



The Role of Staff Engagement in Facilitating Staff-led Value Co-creation

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THE ROLE OF STAFF ENGAGEMENT IN FACILITATING STAFF-LED VALUE CO-CREATION

ABSTRACT

Purpose

The study extends customer-led co-creation research to the related staff-led value co-creation domain. In particular, the purpose of the study is to investigate the role of staff engagement as a facilitator of staff-led value co-creation.

Design/ Methodology/ Approach

A new conceptual framework develops a model of staff-led value-creation, using three types of staff-led co-creation. A quantitative approach is used. Survey collection yielded a sample of 1165 employees in an Australian not-for-profit context across nineteen organizations. AMOS SEM (Structural Equation Modelling) analyzes the data.

Findings

A major finding is the nexus between staff engagement and staff-led value co-creation. The nexus applies for three types of staff-led co-creation and three staff categories. Different explanatory mechanisms apply to each type of staff-led value co-creation.

Research limitations/ Implications

The not-for-profit context may not generalize to the for-profit sector, but future research could clarify this matter.

Practical Implications

The results can inform organizations wishing to create greater service contributions through greater staff participation, which can include a staff-initiating (staff-led) role. Different value co-creation targets require different corporate triggers, reflecting the different explanatory mechanisms of each co-creation type.

Social Implications

The not-for-profit context provides major social implications.

Originality/ value

The emphasis on staff-led value co-creation augments the customer-led co-creation literature.

Additionally, exploring the (staff) engagement to (staff) value co-creation nexus is a novel contribution.

Research paper

KEYWORDS: Value co-creation, staff-led co-creation, staff engagement, service innovation, not-for-profit

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INTRODUCTION

Customer co-creation is now an essential mantra of the service-dominant logic approach to marketing (Lusch *et al.*, 2007), though customer involvement (simultaneity) harks back decades to one of the four defining characteristics of services. The customer co-creation literature has burgeoned in the last decade, though much of it is conceptual (McColl-Kennedy *et al.*, 2012; Payne *et al.*, 2008; 2009). Increasingly, an empirical component of the customer co-creation research is emerging, with an emphasis on multi-dimensional measurement (Yi and Gong, 2013), the consequences of customer co-creation (Gustafsson *et al.*, 2012) and sourcing of ideas from customers (Elg *et al.*, 2012). Notwithstanding, relatively less of the customer co-creation empirical research examines the antecedents of co-creation. Broadly, the intersecting domains of co-creation, service innovation and excellent service organizations provide the overarching context for the current paper.

Within this context, the paper positions itself by focusing on a counterpart to the *customer-led value co-creation* concept, namely *staff-led value co-creation*. Specifically, the purpose of the paper is to investigate the role of staff in facilitating staff-led value co-creation. Management and customer forces shape value creation, but so do employees. Just as customers co-create by offering new ideas and suggestions to firms, so too do staff. Staff-led value co-creation is notably absent from the literature, despite staff variability (heterogeneity) being one of the four initial defining characteristics of services. The paper addresses the nature and antecedents of staff-led value co-creation. Staff engagement receives much attention by service organizations (Rich *et al.*, 2010), but not at all in the context of value co-creation.

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7 The structure of the paper continues with a conceptual framework of staff-led value co-
8 creation. Particular emphasis attaches to the role of both staff engagement and staff
9 empowerment as antecedents in such a framework. The framework also becomes a basis for a
10 quantitative research design, outlined in the Method section. The Results section presents the
11 statistical results from a large Australian sample of 1165 staff across nineteen not-for-profit
12 organizations, followed by Discussion, which highlights the contributions, and then an
13 exploration of the practical implications. Identifying the limitations helps to position the
14 research implications. Finally, the Conclusion highlights the unique aspects of the study.
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25 26 **CONCEPTUAL FRAMEWORK**

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29 The literature resolutely sees a customer-centric world of co-creation. A recent article by
30 McColl-Kennedy *et al.* (2012) codes all twenty-seven value co-creation studies as *customer*
31 value co-creation. There is little recognition in the literature for broader perspectives, save for
32 Gummesson's (2008) plea to move from customer centricity to balanced centricity. Another
33 approach to broadening co-creation research is to consider the notion of staff-led co-creation
34 and not just customer-led co-creation. Staff-led value co-creation embraces the role of staff
35 mediating service value co-creation, making them a node, at least, in what might remain a
36 customer-centric world. As nodes, staff behaviors become focal variables, requiring
37 understanding and explanation. The paper canvasses three types of staff-led value co-
38 creation, the role of staff in: (1) proactively helping clients (extra role) by providing creative
39 service solutions for customers; (2) providing ideas for new service delivery processes and
40 procedures (service innovation); and (3) advocating the firm-brand by initiating in their spare
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3 time, the recruitment of new customers and new staff. All forms of staff-led co-creation,
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5 either immediately or ultimately, add value to customers.
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9 Following Gustafsson *et al.*, (2012), service innovation offers a broader and appropriate
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11 context in which to study value co-creation. Service innovation considers a wide range of
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13 elements, which cover almost any type of change in the service offer; in the service delivery
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15 method; in the service support system; or in the interaction between the organization and the
16
17 customer (Johne and Storey, 1998; Miles, 2008). Value co-creation itself is essentially a type
18
19 of service innovation, a different and new way of creating service. Co-creation entails a
20
21 change in both the *process* of creation (based on the interaction of two parties) and the
22
23 *outcomes* (improved service offerings) of that process.
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28 Despite the prominence of heterogeneity as the hallmark of services, staff contributions to
29
30 service innovation receive limited attention. Johne and Storey (1998) do mention the
31
32 potential role of staff (and customers) in service innovation, but fail to elaborate. Gounaris
33
34 (2006) also notes the limited research into the role of frontline staff in service innovation.
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36 Two notable exceptions to not considering the role of staff in service innovations are
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38 Cadwallader *et al.* (2010), and Ordanini and Parasuraman (2011). Cadwallader *et al.* (2010)
39
40 use motivation theory to explain why frontline employees participate in service innovation
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42 implementation (note: implementation rather than initiating service innovation). Similarly,
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44 but with greater emphasis on the consequences rather than the antecedents, Ordanini and
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46 Parasuraman (2011) demonstrate that frontline employee participation is the most robust
47
48 driver of service innovation. Both of these important studies examine the role of staff
49
50 participation in the broader study of service innovation. Karlsson and Skålén (2015) identify
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52 three studies where empowerment stimulates front-line employees to contribute to service
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54 innovation (Daily and Bishop, 2003; de Jong and Vermeulen, 2003; Zeithaml *et al.*, 2009).
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3 No existing study has been found where staff-led value co-creation *per se* is the primary
4 explicit focus of a study, thus presenting a gap in the literature.
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9 There is little explicit literature on staff-led (initiated) co-creation. As a definition, the France
10 *et al.*, (2015) customer co-creation definition has been adapted to one suited for staff-led
11 value co-creation. Specifically, for this study the proposed appropriate definition is:
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17 Staff initiated brand value *co-creation behaviors* are the relevant *staff-led*
18 (extra-role) *interactions* between the employees and the brand.
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21 Moreover, there is an absence of literature outlining the types of staff initiated, value co-
22 creation. Fortuitously, analogous types can be drawn from the customer co-creation domain.
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24 The customer co-creation literature identifies several types of co-creation, with feedback and
25 advocacy, for example, common inclusions. Yi and Gong (2013) provide the most
26 comprehensive coverage of customer value-co-creation behaviors, statistically supporting
27 eight types. Only some of these types seem relevant to staff initiated, value co-creation. For
28 example, customers being friendly with staff might indicate customer-led co-creation, but
29 staff being friendly with customers is *normal service* expected of staff and thus not *staff-led*
30 *value co-creation*.
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42 Three of the Yi and Gong (2013) *customer-led* co-creation types, feedback, advocacy and
43 helping, are potentially relevant to *staff-led* co-creation. Each type is discussed in turn. First,
44 *customer-led feedback co-creation*, such as customers having a useful idea on how to
45 improve service and passing this information to firms, can be readily adapted to a staff-led
46 context. The co-creation type becomes *staff-led* (staff initiated), *service innovation (new*
47 *service development) co-creation*: where employees provide ideas on improving service
48 delivery processes and procedures to the organization's management.
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3 Second, *customer-led advocacy co-creation*, such as customers encouraging friends and
4 relatives to use the organization's services, can be adapted to a staff-led context. The co-
5 creation type becomes *staff-led* (staff initiated), *brand advocacy co-creation*: where
6 employees in their spare time encourage their friends and relatives to use the organization's
7 services.
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15 Third, *customer-led helping co-creation*, such as customers helping other customers if they
16 seem to have problems, can be adapted to a staff-led context. The co-creation type becomes
17 *staff-led* (staff initiated), *proactive helping customers (extra role) co-creation*: where staff are
18 proactive and going out of their way, *over and beyond their normal duties*, to help customers
19 solve problems.
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28 The three proposed types of *staff initiated customer-value co-creation* (staff co-creation
29 behaviors of feedback; brand advocacy; and helping) provide a focus for the study. The aim
30 is to develop and test a model of staff-led value co-creation. In particular, the study's purpose
31 is to investigate whether staff engagement facilitates staff-led value co-creation.
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38 In developing a theoretical framework for explaining staff-led value co-creation, it is
39 necessary to understand what motivates staff to co-create. Staff initiated co-creation behavior
40 is essentially a type of extra role, discretionary staff behavior, over and beyond normal job
41 service requirements. Job discretion enhances the employee's sense of responsibility for work
42 outcomes and increases their willingness to go the 'extra mile' to complete tasks (Snape and
43 Redman, 2010). In part, staff-led value co-creation fits as one element in the broader notion
44 of organizational citizenship behaviors. However, the latter has numerous types, such as civic
45 virtue, organizational compliance and helping co-workers (Podsakoff *et al.*, 2000), which
46 have little or nothing to do with value creation specifically.
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3 The Podsakoff *et al.* (2000) review of the organizational behavior literature usefully identifies
4 organizational morale factors, such as employee organizational commitment, as robust
5 predictors of organizational citizenship behavior. It is likely that the same motivating
6 variables as in the organizational citizenship behavior will have some relevance, despite the
7 interest in a sub-component of that domain. Following Podsakoff *et al.* (2000), this study
8 postulates that organizational morale factors, such as employee organizational commitment,
9 will be the first set of antecedents to explain (discretionary, extra-role) staff-led value co-
10 creation behavior. In addition to employee organizational commitment indicated by
11 Podsakoff *et al.* (2000), *values congruency* (the fit between employee and organizational
12 values) is added, as another relevant morale factor common in the organizational behavior
13 literature (Riketta, 2005; Shamir, 1991). Thus, the study proposes that greater levels of both
14 employee organizational commitment and greater levels of values congruency will motivate
15 greater levels of staff-led value co-creation. The role of organizational commitment as an
16 antecedent to employee behavior is strongly supported in the general management literature
17 (Cohen, 1993; Mathieu and Zajac, 1990; Meyer *et al.*, 2002; Pierce and Dunham, 1987).
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37 In terms of a potentially major antecedent, there is a proposed role for staff engagement. In
38 fact, the potential link between staff engagement and staff-led value co-creation is a major
39 consideration in the purpose of the research and this paper. Podsakoff *et al.* (2000) for
40 instance did not consider the potential role of staff engagement. In contrast, the link between
41 staff engagement and staff-led value co-creation is seen as fundamental. The pairing of
42 engagement and co-creation draws inspiration from the customer co-creation literature, where
43 both co-creation and engagement seem to associate with each other (Brodie *et al.*, 2013;
44 Hollebeek *et al.*, 2014). Nonetheless, the only study found that *explicitly* conceptually links
45 *customer brand engagement* with *customer brand co-creation* is France *et al.* (2015), which
46 emphasizes that customer brand engagement and customer brand co-creation are separate
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3 constructs. Customer co-creation refers to *customer-led* behaviors that arise in part from
4 engagement with the brand. Rather than *customer-led* co-creation, the current study focuses
5 on *staff-led* value co-creation. Thus, it is argued that passionately and deeply engaged
6 employees will be more receptive to co-create value.
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13 No previous study appears to examine the association between *staff engagement* and *staff*
14 *initiated value co-creation*, presenting a major gap in the co-creation literature. Oddly, the
15 staff engagement literature is vast (Rich *et al.*, 2010), but it does not refer to staff-led value
16 co-creation. Thus, it is proposed that greater levels of staff engagement will motivate greater
17 levels of staff-led value co-creation.
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26 Another potentially important antecedent of staff-led value co-creation is the role of
27 empowerment. Staff empowerment receives major consideration in the organizational
28 behavior literature as a facilitator of positive staff attitudes and behaviors. It seems logical
29 that staff empowerment can facilitate the propensity of staff to undertake staff-led value co-
30 creation behaviors. Empowerment complements engagement. Empowerment encourages
31 action (Cattermole *et al.*, 2013; Fernandez and Moldogaziev, 2013; Jose and Mampilly, 2014;
32 Rich *et al.*, 2010). Several studies support the notion of empowerment of front-line
33 employees stimulating service innovation (Daily and Bishop, 2003; de Jong and Vermeulen,
34 2003; Zeithaml *et al.*, 2009).
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51 **Insert Figure 1 Theoretical Model of Staff-led Value Co-creation here**
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54 A further set of antecedents, organizational-specific motivation variables, fits with what
55 Podsakoff *et al.* (2000) call dispositional variables. Specific motivations (c.f. Cadwallader *et*
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3 *al.*, 2010) for staying with the organization include meeting interesting clients/members of
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5 the public. Specifically, this study proposes that if staff members perceive that they like
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7 meeting clients as a work motivator then staff will be motivated in the area of recruiting new
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9 clients in their own time. Finally, the demographic variables of age and gender are included.
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11 There are no preconceptions as to the roles of these demographic variables, but they are
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13 included initially as control variables.
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18 Overall, the conceptual model of staff-led value creation has three outcome variables, as
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20 dependent variables, which are three different types of staff-led value co-creation. The types
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22 are (1) Proactively helping clients (extra role) by providing creative service solutions for
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24 customers; (2) Providing ideas for new service delivery processes and procedures (service
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26 innovation); and (3) Initiating in their spare time, the recruitment of new customers and new
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28 employees, as a form of brand advocacy. Figure 1 depicts the conceptual model of Staff-led
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30 Value Co-creation.
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35 As argued above and shown in Figure 1, the three value co-creation outcome variables link to
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37 the following antecedent variables. Specifically, the direct antecedent variables are:

- 38 • Organizational morale factors (organizational commitment; values-congruency)
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- 40 • A special organizational morale factor, *staff engagement*, which derives as analogous
- 41
- 42 from the customer-led co-creation literature
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- 44 • A major organizational support factor, *empowerment*
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- 46 • Dispositional factors affecting employee motivation, especially employee motivation
- 47
- 48 *disposition towards meeting interesting members of the public/clients.*
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55 **METHOD**

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3 A quantitative study was designed to collect data from staff in non-profit organizations using
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5 Australia as a context. The criteria for inclusion of respondents derive from a four-stage
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7 process. Firstly, only non-profit, service organizations are included, as a means of giving a
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9 specific service industry focus to the study. Secondly, the population frame was further
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11 restricted to organizations that were publicly identified by winning or being nominated for
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13 various awards, such as for organizational change or organizational rebranding. Thirdly, the
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15 researchers approached the identified organizations to request their participation in the study.
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17 Specifically, the researchers initially contacted the Chief Executive Officer or senior
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19 management, and explained the purposes of the proposed study and the benefits to the
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21 organization of participation. In some cases, the researchers agreed to provide a customized
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23 report. Fourthly, if the organizations agreed to participate in the study, their employees were
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25 formally invited to participate. The researchers assured the employees the confidentiality of
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27 their responses, and any information provided to the organization was of an aggregated nature
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29 only.
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35 All participating organizations are of a not-for-profit nature. However, deliberately, the scope
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37 of their activities varies widely. Table 1 shows the types of organizations, which participated
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39 in the study, and shows the range from disability services to community arts and education.
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43 The structured survey covered the following variables: three types of staff led co-creation;
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45 staff engagement; staff empowerment; staff commitment; and values congruency.
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47 Demographic variables were also collected. Where possible, scales are from the literature.
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49 For example, the staff engagement scale is from Rich *et al.* (2010). The staff-led co-creation
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51 scales are adapted from Yi and Gong (2013). The structured survey uses 5-point Likert
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53 scales.
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3 Staff completed the self-administered structured survey, either online or in hard copy,
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5 depending on the organization. The literature shows that there is little difference in the
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7 characteristics of respondents using either response mode (Lin and Van Ryzin, 2012). Four
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9 organizations used the print surveys, and the remaining fifteen used an online survey with
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11 comparable format.
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16 **Insert Table 1 Types of Not for Profit Organizations here**
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18 19 **RESULTS**

20 21 *Preliminary Analysis*

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24 The staff respondents were 1306 staff from nineteen non-profit organizations. After data
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26 cleaning there were 1165 usable responses. Table 2 shows an initial analysis of the data. Each
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28 scale depicts the items in the scale, the factor loading of each item, the Cronbach reliability
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30 and the Average Variance Extracted.
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36 All scales are reliable, with the Cronbach Alphas ranging from 0.78 to 0.90. All of the Alpha
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38 scores are above the benchmark of 0.70 for adequate scale reliability (Hair *et al.*, 2010).
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43 The Average Variance Extracted (AVE) ranges from 0.67 to 0.89, all comfortably above the
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45 0.50 benchmark for convergent validity. Construct validity is indicated by the good fit of the
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47 SEM measurement model in the next section.
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51 Examining the correlation matrix for each scale indicates a high level of convergent validity,
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53 when all of the items in a scale converge on each other. Examining the factor loadings in
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55 Table 2 indicates a high level of content validity, that is, the extent to which a measure
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57 represents all of the facets of a given construct. Factor loadings range from 0.79 to 0.95.
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Predictive validity is present as evident by the SEM structural model estimates in the next section.

Further, Table 3 reveals discriminant validity across the scales. All scales discriminate against each other, with each pair of constructs having AVE greater than the square of the correlation between the two constructs (Fornell and Larcker, 1981).

Insert Table 2: Scale Items, Factor Loadings, Cronbach Alpha and AVE here

Insert Table 3: Squared Bivariate Correlations and Average Variance Extracted (AVE)

Finally, the extent of common factor method variance in the data was examined using the Podsakoff *et al.* (2003) single factor test. The results reveal that the common factor model elicits an inadequate fit: CFI=0.47; TLI=0.38; $\chi^2/df = 21.9$; RMSEA=0.14, with all indicators deficient in terms of benchmarks. In contrast, the seven-factor structural model reported in the next section shows a good model fit. Data analysis uses multi-group SEM with a partial disaggregated approach (Dabholkar *et al.*, 1996) on AMOS.

Structural Model Results

The SEM measurement model indicates a good fit with the data (n=1165). The Chi-square is 678.0 with $df = 240$. The baseline fit indices include CFI=0.96 and TLI=0.93, both above the 0.90 benchmark. RMSEA=0.040, appropriately low and below the 0.08 benchmark.

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3 The SEM structural model fit indices are also good. The Chi-square (χ^2) is 815.3 with $df =$
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5 282 and $\chi^2/df = 2.89$. CFI= 0.95 and TLI=0.93, both above the 0.90 benchmark.
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7 RMSEA=0.040 with 90 percent range of 0.037 to 0.044, with the entire range below the 0.08
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9 benchmark. The p-value is significant as expected with a big data set, but the Hoelter 0.05
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11 level is 473, well above the 200 benchmark.
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15 Table 4 reports the main results for each of the three types of staff-led initiated value co-
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17 creation (proactive helping clients; new service development/innovation; brand advocacy)
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19 across three staff categories, namely supervisors, frontline staff, and backstage staff. In terms
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21 of staff co-creating directly with customers (proactively going the “extra yard” to help
22
23 clients), engagement has a very strong effect, with beta coefficients of 0.48, 0.53 and 0.51 for
24
25 the three staff groups of supervisors, frontline employees and backstage employees,
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27 respectively, all significant at the one percent level.
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32 Staff-led (initiated) co-creating with service design improvements has a slightly lower
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34 (although still sizable) influence of engagement, with coefficients of 0.29, 0.36 and 0.36
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36 respectively. The nature of this type of staff-led value co-creation is a direct contribution
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38 from engagement to service innovation improvements for the organization as a whole.
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40 Service systems and their improvement are equally applicable for all types of employees.
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44 Staff-led value co-creation with brand advocacy (external recruitment of new clients and
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46 staff) has a relatively small influence from engagement, with coefficients of 0.11, 0.09 and
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48 0.08, respectively, with the first two beta-coefficients statistically significant at the five
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50 percent level. It seems that backstage staff are slightly less customer-oriented or at least less
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52 customer-conscious, and do not tune in as much to prospecting for future customers when
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54 they leave the confines of the workplace.
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10 **Table 4: Three Types of Staff Co-creation [Proactive Helping Clients (extra role);**
11 **Service Innovation; Brand Advocacy]: Structural Model Coefficient Estimates for**
12 **Three Staff Categories [Supervisors; Frontline Staff; Backstage Staff]**
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15 Organizational commitment has a strong effect, but only in terms of one form of staff-led
16 value co-creation, namely brand advocacy, that is, staff helping recruit new customers and
17 potential employees in their own time outside work. The effect was especially strong for both
18 frontline and backstage staff, with beta coefficients of 0.63 and 0.51 respectively. Supervisors
19 also had a strong connection to brand advocacy co-creation stemming from organizational
20 commitment, but the beta coefficient was only half the magnitude of the other two groups
21 (0.23, which is still a large number, and statistically significant at the one percent level).
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32 Values congruency also has a strong motivational role to contribute to staff-led co-creation.
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34 Two types of co-creation are impacted. If there is a close fit between the values of the staff
35 member and the organization, then both supervisors and backstage staff are motivated to
36 contribute to staff-led, brand advocacy co-creation. To a lesser degree, values congruency
37 also motivates staff-led, new service development (service innovation) value co-creation,
38 again from supervisors and backstage staff.
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47 Empowerment of staff by management also facilitates staff-led value co-creation. In
48 particular, empowerment facilitates staff-led value co-creation in new service development
49 (service innovation), especially among backstage and frontstage staff.
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55 Demographic variables are included. Gender has no influence at all. Age does have an
56 influence. Older employees, particularly backstage staff, are more likely to help clients (extra
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3 role) proactively. Older employees, especially backstage and frontline staff, are more likely
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5 to be brand advocates, recruiting new customers and staff in their spare time.
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9 If staff nominated the ability “to meet clients” as a job retention motivator, then such
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11 employees (especially supervisors) are more inclined to co-create through proactively helping
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13 clients. The same motivator also stimulates staff-led, brand advocacy co-creation, especially
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15 among frontline staff.
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18 19 **DISCUSSION**

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22 A prime focus of the paper is an examination of the role of staff engagement as a facilitator of
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24 staff-led value co-creation. This study seems to be among the first to establish empirically a
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26 nexus between staff engagement and staff-led value co-creation. Engagement is a
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28 *psychological disposition* to do something, in this case *co-creation behavior*, that is, staff-
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30 initiated enhancement of value beyond normal staff service. Interestingly, staff engagement
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32 has the greatest impact on staff-led value co-creation that proactively helps (extra role)
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34 clients. Engagement entails immersion or mindfulness of *being in the moment*. Staff-client
35
36 interactions are ongoing and thus the psychological disposition of engagement is well suited
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38 to client relations. Alternatively, staff-led, co-creation behaviors, towards providing new
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40 service development (service innovation), are intermittent and irregular, maybe monthly or
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42 even less frequent. Thus, the impact of staff engagement on staff-led, organization service-
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44 delivery innovation is likely to be less than the direct effect on proactively helping clients.
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46 Finally, engagement has the least influence in priming staff (as brand advocates) to recruit
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48 new clients and new staff, an activity that is remote to the organizational location and less
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50 susceptible to the mindfulness of being engaged in the organization.
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3 The recent surge of interest in *customer brand engagement* and *customer co-creation* extends
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5 to *staff engagement* and *staff-led co-creation*. The results indicate that staff engagement is a
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7 promising approach to transforming service organizations. Previous organizational research
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9 (Cohen, 1993; Mathieu and Zajac, 1990; Meyer *et al.*, 2002; Pierce and Dunham, 1987;
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11 Podsakoff, *et al.*, 2000) indicates that more connected or committed employees contribute to
12
13 more effective service organizations. Now, the current study adds the further contribution of
14
15 staff engagement in particular. There are additional benefits to the service organization of
16
17 having engaged, empowered and committed staff, namely greater staff-led value co-creation.
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19 Previous studies have not identified or demonstrated such additional, co-creation, benefits.
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24 The role of customer-led co-creation contributing to new product development (service
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26 innovation) is a well-researched co-creation domain (Hoyer *et al.*, 2010; Kristensson *et al.*,
27
28 2004). Studies that are more recent extend such research to the realm of social media (Füller,
29
30 2010) and brand communities (Gyrd-Jones and Kornum, 2013). Relatedly, the current study
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32 sheds new light on the role of staff in new service development. As indicated in the earlier
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34 review, there is limited previous literature investigating the role of employees contributing to
35
36 service innovation. To re-iterate, Cadwallader *et al.* (2010) use motivation theory to explain
37
38 why frontline employees participate in service innovation implementation, and Ordanini and
39
40 Parasuraman (2011) demonstrate that frontline employee participation is the most robust
41
42 driver of service innovation. The findings are also consistent with the literature that links
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44 empowerment with service innovation by frontline staff (Daily and Bishop, 2003; de Jong
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46 and Vermeulen, 2003; Zeithaml *et al.*, 2009). The current study goes a step further and
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48 demonstrates a similar nexus pertaining to backstage employees and supervisors as well.
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54 The current study identifies and demonstrates two main routes by which staff-led, new
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56 service development (service innovation) co-creation manifests. They are: firstly, directly via
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3 improved services to customers, and secondly, indirectly via improved service delivery
4 processes. The former route entails staff proactively helping clients, beyond their normal
5 employment role and hence initiating improvements to service delivery operations that
6 directly benefit clients. The second more indirect route allows for staff participation *as an*
7 *initiator* in the new service development process (NPD). In certain situations, employees are
8 motivated to provide ideas and suggestions for improved service delivery or systems (service
9 innovation). The study identifies three major motivators for such staff-led service innovation
10 contributions, namely having highly engaged staff, empowering staff and having employees
11 sharing common values with the organization (values congruency). Organizations wishing to
12 accelerate their level of service innovation could focus on all three areas.
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26 More broadly, the effects of variables other than staff engagement in the staff-led value co-
27 creation process can be considered. Empowerment has similar effects to engagement, though
28 of a smaller magnitude. Organizational variables, like values-congruency and staff
29 commitment, have little or no effect on staff proactively helping clients, but do have major
30 effects on staff-led brand advocacy co-creation.
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39 Overall, the three types of service staff-led co-creation have fundamentally different
40 mechanisms underpinning them (for a similar suggestion in the broader organizational
41 citizenship behavior literature see Podsakoff, *et al.*, 2000). Service staff co-creating value by
42 proactively helping clients has perhaps the simplest structural mechanism, with staff active in
43 co-creation more likely to be highly engaged with their work; empowered; older; and client-
44 disposed (“wanting to meet interesting members of the public/clients”) in their motivation to
45 stay with the organization.
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3 At the other extreme are those staff members who are active in co-creating, as brand
4 advocates, the recruitment of new clients and new staff. Employees who are involved in this
5 type of staff initiated value co-creation are somewhat engaged with their work; empowered;
6 strongly connected to the organization through congruent-values and staff commitment;
7 older; and are client-disposed (“wanting to meet interesting members of the public/clients”)
8 in their motivation to stay with the organization.
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18 The results for the advocacy and innovation forms of staff-led co-creation compare with
19 Eisingerich *et al.*, (2014), which is one of the few studies in the customer-led co-creation
20 literature to cover two or more types of co-creation. Eisingerich *et al.*, (2014) demonstrate
21 that both forms of co-creation can motivate future sales, though the innovation (customers
22 giving ideas back to the firm) form is more powerful. Thus Eisingerich *et al.*, (2014) focus on
23 the consequences, but not on the antecedents of co-creation, whereas the current study does
24 the reverse. The study reveals quite different underlying antecedent mechanisms for the two
25 types of co-creation. In the current (staff-led) study, advocacy co-creation emphasizes
26 commitment and values congruency, while innovation co-creation emphasizes engagement
27 and empowerment. Arguably, this might imply that if the results are extendable to the
28 customer-led domain, firms seeking customer participation in giving innovation ideas to the
29 firm should emphasize empowerment and deep engagement, rather than simple attachment.
30 Explicit future research in the customer-led co-creation domain is necessary to verify this
31 notion.
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50 To re-iterate, the current study is a major quantitative approach to staff-led value co-creation.
51 The work is major in several senses: a large sample; covers three classes of employee
52 (supervisors, front-line, backstage); covers three different types of co-creation (advocacy,
53 proactively helping clients, innovation); and covers a different explanatory mechanisms for
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3 each co-creation type. No other known quantitative study is so comprehensive. There are few,
4
5 if any, previous overt quantitative studies of staff-led co-creation. There are similarly few
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7 qualitative studies of overt staff-led co-creation. Leo and Russell-Bennett (2012) examine an
8
9 allied concept of customer-orientated deviance from a frontline employee's perspective. One
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11 could define such behavior as related rather than synonymous with co-creation. It is a sub-set
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13 of what the current study terms proactively helping client co-creation. Their study highlights
14
15 the role of employee service competency and employee empathy to clients, but it is at an
16
17 exploratory stage. Another relevant study is Plé (2016) who conceptualizes customers'
18
19 resource integration by service employees in interactional value co-creation. Plé (2016)
20
21 emphasizes the direct interaction between the customer and a particular employee, though
22
23 more work is needed to operationalize the model (for example, how to theoretically integrate
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25 the twelve kinds of customer resources). Parenthetically, both of these two relevant studies
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27 are solely about frontline employees.
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34 In terms of contributions, the current study is one of the first to differentiate and discriminate
35
36 the core concepts of staff engagement and staff-led value co-creation. *Secondly*, whereas the
37
38 literature focuses on work performance and reduced staff burnout as the main potential
39
40 outcome of staff engagement, the current study contributes by examining staff-led value co-
41
42 creation as an outcome of staff engagement. *Thirdly*, the study demonstrates the empirical
43
44 nexus between staff engagement and staff-led value co-creation. *Fourthly*, three types of
45
46 staff-led value co-creation (helping; advocating; and innovation) are proposed and shown to
47
48 be statistically discriminant different concepts. *Fifthly*, different explanatory mechanisms
49
50 underlie the three different forms of staff-led value co-creation.
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55 *Sixthly*, the study contributes to understanding the role of staff in the broader service
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57 innovation domain (Cadwallader *et al.*, 2010; Ordanini and Parasuraman, 2011). In particular,
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3 the study is able to measure the level of staff contribution to each type of service innovation,
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5 and further is able to differentiate the contribution across three categories of staff. Often, but
6
7 not in every case, the frontline employees are the key resource. The study also highlights the
8
9 important contributions from both backstage employees and supervisors.
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13 The notion of multiple types of co-creation is consistent with previous research in the context
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15 of *customer co-creation* (Gustafsson *et al.*, 2012; Yi and Gong, 2013). However, the authors
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17 are not aware of previous research that conceptualizes *staff-led value co-creation* in this way.
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19 Further, in contrast to some customer-led co-creation research (Gustafsson *et al.*, 2012)
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21 emphasizing co-creation *outcomes*, the current research emphasizes the *antecedents* of co-
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23 creation, in the staff-led co-creation context. Future research could confirm and perhaps
24
25 extend the current study of *staff co-creation* antecedents, but equally such research could be
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27 adapted and applied in the *customer co-creation* domain.
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32 PRACTICAL IMPLICATIONS

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36 Service innovation seems to associate with high performance in service organizations, so the
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38 emphasis on service innovation is relevant to aspiring organizations. The *organizational*
39
40 *outcome of staff-led co-creation* is not part of the design of the current paper, beyond
41
42 explaining the tendencies of certain individuals to have greater co-creation behaviour.
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44 Nonetheless, some patterns are discernible. In particular, *organizations* (rather than
45
46 *individuals*) with high levels of staff-led value co-creation are associated with higher
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48 outcomes in terms of *staff retention* and *staff perceptions of organization reputation*.
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50 Therefore, staff-led value co-creation activities seem to matter in terms of high performing
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52 service organizations. Overall, the results have practical importance in guiding firms to
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54 service transformation.
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3 Detailed practical implications depend on what objective the organization seeks. If firms are
4 trying to increase client recruitment through (staff-led) brand advocacy co-creation, then
5 building *staff commitment* and *values-congruency*, and empowerment, should play central
6 roles. Alternatively, if firms really want staff to be proactive in helping clients solve problems
7 as part of service operations, then *staff engagement* must play a dominant role. Finally,
8 increasing service innovation via staff-led value co-creation requires attention to staff
9 engagement, values congruency and empowering staff.
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19 **LIMITATIONS and RESEARCH IMPLICATIONS**

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23 The main limitations are that the study is confined to one country (Australia) and to one
24 service sub-sector (not-for-profit). Generalization of the findings requires extension to other
25 contexts. There is scope to apply the model to volunteers as well as staff.
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32 The most important research implication is extending the value co-creation debate to
33 employees, as major actors in their own right. Staff-led value co-creation is exactly that,
34 where the employees are the major initiators of the co-creation. Another major research
35 implication is that different mechanisms apply to different forms of co-creation. Previous
36 literature has given little attention to this critical theoretical and managerial matter. A final
37 major research implication is a sharper differentiation between engagement and co-creation.
38 To an extent, previous literature discusses two separate domains, with limited bridging
39 between them. The current study presents two separate (statistically discriminant) constructs
40 in the context of staff-led value co-creation. Future research could explore these research
41 implications in both staff-led and customer-led domains of value co-creation.
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54 **CONCLUSION**

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3 In conclusion, the study contributes to the services research literature in several ways. Firstly,
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5 the research provides greater insight into the potential role of employees in enhancing service
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7 innovation. Value co-creation is a form of service innovation. In particular, the role of staff-
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9 led initiatives in new service development (service innovation) receives major attention.
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13 Secondly, the study extends the co-creation literature from the current customer-led domain
14
15 emphasis to the staff-led domain. Three types of staff-led value co-creation are the focus:
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17 service innovation co-creation; brand advocacy co-creation; and proactively (extra role)
18
19 helping clients solve problems.
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23 Thirdly, as expected, each type of staff-led value co-creation has a different explanatory
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25 mechanism, with a different mix of motivating stimuli. Different organizational co-creation
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27 objectives require different triggers, which reflect the different explanatory mechanisms. The
28
29 lesson of tailoring the explanatory mechanism to fit a particular type of co-creation also needs
30
31 to apply to the customer-led co-creation domain. Saarijärvi (2012) and Yi and Gong (2013)
32
33 both enumerate large numbers of customer-led co-creation types. This is useful to an extent.
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35 Saarijärvi (2012) for example identifies co-creation types including co-production; co-
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37 development; co-experience; co-design; co-disposal; co-maintenance; co-pricing; co-
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39 promotion; and co-distribution. However, Saarijärvi (2012) does not seem to appreciate that
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41 each of these types is likely to have a different mechanism, which requires research to
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43 discern.
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50 Finally, but equally importantly, the study pioneers the bridging of two major constructs in
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52 the co-creation domain, namely engagement and co-creation. In the customer-led co-creation
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54 literature, studies research the major constructs of customer-led engagement and customer-
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56 led co-creation as separate foci, but without formal linking. Within such a customer-led
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3 domain, in an exception, France *et al.* (2015) argue that they are separate constructs
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5 *conceptually*. The current study, in the context of the staff-led value co-creation domain,
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7 *empirically demonstrates* that staff engagement and staff-led value co-creation are separate
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9 constructs. Additionally, the current study now provides a bridge linking staff engagement
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11 and staff-led value co-creation, and hence achieving the purpose of the research. Employees,
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13 through staff engagement, do have an important role as facilitators of staff-led value co-
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15 creation.
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THE ROLE OF STAFF ENGAGEMENT IN FACILITATING STAFF-LED VALUE CO-CREATION

Figures and tables

Please see following pages for:

Figure 1: Theoretical Model of Staff-led Value Co-creation

Table 1: Types of Not for Profit Organizations

Table 2: Scale Items, Factor Loadings, Cronbach Alpha and AVE

Table 3: Squared Bivariate Correlations and Average Variance Extracted (AVE)

Table 4: Three Types of Staff Co-creation [Proactive Helping Clients (extra role); Service Innovation; Brand Advocacy]: Structural Model Coefficient Estimates for Three Staff Categories [Supervisors; Frontline Staff; Backstage Staff]

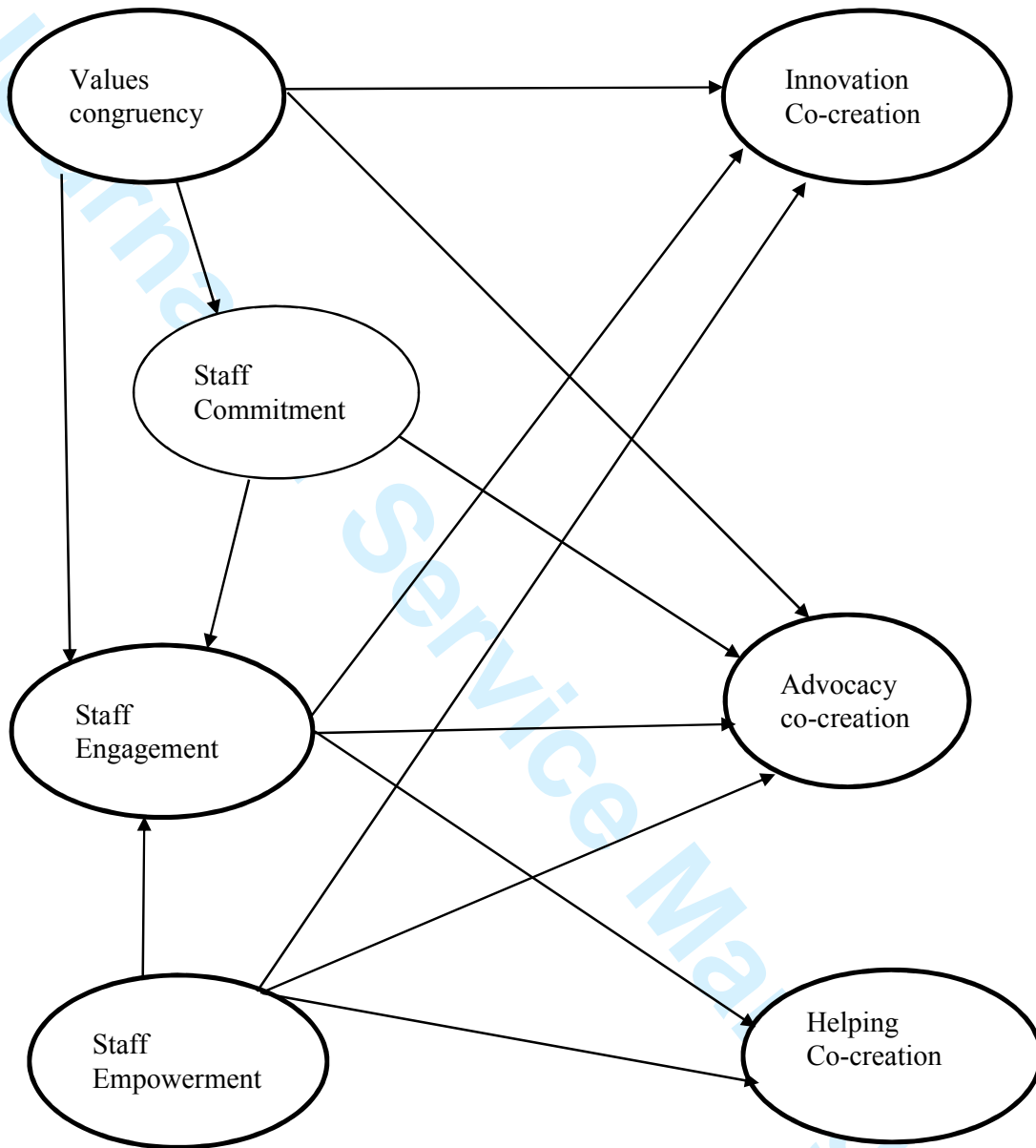


Figure 1: Theoretical Model of Staff-led Value Co-creation

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Table 1: Types of Not for Profit Organizations

Community mental health
Community health
Disability services
Disability support services
Community networks and social support services
Amateur performing arts groups
Museum
Education
Community radio broadcaster
Some community support services with religious affiliations

Table 2: Scale Items, Factor Loadings, Cronbach Alpha and AVE

	Factor Loading	Cronbach Alpha	AVE
Values-Congruency		0.88	0.89
My values match or fit with this organization	0.95		
The values of the organization reflect my own values	0.95		
Staff Commitment		0.88	0.73
I am emotionally attached to this organization	0.88		
The organization has personal meaning to me	0.87		
I have a strong sense of belonging to this organization	0.86		
I strongly identify with the goals & values of this organization	0.79		
Empowerment		0.88	0.80
I can make my own decisions	0.93		
I have the freedom to decide what I can do in my job	0.92		
I can use my own personal judgement on carrying out my job	0.84		
Staff Engagement		0.90	0.67
At work, I pay a lot of attention to my job	0.86		
I try my hardest to perform well on the job	0.82		
I devote a lot of energy to my job	0.82		
At work, I am dedicated to my job	0.82		
At work, my mind is focused on my job	0.80		
I am enthusiastic in my job	0.79		
Advocacy Co-Creation		0.78	0.82
I encourage others to use the services of this organization	0.91		
I encourage others to consider employment with this organization	0.91		
New Service Development (service innovation) Co-Creation		0.80	0.83
I provide new ideas to enhance the delivery of our services	0.91		
I provide new ideas about ways to improve procedures and processes	0.91		
Proactive Helping Clients Co-creation		0.87	0.79
I take a genuine interest in solving client's problems, directly or indirectly	0.90		
I go out of my way to help clients, directly or indirectly	0.90		
I proactively help to solve client problems	0.88		

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Table 3: Squared Bivariate Correlations and Average Variance Extracted (AVE)

Construct	1	2	3	4	5	6	7
1. Values congruency	0.88						
2. Engagement	0.12	0.90					
3. Commitment	0.38	0.17	0.88				
4. Empowerment	0.10	0.06	0.12	0.88			
5. Client Co-creation	0.04	0.23	0.04	0.04	0.87		
6. Innovation Co-creation	0.07	0.14	0.08	0.10	0.22	0.80	
7. Advocacy Co-creation	0.28	0.14	0.37	0.12	0.06	0.13	0.78

The **bolded** diagonal shows the Average Variance Extracted (AVE) for each scale.
The other numbers are the squared inter-scale correlations.

Table 4: Three Types of Staff Co-creation [Proactive Helping Clients (extra role); Service Innovation; Brand Advocacy]: Structural Model Coefficient Estimates for Three Staff Categories [Supervisors; Frontline Staff; Backstage Staff]

Antecedents	Co-creation	Supervisors (n=408)	Frontline Staff (n=624)	Backstage Staff (n=133)
Staff Engagement	Helping	0.48***	0.53***	0.51***
	Innovation	0.29***	0.36***	0.36***
	Advocacy	0.11**	0.09**	0.08
Empowerment	Helping	0.00	0.17***	0.16*
	Innovation	0.16***	0.26***	0.30***
	Advocacy	0.14***	0.10**	0.06
Organizational Commitment	Advocacy	0.23***	0.63***	0.51***
Values Congruency	Innovation	0.24***	0.03	0.15
	Advocacy	0.47***	0.00	0.18*
Age	Helping	0.08*	0.06*	0.16**
	Advocacy	0.04	0.08**	0.17**
Meeting Clients as Motivator	Helping	0.21***	0.03	0.02
	Advocacy	0.03	0.20***	0.10

*** denotes significant at 0.01 level
 ** denotes significant at 0.05 level
 * denotes significant at 0.10 level