatives.

Third, Anderson *et al.* (2006) suggest that organizations typically adopt one of three alternative approaches, identifying: the benefits a company delivers to customers; the benefits relative to those competitive offerings; and the key benefits truly valued by customers. They contend that the third approach is preferable, as customers will perceive the supplier as highly focused on relevant benefits.

Finally, Rintamaki *et al.* (2007) identify four broad categories of VPs: economic (determined by price); functional (associated with specific functional needs); emotional (reflecting experiential needs), and symbolic (reflecting self expression needs). Their contribution is a greater focus on customer experience.

We conclude from both this brief review and our later examination of the literature relating to other non-customer stakeholders, that there are two important gaps in business practice. First, while the majority of enterprises use the term VP less than 10 per cent of companies have successfully developed and communicated them (Frow and Payne, 2008). Second, few organizations appear to consider VPs in the context of a broader set of stakeholders. We argue such VPs can play an important role in helping identify opportunities for value co-creation and provide a potential mechanism for creating stability within stakeholder relationships.

VPs and S-D logic

There has been increased interest in VPs following recent work in S-D logic. Lusch *et al.* (2007) contend that an enterprise cannot create value, but can only offer VPs (FP7). The original conceptualization placed the VP as the first step in value delivery. In contrast, S-D logic suggests value, is not delivered by one party to another. Value is co-created in-use with both parties playing a role and the VP sets expectations of value in-use.

We conclude that early work on VPs has strong vestiges of goods-dominant (G-D) logic with its emphasis on a supplier delivering value. A major contribution of S-D logic is the shift in emphasis to a customer and supplier co-creating value, a subject we discuss later. However, next we consider the broader context of enterprise stakeholders.

Stakeholders and marketing strategy

The origins of stakeholder theory lie in the strategic management literature (e.g. Freeman, 1984). This work is important in broadening the focus to groups that are considered central to the success of a firm. However, despite the extensive stakeholder literature, there is little agreement in the management literature about which constituent groups an organization should consider as stakeholders (Polonsky *et al.*, 2003). However, in the relationship marketing literature there is an emphasis on stakeholder collaboration and a shift from transactional to sustained relational exchanges. A relationship-based approach to marketing involves creating exchanges and interactions of mutually beneficial value (Christopher *et al.*, 2002).

Recently Vargo (2009) has highlighted the distinction between relationship marketing as a positive, strategic and normative concept and as a more prescriptive imperative, concerned with emphasizing long term associations, resulting in continuing transactions. He concludes that this latter conceptualization of relationship marketing, despite its positive implications, represents a largely unidirectional, firm-centric prescription for increasing enterprise profitability. From a S-D logic perspective, value develops and emerges over time, rather than being a discrete event. Understanding relationships with both customer and other stakeholder groups has been neglected in much of the mainstream marketing literature (e.g. Grönroos, 1994; Gummesson, 1999; Morgan and Hunt, 1994). Authors suggest that identifying stakeholder groups is a first step to building relationships (e.g. Freeman, 1984; Gummesson, 2002).

Alternative stakeholder models in relationship marketing

There have been various approaches to describing and classifying stakeholders within the relationship marketing literature. First, Christopher *et al.* (1991) identify six key stakeholder "markets" or market domains which are further sub-divided into constituent categories. Second, Kotler (1992) identifies ten stakeholder groups in the immediate macro environment. Third, Morgan and Hunt (1994) describe ten constituent groups containing buyer, supplier, lateral and internal groups. Fourth, Gummesson (1995) describes 30 relationships, of which 17 are market-based relationships and 13 non-market relationships. Fifth, Doyle (1995) reviews four types of networks including supplier, external, internal and customer partnerships. Sixth, Buttle (1999) proposes five stakeholders including customers, suppliers, owners/investors, employees and other partners. Finally, Laczniak (2006) identify six stakeholder groups, divided into primary stakeholders and secondary stakeholders.

Each of these approaches has merit and helps clarify and categorize stakeholder relationships in different contexts. We considered these models as potential frameworks with which to consider stakeholder VPs. We selected the Christopher *et al.* (1991) model for several reasons. First, it identifies a manageable group of six categories of stakeholders or "market domains". Second, Malhotra and Agarwal (2002) argue that it is the most comprehensive of the approaches concerned with traditional enterprise stakeholders, in that each of the six market domains can be subdivided in a manner that includes all major stakeholder groups. Third, this model acknowledges multiple roles (Tzokas and Saren, 2004). Finally, it is a well-tested framework and has been used on projects with many organizations (Payne *et al.*, 2005), including in industry (e.g. Peck, 2001) and in the not-for-profit sector (e.g. Brennan and Brady, 1999). We have not identified similar reported use of the other frameworks.

The six market domains stakeholder model

The Christopher *et al.* (1991) model in Figure 1, categorizes stakeholders into six groupings, each of which sub-divide into further specific stakeholder entities. These are: customer markets: buyers, intermediaries and final consumers; referral markets:

Source: Based on Payne *et al*. (2005)

Figure 1.
The six market-domains stakeholder model

customers and non-customer recommendation sources; supplier and alliance markets: providers of physical and knowledge-based resources; influence markets: a broad range of stakeholder bodies that influence the firm, including financial, political, environmental, media and competitors; recruitment markets: potential employees together with third parties who act as access channels for potential recruits; and, internal markets: employees, with segments based on attributes including level, function, and type of contact with customers.

The classification of stakeholders represents the first step to developing strategies for building successful relationships with each market, with the overall objective of improving firm performance. Studies exploring use of this model suggest it is important to integrate management of relationships across and between key stakeholder groups (Peck *et al.*, 1999; Payne *et al.*, 2005). It also provides a structure for considering stakeholder VPs. However, although the idea of developing VPs for non-customer stakeholders is briefly raised by Ballantyne (2003), a literature search did not reveal a previous systematic review of such VPs. We now address this gap in the literature and examine the extent to which the VP concept is used within each of these non-customer market domains.

In the review that follows, we find that academics and practitioners have slowly extended the use of the VP concept to other stakeholder markets. We next consider use of the concept in each of the five non-customer market domains identified in the model.

Value propositions in multiple stakeholder markets

VPs for non-customer market domains have been raised to different extents in the literature, sometimes explicitly and often implicitly. Each of the market domains can be viewed as a sub-system comprising specific stakeholder entities. Such entities (e.g. a grouping of regulatory or environmental stakeholders) represent a further sub-system, which, in turn, comprises specific organizations, bodies or individual constituents. Later we discuss marketing systems and sub-systems.

Recruitment market value propositions

In the recruitment marketing literature, the VP concept is used as a means of identifying why job applicants should choose to work for one company rather than another. The studies on "The War for Talent" (Chambers *et al.*, 1998; Axelrod *et al.*, 2001) suggest that creating a winning VP for employees involves tailoring the job and the company brand so they appeal to carefully targeted recruits. Gowan (2004) argues the recruitment VP should comprise three elements: job and work characteristics, total rewards and corporate image.

Lawler (2005) discusses the importance of identifying a unique VP which conveys to potential employees that a firm is the "best place to work". For example, Southwest Airlines invests heavily in promoting their VP as an exemplar employer, offering freedom, flexibility and enjoyment to potential employees. Recruits responding to this VP are best placed to support the customer VP, which offers outstanding service to customers, creating close alignment between employee and customer VPs.

Recently, Guthridge *et al.* (2008) pointed out that organizations typically develop one generic VP aimed only at recruiting high-quality staff. They argue that companies now need to adapt VPs to target different specific segments of the recruitment market. They explain how Tesco, the supermarket chain, has explicitly divided potential front-line recruits into three groups: those joining the workforce straight from school; students looking for part-time work; and college graduates. Tesco individually addresses them with recruitment material incorporating design, layout and language tailored to these specific audiences.

In sum, the recruitment market domain is a sub-system comprising all potential employees together with a network of recruitment entities, sources and access channels. Recruitment market VPs, explain why ambitious and talented people would wish to work for one company as opposed to another. In this market, the purpose of the VP is to attract future employees whose values are closely aligned with those of the organization.

Internal market value propositions

Several authors have examined VPs within the internal market domain. From the employer perspective, a winning VP aims at motivating and retaining those employees who are best equipped to help achieve the goals of the organization. Specific aspects of employee value that have been investigated include: reciprocal obligations within a psychological contract (Rousseau, 1989); the value of retaining employees (Sheridan, 1992); the cost of turnover (Huselid, 1995); and, links between employee satisfaction and shareholder returns (Heskett *et al.*, 1994).

Employee VPs should be considered from the perspective of the employee as well as the organization. Heger (2007) confirms that employees assess the VP of their employer organization along with those of other prospective employer organizations to determine their choice of employer. Although remuneration can be important, recently the attractiveness of company brand and corporate ethics have emerged as key differentiators (Bell, 2005). Ethical and green issues are especially important to employees, as evidenced by the recent actions of companies such as Tesco and Virgin. These companies place particular emphasis on employee engagement initiatives that raise awareness of their sustainability and ethical initiatives.

Chambers *et al.* (1998) proposes that companies should explicitly develop VPs to retain talented employees. Here, two-way value is co-created as the most talented employees typically deliver improved operational productivity, profits and sales revenue. These authors propose a process for developing a superior employee VP, consisting of: assessing the strength of a current employee VP; understanding the needs of the target market; understanding the competitive strength of the VP; and, determining elements for improvement. The internal market can be segmented in a number of ways including function, geography, level, and type of relationship with external customers.

In sum, an internal VP can be a key differentiator for organizations competing to retain the most talented employees. In this market, the purpose of the co-created VP is to retain and motivate those employees who are most capable of supporting the goals of the organization.

Referral market value propositions

VPs have been explored in a more implicit manner within the literature on referral marketing. The referral market domain can be segmented into two sub-categories: advocate-initiated customer referrals; and company-initiated customer referrals (Peck *et al.*, 1999). Here reciprocal benefits are apparent. For example, in professional services, a reciprocal referral system is common between a firm and other professional advisors (e.g. Wilson, 1994). A referral network can be built with each party sharing their existing client relationships. This network functions on a clear understanding of the VP offered by each member of the network.

Viral or "buzz" marketing (Thomas, 2004) occurs when an innovative VP prompts third parties to act as a referral source. Here, the VP has a central role in identifying the relative advantage of an offering and invoking a response, which motivates customers and third parties to make a referral. An early example was the free e-mail service offered by Hotmail. Hotmail controlled the format of all outbound messages so that each account holders' e-mail included a message: "To get your free e-mail account, go to www.hotmail.com". The VP to customers was clear and word of mouth spread rapidly about this free e-mail service. Brand communities also provide an opportunity for communication among customers and prospects and are therefore an important channel for information sharing and referral.

In sum, organizations often overlook the referral market sub-system, yet it can be a critical marketing element. Although this form of VP typically involves the enterprise and a referral source, as the previous example illustrates, other stakeholders may be involved. This involvement creates the potential for a more complex network of VPs that includes the use of blogs and social networking.

Influence market value propositions

The influence market domain has the most diverse groups within it. Peck *et al.* (1999) identify the following groupings: financial investors; unions; industry bodies; regulatory bodies; business press and other media; user groups; environmental groups; political and government bodies; and competitors. These groupings are further subdivided into 34 specific segments.

Although value delivery to some key influencers, such as shareholders is discussed in the literature, little attention is given to developing VPs for these key stakeholders

(Kaplan and Norton, 2001). Developing and communicating a VP to the most important constituent members of the influence market includes managing relationships with investor groups, analysts, media and government bodies. Clear VPs addressing the influence market are important for firm stability and growth. For example, a shareholder VP should describe how a firm builds shareholder value in return for investors' funds and confidence, but companies are very poor in developing such a VP (MacGregor and Campbell, 2006). Other recent work on shareholder value focuses on shareholder activism (Gillan and Starks, 2007) and executive values (Lichtenstein and Dade, 2007).

For some companies, the influence market is especially diverse. For example, Frito-Lay focuses on a wide range of influencers who impact consumer demand for snacks, including health professionals, associations, dieticians and academics. The company recognizes that VPs emphasizing healthy features of their snack foods are attractive to these influencers.

In sum, the influence market sub-system comprises a large number of constituent groups. VPs represent a means of identifying value co-creation opportunities within the varied networks in this market domain. Although financial feedback provides a readily accessible quantitative measure of a firm' success, the varied stakeholders that form the influence market require a variety of measures such as suggested by the "triple bottom line" (e.g. Rubinstein, 2003; Laczniak, 2006).

Supplier and alliance market value propositions

Supplier and alliance relationships can both be viewed as enterprise partners. Suppliers typically provide physical resources or services to a business. Alliance partners are also a form of supplier. However, they typically supply competences and capabilities that are more knowledge-based.

Some authors stress unidirectional VPs, with a member of a supply chain selecting their unique VP and aligning it to the next member of the chain (e.g. Bititci *et al.*, 2004). However, this interpretation is limiting, as it does not encompass the reciprocal perspective. Normann and Ramirez (1993) address the reciprocity of VPs within supply chains. They examine value co-creation at IKEA, which takes great care in selecting and preparing suppliers to be part of a tightly managed system. The company provides suppliers with technical assistance, helps them locate raw materials and find new business partners. In return, suppliers provide IKEA with high quality products, at agreed low prices, which are important criteria identified in the VP to the consumer.

VPs within the supplier-market, are discussed in the context of S-D logic, by Flint and Mentzer (2006). They suggest that customers value different components of suppliers' VPs depending on the in-use situation. Customers are finding that they need a greater understanding of agile suppliers and the value creation opportunities that are available.

In sum, VPs within the supplier and alliance market domain are considered primarily within the logistics literature. In this market, the purpose of the VP is to identify opportunities for value creation between supplier partners and the firm. VPs provide an opportunity for suppliers and a company to engage in substantial knowledge sharing and co-creation.

Our previous review shows varied stages of development in the VP literature within these five stakeholder market domains. In some instances, such as in the recruitment and the internal market domains, useful work has occurred in considering development of VPs. In other market domains, such as the influence market, VPs appear to be viewed in a much more implicit manner, if at all. Following this review we next consider stakeholders within a broader marketing system and, then, address the role VPs can play as a value alignment mechanism within this system.

Stakeholders and marketing systems

Each of the stakeholder markets discussed previously represent a sub-system of a broader network of stakeholders. Bhattacharya and Korschun (2008) suggest that by viewing this stakeholder network as a system, researchers can better understand the role of companies in attempting to "manage" stakeholders and the limitations and feasibility of such strategies. Value creation through knowledge and resource sharing binds this stakeholder marketing system together, with VPs potentially playing a key coordination role between members of this system.

Marketing systems and S-D logic

A marketing system has been defined as "a network of individuals, groups and/or entities linked directly or indirectly through sequential or shared participation in voluntary exchange, which create, assembles, transforms and makes available assortments of products, provided in response to customer demand" (Layton, 2007, p. 230). A marketing system may be specified at different levels including: a single transaction; a set of transactions involving specific buyers and sellers; a specific stakeholder; a network of stakeholders; and a highly complex array of transactions characterizing a complete economy at the aggregate marketing system level (e.g. Layton, 2008; Wilkie and Moore, 2006). The purpose of interactions between stakeholders is to co-create some form of value and this occurs by the parties mutually providing a service to each other (Vargo, 2009). Various terms have been used to describe a stakeholder system including: networks (e.g. Gummesson, 1999); value constellations (Normann and Ramirez, 1993); value nets (Parolini, 1999); and service ecosystem (Vargo, 2009). In this paper, we use the terms system and network interchangeably, while recognizing that a stakeholder network forms part of a higher-order system.

Initial research on S-D logic (Vargo and Lusch, 2004) dealt with networks more implicitly. Further work by Lusch and Vargo (2006) discusses networks and interactions more explicitly. This latter work draws attention to a key characteristic of S-D logic, when compared with G-D logic, in that it treats stakeholders as resources which are endogenous to both exchange and value-creation processes (Vargo and Lusch, 2006). These features of S-D logic are important in resolving some ethical tensions between stakeholders that are inherent within G-D logic. Co-creation of value suggests mutual participation and co-operation, overcoming potential tensions that may occur when ethical issues are compartmentalized (Abela and Murphy, 2008).

This broader systems view highlights important macro marketing and ethical considerations. As Fisk (1995) observes, the traditional marketing concept needs to be replaced with a larger system perspective because of the increasing amount of communication, the growing awareness of environmental issues and recognition of the global consequences of ignoring marketing externalities. These considerations raise two issues: whether a firm-centered or system-approach to stakeholders should be adopted; and, how should stakeholders be "managed" and interests balanced.

System-centered versus firm-centered stakeholder approaches

Stakeholder and shareholder models interpret relationships almost exclusively in terms of "the logic of interest" and "interests at stake" (Mele, 2002). However, if only interests are addressed, then it is impossible to create enterprises that are sustainable - economically, socially and environmentally (Elkington, 1998). As Lozano (2005) points out, in relationships between various stakeholders, not only interests but many other elements are at stake including emotional, evaluative and moral ones. He argues that the enterprise needs to be seen from the perspective of the system in which it acts.

An enterprise's approach to stakeholders can be firm-centered or system-centered (Mitchell *et al.*, 1997). We concur with Lozano (2005) who argues that stakeholders represent more than a group of dyadic relationships to be managed, and suggests adopting a stakeholder vision that is network-based and process-oriented. Roloff (2008) makes a related point. Companies tend to practice two different types of stakeholder management: they focus on their organization's welfare (organization-focused stakeholder management); or, on issues that affect their relationship with other societal groups and organizations (issue-focused stakeholder management). Roloff argues that issue-focused stakeholder management is appropriate in multi-stakeholder networks.

The stakeholder literature mainly focuses on value created between the enterprise and its stakeholders, adopting a "hub and spoke" perspective. The starting point is usually the firm, with less attention given to important relationships between other stakeholders (e.g. customer to customer). There is much less attention given to the nature of value co-created and shared between non-enterprise stakeholders. We conclude that there is merit in adopting a dual focus, viewing enterprise-to-stakeholder and stakeholder-to-stakeholder relationships through the lens of both system-centered and firm-centered perspectives.

"Managing" stakeholders and "balancing" stakeholders

Wilkie and Moore's (1999) work identified 75 marketing system activities, but found that marketing managers control fewer than half of them. Stakeholders such as governments, authorities, regulatory authorities and financial institutions typically operate outside marketing's control. However, management of such stakeholders is frequently the most important part of marketing for companies producing infrastructural goods and services (Gummesson, 2002). The term "managing" can have negative connotations. Managing, if the term is to be used in the context of such important stakeholder relationships, should be seen from a collaborative co-creative and co-influencing perspective.

A key challenge for organizations is to create value with important stakeholders such as customers and shareholders and yet not let these activities have a detrimental impact on other stakeholders and the environment. There need to be some "balance" in the value co-created and shared by members of a marketing system. Fry and Polonsky (2004) examine unintended consequences of marketing where "value creating" for one stakeholder market can result in "value destruction" for another stakeholder. For example, moving a manufacturing facility to reduce production costs may be attractive to customers and shareholders but may create environmental damage for the local host community.

Generally, there is recognition that stakeholders' needs should be balanced. For example, Gummesson (2008) calls for "balanced centricity". However, we found little guidance in the literature as to how this might be achieved. We consider next how stakeholder VPs could act as a value alignment mechanism that may help the focal enterprise move towards achieving a more informed balance across stakeholders.

Value propositions as a value alignment mechanism

Lusch (2007) suggests that combining the concepts of value and stakeholders provides a useful approach for studying broader market externalities. We propose the following iterative planning framework, consisting of five steps, coupling the stakeholder concept, and value co-creation with the objective of co-creating VPs that can serve as a value alignment mechanism:

(1) Identify stakeholders.

(2) Determine core values.

(3) Facilitate dialogue and knowledge sharing.

(4) Identify value co-creation opportunities.

(5) Co-create stakeholders VPs.

These five process steps provide managerial direction for addressing the issue of value alignment. They are iterative and recursive with each step potentially impacting the other steps. Knowledge sharing and authentic communication form not only the third step, but are also implicit in other steps. These iterative process steps involve sensing, monitoring and feedback, integrating knowledge with other resources. Collectively these steps should assist in facilitating improved value alignment, balancing value co-creation opportunities within the stakeholder network. The resulting co-created VPs represent a tangible mechanism for mutually co-created value shared between stakeholders.

Identify stakeholders within the network

A challenge for businesses is that they are positioned in a loose-knit stakeholder system, but may not be fully aware of all the constituent entities and their importance (Payne *et al.*, 2005). The starting point is identifying all stakeholders within the system (Freeman, 1984). A relationship marketing stakeholder framework (see Figure 1) brings to the surface the nature of the network and its entities. It also explicitly recognizes that individual entities can be in more than one stakeholder group: employees can also be shareholders; employees may be union members; and, an executive within a regulatory authority may be a member of an environmental action group.

Stakeholder salience is highly contingent on an enterprise's position within a network at a given point in time. Mitchell *et al.* (1997) suggest that the prioritization accorded by an enterprise to the interests of different stakeholder groups will be based on executives' perceptions of: the power of stakeholders to influence the company; the legitimacy or appropriateness of the claims that stakeholders have on the enterprise; and, the urgency with which these interests need to be addressed. Less-immediate stakeholders, such as an interest group or the media may, at a particular time, be of greater concern than the enterprise's immediate stakeholders (Maignan *et al.*, 2005).

Determine core values: increasing company value versus profit maximization
Abela and Murphy (2008) draw attention to the importance of core values. Their distinction made between profit maximization and increasing company value is critical for aligning stakeholder value. As these authors point out, profit maximization is potentially in tension with any other norm that does not contribute to it. By contrast, the norm to increase the value of the firm is freed from such tension in two ways. First, it is about increasing, not maximizing, value and thus it is less likely to be in tension with any norm that does not contribute to maximum profits. Second, since firm value includes both profits and the intangible value of the brand equity and firm reputation, tensions are reduced between the interests of the firm, its customers and the rest of society.

Unlike G-D logic, which is competitive and potentially confrontational, S-D logic is collaborative, reducing tension and potentially facilitates greater value alignment between stakeholders (Abela and Murphy, 2008). We advocate an approach aimed at increasing company value, rather than profit maximization.

Facilitate dialogue and knowledge sharing between stakeholders
Ballantyne and Varey (2006) highlight the dialogical perspective. This involves extensive communication and knowledge sharing between all relevant stakeholders through trust, learning and adaptation within the marketing system. Full and balanced knowledge sharing and information exchange is critical for a healthy marketing system. S-D logic supports this view, emphasizing knowledge sharing as an essential process in value co-creation.

Lusch *et al.*(2006) point to two "mega-competences" that are important in facilitating knowledge sharing: collaborative capability – the ability to work with other parties in an open, honest and symmetric manner; and absorptive capability which involves being able to absorb new information from stakeholders and the environment. This information sharing activity and dialogue forms the basis of knowledge identified in VPs. Bhattacharya and Korschun (2008) emphasize how "authentic" communication can help overcome the skepticism associated with some marketing activities.

Identify value co-creation opportunities
Prahalad and Ramaswamy (2004) highlight the value co-creation opportunities resulting from the transformation of customers from "passive audiences" to "active players". Much of the literature on value co-creation addresses the customer-supplier context but ignores value co-creation opportunities offered by adopting the stakeholder perspective proposed in this article. Environmental groups and regulatory authorities represent examples of more active stakeholders. Normann and Ramirez (1993) appear to be the first authors to point out the importance of non-customer stakeholders and their potential to work together to co-create new forms of value. Laczniak (2006) also argues that by looking at the business system as a whole, all stakeholders may potentially be viewed as co-participants in the service provision.

The shift in perspective suggested by S-D logic, from value-in-exchange to value-in-use (or value-in-context) offers a new perspective on value co-creation opportunities (Lusch and Vargo, 2006). Value cannot be created in isolation from stakeholders, yet within the exchange paradigm, the primary focus has been on value-in-exchange between the buyers and sellers (Lusch *et al.*, 2006).

Co-create stakeholder value propositions

Ballantyne (2003), and Payne *et al.* (2005), argue that co-created VPs should be developed by firms with the intent of creating mutual value, which will enhance relationships, and secure future benefits for the firm and its key constituents. However, these ideas are not expanded on in their work. The stakeholder perspective highlights the wider role of the VP in the success of the enterprise. Where there are deeper stakeholder relationships, VPs are more likely to be closely tailored and refined, contributing to the success of the relationship. Where there is little knowledge sharing between stakeholders, poorly defined VPs may contribute to a less successful relationship.

Ballantyne and Varey (2006) suggest that knowledge sharing and dialogue between parties is essential in crafting VP. Processes of sensing and learning allow the parties to seek their own and mutually shared range of benefits through co-developing a VP. As with customer VPs, for other stakeholders there are always at least two value perspectives: one from the relevant stakeholder under consideration; and the other from the firm.

An enterprise and its stakeholders need to understand the desired range of benefits and sacrifices. Various stakeholders will form different views about what is valuable to them, based on their knowledge, goals and context. Critically, VPs within a network of stakeholder relationships may reflect conflicting interests. A stakeholder perspective of VPs suggests a key role for an enterprise includes recognizing and managing these differences (Lepak *et al.*, 2007). VPs within and between stakeholder markets may or may not be directly created with the enterprise and need to extend beyond customer-supplier co-creation (e.g. Payne *et al.*, 2008). In such instances, the enterprise may become a co-influencer, rather than a co-creator.

S-D logic identifies that an enterprise can only offer VPs, but value itself is created during in-use experience. The implication within the context of stakeholder markets is the requirement for understanding and managing the in-use experience – an area, which has been largely unexplored in non- customer markets. A key task for managers is to consider the co-creation of VPs with each stakeholder market relevant to their organization. Achieving this task requires extending knowledge sharing and dialogue activities, understanding resulting stakeholder experiences and adjusting the VP to reflect new knowledge and the usage experience.

Stakeholder value in a marketing system

We conclude that categorizing stakeholders using a stakeholder classification framework can help identify more clearly the network of important interconnecting relationships. We posit that the adoption of a VP approach within a multiple stakeholder marketing system has the potential to make value exchange opportunities more transparent and provide new enhanced co-creation opportunities.

We have described VPs in this article as reciprocal promises co-created usually between two counter-parties. However, while VPs are reciprocal they do not always have to be limited to dyadic, two-way promises of value. The interdependencies between market domains may mean that more than one market domain could need to be addressed simultaneously. By adopting a marketing systems perspective, VPs can help identify the distribution of value within a stakeholder system or network. A key task for stakeholders is developing and influencing the processes that provide efficient and effective knowledge sharing and dialogue, leading to improved social and economic value.

Discussion and future research

This paper provides a theoretical contribution to the marketing literature by exploring the application of the customer value proposition concept to other stakeholder markets. We conclude VPs have a key role to play in co-creating value between various stakeholders, acting as a value alignment mechanism within a marketing system and, that S-D logic helps enterprises address VPs in a more holistic and integrated manner. Our work extends the understanding of VPs in the context of S-D and provides new insight into value co-creation processes in stakeholder relationships.

This wider perspective has significant implications for practicing managers, suggesting their organizations will benefit from adopting a broader view of stakeholder value. The development of VPs within a network of stakeholders can create opportunities for value co-creation and provide a mechanism for creating greater stability within these relationships. Our work suggests a number of areas for future research on value propositions

First, there is a need for both qualitative and quantitative data to support normative perspectives on VPs. There is also a need for a systematic exploration of the origins of the VP concept and empirical research on processes for development of VPs. A priority area for research is exploring and assessing alternative processes for developing them, including the context of multiple stakeholders.

Second, our proposal that VPs serve as a stakeholder alignment mechanism requires further investigation. There is some evidence of the benefits of alignment of VPs, for example between employee and customer VPs. However, there is little case-based research aimed at understanding how this stakeholder alignment is achieved.

Third, an interesting area for research is investigating instances of misalignment of VPs. For example, a recruitment VP may attract new recruits into a firm, for example, by suggesting varied career roles across functions and a work-life balance. Yet the internal VP may reward long hours of hard work and require extensive overseas travel away from home. Such instances of misalignment may be especially useful in understanding how feedback from stakeholders could lead to adjustments in VPs within a marketing system.

Fourth, VP research could explore a broad range of value co-creation opportunities. Sheth and Uslay (2007) suggest a wide spectrum of co-creation ideas. Future researchers should find these authors' ideas a useful catalyst in considering co-creation opportunities with other stakeholders, as the literature appears strangely silent regarding the nature of co-creation for non-customer stakeholders.

We conclude by supporting Abela and Murphy's (2008) suggestion that in order to strengthen the integration of research on non-customer stakeholders, the dialogic proposal of Ballantyne and Varey (2006) might be developed further into another FP regarding participation with and treatment of stakeholders.

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