

# **Are perceptual measurements of value co-creation good enough in business-to-business contexts?**

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## **Abstract**

**Purpose** – A large number of supplier and customer decisions are made without financial measurements of value. In this exploratory research, we focus on how managers changed their behaviors toward customers and suppliers when they were provided with financial measures of the value that was being co-created through cross-functional initiatives.

**Methodology/approach** – Using a case study approach, the authors measured value co-creation in perceptual and financial terms and compared the results using pairs of buyer-supplier relationships. In each pair of relationships, one involved cross-functional teams and the other did not.

**Findings** – Managers perceived that the relationships with more cross-functional involvement were more profitable before this research was conducted. However, it was not until managers received the financial outcomes of the initiatives that were conducted in each relationship that they realized the magnitude of the difference in profitability. The change in managers' perceptions resulted in the desire to develop more cross-functional, cross-firm relationships with customers and suppliers who were willing to focus on value co-creation.

**Research implications** – Financial information was a key input to the cognitive process by which managers formed (or adjusted) their perceptions about the value of a business-to-business relationship.

**Practical implications** – Managers that embrace the measurement of value co-creation and implement cross-functional teams can achieve a competitive advantage not only for their companies but also for their key customers and suppliers.

**Originality/value** – Our research demonstrates the importance of cross-functional business-to-business relationships for the co-creation of value as well as the importance of measuring the benefits in financial terms.

**Key words** - Co-creation of value; cross-functional, cross-firm teams; financial measurement of value; business-to-business relationships; perceptions of value.

**Paper type** – Research paper