

# **Towards an economics of contribution: Perspectives from organization and management studies**

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## **Introduction**

Coming from an art and design background, and now masquerading as a social scientist in a business school, I hope will not disappoint many of you when I declare up front that I will not be able to offer an overview of the economics of networks and relations. However what I will be doing – which I hope is of value to this emerging conversation – is to share some of what is currently going on in organization and management studies of relevance to the idea of an economics of contribution.

What I will do is draw to your attention some of the conversations going on in disciplines such as strategy, innovation and entrepreneurship studies and general management. I will then suggest some ways that cultural producers might frame some of the challenges and opportunities facing them as organizations in ways which draw on this literature. Finally, I will outline what I think are the main research problems that might be addressed within the notion of an economics of contribution which have a relationship to these literatures.

The term I am using here today, management and organization studies, is a clumsy pairing for a clumsy set of fields. Such studies are produced and consumed by academics and students in what are usually called business schools, although many of the faculty might not see themselves as terribly interested in business. In my institution, for example, we have research centres in social entrepreneurship, innovation and social studies, and complexity, with whom I work, as well as centres in business taxation and retail management. Research problems within the many disciplines within business and management schools include organizational problems applicable to non-profit and government entities as well as businesses, such as: how to create value (strategy); how to execute and implement strategies (operations management); how to identify and engage with customers and stakeholders (marketing); how to organize (organization design); and how to describe and capture value from these relations (finance, accounting and legal). Although scholars and students in a business school such as the one I am in might take a broad view of their domain of enquiry and activity, it would, however be fair to say the intellectual legacy of such institutions in classical economics means that profit and consumer capitalism are dominant.

As might be expected, ideas of networks and relations have been appearing for some time in these literatures, and I will touch on these. But in what follows, I will also be drawing attention to discussions that bring to bear theoretical approaches that have

something to offer the study of networks and sets of relations in organizational contexts.

## 1 The shift to co-production

Within studies of strategy, there is a shift **away from a linear model of value creation towards the idea of co-production**. Michael Porter's (1985) idea of a value chain describes a process in which objects such as raw materials or products are processed in ways that add value at each stage. Strategy, in this formulation, is then about an organization deciding which bit of the process it wants to address and working out how to add value at lowest cost and most efficiency. This model, rooted in a manufacturing paradigm in which raw materials are processed into goods has been facing challenges for some time.

In one of those challenges, Normann and Ramirez (1993) propose reconceiving thinking of value creation as not chains in which value is added to thing, but rather as the creation of value constellations. They argue that "Increasingly, successful companies do not just *add* value, they *reinvent* it" (Normann and Ramirez 1993: 65, emphasis in original). In this view, the strategic challenge for organizations is the creation of the value-creating system, rather than thinking on the level of a company or product. The manager's job is seen as reconfiguring this system and the roles of the actors in it, rather than working out where to add value in a linear chain. Examples they cite include IKEA which requires its customers to take a different role compared to other furniture and homewear manufacturers. For Normann and Ramirez (1993) IKEA wants its customers to understand that their role is not to consume value but to create it. "IKEA's role is not to relieve customers of doing certain tasks but to mobilize them to do easily certain things they have never done before." (Normann and Ramirez 1993: 67). In the shift to a co-production model, the role of customers is importantly different and this has implications not just for strategy but for many activities within the organization. Instead of customers consuming objects to which some value has been added, they are now seen to play an important part in creating value.

## 2 Services not products

A second development in management and organization literatures is a move from paying attention to new product development and technology innovation, **towards innovation in services**. Services today make up three quarters of Gross National Products of developed countries and are also dominant in terms of employment (eg Bell 1977). Financial analyses show that firms such as IBM now earn a major share of their business revenue from sales of services to clients, prompting some of them to urge the creation of a "services science" (Chesbrough and Spohrer 2006). Within management fields, there are sub-disciplines with their own literatures and conferences including services marketing, service operations and services management. But service innovation is only now emerging as an object of enquiry (Salter and Tether 2006) and it is not clear whether the theories and models developed for new product development and technology innovation apply to services. The attributes of services, which distinguish them from products, are typically seen as intangibility, heterogeneity, the simultaneity of production and consumption, and non-perishability (but see Vargo and Lusch 2005). Taking just one of these, the idea that

services are produced at the same time as they are consumed, there is an immediate connection to the reframing of strategy as creating value constellations rather than value chains. The origins of management thinking in industrialisation have not yet generated adequate explanations and descriptions of what organizations developing new services do, but the attention now being paid to service innovation may help shift this area of enquiry. One of the sites of enquiry is the emerging profession of service design, rooted in arts-based design practice, which has developed tacit and formal knowledge, methods and practices which have not yet been studied significantly.

### **3 Building markets in innovation and entrepreneurship**

The third development in management literatures relevant to an economics of contribution, is the work done by sociologists in exploring **how markets form and stabilize**, in challenge to the theories of classical economics which propose that markets converge on models which are efficient. The idea that social relations have an important role to play in how markets operate is not new (Fligstein 1996) but scholars have not come to significant agreement on how social embeddedness relates to what goes on in organizations and markets. Fligstein (1996), for example, uses the metaphor “markets as politics” to discuss how these social structures come into existence, produce stable worlds, and are transformed. “The production of market institutions is a cultural project in several ways. Property rights, governance structures, conceptions of control, and rules of exchange define the social institutions necessary to make markets” (Fligstein 1996: xx).

Other scholars have studied the ways that successful individuals who were both entrepreneurs and innovators have built new markets by creating sets of arrangements which bring into existence new institutions and new practices (eg Lounsbury et al 2003; Santos and Eisenhardt forthcoming). For example, Hargadon and Douglas (2001) looked at the way Edison established the emerging electricity industry by framing it as similar to the established gas lighting industry. Their analysis refutes the idea that technical or economic superiority will necessarily lead to innovation. By focussing on how Edison arranged the details of his electrical lighting system, they argue that an innovation’s design shape its acceptance and ultimate impact – those details in this case being the creation of artefacts and structures that were familiar to customers. By imitating the features of gas lighting, Edison was able to displace the technology of gas lighting without requiring dramatic changes in the surrounding understandings and patterns of use. This analysis shows that Edison used design to ground a particular innovation in its particular time and place by providing it with a set of meanings and values that are embedded in the existing institutional environment (Hagadon and Douglas 2001: 479).

Another academic angle on markets is the attention paid to the performativity (eg MacKenzie and Milo 2003) and the roles of objects (eg MacKenzie 2009) in constituting sets of relations as markets. Drawing on anthropology, economics and science and technology studies, for example, MacKenzie and Milo (2003) have shown that economic theory and practices within options markets mutually constitute one another. More recently, MacKenzie (2009) has shown how financial markets in things such as carbon trading emissions are interconnected with what traditional sociologists separate out into the social and the material.

#### **4 The practice turn**

A fourth conversation going on within management and organization studies relevant to an economics of contribution is a theoretical one, now visible in several fields. The “practice turn” (Schatzki et al 2001; Reckwitz 2002) is shifting some of the registers of academic enquiry in fields such as strategy (eg Whittington 1996), marketing (Holt 1997), accounting (Hopwood and Miller 2004), knowledge in organizations (Brown and Duguid 2001) and product design (Shove et al 2007). Within strategy, for example, scholars point to the weakness of models of strategy based in Positivist economics, such as Porter’s (1979) five forces model and subsequent theories of strategy as process. Seeing “strategy as practice” offers these scholars a way to draw attention to the work that actually gets done in strategy making: the routines and habits, and the artefacts that play a role too. It also offers a new level on which to analyse what goes in within organizations, avoiding both the macro firm level, or the micro individual level.

One example is a study of the introduction of Lotus Notes by Orlikowski (2000), which has something to offer an economics of contribution that seeks to understand how new technologies are enacted in practice in organizations. Orlikowski showed how technologies are constituted in different ways by users’ practices. She used a practice lens to examine how people, as they interact with a technology in their ongoing practices, enact structures which shape the emergent and situated use of that technology. Her research of Lotus Notes in different organizations found that “technology-in-practice” can vary considerably in the ways structures are routinely encoded. “When people use a technology, they draw on the properties comprising the technological artifact, those provided by its constituent materiality, those inscribed by the designers, and those added on through previous interactions” (Orlikowski 2000: 410). The contribution of this study was to show that structures are not located in organizations, or in technology, but are enacted by users in practice.

#### **5 The turn to design**

A fifth conversation going on within organization and management studies is a renewed attention to design. Three design theorists are important here. The first is Christopher Alexander (1962) whose *Notes on the Synthesis of Form*, argued for a modern, rational design to tackle the complex challenges facing organizations and individuals. The second is Herbert Simon (1996), whose *The Sciences of the Artificial* made a distinction between the sciences which, he says, are concerned with “how things are” and the professions such as engineering, management or medicine that are concerned with how things “ought to be”. He sums up this view in a much-cited sentence: “Everyone designs who devises courses of action aimed at changing existing situations into preferred ones” (Simon 1996: p.111). The third is Horst Rittel (Rittel 1972; Rittel and Webber 1973) whose definition of the qualities of “wicked problems” – as opposed to “tame problems” – brought to attention the limitations of the techno-rational programme in contexts in which problems are hard to define, let alone solve, where there are many stakeholders, and high levels of uncertainty and contestation.

It is Simon's (1996) work in particular on which management theorists interested in design draw. For Boland and Collopy (2004), managing is a kind of designing and managers should adopt a "design attitude" to complement the "decision attitude" that they see as endemic with organizations and within management education. Others make a similar argument, such as Dunne and Martin (2006) who argue that management education is failing to meet the needs of the contemporary world, and that managers should conceive of their role as designing business itself. What is common to these arguments is the idea that the job of the manager, or entrepreneur, is designing the arrangements, the institutions, and the markets as well as the artefacts. This design-centric model could privilege the heroic individual who is the designer-manager. But when combined with the other developments mentioned above, such as the rethinking of strategy as value co-production; and the practice turn which attends to how practices and institutions come to be, then there may be elements in this literature which help us think through, and design for, the challenges and opportunities facing cultural producers, whether formalized into organizations or not.

### **Implications for cultural producers and organizers**

The five developments I have identified are, of course, not exhaustive, definitive or possibly even accurate readings. They are influenced by my own research interests and practice in design, art, and science and technology studies and how these relate to organizational problems. But I offer them here to illustrate how the ideas of networks and relations, and developments such as practice theory, have reframed some of the questions within management and organization studies. For organizations involved in cultural and media production, whether formally constituted or not, how might these developments shape the ways they respond to the contexts in which they now find themselves? A few suggestions follow.

- **The shift to co-production**
  - If organizations rethink their strategy as co-producing value with stakeholders (creators, cultural producers, users, customers, partners, employees), how is this value to be made visible or tangible?
  - What is the value created and co-produced by contributors to a cultural production?
  - How can value be assessed and captured?
- **Services not products**
  - For cultural producers who create, commission, programme or distribute "content" of different kinds (eg TV programmes, artworks, games), what happens if these activities are rethought as services?
  - How are cultural services to be designed and managed?
  - How are stakeholders to be involved in the design of services?
- **Building markets in innovation and entrepreneurship**
  - For organizations wanting to innovate and create new forms of cultural production, how are they to assemble and arrange the wider sets of practices and institutions which, in a for-profit model, might constitute a market?
- **The practice turn**
  - If cultural producers attend to the practices of their co-creators, contributors and other stakeholders, rather than "content" or technology, what might this shape their ongoing and future activities?

- **The turn to design**
  - If managers are designers, which aspects of design practice (eg use of contextual observation, visualization, prototyping) are of particular value in the designing of arrangements?
  - If there is value in the arranging of artefacts and practices, how should creators of such arrangements realize it?

## Research questions

I will end by posing a number of research questions which draw on these literatures, which might help frame this ongoing conversation about an economics of contribution.

1. How do arrangements such as markets form and stabilize through practices in social and cultural fields and in non-profit and public sectors?
2. If value is not in objects (or “content”), what arrangements can be designed that make visible how sets of relations and practices create value?
3. What is the value of the art and design practices, typically taught in design and art education institutions, which seem particularly good at making, creating or inventing novel arrangements?
4. How might the use of terms such as “markets”, “customers” and “value creation” shape the discourse about an economics of contribution?

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