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Meanings and Interpretation of Value Creation: The Role of Context and Value Chain Position

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Abstract

By adopting a firm-focused perspective to value creation in order to unveil the firm-specific meanings and interpretations of value creation, the paper explores how companies with a different position in a global value chain perceive the internal and external value they create. Based on interviews in three firms operating in a traditional industry, we show that value perceptions are conditioned by firm strategy and scope of activities and value creation is informed by the characteristics of the business model of the firm and by the socially constructed reality in which the business model operates. While all firms identify the importance of economic value - with value-for-money, profit, stability and wealth for the user and the organisation, of psychological value - with happiness and shared values, and of sociological value - with belonging and social responsibility, from a user, organizational and ecosystem perspective, the concrete meanings and interpretations, the sources of and approaches to creating these types of value are rather distinct to each firm and therefore, embedded and conditioned by the firm's contextual system and by the firm's position in a global value chain. Whereas an integrator SME in a global value chain is focused on creating internal and external value by orchestrating and integrating its brand value with a combination of weak and strong ties, a more diversified glocal value chain position of an emerging market firm has the potential to create greater internal and external value for the firm and the social system in which it is embedded.

Keywords: *value creation, value chain, value perceptions*

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1. Introduction

Value creation in small- and medium-sized firms (SMEs) (Moore and Manring, 2009) is often associated with their operations in global value chains or global production networks (Chetty and Holm, 2000). In them, companies exchange inputs and/or outputs with domestic and foreign firms and in this process, transactional value is added up in business-to-business exchanges until the final customer is served with a product/service/solution with a unique value proposition (Ritchie and Brindley, 2000; Kumaraswamy et al., 2012). While marketing literature has captured and discussed value, there has been hardly any discussion on the meanings and interpretations of value created by the firms along the value chain. Research has mostly explored in which activities of the Value Chain (Porter, 1985) value is added or derived by a firm. In line with neoclassical economics, it is generally assumed that value is created through firms' participation in value chains in some primary or support activities and is to be ultimately "consumed" by targeted customers.

Marketing literature has been exploring value creation by a firm as value-proposition or value-in-use for the customer or as co-created with the customer based on his/her wants, needs and preferences. Research by Vargo and Lusch (2011) and Akaka, Vargo and Lusch (2013) has prominently developed a service-ecosystem perspective that places centrality to context in value creation, thus developing the ideas of service exchange, integration of resources, value co-creation, and value-in-context (Akaka, Vargo and Lusch, 2013). The concept of value creation has also been embraced and made central in the understanding of the nature of marketing by the American Marketing Association (AMA) so that the product is no longer the object of exchange between a firm and its customer, but it is an offering, a bundle that creates value for the immediate customer, for various parties contributing to the bundle offered to a customer, and for the society at large. In line with this, the American Marketing Association's (AMA) definition of marketing was adjusted in 2013 to reflect the concept of value creation: 'Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large' (AMA, 2013).

Business model research which explores the foundations of firms' strategic roles and profiles, positions value at the core of all business models (Zott, Amit and Massa, 2011). As such, value transcends inputs, outputs, partners (suppliers and buyers), and determines the company's costs and revenue, thus, making value the backbone of each business organization.

Strategic management literature also adopts the concept of value as reflected in Porter's Value Chain model, which looks at all primary and support activities that through sequence and interplay create the margins for the firm and enable it to function and grow (Rindova, Ferrier and Wiltbank, 2010).

Moreover, innovation research claims that firms create value by research and development (R&D) (Sirmon, Hitt and Ireland, 2007) that is associated with explorative and exploitive innovation (Gupta, Smith and Shalley, 2006), hence, accentuating the understanding that it is firm specific activities and their unique interface that enable firms to create value.

Consequently, academic literature, in spite of its unique functional, operational or strategic perspective, demonstrates an evident consensus in developing the notion that value is central to the purpose of any business and is essential to the business, its network of suppliers, customers and stakeholders (Payne, Storbacka and Frow, 2008).

This paper explores the value created by firms operating in different parts of an international value chain. The firms subject to the study are small and medium-sized enterprises from a traditional industry but originating in a different country-context. For one of the firms, clothing has been the source of its global image, identity and aspiration, moving it into the realm of fashion. This company sells both to business-to-business and end-customers. The other firm manufactures clothing following client designs and orders but also has own uniquely designed culturally defined products, while the third – works on client orders only. Thus, the three firms, although in the same industry and value chain, present rather different cases, with a different value proposition and are positioned on different stages of the value chain. The focus of this investigation is on understanding how the companies perceive the value ('benefit' or 'worth') they create for themselves and for their customers and the type of value they create. Therefore, the argument is trying to move away from value chain and value proposition analysis by adopting a firm-focused perspective to value creation in order to unveil the firm-specific meanings and interpretations of value creation.

2. Theoretical background

Value in the context of SMEs is about the ‘utility’ they create. The concept of ‘utility’ goes back to Adam Smith (2003 [1776]) and the economic marginal utility theory that emerged on the foundations of Smith’s work (Kauder, 1965). Value in business activities has developed on this basis with the attached interpretation of mostly the worth created in business transactions for the parties participating in the direct exchange of goods. However, if we go back in time to the philosophical reflections of Plato on value in *The Republic*, created back in 360 BC, value is much more than transaction value. It is about intrinsic value and extrinsic, i.e. instrumental value, with the latter being things that are needed (instrumental) to gaining other things that are good to have (Plato, 2007). This arguably leads us to the understanding that value can be both intrinsic and extrinsic and these two concepts do not exclude, rather, they complement, one another. The intrinsic value in Plato’s thinking is related to the internal worth or ‘goodness’ of a person, something deeply internally embedded that shapes one’s morale and beliefs. The extrinsic value is associated with things and therefore, it exposes the importance of the ‘thing’, which could be an object, a product, an activity or anything that is external to a person and brings some instrumental value for that person. In addition, the worth itself is a matter of perception, the perception of the person who gets the worth of the ‘thing’ and thus has a subjective evaluation and interpretation, which may or may not be shared by other persons. In line with this, Holbrook (1999) categorizes three dimensions of value, i.e.: (1) intrinsic-extrinsic, (2) self-oriented versus other-oriented, and (3) active-reactive. The intrinsic-extrinsic dimension is applied when a product is valued because of its qualities as an end product or as a means that help someone gain something else. A self-oriented versus other-oriented dimension relates to the value of the product to the end user or because of its worth to someone due to the reactions of others. The active-reactive dimension is about the involvement of a person in the value of the product. Based on these dimensions, (Boztepe, 2007) has identified four groups of value: utility (convenience, quality and performance, and economy), social significance (social prestige and identity), emotional (pleasure and sentimentality), and spiritual.

Scholars have long applied value terminology in axiology (the philosophical study of value) (see for example, Bengtsson, 2004, Mattsson, 1992, Hartman, 1967) and offered various extensions to the interpretation of value. For instance, Hartman (1967) proposes that value should be seen as systemic, i.e., as defined by a system and thus existing within the limits set by that system and therefore, conditioned by it. Marx (2011 [1867]) also sets value within contextual boundaries as he suggests that value exists in use and is realized in the process of consumption. Such an argument deserves attention as it purports that value exists in time and space, it can manifest itself in a context and in use. In this, we can associate value created by a firm in a certain space and at a specific time, value created within interactions with various network attachments that is difficult to imitate and thus derive the same value in another firm, within a different context. In extending the arguments about the relationship between value and context, Giddens (1979) and Chandler and Vargo (2011) point to the interplay between individuals and the context in which they exist thus mutually constituting each other. Giddens’ (1979) perspective suggests that within a specific context individuals are engaged in exchanges with others, thus people and things are connected in different ways and things can be a resource for some people, while being liabilities for others in the same context. Thus, social structures shape contexts and context enables social structures within which value emerges and benefits its constituents This premise is really important in our argument as this paper does not seek to explore the exchange value that our case contexts present, rather we are going to see how value is created and co-created within a specific context of relationships and how this value is shaped by the context. Thus, we move away from what Bagozzi (1978) discusses as exchange value whereby a company produces a

product that it exchanges with a customer for a certain monetary value, i.e., in which transaction, one type of value is exchanged for another type of value, which has been the object of study in most business and marketing investigations (with more recent exceptions in marketing thought by Vargo and Lusch, 2004, 2008, 2011; and Lusch and Vargo, 2006, who introduced a service-dominant logic perspective as a new dominant logic for marketing).

Holbrook (1999) suggests that value is an interactive, relativistic preferred experience and customers participate in the creation of that experience. Such an approach has been adopted by the service-dominant logic developed by Vargo and Lusch (2004) who see the customer not only as part of the experience, but as a participant in the acquisition and usage of the experience in which companies can offer value propositions and the customer determines, co-creates and gains the value in a specific context – at a certain place and time. While the service dominant logic has been mostly applied to firm - end customer value creation, Vargo and Lusch (2008) propose that value is not created by a single party, rather, it is created by the integration of resources pertaining to various parties involved in an exchange process (Chandler and Vargo, 2011). This specificity is notable, as in value creation within a mutual service provision, all parties can be both in the role of providers and customers (Vargo, 2009). Such transactions create a system of network attachments for value creation instead of a linear, chain-resembling sequential flow of value creation where every next part of the chain adds up value and thus value added grows as purported in global value chain studies.

Based on the above laid conceptual and theoretical underpinnings, the value creation in three clothing companies, provisionally called ClearBlue, Tara, and Suri, is investigated in this chapter. The names are fictitious as the identity of the firms should stay anonymous due to signed confidentiality agreements between the company management and the researchers. ClearBlue operates in the United Kingdom promoting British design. It is present in numerous big mid-upper-market retail outlets, has its own boutique shops, and since the financial crisis of 2008 it has developed an Internet selling platform. The company serves the mid-upper segment of the clothing market by relying on brand, country-of-origin, design and quality. It started as a small, creative, designer-led company to become an internationally recognizable clothing brand. Tara is an Indian company that organises the production, manufactures and supplies garments on order to ClearBlue, but also has its own clothing line for the Indian and neighbouring markets with which it targets middle-income consumers. Suri is based in Sri Lanka and manufactures on order clothing for ClearBlue, using materials and designs supplied by ClearBlue and other international buyers.

3. Methodology

The objective of this paper is to compare the value created by the three companies and to unveil the complexity of value creation in its specific context. We have chosen three different cases positioned at different places of the value chain. Two of the firms are in developing market context and one in a developed market context (see Table 1).

ClearBlue	Tara	Suri
United Kingdom	India	Sri Lanka
Developed market	Big emerging market	Less developed market
Design	Production on order and local design	Production on order
Global upper-middle market	ClearBlue and regional markets	ClearBlue and international buyers

We adopt the systems approach through which we can analyze the elements of the contextually defined reality that are mutually dependent on each other and thus identifying the parts, the linkages between them and their interactions. We apply a critical realist perspective, which while accepting that reality exists independently of an observer; it maintains that the world is socially constructed (Welch et al., 2011) as the observation is by its nature a subjective interpretation of reality (Easton, 2010). Thus, we aim at explaining “the entities and the mechanisms that connect and combine them to cause events to occur” (Easton, 2010: 122) by considering their dependence on the context, as in other contexts the same mechanism may lead to different outcomes (Sayer, 2000). In the typology of theorizing from case studies by Welch et al. (2011), our critical realist case studies refer to contextualized explanation as we are concerned with accounting for the type of value created and the underlying reasoning of the managers (Welch et al., 2011: 749).

As we are looking at how value is created within the three firms, in which resources are used for own benefit and for the benefit of other actors, simultaneous exchange processes occur across actors in complex service-providing and value creating relationships (Chandler and Vargo, 2011). Hence, we apply an inductive theory building approach in which an initial set of empirical observations lead to generally applicable theorising which can be refined using subsequent new data (Dyer and Wilkins, 1991). The firms were intentionally chosen in view of the objectives of the research through implementing sampling strategies required by inductive research. As suggested by Miles and Huberman (1994), we selected information-rich cases of SMEs in a traditional, garment industry in three market contexts as the the value that such SMEs in developed markets create, control and capture is more substantive compared to similar SMEs in emerging markets and even more compared to SMEs in less developed economies. The British SME treats its garment production as fashion, emphasizing the leading role of design. It creates value through exchanges with network attachments in its home market and internationally. Moreover, the British garment sector has experienced a shift from traditional production of clothes to fashion where more transaction value can be captured. Data were collected in 2015 through in-depth interviews. Interviews lasted between 40 and 50 minutes. The following people were interviewed in each company:

ClearBlue	Tara	Suri
Owner (O _{cb})	Owner (O _t)	Owner (O _s)
General Manager (GM _{cb})	General Manager (GM _t)	General Manager (GM _s)
Marketing Manager (MM _{cb})	Export Manager (EM _t)	Production Manager (PM _s)
Brand Manager (BM _{cb})	Sales Manager (SM _t)	
Lead Designer (LD _{cb})	Designer (D _t)	
Lead Buyer (LB _{cb})	Production Manager (PM _t)	

The Indian SME has a dual purpose production: one line for ClearBlue and the other for its own domestic and regional markets in which it offers culturally specific designs traditional clothing. The Sri Lankan SME produces clothes on order only. We asked questions based on an interview with two open ended questions: a/ what is value for the firm and b/ how is value created by the firm. We also observed the work in the companies, and had some access to documentary evidence. Company records, mostly on contracts, batches, design schedules and supply/buying arrangements were also used under the terms of confidentiality. The case data were described in a narrative form and explored by comparing theory in extant literature and emerging from the data constructs (Yin, 2008) in order to ensure in-depth case analysis (Miles and Huberman, 1994) that served as a basis for construct identification and conceptualization of the emerging patterns within each cases and across the

three cases. Although we apply a focal actor perspective (see Halinen and Törnroos, 2005) we aim not only to describe meaning, interpretations and actions, but also to identify patterns (Pettigrew, 1992). In such an approach, holistic explanations become most important where the generalization is analytical (Yin, 2008), and leading to theoretical propositions (Easton, 1998).

4. Research findings

Case Analysis

ClearBlue

ClearBlue has been driven by the brand, the concept they are selling to the market and in this it is characterized as a niche company with a differentiated focus strategy that emphasizes its own style and image. All its activities and functions are aligned with this. Its organizational structure also supports its activities by allowing greater focus on the core competence of the company. As such, the well-established global brand is the fundamental pillar around which all types of value (i.e., transaction, in-use, in context and relational/ intrinsic and extrinsic) are created in the firm. The firm output is not production of clothing; rather, the company is brand-driven with appropriate support structure:

“We create a brand, ...an image...we live with the brand.... and we have a different organizational structure compared to a production company. Of course...we have a commercial structure with commercial activities for sales, licenses, royalties and the like; and a corporate part with HRM, finance, etc. The heart of the firm is the creative part, the brand; the mind, I suppose is the corporate part.” (GM_{cb})

“We design and sell clothes, different lines of clothes, but I would like to think that we are a fashion brand company. At least, I think this is what we have become over time.” (O_{cb})

“The brand and our networking skills, the way we work with all our partners makes the business what it actually is, ...this is the source of all value we create.” (MM_{cb})

The shift from a manufacturing to a brand focus has led the company to outsource and offshore all its production and support activities and focus on its core activity. The change in focus has strengthened the work of the company with its customers, which has increased its ability to co-create emotional and utilitarian value, value-in-use with the customers as they not only monitor, but also share experiences. This development came about as a result of the financial downturn in 2008, when the company realised that to withstand competitions and financial pressure, it had to increase its flexibility and engage closely with the market.

“Since 2008, we have outsourced IT, part of the financial processes, the production, fabric sourcing... we have focused on the core business: design, service...product, service and design, sales, marketing design, marketing...we do a lot from it...and it's difficult, really difficult in a crowded market, but now we work very closely with our customers (B2B) and we follow up our B2C customers and their ideas and feedback. We work together with our suppliers as well, we want them to deliver what we need at the right price and the quality we expect. Our customers want to experience our brand, to be part of this brand, to be in Britain...” (O_{cb})

“We have had some designs suggested by customers, colours, too....” (LD_{cb})

“Social media has given us direct access to the voice of end customers, which is great, ...we are engaging with them to know their experiences.” (MM_{cb})

A key consequence of the company's shift of focus is the increased agility, which gives them the opportunity to respond and foresee changes, to deliver new lines of fashion faster to the business and end customers. This approach is also in line with the thinking about the international market, which is aligned with the key contacts, those that can make it possible for them to realise the transaction value. In order to do this, the company does not have a product sales approach, instead it bundles products and services in an offering. Moreover, such thinking about the market and the consequent flexibility are enabled by the nature of the firm as a design and sales platform for fashion clothing.

"We are focused... – to respond to the customers ... to answer to new trends faster – the international market for us is our agents, distributors, end clients..... we try not to sell a single product, instead we try to sell a complete image, several products and a competent service bundled together to create that image.... we are a design and ...sales platform." (BM_{cb})

"Our core business is design...British design.... ...everything is about the brand and the logo....." (MM_{cb})

The company is engaged in various formats of internationalization, direct exporting, Internet sales and shipping, has sales representative offices, agents and distributors, but has divested from own production facilities overseas. Thus, it creates value, in the first place, by its global brand and by working together within 'a complex net of relationships' on the demand side and stable ClearBlue defined relational exchanges on the supply side. The GM_{cb} described his role as someone who has to fine-tune all relationships always staying in close contact with customers, agents and distributors and making sure that all specified details in production and quality are followed to the detail. In this sense, the company has to integrate the efforts of the net of relationship to deliver value to the market, the network partners and itself. Moreover, the Brand Manager added that the network cannot be closed, rather it should allow for new creative, sales and production input.

"You are asking about how we create value... we have a global brand, a brand with a global appeal and customers all over the world – here is one level, we have agents, sales offices, distributors, we work with fashion retail chains, and we have our own stores overseas; next we have designers we source in – another level, then we have suppliers – this is a different type of value creation in internationalization." (O_{cb})

"My role is to co-ordinate, integrate, fine-tune all activities, inputs and outputs, I feel I lead an orchestra,...it is a globally dispersed orchestra where we are creating a distinctive music...value for all participants, for us and for the customer" (GM_{cb})

"We have to be open, flexible to bring in new designers, new ideas, new concepts, new partners, but we are also careful...we have to know that we can work with the new partner and there will not be big issues. We are in Russia and China, doing very well, but we have great partners in these countries...so it is difficult, but for us, it is very good... (BM_{cb})

The openness of the partner network and the importance of design were also brought into the interview by the Lead Designer.

“Design for us is very important, ...we need to get this special knowledge from outside to keep the British authentic appeal...so we find this knowledge and then work with the designer...we share concepts, we compare models, we design together a style ...actually, designers design, but together with us...what our brand needs....and they sell it to us, but we know what we are buying....if they don't sell - they don't earn money....” (LD_{cb})

“It is about us together...the brand cannot go without the designers, ...you know, they cannot go without us.... not sitting under one roof, but ...it is a concert and if there are problems, nobody will enjoy it...no, no, ...” (MM_{cb})

The General Manager and the Lead Buyer discussed the issues above by adding reflections on the whole process that requires a joint effort and a lot of integration of efforts, processes, and relationships.

“We have buyers sitting here for each clothing line – they work with our suppliers, telling them what we want, what price, what material, sizes, colour – OK,... and then they work with us and we work with them to make the best sample to take to the spring-summer and autumn-winter fairs. There, we get the customers and we have them all in...we say: what a nice piece of clothing, fantastic, great... Then they like it or want some changes, we can decide if we can make them and agree with them...six months later we get the product in our warehouse, pack it, send it ...it is all likeputting all together as it adds up and then we all get great satisfaction....and the wallet is full.”(LB_{cb})

“Five years ago, it was come in, take a look, do you like it...and all done...see you in six months. Now it is getting much more integrated with our customers ...to reduce the time of holding items in stock or on the shelf, so we know all the time how goods are performing, what is needed, when new ones have to come in, what is preferred....it is highly integrated...we follow all these key performance indicators...not because we or our clients want, ...the bank wants...otherwise, it will close their business... so we need to be integrated.” (GM_{cb})

The Owner, the General Manager and the Brand Manager were very much questioning the controlling position of ClearBlue in the network of relationships.

“It is not about control, ...it is about talking it through, discussions, finding solutions and then to contract....and of course some of it has become more like friends – people we know and work with closely... but we say what we want and then, they say and then we find a way”. (GM_{cb})

“Of course we have to control quality and make sure quality is as we want it, we visit, we talk, we exchange many e-mails....and finally, we do quality check before we ship it here”. (O_{cb})

“On the basis of our experience, we have developed a supplier manual... we can always bring a supplier and say “Make a sample for this or that”, but we want to secure quality, otherwise, we find a new supplier; we are partners as long as our wallets....you know the wallet is very important...if it's full then we are OK.” (BM_{cb})

The geographic spread of the firm is quite extensive and the MM_{cb} commented on it. He was confident that emotional value is created across markets with customers who support the brand identify.

“Where we create value...good question: in England, Scotland and Wales, in Northern Ireland, so in the UK, ...then we are in Germany - across Europe, Canada, the US, the Middle East, South Africa and some other African countries, although modest presence there, even in China, Australia, Russia....there are some specifics, but...it’s all ClearBlue brand...” (MM_{cb})

“...[T]he brand is a life-style: British lifestyle: a feeling of beautiful nature, understatement, sophistication, quality, authenticity...and then all customers and partners buy in that universe...” (BM_{cb})

Tara

Tara was initially producing traditionally designed clothing for the Indian market only. In the beginning of the 2000s, the Owner found buyers in the big near markets of Bangladesh, Pakistan and Sri Lanka. Since then, it sells to customers in those markets traditional clothing items that target the mid-market segment. In the last six years the company is set in a small town and provides jobs mostly to women from the town and neighbouring villages. In 2010, it was approached by ClearBlue through a diaspora contact living in the UK and after some visits, negotiations and adjustments in production Tara started manufacturing clothing on order to ClearBlue. As a result, the image of Tara on the domestic and near export markets has also improved because it is perceived by domestic clients as a successful international company that had built a long-term stable relationship and legitimacy with a foreign buyer, yet a company providing secure jobs for local women.

Tara’s owner interprets value with its transaction and social dimension, which provides a new interpretation of value within a network of business and social relationships. The social dimension of value is particularly relevant for local jobs and welfare, as well as self-esteem and recognition for the owner. We can argue that this interpretation falls within the understanding that different stakeholder see different value -‘worth’ or ‘benefit’, yet, it is a fresh view on value, which may be associated with value-in-context or the idea that value should be explored within its ecosystem of relationships, including effects on the local community and employees.

“We earn money, good money, for our big family, and we can live well....we can send our children to study abroad...this is value...but we create value for the local people, social value and women can have jobs, income, so they get something and we get. What is value – money, but also local respect, recognition by the town mayor, recognition by the people – then I can hire the best of people”. (O_t)

“We sell a lot across India, so we make good money and we grow as a company, but...we also give some clothing with defects almost free, for very little money, to poor village women from the neighbouring villages and to our employees...they are happy and support us more, work for us better...and we sell more. I work with buyers in India and it is always “how much can we earn”, but they have realised they earn well from our products and we do well, too. So, everybody gains”. (SM_t)

Value is repeatedly interpreted as transaction value, yet, it is also seen as value-in-use from the local and regional customer perspective and as client value-in-use being delivered to ClearBlue. It is notable that the relational value is seen as a communication and learning channel, yet, it is mostly informed by the dominant and controlling role of ClearBlue.

“We create value through sales,... we sell in India, Pakistan, Bangladesh, Sri Lanka...yes, we have our home market and foreign clients...so we can have increase in income and profit, we have grown in size, we have invested in new machines and provided good paid jobs to more local people...our clients also make money from selling our products. What else, yea...our customers like our clothing and wear it because it is good quality, natural fabrics and interesting, yet traditional designs, bright colours...so we get bigger and bigger orders. We have learned a lot from ClearBlue about quality management, about timing deliveries, about design, but ...we do not have a lot of say ...we can express views, but we produce the way they want it and when they want it”. (GM_t)

Exporting is seen as a key source of increased transaction value for Tara, but interestingly, the company’s legitimacy with ClearBlue is perceived as a key to the increased transaction value and value-in-use in the domestic and neighbouring markets.

“Value...value - we create in exporting. Pricing is good for us, volumes are OK. I want to stress, that our income has increased from export quite a lot in the last 5 years. Our exports on order to ClearBlue are like a stamp of quality and reliability in the other export markets, and even here, in India. So, people say: “Oh, they sell to Britain, quality should be excellent, ...and we get more Indian buyers””. (EM_t)

The value-in-use seems to be product specific and context-specific. It seems that the worth of the traditional designs can be a source of a much greater emotional value within the context of India and regional products than the worth of the global product with its brand. It may well be that the value-in-use may change not only with the client and end user, but also with the situation/context in which the value-in-use of a product is sought by a potential customer.

“I design the clothes for our markets, for our customers...it is traditional designs, but I am always searching for something different...something original...from plants, birds, flowers, from the Mother Nature...this is how I create value to our clients, traditional, yet original...using natural dyes, fabrics, beautifully decorated...and those who work here must like it...if they say “wow”, it is nice...if sales go up...I am doing the right thing. I cannot learn a lot from the ClearBlue designs, they are simple, not much colour, but....sometimes I help them with a colour or idea...they usually think they know more, but sometimes it works. I also learn from them in terms of cuts, new shapes and can get some ideas...”. (D_t)

The value created by Tara differs a lot between the two parts of the company’s product lines. One is more of a transaction oriented value, the other has a greater emotional value for those manufacturing the products.

“I think we create value through our production –....but, you saw, I manage two parts of the business – one for the traditional clothes and one for ClearBlue. This is very different value - design, process, customers, ha, ha....not easy...and different money and happiness”.

“We deliver to ClearBlue, but we are happy with our traditional clothes as they are beautiful, colourful, really about our life...the ClearBlue style is a bit dull, but it is sold across the world as it is British design. There is market for everything, but we cannot be a global brand, we enjoy our roots and traditions....and we do good to the local community. This is real value, isn't it?”

Suri

Suri has a cost leadership strategy based on cost-plus price per unit of production. It aims to work at full capacity by serving Western buyers on order. It gets the designs, fabrics, and cuts from the buyer and has to manufacture the products. Quality control of each batch is performed by the buyer.

“We were a small company before we started producing for our clients. Now, we produce only for them...whatever they want – we do it. Value, what do you mean? Profit – we make good money, we have a healthy profit, ...our buyers come here because we offer low prices...we can afford this, our employees need a job, work long hours and take money home to support their family. I am also happy as my wealth has increased, but our clients are our Gods – they want, we make”. (O_s)

The Owner equates his interpretation of the value the firm creates with profit and income – transaction value, but as value-in-use defined by the clients. It is evident that the value proposition is built on low price/high quality of the manufactured product, which emphasizes the product and client orientation of the firm. As such, the value added created by Suri is perceived as low, yet providing some social worth for the employees and more so for the owner. The intrinsic value is in the product, but the transaction value allows employees and the owner to acquire more worth for their existence. Similar is the interpretation of the general Manager, however, he brings in the importance of the value-in-context associated with the relational strength and quality learning for Suri from its relationships with clients.

“The value for me is the profit we can make for the company and the quality product we deliver to our clients so we can have long-term business with them...well we have also become better at quality checking...”. (GM_s)

The transaction and relational value is also emphasized by the Production Manager. The former is mostly associated with the end worth of the product, while the value-in-context is linked to the relational value in the process of product creation. The relational value is seen as a mechanism for ensuring the transaction value and the value-in-use for the client.

“If the product is good for my clients, I have done my job...they get what they ordered and we get paid,but if I have problems, I am asking them what exactly they want, so that I do not make mistakes and tell my people how it should be... If we do not get any returns for defects, it means the product does what it should do for the client”. (PM_s)

Nevertheless, the Production Manager brings in an important dimension of value – the intrinsic value for the employees manufacturing the product, which may be referred to as emotional value. It seems that while value-in-use for the buyers and transaction value are perceived as positive as the company has achieved legitimacy with their buyers, the lack of perceived recognition of the worth of the company's production expertise and efforts is actually a source of negative emotional value.

“We are good in production...can be even better, but it does not say anywhere that Sari produced this item, ...OK, it says “Made in Sri Lanka”, but Sari is not there...so our name has no value...ClearBlue means something to customers...well, why should we think life is fair...no it is not fair, is it?” (GM_s)

The Owner has also noted that value is a relatively loose concept that can be interpreted differently by stakeholder, i.e. owner, managers, employees and clients.

“Value is a strange word to me – maybe if you ask the women we employ, the value for them is the pay they get to feed their families; for me – it is the profit I make and allows me to look after my family; for ClearBlue – it is perhaps the good profit they make by getting the products from us and selling them at a much higher price.” (O_s)

Cross-case Analysis

The three case firms presented above are part of a buyer-driven value chain in which the branded fashion-design company plays essential role in locating other producers that form its production network partners in a variety of developing exporting countries, in this case India and Sri Lanka. This arrangement is made possible by the availability of labour-intensive producers of consumer goods who can capture a fraction of the final transaction value, which is attained by the brand-led company, supplying the specifications. Thus, the developing country contractors produce (cut and sew) the finished garments for their foreign buyer, but they are far apart from the final transaction (exchange) value.

The fashion designer firm (CB) is a lead firm that controls access to key resources such as product design, brand name and consumer demand that generate the most profitable return or the highest transaction value. Such a position requires from the lead firm to create and “orchestrate” relational value with “designers”, “agents”, “suppliers”, “customers” with the objective of creating and maintaining emotional value embedded in and communicated to consumers through the brand. The two supplier companies also create relational value, but it is of a different nature – for Tara, it is embodied in the relationships with local and regional sales agents and retailers, on the one hand, and on the other hand, with CB as key buyer; for Suri, it is mostly with its buyers who supply the specification. An important part of the relational value is the learning for both Tara and Suri in terms of quality, organisation and delivery as well as the trust of the buyer, but although CB talks about its role in orchestrating these relationships, it is obvious that it is in position to change the suppliers if they cannot meet the requirements. However, in a more close look into the statements of the interviewees, we can argue, that for Tara and Suri the relational value is noticeably interlinked with social or perhaps more specifically, community welfare value that is not associated with the brand, but with the job provision for local women, with “giving work to employees” who can “feed their families”. Notably, in Tara, the relational value spills over not only to the “local town”, “village women”, but is also brought to the immediate family “the education of the children”, which may indicate that cultural cognition is important in the interpretation of value creation across contexts.

The emotional value is not only related to the customer as promoted by CB “the feeling of Britishness”, brand association, but for Tara it is mostly the pride with local skills and colour, local design, as well as “local respect, recognition by the town mayor, recognition by the people”, which is a feeling of self-respect and esteem in the community. These are interesting nuances in the interpretation of the emotional value that the two firms create as it is obvious that CB designs are equated with pride with “Britishness”, while for Tara – that designs are “dull”, “simple, not much colour”. Hence, the emotional value in both firms, as far as the product is concerned, is actually related to country-of-origin perception as

well as cultural perceptions of beauty, colour, design and ultimately, emotional satisfaction, although they might be rather different in diverse contexts.

The transaction or exchange value seems important for the three case firms, but while CB is in a driving, controlling and orchestrating position leading to the final exchange value and hence, the highest value capture in the value chain, Tara and Suri recognise that they make “profit”, they have “a good business” although at the low value end of the value chain. Tara is in a more favourable position as it has its own products and sales in the region and as such, it has another, local and regional, value chain from which it obtains transactional value. The latter provides a different position to Tara in terms of control over the exchange process and seems to be a source of emotional value to the management and owners of the firm. Hence, Tara has a more diversified structure of its transaction value compared to Suri, which happens to be in a much more dependent position in gaining transaction value for its outputs.

The value-in-use for the three firms is also different – while for CB the value-in-use is defined by the global aspirational customer seeking a global identity brand based on “*British lifestyle: a feeling of beautiful nature, understatement, sophistication, quality, authenticity*”, the value-in-use for Tara and Suri is expressed in the quality and just-in-time deliveries to CB, and for Tara – the traditional clothes for its domestic and regional customers deliver value-in-use because “*our traditional clothes ...are beautiful, colourful, really about our life*”, which draws the attention to customer values and preferences.

5. Discussion and Conclusions

Global value chain (GVC) and supply chain management (SCM) research rest on the presumption that SMEs are usually suppliers of larger lead companies (Arend and Wisner, 2005). There is little research on the meanings and interpretation of value and the ways in which value is created by SMEs with different positions in the value chain and an SME being an integrator. While industry has been referred to as differentiator for the business models adopted by firms, the diversity of value interpretation and value creation in firms belonging to one and the same industry has been under-researched. The position of the three companies along the value chain is presented in Figure 1. Their position is defined along the dimensions of closeness to product/end customer and the value added of the output – high vs low value.

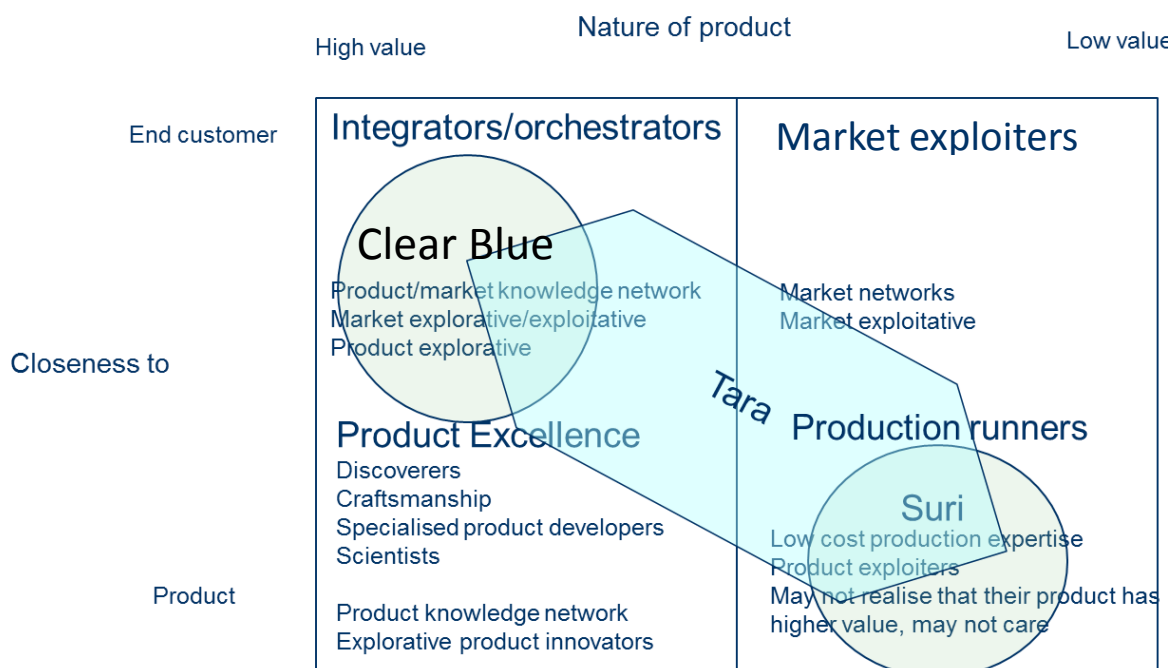


Figure 1.: The Position of the Three Companies: Implications for Value Creation

Our data show that lead SMEs in the garment industry can play a focal role creating and promoting the utility of the brand to the end customers. Using Gereffi's (1994) conceptualization of global value chains, we find out that ClearBlue plays the role of a lead brand integrator, a broker (Miles and Snow, 1986), and an orchestrator of the activities of designers, clients and suppliers in the value chain. In the orchestration, ClearBlue uses weak and strong ties that complement each other to secure sustained value-in-use for the end consumer (Granovetter, 1973). This orchestration creates agility and allows the company to keep its brand vitality and meet ever changing market demands.

Therefore, we suggest that:

Proposition 1: The management of an integrator SME in a global value chain is focused on creating internal (self-oriented – economic and psychological) and external (psychological) value by orchestration and integration of a combination of weak and strong ties with designers, clients and suppliers.

The brand has been at the core of the ClearBlue's value creation. The globally established brand of ClearBlue sustains the relationship with customers and suppliers and creates its own brand emotional experiential space (psychological value) allowing value co-creation to take place. For ClearBlue the brand is 'eternal', while its products and designs have a short life span. The brand impersonates the psychological value, where the material and ideational co-exist in an image for the firm, its network of designers and retailers, and its customers. Consequently, the buyers and the customers are endogenous to the brand value creation (Mertz, He and Vargo, 2009). Hence, we suggest that:

Proposition 2: The value-in-use and the emotional (psychological) value created by a lead firm are impersonated in its brand, supported by the global network orchestration capabilities of the firm.

Value creation by ClearBlue is design-driven (Buchanan, 1985) and enables the firm to bring new bundles of offerings to the customer within a short period of time. Cagan and Vogel (2002) contend that design creates value as customers engage in user-product interaction (Jensen, 2001). ClearBlue sources from and co-creates design with various designers thus creating a design platform. Moreover, the focal firm becomes a trading platform for internally and internationally sourced design and the orchestration capability of the firm is far more important than its controlling capability.

Hence, we propose that:

Proposition 3: A lead SME orchestrates internal and international design inputs in order to develop its capacity to co-create psychological value and economic value-in-use.

Developing country SMEs, which are part of a global value chain, may create value-in-use for the buyer, but complement this with local/regional emotional value added and value-in-use that reflects the context-specific values of its customers. Moreover, the emotional value in such firms is associated with a sense of belonging to a community, social responsibility and meaningful life, which is associated with social value. Hence we suggest:

Proposition 4: The position of a firm in a global value chain will affect its management perception of internal and external value creation.

Proposition 5: The more diversified the position of an emerging market firm in a global value chain is, the greater the perceived internal (self-oriented – economic and

hedonic) and external (other oriented – social and altruistic) psychological and social value it creates.

Proposition 6: The emotional value created by a firm is intrinsically linked with the sense of belonging and shared social values.

Proposition 7: Internal and external value creation should be analysed as embedded within the contextual boundaries of a national and cultural system, and therefore conditioned by that system in terms of economic, psychological, sociological and ecological value.

The analysis of the value perceptions in the three firms demonstrates that value analysis should consider the contextual specifics as firms have diverse resource and institutional capital available to them (Child and Marinova, 2014), different strategy and scope of activities. The cases suggest that value creation in the examined SMEs is informed by the characteristics of the business model of the firm and its value proposition, associated with its product, customer and delivery system (Hennart, 2014) as well as the socially constructed reality in which the business model operates. The economic perspective of value that embodies the transaction (economic) value, with value-for-money, profit, stability and wealth for the user and the organisation, has been important to the three case firms. Similarly, the psychological perspective of value, with happiness and shared values, as well as the sociological perspective, with belonging and social responsibility (See Figure 2), has been outlined by the three firms. However, the concrete meanings and interpretations, the sources of and approaches to creating these values are rather distinct to each firm. It is, indeed, interesting to note that all respondents have reflected upon value from a user, organizational and ecosystem perspective to a different degree. However, the ecological perspective of value creation has found limited supportive evidence in the interviews, although it may well be ingrained in the brand meaning acclaimed by Clear Blue and in the natural dying methods adopted by the Indian firm, Tara.



Figure 2.: Levels and Perspectives of Value Creation and Value Capture.

Further research may explore the specific mechanisms for value co-creation in an SME global network of suppliers, buyers, and customers. Such research requires extensive interviews with different network partners in order to differentiate the specific ways in which economic, psychological, sociological and ecological value is created and co-created and how context affects these mechanisms and their combination.

In light of the opportunities offered by the Internet platform, the process of value co-creation with customers and consumer engagement strategies may also bring greater insight into value creation, which can benefit SMEs, as consumers may have similar preferences but their behaviour may vary.

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