

Valuation Devices of Beneficiary Transformation Services

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Abstract

In light of the growth of the “projective city,” services containing the “transformation” of the service’s beneficiary, such as coaching, workshop facilitation, organization development consulting, etc. have gained attention. However, there is a possibility that the beneficiary cannot recognize the transformation of herself/himself. The purpose of this report is to clarify how a service provider makes the beneficiary “recognize” the transformation of oneself. Analyzed from the perspective of valuation studies, this study considers a case of a consulting team which cooperatively creates product plans with its client manufacturers. The means of investigation in this case study is the observation of business meetings between the team and a client manufacturer. From this case, we can see that beneficiary transformation is conveyed to beneficiaries through “devices” which are provided by the team within the service process and the transformation is collectively evaluated through a “story” which is agreed upon by both the team and beneficiary. Normally, institutional economics implicitly assumes subjects who receive services have already been equipped with valuation devices through institutionalization. However, the case in this report implies that not only the subject but also the devices for evaluating their transformation is created within the service process.

Keywords

Valuation, Pricing, Subject Transformation, Device, Story, Product Planning

1. Introduction

In recent years, “transformation” of the subject in economic practice has attracted attention. Services in which the purpose is the transformation of the subject include, for instance, organization development consulting, of personnel development coaching and facilitation of workshops (Bushe and Marshak eds. 2015) Services accompanied by subject transformation are distinguished from services in which the subject and object are distinguishable. That is, first, beneficiaries have existed as a rigid or established “subject,” and he/she is provided the “object” (that is, service), and then he/she evaluates the value of the service. In the case of services in which the main or collateral purpose is subject transformation, because how and to what extent the “subject” transforms in the service process affects the valuation of “object,” that is, the service, the subject and the object are not clearly separable (Yamauchi 2018).

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A reason these services have become demanded is the rise of the “projective city” (*cit  par projets*) (Boltanski and Chiapello 2011). The term “city” (*cit *) is a “superior principle” which is shared by people, goods, services and spaces which weighs the “status,” (*grandeur*), the value, of each. There are multiple principles that coexist in modern capitalism. However, Boltanski and Chiapello (2011) propose that today the projective city has the strongest influence. The “great man” who is highly evaluated based on the projective city, is one who can build a new project² or be called for a project, that is, who has “employability.” It is the person who has the following qualities.

The great man proves *adaptable* and *flexible*, able to switch from one situation to a very different one, and adjust to it; and *versatile*, capable of changing activity or tools, depending on the nature of the relationship entered into with others or with objects. It is precisely this *adaptability* and *versatility* that make him employable – that is to say, in the world of firms, in a position to attach himself to new projects. (Boltanski and Chiapello 2011, pp. 182-183, tr. p. 112)

Thus, a person should be “the agent of one’s own evolution” in order to keep on adapting to changing environments and exercising their ability appropriately in each situation, or in other words, in order to keep on developing one’s employability (*ibid.*, p. 182, tr. p. 111). In order to evolve oneself, individuals demand services that facilitate the evolution of oneself. They are “integrators, facilitators, an *inspiration*, unifiers of energies, *enhancers* of life, meaning and autonomy” (*ibid.*, p. 187, tr. p. 115). They are treated as great men under the city and their service is also seen as a “great” service.

Such services (objects) demanded under the projective city contain in themselves the transformation of the subject. However, such transformation, which the beneficiary (subject) should recognize as valuable, is often not recognized by said subject. We can easily understand this when we imagine cases of school admission and finding employment. When a person enters into a group, for example, in the inaugural days of school or a new job, the person likely looks oddly upon the institutions (explicit rules and implicit conventions) of the group. However, most people gradually adopt the institutions. It is this “institutionalization”, which occurs in the groups to which they belong and they adopt, that becomes their cognitive and behavioral framework. People who have already been institutionalized in these groups are not aware of its institutions and do not think them odd. At this time, most people do not realize that they have transformed because the framework of their thinking and activity is not an “attached accessory”, but their consciousnesses itself which they are aware of only when they have self-awareness and are given opportunities to reflect on themselves. Both the “self” before transformation and the “self” after transformation are perceived by an individual as the same “self”. However, although they are the same “self” to that individual, the “self” after transformation is not the same as the “self” before transformation.

² “Project” means “the occasion and reason for the connection” and “a *highly activated section of network* for a period of time that is relatively short but allows for the construction of more enduring links.” It becomes “a temporary *pocket of accumulation*” (Boltanski and Chiapello 2011, pp. 170, tr. pp. 104-105).

In services (object) that involve subject transformation, how does a beneficiary (subject) recognize his/her transformation? How does the service provider make the beneficiary recognize one's transformation? It is a question of how the subject "recognize" the value of the service, that is, one's transformation, before the subject starts to "evaluate" said service.

This question is intractable in existing economic theories. In standard economics, that is the neoclassical economics, the value determining framework that is the utility function is given exogenously (Veblen 1898; Chavance 2012, p. 13; Bessy and Chauvin 2013, p. 111). It means that this economics has the following two assumptions: First, a subject has already been equipped with the framework for recognizing the value of a service and evaluating it before he/she receives the service. This assumption removes an event—the device which is created in the service process makes the subject recognize the value of the service—from the economic discourse. Another assumption is that the subject, in other words, his/her framework of thinking and activity, is not transformed within service processes. This assumption also removes an event, that is, the subject's transformation within the service process).

In the same way, new institutional economics (Williamson 1985) has the same assumptions creating the same issue (Chavance 2012). Apparently, D.C. North seems internalize utility changes into his model as a change of "incentive structure" (North 2005). However, his model also cannot address the issue of subject transformation and value recognition within the service process because the model also assumes the utility of a subject is already determined by institutions before the start of the service process.

While I cannot say that evolutionary institutional economics (Veblen 1899; 1914; Hodgson 2004) makes the same assumptions, it does not provide us a perspective or tool for analyzing this issue. It assumes that the framework of evaluation changes in parallel with evolutions of the institutions. Institutional evolution changes institutional values (precisely, institutional "meanings") of events including goods and services. Under the new institutional value, reciprocal expectations and interactions between subjects is readjusted because the subjects have been and will be reconstituted by the evolving institutions. Thus, evolutionary institutional economics treats the transformation of the framework of evaluation as an endogenous factor. In this regard, it is impossible for this economics to address subject transformation. However, because this economics strongly focuses on, on the one hand, subject transformation led by institutional evolution and, on the other hand, institutional transformation led by subjects' myriad of practices, the analytical dimension of "practice" (or "activity," "action," "interaction") is closed. Therefore, it is difficult to find a place for discussing the dimension of practices such as subject transformation and value recognition.

The purpose of this paper is to explore an answer to the question of how service providers make beneficiaries recognize their transformations and how beneficiaries evaluate them, a question which existing economic theories are ill-equipped to deal with, through the case of collaborative product³ planning. The reason that collaborative product planning falls under services in which the purpose is subject

³ In this paper, product and service are described as merely "products" in order to avoid duplication of the two "services." That is, the "service" that is planned by the project and B to B "service," that is the product planning service

transformation, is that the collaboration aims to disrupt and reconstitute a product planning team's (which includes both providers and beneficiaries of the collaborative planning service) existing collective and individual frameworks, which consists of assumptions, questions, and hypotheses in regards to a product, users⁴ of the product, and their environment. The reason there is a possibility the beneficiaries evaluate transformations of their framework in this case, is that a transformation of the beneficiaries' (i.e. the product planning team's) framework means they move closer to grasping a precise picture (reality) of the end users.

This paper is constituted as follows. The next section defines the perspective of this paper through considering two preceding "valuation studies." The Third section considers the case of collaborative product planning. In this case, we will see that the subject transformation within the service process is recognized by "devices" and the devices themselves are constructed within the service process. The Fourth section analyses this case from the perspective of the valuation studies presented in Second section. Lastly, the conclusion evaluates implications for existing valuation studies from the case.

2. Analytical Perspective

2-1. Valuation Studies

As previously mentioned, neoclassical economics, new institutional economics, and evolutionary institutional economics cannot answer the question of how the involved parties recognize or make subjects recognize the subjects' transformation. Thus, this paper adopts studies, which see values as something constructed by the service practices, as a foundation for to considering this question. They are "valuation studies" which were conducted by researchers in economic sociology, institutional economics, and marketing in an interdisciplinary manner (Helgesson and Muniesa 2013). They see value not as something that is recognized and evaluated by a given "frame," for instance, an institution, but as something that is generated within "framing," in other words, a valuation or a practice. In short, the valuation studies see the "valuation frame" as something which isn't a given before the practice, but instead is created within the practice. When this paper considers the case to explore an answer to the above question on subject transformation and value recognition, in accordance with the valuation studies, this paper will focus on the "collective construction" of valuation frames, e.g. criteria, principles, and devices of evaluation, or the "process of collective learning" that creates them (Bessy and Chauvin 2013, p. 86).

This paper will deal with the consultants who plan products together with their client firm. Therefore, in the following, we shall consider "consultants" presented in Bessy and Chauvin (2013), who categorize them as a type of "intermediary" who constructs valuation frames. They offer consultant agencies in employment and salaries as examples and explain the interactions between them and their client firms as follows:

⁴ In this paper, "user" means "latent user" of the product being planned during the project, in other words, the "target" or "investigation object" of the planning.

[The consultant agencies] set up definitions of positions that stand for a whole range of companies, at the least for the biggest ones, in order to establish a salary hierarchy. [...]his kind of consultant agencies had to carry out surveys in order to gather information about the salaries in each company. In order to do so, they have to transform the information they have gathered into comparable items: The value of surveys depends on equivalence decisions between positions for which names differ. Moreover, their clients do not receive passively the results of the surveys, they adapt their strategies to these results and to the norms they have contributed to build. By this mechanism, the activity of consultant agencies has some consequences on the work organization and the salary practices of their clients, and they participate in building the economic value attributed to their employees. [...]they contribute to the cognitive segmentation of the market by creating some new valuations conventions of workers and positions. These conventions are all the more powerful as they are followed by the companies that were not in the panel of the survey. (*ibid.*, pp. 101-102)

Through the interaction, the clients transformed. They adapt their strategy to the frame the consultants created. However, the transformation path in Bessy and Chauvin (2013) is different from the one in this paper in terms of sequence of the construction of the valuation frame and the subject (client) transformation.

In their sequence, first, consultants surveyed the companies including their clients and constructed the valuation frame, that is, the “a salary hierarchy.” Second, the clients received the valuation frame as the result of the survey. Then, the clients transformed themselves in order to fit themselves into the valuation frame. Thus, in the sequence seen in Bessy and Chauvin (2013), the valuation frame constructed by the consultants prompted the clients to transform themselves. The subject transformation happened in the end point of the service process or after the service process.

On the contrary, in the case of this paper, first, the consultant set up the process of the investigation of latent users and its interpretation.⁵ Second, the consultant and the client, as one project team, together go through the investigation and interpretation process. Second, within the process, the collective framework of their thinking is transformed. Then, also within the process, the consultant retroactively constructs the device which enables the client to recognize and evaluate its transformation. Thus, in the case of this paper, the subject transformation precedes the construction of the device which enables the subject to recognize and evaluate its transformation, and both the subject transformation and the construction of the device happen within one service process.

2-2. Relationships between Value and Price

In valuation studies, relationships between value and price are unclear. Value is phenomenological and contextual, and is constituted by persons and the “*agencement*” that includes those persons. In other words,

⁵ The leading player of construction of the project process is the consultant. However, as we see below, because the communication between the consultant and a client firm strongly affects how the construction proceeds, if we focus on this interaction, the construction of the project process can be seen as being co-designed.

value is based on distributed cognition (Callon 2013; Lusch and Vargo 2014; Kitagawa 2017). How does value relate to price? In other words, how does the “use value” relate to the “exchange value,” which is the price? Why should we discuss value instead of price?

This paper addresses these questions in the case study. When the investigation and interpretation process of product planning has begun, the payment amount from the client firm to the consultant has already been determined. No matter how high the client estimates the value of the collaborative service process, that is, no matter how much they satisfied, the consultant cannot charge additional fees. If this is the case, then, why should the service provider make the beneficiary to recognize the value of, or create “customer satisfaction” for the service occurring after the payment amount is fixed?

Common answers are to create repeat customers, to improve brand loyalty, and to promote visibility through word-of-mouth communication (Muramatsu 2015, p. 139). Of course, these answers fit into the case of this paper.

Boltanski and Esquerre (2016) is a rare study which presented hypothetical answers to the questions which easily connect to the world view of the valuation studies. According to the study, “the reference to value plays a central economic role in allowing claimants to criticize prices. But, as a result, the reference to value is also present, whenever a provider intends to prevent the always possible criticism of the price, in the form of *justifying* the value, either during the exchange or before the exchange” (Boltanski and Esquerre 2016, p. 52).

Based on this hypothesis, we can answer the question of why the service provider should make the beneficiary recognize the value of their service: The answer is, to justify the price that has been set, or in other words, to contain possible critique from the beneficiary. Also, in the case of this paper, valuations seem to contribute to justifying the price. However, when we consider the case, we will see another relationship between value and price different from the above. That relationship is that pricing contributes to creating value.

3. A Case of Valuation in a Collaborative Production Planning

3-1. Investigation Target

The target of this paper is “UCI Lab” (User Centered Innovation Laboratory), a company within a middle size advertising firm “YRK and” in Japan. UCI Lab was launched September 2012 and now (May 2019) consists of four employees, including the director and an ethnographer. The task of UCI Lab is to plan, together with its client firms,⁶ products for the clients (in what follows, we call this task “collaborative product planning”). Planning project starts when a client brings a plan of its product (preliminary design) to UCI Lab. A project team consisting of some of UCI Lab’s consultants and some employees for the

⁶ In what follows, “client firm” or “client” normally means some employees of the client firm who are for the product planning.

planning in the client firm, reconstruct their framework of thinking through their investigation of latent users and their interpretation of the information about the users collected by the investigation. Reconstructing their framework means, in abstract terms, the reconstruction of their assumptions, questions, and hypotheses regarding the latent users and the product plan, which is a subject transformation. Concretely speaking, the process involves the investigation of actual living conditions of the latent users, verbalization and visualization of needs of the users that have not yet been verbalized, and the planning of a product which can fulfill those needs. The contents and display (how UCI Lab presents the plan to the client) of the plan is adjusted based on communication between the project team members, and is finally completed as a “proposal” document which UCI Lab submits to the client.

UCI Lab defines themselves as “a professional team of dialogue.” Their meaning of “dialogue” is the communication accompanied by subject transformation, in other words, disruption of assumptions (persistent ideas) of involved parties (UCI Lab, the client, the latent users) through their linguistic and non-linguistic communication. Not only the client has the persistent assumptions about the users, but also the latent users have the persistent assumptions about how to use the product. Of course, it is necessary that the client understand the actual situation of the latent users. However, it is not necessarily a good thing for the project team to provide a product consistent with the users’ assumptions. In some cases, the project team loosens the persistent assumptions of the latent users. UCI Lab tries to realize a dialogue through which the team and the latent users affect and transform each other, and tries to draw out through this process a new product plan incorporating new philosophies and life habits.

I investigated UCI Lab from August 2016 to November 2018. Investigation methods were participatory observation in the workplace, observation of business meetings between UCI Lab and its clients, interviews with UCI Lab employees and a retired employee of a client firm. In the following sections, based on audio data and internal materials collected by these investigations, we follow the collaborative planning process between UCI Lab and its client from the perspective of valuation studies.

3-2. Contact with New Client

A usual process when a new client firm consults UCI Lab is as follows: A problem occurs with the product planning in a division of the firm. For instance, an executive of the firm says to the division, “design a product which takes advantage of this technology” or, “start a project for creating a novel market segment.” While employees of the division try their existing methods, for instance, brainstorming, building the technology into their firm’s existing product, etc., they come to a deadlock. They search a solution by tracking their human connections. They are introduced to UCI Lab by a person through these human connections.

When the client makes contact with UCI Lab, it does not know exactly how or what to request of UCI Lab. Therefore, firms often request “rule of thumb” services, for instance, “do 10 latent user interviews.” However, UCI Lab does not accept the request as such. UCI Lab listens to the circumstances and then sets

its agenda and preliminary conceptual design which will direct the investigations of the project team. This means that the collective transformation of the client's framework of thinking occurs the counseling (communication) between UCI Lab and the client, which the following statement of the director of UCI Lab shows:

Director: employees do not understand how to explain their disease the same way as a patient on their initial visit to a medical examination. Therefore, superficially, they say "please do X." However, after continuing communication with them, UCI Lab explains "normally we do this," "there was a case in which a client requested we do an investigation based on X method but we changed our method and created an unexpected output," and gradually the employees finds their real problem and a more appropriate method. Then, we make a tentative agreement in regards to the project process. However, when we communicate, they sometimes forcefully express their opinions and lose their cool. Therefore, we make a document of process planning in order to clarify the agreed upon investigation and interpretation process for the project. It clears their muddled mind.⁷

UCI Lab does not see the investigation and interpretation process planned in the first contact a procedure to merely verify the infant hypothesis. Rather, UCI Lab aims to reconstruct the conceptual design through the project team (UCI Lab and the employees of the client) as it goes through the steps of the process.

3-3. Process Planning, Estimation, and Order Intake

Through e-mail exchanges and additional meetings between UCI Lab and the client, the investigation and interpretation process is planned and the project fee charged by UCI Lab is estimated. To be precise, in UCI Lab, "process planning" itself is fee estimation, that is, "pricing" because each step of the decided process becomes each "item" of quote. Examples of these items are "planning of project," "investigation planning" (more precisely, for instance, recruit of interviewees who are the targeted end users, based on target headcount and question planning), "illustration of concept images showing to the interviewed targets" "on-sight examination," "data collecting," "making of investigation summary" "planning, preparation, and operation of analysis workshop between UCI Lab and the client," "interpretation and integration of facts and findings," "preparation of final proposal", and so on. Each item has its own fee in the quote.

Although the leading player of "process planning, that is, pricing" is UCI Lab, in fact this activity is an open-ended and collaborative communication process between UCI Lab and the client. Through face to face communication and e-mail exchange, a draft of the process planning document, conforming to quote, is considered, negotiated, and adjusted.

UCI Lab goes through the following three steps: First is the justification of the price estimated in the quotation. If only the "total amount" of the project is shown in the quote, it would be difficult for UCI Lab

⁷ Interview to the director of UCI Lab (3rd July 2017).

to explain the reason why it estimates the project at that amount. A quote showing only the total amount wouldn't justify the price. The same is true in the case where the quotation consists of rough items, for instance, "a set" of steps of investigation. On the contrary, in a quote where each and every step of process has its own price, the total amount is persuasively justified because the prices are linked to the items (steps) of the process. If the price can be justified, these linkages also form the basis of two other practices. First, it forms a basis for rejecting "haggling" (price cutting). When an employee of the client firm asks to "decrease the total amount below certain level," because of the link between prices and a steps UCI Lab recommends cutting some steps in order to decrease the total amount below the requested level. It means that UCI Lab recommends decreasing the total amount, together with cutting its task linked with the price decrease, and "downgrading" the specs of the project. Second, it provides grounds for rejecting limitless non-contracted requests after the order intake. If were roughly defined steps used in the quote, for instance, "a set" of project steps, for the estimation of the total amount, UCI Lab might find it difficult to reject additional requests from the client, such as additional investigations, additional analysis, additional amendment of final proposal. However, when the linkage between prices and steps are clearly shown, most clients do not make such requests, or if they do, UCI Lab can easily charge additional itemized fees for the requested additional steps.

The second step is to seek "anticipated value," corporate culture, players in the decision-making process, and power relationships of the client firm. In some cases during the process in which UCI Lab and the client adjust the process plan and the quote an employee of the client firm says something like "we don't want to cut the cost of this analysis. We want you do it," or "this investigation is needed to persuade our superiors." From these utterances, UCI Lab reads a power balance relationship between divisions and between decision makers and the "anticipated value" of the client consisting of, for instance, the desired level of effort and the weights of the steps in the project, expected attainment level of the project, and evaluation criteria of the employee and his/her superiors. UCI Lab will use the information when it decides at what attainment level it can close the investigation and interpretation process and when it considers how the final proposal is presented, for instance, how they should weigh and express the interpretations of their findings.

Third is to adjust the relationship with the employees of the client firm. As we saw, the linkage between prices and process steps prevents unlimited requests from the client. It means that it prevents UCI from becoming "smart errand boy" for the client. Moreover, the practice of actively adjusting their relationship occurs during the process planning and the quote adjustment. UCI Lab, in this case, requests that employees from the client firm to "please adjust budgets and confirm the amount inside your firm, because the proposed project will definitely come to this amount." Although its main purpose is to decide an amount which not only the client but also UCI Lab agree upon and feel is reasonable, its secondary purpose is to create a situation where both sides (the client and UCI Lab) have tasks, not a situation where only UCI Lab has tasks.

Thus, through their interaction in regards to the quote, which is the pricing device, heterogeneous

practices that form the justification of the price, reading the anticipated value for the client, and the adjustment of the relationship between UCI Lab and the client's employees are simultaneously carried out.

3-4. Reconstruction of Preliminary Design in the Investigation and Interpretation Process

After the order intake, the collaborative investigation and interpretation process begins. Again, UCI Lab will not merely submit the consequence of the process in a "final proposal" to the client, but rather work together with the client through the steps of the process. The merits of this approach are, first, that collaborative processes promote the creation of novel ideas because both parties bring different knowledge and interpretations into the process; second, it prompts the volitional transformation of the framework of thinking (assumptions, questions and hypothesis) of the client. If UCI Lab alone investigates latent users and interprets their findings, it would have to persuade the client to change its framework into one corresponding to the project results. However, it is likely difficult for an "outsider" (in this case, UCI Lab) to change the framework of a group (in this case, the client) by presenting evidence found in the process. Through the client experiencing the process step by step with UCI Lab and reflecting on the experience in communications with UCI Lab, the client realizes that its framework cannot adequately capture the living conditions of its latent users, accepts such inability, and voluntarily modifies its framework.

Reactions of disbelief or surprise from the employees of the client firm in the process enable UCI Lab to retrospectively infer their original framework of thinking at the time from the reactions and provide clues to UCI Lab and the employees on how to discuss how to change their original framework. At this point, their original framework of thinking is "discovered" by the whole project team. Through these findings from the investigation and the subsequent reflective communication, the team clarifies its picture of the latent users from one that is broad and rough to one closer to the truth (e.g. from rough categorizations like city versus rural residence, to a more nuanced understanding of their way of thinking, living, and working).

When they clarify their understanding of the latent users, they are able to recognize the "problem," "distortion" "oddness" of the users' life. Here, they can create concrete questions, like for example, what product/service is needed to correct the distortion of their life. Often simultaneously, novel ideas and plans start to form in their minds.

3-5. Integration of Findings

After the process reaches the point where the team feels "we can empathize with the latent users," two types of collected information are referred, processed, integrated, and finally expressed as a "proposal" which is submitted to the client firm. First is the information about the latent users. It contains quantitative and qualitative data on the users and the team's collective interpretation of it. Second is the information about the client. It is read by UCI Lab from the process starting from the first contact with the client. Concretely, as we see in sections 3-3 and 3-4, it contains technological, cultural, and political information on the client, the anticipated value, their original framework of thinking, and their employees' reactions in the

investigation process. UCI Lab uses this information to make the proposal acceptable for the client and to create value in their service (in this case, to exceed its anticipated value). The director of UCI Lab expressed the step of making a proposal as “making an exquisite seasoning with salt.” Of course, it does not mean that UCI Lab distorts the actual situation in order to impress the client, but instead merely adjust the story, way of expressing it, and what they emphasize in the explanation in order to better convey their findings and plan for the client (the employees who are involved in the project team and other employees and executives who are involved in the decision making steps regarding commercialization of the planned product within the client firm).

3-6. The Device That Reminds the Client of Their Transformation

As said in the beginning of this paper, when the framework of thinking of the subject transforms, the subject after transformation often does not understand how they have transformed or does not recognize the fact of the transformation itself. Thus, the subject might be not able to recognize the gap between their framework before and after the transformation and evaluate the gap as value brought by the project. Therefore, the challenge of services that transform their subject is to get the subject to recognize their transformation and evaluate in some way. UCI Lab takes the following two approaches:

First is the way that UCI Lab verbalizes the client’s frameworks from moment-to-moment and writes this down in documents to share with the client afterwards. After the first communication with the client, UCI Lab writes the original collective framework of thinking down into a Power Point and shares it with the client. Additionally, in the final proposal when reporting on the process, at the beginning of the explanation confirming the original framework, during the explanations of the steps of the process, UCI Lab uses the recorded reactions of the employees in order to raise readers’ sympathy. Thus, UCI Lab uses “documents” exchanged with the client, more precisely, texts in Power Point, as a device making the client recognize the journey of their transformation. We can understand UCI Lab do it intentionally, from the director’s following statements.⁸

Author: you have planned various products and services. What is a common foundation for them?

Director: It may be the reframing of the original assumptions and creation of new meanings of the technology, product, and service for both our clients and their latent users.

Another interviewer: Wrong assumptions are clarified in the process?

Director: Yes. Recognizing assumptions, of course, depends on what assumptions they had originally. Therefore, we clarify the original assumptions in words.

⁸ Interview to the director of UCI Lab (6th November 2018).

Author: Are the clarified assumptions only inside your mind and not verbalized and reported to the clients?

Director: No, we report this to the client. We must inform them their original assumptions in our final proposal. If we don't, after the client and us have proceeded along the process together over a long period of time, there is the possibility that the client thinks, "we already knew these assumptions you've reported from before the investigation process!"

Author: You fill in that gap?

Director: Yes, strategically.

Another interviewer: If the client assumes "we already knew that," there is a risk that the client will conclude that the service "only confirmed what we already knew"

Thus, UCI Lab incorporated this aspect into the service so that the client is made aware of the gap between their framework before transformation and the one after.

Their second approach is to present a "story." The gap described above is translated into a story by UCI Lab. The story makes the client recognize the gap as the value of the service. A typical storyline made by UCI Lab is following:

The framework of thinking that the readers (the employees and the employees and executives related to the decision-making) of the story might originally have is forced to transform through the (mainly qualitative) information gathered by the investigation. It is not until the readers transform their framework of thinking that they can understand adequately the assumptions and problems in regards to the latent users and then can conceive a novel hypothesis (product plan) able to address problematic situations. As such, the transformation has value.

Thus, by translating the complex service process that has in fact many trials and errors, twists, turns into a simplified story in which a focus is the transformation of their thinking framework, UCI Lab makes the persons themselves who were transformed recognize that the transformation certainly happened and that the transformation was a valuable event.

3-7. Occurrences Brought by the Success of the Valuation

It is widely acknowledged that if the value constructed in service process exceeds the anticipated value of the client, repeat requests to participate new projects from the client and the word-of-mouth spread of information about the service provider are more likely to occur (Muraatsu 2015). Both are true for the case

in this paper.

First, in regards to repeat customers, one effect is that various repeat clients request UCI Lab to participate in larger projects than the initial one, an effect expressed in Table 1. While sales did not increase significantly, individual projects became bigger and longer. Additionally, the number of projects under a certain amount of sales decreased from 30 to 13, then to 5. The number of bigger and challenging projects increased, which means that the clients highly evaluated UCI Lab’s competency for facilitating their projects.

Table 1: Projects Become Bigger, More Challenging, and Profitable

	FY4	FY5	FY6
Number of completed projects	50	34	29
Average sales per project	x	1.48x	2.03x
Number of projects under a certain amount of sales	30	13	5

The first year from the launching UCI Lab. is called Fiscal Year (FY) 1.

Source: Internal materials of UCI Lab.

Second, the word-of-mouth through the informal “network of product planners.” The network is comprised of a cross of companies and divisions network of planners within large firms, and firms’ network of planners. There are cases in which planners knew of UCI Lab through word-of-mouth from other planners and contacted UCI Lab as seen in 3-2.

The merits of increasing repeat business and new requests from word-of-mouth can be summarized by the following: First, UCI Lab does not need to spend resources on marketing its business and thus can concentrate on the investigation and interpretation processes of ongoing projects. Second, the repeat client and the client from word-of-mouth understand well that the intention of UCI Lab is to reform their thinking framework through an investigation and interpretation process. Such employees often actively seek, recognize, and evaluate the subject transformation in the process. Thus, the successes in the valuations of past services have the effect of making valuation of subsequent services easier.

4. Analysis of the Case

4-1. Valuation Devices

The “gap” of the client experience, that is, the gap between their original thinking framework and the transformed one, is brought about by the investigation and interpretation process. However, what makes the clients recognize and value this gap is the devices which UCI Lab constructs within its service. Concretely, the devices are documents sent from UCI Lab to the client and considered and amended by both sides, such as the specification document of the service process, interim reports of the process, and the final proposal. In each document, the client’s original thinking framework is verbalized. The new framework after the transformation is also verbalized. The employees of the client are made to recognize the gap between the original and transformed frameworks at each point through the process when the document is sent to them.

Moreover, the “story” which is expressed in the final proposal makes them value the gap. The client recognizes that, it is not until it transformed its thinking framework that it could come closer to the actual life situations of its end users and could conceive a novel plan. Thus, the transformation is valuable. The client agrees on the collective story of valuation by agreeing on the final proposal of which the client participated in amending the draft versions of.

4-2. Value and Price

The two relationships between value and prices are confirmed in the case of this paper. First, the valuation justifies the price. In this case, justification means to make the client recognize and evaluate the subject transformation and to convince them that the value brought from the service exceeds the client’s “anticipated value.” The success of this justification brings about repeat businesses and word-of-mouth spread of the consulting team. As a result of this, UCI Lab does not spend resources on marketing and can concentrate on the investigation and interpretation of their projects. In such situation, the time is used to maintain or improve the quality of the processes, that is, creation of enough “gap” between the client’s original and transformed thinking framework.

Second, the pricing contributes to its valuation. UCI Lab sees the pricing as a process where UCI Lab and a client collaboratively create an agreement on the linkage between the steps of the process and their prices. Different from the communication in which the price is not the issue, in the open-ended and collaborative communication that occurs during pricing, the weights of interests for each step are expressed in numerical terms. UCI Lab use the quantitative information (the quantitated weights of interests) to infer the criterion of the client for evaluating the service process. Additionally, UCI Lab infers corporate culture, character of decision making process, and divisions’ power relationships within the client firm by observing the process in which the employees adjust the total amount and the process steps (the items of the project) inside the client firm. UCI Lab use the inferred information in the valuation of the service process. When

it makes the final proposal, UCI Lab puts consideration in to making the proposal acceptable within the client's corporate culture and to be passed on through the client firm's decision making process. This well considered proposal contributes to its valuation, that is the justification of the price.

5. Conclusion

Today, services accompanied by subject transformation have become more common. However, these services pose a question that cannot be adequately addressed by standard economics, new institutional economics, or evolutionary institutional economics. This question is how the service provider makes the subject recognize and value their transformation within the service process. This paper explored an answer by examining a case of collaborative product planning. The perspective this paper applied drew from "valuation studies" which see value as what is constructed in the service process, especially Bessy and Chauvin (2013) and Boltanski and Esquerre (2016). Both C. Bessy and L. Boltanski see services with subject transformation as a typical practice which characterizes modern capitalism (Boltanski and Chiapello 2011; Bessy and Chauvin 2013, p. 84). However, they have never integrated the two issues, "subject transformation" and "valuation." On their behalf, this paper integrated these two issues by discussing a service with subject transformation from the perspective of the valuation studies.

The answer derived from the case is following: The "devices" make the subject recognize their transformation, and the "story" makes the subject value the service causing said transformation. Evolutionary institutional economics unintentionally make its students recall the following sequence, though it never explicitly expressed such assumptions: First, there are subjects who have pre-determined valuation devices through institutionalization; second, these subjects become beneficiaries of services. However, in the case of this paper, not only the subject but also the devices that create the value of the subject's transformation are constructed within the dimension of practice, that is, the service process.

Because in the case considered in this paper the valuation and pricing are done in parallel, in order to consider their relationship, this paper adopted the hypothetical view of Boltanski and Esquerre (2016) which asserts that valuation justifies price. Their view can be applied to this case. However, in this case, in parallel to the relationship, the pricing becomes the process in which UCI Lab infers the information for valuation and therefore contributes to the valuation. In short, in this case, not only the valuation justifies the price but also the pricing becomes a part of the valuation. Thus, we can suggest in regards to Boltanski and Esquerre (2016) that there are cases in which valuation and pricing are not related one directionally, but are mutually affect each other, or are related as a nested construction within one service process.

Acknowledgement

This work was supported by JSPS KAKENHI Grant Numbers JP18K12753 and 18K01530. I show my deep appreciation for Mr. Takashi Watanabe (director of UCI Lab, YRK and Corp.), Ms. Yoko Oishi (assistant director of UCI Lab; ethnographer), Natsuko Higa (assistant professor, Japan Advanced Institute

of Science and Technology), (professor, Graduate School of Project Design), Atsushi Kondo (president of Asiaplanning Co., Ltd.) and Tatsuyuki Maitani (chief editor, Nakanishiya Publisher).

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