A classification of resources for employee-based value creation and a future research agenda

Article  (Accepted Version)

Boukis, Achilleas and Kabadayi, Sertan (2020) A classification of resources for employee-based value creation and a future research agenda. European Management Journal. ISSN 0263-2373

This version is available from Sussex Research Online: http://sro.sussex.ac.uk/id/eprint/91401/

This document is made available in accordance with publisher policies and may differ from the published version or from the version of record. If you wish to cite this item you are advised to consult the publisher’s version. Please see the URL above for details on accessing the published version.

Copyright and reuse:
Sussex Research Online is a digital repository of the research output of the University.

Copyright and all moral rights to the version of the paper presented here belong to the individual author(s) and/or other copyright owners. To the extent reasonable and practicable, the material made available in SRO has been checked for eligibility before being made available.

Copies of full text items generally can be reproduced, displayed or performed and given to third parties in any format or medium for personal research or study, educational, or not-for-profit purposes without prior permission or charge, provided that the authors, title and full bibliographic details are credited, a hyperlink and/or URL is given for the original metadata page and the content is not changed in any way.

http://sro.sussex.ac.uk
A Classification of Resources for Employee-Based Value Creation and a Future Research Agenda

Abstract

This conceptual paper aspires to provide a theoretically sound understanding of the value creation process of a specific value network (i.e., firm-employee context). Drawing on service-logic and resource-based frameworks, a classification of four diverse resource types in an organizational context is introduced (i.e., core, augmented, add-on, peripheral resources), based on their exchangeability and their contribution to employees’ value creation and co-creation. This classification enables a better understanding of the nature and the unique features of different firm-employee exchanges in an organizational context, and delineates each type’s distinctive role in employee-based value creation activities. Four propositions derive from this classification; this suggests that not all resource types can be exchanged and that the relative contribution of various firm-employee exchanges to value creation is asymmetrical. A future research agenda is also presented, discussing the potential implications of this classification for contemporary organizations.

Keywords: value creation, organizational resources, employee value, service exchanges, employee value co-creation, service logic
1. Introduction

Marketeers have long acknowledged the value of co-creating their offerings with customers, allowing them to shape their own experiences (Edvardsson et al., 2011). Over the past decades, value (co)creation has become the focus of scholarly efforts, and a number of different theoretical frameworks (e.g., service logic) and literature streams (e.g., service ecosystems) shed light on the process of creating and offering value to a firm’s external stakeholders, such as customers (Grönroos & Voima, 2013; Chandler & Lusch, 2015). However, far less attention is given to how value emerges in the firm’s internal environment, especially for one of its key stakeholder groups (i.e., employees) (Merrilees, Miller, & Yakimova, 2017; Payne, Frow, & Eggert, 2017), although employees are less likely to participate in customer co-creation activities, unless the firm produces value for them as well (Ramaswamy & Gouillart, 2010).

Companies like Hubspot, Salesforce and Adobe remain highly orientated towards generating higher value for their employees so that the latter can actively engage in the delivery of the firm’s promise to customers (e.g., Boukis & Christodoulides, 2018; Corsaro, 2019). However, existing theoretical frameworks either lack an exchange-specific understanding of value creation in contemporary firm-employee exchanges (e.g., internal marketing paradigm, service profit chain) or do not accommodate the idiosyncratic nature of value creation in this context (Echeverri & Skålén, 2011; Corsaro, 2019). These inadequate theoretical insights around the role of discrete firm-employee exchanges in the creation of value for employees prevent firms from understanding how employees’ aggregate experience with the firm is built through repeated interactions over time (Peters et al., 2014; Payne et al., 2017). For example, how should the aforementioned firms design internal service exchanges and offer their different resources (e.g., development opportunities, bonuses) to employees so that they value them and actively engage in (co)creation activities with customers?
Answering these questions remains important, as rendering employees more inclined to participate in co-creation activities constitutes the ultimate goal of any employee-oriented initiatives (Ballantyne et al., 2011; Merrilees et al., 2017).

This limited understanding of how discrete, firm-employee resource exchanges contribute over time to employee-based value creation becomes increasingly important in the current technology-dominated era. The increasing digitalization of firm-employee exchanges, due to the use of AI, computer-mediated and asynchronous communication modes, or the emergence of new forms of employment (e.g., remote work), changes the way value emerges for employees (Gilson et al., 2015); it also allows firms to measure more accurately how their interactions with employees impact the latters’ value perceptions (Pang, Lee, & DeLone, 2014).

In response to these changing and more digitalized firm-employee interactions, this conceptual paper aspires to provide a theoretically sound understanding of the employee-based value creation process in contemporary organizations, which is especially relevant for knowledge intensive business services (KIBS). Drawing on the premises of service logic (SL) and work on value promises/propositions (cf. Grönroos & Voima, 2013; Payne et al., 2017), this work advances the employee value (co)creation literature in four ways (Ballantyne et al., 2011; Merrilees et al., 2011; Corsaro, 2019).

First, a critical discussion takes place around the role of different (firm and employee) resources in value creation in the organizational context. Building on prior work around resource exchanges among different parties (e.g., Madhavaram & Hunt, 2008), a classification of resources for firm-employee exchanges is introduced. This classification is based on resources’ exchangeability and their asymmetrical contribution to employee-based value creation. Specifically, four main types of resources are identified (i.e., core, augmented, add-on, and peripheral resources) and their distinct features and roles for employee-based
value creation are outlined. Second, the idiosyncratic nature of employee-based value creation and its features are discussed.

Third, four propositions that emerge from this classification and regulate employee-based value creation are introduced, while their implications for firms’ exchanging different types of resources with employees are discussed. Fourth, a future research agenda is presented and the potential implications of this classification for two emerging organizational contexts (virtual organizations and sharing economy platforms) are debated.

The paper is structured as follows. First, the types of resource exchanges occurring in the firm-employee context are outlined and the process of value creation in this context is canvassed. Then, a closer examination of the concept of value and its idiosyncratic nature in the firm-employee context takes place. Following this discussion, the classification of four resource types is introduced and their unique features are described. Finally, some propositions for employee-based value creation and co-creation are outlined and a future research agenda is presented.

2. Resource exchanges between actors in value networks

Traditionally, the role of networks in the value creation literature is extensively debated with prior work focusing on their implications for multichannel buyer-seller relationships and the business-to-business environment (e.g., Vargo, Maglio, & Akaka, 2008; Matinheikki et al., 2017; Kabadayi et al., 2017). Value networks are viewed as a set of activities linked together to deliver a value promise for the end user (Normann & Ramirez, 1993). Within value networks, actors are continuously involved in planning, searching and evaluating a range of value promises that become available to them. Through this experience, network actors exchange the resources they possess with others (Prahalad & Ramaswamy, 2004). In value networks, various actors’ roles converge, as they can be both collaborators and competitors,
“collaborators in co-creating value and competitors in extracting economic value” (Prahalad & Ramaswamy, 2004, p. 11). Existing work acknowledges that value promises do not only hold across value networks but also in intrafirm networks (Tsai & Ghoshal, 1998; Payne, Ballantyne, & Christopher, 2005), where, given their role in delivering value promises to the end user, employees become the key actors of interest (Norman & Ramirez, 1993; Kordupleski & Vogel Jr., 2015).

In the firm-employee context, a value network becomes a “spontaneously sensing and responding spatial and temporal structure of largely loosely coupled value proposing social and economic actors interacting”, with the aim of exchanging service and co-creating value between the firm and its employees (Lusch, Vargo, & Tanniru, 2010, p. 20). Firms are viewed as entities guided by a set of rules, concerned with the co-ordination and efficient distribution of goods and services within the value network (Frow et al., 2014). Employees constitute individual actors who represent a sub-system of the firm’s wider value network (Frow & Payne, 2011). In such value networks, employees, for instance, may offer their resources (e.g., skills, time) in exchange for the firm’s resources (e.g., salary, training, etc.).

To understand the arguably different levels on which resource exchanges might occur in value networks (e.g., micro- vs macro-level), various frameworks have been utilized (Ballantyne, 1997; Frow & Payne, 2011). For instance, the service-dominant logic (SDL) framework views actors as resource integrators who interact with other actors in a wider system and delineates a number of premises regarding their role in the value-(co)creation process (Vargo & Lusch, 2008). Service logic (SL) remains a parallel, but distinct, framework for explaining how value creation emerges during interactions among different actors. SL views resources’ exchanges as the provision of support among individual actors and focuses more on value creation at the individual level (Grönroos, 2017). While SDL is more useful in addressing service experiences and actor relationships at the macro-level
(Chandler & Lusch, 2015), SL allows better the observation of the roles, goals and exchanges in dyadic interactions among actors (i.e., micro-level), which are mostly evident in intrafirm value networks (Beirão, Patrício, & Fisk, 2017). Nevertheless, scholars rarely elaborate on SL to provide a comprehensive understanding of the nature of value and the type of resources available for exchange in dyadic interactions between firms and employees (Grönroos, 2017).

3. Value and value promises in the firm-employee context

Extensive work examines what constitutes value for customers and a variety of definitions are advocated (e.g., Sanchez-Fernandez & Iniesta-Bonillo, 2007; Lehrer et al., 2012; Payne et al., 2017). Value is viewed as some form of balancing inputs against outputs, as derived by the experience individuals have when interacting with their employer or as (monetary) gains created mutually and reciprocally by various stakeholders (cf. Payne et al., 2017; Frow & Payne, 2011). SDL argues that value reflects the benefit of an entity; this is a function of the way this entity perceives the contextual experiences enabled by this service (Woodruff & Flint, 2006).

The role of value is also examined in an organizational context, with scholars suggesting value as a deliverable value offered to a firm’s employees (e.g., Lee & Bruvold, 2003; Kordupleski & Vogel Jr, 2015; Corsaro, 2019). Unlike customer value networks, where scholars moved from a firm-dominated perspective to the co-creation of value premises between firms and consumers (cf. Ballantyne et al., 2011), a firm-crafted perspective for creating value is still advocated in the firm-employee context. For example, value is thought to emerge through the use of internal marketing practices so that firm-employee relationships are enhanced (Ballantyne & Varey, 2006; Boukis & Gounaris, 2014; Boukis, 2019). This firm-driven offer is then communicated to the employee, with the intent that it is accepted by the latter (e.g., Eisenberger et al., 2001).
3.1 Service in the firm-employee context

The employee-based perspective of value creation focuses on firm-employee service exchanges and how each of these parties can affect or be affected by the achievement of their own objectives (Freeman, 1984; Ballantyne et al., 2011). In line with the SL stream, ‘service’ is viewed as the provision of “value-creating support to another party’s practices” (Grönroos, 2011, p. 285). Service reflects the use and exchange of a party’s resources in a way that facilitates the value creation for the party itself, supporting its well-being (Grönroos & Gummerus, 2014). Hence, both firm and employees can utilize the resources they possess as a ‘service’ that generates value for them, and acquire new resources through exchanging their personal resources.

In the firm-employee context, service (as the mutual exchange of resources between the two parties) is unique and idiosyncratic, compared to traditional firm-customer exchanges. For instance, customers have more flexibility and can easier switch from one service provider to another once their experientially determined value is compromised in their relationship with a firm (Grönroos, 2011). However, such a switch for employees would not be possible in many cases as such service exchanges between firm and employees might have negative utility for employees and yet still be realized (e.g., undesirable role assignment). Moreover, compared to firm-customer interactions, the ongoing, direct and daily firm-employee exchanges shape the latter’s value perceptions in a more intense way and have a greater impact on their personal well-being (Welch & Jackson, 2007; Kozlenkova, Samaha, & Palmatier, 2014). Finally, departing from the premises of the ‘double coincidence’ criterion, where each exchange must be of value to each party that participates in it (Tsai & Ghoshal, 1998), employees might have to participate in exchanges with the firm to avoid negative consequences or the disruption of their employment, which remains a central aspect of their well-being.
Prior studies look into the impact of various aspects of the organizational environment on employees’ being better or worse off (e.g., Birkinshaw et al., 2000; Lepak, Smith, & Taylor, 2007). Despite these unique features of firm-employee service exchanges, this stream points towards increased expectations for reciprocity in firm-employee exchanges, as a result of the resources that organizations assign to employee support (Lepak et al., 2007; De Vos & Meganck, 2008). Nevertheless, these insights cannot explain under which circumstances employees are more prone to opt in as active participants in the firm’s value creation efforts (Merrilees et al., 2017), or how repeated resource exchanges contribute to employees’ aggregated value perceptions from their job (Dabos & Rousseau, 2004; Freeman, 2010).

Understanding how firm-employee resource exchanges affect value creation becomes increasingly important in the changing working environment where virtual working arrangements and emerging forms of employment change the nature of traditional firm-employee relationships (Gilson et al., 2015). Additionally, technology-mediated communication allows firms to collect, analyse and use employee-related data easier, enabling firms to understand the impact of discrete firm-employee interactions on employees’ well-being, and not just evaluate their aggregate effect over time (Boukis, Gounaris, & Lings, 2017).

3.2 Exchange of value promises in the firm-employee context

Originally, the concept of ‘value proposition’ was introduced as a statement of benefits offered to customers for which they were willing to pay the price charged (Lanning & Michael, 1988), or as a promise a firm made to customers for a particular bundle of values (Treacy & Wiersema, 1995). Scholars also view value promises (the term ‘propositions’ is interchangeably used in this stream) as a reciprocal exchange of value between two parties, or
as a fair exchange of value co-created through interaction between two parties (cf. Skålén, Pace, & Cova, 2015; Payne et al., 2017).

In the firm-employee context, service exchanges result in new resource combinations; these are the sources of value creation for employees (Tsai & Ghoshal, 1998). Employee-based value creation occurs through the exchange of value promises between the two parties. A value promise represents an invitation from the firm to the employee (or vice versa) to engage in service, with the aim of a valuable reciprocal exchange for both parties involved (Chandler & Lusch, 2015). A value promise is made to the other party in order to attain value, which might be financial, relational, social, or a combination of those values. Offering value promises results in affecting the resource integration of both parties, who both seek to gain valuable resources for the promises exchanged (e.g., firms seek to increase staff productivity). The exchange of value promises ultimately aims at emerging real value for both parties, which constitutes one of the key steps in the value creation process (Pawar et al., 2009; Chandler & Lusch, 2015). Teleologically speaking, firms aim to have reciprocal value promises with employees (Ballantyne & Varey, 2006).

Following the SL premises, firms can offer their available resources for value creation and jointly create value through the acceptance of value promises; however, they cannot create or deliver value to employees independently (Grönroos, 2011). In principle, value promises are considered reciprocal offerings of value and remain essential to formulate equitable exchanges, which are the basis of firm-employee relationships (Ballantyne, 2003; Payne et al., 2005). For example, Ballantyne and Varey (2006) recommend a dialogical communication framework through which the firm should begin with the formation of reciprocal value promises towards various stakeholders, which clarify the benefits expected to them. Crafting these value promises can become a starting point for collaboration with employees to create mutual benefits for both parties. If both parties involved so desire, these
value promises can eventually be co-created (Frow & Payne, 2011; Ballantyne et al., 2011). However, the acceptance of different value promises is shaped from repeated resource exchanges that eventually determine whether value emerges for both parties. This process is elaborated more extensively below.

4. Key features of value creation in the firm-employee context

Existing value creation frameworks concur that value creation is a process through which users exchange resources and become better off in some respect (Grönroos, 2008), or have their well-being improved (Vargo et al., 2008). In the firm-employee context, both parties engage in service, each one with a different set of resources available. Employees, apart from the pre-determined amount of resources they should exchange with the firm (e.g., time), could additionally share other resources that are not easily measurable and tangible (e.g., ideas, extra-role support). Any type of firm-employee interactions taking place could be part of service. Employee-based value can emerge in everyday practices, through interactions with the firm over time and the use of resources provided by the firm, together with knowledge, skills and abilities held by employees (Ballantyne & Varey, 2006; Grönroos, 2008). Interactions constitute enactments of service and define a process in which employees ultimately determine what is of value for them (Payne et al., 2005; Prahalad & Ramaswamy, 2004). This process results in the amount of value that an employee possesses at a specific point in time, based on the aggregated experiences with resources, processes, and/or outcomes, deriving from their interactions with the firm (Payne et al., 2005; Helkkula, Kelleher, & Pihlström, 2012).

Employee-based value creation is viewed as an iterative and dynamic process through which employees become better off or worse off in some respect, through the exchange of value promises with the firm (Grönroos, 2011). The exchange of value promises remains
independent of whether the other party’s well-being is enhanced. Value creation does not automatically result in a positive experience for employees, but it could have negative utility for their well-being, resulting in value destruction for them. For instance, offering a new role to a sales rep (e.g., travel abroad to penetrate a new market) with the aim of further developing their skills (a reciprocal service exchange), could add value to the firm but it might be unwanted from the sales rep (e.g., due to them feeling homesick). Also, whether the firm’s interests are always served during value creation is debatable; despite the intended reciprocity of one party when exchanging value promises, disconnecting value creation from reciprocal value promises is important; often, employees and firms might participate in value creation with opportunistic intentions, aiming to maximize their personal gain.

4.1 Type of interactions in the firm-employee context

The SL literature makes a distinction between different interactions, depending on whether both parties need to be active during their interactions or only one of the parties remains active (i.e., direct and indirect) (cf. Grönroos & Gummerus, 2014). In the firm-employee context, a variety of interactions also exists. A first group of interactions derive from contractual commitments previously undertaken from both parties (e.g., job contract). In such interactions each party states its promise to exchange resources in its possession with, usually, a pre-determined amount of resources that the other party offers. For instance, employees undertake the obligation to offer a specific amount of labour in exchange for a specific salary.

A second group of interactions is also evident. This group provides employees with the required directions, support and resources so that they can understand the requirements of their role and perform it successfully. These interactions often occur through standardized communication channels and could include formal group meetings, supervisor-employee briefings and performance appraisals. A third group of interactions includes informal
interactions between the firm and employees (Ballantyne & Varey, 2006), where tacit knowledge and personal experiences are circulated through spontaneous chats and informal discussions with peers (e.g., discussing a task at hand over lunch with some team members) (e.g., Edvardsson et al., 2011). An increasing part of firm-employee interactions today is asynchronous and technology-mediated. Such interactions include virtual team participation, interactions with IT systems and distant/remote employee work, such as team members working remotely or in different time zones (Chamakirotis et al., 2020). Such interactions are increasingly evident in a variety of organizations (e.g., gig economy, work-on-demand) and such service exchanges can be easier to track, monitor and measure (Lin, 2011).

Service in an organizational context can take place only through the aforementioned types of interactions. Nevertheless, there might be other interactions between organizational members and external stakeholders where employees experience value, such as social interactions with their peers (Edvardsson et al., 2011). Such exchanges are not the focus of this paper, given that limited control exists on them from the firm’s side.

4.2 Types of value in the firm-employee context

We argue that value from different types of interactions in the firm-employee context can result in both value-in-use and value-in-exchange (Vargo et al., 2008; Grönroos & Ravald, 2011). Following the value-in-use view, value emerges in the actor’s value-generating process and remains more important than value-in-exchange, which is seen as a lower-order concept of value-in-use (Grönroos, 2008) or as a proxy of relative value within a service system context (Vargo et al., 2008).

**Value-in-use** derives from the employee’s experiential perception of the value that emerges from possessing or utilizing firm resources over time (Grönroos, 2008). The nature of value-in-use is the extent to which an employee feels better or worse off through experiences related to the usage of the firm’s resources over time (Grönroos, 2011).
Consumption of resources includes their usage (e.g., vacation time) and possession (e.g., new skills acquired due to training). Resource usage and possession, however, can potentially have both positive and negative utility for staff. For instance, employees might engage in resource exchanges that result in the destruction of value for them (e.g., a new role that an employee does not want).

**Value-in-exchange** can emerge from the psychological, economic and labour resource sacrifice associated with firm-employee exchanges (e.g., extra working hours for a project) (Vandermerwe, 1996). Against the longitudinal nature of value-in-use, value-in-exchange is interaction-specific and is associated with the embedded utility (negative or positive) in a specific exchange that each party receives. Despite the diverse theoretical underpinnings of value-in-exchange (e.g., Vargo et al., 2008), it remains an important aspect of value in an organizational context for two reasons. First, employee-based value is not exclusively shaped from their direct interactions with the firm; there are firm resources that exist but cannot be directly exchanged, but could affect employee-based perceptions of value (e.g., poor corporate reputation). Second, given the increased reciprocity expected in many firm-employee interactions (e.g., provision of bonus for better performance), the once-off cost associated with many exchanges might affect employees’ attitude towards their future interactions with the firm (Chen et al., 2008).

### 4.3 Value co-creation in the firm-employee context

An extensive debate is evident on how value can be co-created as well as on the role of different parties in this process (e.g., Grönroos, 2011; Payne et al., 2008; Beirão et al., 2017). Admittedly, value co-creation remains a collaborative service exchange involving both parties (Grönroos & Gummerus, 2014). In a firm-employee context, the firm should become a value facilitator, engaging employees in joint co-creational actions and influencing their value-in-use. The employee can be the only creator of value and the firm should offer co-
creation opportunities to enhance their staff’s well-being (cf. Grönroos & Ravald, 2011). Such opportunities might exist when employees experience emotional engagement with corporate values (Ramaswamy, 2009), during collaborative discussions over their role, when employees engage in participative decision-making or participate in the co-design of value promises for customers. However, evidence on when employees should engage in co-creation activity is scarce (Echeverri & Skålén, 2011; Merrilees et al., 2017), and a rigorous understanding is needed about how firms could stimulate reciprocal value promises between the two parties (Payne et al., 2008). The first step towards understanding value co-creation requires an exploration of the role of different types of resources that can be exchanged during firm-employee interactions.

5. The role of different resource types in firm-employee exchanges

A number of studies in the management and marketing literature identify different types of firm resources and provide a variety of definitions (e.g., Hobfoll, 2001; Madhavaram & Hunt, 2008). For example, Barney (1991) defines firm resources as:

“all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc., controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness” (p. 101)

and categorizes them into physical, human and organizational capital. Resource-advantage theory also views resources as tangible and intangible entities, which can successfully produce an offering that is valuable for consumers (Hunt, 2000).

Researchers also examine the use of different types of resources in the value creation literature (e.g., Panico, 2009). Work in this stream concurs that individuals utilize resources as a service that generates value for them and that all resources can be exchanged as a service (Gummesson, 2008). Value creation is the process of creating value out of resources exchanged between different parties (Grönroos & Ravald, 2011). Scholars also propose
various typologies and classifications of resources based on their purpose/function or their unique characteristics (e.g., Fernández, Montes, & Vázquez, 2000; Newbert, 2008; Denford, 2013). Pertinent work makes an additional distinction between operand and operant resources and advances the primacy of operant (e.g., skills) over operand resources (e.g., IT infrastructure) (Lusch et al., 2007), setting them as key drivers of value co-creation (Vargo & Lusch, 2008). While operant resources are more KSA (Knowledge, Skill and Abilities)-based and intangible resources, operand ones are more material-based and have limited value, unless deployed with an operant resource (Madhavaram & Hunt, 2008).

Although this work provides a clear understanding of the contribution of different resource types to organizational performance, scarce knowledge exists around their role in the creation of value from the employee’s side (Lepak et al., 2007; Peters et al., 2014). Hansen et al. (2004) argue that “what a firm does with its resources is at least as important as which resources it possesses” (p. 1280). Echoing this view, a more thorough understanding is needed of the types of resources that employees have in place for firms, as well as how these resources can be exchanged in the idiosyncratic firm-employee context (Meijerink, Bondarouk, & Lepak, 2016). Furthermore, more light is needed regarding the contribution of different resource exchanges to employee-based value creation and co-creation (e.g., Wright et al., 2001; Peters et al., 2014), as value emerges through aggregated service exchanges of diverse resource types between the firm and its employees.

5.1 A classification of resources in the firm-employee context

In the firm-employee context, each of the parties has a pool of resources available for exchange (Lepak et al., 2007; Bontis et al., 2007; De Vos & Meganck, 2008). Firm-based resources can be provisionally provided to or used by employees, affecting their well-being, whereas employee-based resources are available to the firm. Resources constitute tangible and intangible entities, whose use enables the creation of value for the other party. Drawing
on the resource-based view of organizations (Wright et al., 2001; Wang, He, & Mahoney, 2009; Barney et al., 2011), firm and employee-based resources capture tangible and intangible assets, skills, competencies and capabilities (Bontis et al., 2007; Madhavaram & Hunt, 2008). However, the nature of different resources is heterogeneous and they are often exchanged through different types of interactions (e.g., Peters et al., 2014). For instance, the provision of salary is a much more tangible firm resource compared to its corporate reputation; however, they both affect employees’ experience with the firm (Ballantyne & Varey, 2006; Edvardsson et al., 2011). At the same time, the literature confirms that firm resources are of different importance for employees (Lee & Bruvold, 2003; Valcour et al., 2011); for example, intangible firm resources, such as strong brand equity, reduce the importance of salary for their employees (Tavassoli et al., 2014). Given the diverse nature of resources in firm-employee exchanges, we classify (firm and employee) resources into four distinct types (see Figure 1), namely:

- Core resources
- Augmented resources
- Add-on resources
- Peripheral resources

Figure 1 - A classification of firm and employee resources for value creation
This classification draws on two criteria: first, on the nature of the exchanges (tangible vs intangible, reciprocal or not) among different resource types (i.e., resource exchangeability), which is a product of the unique features possessed in each resource type; second, on the asymmetrical contribution of different resource types to employee-based value creation (i.e., value contribution). Identifying these resource types enables a better understanding of how firm-employee resource exchanges shape employee-based value creation (e.g., Ballantyne et al., 2011; Merrilees et al., 2011; Fernández et al., 2000). Also, this classification sheds light on the different features that dictate the exchange of various resource types, ranging from core (lower-level) to peripheral (higher-level) resources. Each of the four types and criteria are discussed below.

5.1.1 Core resources

Core resources are basic-level resources (easy-to-imitate) and they remain sine non qua for establishing and maintaining service exchange in organizations. Without them, firm-employee exchanges cannot be maintained in the long-term and they constitute the basis for higher-level resource exchanges between firms and employees. Core resources are usually
more tangible, easier to assess objectively and to grasp mentally (e.g., vacation time). Employee-based core resources include the provision of labour (i.e., explicit knowledge, basic skills), which is utilized as output to the exchanges with the firm (Grant, 1996; cf Madhavaram & Hunt, 2008). On the other hand, firm core resources include basic work-related benefits provided to employees, such as the provision of basic resources (e.g., salary, IT infrastructure, health care benefits, vacation time, pension plan), and tactical resources (e.g., facilities, expendables, IT equipment), without which employees cannot complete the assigned job tasks. Core resources are usually exchanged with other resource types through standardized and pre-negotiated exchanges, and often derive from contractual commitments between the two parties. The exchange of core resources is necessary and reciprocal so that the firm-employee contractual relationship is maintained and future service between the two parties is not disrupted. Any disruption in the exchange of such resources might endanger the contractual relationship between the two parties.

Firm core resources are often outputs or outcomes of the firm’s processes (e.g., the use of healthcare benefits). Employees interact with the outcome of a firm resource rather than with its production process (Grönroos & Voima, 2013). Such resources are usually offered at the initiation of the firm-employee relationship. Value promises for core resources are reciprocal by nature and can be mostly initiated from the firm. When core resources are exchanged for other core resources, the amount of resources exchanged is usually agreed in advance (e.g., vacation days per working year). Therefore, the perceived sacrifice for such interactions usually remains pre-determined. When core resources are exchanged, value in exchange is more likely to emerge, as value perceptions of each party are more affected from the initial perceived sacrifice of the exchange rather than the value-in-use generated throughout their usage.

5.1.2 Augmented resources
Augmented resources are mostly role-related resources whose exchange enables each party to improve its daily performance and the production of market offerings (Hunt & Davis, 2012). Their exchange with the same or other resource types is vital for job-related performance. Firm augmented resources include resources such as performance bonuses, job rotation opportunities and the provision of support and guidance. Employee augmented resources entail resources such as the display of team spirit, collegiality, higher brand awareness, increased employee customer-consciousness, and willingness to participate in knowledge expansion activities. Augmented resources are more abstract than core resources and remain harder to assess (e.g., how can collegiality be easily assessed?) (Fernández et al., 2000). The exchange of augmented resources facilitates current and future value creation activities and the development and offer of reciprocal value promises, therefore stimulating reciprocal value creation between both parties.

The exchange of augmented resources is not necessarily reciprocal. Therefore, reciprocity in related value promises cannot be guaranteed, and this increases the perceived uncertainty from a transaction and the associated perceived sacrifice (Jones et al., 2002). Nevertheless, once such resources are provided, reciprocity is expected (Frow & Payne, 2011), so that their future offer continues. If a reciprocal value promise is not provided, the reciprocity of future exchanges might be at risk, following the premises of equity and social exchanges theories (Adams, 1965). For example, performance bonuses might be promised to employees as a motive for enhancing their performance effort; however, if they do not meet the performance objectives set, a performance bonus might not be given. Value promises in these exchanges can be initiated from both parties. Value-in-use is more important for augmented resources, as value creation can be achieved mainly from the usage of such resources. As with core resources, they can be exchanged for any type of employee resources.

5.1.3 Add-on resources
Add-on resources constitute higher-level resources that aim at improving the other party’s well-being (Madhavaram & Hunt, 2008). Add-on resources are more general and abstract than augmented and core resources (e.g., personal growth opportunities vs performance bonuses). Firm add-on resources include relatively intangible perks and benefits such as personal growth and development activities, career development opportunities as well as the provision of an attractive working environment. Employee add-on resources entail involvement in citizenship activity, increased personal engagement with their role as well as sharing ideas and providing unsolicited feedback (e.g., ideas) to the firm for improving its performance.

Add-on resources are often exchanged directly through a synergistic process and value co-creation in this case often takes place during their exchange. Value promises for add-on resources can be initiated from both parties, not just the firm, in line with prior work in the field (Ballantyne, 2003; Payne et al., 2005). Add-on resource exchanges should always be co-created so that the value generated is enhanced (Merrilees et al., 2017); reduced co-creation in such exchanges might impair their contribution to the value emerging for employees. For example, if an offer for a personal development programme from the firm to the employee is made and the latter is invited to tailor or co-design it, this is expected to maximize the utility that the employee receives from it. However, if the employee is not willing to engage in the co-creation of such resource exchanges (i.e., their personal development), value will not necessarily emerge for them. Finally, the sacrifice of one party seeking additional add-on resources from the other often needs to be increased so that such exchanges occur (Chan et al., 2010), compared to the exchanges of the previous resource types.

5.1.4 Peripheral resources

Peripheral resources are highly intangible, hard to mentally grasp and abstract resources that cannot be consumed or used for service exchange in the firm-employee context (Hall,
However, they constitute intangible resources that affect the creation of value for both parties, through shaping the way service exchanges are perceived from each party. *Employee peripheral resources* include intrapersonal and psychological resources, such as a sense of belonging to the firm, self-fulfillment from one’s work, pride from one’s work for a brand and increased recognition for one’s job (Valcour et al., 2011; Kraemer & Gouthier, 2014). On the other hand, *firm peripheral resources* include the presence of relatively intangible and hard-to-measure resources, such as a strong brand equity, high standards of corporate ethos and engagement in sustainable and ethical corporate initiatives (Bontis et al., 2007).

Value promises for peripheral resources cannot be offered, as peripheral resources are experientially perceived and determined and remain highly inimitable from other competitors. Although peripheral resources cannot be part of service exchanges, they *are omnipresent during value creation and co-creation activities*. They can be formed and influenced by any direct (e.g., through people associated with a brand) or indirect (e.g., brand names) interaction that employees may have with the firm or other external stakeholders. These resources are relatively intangible, develop throughout time and remain present to some extent to each employee (Fernández et al., 2000). Their existence significantly affects the amount of value that emerges during all other service exchanges. Peripheral resources can only be measured formatively, as the extent to which they exist cannot be objectively assessed (e.g., how important is the effect of brand equity on the employee’s decision to stay with or leave a company?) (Madhavaram & Hunt, 2008).

Although employees can be co-creators or integrators in the formation and/or development of such resources (e.g., corporate ethics), peripheral resources might affect employee-based value creation; however, they cannot be directly offered or exchanged from one party to the other. On the other hand, peripheral resources can strongly affect the acceptance (or rejection) of other value promises between the firm and employees. However, given their
intangibility, they cannot be co-created in partnership with employees. The lack of peripheral resource exchanges is likely to increase the sacrifice required from each party in successfully completing the exchanges of other resource types. For example, poor brand reputation among staff might render their engagement in their role harder to achieve. Table 1 below summarizes the key features of each of these four resource types.

Table 1 – Key features of the four resource types

<table>
<thead>
<tr>
<th>Definition</th>
<th>Core resources</th>
<th>Augmented resources</th>
<th>Add-on resources</th>
<th>Peripheral resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nature</td>
<td>Tangible, easy to assess objectively and to grasp mentally</td>
<td>More abstract, harder to assess</td>
<td>Perceived sacrifice for add-on resources needs to be enhanced</td>
<td>Experientially perceived</td>
</tr>
<tr>
<td>Role</td>
<td>Necessary and reciprocal in value creation</td>
<td>Facilitate future value creation and offer of reciprocal value promises,</td>
<td>Reduced co-creation impairs their contribution, co-creation should be strongly pursued</td>
<td>Omnipresent during the value creation process</td>
</tr>
<tr>
<td>Initiation of value promises</td>
<td>Initiated from the firm mostly</td>
<td>Initiated from both parties</td>
<td>Initiated from both parties</td>
<td>Cannot be initiated from any party</td>
</tr>
<tr>
<td>Type of value</td>
<td>Value-in-exchange is more important</td>
<td>Value-in-use is more important</td>
<td>Value-in-use is highly important</td>
<td>Value-in-use is highly important whereas value-in-exchange is non-existent</td>
</tr>
<tr>
<td>Other features</td>
<td>Exchanged through standardized and pre-negotiated exchanges</td>
<td>Reciprocity cannot be warranted but is expected</td>
<td>The perceived sacrifice of each party is for gaining such resources is likely to be enhanced</td>
<td>Affect the exchange of other value promises</td>
</tr>
</tbody>
</table>

In further delineating this classification, there are some important variations among these resource types. First, resources are not necessarily exchanged for the same type of resources, but they can be traded for other resource types. Therefore, the offer of one resource type
might also result in acquiring other resource types from the other party. Second, there might be high variability in assessing their role in value creation among different evaluators; the relative importance of each resource type for value creation might be significantly different among various individuals (Valcour et al., 2011). Third, it is recognized that there might be some variation in the resources residing in each type, due to different labour conditions across markets and countries. For example, performance bonuses might be part of core resources, instead of augmented ones, in different marketplaces. Fourth, higher-level resources are more inimitable and scarce resources to possess than lower-level ones (e.g., peripheral compared to add-on resources). Moreover, the higher the level of resources the harder for organizations to successfully complete their exchange, given the scarcity of nurturing peripheral resources and the relative lack of control that firms have over them. Finally, despite the ability of these resource types to generate value when exchanged, their ownership is not always transferred to other party during their use (e.g., IT infrastructure, individual skills).

6. Implications for practice

This classification results in four propositions that firms should take into account during their employee-oriented value creation efforts. As firm-employee interactions move from core (lower-level) to peripheral (higher-level) resource exchanges:

(1) **Firms should emphasize value-in-use over value-in-exchange**

(2) **The exchange of higher-level resources first requires the successful exchange of lower-level resources**

(3) **The potential for value creation for employees is enhanced**
(4) The firm’s benefits from employees’ participation in value co-creation activities increase

Each of these propositions and their implications for practice are discussed below (see table 2).

Table 2 - The role of different resource types in value creation

<table>
<thead>
<tr>
<th></th>
<th>Core resources</th>
<th>Augmented resources</th>
<th>Add-on resources</th>
<th>Peripheral resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible, measurable</td>
<td></td>
<td></td>
<td></td>
<td>Intangible, abstract</td>
</tr>
<tr>
<td>resources</td>
<td></td>
<td></td>
<td></td>
<td>resources</td>
</tr>
<tr>
<td>Higher value-in-exchange</td>
<td></td>
<td></td>
<td></td>
<td>Higher Value-in-use</td>
</tr>
<tr>
<td>Lower potential for</td>
<td></td>
<td></td>
<td></td>
<td>Higher potential</td>
</tr>
<tr>
<td>value creation</td>
<td></td>
<td></td>
<td></td>
<td>for value creation</td>
</tr>
<tr>
<td>Lower benefit from</td>
<td></td>
<td></td>
<td></td>
<td>Higher benefit</td>
</tr>
<tr>
<td>value co-creation</td>
<td></td>
<td></td>
<td></td>
<td>from value co-creation</td>
</tr>
</tbody>
</table>

6.1 Emphasis on value-in-use over value-in-exchange

Depending on the type of value that surfaces from different exchanges, managerial focus on value creation should be directed either towards optimizing the design of firm-employee interactions or towards communicating the importance of gaining access to the resources themselves. When value-in-exchange emerges, the focus of managerial efforts should be on optimizing the process and improving the interaction quality of repeated interactions between the two parties. This is vital as the perceived resource sacrifice associated with each exchange should be minimized. As the value that emerges in such occasions is interaction-specific, firms should look into the design and execution of relevant co-creation activities (e.g., how can firms design attractive co-creation activities for their staff?) (cf. Boukis, 2019). This might require increased attention to employees’ type of participation (voluntary vs involuntary) in such exchanges, the rewards they receive from their participation, and the extent to which their input is incorporated in the final value promise(s) produced.
On the other hand, a different approach should be adopted when value-in-use mainly emerges from resource exchanges. In such cases, the role of internal communication and feedback from utilizing the acquired resources becomes more important. Internal communication systems should make employees aware of two key issues; first, of the benefits from gaining (or possessing) firm resources (e.g., training in developing new skills) in meeting their role requirements (García-Carbonell, Martín-Alcázar, & Sánchez-Gardey, 2019); second, how the resources they have acquired render them an indispensable part of the firm’s function. Moreover, firms should ensure the collection of timeliness and ongoing feedback about employees’ experience with the firm resources they possess (e.g., experience with job rotation opportunities) so that action can be taken when their contribution in employees’ well-being is not deemed satisfactory.

6.2 Successful exchanges of lower-level resources should be prioritized

The exchange of various resource types is not necessarily sequential and can occur arbitrarily in the firm-employee context. Nevertheless, firms should ensure employee-based value creation through successfully completing lower-level resource exchanges first, before offering add-on resources and inviting employees to co-create higher-level resource exchanges. Lower-level resource exchanges meet more basic, functional and daily employees’ needs and they should be fulfilled first, to some extent, so that a minimum basis for higher-level resource exchanges exists. For instance, how can firms stimulate staff engagement in customer citizenship activity (add-on resource) without employees having some support and guidance in their role (augmented resource)? Without successfully completing such exchanges first, firm-employee relationships might be set at risk, rendering higher-level exchanges less successful or even redundant. Moreover, successful previous firm-employee exchanges are important in enhancing employees’ willingness for engagement
in future co-creation activities (Ballantyne & Varey, 2006), through building trust in each party’s motives and actions.

Whilst this proposition seems intuitive, it is not in line with the traditional design of value promises in service industries, which remain quite role-specific or salary-based. For example, the Ritz-Carlton offers role-based value promises for their frontline staff (e.g., ‘I build strong relationships and create Ritz-Carlton guests for life’). Without firms planning how to offer value at the augmented and add-on level of exchanges, some important opportunities for value creation for their staff might be missed. These opportunities can offer additional value through fulfilling non-trivial employee needs and wants (e.g., personal development, self-esteem).

6.3 The potential for value creation is enhanced

Social psychology frameworks categorize individual needs and motives into various groups based on the importance of fulfilling them (e.g., Maslow, 1943). The importance of similar hierarchies is also displayed in the management literature, where studies classify employee motives and associate them with their job-related behaviour, such as retention intentions (e.g., Hanif, Khalid, & Khan, 2013). Likewise, this work suggests that when higher-level needs are fulfilled, employees experience additional value from their job (Sadri & Bowen, 2011).

In line with this work, the exchange of core resources is relationship-driven and value from such exchanges emerges from fulfilling lower-level and widely held job-related needs (e.g., healthcare, salary). Exchanging augmented resources results in value creation that derives from fulfilling performance-related needs and aspirations, supporting the other party in meeting their role objectives. Exchanging add-on resources not only supports one’s role performance but also enhances the other party’s well-being. In this case, value potential is enhanced through benefitting one’s overall work well-being and through increased development and engagement opportunities (e.g., personal development programmes for
employees). Finally, the stronger presence of peripheral resources increases the potential for successful resource exchanges between the two parties. While firms should ensure a minimum of value creation through different resource exchanges, their focus should eventually be on reinforcing employee-based value through higher-level resource exchanges (i.e., augmented and add-on exchanges). Fulfilling such exchanges is harder to achieve but it provides employees with more inimitable resources, which might enable them to meet any higher-level needs they have.

6.4 The firm’s benefits from employees’ participation in value co-creation activities increase

Another implication of this framework for practice relates to the increased benefits for the firm from employees’ participation in co-creation activities. Prior resource frameworks suggest an hierarchical view of organizational resources based on the level at which they reside (e.g., Madhavaram & Hunt, 2008), and cluster resources according to their unique characteristics and nature (e.g., Newbert, 2008; Denford, 2013). Adding to this work, we argue that the importance of involving employees in value co-creation activities depends on the type of resources being exchanged.

For instance, the benefits from co-creating core resource exchanges is limited. Core resources are imitable and the amount of resources exchanged remains, to some extent, pre-determined and often extensively negotiated (e.g., salary negotiations), which makes any additional employees’ participation relatively trivial. Moreover, value promises related to core resources (e.g., health care plan) cannot be easily customized and are uniformly offered to the firm’s staff, limiting the scope for tailored approaches. Conversely, in augmented resource exchanges, there might be increased benefits from actively engaging employees. Given the reciprocal nature of such exchanges, co-creation should be pursued on such occasions. This way, firms could generate a more favourable experience for employees (e.g., co-design the type of performance bonuses employees want) and encourage them to
participate in similar future exchanges. Firms should highly prioritize the co-creation of add-on resource exchanges. Ideally, add-on resource exchanges should always be co-created with the aim of maximizing the amount of value employees receive from them. The absence of co-creation in these exchanges might undermine the other party’s experience and value received from such interactions. Given their focus on improving the other party’s well-being, employees’ perceived utility can be increased by further integrating their views and allowing them to co-decide the way they prefer to receive such resources.

7. A future research agenda

Despite some insights for traditional organizational contexts that derive from this classification, over the last decades technological advancements have resulted in major shifts in organizations, such as the dominance of virtual working structures in the workplace and the emergence of sharing economy (e.g., Matinheikki et al., 2017). The proposed framework could help future researchers gain a more rigorous understanding of how these shifts affect employees’ well-being.

The first shift relates to the dominance of virtual working structures in contemporary organizations, where firm-employee interactions are becoming increasingly virtual, with employees being geographically dispersed and their interactions with the firm becoming largely technology-mediated (Lin, 2011; Gilson et al., 2015). In this new organization reality, the exchange-specific view that this framework advocates becomes increasingly important as the computer-mediated, digitally-recorded and asynchronous firm-employee interactions occurring become more discrete and their role in value creation can be more easily assessed. Drawing on the premises of this classification, some important questions need to be addressed: How does the predominant use of virtual structures in organizations affect the role of these resource types in value creation? How would different virtual environment
characteristics, such as the lack of face-to-face interactions and geographical dispersion between firm and employees, and among employees, affect the resources needed for creating value? More specifically, what would be the importance of employee-based augmented resources when the employees are geographically dispersed and their interactions are largely technology-mediated? How can virtual organizations encourage employees to co-create resource exchanges with the firm in digital working environments?

The second development in service eco-systems relates to the fast growing sharing economy and its dominance in various markets. The unconventional business models that have emerged in this context are dominated by unique features, such as exclusive technology-mediated firm-employee interactions, incompatible value creation among different stakeholders, and flexibility in working relationships; these could significantly alter the nature of firm-employee relationships (Amit & Han, 2017).

In a sharing economy context, the same employee could be working with multiple service providers, so what type of firm-based resources should each service provider bestow on its employees? Under which circumstances could core resources provided from multiple service employers produce a unique experience for the employee? For example, to what extent would add-on resources from both the firm’s and the employee’s side still be relevant for value creation when an employee splits his time between two service providers in the same sector? How can value emerge simultaneously for multiple parties in the sharing economy, when competing inter-group resource exchanges are often evident between employees and the service provider? For instance, how can one deal with value conflict situations, e.g., when drivers compete for the same fare or when an increase in the number of hosts available in an area reduces their individual benefit? Also, given customers’ active participation in the sharing economy, how would their presence determine the triadic relationship between service provider, employee and user, and change the firm and employee-based resources
needed in value creation? Also, how would the employment and scheduling flexibility resulting from occasional or on-demand working relationships affect resource exchanges between the firm and employees?

To address these questions, future researchers should draw on a variety of organizational actors (e.g., frontline staff, middle-level executives, senior management) to uncover different stakeholder views on the value (co-)creation process and the role of resource integration in it. Conducting in-depth interviews with employers and employees could provide empirical evidence to reveal different types of resources used in different value co-creation activities. Moreover, through a key informant approach, researchers could shed light on how different aspects of the working environment (e.g., interactions, organizational processes, structural arrangements, communication, etc.) affect the perceived effectiveness of resource exchanges within organizations.

8. Conclusions
This conceptual paper aspires to provide a deeper look into the value creation and co-creation process during firm-employee resource exchanges. Prior work suggests that increased opportunities for co-creation should be offered to all relevant firm stakeholders (e.g., Skålén et al., 2015) as well as shedding light on various boundary conditions that favour employees’ engagement in co-creation activities (e.g., Corsao, 2019; Simpson et al., 2019). Through the lens of the service logic perspective, this work advances the employee value creation and co-creation literature (Echeverri & Skålén, 2011; Merrilees et al., 2017; Beirão et al., 2017) in two ways. First, this resource classification enables firms to better assess the utility of the resources they offer to their employees and understand how different exchanges could drive the creation of value for both sides. Second, in line with service logic premises, it advances an exchange-specific perspective of employee-based value creation (e.g., Grönroos & Voima,
which is the product of both numerous and varied importance resource exchanges between two parties.

Some important directions for managerial efforts towards employee-oriented value creation efforts derive from this work. First, depending on the resources exchanged, firms should either prioritize (and re-visit if needed) the design of firm-employee interactions or tailor the communication of their resource offerings to their employees. Second, employee-based value creation requires the successful completion of lower-level resource exchanges, to some extent, before firms aim towards generating value for employees through higher-level resource exchanges. The potential for value creation from each firm-employee exchange is asymmetrical; exchanging different resources has a variable contribution to employees being better off. The value potential of higher-level resources is greater compared to lower-level ones and, ideally, re-enforcing such value offerings should be prioritized in the long-term. Finally, the firm’s efforts to co-create their value offerings with employees should not be universal for all types of value offerings; rather these efforts should be directed towards add-on and augmented resource exchanges.

References


