

Chapter 2

Value Creation in Volatile Economies

Alvaro Lopes Dias

Instituto Superior de Gestão, Portugal

Georg Dutschke

Universidade Atlântica, Portugal

ABSTRACT

This chapter presents in a simplified way that communities in volatile economies can create value through the identification, valorization, and operationalization of knowledge, traditions, and other cultural dimensions, many of them in the domain of tacit knowledge, available in the minds of people and community shared value. Through a cycle of identification of local knowledge, it is possible to begin the whole process, which necessarily passes through the cooperation between the various local actors. In a third phase, it is essential to structure the positioning, which represents the conceptual dimension concerning the way the community intends to present itself to the market. Next, it is essential to structure this offer, promoting value creation and capture. As such, the community should value their products or services by enhancing local knowledge and taking value creation initiatives in favor of local development (value capture).

INTRODUCTION

The key question in this chapter relates to the barriers that communities in volatile economies encounter and limit life quality improvement. Issues such as the decline in commodity prices, the concentration of capital in megacorporations, global integration of markets, among others, are aspects that increase the level of competition. Against this grim picture, however, there are opportunities for the communities in volatile economies to improve their livelihoods by creating value and diversify their income-generating activities (Lundy, Ostertag and Best, 2002).

The path for these communities emphasizes the need for small farmers to adapt successfully to the new market conditions (Mitchell & Coles, 2011). Market and customer orientation should also be a strategic basis, supported on the value chain integration and the allocation of commercial and marketing

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skills (Schiuma et al., 2012). In this change, cooperation within the community proves to be essential for competitiveness:

In a simplified way, customer value can be understood as an equation: perceived customer benefits minus perceived costs by the customer.

Many authors have developed their studies using the value classification proposed by Bowman and Ambrosini (2000). They are:

- **Value of use:** Refers to the specific quality of a product or service perceived by users in relation to their needs. In other words, it is a consumer perception of the degree of satisfaction of their needs provided by a product or service;
- **Exchange value:** Corresponds to the amount paid by the user to the seller for the value of use of a product or service. This amount corresponds to an effort that can be made up of the financial amount, time, travel, etc.

An important point to consider when referring to value is that it should be called perceived value (Ravald & Grönroos, 1996). The client tends to evaluate the product according to their perception, which differs from individual to individual, since it depends on a set of elements that compete for the value equation referred to above.

COOPERATION AS A FIRST STEP

When developing a value creation process in a firm, regardless of the difficulties arising not only from the context but also from the technical complexity itself, there is a facilitating factor: the decision making. Power and resources are in the hands of the organization's decision makers. That is, it will be a manager or director or a very narrow group of decision makers, strategically aligned, who will decide, which makes the whole decision making process quite consensual and fast.

However, creating value in local communities is a much more complex reality. In this case, the participants in the decision-making process are numerous, informal (local opinion makers, for example) and do not necessarily share the same strategic vision of those who collaborate in a single company (Trousdale, 2005; Ackermann & Russo, 2011). In the limit, the number of people involved in the cooperation process can be very wide ranging, involving not only stakeholders in the value chain but also all organizations with local intervention, such as museums, hotels, restaurants, craftsmen, shops, travel agencies, media, society in general, religious community, etc. (Ackermann & Russo, 2011).

Cooperation for local products value creation implies that the several producers voluntarily cease to compete for the price and combine efforts to act in the market in order to create value in the traditional products of the region (Dembek, Singh & Bhakoo, 2016). Thus, it is necessary that the process be participatory around a common, aggregating and guiding vision of the objectives and the way forward. This collective attitude requires that the various actors work towards 'reinventing' the local product or service or giving it a new image, more appropriate to modern markets (Lee, Wall & Kovacs, 2015). This is a very important step that ensures that those who are often relegated to the background in economic

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