

# New research direction on performance and co-creation: a literature review

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**Abstract.** The purpose of this study is to review literature on topics of performance and co-creation. The study has two premises: performance includes economic and behavioural aspects; co-creation produces direct and indirect effects on performance. In order to validate these two, we took into consideration all studies available on WoS platform. Applying different selection criteria, we obtained a sample of 14 studies published between 2016 and 2020. Through observation, comparison and logic deductions we were able to appreciate the authors' interest in identifying new research directions. Thus, we show that: a) co-creation has a direct impact on performance, competitiveness and value for stakeholders; in this context, performance is regarded as a multidimensional concept with wide implications in various fields such as management, financial, marketing, innovation etc.; b) co-creation has an indirect influence on performance through elements like: brand, product-service systems and cross-sector partnerships. These aspects are empirically validated in different context. The results of our research prove to be useful from two points of view: theoretical (because the study presents in an authentic manner the state of the knowledge on performance and co-creation) and methodological (because it offers support to all those interested in finding new research directions).

## 1. Introduction

Performance topic is subject to great debate and it includes all social sciences and engineering fields of activity. Performance is a particular result in management, economy and marketing, results that allow assessing competitiveness, organisational efficacy and efficiency and its structural and procedural components [1]. For a clear understanding, performance needs to be approached from the point of view of those interested in attaining and measuring performance but also in the context in which performance needs to be time related in order to be measured [2].

Performance includes all economic and behavioural aspects of individuals and companies. Economic aspects are translated in terms of results (financial and non-financial), most of them measurable. Behavioural aspects may be approached in terms of results but they imply complex measurement and assessment procedures. This is the context in which interests regarding performance assurance includes aspects that depend on stakeholders' behaviour, where consumers/clients have a dedicated role. Some authors [3, 4] have concluded that communication process and high level of interactions with consumers/clients are the most important success determinants of a product and consequently of a business.

Communication is a key element in the co-creation process and it facilitates an active involvement of the client. Co-creation activities determine consumers to contribute in a significant way in designing, developing, producing, marketing and distribution of an existing product or a new one, which in turn reduces the cost of innovation and initiates the success path for a business [5]. Not least, co-creation reduces lost time on irrelevant routines, allowing companies to focus on solving their emerging difficulties [6].

The main objective of this paper has been to evaluate the advance in terms of research from the perspective of a vision that approached co-creation as a determinant factor of performance. This objective is assumed in the context in which modern performance management systems have extended the area of performance assessment towards non-financial aspects, by forcing companies to improve product quality, develop their flexibility and reliability and direct their strategy towards innovation. From this point of view, co-creation has the aim of increasing clients' involvement in product development processes and growing company and shareholders' value [7].

For the present research objective, the paper has been structured as it follows: first section represents current state of the research on performance and co-creation; second section details on the research methodology; next section represents the outline on the most recent research on performance and co-creation; last section is a synthesis of the conclusions and possible future research.

## **2. Review of literature**

### *2.1. State of the art regarding performance*

Conceptualisation efforts on performance topics have marked the advance in terms of research; these efforts have not been downsized by negative heuristic (based on denial, rejection, critique), they were crowned by positive heuristic that allowed for theoretical foundation improving.

During first debates, performance shows up as a conditioning element, context in which it is stated that continuous performance improvement is the vital objective of a company [8]. These first attempts have been criticised for neglecting two important aspects (the structure and availability of resources within a company). Subsequently, new elements have been included in order to define the concept of performance [9]: efficient organising, higher productivity rate (associated with high levels of satisfaction and motivation for organisation members), high growth rate for turnover (associated with reduced costs) and absence of work conflicts.

About ten years distance, performance has been defined as the extent to which an organisation, as a social system, takes in consideration its means and goals [10]. This way, performance it's not just an efficiency related concept of an organisation but also an indication for the manner in which an organisation achieves its objectives [11]. Although there have been multiple initiatives to define performance, some authors invoke incomplete conceptualisation [12] or lack of consistency in defining the concept [13]. These signals have determined a new construct; performance is associated with capacity of an organisation to efficiently use its available resources to obtain results according to the objectives that were set, taking into consideration their relevance for stakeholders [14]. Also, the performance topic coverage extends, including quality management assessment and determining value for clients and other interested parties [15].

At the corporate level, the essence of performance translates in growth and survival on the long term [16]. More recent research mention performance as a barometer that reflects the actual business and development trend [17], respectively as an artefact depending on which success of an organisation is measured in the context of a free, competitive and global market [2]. In this new context, corporate performance focuses on measuring what has been realised by a company which represents good conditions for a certain period of time [18].

### *2.2. State of the art regarding co-creation*

Co-creation term has been presented for the first time in the beginning of 2000 to explain the relation between companies and consumers [19]. In return getting users (beneficiaries) involved as a source of

innovation has been mentioned since the 18th century. Over time there has been interest in explaining this concept. For example, some authors [19] made a comparative analysis to better explain what is and what is not co-creation; others [20] performed a comparative analysis between classic strategy and strategy based on co-creation, in which they detail the stakeholders for whom value is created, the goals pursued and benefits of co-creation. Modern management dictionaries (such as Business Dictionary) place co-creation as a business strategy that substantiates on clients experience and dynamic relations.

Co-creation represents a way of getting clients directly involved in the process of developing a product. Today, companies try more and more to integrate this feedback in designing new products and services. Lusch et al. [21] support the idea that co-creation with clients has the purpose to innovate, being a fundamental part of modern marketing. In a digital era, co-creation implies social learning processes through which people learn from each other, they create and collaborate by means of social networks [22]. Co-creation has facilitated the interaction between brands, employees and clients and using online platforms allowed implementing standardised working processes [23].

Co-creation implies sharing activities with clients in order to make innovations closer to clients' preferences, with a higher probability of commercial success [5] [24]. Although co-creation may be considered important, many companies have difficulties in using and transforming these knowledge in significant results [25].

### **3. Methodology of research**

In order to evaluate the extent to which researchers show interest for analysing correlations between performance and co-creation we revised research in the past five years. By using the search term 'performance management' we sum up 277110 studies (published in the last 45 years), among which 15% are business related and 8% management related. When using keyword 'co-creation' we get 5959 studies, out of which 1847 business related and 1564 management related (out of which 70% are published between 2016 and 2020). On the other hand, search using both 'performance' and 'co-creation' revealed 873 studies published between 2016-2020 out of which 354 business related and 342 management related. Among these 873 sources selecting the *open access* option has generated 198 results, out of which 68 business related and 59 management related. At the first evaluation we concluded that some studies are made on public or financial entities so we made a new search by integrating the criteria 'performance company'. The final results of these searches were 14 articles (published between 2016 and 2020).

### **4. Landmarks of recent research focused on performance and co-creation**

According to the research methodology we have identified 14 studies that approach the concepts of co-creation and performance in an integrated manner. In this section we will go over the main research ideas they convey.

Although not discussing the topic of co-creation in an explicit manner, Nisar et al. [26] base their study on relevant research in this field. Their research emphasises the following essential aspects: a) information diversity and meaning have a positive impact on income (sales generated), considered a relevant indicator for firm performance; b) reputation is positively influenced by users' involvement; c) both 'firm-generated content' and 'user-generated content' are important for involving users and firm performance; d) cause effect relation between social media and firm performance are evident (confirmed by previous research).

Omar et al. [27] showed that, in order to offer value added services, firms focus on consumers. This approach (based on dialogue, participation and involvement) has a strong impact on firm performance (through brand). In their research authors integrate co-creation in the innovation field of expertise, considering it an extension of marketing. DART model (dialogue, access, transparency and referred risk) is considered a part of the co-creation model based on innovation. According to the authors, customer value co-creation behaviour represents a voluntary behaviour that offers value to the company and consumers.

Dahlin et al. [25] have made a research studying the relation between the absorption, co-creation and innovation performance and showed that involving clients (and importance of this involvement for innovation processes) vary not only among companies but also among countries and context. Using a questionnaire on a sample of 1102 companies (Swedish and Norwegian multi-group SEM), results showed that: a) there are differences between countries regarding the role of co-creation, because the business logic are different from country to country; b) co-creation (appreciated through the utility given by the clients knowledge) may play a vital role in the relation between the capacity of absorption and innovation performance; c) independent of the national context, companies with a weak capacity of absorption cannot rely on co-creation as much as other large companies; d) national context may affect clients involvement in the innovation processes.

Mulyana et al. [28] showed that value co-creation (understood as a commitment of clients in developing new products) places clients' behaviour and attitude in the centre of marketing strategies. Analysing data collected by applying a questionnaire (using structural equation modelling), authors have shown the following: a) the higher the brand commitment the more willing the consumers will be to 'sacrifice' for companies in creating value co-creation; b) in turn, value co-creation influences perceived quality (which - in turn - affects the brand advantage and contributes to creating competitive advantages); c) brand advantage may be influenced only by perceived value and cannot be influenced straight by co-creating value; d) high advantage for the brand represents a warranty for long term sustainability. Based on these results it has been confirmed that a strong consumer-brand commitment will be perceived as pride when consumers receive acknowledgement for being partners in creating value (context in which they will be voluntary doing sacrifices for the company if the value they create represents fulfilling their needs and wishes).

Based on a conceptual research (with focus on clients' involvement behaviour, respectively, on particular types of behaviours of the customers engagement), Beckers et al. [7] investigated, in premier, the financial consequences of firm-initiated customer engagement. The results of this research reveal the following: a) initiatives showing involvement of companies' clients may have a negative impact on market value; b) there is a significant variation in shareholders' answers to different involvement initiatives; c) initiatives focusing on word-of-mouth are considered to be less negative than initiatives expressed through social media; d) customer engagement initiatives are more efficient on competitive markets that require more activities focused on clients and a strong differentiation; e) in certain conditions initiatives coming on behalf of the firm inviting customers to contribute can increase the efficiency and effectiveness of value creation f) initiatives launched by firms with the aim to engage clients are less beneficial for firms with a strong reputation.

By performing a chronological analysis of the literature regarding client participation, Boaventura and Brito [29] propose a model that takes into consideration organisations strategy to invite customers to control and act in order to contribute. They show that in highly relational services, clients' participation is intrinsic and mandatory but this can change and participation may become voluntary when companies promote these opportunities.

Reim et al. [30] made a multiple exploratory study on two Swedish manufacturing companies that offer product-service systems, showing that offering these services certainly results in economic, environmental and social benefits but they also involve significant challenges regarding the relational dynamic between supplier and client. This is due to the fact that offering product-service systems on global markets with different types of clients raises the risk of uncertain behaviour (and also potentially adverse) of clients. Consequently, understanding the way clients may react in the context of product-service systems represents a major challenge. To face this challenge, authors propose mechanisms that diminish the negative client behaviour (monitoring, sharing and trust mechanisms). Although (at global level) these mechanisms present advantages and disadvantages, individually approach, each one proves to be useful for solving certain agency problems (e.g. sharing mechanism is recommended when clients focus on costs, while trust mechanism is usually necessary when customers are opponents of the contract).

In the attempt to offer new perspectives on using social media as a means of building relations with consumers and energise the collective synergy for co-creation, Choi and Burnes (2017) [31] recommend to the producers two different manners of involvement: bonding (meaning that they preserve the cultivating emotional connection with clients) and spreading (which involves clients' creativity). By making an extensive research on music industry, authors provide proof that confirm the following: a) the increase of social media has permitted to make connection with clients that have their own social network; b) prosocial attitude of consumers towards a certain type of music is based on trusting the labels; c) the two characteristics (bonding and spreading) have an impact on each other. They recommend firms to build strong and distinct identities around brands and their products in order to communicate with their consumers and offer them something in which they can actively get involved.

Ercsey [32] has analysed the way in which the level of involvement influences two types of behaviour: the consumers' participation behaviour and the consumers' citizenship behaviour. Based on a quantitative research they showed that: the level of involvement influences both mandatory and voluntary behaviour of clients (in the context of value co-creation); b) clients' feeling for co-creation may be investigated as a multidimensional construct; c) value co-creation doesn't only refer to co-production through firm-client interaction but also to value co-creation through client-client interaction; d) social involvement related to cultural services has led to greater client engagement in co-creation.

To give meaning to the impact of cross-sector partnerships on co-creating dynamic capabilities for stakeholder orientation, Dentoni et al. [33] have taken a theoretical approach (based on an inductive research) and showed that cross-sector partnerships were created as new forms of organisation that allow members to co-create resources and capabilities to move towards their set sustainability objectives. Due to the fact that this result is valid only for companies, authors suggest that there are no data to evaluate the way in which cross sector partnerships have an impact on dynamic capabilities of non-business partners.

The other studies in the sample exceed the objectives of this study since they refer to: non market strategy of large companies and its correlation with corporate social responsibility [34], developing business model frameworks in order to better show service logic principles [35]; predetermined structures for differentiating services [36]; activities that managers may perform in order to improve the competitiveness of a company and that of a service network [37].

## 5. Conclusions

The main goal of the paper has been to carry out a review of research on performance and co-creation. The results show that we are being witness to scientific development (materialised in new and original research ideas). The paper brings twofold contributions: a) that of conceptualisation and determining cause-effect relation between co-creation and performance; b) that of research by identifying new research directions.

The advance of theoretical research (although not to the same extent shared in practice) allowed for a better understanding of co-creation role in meeting corporate performance. Although there is no consensus in defining concepts, researchers' opinions converge towards a dominant direction: a) performance reflects the capacity and capabilities of an organisation in trying to efficiently use its available resources according to the objectives and taking into consideration the relevance of these for the stakeholders; b) co-creation is the process through which consumers contribute significantly to designing, developing, producing and distributing a product. First, the direct effect of co-creation results in reducing innovation costs. Second, decreasing cost of innovation has a positive impact on performance.

Summarising the results of the most recent studies that approach the interrelation between performance and co-creation we showed that:

a) co-creation has a direct impact on financial performance measured through sales volume [26], innovation performance [25], service performance [29] marketing performance [28], shareholders value [7] and competitiveness [32].

b) co-creation has an indirect impact on performance through variables such as: brand [27] [31], product-service systems [30] and cross-sector partnership [33].

These results are empirically validated in several contexts: that of companies producing goods [26] [28] [31] [33]; that of companies offering services [27] [29] [32]; that of companies offering service systems for a product [30]; that of SMEs [25], respectively of listed companies [7].

The results confirm that in the field of scientific research new research directions are shaped and they validate two premises on which research has been built (performance includes economic and behaviour aspects; co-creation produces direct and indirect effects on performance). The reasons that led to the development of research were diverse and included: hypotheses that were the basis of research; validity of previously formulated ideas; transformations at global society level.

*Limitations and future research directions.* Because research focused on performance and co-creation have taken amplitude along the years we have to mention that for the elaboration of the research we considered a selection of the most recent studies. For this reason we admit that the study is not intended to be exhaustive. We are considering extending the research with the aim to identify the extent to which different modern methods of measuring performance include co-creation as a determinant factor of performance.

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