

Miki Wiik

# Improved Customer Value Proposition for an Integration Service Provider

Helsinki Metropolia University of Applied Sciences

Master's Degree

Industrial Management

Master's Thesis

25 April 2015

## PREFACE

Throughout the process of producing this thesis, I've come to realize three things. First, business and bosswork is not rocket science. But doing it well requires a systematic approach and communication, communication, communication. Second, strategic marketing is vital to a company. It is also immensely interesting. And third, everything is about the people.

Thus I want to thank my colleagues for the support and patience throughout this year. I especially want to thank Juha Berghäll for the never-ending enthusiastic sparring and demanding that this thesis has real business value.

The Industrial Management program has been a unique place. The atmosphere of being-in-this-together shared by lecturer and student alike has encouraged and pushed us all to dare and find the next level. Thank you. I also wish to express my sincerest gratitude to the instructors of this thesis, Dr. Thomas Rohweder and Dr. Marjatta Huhta for truly insightful guidance and tireless coaching. I also want to thank Zinaida Grabovskaia for the encouragement just when it was most needed.

Without my wife Pernilla, this would not have been possible. Not in any form, not at all. Tusen tack. Finally, Leo and Felix, the best boys a dad could possibly have. Though you were sleeping while dad was writing, you were there with me all the time. Kiitos!

Miki Wiik

Helsinki 11 May 2015

## ABSTRACT

Author	Miki Wiik
Title	Improved Customer Value Proposition for an Integration Service Provider
Number of Pages Date	83 pages + 7 appendices 11 May 2015
Degree	Master of Engineering
Degree Programme	Industrial Management, Master's Program
Instructors	Thomas Rohweder, DSc (Econ), Principal Lecturer Marjatta Huhta, DSc (Tech), Head of Master's program in Industrial Management
<p>This study explores strategic marketing in service by focusing on improving the customer value proposition (CVP) for a new customer segment of the systems integrations service offered by the case company. By addressing the most important needs of the specific customer, the focus is to be able to cater to a larger customer segment. Furthermore, the conceptual CVP created in the process will facilitate scalable marketing and competitive differentiation of the integration service for all customer segments.</p> <p>The action research methodology is selected as the research approach due to its iterative and systematic approach for finding solutions or improvements to practical problems. The research design contains five steps, where best practice on customer value proposition design and unique competitive positioning is combined with findings from the customer organization and case company.</p> <p>The outcome of this study is an improved CVP for a specific customer designed, built to cater to the most important needs of the customer. The CVP is positioned in relation to the most relevant competing offering by focusing on the most important needs of the customer. In addition, the unique aspects of the offering are used to achieve a unique positioning. A part of the CVP is an analysis of the core competences of the case company and a crystallization of the current offering. An action plan to implement the CVP in the case company is provided. In addition to which, recommendations for additional actions on areas of related improvement discovered during the research process are presented.</p>	
Keywords	Services marketing, customer value proposition, competitive positioning, core competence

## Contents

Preface

Abstract

Table of Contents

List of Figures

List of Tables

1	Introduction	1
1.1	Key Concepts	2
1.2	Case Company Background	2
1.3	Business Challenge	5
1.4	Objective and Outcome	5
2	Research Method and Material	7
2.1	Research Design	7
2.2	Data Collection and Data Analysis Methods	10
2.3	Validity and Reliability Plan	13
3	Best Practice for Building a Conceptual Framework for a Uniquely Positioned CVP	15
3.1	An overview of Customer Value Propositions	15
3.2	Identifying Core Competences and Core Offerings	16
3.3	Using a CVP to Fit Customer Needs with the Company Offering	20
3.3.1	Understanding the Customer's Needs and Context	20
3.3.2	The Value Proposition Canvas Tool	23
3.3.3	Redefining a Market Problem with Focus on Value Innovation	27
3.4	Positioning a CVP using the Strategy Canvas Tool	29
3.5	Conceptual Framework of This Study	32
3.5.1	Identifying Core Offerings	33
3.5.2	Designing the CVP	35
3.5.3	Positioning the CVP	36
4	Current State Analysis of the CVP (Data 1)	37
4.1	Analysis of Core Competences and Offering	38
4.2	Analysis of Customer Needs and CVP	43
4.3	Analysis of CVP Positioning	48

4.4	Summary of the Findings of the Current State Analysis	50
5	Building an Improved CVP Proposal (Data 2)	55
5.1	Improving the Offering Visualizing	55
5.2	Co-creatively Improving the CVP	59
5.3	Uniquely Positioning the CVP	64
5.4	Summary of the Improved CVP Proposal	67
6	Feedback on the Proposal (Data 3)	70
6.1	Feedback on the Offering Visualization	70
6.2	Feedback on the Improved CVP and Positioning	71
6.3	Critical Analysis of the CVP using the Evaluation tools	72
6.4	Finalized Proposal: Competitively Positioned CVP	74
7	Discussion and Conclusions	76
7.1	Summary	76
7.2	Practical Implications: Implementing the Improved CVP in the Case Company Organization	78
7.3	Evaluation of the Research	80
7.3.1	Outcome vs Objective	80
7.3.2	Research Outcomes	81
7.3.3	Reliability and Validity	81
	References	84

## Appendices

Appendix 1: Identified Core Offerings

Appendix 2: Workshop 1

Appendix 3: Workshop 3, Draft of Integrations Architect Customers profile

Appendix 4: Workshop 7, Draft of Offering Visualization

Appendix 5: Offering Visualization after Workshop 9

Appendix 6: Initial Strategy Canvas after Workshop 10

## List of Figures

Figure 1. Case company integration service overview. ....	4
Figure 2. The action research plan-act-observe-reflect research cycle. ....	7
Figure 3. Research design of this study. ....	9
Figure 4. The value proposition canvas. (businessmodelgeneration.com 2015) .....	23
Figure 5. Value innovation. (blueoceanstrategy.com 2015a).....	28
Figure 6. Strategy canvas example. (blueoceanstrategy.com 2015b) .....	30
Figure 7. Conceptual framework. ....	33
Figure 8. Integration architect value proposition canvas.....	45
Figure 9. IT service provider value proposition canvas.....	46
Figure 10. Strategy canvas of main competitors. ....	48
Figure 11. Service provider organization and integration service strategy canvas.....	50
Figure 12. Main areas of actions suggested for proposal building. ....	54
Figure 13. Integration project main drivers – schedule and business requirements.....	56
Figure 14. Integration project over time - under scope. ....	57
Figure 15. Integration service visualization. ....	58
Figure 16. Improved service provider value proposition canvas. ....	61
Figure 17. Improved strategy canvas. ....	65
Figure 18. Summary of proposal.....	75

## List of Tables

Table 1. Informants by theme, category and data collection points. ....	11
Table 2. Interview listing. ....	13
Table 3. Four qualification criteria for potential core competences. ....	17
Table 4. Relative strength scoring of a strategic core competence. ....	18
Table 5. 9 step process of identifying core competences and products using domain mapping matrixes. ....	19
Table 6. Type of business stakeholder customer profiles. ....	24
Table 7. Customer profile facet subcategories and prioritization criteria. ....	25
Table 8. Value map facets and prioritization criteria. ....	26
Table 9. 10 questions for assessing a CVP. ....	26
Table 10. 3 requirements for deciding on a position. ....	32
Table 11. 6 steps for identifying core competences and products. ....	34
Table 12. Data sources, collection methods, linked CVP part and analysis tool used. ....	37
Table 13. Identified core competences and core offerings. ....	39
Table 14. Summarized importance of competence for offering. ....	41
Table 15. Critical evaluation of identified core competences. ....	42
Table 16. Summary of strengths and weaknesses of the current CVP and suggested actions for the proposal building stage. ....	52
Table 17. 4 main customer needs and value propositions. ....	64
Table 18. Description of competing factors. ....	66
Table 19. Assessment of the CVP. ....	73
Table 20. Assessment of the positioning. ....	74
Table 21. Recommendations for further action. ....	79

## 1 Introduction

This study explores strategic marketing in service by focusing on improving a customer value proposition (CVP).

The case company offers a new way for connecting IT Service Management systems, as an integration service provided and developed by the case company and delivered from the cloud. The integration service has three main customer segments, of which the IT service provider segment is the newest and least explored one with no clear CVP defined. Previous pilot cases with service providers have proved successful and of value to service providers. There is however an acknowledged lack in understanding of service provider's business needs and in communicating the benefits of the service relating to those. This poses a serious challenge in marketing the service. To improve on this, this study focuses on co-creating an improved CVP for a specific service provider, aimed at catering to the service providers most important needs. By focusing on solving the problems of a specific customer, the CVP aims at being highly relevant to the larger customer segment. In the process, a conceptualized CVP of the integration service will be created to facilitate scalable marketing and competitive differentiation of the integration service for all customer segments.

This study uses the action research methodology for systematically creating a solution to the practical business challenge stated above in five stages. First, the business challenge, objective and outcome of this study are defined (1.3) and the research design and material are presented (2). Second, best practice on strategic marketing and CVP building is researched, based on which a conceptual CVP building framework is created (3). Third, using the conceptual framework as an analytical lens, the current state of the case company CVP is analyzed (4). Fourth, the conceptual framework is used to build a proposal for an improved CVP (5). Finally, feedback is gathered on the proposal and it is submitted for approval by the case company CEO (6).



## 1.1 Key Concepts

*Customer Value Proposition (CVP)*: A crystallization of the value a company proposes its offering will provide to the customer. See 3.1 for a further discussion.

*IT Service Management (ITSM)*: Discipline for managing IT services using standardized processes, such as Information Technology Infrastructure Library (ITIL).

*System integrations*: Enabling IT systems to exchange information using built-in interfaces or intermediate technologies.

*Process integrations*: Alignment of the processes of actors in a service provision chain to enable joint service provisions.

## 1.2 Case Company Background

No enterprise exists without an Information Technology (IT) department and no IT department does everything by itself. Services that the IT organization provides to the enterprise are the result of collaboration of a number of service providers, all operating with the assistance of some IT Service Management (ITSM) tools. This requires connecting the tools and aligning the business processes of the various actors in the service provision through system and process *integrations*. Traditionally, such integrations have been implemented as custom software projects. However, the long duration and relatively high costs of these projects in an economic climate marked by cost savings and rapid organizational changes has created demand for alternatives.

The case company of this study, Service-Flow Oy, is a Finnish software company that develops and provides system integrations as a service for a monthly subscription fee using the Software-as-a-Service (SaaS) delivery model. Currently, the company specializes in the IT Service Management (ITSM) organizations of larger Finnish enterprises. These enterprises typically rely on external service providers to provide the IT-related services needed by the enterprise, ranging from first-line helpdesk functions to maintaining the entire IT infrastructure of the enterprise.

An example of a typical customer setting is where the IT department of an enterprise employs a minimal number of core experts and managers, but relies on a large IT service provider for IT-related helpdesk services for employees of the enterprise. The

helpdesk is made available to employees through multiple channels, such as email, telephone and self-service portals. In this setting, the support and maintenance of the IT infrastructure is outsourced to a second IT service provider, while a third one provides specialist services related to critical business applications. Computer hardware is ordered from an external vendor and mobile phones from a mobile phone operator. The whole process is centrally managed using the ITSM system of the enterprise, requiring connections to all parties through system integrations. In addition to the technical connectivity, the related business processes of the actors involved need to be aligned through process integrations.

Traditionally, connecting all the actors in a service provision network would require a custom software integration project. The project would consist of several phases. First, a technical, systems-level integration between the parties would be implemented. Then, by a process level-integration would be enabled by implementing software logic needed to align the business processes of the actors. Last, through extensive testing and process works-shopping, the systems and processes involved would be fine-tuned to ensure the service provision chain works as desired. Projects of this nature are complicated and tailored for a specific case. As a result, they easily become expensive and hard to maintain and re-use without extensive knowledge of the software. In practice, in many cases the required changes to the software and processes involved are unknown. Thus the undertaking is deemed risky and potentially expensive, which has prevented many organizations from improving their service provision processes to gain additional business value. Furthermore, the high costs of changing existing integrations have prevented many organizations from changing service providers. The end result is that quite often the existing method of making integrations has in fact formed a barrier for organizational change and growth.

The case company provides a radically different solution to integrations – *the integration service*. It provides a single point of entry to an ecosystem of ready-made adapters for connecting to common ITSM systems and service buses of service providers. In addition to this, the integration service includes tools for adapting the process logic for customer-specific processes. This allows means that an actor only needs to make a single integration to gain access to all the actors and their systems that exist in the ecosystems. Furthermore, by separating systems integrations from process integrations, all the actors in a service provision chain can further improve the process according to emergent changes or later discovered shortcomings in the original process. Fig-

Figure 1 below illustrates the central role of the integration service in the service provision chain and exemplifies the systems and service providers available in the ecosystem.

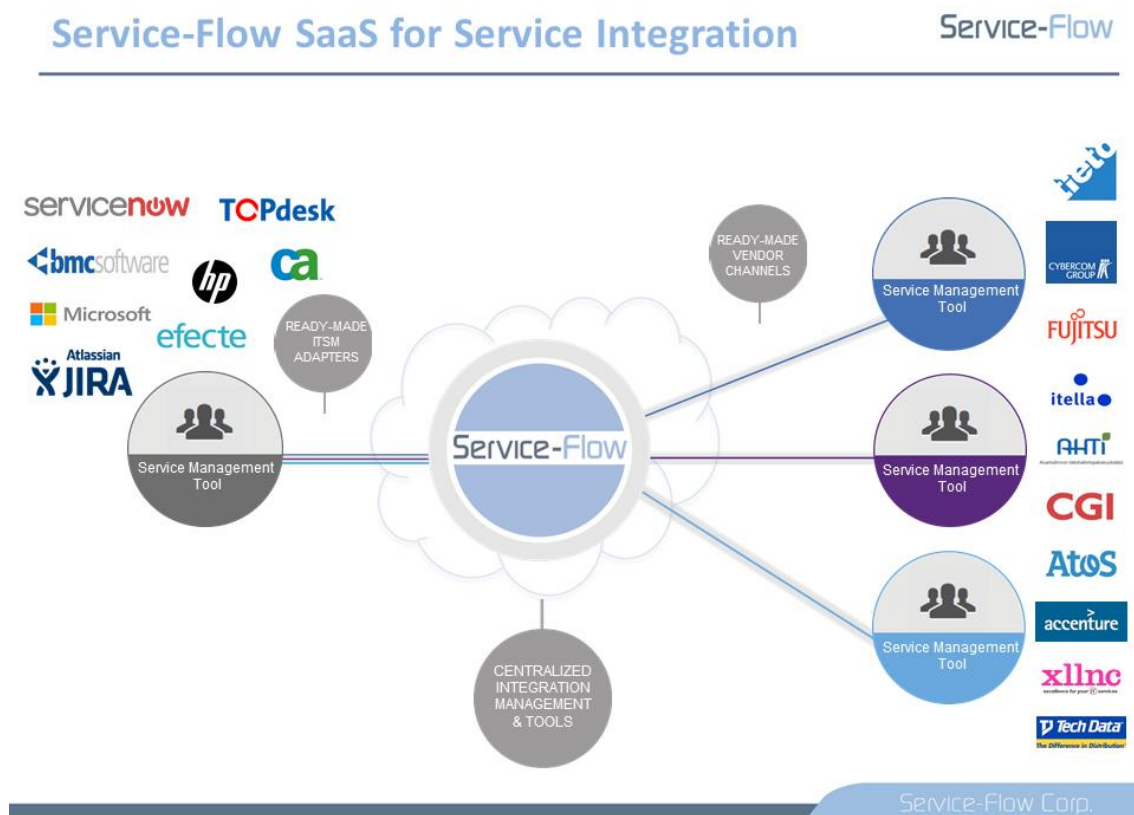


Figure 1. Case company integration service overview.

As seen from the figure above, there integration service model has two main types of actors in a service provision chain. At the one end of the chain are the *service buyers*, typically the IT department of an enterprise. The other end of the chain is formed by one or several *service providers*. In addition to these, the service model relies on *value-adding partners*, typically local expert consultant, that perform the implementation and management of the integrations on behalf of the service buyer.

These three groups of actors constitute the three main customer segments of the integration service. For the service buyer, the integration service model proposes easy integrations, cost savings and control of the service provision chain. For partners, the focus is on easy implementation and maintenance of application integrations for the benefit of their customer organizations. For service providers, the focus is to offer a single entry point to the service portfolio of the provider. During the initial phase of building the integration service, the main focus has been on the service buyer and partner customer segments. Consequently, the current offering is focused on meeting

the needs of these two. As a result, the needs of the service provider customer segment are the least known and least catered to. However, the service providers play a critical role in the ITSM business ecosystem, making them an highly interesting customer segment.

### 1.3 Business Challenge

The case company has been in the integration service providing business for three years. The initial startup phase was conducted in close cooperation with pilot customers, with the integration service being developed to meet the needs of the pilot customers. The integration service has been well received by customers as providing a valuable solution to critical customer needs in a new and unique way. As the integrations service has now established itself, the immediate start-up phase can be considered to be over. The time has come to move to a more mature and standardized mode of operations in terms of what is being proposed to the customers.

The need for standardization comes from three main reasons. First, to keep the service scalable, the service offering and associated obligations needs to be uniform for all customers. Second, a standardized approach allows further developing the service in a strategic manner with the focus on the competitively differentiating aspects. Third, having a well-defined and uniquely positioned customer proposition greatly simplifies the sales and marketing efforts of what is effect, a radically new offering in the market.

### 1.4 Objective and Outcome

To meet the needs of a standardized offering, the objective of this study is to first define a conceptualized framework for expressing Customer Value Proposition (CVP) of the integration service. The focus of the CVP is the key selling arguments dimension. Then, to analyze the current offering and customer needs of a specific service provider customer. Based on this, a proposal for an improved CVP representing a wider service provider customer segment is created. Finally, the CVP is positioned in relation to competitors based on the most important identified customer needs. In the CVP, the focus is the key selling argument dimensions of the CVP. Consequently, the outcome of this study is *a uniquely positioned, improved CVP for the service provider customer*.

This study focuses on identifying and leveraging the strengths of an existing organization and offering. As a result, aspects of strategic marketing that require extending to

new markets or fundamentally altering the business model of the company fall outside the scope of this study. As the objective of this study is to create a CVP for the service provider, the service buyers and partners segments fall outside the scope. It should be noted however, that the tools presented in this study can be used for other customer segments too.

The objective of this study is to propose a solution to the stated business challenge of building a uniquely positioned CVP for a specific IT service provider customer. The proposal will be founded on best practice of strategic marketing and CVP building. This is followed by a current state analysis of the core competences, offering and CVP. Next, the improved proposal is co-creatively developed with customer and case company key stakeholders with a focus on gaining a deeper understanding of the customer needs. Finally, the CVP is positioned in relation to the key competing offering. The final outcome is a single-page crystallization of the uniquely positioned CVP. Additionally, the research process will identify the current core competences, crystallize the offering and provide a toolkit for creating CVPs for all customer segments. The aim of this study is to build a proposal that is relevant for the case company as well as systematic and rigorous in its research approach.

## 2 Research Method and Material

This section describes the research methodology used in this study and provides a rationale for the research choices taken. It also describes the methods of data collection and presents a validity and reliability plan. The plan and its outcome are evaluated in the conclusions section of the study (see 7.3.2).

### 2.1 Research Design

Action research (AR) is selected as the research approach for this study. Action research is a systematic and iterative approach intended for finding solutions or improvements to practical problems. Thus, it is a methodology well suited for accomplishing the practically-oriented objective of this study: improving a CVP. The researcher is an employee of the case company holding a role in product development. This is in line with the AR approach where the researcher acts both as the researcher and practitioner (French 2009:195). Consequently, AR is well suited for the purposes of this study.

At the core of AR is the four-step action research cycle initiated by a notion of needed change of work practice as illustrated below in Figure 2.

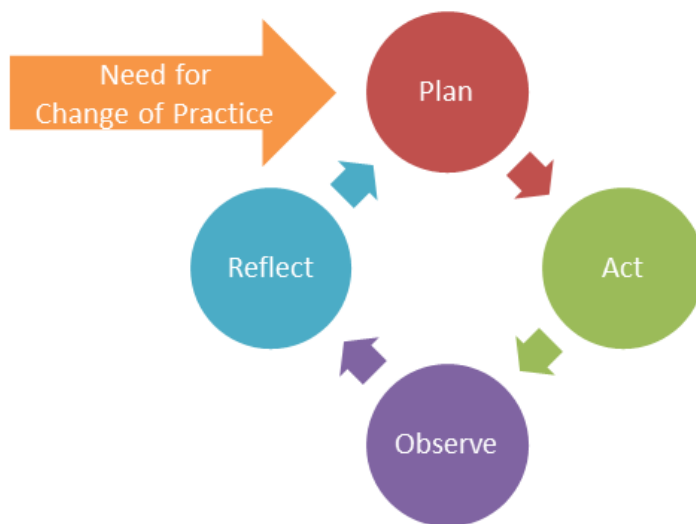


Figure 2. The action research plan-act-observe-reflect research cycle.

As seen in the figure above, once the need for a change in practice has been identified, the subsequent step is to plan the actions needed to improve the practice. As an iterative approach, the plan needs to be flexible to adapt emergent events. Next, the planned actions are implemented. Following which, the actions are observed and evi-

dence collected. Last, the actions and overall process are reflected upon, resulting in possible new needs for planning. It should be noted that the four steps should not be regarded as separate and disconnected. Rather, they should be regarded as different aspects of a continuous process that underline the importance of reflective feedback (French 2009:192). This study utilizes the reflective and iterative nature of AR to achieve an approach of high creative involvement with the researcher facilitating a process of emergent discovery.

The design of this study combines theory and best practice with the requirements of the case company product management and the selected customer segment. These are synthesized into a solution for building and competitively positioning an improved customer value proposition for the case company. The specific unit of analysis is the case company offering, with the larger unit of analysis being the business of the company.

The main sources for best practice are management and marketing journals and books on the subject of service marketing and competitive strategy. The primary method of data gathering is individual and group interviews complemented by reflective validations of the proposed actions. As a means to ensure triangulation, the same topics are covered in multiple interviews and workshops to gather the perspectives of several individuals from various roles.

The design of this study is based on *five stages*. Together these form one complete action research cycle initiated by identifying the need for changed practices and ending in a well-grounded and reflected proposal for change in practice for the case company. The design contains three data collection points that by themselves form smaller partial action research cycles with a strong emphasis on iterativeness and reflection. However, the data collection points do not by themselves propose a solution to the business problem at hand. Consequently, they cannot be said to constitute full actions research cycles by themselves. By allowing the researcher to participate in the process as a participant, the AR approach chosen allows the research to be conducted with necessary access to all relevant information inaccessible to external parties. The research design of this study is illustrated in Figure 3 below.

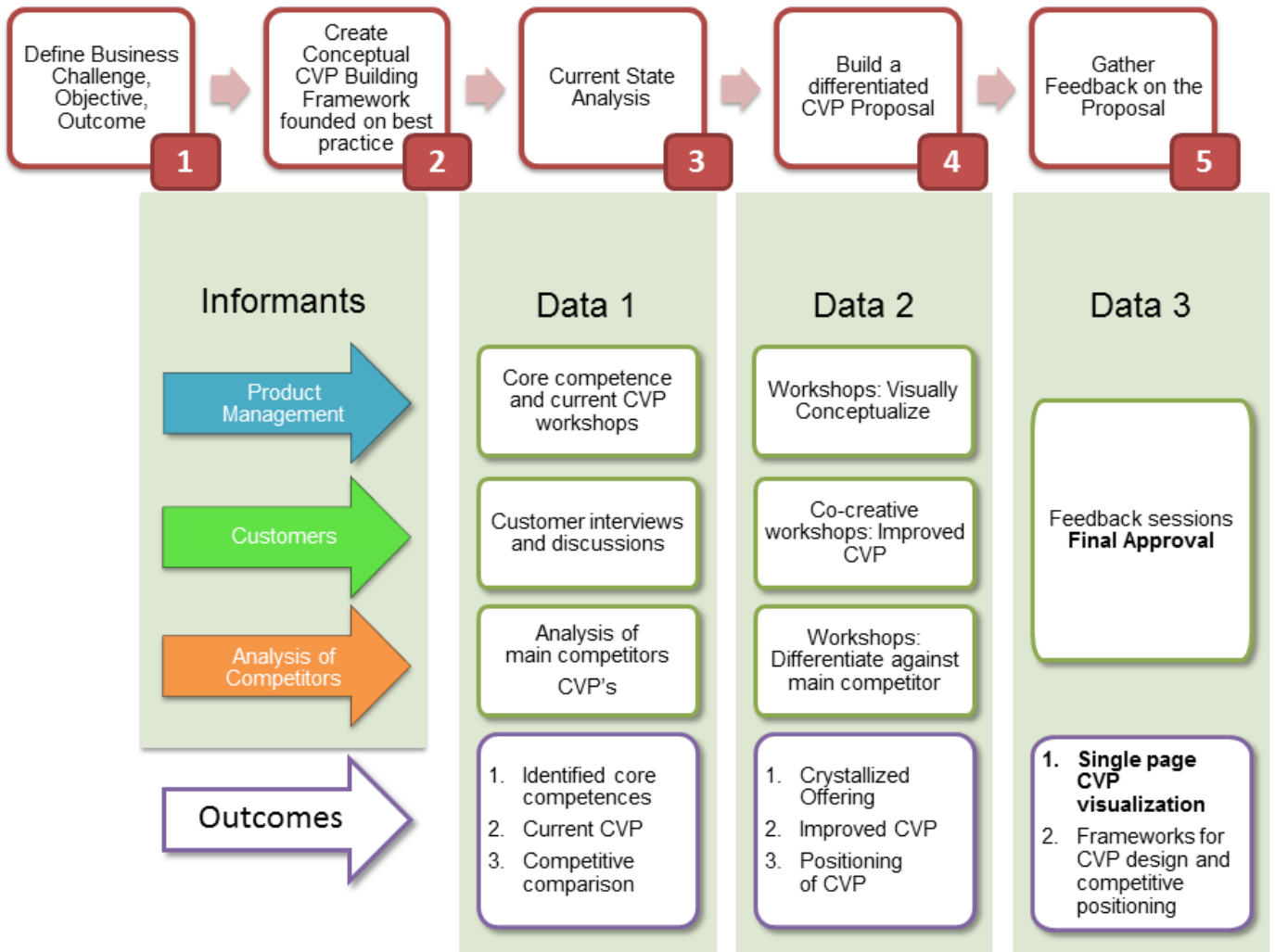


Figure 3. Research design of this study.

As seen from the figure above, the research consists of five stages. In *Stage 1*, the business challenge is identified. Based on which, the research area is defined and the research objective and outcome are formulated (see 1.3). In *Stage 2*, literature is researched with a focus on identifying best practice covering the three main topics: 1) Identify the core competences of a company and the core offering it gives rise to. 2) Identifying the general building blocks of conceptual CVPs. 3) Position a CVP in relation to competitors. In addition to these, the broader topic of competitive strategy in service marketing is researched for background information. Out of these, a conceptualized framework for building CVPs is synthesized. This framework provides an essential part to the research process in that it forms the intellectual framework for both analyzing the current state of the case company and for building a proposal for improved solution (Blichfeldt & Andersen 2006:4). Consequently, the conceptual framework will serve different functions in different stages of this study.



Once a firm theoretical foundation is established, three data collection rounds and associated analysis are conducted. In *Stage 3*, a current state analysis (CSA) is conducted (Data 1). In the CSA, data on the current core competences and core offerings of the case company as well as the CVP of the case company and its main competitors is collected. This is complemented with data on customer and product management requirements and expectations. In *Stage 4*, data on customer needs, competing offerings and the company offering is gathered from customer and case company key stakeholders (Data 2). This data is used merged with the findings of the CSA to build an improved CVP. In *Stage 5*, feedback is gathered on the improved CVP (Data 3) and the proposal is adjusted accordingly. Finally, the finalized proposal is submitted for approval by the case company CEO.

## 2.2 Data Collection and Data Analysis Methods

This study used data from several categories of informants to ensure that the topic at hand is approached from several perspectives. The main method of data collection was workshops with groups and individuals. In addition to which, previously existing competitor analysis conducted by the case company was researched.

The research was conducted during the first half of 2015 with the interviews conducted during February and March. The interviews were held with two main groups of informants: customer representatives for the chosen customer segment and key employees of the case company product management organization. As a means of triangulation, interviews with external professionals within the IT service field were held to gain insight concerning competitive offerings and to gather additional feedback on the proposed CVP. The themes of the interviews were designed to cover the three main parts of CVP's as described in the conceptual framework (see 3.5). The distribution of the interviews with respect to the categories of informants, data collection points and the CVP parts are detailed in Table 1 below. The following color-coding scheme is used to denote the CVP parts: core competences (blue), customer needs (green) and positioning (orange).

Informant category	Data 1: Current State Analysis	Data 2: Building a Differentiated CVP proposal	Data 3: Feedback on the Proposal
Company Product management	Identifying core competences	Conceptually visualizing the current offering. Uniquely Positioning the CVP	Gathering feedback on the conceptualized offering visualization.
	Analyzing and describing the current CVP	Co-creating an improved CVP	Gathering feedback on CVP from key stakeholders
Analyzing main competitors			
Customer representatives	Analyzing the current CVP from the customer's perspective.		
External experts			Gathering external feedback on offering visualization and CVP from a IT sales professional

Table 1. Informants by theme, category and data collection points.

As seen from the table above, data for the CSA (Data 1, see 4) was gathered separately from company internal informants and customer informants. However, data for building the differentiated CVP (Data 2, see 5) was gathered in a co-creative fashion, including joint workshops held with customer stakeholders. Feedback on the proposal (Data 3, see 6) was gathered from case company key stakeholders and an external IT sales expert.

The main method of data analysis was content analysis of the interview notes using the tools presented in the conceptual framework. For workshops and group discussions, this consisted of analyzing the artifacts produced by the sessions. For interviews, the field notes were analyzed. The exception to this is the analysis of the core competences and offering, where the method of data analysis was thematic analysis as described in 3.5.1. The details of the interviews, including a listing of the artefacts produced and consequently analyzed, are included below in Table 2.

Nr and type of interaction	Topic	Informant's position	Date and Duration	Documented as
1. <b>Pre-sales meeting 1</b>	Meeting customer key decision-maker, introducing the Case company offering	Customer and case company stakeholders	2015-02-11 1 h	Meeting notes
2. <b>Pre-sales meeting 2</b>	Meeting new customer key stakeholders	Customer and case company stakeholders	2015-02-13 1 h 15 min	Meeting notes
3. <b>Workshop 1</b>	Competences and offering	Chief Technical Officer (CTO), Chief Architect, Product Architect (researcher)	2015-02-24 45 min	Whiteboard notes, meeting notes
4. <b>Workshop 2</b>	Competences and offering	Chief Architect, Product Architect 1, Product Developer, Product Architect 2 (researcher)	2015-02-24 55 min	Whiteboard notes, meeting notes
5. <b>Workshop 3</b>	Initial draft of Value Proposition Canvas for Integration Architect role	Chief Executive, Officer (CEO), Product Architect (researcher)	2015-02-25 1 h 10 min	Meeting notes, Value Proposition Canvas
6. <b>Workshop 4</b>	Initial draft of Value Proposition Canvas for the service provider	Chief Financial Officer (CFO), Product Architect (researcher)	2015-03-03 1 h 35 min	Meeting notes, Value Proposition Canvas
7. <b>Workshop 5</b>	Evaluating Core Competence relative strengths and importance to offering	Chief Architect, Product Architect (researcher)	2015-03-03 1 h	Spreadsheet
8. <b>Interview 1</b>	Discussing the integration service needs of an integration architect	Integration Architect, Product Architect (researcher)	2015-03-03 55 min	Field notes
9. <b>Workshop 6</b>	Further discussion core competences, Visualizing the Core offering	CTO, Product Architect (researcher)	2015-03-09, 40 min	Meeting notes
10. <b>Workshop 7</b>	Visualizing the core offering	CTO, Chief Architect, Product Architect 1,	2015-03-12, 20 min	Whiteboard notes, Dia-

		Product Architect 2 (researcher)		gram
<b>11. Workshop 8</b>	Discuss the CSA and current CVP	CEO, Product Architect (researcher)	2015-03-18, 45 min	Meeting notes
<b>12. Workshop 9</b>	Discuss CVP, gather feedback on the Offering visualization	CEO, CTO, Product Architect (researcher)	2015-04-02, 1h 30 min	Meeting notes, Whiteboard notes
<b>13. Workshop 10</b>	Co-creating a CVP for the service provider	Customer stakeholders, CEO, CTO, Product Architect (researcher)	2015-04-07, 1h 25 min	Meeting notes
<b>14. Workshop 11</b>	Feedback on the improved CVP	CEO, Product Architect (researcher)	2015-04-15, 45 min	Meeting notes
<b>15. Workshop 12</b>	Feedback on the improved CVP	IT sales professional, Product Architect (researcher)	2015-04-15, 1h 15 min	Meeting notes

Table 2. Interview listing.

As seen for the table above, the main source of data for this study was collected in workshops involving stakeholders from the customer organization and case company. Involving a broad audience of case company employees was done to facilitate cross-company emergent discovery and idea generation. Furthermore, early involvement of case company decision-makers was chosen as a method to ensure the buy-in required for successfully implementation of the proposed actions. As pointed out by Näslund, Kale & Paulraj (2010:336), involving the key decision-makers and the researcher in the research process as participants facilitates trust-building, enabling access to vital first-hand information. Finally, a recommendation was given to hold an open session for sharing and reflecting the result of this study with all case company employees. This was done to both facilitate bidirectional knowledge sharing and help ground the actions within the case organization (Näslund, Kale & Paulraj 2010:337). Thus, an intentional positive side-effect of this study was to facilitate idea-generation and knowledge sharing within the case company.

### 2.3 Validity and Reliability Plan

To ensure that the research was conducted in a rigorous and relevant, as well as valid and reliable was, this study utilizes the following validity and reliability plan. The plan is

constructed to meet the four tests of validity presented by Quinton & Smallbone (2006:126): internal validity, construct validity, external validity and reliability.

*Internal validity* is ensured by clearly stating the business challenge that this study aims to solve, then building the research design with the purpose of proposing a solution using the action research approach. Here, a key aspect of the design is that the proposed solution is created with the involvement of the definer of the business challenge, the CEO of the case company. The fact that the research design forms one full AR cycle is according to Perry and Zuber-Skerrit (cited in French 2009:192) sufficient, given that this study is of a Masters level. The aim of this study is to solve the specific business problem of a specific case company. Thus, *external validity* is in the form of applicability outside the context has not been an objective in the research design (Quinton & Smallbone 2006:133). Consequently, it will not be discussed in the context of the validity of this study.

*Construct validity* is ensured by utilizing multiple well-known sources of existing knowledge and by gathering feedback on the proposed solution from several key informants. Furthermore, for all parts of the presented conceptual framework, tools are provided to aid in critically assessing the outcome.

For *reliability* of the research, triangulation is used by using multiple sources of existing knowledge and by using primary data gathered from multiple informants over the course of several months. The methods of data collection vary from individual interviews to group workshops. To gather non-participant views, the proposed solution is reflected in an interview with an external industry professional.

Researcher bias is given consideration in two ways: First, the role of the researcher in the case company is stated. Secondly, a conscious choice of the researcher has been to pursue a neutral facilitating approach while performing the data collection. (See 7.3.3)

Finally, care has been taken to ensure the transparency of the research process by documenting the research design and the process in which the study was conducted. In addition, the data gathered is made available and the role of the researcher as a researcher and an employee of the case company is stated.

### **3 Best Practice for Building a Conceptual Framework for a Uniquely Positioned CVP**

This section discusses the existing best practice and available knowledge for building a uniquely positioned customer value proposition. It presents three foundational parts of CVP building. First, building an offering founded on core competences. Second, identifying and fitting customer needs with the offering. Third, uniquely positioning the CVP in relation to key competitors. Based on these, a conceptual framework for building CVPs is presented. The framework includes all the practical tools required for building the CVP and assessing it.

#### **3.1 An overview of Customer Value Propositions**

A customer value proposition is a crystallization of the company offering, with respect to its customers and competitors, that enables aligning the company activities with its strategy (Hope & Jeremy 2012:145). As the value of the offering is determined by the customer, a company can only make value propositions concerning its offering (Vargo & Lusch 2004:11). However, by engaging in co-creative interaction with the customer, a company can influence the value customer's value-creation process. This interaction enables the company to contribute to value fulfilment – living up to the promises made by the value proposition. (Grönroos & Ravald 2010:15). In essence then, a customer value proposition is a merger of profound understanding the customer needs, the company offering and the market, communicated in a crystallized form. To ensure that all these are aligned is a matter of company strategy. As noted by Kaplan and Norton (2004:12), "Strategy is based on a differentiated Customer Value Proposition". Consequently, the importance of a clear customer value proposition cannot be overemphasized.

In the context of this study, the CVP will be discussed and approached using three foundational parts. 1) Identifying the unique core competencies of the company and the offerings built on these. 2) Understanding what the needs of the customers are and how a proposal for solving these using the company offering can be communicated using a CVP. 3) How to uniquely position the CVP in relation to competitors. These parts will be synthesized into the form of a conceptual framework for designing and uniquely positioning CVPs. The conceptual framework is used in this study as both an analytical lens for analyzing the current state and a toolset for building a proposal for an improved CVP.

The case company offers an integration service founded on competences within the IT service management business domain. Consequently, the competences held by the company directly affect its CVP and thus need to be incorporated into it.

### 3.2 Identifying Core Competences and Core Offerings

Core competencies are the collective learning held by a company that it knows how to do uniquely well. As such, they provide a competitive advantage that provides a heightened degree of success in the long term (Gallon, Stillman & Coates 1995:20). By forming the foundation from which new business arise, core competences are often placed at the focus of corporate strategy (Prahalad & Hamel 1990:91). Furthermore, the competencies that a company holds sets the boundaries for what activities the company is capable of performing itself and which can only be accomplished with the help of external parties.

Putting this into the context of a service provider's business requires understanding the very nature of service: the application of specialized knowledge and skills for the benefit of another entity (Vargo & Lusch 2004:2). Thus, for a service provider, it can be argued that all core competencies of a service provider are the fundamental knowledge and skills that the company holds (Vargo & Lusch 2004:5). Consequently, identifying the skills and knowledge that form an organization's core competences and reflecting them against a competitive market context is of essence.

The following is a discussion of the role of core competencies for the company strategy overall and for the customer value proposition specifically. Finally, a framework for systematically analyzing and mapping existing core competencies for use in CVP building is presented.

#### *Understanding Core Competences*

From a strategic perspective, the organization of a company can be founded on the businesses it currently has using Strategic Business Units (SBU). However, such a view alone does not surface the true core competencies that the company holds, the fruits of which are the products of the company (Prahalad & Hamel 1990:81). Consequently, it is vital for a company to identify its core competencies, nurture and protect them so they are not unwittingly surrendered. Once identified and nurtured, the portfolio of core competencies can act as a long-term aligner of the company activates by

providing a deep commitment that transcends organizational boundaries (Prahalad & Hamel 1990:82). Thus, the core competences must be the communicated throughout the organization.

Any organization contains numerous competences, out of which only a few are potential core competences. The difficulty then comes in trying to identify the core competences. To help with assessment, Gallon, Stillman & Coates provide four qualification criteria for recognizing potential core competences listed in Table 3 below (1995:22)<sup>1</sup>.

1. Does the competence harmonize streams of critical capabilities to provide competitive advantage?
2. Does the competence translate into customer perceived value?
3. Is the competence difficult to imitate?
4. Is the competence extendable to new markets?

Table 3. Four qualification criteria for potential core competences.

As seen in the table above, a core competence is assessed by its potential value for the customers and ability to give provide competitive advantage. Thus, core competences are defined in relation to a competitive market context. However, core competences that meet the criteria given above still might not be of direct value to the company. It is only once a core competence has been recognized and targeted for exploitation that it becomes a strategic core competence (Gallon, Stillman & Coates 1995:23). For the purposes of this study, the focus is on identifying the strategic core competences relevant to the CVP.

Once recognized, the strength of the individual strategic core competences can be assessed. For this, Gallon, Stillman & Coates (1995:26) propose a refined scoring system with three dimensions: the degree at which a capability has been optimized internally (absolute strength), the degree to which a capability constitutes best industry practice (relative strength) and the degree to which a capability has direct impact on competitiveness (criticality). As this evaluation can become very complex and resource intensive, this study uses only the relative strength scoring as a measurement of strength for core competences. The descriptions of the 5 scale scoring are explained below in Table 4.

---

<sup>1</sup> In their criteria, Gallon, Stillman & Coates specifically focus on core technical competences. However, since their criteria is built on the original proposal of Prahalad & Hamel (1990:83) that discusses core competence more broadly, the researcher has chosen to apply the criteria of Gallon, Stillman & Coates to assess core competences in general.



Score	Relative strength The degree to which a capability constitutes industry best practice.
5	Substantial and undisputable leadership
4	Equivalent to industry best practice but not outright leadership
3	Developed to an average degree for the industry
2	Substantially inferior to best practice
1	Significantly under-developed compared to industry norms

Table 4. Relative strength scoring of a strategic core competence.

As seen from the table above, the relative strength of a strategic core competence is expressed in terms of competing offerings. This is a crucial step in the competence analysis, as it places the company's competences in the context of the competitive market where they potentially could be of use to the company.

#### *Identifying Core Competences and Core Offerings*

In addition to harmonizing and focusing organizational culture, core competencies are embodied in what Prahalad and Hamel call core products (1990:85). To be more appropriate in the context of service providers with a possibly broad selection of both products and service, the more general term *core offering* is used hereafter in this study. By embodying the unique competences held by the company, the core offerings themselves can carry a high degree of uniqueness and thus act as a natural differentiator. Core offerings differ from end products in the end markets, which are shaped based on more local needs and specific needs. A company can be involved in producing end products as well as core offerings. However, it is only by holding a dominant position in core offerings that a company is able to affect the evolution of the applications and end markets (Prahalad & Hamel 1990:86). It then follows that a company wishing to affect and shape the market must be involved in core offerings.

Identifying the strategic core competences and the core offerings they give rise to is of crucial importance to company strategy. However, the links between these two are not always easy to see, making distinguishing core offerings from end products and competencies held<sup>2</sup> from strategic competencies difficult. To help in this task, Danilovic and Leisner (2007:50) propose the use of Domain Mapping Matrixes (DMM), where the different relationships and level of competence skills are expressed visually through the use of matrixes. The model proposed by Danilovic and Leisner is a 9 -step process

---

<sup>2</sup> The term competencies held is used to denote all non-strategic core competences.

beginning with identifying the competences to identifying discrepancies between the current competence level and the level required by the strategy as detailed below in Table 5.

Step Goal	Step Outcome
Step 1: Identification of competencies	Hierarchic inventory of major competence areas and their constituent sub-competencies.
Step 2: Identification of products and sub-products	Hierarchical inventory of company major products and their sub-products.
Step 3: Mapping of current competences across products	Detailed matrix representation of all major and sub-products (step 2) in relation to the currently held competence (step 1) required with the current level of competence skills scored.
Step 4: Domain Mapping of individual competences against individual products	Simplification of the hierarchic major-sub relation of step 3 to individual, free-standing, entries.
Step 5: DMM analysis	Evaluation and scoring of all competence-product interdependencies with respect to the importance of the competence to the product.
Step 6: DMM Output, Identification of Core Offerings	Clustering of products based on similar competence needs of high importance, leading to the identification of core product areas.
Step 7: Detailed description of Core Offerings and their competence needs	Each core product group presented by the most important competence needs of the products in the group.
Step 8: Identification of Core Competences	Matrix of competence needs of the core offerings (step 6) by their respective competence needs according to the current level held. High skills level in core product indicates core competences.
Step 9: Identifying discrepancies between the current competence level and the level required by core offerings	A listing of the most urgent discrepancies identified in step 8 with additional recommendations for solutions.

Table 5. 9 step process of identifying core competences and products using domain mapping matrixes.

As seen from the table above, the DMM offers a systematic approach for identifying core competencies and products, the findings of which can be used to focus competence development and collaboration to ensure access to strategically important competence areas. For practical purposes however, the approach might be too cumbersome to implement fully without prior experience. This study proposes a simplified version of the model of Danilovic and Leisner where the focus is on identifying five to six fundamental core competences (Pralahad & Hamel 1990:84). The simplified model is detailed in 3.5.1. Once the company core offering has been identified, it is time to move forward to fitting the offering with the most important customer needs.

### 3.3 Using a CVP to Fit Customer Needs with the Company Offering

The foundation of a customer value proposition is the notion that a company needs to focus on understanding what its products and services are worth to the customer (Anderson, Narus & van Rossum (2006:92). In order to do that, the customer's needs in the customer's context need to be understood. Only then can the value of the company offering be understood and articulated in the form of a customer value proposition. Understanding the customer is a broad and easily vague topic. With this in mind, the following subsection presents four concepts for approaching the topic from four different practical perspectives. 1) Understanding what a customer is trying to achieve, expressed as jobs the customers wants to do. 2) Understanding the contextual practices that constitute the customer jobs. 3) Understanding the customer and company roles in the business ecosystems. 4) Understanding the best type of CVP for a particular customer.

#### 3.3.1 Understanding the Customer's Needs and Context

A traditional marketing perspective approaches customer segmentation through static demographic characteristics of the targeted customer group (age, gender, etc.) or characteristic of the product offered (product category, price, etc.). Though easy to perform, from a customer perspective such characteristic do not necessarily conform to the customer's buying decision. Rather, customers are seeking ways to get something done, for which they employ products or services (Christensen et al. 2007:38). Consequently, a company must first focus on understanding the underlying *jobs that the customer wants to get done* before proposing something that gets the job done.

From a positioning perspective, viewing competition based on jobs that the customer wants to get done expands the possibilities for both customer and company alike. The traditional positioning paradigm is to compare products on a few common axes, focusing on the properties of the products and striving to make them better. However, as this type of differentiation is easy to copy, the once unique features soon become commonly expected to be available in all products, eroding the effectivity as a differentiator (Christensen et al. 2007:40). Taking a different view, a jobs focused approach offers a much longer lasting differentiating effect based on a broader definition of boundary crossing competition. Here, positioning is not done in relation to offerings with similar properties. Instead, positioning is done in relation to offerings that can be employed to do the same job. For example, a customer wanting to do the job of feeling prestigious

could choose between buying a luxury bag by Luis Vuitton and having an exclusive dinner at an upscale restaurant. From a company perspective, this approach gives the company a much deeper understanding of what the customer actually wants to achieve, not just an understanding of what others are offering in the market.

In a business-to-business context, the core job of a business is making money (Christensen et al. 2007:42). Consequently, any offering that helps with this job is of interest to a business and something that the business would potentially be interested in paying for. The difficulty however is that most employees have only a limited and local understanding of how the company makes money. As a result, selling to a business needs to include an element of investigative research. Thus, an insightful holistic view of the profit engine of the customer's business can be provided. Based on which a profit increasing solution can be proposed and a price premium be justified.

The difficulty then becomes in knowing how to go about to form an understanding of what the jobs that the customer wants to do are. By using the tools of an investigative reporter, the market researcher can conduct surveys and interviews, make observations, participate and experiment. Thus, the researcher is able to understand the functional, emotional and social experiences within a situational context that are required to do the job that the customer wants completed (Christensen et al. 2007:43). Is it worth noting that this experimental and participatory type of research is much in line with the Action Research methodology (see 2.1) and as such is highly usable in an AR context.

#### *Understanding Customer Practices*

Customer Value Propositions from a product-dominant perspective are simple itemizations on an offering, communicated from the company to potential customers. Quite on the contrary, service-dominant CVPs are the result of bidirectional exchange of knowledge (Kowalski et al. 2012:1555). As this knowledge is deeply anchored in the individual practices of the organizations, roles and individuals involved, it cannot be exchanged as a simple transaction. Instead, the company can facilitate an iterative exchange of practice-related knowledge, where the topic of customer value can be discussed through the practices of the actors involved, leading to the co-creation of a CVP (Kowalski et al. 2012:1566). Taking a more practical view on the matter, a way to achieve such an exchange would be to invite customer, company and other stakeholder representatives of diverse roles to discuss their understandings, procedures and engagements that influence the value creation and set requirements for the CVP.

Knowledge is deeply rooted in practice (Kowalski et al. 2012:1555). Thus understanding these practices yields a deeper understanding of the jobs that a customer wants to get done and place them in the context of the business where they take place. Consequently, understanding the customer practices should be a part of customer value research.

### *Understanding the Customer's Role in the Business Ecosystem*

Most companies exist in large business ecosystems that extend beyond the boundaries of their own industries. Within this ecosystem, the success of the individual companies is interlinked (Iansiti & Levien 2004:70). By identifying and strategically maintaining a specific role within the ecosystem, a company can reap the benefits of mutual value creation and extraction between the actors in the ecosystem.

Iansiti & Levien (2004:74) propose three distinct roles for actors within business ecosystems. First, at the center of ecosystems are *Keystone Companies* that provide the ecosystem with common assets that others can build their offering on. In some cases, being the keystone organization is the fundament of a company's strategy, meaning that promoting the overall health of the ecosystem is in the strategic interests of the keystone company. *Niche Companies* represent the majority of the companies in ecosystems and are responsible for most of the value creation and innovation. They leverage the assets provided by keystone and other niche companies to provide specialized offerings based on a narrow domain expertise (Iansiti & Levien 2004:77). Finally, a company that expands its role within the ecosystem to directly control most value creation and capture can become a *Physical Dominator* that occupies most of the ecosystem, leaving very little room for others.

Understanding the customer and company roles in the business ecosystem yields an understanding of the type of expectations and limitation of the customer relationship. Furthermore, by seeing both customer and company as actors in the ecosystem helps in understanding the ecosystem-wide forces that affect both.

### *Three Types of CVPs*

When identifying the customer segment of a value proposition, an important factor is determining how specific the customer needs addressed should be. Here, finding the right balance between understanding and addressing specific customer needs must be

balanced against serving a broad-enough target market. To help find the right focus, Anderson, Narus & van Rossum (2006:92) propose three types of value proposition approaches. The first and most general is the *All Benefits* approach, where all possible customer benefits are listed with little or no regard to competitive offerings or actually known customer. Albeit easy to construct, such a proposal lacks focus and is ill suited for addressing actual customer needs and thus satisfying the customers. The second type is the *Favorable Points of Differentiation* approach, where the company offering is defined in comparison to a competitor in the market based on points of parity and points of difference. The difficulty here is understanding the customer need well enough to ensure that the points of difference are of actual value to the customer. The third and final approach is to create *Resonating Focus* by focusing on the one or two key points of difference that customers value the most. The resonating focus is a resource intensive approach that requires customer value research, but one that can potentially propose superior value.

### 3.3.2 The Value Proposition Canvas Tool

With growing understanding of the customer segments and the company products comes the challenge of finding a common language for communicating the contents and design of a customer value proposition. Osterwalder et al. (2014) approach this challenge by presenting the Value Proposition Canvas conceptual model. The canvas is a highly visual model for creating or further improving CVPs based on observed customer needs. The canvas constituents of the canvas are explained below in Figure 4.

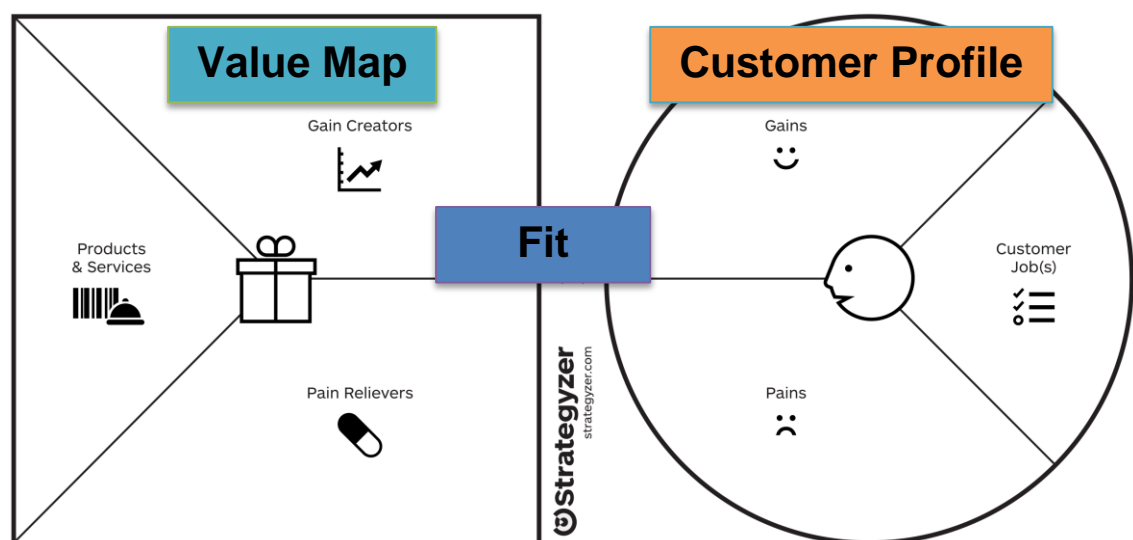


Figure 4. The value proposition canvas. (businessmodelgeneration.com 2015)

As illustrated in the figure above, the Value Proposition Canvas consists of two separate building blocks. On the right hand side is the *Customer Profile*, an understanding of a specific customer segment and associated needs built through systematic observation. At the core of the customer profile is the concept of jobs that the customer wants to do within a specific context (see 3.3.1). These jobs are counteracted by pains that prevent jobs from getting done, annoy them or pose risks. Gains are the concrete outcomes and benefits that a customer wants. The customer profile is complemented by the *Value Map*, which describes how the products and services that the company offering consists of propose to relieve the customer pains and create customer gains. When the CVP addresses important jobs, alleviates extreme pains and creates essential gains, it is said to have achieved *fit*, which is the essence of designing a CVP (Osterwalder et al. (2014:42). It is worth noting that though the value proposition canvas represents a CVP designed for a specific customer segment, the customer profile is the result of observation and thus outside the direct control of the company (Garner 2015). The thing that a company can directly control is the designing of it value map. Consequently, a good fit requires rigorous observation leading to a profound understanding of the most important customer needs. Only once this is achieved can the company offering be tailored to fit the needs of the customer.

Usage of the value proposition canvas is an iterative process that begins by understanding the customer context and type of customer profile being investigated. For business-to-business contexts, Osterwalder et al. (2014:51) provide a listing of typical business stakeholder that influence purchase decisions and that have different jobs, pains and gains. The type of stakeholder customer profiles is detailed in Table 6 below.

Type of stakeholder	Description
<b>Influencers</b>	Influence decision-making formally or informally
<b>Recommenders</b>	Are responsible for identifying and evaluating purchase candidates and making formal recommendations for or against.
<b>Economic Buyers</b>	Are in control of the budget and make the actual purchase.
<b>Decision Makers</b>	Bear the ultimate responsibility for purchase decisions.
<b>End Users</b>	Are the ultimate beneficiaries of a product or service. Active or passive based on influence on decision-making.
<b>Saboteurs</b>	Can obstruct or derail evaluating or decision-making.

Table 6. Type of business stakeholder customer profiles.

As seen from the table above, the decision-making process of a business organization is influenced by several stakeholders with potentially broadly varying jobs, pains and

gains. It is however worth keeping in mind that ultimately, all roles in a business context share the same fundamental job, to ensure profitability.

Once the type of stakeholders for whom a customer profile should be created has been selected, the next step is to evaluate the three facets: jobs the customer wants to do and the related pains and gains. Finally, the gathered data is prioritized according to customer importance. Table 7 below presents subcategories of the three main facets of a customer profile as well as the prioritization criteria to use for each facet.

Facet	Subcategories	Prioritized by
<b>Customer jobs</b>	Functional jobs: completing a specific task or solving a specific problem	Job importance: important or insignificant?
	Social jobs: how the customer wants to be perceived socially within a certain context	
	Personal/emotional jobs: a desired emotional state the customer wants to reach	
	Supporting jobs: buyer, cocreator or transferrer of value	
<b>Customer Pains</b>	Functional, emotional or ancillary undesired outcomes	Pain severity: severe or moderate?
	Obstacles that prevent a job from getting started or slow it down	
	Risks: potential undesired outcomes	
<b>Customer Gains</b>	Required: must have	Gain relevance: essential or just nice to have?
	Expected: can be without, but expected	
	Desired: would love to have, but perceived as being beyond normal expectations	
	Unexpected: goes beyond what the customer can state to be expected or desired	

Table 7. Customer profile facet subcategories and prioritization criteria.

As seen from the table above, building a customer profile can and should go to a detailed level, with the explicit intent of striving to gain a deep understanding of the customer (Osterwalder et al. 2014:18). This allows proposing an offering that meets the actual, rather than assumed, needs of the customer.

Once the customer profile has been completed, the company value proposition is analyzed using three facets to produce the value map. First, a listing of the total products and services offering of the company is made. This listing should be comprehensive and include all tangible, intangible, digital and financial products or services that the



company offers to its customers. Next, the products and services are analyzed to identify which can act as pain relievers to the customer pains and those that can create customer gains. Finally, the gathered data is prioritized based on the prioritization criteria presented below in Table 8.

Facet	Prioritized by
<b>Products and Services</b>	Relevance to the customer: essential or nice to have?
<b>Pain relievers</b>	Relevance by value to the customer: essential or nice to have?
<b>Gain creators</b>	Relevance of outcome to the customer: essential or nice to have?

Table 8. Value map facets and prioritization criteria.

As illustrated in the table above, the goal of an offering should be to meet essential customer needs. Moreover, by focusing only on a selected few essential customer needs, a CVP can retain focus.

To aid in the process of creating a CVP, Osterwalder et al. (2014:122) provide an assessment tool consisting of 10 questions presented below in Table 9 that can be used to critically assess the quality of the CVP during the process of creating it.

Nr	CVP Assessment Question
1.	Is the CVP embedded in a great business model?
2.	Does the CVP focus on the most important jobs, most extreme pains and, most essential gain?
3.	Does the CVP focus on unsatisfied jobs, unresolved pains, and unrealized gains?
4.	Does the CVP concentrate on only a few pain relievers and gain creators but does those extremely well?
5.	Does the CVP address functional, emotional, and social jobs all together?
6.	Does the CVP align with how the customers measure success?
7.	Does the CVP focus on jobs, pains, or gains that a large number of customers have or for which a small number are willing to pay a lot of money?
8.	Does the CVP differentiate from competition in a meaningful way?
9.	Does the CVP outperform competition substantially on at least one dimension?
10	Is the CVP difficult to copy?

Table 9. 10 questions for assessing a CVP.

As seen from the table above, the goal of CVP design is to focus on essential customer needs in a differentiated manner. Once the prioritized customer profile and value map

have been created, one final step of the first iteration of designing the CVP remains. That is, to identify and focus on the elements of the company proposal that has the best fit of being of potential value to the specific customer profile. The end result is an initial CVP that on paper, seems to provide the best fit between the company current offering and the customer needs. The next step is to further validate the CVP market context. By gathering evidence of actually realized customer value, the CVP can be iteratively improved and fine-tuned to meet current, potential and emergent customer wants. It should also be noted that ultimately, a CVP must be embeddable in a profitable and scalable business model (Osterwalder et al. 2014:49). However, evaluating the business model falls outside the scope of this study.

### 3.3.3 Redefining a Market Problem with Focus on Value Innovation

From a strategy perspective, much of the focus of competitive strategy is founded on head-head competition within an existing market, targeting to outperform competitors to capture a greater share of the existing demand (Kim & Mauborgne 2004:72). However, by focusing strategy on aligning innovation with utility, price and cost positions, an alternative path is uncovered. The result is a leap in value (Kim & Mauborgne 2005:13). This *Value Innovation* contrasts starkly with the incremental value improvement thinking that results from focusing on outperforming the competition.

At its core, the value innovation does not rely on futuristic, technology-driven innovation. Instead, by redefining a market problem and breaking market boundaries, established cost-value tradeoffs can be broken and resulting in both lowered costs and increased value as illustrated below in Figure 5.

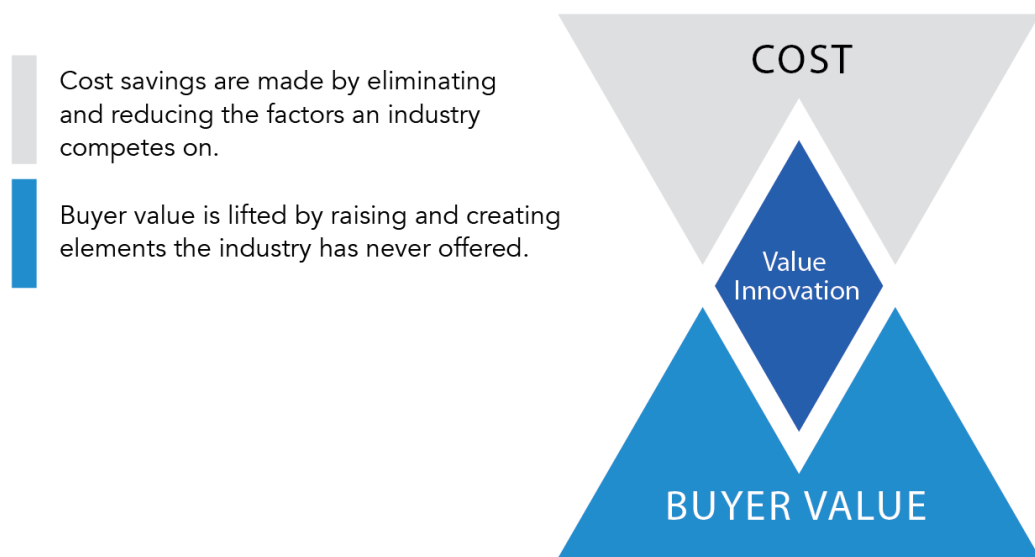


Figure 5. Value innovation. (blueoceanstrategy.com 2015a)

As illustrated above, value innovation differs greatly from the traditional foundational cost-value premise of marketing in that it offers both a reduction in price and an increase in buyer value. Traditionally, a choice needed to be made between selecting one or the other (Kim & Mauborgne 2005:13). Accordingly, value innovation opens up a new dimension of competitive advantage.

As tempting as the concept of value innovation is, it should be noted that the changes required for a company to gear its strategy towards value innovation easily goes beyond the scope of positioning existing offerings using a CVP. However, the concept is still a very usable one in that it acts as a driving force for strategic thinking. As a result, it facilitates challenging the existing market and focusing on understanding what has value to the customer.

The concepts described above help gaining an understanding of the jobs the customer wants to get done, the practices involved, the business ecosystem where both customer and company exists and the type of CVP to use. By approaching the customer needs and context from these perspectives, a company can gain a deeper understanding of the customer. The purpose of the Customer Value Proposition is to communicate how the offering of the company proposes to be of value to the customer. To achieve this, a shared language for communicating the customer wants and company offering is required. The Value Proposition Canvas was introduced as a means to identify and

visually communicate how the CVP addresses important customer jobs, alleviates extreme customer pains and creates essential customer gains. In addition, the concept of Value Innovation was introduced as a strategic thinking tool for challenging existing industry practices and focusing on customer value.

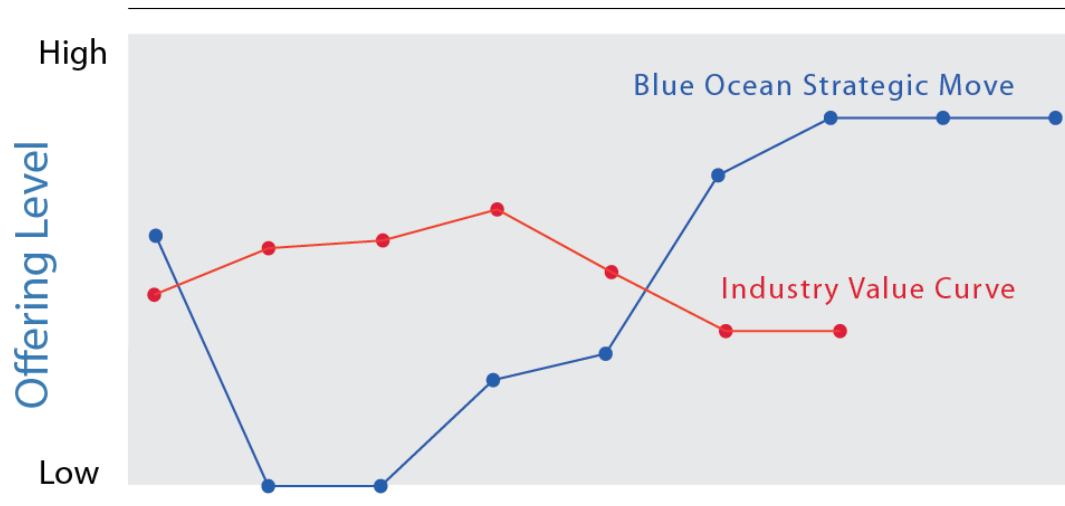
### 3.4 Positioning a CVP using the Strategy Canvas Tool

At its core, positioning is about occupying a distinct place in the minds of the potential customers by delivering some central benefits that satisfy their needs. (Kotler & Keller 2012:32). As an activity, positioning is defining the offering of the company in the context of a market with competing alternatives by communicating similarities and differences. The result of this activity is the successful creation of customer-focused value proposition (Kotler & Keller 2012:298). The following is a discussion on how the creation of unique and uncontested market space can be aided through the use of the strategy canvas tool. In addition to this, the use of a tagline is discussed as a means to further strengthen the uniqueness of the CVP by associating it with a purpose, and by facilitating alignment of the company activities around the CVP.

#### *Using the Strategy Canvas to Identify Uncontested Market Space*

A fundamental element in positioning a CVP against competitors is the strategic decision whether to position the CVP head-head against the similar offerings of competitors or to create an offering so unique that no competition exists. The latter approach, coined by Kim & Mauborgne (2004:71) as creating uncontested market space that makes the competition irrelevant, is by no means an easy feat. But once successfully executed, this approach can result in a unique position in the market with substantially higher profits compared to head-head competition (Kim & Mauborgne 2004:73). Thus, aiming at creating uncontested market space is a highly interesting strategic choice.

The foundation for the creation of uncontested market space is the value innovation concept discussed in 3.3.3. The logical continuum to value innovation is the *Strategy Canvas* tool, a visual tool that can be used for two purposes. First, the strategy canvas can be used as a diagnostic framework to visually present the currently dominant factors of competition in the market. Second, the strategy canvas facilitates the shifting of strategic focus from head-to-head competition to redefining the market problem (Kim & Mauborgne 2005:28). An exemplifying strategy canvas can be seen below in Figure 6.



## Competing Factors

Figure 6. Strategy canvas example. (blueoceanstrategy.com 2015b)

As seen from the figure above, the strategy canvas *value curve* offers a visual way to distinguish the currently prevalent *competing factors*<sup>3</sup> for products, service and delivery within an industry (industry value curve). Additionally, by quantifying the level of the competing factors, it gives a visual representation of the areas of strategic focus or lack thereof. This strategy profile can be used as a point of comparison when creating new areas of uncontested market space outside the current focus of competitors (blue ocean strategic move), to what Kim & Mauborgne (2004:72) call *Blue Oceans*.

The strategy canvas tool should be used to identify and visualize the key focus areas that result in the creation of uncontested market space. However, like with the value innovation concept, the strategy canvas model discussed the fundamental strategy and business model of the company, which go well beyond the scope of improving an existing CVP. Nevertheless, the strategy canvas is highly usable tool for existing CVP in two aspects. First, it can be used to visually identify the strength and weaknesses of the current offering in relation to competitors. Second, it can be used to further improving the positioning of an existing offering by pointing out possible areas of divergent differentiation and intensified focus.

<sup>3</sup> Narus & van Rossum use the term favorable points of differentiation (see 0). As the strategy canvas tool has a central role in this study, the term competing factor associated with the tool will be used throughout this study. However, the terms parity and difference used by Narus & van Rossum will be used to distinct different types of competing factors.

### *Forming a Tagline to aid Internal and External Alignment with the CVP*

Competitive strategy is about being different from the competitors (Porter 1996:6). Product features seldom offer long-term differentiation as they are so easily copied (Christensen et al. 2007:40). But if the differentiation is based on the alignment of the activities of the entire company, then imitating that would require a system-wide approach, which is not easy. (Kim & Mauborgne 2004:78). Alignment of all company activities goes well out-of-scope in the context of improving a CVP. However, assessing the alignment should be part of evaluating the uniqueness of a CVP and a matter to be discussed in the context of the overarching strategic vision of the company.

An internal alignment of the company should be complemented by an external alignment of the customer perception of the company offering. This can be achieved by defining a clear-cut and compelling tagline that delivers a clear message and advertises the offering truthfully (Kim & Mauborgne 2005:40). A tagline can help in associating a brand with a purpose, guiding customers to products and giving direction to future product development (Christensen et al. 2007:45). In addition, a tagline can strengthen customer loyalty in a way that can be very hard to compete against (Kim & Mauborgne 2004:78). Accordingly, a tagline assists in both as internal and external marketing.

Identifying and implementing the changes required to align all company activities around an improved CVP goes beyond the scope of this study. However, formulating a crystalized tagline should be part of improving a CVP as it serves two purposes. First, the tagline acts as an acid test of the simplicity and focus of the CVP – a complex and unfocused CVP is very challenging to capture in a tagline. Second, a well-defined tagline gives internal direction and focus, aiding in focusing the company activities around the CVP. Externally, the tagline helps associate the CVP with a clearly defined purpose, further aiding a unique positioning.

Throughout the process of creating a competitively positioned CVP, it is vital to reflect on the purpose of positioning. To aid in this work, the conceptual framework of this thesis uses Kotler and Keller's 3 requirements needed to decide on a position (2012:298) as depicted below in Table 10.

Requirement needed for deciding on a position
1) Determining a frame of reference by identifying the target market and relevant competition.
2) Identifying the optimal points of parity and points of difference given the frame of reference.
3) Creating a tagline to summarize the positioning and essence of the brand.

Table 10. 3 requirements for deciding on a position.

As can be seen in the table above, the foundation of positioning is understanding the competing factors of a market. The requirements presented above, though not sufficient tools as such, provide an acid-test type checklist for ensuring that all basic aspects of positioning have been considered.

In conclusion, though the competitive strategy and alignment of activities easily go beyond the scope of improving a CVP, both the strategy canvas and crystallizing tagline are still quite usable tools and can be used to visually and clearly communicate the competitive position of the company CVP as well as help on its unique differentiating aspects.

### 3.5 Conceptual Framework of This Study

The conceptual framework of this study consists of *three parts* that together form a holistic framework for building a uniquely positioned CVP founded in the core offerings of the company. 1) Identifying the unique core competences of the company and the core offerings that these have brought forth. 2). Gaining a profound understanding of the customer needs across relevant roles, to which the company offering is fitted in the form of a customer value proposition. 3). Positioning the CVP against competitors with the intent of focusing on the unique proposals identified in the previous stages. For each part, a practical building tool and an assessment tool is provided. The parts and associated tools are illustrated below in Figure 7.

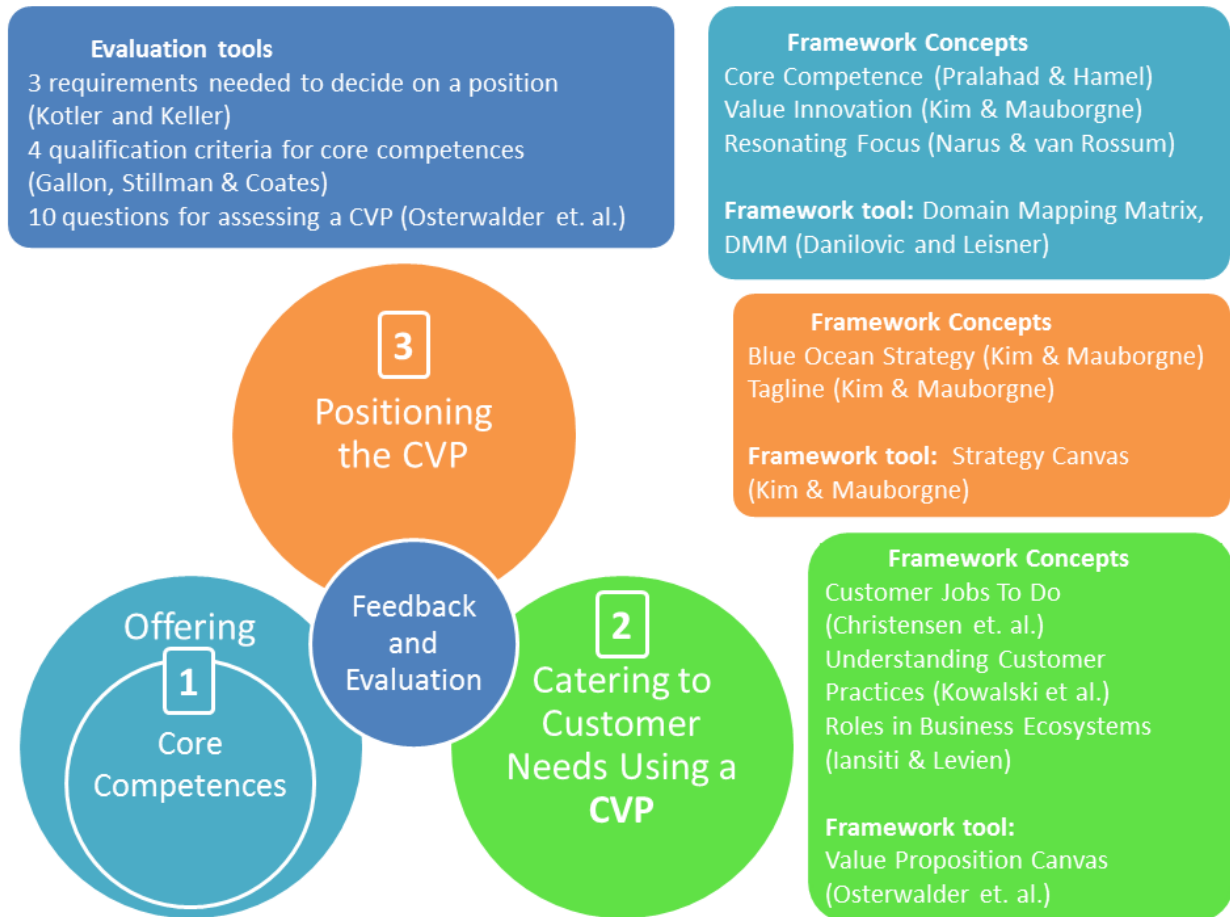


Figure 7. Conceptual framework.

As seen in the figure above, each part of the conceptual framework consists of central concepts relating to building uniquely positioned CVPs. Likewise, each part provides a practical tool to use in the building process. The envisioned outcome of this study will be the synthesis of the outcome of the tools used. Consequently, the parts and tools of the conceptual framework are strongly interlinked, forming a holistic toolkit with feedback from one part feeding the others in an iterative fashion. However, the parts will be used with slightly different emphasis in the different stages of this study. For Stage 3 (CSA), the emphasis is on identifying core competences giving rise to the offering (part 1). For Stage 4 (Proposal building), the focus shifts to identifying and fitting the offering accordingly (part 2). Finally, in Stage 5 (Feedback on the proposal), the emphasis is on unique positioning of the offering (part 3). The details of the parts are discussed next.

### 3.5.1 Identifying Core Offerings

Knowledge is the fundamental source of competitive advantage. (Vargo & Lusch 2004:9). Thus, identifying the unique core competences of the company is the founda-



tion for any strategy. In addition, the core competences give rise to the core offerings of the company, based on which, a unique offering can be built (see 3.2). The tool to identify core competences and core offerings proposed by this study is a six step process shown below in Table 11.

1. List all the current competences held by the company.
2. List all the products of the company
3. Create two matrixes of products by their competence needs. Note that competences are not required to be used in products.
  - a. First matrix: Evaluate importance of competence for product on a color-coded scale of 0-3 (0=No importance, 1=Low importance, 2=Medium Importance, 3=High importance)
  - b. Second matrix: Evaluation current competence strength using relative strength scale.
4. Identify competence discrepancies
  - a. Filter matrixes to only include competences with an importance of medium or high and low (1 or 2) relative strength.
  - b. List most urgent discrepancies.
  - c. Start devising an action plan to remedy the discrepancies.
5. Identify Core Competence groups
  - a. Filter matrixes to only include competences with a relative strength of at least 3 (see Table 4).
  - b. Identify and group clusters of products
  - c. Identify and group clusters of competences
  - d. For all competence groups, use the 4 qualification criteria to identify core competences (see Table 3)
  - e. Identify core offerings built of core competences.
  - f. Identify strategic core competences that are of medium or high importance to products.
6. Identify unexploited core competences.
  - a. Filter matrixes to only include competences with a relative strength of at least 3 and which are of low or no importance to products or are not used by any products.
  - b. Start devising an action plan for evaluating the strategic possibilities of the unexploited core competences.

Table 11. 6 steps for identifying core competences and products.

As seen in the table above, the tool to identify core competences and core offerings proposed by this study is a six step process. It is based on the domain mapping model of Danilovic and Leisner (2007) combined with the core competence selection criteria and relative strength assessment score of Gallon, Stillman & Coates (1995). The steps outlined above should be used as a starting point for an agenda in a series of workshops aimed at identifying core competences and products. These core offerings are to form the foundation of the company offering and should be leveraged in building the improved CVP using the tools described next.

### 3.5.2 Designing the CVP

This framework uses a two-step method for designing a CVP using the Value Proposition Canvas tool (see 3.3.2). As a process, using the tool requires two distinct investigative tracks. First, to gain a deep understanding of the customer needs for all relevant roles and to describe them using a Customer Profile. Secondly, to identify the company offering and map it to the customer needs using a Value Map.

The value map is founded in the offering of the company, for which gathering of intra-company data using the action research methodologies discussed in 2.1 should be employed. A critical component in the offering is identifying the core offerings of the company, for which at least preliminary research should be conducted using the tools provided in 3.5.1).

The focus of building a customer profile is to understand the jobs that the customer wants to get done and the associated pains and gains, relating to which the company offering could be proposed. For business customers, helping the business make profit is the main job to be done (Christensen et al. 2007:42). Gaining an understanding of the profit-engine of the customer business requires using investigative research tools. As a helpful question to ask in an investigative discussion could be: "How did you decide that you were paying an acceptable price for this purchase?" (Christensen et al. 2007:42). An additional facet to understanding the customer jobs to do is to look at them from the perspective of their practices that influence value creation and set further requirements for a CVP. A part of this investigation is to define the overall business ecosystem and to identify the role of their customer and company.

Equipped with a profound understanding of the customer needs across different roles (see 3.3.1), building of an improved CVP with resonating focus of superior value can be initiated. The value proposition canvas should then be employed to map the identified pains and gains against the offering of the company in the form of stated pain reducers and gain creators (see 3.3.2). During the process, the CVP should be critically assessed using the 10 assessment questions tool provided. Once a focused CVP with a superior fit is created, it can be positioned in relation to competitors.

### 3.5.3 Positioning the CVP

Once a CVP with a great fit has been created, it should be analyzed with respect to the main competitors. By creating a strategy canvas (see 3.4) containing the CVP of the main competitors and the company offering, the points of parity, difference and uniqueness of the CVP are emerged. Reflecting the strategy canvas with the value proposition canvas allows further positioning the CVP in an iterative manner with focus on actual observed customer needs and unique aspects of the company offering. The outcome of this should be a well-defined strategy canvas depicting the main value curves of the main competitors and the company.

To finalize the CVP, a summarizing crystallization in the form of a compelling tagline should be formulated to associate the CVP with a clearly defined purpose, further aiding a unique positioning and guiding future development. Finally, the 3 requirements tool (see 3.4) should be used throughout the process to ensure that all fundamental aspects of positioning have been covered.

This section proposed a conceptual framework consisting of three parts with associated tools and evaluation guidelines to be used when improving a uniquely positioned customer value proposition with a resonating focus. For the purposes of this study, the conceptual framework performs two functions. First, it acts as the analytical lens through which the current CVP is analyzed in the current state analysis. And secondly, once the CSA is completed, the conceptual framework is used to build a proposal for an improved CVP.

#### 4 Current State Analysis of the CVP (Data 1)

This section analyses the current Customer Value Proposition of the case company using the three-part conceptual framework provided in 3.5. Based on this analysis, a summary of the strengths and weaknesses of the current CVP are presented together with a list of recommended actions for improvement.

The data collection for the current state analysis was collected from three main sources as described in the research design (see 2.1). 1) Interactions with the case company stakeholders. 2) Interaction with customer key stakeholders. 3) Previously existing competitor analysis documentation. The analytical tools used are those presented in the conceptual framework (see 3.5). The data source for the different parts, the data collection method, linked CVP part and analyzing tool used is illustrated below in Table 12.

Data source	Data collection methods	Linked CVP part	Analysis Tool used
Case company key stakeholders	Workshops	Core competences and Offering	Domain Mapping Matrix, DMM (Danilovic and Leisner)
Customer and case company key stakeholders	Interviews, workshops and presales meetings	Identifying Customer Needs	Value Proposition Canvas, VPC (Osterwalder et al.)
Existing competitor analysis documentation	Analysis of existing documentation	Positioning CVP Against Competitors	Strategy Canvas (Kim & Mauborgne)

Table 12. Data sources, collection methods, linked CVP part and analysis tool used.

As illustrated above, the case company core competencies and core offering (see 4.1) were discussed in a series of company internal workshops. Data for identifying the customer needs was collected from pre-sales meetings with key customer's stakeholders, an interview with a key customer stakeholder and intra-company workshops. Data on the key competitors was gathered from a previously existing internal company competitor analysis, in addition to them being discussed in the workshops, meetings and interviews discussed above.

For the workshops, an iterative method of data collection was preferred, where several sessions involving company employees in various roles were held. This method was

selected as a means of triangulation, but also to allow the involved informants to share and reflect on the findings.

Finally, a note needs to be made concerning recent changes in the customer organization, which on a practical level limited the availability of stakeholders familiar with the current offering.

#### 4.1 Analysis of Core Competences and Offering

A series of company internal workshops were organized to discuss and identify the case company core competences and the offering that those are embedded in. The purpose of these workshops was to achieve the following three goals:

- 1) To identify all relevant competences and offerings and group those under common themes and to identify possible core competences.
- 2) To evaluate the relevant strengths of the competences in relation to the industry (see Table 4 for the scale) and to order by priority within the theme.
- 3) To evaluate the importance of a specific competence for a specific offering.

Goal 1 was reached by holding two separate workshops (Workshop 1 & Workshop 2) involving multiple employees and stakeholders of the case company in order to collect multiple views. Out of these workshops, two main core competence themes and two core product themes emerged, which were further discussed and evaluated to achieve goals 2 and 3. The result of these workshops is the evaluation presented below in Table 13.

Theme	Competences held (order of perceived priority)	Relative strength in comparison to industry best practice: 1 lowest - 5 highest	Importance for core offering: 0 lowest - 3 highest	
			CP1: Holistic integration service	CP2: Managed integrations
Core 1: Profound experience of ITSM and ITSM integrations	Understanding the "big picture" of service integrations	4	3	3
	Finnish Market: Personal relationships with ITSM decision makers and understanding of the market	5	2	1
	European Markets: Personal relationships with ITSM decision makers and understanding of the market	3	3	1
	ITSM systems integrations	5	1	3
	ITSM process best practice	4	2	2
	ITSM tool development	5	2	1
	ITSM tools	3	2	1
	(ITSM) project management	3	3	1
Core 2: Deep IT skills and No Fear Development culture	"No fear attitude" towards learning new things and getting things done	5	3	3
	Flat organization, No silos, cross-organizational teamwork	4	1	2
	Full-stack development (including DevOps)	4	2	3
	Systems integrations	5	1	3
	Senior level development	4	1	2
	UI Development & Design	3	3	1
	Cloud development	3	2	3
	IT Security	3	2	2
	Java ecosystem	4	1	2
	Agile development practices	4	1	2

Table 13. Identified core competences and core offerings.

As seen from the table above, the two core competence themes contain several sub-topics that together form two thematically distinct entities, which are discussed in more detail in the following sub-section. These core competences give rise to two distinct aspects of the service that are also formed of several sub-topics. As these sub-topics of the offering are not the focus of the core competence analysis, they are omitted but are included in the appendix (Appendix 1).

### *Analysis of Core Competences*

Out of the workshop, two major themes for core competences emerged. The first core competence, listed above under the working title “profound experience of ITSM and ITSM integrations”, is the result of a long and deep personal experience in the IT service management field by several key stakeholders of the company. This knowledge incorporates itself in a profound understanding of “the big picture” of ITSM integrations (Workshop 1). More specifically, this means an understanding of the technologies, processes and managerial skills required for successful integrations. An important part of this is deep understanding of the Finnish ITSM market and personal relationships with decision-makers. This has been important in enabling sales of a radically new solution to large corporations. A recognized weakness here is the lack of similar market knowledge on the European market.

The second identified core competence bears the working title “Deep IT skills and No Fear [software service] Development culture”. This is an expression of the deep and broad skillset of software product development experience of the research & development team of the company. These cross-functional competences have allowed the development team to build and maintain a cloud based offering, which leverages readily available commodity-like cloud services without having to resort to proprietary technologies or external consultants. Simultaneously, it is an expression of a proactive culture that emphasizes a “personal commitment to quality” (Workshop 1). This culture emphasizes learning and operating outside its own comfort zone in a cross-organizational fashion in all the roles involved in ITSM integrations, articulated as a “No Fear” (Workshop 1) culture. An identified weakness in the development skills was the average level of User Interface development skills.

### *Analysis of Core Offerings*

From the workshops, two clear core offerings with strong links to the core competences emerged. The first is identified by the working title “holistic integration service”. It is best summed up as the incorporation of the “understanding of the big picture” core competence as a service that provides the necessary functionalities required in all the phases of an integration project. The second is identified with the working title “managed integrations”. This includes the more technical integration services provided by the company, where the connectivity between the systems involved in an integration is monitored proactively for errors and made highly reliable through proprietary software.

When analyzing the importance of the competences for the offering, the result of the sub-theme analysis of Workshop 4, the results indicate a general trend that is summarized on a thematic level in Table 14 below.

	Offering 1: Holistic Integration Service	Offering 2: Managed integrations
Competence theme 1: Profound experience of ITSM and ITSM integrations	Medium to High importance	Low importance
Competence theme 2: Deep IT skills and No Fear Development culture	Low to Medium importance	Medium to High importance

Table 14. Summarized importance of competence for offering.

As seen from the table above, the more technical development competence 2 is more important for the more technical offering 2. Likewise, domain competence 1 is important to the domain focused offering theme 1. This is to be expected. What is somewhat surprising however is the low importance of competence 2 for Offering 1. Though more research into the matter is needed, a conclusion that can be drawn from this is that offering 2 is only weakly bound to the ITSM domain. From a recruitment perspective, this is a positive aspect, as the talent pool of developer with ITSM background is quite limited. Furthermore, the weak binding could also be seen as a possibility of applicability of the offering in other domains too. Consequently, the weak binding should be regarded a strength.

#### *Evaluation of the Core competences*

To round up the data collection and analysis phase, the identified core competences were reflected upon using the core competence criteria evaluation tool presented in Table 3. The findings of this analysis are presented below in Table 15.



Criteria	Criteria fulfilled?
1. Does the competence harmonize streams of critical capabilities to provide competitive advantage?	<b>Yes.</b> The competences share two common themes with strong synergetic links.
2. Does the competence translate into customer perceived value?	<b>Yes.</b> The service value proposition is strongly linked to the core offerings founded on the core competences.
3. Is the competence difficult to imitate?	<b>Yes.</b> The combination of extensive ITSM domain expertise and development skills is rare and takes a long time to accumulate. Furthermore, embedding these into a software service is novel.
4. Is the competence extendable to new markets?	<b>Partially.</b> The ITSM expertise is not readily applicable outside the field. However the development expertise shows only weak links to the ITSM domain, hinting applicability in new markets.

Table 15. Critical evaluation of identified core competences.

As seen from the table above, of the criteria presented, 3 out of 4 were clearly fulfilled with the last criteria being partially fulfilled. Consequently, it can be said that the core competences identified display strong characteristics of being actual strategic core competences.

#### *Additional Findings*

In addition to the direct results of the workshops presented above, two additional key findings emerged. The first concerns the two core competences and their strong synergetic co-dependence. By themselves, profound domain experience or development skills are not that uncommon. In fact, ITSM consulting and software development are both well established businesses by themselves. What became apparent in the core competence workshops was the unique combination of these two found in the case company: domain knowledge combined with the capability of developing a viable technical service. In other words, the two core competences complement each other to together create a truly unique area of competence.

The second additional important findings were linked with difficulties in communicating the highly abstract and elusive concepts of the core competences and specifically the offering. A sentiment shared by several workshop participants was that the competences held by the company are unique in the market and that the company offering is truly innovative. However, the lack of an explicitly stated definition meant that the understanding of what constitutes the offering varies greatly from employee to employee (Workshop 6). As a result, this identified lack of a shared vision and language resulted

in the decision to further process the core offerings identified in the CSA. Furthermore, the definitions given were considered as working titles. For example, “holistic” was perceived as a descriptive, but foreign term to the industry that needed thus to be replaced with an easily understood and marketable definition. Consequently, visualizing and concretizing the offering was identified as a required action in the proposal building phase. In addition, the identified core competences need to be shared throughout the case company organization (see 3.2)

#### 4.2 Analysis of Customer Needs and CVP

The selected IT service provider customer segment chosen for this study is a new customer segment for the company. Business-wise, the segment is highly interesting, but because it differs from the existing customer segments, the existing value propositions are not applicable as such. Consequently, a CVP which is built to meet the needs of the service provider segment is required and is the topic of this study.

To enable building a CVP based on real customer needs, an existing customer relationship was selected as the case to target while building the improved CVP. The Service Provider chosen is a large IT service provider with a strong presence in the same geographical regions where the case company is operating. The case company customer relationship with the service provider has emerged through mutual customers. These customers have used the integration service to integrate with the service provider’s enterprise solution as part of buying services from the vendor. Out of this mutual interest, a business opportunity was recognized for using the integration service to provide a standardized way to integrate with the service provider. At the time of writing, this business relationship is formalized contractually and new integrations have been created using a model based on monthly subscription fees. For the subscription fee, the customers of the service provider can use the integration service of the case company to integrate their systems with that of the service provider and its subcontractors relevant to the customer.

Though the case company service had, prior to this study, already proved to be of value to the customer organization and communicated in many forms, no stated CVP’s existed. Consequently, the starting for building an improved CVP was to gather the current understanding of the CVP and express it more formally using the value proposition canvas (see 3.3.2). To gain a broad understanding of the current CVP, the topic was approached from two very different perspectives. First, to look at the offering

based on the needs of a very specific role already familiar with the offering through personal usage experience. Second, to view the offering based on the needs of an entire organizational unit that has limited familiarity of the offering. The data for this was gathered in individual interviews, workshops and pre-sales meetings.

#### *Value Proposition Canvas for Service Provider Integration Architects*

For building the first VPC, a very specific role was selected. The integration architect is typically a technical consultant who participates in decision-making as a technical expert. For the case company, a good relationship with integration architects and similar roles has proven a valuable source of mutually beneficial information exchange concerning the technical and process requirements for integrations.

To gain insight into the customer needs of an integration architect, an individual interview was conducted (Interview 1). One identified strength and the most important finding of this interview was an expressed overall high satisfaction with the service, with speed and functionalities being especially mentioned. To exemplify, when asked to specify what the benefits of the current service are, an integration architect informant replied by stating that: “The service is essentially all about benefits” (Interview 1). Moreover, when asked for alternative solutions, no competing solutions were recognized. An interesting point that has previously given rise to discussion is the fixed pricing model of the service. Somewhat surprisingly, though not catering to the small customers, the fixed model was seen positively as its unambiguousness brings clarity. On the weaknesses side, the current selection of supported processes was seen as narrow.

To understand the integration architect customer profile, data from the company internal workshop (Workshop 3) was merged with topics discussed in Interview 1 to produce a value proposition canvas depicting the current CVP from an integration architect’s perspective. The canvas is provided below as Figure 8.

## ITSM Integration Architect, combined

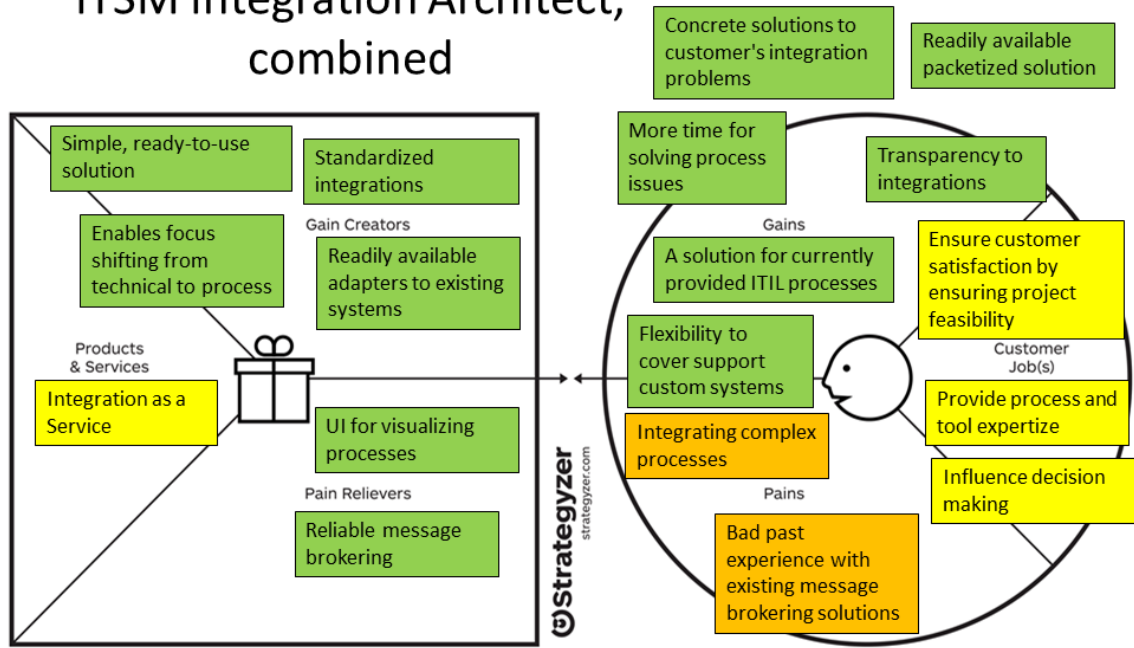


Figure 8. Integration architect value proposition canvas.

As seen from the figure above, the jobs of the integration architect profile are very practices-oriented, which should be seen as signal of a deep understanding of the role. The overall focus of the integration architect VPC is on customer gains, to which numerous gain creators are proposed with a strong fit as a result. This should be regarded as strength in two key aspects. First, both pains are by nature risks that prevent getting the job done. Thus, providing a pain reliever to these does not propose to add significant values beside a perceived lowered risk. Consequently, the added value is to be found in the gains and as a VPC focused on gain creating. The one presented above proposes high added value for the customer. Second, as the VPC stems from mutual familiarity of the customer needs and the actual potential of the service, a high focus on gains can be seen as a sign of a resonating focus type of CVP.

### *Value Proposition Canvas for the IT Service Provider Corporation*

To gain a broader perspective on the needs of the service provider and to balance the very specific canvas of the integration architect, a value proposition canvas was created for the entire corporation. The initial canvas was created in Workshop 4 based on discussions concerning how the offering had been perceived by senior management of the service provider organization in previous meetings. This was complemented by the findings of Pre-sales meeting 1 and Pre-sales meeting 2. The resulting canvas is presented below in Figure 9.

## IT Service Provider Corporation

### Type: Economic Buyers, Decision Makers

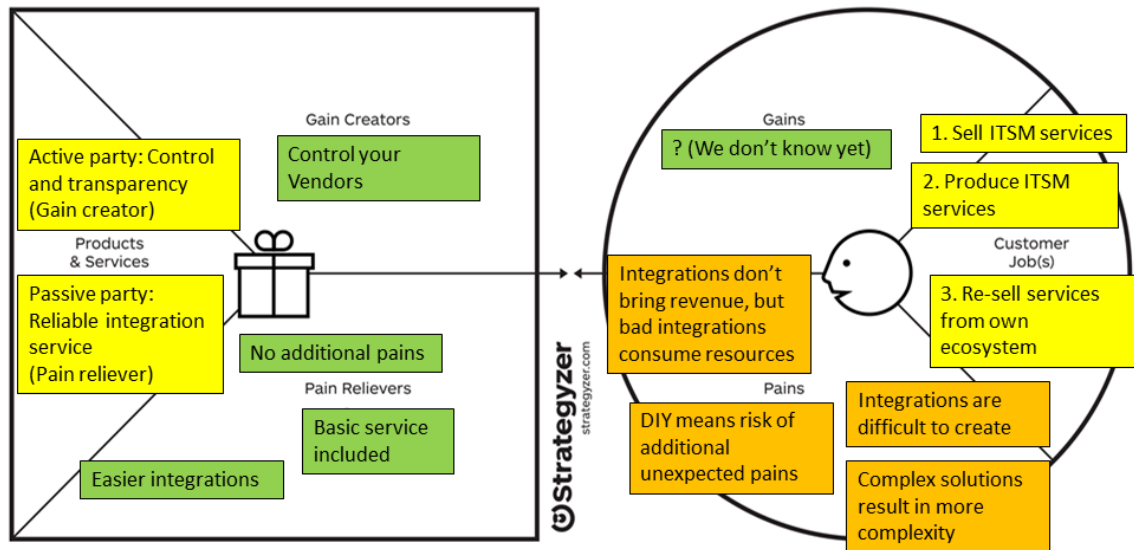


Figure 9. IT service provider value proposition canvas.

As seen from the figure above, the focus of the canvas is predominantly on the pain relievers. In fact, on the very abstract perspective taken, no immediate customer gains could be identified for which value adding gain creators could be proposed. Furthermore, the jobs identified are on an abstract level with very little ties to actual practices.

The overall sentiment was that from the perspective of the current jobs of the service provider, integrations are a contractually obligated must with very little additional value. This was aptly expressed by a service management executive in the service provider organization: "Integrations are a crucial thing that we have to do, though not a significant revenue bringer" (Pre-sales meeting 1). Consequently, the main pains to solve with integrations are concerned with minimizing the risks inherent to custom software project. Or, as summed up by a service management executive, "The key point is that integrations are not a risk factor" (Pre-sales meeting 1). On a practical level this line of thinking places integrations in a very technical and minimal solution-driven category with a focus on minimizing pains. Consequently, the frame of mind is not to see integrations as a source of additional value-adding gains. As a result, the initial reaction of the service provider representatives is to compare the offered service head-to-head with purely technical solutions that provide similar functionality, but lack the additional service elements. An immediate weakness then in the current CVP from a service provider's perspective is that the additional gains of the service offering are not immediate-

ly apparent. Consequently, a deeper understanding of the jobs to do and the practices involved, pains and gains of the service provider profile is needed.

#### *Evaluation of the Current CVP*

The case company current tagline is stated as “SaaS for Service Integration” (Service-Flow.com 2015). Though quite abstract, the tagline has merit in that it associates the company with its offering, service integrations. Investigating how the current tagline is perceived by customers is beyond the scope of this study. However, a question to consider when building the improve CVP proposal is whether the current tagline resonates with the service provider sphere and their needs or if a more specific tagline is required.

When considering the ecosystem in which the service provider operates, both current value proposition canvases have a focus on a simple service buyer to service provider customer relationship model. However, the service provision chain can consist of several actors, including subcontractors, device vendors and external service providers. Consequently, understanding the role of other parties in the ecosystem beside the immediate customer could yield potential pains or gains.

To summarize, when viewed from the hands-on perspective of personnel already familiar with the integration service, the current CVP appears very attractive with resulting high customer satisfaction. When taking the perspective of the service provider organization, perception of the current CVP changes quite substantially. Here, the view is clearly shifted towards a more traditional view of integrations as contractually obligated technical solutions. In this light, the potential of integrations to be the source of additional value bringing gain creators is not obvious. Indeed, the main weakness identified is the overall lack of understanding of the service provider needs, specifically the expected gains. Thus, the recommended action for the proposal building phase is gaining a deeper understanding of the service provider profile. A practical way to proceed that emerged during Workshop 8 was to hold a co-creative workshop for creating the service provider profile with the service provider stakeholders.

Finally, an important finding that emerged during the study was that through the multitude of the roles affected by integrations within the service provider organization is broad and not fully understood by the case company. As an example, the organization has service managers who are responsible for providing responsive services within

contractually defined service level agreements (SLA). If connectivity to customer systems is lost, this has a direct effect on end user service. Thus, being informed of connectivity issues is vital to service managers. Consequently, when discussing additional gains for the service provider as a whole, identifying key stakeholder groups is of essence (Workshop 8).

#### 4.3 Analysis of CVP Positioning

To gain an understanding of the competitive positioning of the integration service in relation to the main competitors in the market, previously existing company internal documentation was analyzed. Based on this, a strategy canvas comparing the main points of parity, differentiation and uniqueness in the offerings was produced. Taking a broader view, the integration service has two main types of competitors: 1) Pure technological solutions in the form of integrations platforms which provide a rich toolset for creating systems integrations. 2) Custom software projects implemented by a consultancy. The offerings of said were analyzed on nine competing factors, based on which the strategy canvas presented below in Figure 10 was created.

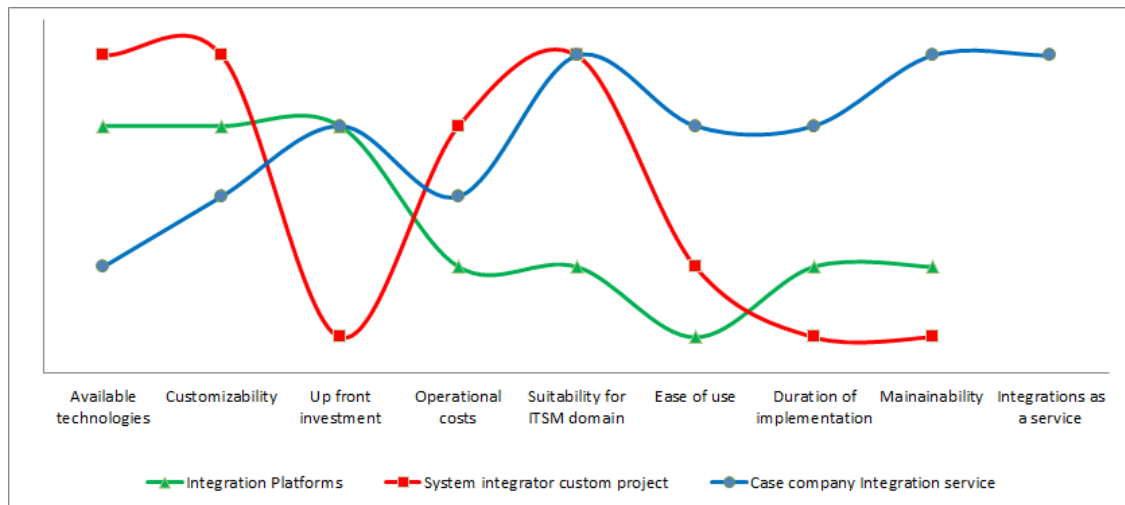


Figure 10. Strategy canvas of main competitors.

As seen from the figure above, the three competitive offerings focus of different areas of the competitive field. Integration platforms that provide a wide range of functionalities have the strength of technically being able to fulfill all customer needs. However, this is counterbalanced by the complex and technology-driven results where the business problem is not in focus. Furthermore, the use of integration platforms requires system-specific competence which is not always readily available in the organization. Custom projects are typically implemented by smaller domain consultancies to support their

consultancy business. Consequently, the strength of these is strong domain expertise with business-oriented integration projects as results. However, the end result is often highly customized to the needs of a specific customer using proprietary techniques. This results in high up-front investments, long project durations and unmaintainable integrations. The integration service of the case company is built targeted at solving specific types of integration needs within the IT service management domain. Consequently, the service does not offer the flexibility or customizability of integration platforms or customer projects. However, the integration service aims to provide fast-to-implement and maintainable integrations. Additionally, a unique point of differentiation is that the integrations are provided as a service, with no additional resources required to ensure continuous operations.

It should be noted that in addition to the general types of competitors, more specific products exist that fall outside the two categories presented. However, the two categories of competitors presented are the ones which many customers have previously used and against which the company offering has previously been compared. Consequently, the competitors presented are from the customer's perspective the relevant ones.

During the analysis of the current CVP for the service provider, a complementing finding emerged. Integrations are by no means new to the service provider. Previously, integrations have been implemented internally by a specific part of the service provider organization, hereafter referred to as the *integrations department*. Here, integration platforms have been employed to produce an internal integration service for the organization. However, within the integrations department, the integration service provided by the case company has also been used for in parallel over a year and is seen as a superior approach with no recognized alternatives (Interview 1). However, from a business perspective, continuing implementing integrations internally is seen as a potential alternative. Consequently, from the perspective of the service provider, the main competitor for the service is the service provider organization itself. As doing-it-yourself is not an offering available in the market, the strengths and weaknesses of it are highly contextual, making a comparison speculative. For the purposes of the current state analysis, a superficial strategy canvas of the integration service and the integrations department was created and is presented in Figure 11 below.



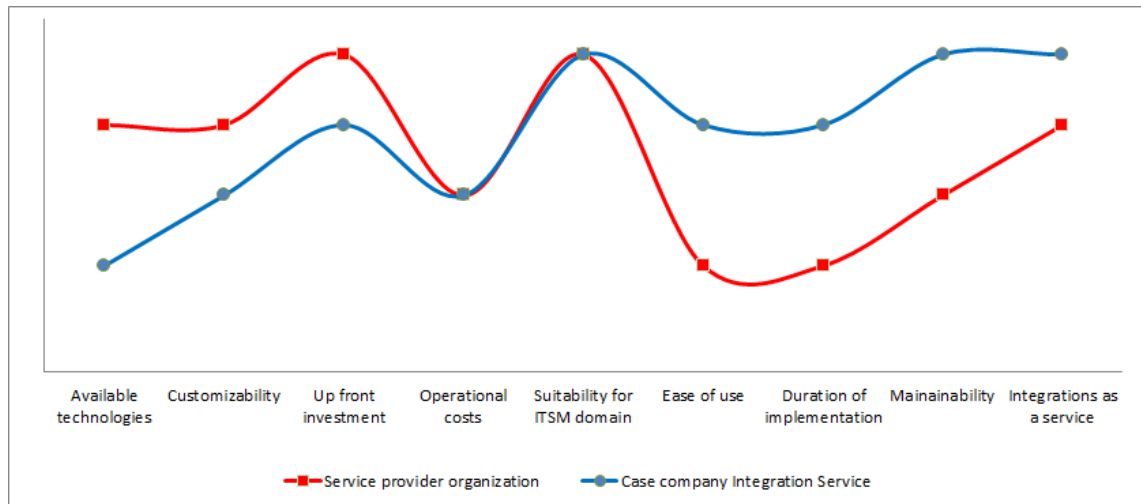


Figure 11. Service provider organization and integration service strategy canvas.

As illustrated above, the integration provided by the integrations department combine elements from both integration platforms and custom projects. A point worth noting is that cost-wise, the initial sink cost of creating a company specific solution can be disregarded from calculations. Furthermore, in contrast with competing offerings in the market, the integrations department does in fact provide integrations as a service. However, the time duration of implementations is long and maintaining the current integrations competes for resources needed to create new ones. As noted above, the strategy canvas presented above is superficial and built on knowledge obtained on previous discussions. Consequently, for a well-grounded positioning in the proposal building phase further research on the needs and capabilities of the service provider are warranted. In practical terms, the competing factors should have a strong correlation with the CVP.

When evaluating the positioning using the 3 requirements of Kotler and Keller (see 3.4), the following can be noted. The target market and relevant competitors are well known. Some points of parity and difference have been identified, though further work is required to ensure that the most optimal ones have been focused on. A tagline exists, but its suitability for the service provider CVP needs to be evaluated. To summarize, the integration service is positioned competitively and has a unique point of differentiation. However, whether the current positioning is optimal from the perspective of the service provider cannot be determined yet due to lack of knowledge.

#### 4.4 Summary of the Findings of the Current State Analysis

Based on the findings of the current state analysis, it can be concluded that the integration service of the case company is of value to customers in a way which is unique in

the market. However, this uniqueness is also its most prominent shortcoming in that unfamiliarity with the uniquely valuable qualities of the integration service means it is easily compared to previously existing technical solutions. As the service is in fact consciously limited in some aspects to facilitate simplicity, a direct comparison with them can put the integration service in an unfavorable position. Consequently, work still remains for the proposal building part to improve the CVP to communicate in a resonating-creating fashion.

Below is a listing of the identified strengths and weaknesses of current CVP divided into the three constituent parts of a CVP defined in the conceptual framework (see 3.5). In addition to this, associated actions are recommended for the proposal building phase. The aforementioned can be found in Table 16 below.

CVP part	Strengths	Weaknesses	Suggested Actions
<b>Core competences</b>	Two core competences identified: 1: Profound experience of ITSM and ITSM integrations 2: Deep IT skills and No Fear Development culture	Competence gaps identified: 1: Average market knowledge of the European market. 2: Average level of User Interface development skills.	Create action plan for closing competence gaps.  Share the core competences internally to aid in alignment with CVP.
<b>Current CVP and Customer needs</b>	2 Core offerings discovered: 1: Holistic Integration Service 2: Managed integrations  For current users, the service is focused on gain creation.  Unambiguous pricing model.  Current users: overall high satisfaction with the service: "The service is essentially all about benefits"	The current offering is very abstract and lacks a clearly stated shared definition.  For service Providers, the service is mainly perceived as a pain reliever  Pricing model does not cater to small customers.  The current selection of supported processes was seen as narrow.  Service Provider: "Integrations are a crucial thing that we have to do, though not a significant revenue bringer"	Visualize and concretize the offering. Consider formulating a crystallizing tagline for the service provider CVP  Co-create a service provider customer profile. Identify all key stakeholder groups. Understand the practices involved in the jobs to do.
<b>Positioning</b>	Integration service is strongly positioned.  Integration as a service is a unique competing factor when compared with the market.	Unclear positioning in relation to integrations department.	Position the service against the service provider internal organization. Identify main important competing factors relevant to the service provider.

Table 16. Summary of strengths and weaknesses of the current CVP and suggested actions for the proposal building stage.

As seen from the table above, the areas of improvement are unequally distributed over the CVP parts. To facilitate a more focused proposal building, the findings of the CVP were further analyzed to find the main themes and make recommendations on a

course of action to improve upon them. From this analysis, two main themes emerged, which are discussed below.

The first theme that emerged was that the abstract nature of the integration service and its content combined with a lack of formal definitions makes sharing a common understanding of the integration service difficult. A shared sentiment is that most employees have an idea of what the integration service is about and why it is so unique. At the same time everyone has their own kind of vision of what this means on a practical level. Internally for the case company, this lack of alignment poses a risk of wasting resources on activities not in line with the core vision of the integration service. Externally, a lack of a good crystallized definition causes difficulties in communicating the core idea and unique CVP to the market outside direct personal contacts: “The message gets through when we get to meet people” (Workshop 8). To improve the situation and create internal alignment aiding marketing communication, the first recommendation is to create a crystallizing *conceptualized visualization* of the integration service. This should be done as a co-creative process, with the involvement of as many of the company employees as possible to facilitate knowledge sharing and to get buy-in. When building the proposal for the improved service provider CVP, a crystallizing tagline should be created and reflected against the conceptualized visualization to further strengthen a holistic view.

The second theme that emerges was that the current CVP is very focused on the service buyer and value adding partner customer segments. This means that the needs of the service provider segment are not fully understood. It should be noted that this realization in fact had such a profound effect on this study, that the objective of the research was focused as a result of the findings of the CSA (Workshop 8). Previously, the object was to create a CVP for the wider service provider segment. But the CSA revealed a lack of understanding of the core jobs and expected gains of a service provider as well as the role of the service provider as a competitor. This means that a deeper understanding of a specific provider is needed before making conclusions concerning the larger group it represents. The recommended course of action is to improve the service provider CVP in two parts. First, to hold a co-creative workshop for creating a value proposition canvas for the service provider, thus explicitly stating the most important jobs, pains and gains. This co-creative effort should be focused primarily on gaining an understanding of the customer profile and the multitude of stakeholder roles involved. It should be also seen as an opportunity to get feedback on the offering. Sec-

ond, the integration service CVP should be positioned in relation to the service provider organization itself based on the most important areas identified in the customer profile.

Finally, the CSA resulted in a number of identified areas of improvements not all strictly related to the specific CVP to be built, but relevant to the larger topic of CVP's. In addition, not all the improvements can be completed or even started as part of this study, but are given as recommendations for further course of action. The two main themes for areas of improvement and the recommended actions are summarized below in Figure 12.

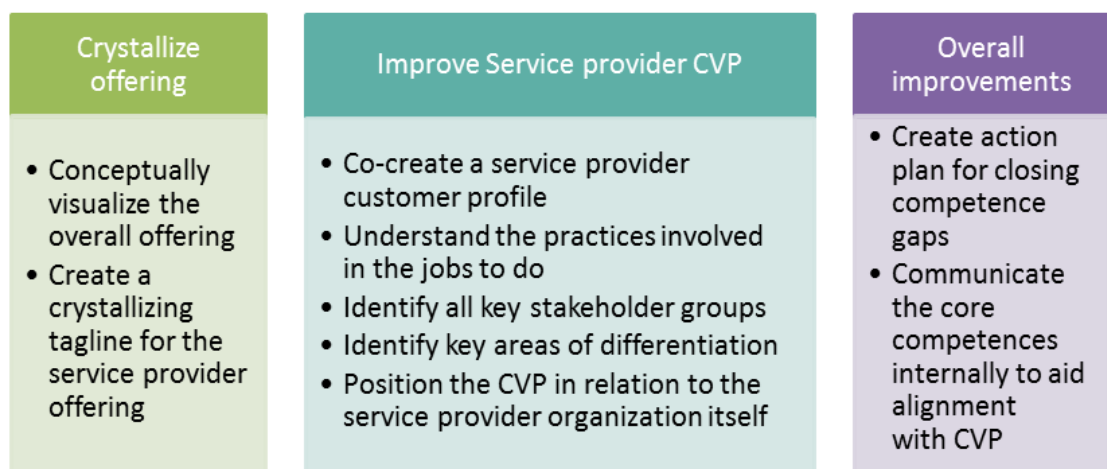


Figure 12. Main areas of actions suggested for proposal building.

As seen from the figure above, the main focus of the required actions identified in the CSA are related to the CVP being built for the service provider. However, crystallizing the offering has a key role in creating internal alignment, which is required when targeting a unique CVP.

This section analyzed the current state of the case company CVP by gathering data on the CVP in accordance with the research design and analyzing them using the tools presented in the conceptual framework. Finally, the strength and weaknesses of the current CVP were presented along with recommendations for actions to aid in building an improved CVP in the proposal building stage.

## 5 Building an Improved CVP Proposal (Data 2)

This section uses the conceptual framework (3.5) and findings of the current state analysis (4.4) to build an improved CVP for the service provider customer.

Data for the proposal building phase was collected from three main sources. First, improvement suggestions that emerged during the CSA (Data 1) were used where applicable. Second, data for crystallizing the offering was gathered from case company internal workshops. Third, data for improving the CVP for the service provider was gathered in co-creatively with stakeholders from the service provider organization and in case company internal workshops. The analytical tools used were the Value Proposition Canvas and Strategy Map (see 3.5).

### 5.1 Improving the Offering Visualizing

The need to crystallize the offering to facilitate marketing the CVP emerged during the CSA: "The message gets through when we get to meet people" (Workshop 8). This complements the need for an internal alignment and clarification that emerged during the CSA (4.4). Accordingly, a crystallization of the offering to meet the internal and external alignment and marketing needs was one of the main topics of the proposal building phase and is discussed next.

During the core competence workshops of the CSA, a draft for the visualization of the offering emerged as the result of discussions and whiteboard sketching (Workshop 6). This idea was further discussed in Workshop 7. The resulting the core idea was to visually capture the fundamental dimensions of integration projects and reflect them with the solution proposed by the integration service. The industry standard scope-schedule-resources project management triangle model was used as the conceptual basis for the visualization.

At its core, integration projects are brought forth by a business requirement for a change in service provided. Typically, this is achieved through technical systems integrations aligned with ITSM process integrations, either by creating new integrations or improving existing ones. Based on the discussion, service integration projects were reduced to *two fundamental drivers*. 1) As a rule, the projects have given deadlines,

giving rise to a *time dimension*. 2) The desired end result of the integration project is improved service, expressed as the *added business value dimension*. Combined, the two drivers can be expressed as a two-dimensional system like the one in Figure 13.

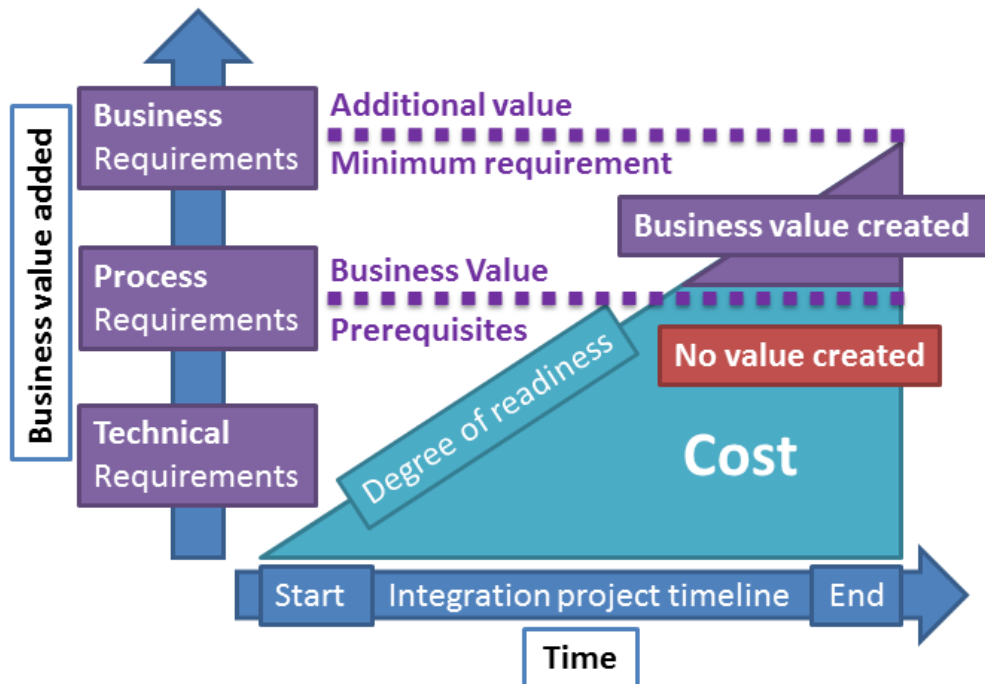


Figure 13. Integration project main drivers – schedule and business requirements.

As seen from the figure above, the basic assumption of integration projects is that the expected business value is delivered once a predefined minimum degree of readiness has been reached. In practice, this means the project has a fixed scope. Moreover, as the structures of the organizations involved often are predefined, the effect on the project is that of fixed resources. Consequently, integration project typically have a rigidly fixed scope, near-fixed resources and an aspirational schedule

Before any business value can be created by the project, a number of technical and process prerequisites that need to be satisfied. As a practical example, procuring servers, negotiating a project contracts and obtaining the latest process descriptions are mandatory steps in the project that contribute no additional business value. These prerequisites however, introduce risks in the form of accumulating delays. As the scope and resources are fixed, delays encountered during the project are accumulated and postpone the completion of the project. For example, a delay in the start will mean that on the anticipated end date, the desired business requirements have not been fulfilled, as illustrated in Figure 14.

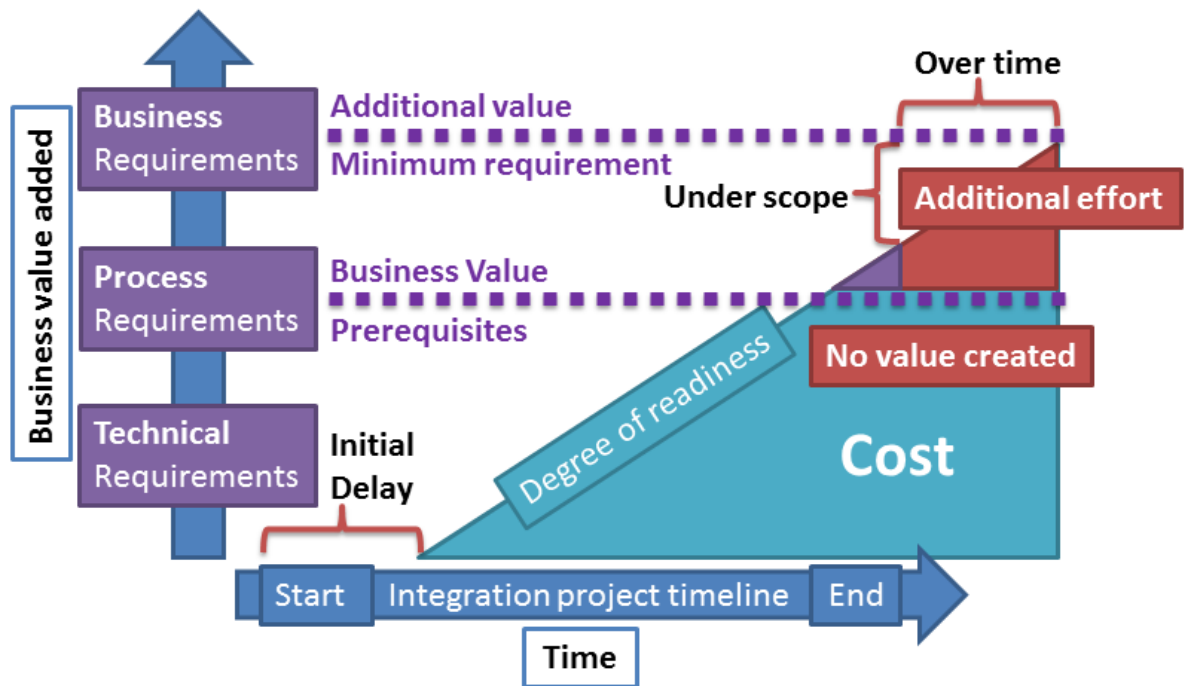


Figure 14. Integration project over time - under scope.

As seen from the figure above, once a deadline is reached but the desired minimal end result is not, the decision on how to proceed needs to be made. The alternatives are to either accept that less than the desired business requirements were fulfilled (under scope) or to invest additional efforts in continuing the project over the original schedule (over time). As under scope is seldom an option for fixed scope projects, the alternative left is to accept the delay with possible additional costs incurred. The cost factors of projects vary greatly, but for illustrative purposes they can be reduced to be the result of time spent and effort needed to fulfill the desired requirements. Consequently, the longer a project runs and the more requirements there are, the higher the *cost* and the smaller the amount of the resources used to create additional business value.

To summarize, the fundamental components of the integration service visualization expresses the three aspects of the project management triangle in a way that emphasizes the time and business value of integration projects. The model emphasizes the proportionally small amount of resources used contributing to business value when compared to mandatory prerequisites. Moreover, the model underlines the cost of delays in fixed-scope projects. With this model, the two core offerings identified in the CSA (see 4.1) find a natural place in the schedule and business requirements driven model introduced above. It should be noted that during the process, the “holistic integrations” core offering was renamed to a more general description: tools and best prac-



tice for integrating processes. The resulting visualization of a project delivered using the core offerings of the integration service is illustrated below in Figure 15.

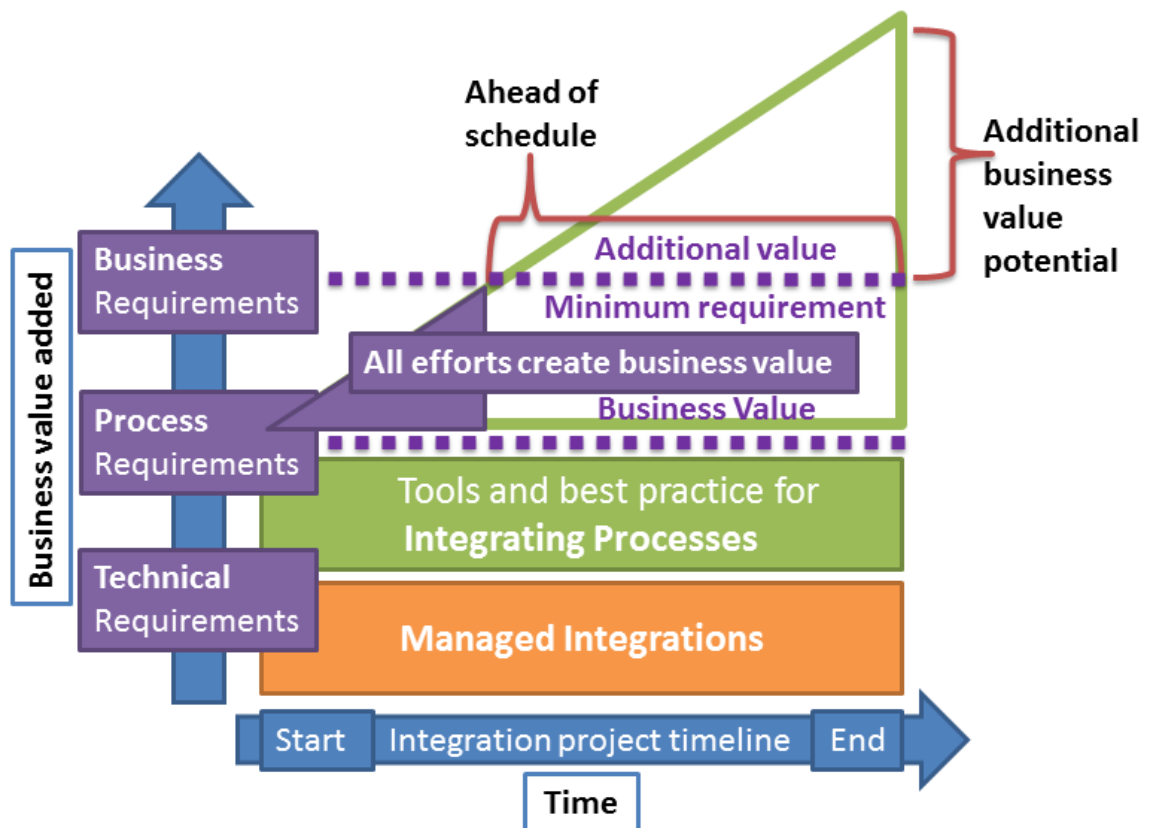


Figure 15. Integration service visualization.

As can be seen from the illustration above, the integration service provides ready-made solutions for the prerequisites to both the technical and process requirements of the integration project. Thus, the integration service eliminates a substantial portion of non-business value-adding effort from the project, allowing all efforts to be focused on creating business value. As a result, the time to reach the desired end result is significantly shortened. Consequently, the cost is also significantly decreased. Furthermore, by reaching the desired scope ahead of schedule, the integration service enables a larger portion of the project time budget to creating additional business value.

It should be noted that during the proposal building discussions, ideas for additional perspectives to the offering visualization emerged based on the known challenges of specific customers segments. This reinforced the notion that the visualization presented above provides a toolbox for fine-tuning the message based for specific needs, making it usable in a wider audience.

The visualization of the offering presented above can be reflected against the value innovation concept (see 3.3.3). At the core of a value innovation is the notion of an offering that proposes both a reduction in price and an increase in buyer value. This is very much in line with the visualization, where the main benefits focused on are significant cost savings and high added value potential. Though a conceptual visualization does not equal perception of the offering in the market, the strong value innovation indicators should be seen as a positive sign of a unique offering.

Having established a crystallized way to market the value potential of the core offerings both internally and externally, allows a new depth in fitting the customer needs using a CVP. Accordingly, the co-creative building of an improved CVP is discussed next.

## 5.2 Co-creatively Improving the CVP

The object of this study was to create an improved CVP for the service provider. The current state analysis resulted in a number of proposed actions for improving the CVP (see 4.4). Among these, the need to gain a deeper understanding of the needs service provider was one of the most urgent. As a method to achieve this, the CSA suggested holding a co-creating workshop with the service provider. The resulting Workshop 10 was held to gain a deeper understanding of the customer profile. This was complemented with case company internal workshops (Workshop 8 and Workshop 9) and findings from previous interviews.

A key finding that emerged during the CSA, and which was highlighted during the proposal building phase, was the lack of offerings directed for service providers. This lack had previously been identified, bringing forth the need for this study. However, a surprising finding was to note a degree of unaccustomedness at the service provider side to act as a service buyer. This aspect was to some degree accentuated by the recent changes in key stakeholder roles at the service provider, resulting in a transfer of tacit knowledge still in progress. Consequently, the main challenge that emerged when building the proposal was gaining a profound enough understanding of the customer needs. To compensate for this, the proposal building phase used the data gathered in the CSA as well as relying on the experience of case company employees.

### *Co-creating a Service Provider Customer Profile*

Building the improved CVP focused on addressing the weaknesses discovered in the CSA using the actions presented (see 4.4). As crystallizing the offering is discussed

separately, this section focuses on improving the CVP by addressing identified weaknesses and gaining a deeper understanding of the customer main needs.

To go into detail with the customer needs, a co-creative workshop focused on expressing the customer needs using the value proposition canvas was arranged. Here, the jobs of offering standardized solutions and additional value-adding services were the key findings (Workshop 10). These jobs are focused on ensuring customer satisfaction by living up to customer requirements while at the same working for a more standardized approach for all customers. The key success factors in accomplishing this seemingly contradictory goal, is to utilize expert consultants. The role of the experts is to evaluate and align the requirements, then to use the technical solutions available to implement the requirements in a simple and robust manner. Additionally, the services offered by the service provider are built around the ITIL framework. This has direct implications on the processes, practices and organization of the service provider. Finally, the job of ensuring customer satisfaction needs to be mentioned as an overarching goal that permeates the more specific jobs.

An interesting discovery that emerged concerning the role of the service provider in the larger business ecosystem was that a division between service buyers and providers are only possible in narrow contexts (Workshop 9). From a larger service provision perspective, any service provider relies heavily on the service of subcontractors and value adding partners in their service provision chain (Workshop 4). Consequently, the business ecosystem is one of where the service provider has a role bearing resemblance to a keystone company, though a heavy interdependence on niche companies makes the case less than clear-cut. Overall, the defining factor of the business ecosystem affecting all actors is a need for mutually beneficial cooperation.

#### *Creating an Improved Value Proposition Canvas*

Based on the workshops held, the value proposition canvases created in the CSA (see 4.2) were synthesized with the findings of the proposal building stage to form a single improved service provider canvas. The canvas contains the most important identified customer jobs, pain and gains, to which the pain relievers and gain creators founded on the crystallized offering was fitted. To express the fit visually, the pains and gains were thematically grouped based on similarity and then fitted to the corresponding pain relievers and gain creators. The resulting value proposition canvas is presented below in Figure 16.

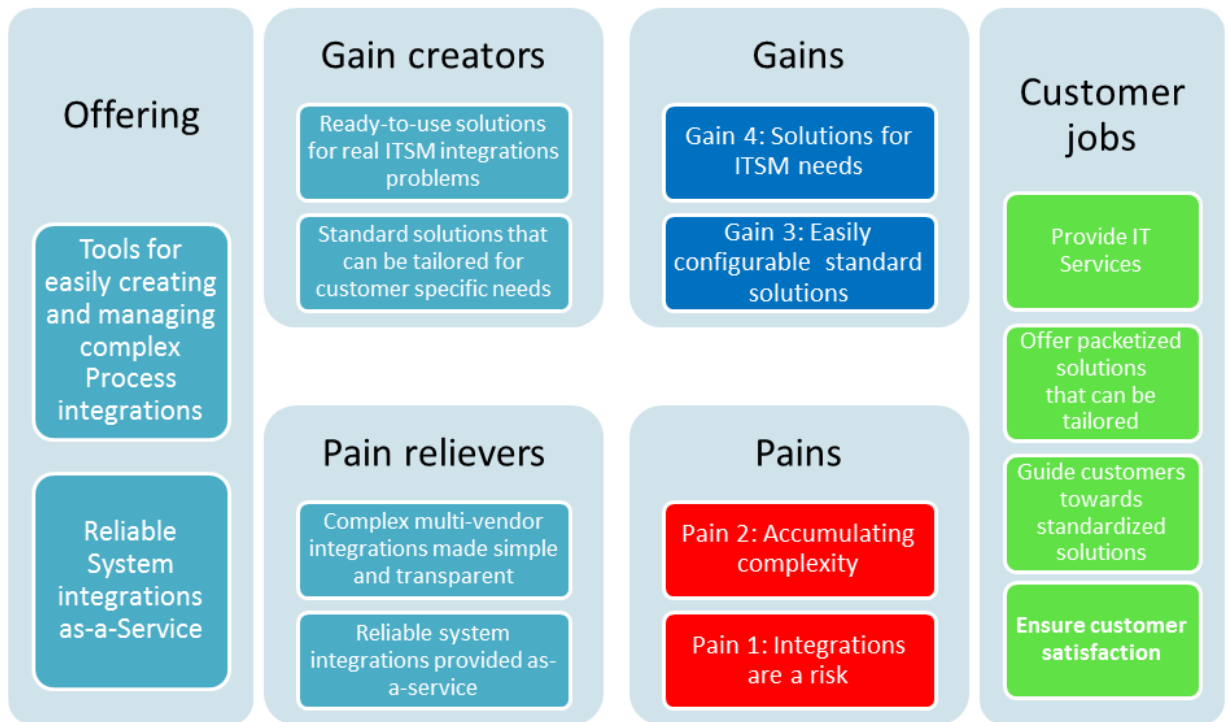


Figure 16. Improved service provider value proposition canvas.

As can be seen from the canvas above, four *themes of fit*, emerged and are discussed in detail below.

#### *Pain 1: Integrations are a Risk*

The first theme of fit emerging from the integration provider canvas is a pain associated with integrations implemented case-by-case as the result of contractual obligations with no higher expectations than getting them done. These integrations are not a source of significant revenue or additional value. Instead, they are regarded by the service provider from the perspective of potential risks to be managed. Collectively, these pains are grouped under the *integrations are a risk* pain. The three main categories of risks associated with such integrations are: A) Time related risks of not being able to deliver integrations in the time promised due to lack of resources, unexpected complexity or over optimistic planning. B) Maintenance related risks of building case specific solutions, which are resource-intensive to maintain and further develop, or which are not aligned with the overall IT strategy of the service provider. C) Quality related risks of delivering integrations which endanger the quality of the service the integrations enable.

When actualized, quality risks can result in monetary loss in the form penalties and customer relationship losses as the result of giving service of less-than-expect quality. This expectation for a pain reliever was best summed up by a service management executive: "The key point is that integrations are not a risk factor" (Pre-sales meeting 1). The offering proposed as the pain reliever is, in essence, one of the two core offerings (5.1) included in the integration service: *scalable and reliable system integrations provided as-a-service*. By providing readily a scalable solution with ready-to-use components, the schedule risk is greatly reduced by reducing the time of implementation. By being offered as a service, the maintenance burden is in effect shifted to the integration service provider. Finally, by offering a continually developing service backed up by a service level agreement (SLA), the quality risk is turned into a contractually matter. The reliable system integration provided as-a-service model is a very good fit one of two the main service provider pains. By reducing risk and freeing up resource for more valuable work, it allows the service provider to focus on its core jobs.

#### *Pain 2: Accumulating Complexity*

The second theme of fit that emerged from the canvas is closely related to the first one, but with a focus on the process dimension of integrations. It is the pain of attempting to solve complex process related integrations, with limited resources in a technically-oriented manner. More specifically, customer-specific process logic is implemented as part of the system-integration logic of integrations. Over time, as new requirements emerge and the logic is altered, the overall complexity and customer-specificity of the integrations increases. As a result, the overall complexity and maintenance burden of these types of integration tend to accumulate over time. This causes increased costs and risks as well as forming a barrier for further service improvement. This problem is accentuated further in multi-vendor settings, where several service providers are integrated into one service provision chain.

Typically, all providers have their own requirements and schedules that need to be taken into account in change management, further increasing the complexity. The pain reliever proposed by the integration service to the pain of *accumulating complexity* is *complex multi-vendor integrations made simple and transparent*. This means including tools which bring transparency and easy configurability to the process level of integration. By allowing individual process integrations to be improved individually, the management and improvement of complex multi-vendor integrations can be greatly simplified. In addition to enabling managing complexity, this enables continuous service im-

provement. By thus enabling the service provider to easily handle also large and complex integrations, the complex multi-vendor integrations are made simple and transparent

#### *Gain 1: Easily Configurable Standard Solutions*

The third identified theme of fit is a group of expected gains that can be called *easily configurable standard solutions*. This gain is directly related to the central jobs of offering standardized solutions to customers, but allowing them to be customized when needed. Part of accomplishing this is for the service provider to employ consultants capable of evaluating and solving the needs using the standardized solutions offered. However, if customization is needed, it must be possible to accomplish it with the same ease and low effort as the standard solutions. The gain creator proposed here is a derivative of the two core offerings, with an emphasis on the ready-to-use technologies for connecting various systems: *standard solutions easily tailored for customer specific needs*. A recognized related shortcoming is the degree of readiness relating to supporting different processes across different tools (Workshop 10). The unfitted gain of *highly productized and packetized solutions* is one where the focus is not on the technical capabilities of the integration service. Rather, packetization in this context is a matter of providing sufficient documentation for performing standard integrations autonomously. As an area of improvement for the easily configurable standard solutions fit theme, it is well worth exploring more and is given as a recommendation for further exploration (see Table 21).

#### *Gain 2: Solutions for ITSM Needs*

The fourth and final theme of fit is an expected gain group under the name *solutions for ITSM needs*. The service buyer customers of the service provider express very practice-oriented requirements relating to ITSM integrations. Thus, any solution used to solve these needs to be built with the business domain in mind. For many general integration solutions, adaptation to the business domain is where the general solutions fall short. By requiring additional domain expertise to be able to provide domain specific solutions, these platforms rarely manage to provide satisfying solutions without significant effort (Interview 1). The gain creator proposed by the integration service is *ready-to-use solutions for real ITSM integrations problems*. This gain creator is directly related to one of the core competences of the case company, profound experience of ITSM and ITSM integrations. By being embedded in the integration service, this core compe-

tence is a direct fit to the customer need. Additionally, it provides a degree of uniqueness among competing offering.

To summarize, the improved value proposition canvas identified four main themes of fit where an identified customer need can be satisfied with the current offering. The customer needs and corresponding value proposition and perceived fit are presented below in Table 17.

Customer need	Value Propositions	Fit
Pain 1: Integrations are a risk	Reliable system integrations provided as-a-service	High
Pain 2: Accumulating complexity	Complex multi-vendor integrations made simple and transparent	High
Gain 3: Easily configurable standard solutions	Standard solutions easily tailored for customer specific needs	Medium
Gain 4: Solutions for ITSM needs	Ready-to-use solutions for real ITSM integrations problems	High

Table 17. 4 main customer needs and value propositions.

As can be from the table above, three out of four value propositions pose a high fit, making them prime candidates for competing factors. In its current shape, standard solutions easily tailored for customer specific needs already proposes significant value, but stands out from the rest with having a known shortcoming.

To express the themes of fit in a competitive manner, they need to be put in a market context and be positioned against main rival offering, the service provider organization.

### 5.3 Uniquely Positioning the CVP

As discovered in the CSA, the main competitor of the integration service in the context of the service provider is the service provider organization itself (see 4.3). Consequently, the positioning was done only in relation to the service provider to get a strong correlation with the CVP (see 4.3). Positioning was done using the strategy canvas tool. The starting point for building the improved positioning was the canvas created during the CSA. This was adjusted to match the improved CVP. As a result, many of the more general competing factors were replaced in favor ones derived from the customer needs. One particular competing factor that was removed and deserves mentioning is up front investment. As noted in 4.3, a service provider can be assumed to have made substantial up-front investments in order to be able to create service integrations. How-

ever, from the current time perspective a new integration project, they represent a sink cost to the organization that is not strictly related to the costs generated by the customer specific integration project at hand. Consequently, a comparison of the up-front factor is not relevant and the remaining cost factor is the operational costs. Finally, the visualization of the canvas was improved by making the offering levels clear using a one to three star rating. In addition, the three areas of positioning: parity, difference and uniqueness, were emphasized by grouping the competing factors in rising order of uniqueness from left to right. The resulting strategy canvas is presented below in Figure 17.

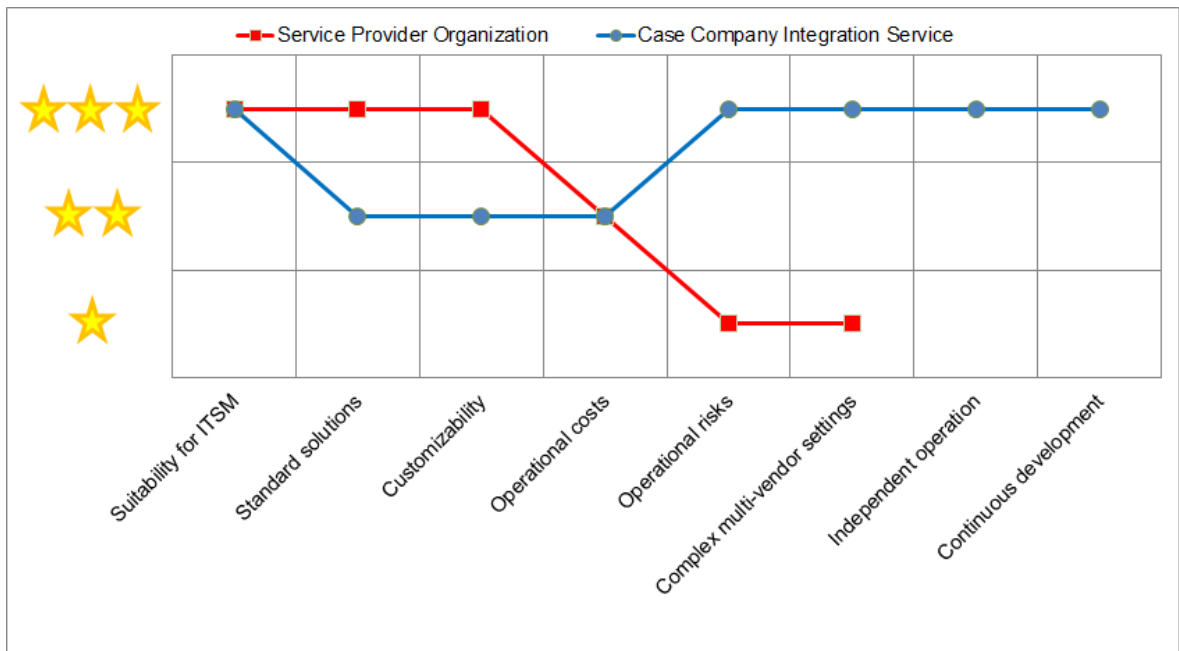


Figure 17. Improved strategy canvas.

As seen from the figure above, the positioning of the integration service contains both points of parity, difference and uniqueness. The strengths of the service provider organization are its suitability for the needs of the organization and adaptability to organizational practices. Quite naturally, the strongest points of an organization must be the purpose it was created for. The themes of fit identified in the improved CVP gave rise to both points of difference and uniqueness. The competing factors and related customer needs are explained below in Table 18.



Type	Point of differentiation, associated customer need	Description
Parity	Suitability for ITSM, Gain 2	Suitability for ITSM integrations
Parity	Standard solutions, Gain 1	Availability of readily available ITIL –related standardized solutions
Parity	Customizability, Gain 1	Ease and maintainability of customer - specific customizations
Parity	Operational costs	The operational costs related to using the solution
Difference	Operational risks, Pain 1	The operational risks related to using the solution
Difference	Complex multi-vendor settings, Pain 2	Suitability for usage in complex multi-vendor settings
Uniqueness	Independent operation, Pain 1	Operation of the service without additional resources
Uniqueness	Continuous development	The capability to improve the service over time

Table 18. Description of competing factors.

As seen from the table above, six out of the competing factors presented are directly related to the customer needs identified in the improved CVP. This should be regarded as a high degree of fit even for the positioned CVP. In addition, by introducing two points of difference and two points of uniqueness, the positioning achieved is very favorable for the integration service.

To summarize, by focusing on the most important customer needs discovered, the positioning of the CVP could be substantially improved. In the CSA, the positioning was very similar to the service provider organization, with the majority of the competing factors being points of parity (see 4.3). In contrast, half of the competing factors of the improved positioning are either points of difference and uniqueness. This should be seen as a major improvement directly in line with the objective of this study.

It should be noted that though the need for a crystallized tagline was identified, no improved tagline could be formulated during the proposal building stage. However, the subject was revisited in the feedback gathering stage (see 6.2).

#### 5.4 Summary of the Improved CVP Proposal

Building the improved CVP proposal was based on the identified weaknesses and associated recommended actions presented in the current state analysis (see Table 16 and Figure 12). The proposal building was done in three consecutive steps, in correspondence to the parts of the conceptual framework. 1) First, the offering was crystallized, resulting in a conceptualized visualization usable for both internal alignment and external marketing purposes. 2) Following which, an improved customer profile was co-created with the service provider. This was then synthesized with the crystallized offering and the value proposition canvases from the CSA to produce a canvas with four themes of fit representing the most important customer needs. These themes of fit form the core of the improved CVP. 3) Finally, the improved CVP was uniquely positioned based on the four themes of fit.

Out of the 9 recommended actions, the 2 overall improvements were not addressed as part of the proposal building phase. Moreover, identifying all stakeholders was initiated, but due to its extensive nature, was decided not to be completed as part of this study. In addition to the abovementioned, a number of potentially valuable areas of research were identified, but left unpursued due to time or scoping constraints. These are discussed below. The three unaddressed actions as well as those presented below are given as recommendations for further action (see Table 21).

The service provider stakeholders involved throughout this study represent only parts of the service production organization, leaving the needs of some parts unexplored. For instance, the need to understand the customer responsible stakeholder roles more deeply was recognized. During the process, a preliminary idea emerged of holding a workshop on the matter with service provider representatives. This however, was not achievable within the schedule of this study. Consequently, holding a customer profile creation workshop involving customer responsible managers is given as a recommendation for further action. During the creation of the improved CVP, the partly fitted gain of highly productized and packetized solutions was identified. As this is an important customer needs, it is a prime candidate for additional value propositions, thus warrant further research. Finally, to facilitate communication and marketing, the value proposition canvas and the strategy canvas should be merged and visually bundled to form a simple crystallized summary of the CVP as part of this study.

The improved CVP proposal was built based on the findings of the CSA and co-creatively expressed customer needs. The resulting value proposition canvas introduced four themes of fitted pains and gains directly relating to identified customer needs. This can be said to be a major improvement over the service provider VPC presented in the CSA, where no gains or direct fit had been identified. The positioning of the CVP focused the competing factors. Of the resulting factors, four are points of parity, two points of difference and two points of uniqueness. This can be said to be a substantial improvement over the positioning noted in the CSA where only points of parity were identified.

During the proposal building phase, the business challenge, objective and outcome of the study were evaluated against the findings. Here, a slight shift of emphasis was made to better solve the business challenge of competitive differentiation. The previous focus was on building an improved CVP, then to position it in a larger market. During the proposal building phase, the need to compare the integration service with the service provider organization providing the service itself emerged. To meet this demand, the emphasis was shifted to a more explicit competitive positioning of the CVP.

When considering the improved CVP proposal, a valid critique is whether or not a CVP built on a profile of an entire organization is too broad to be purposeful, especially when not all stakeholders could be identified or involved in the process. Here, the result must be seen in relation to the starting point. As no clear understanding of the needs of the organization at large existed, identifying them was a prerequisite to moving to more specific needs. Thus, by providing a broad view on the needs of the service provider overall, the presented CVP provides a well-grounded starting point for future evolution in the form of more specific CVPs based on emergent needs.

A second point of critique is associated with the cost-related competing factors and value innovation. For an existing solution, the up-front investment that represents a substantial cost factor is no longer a concern for additional integrations being done. This has the implication of putting the cost of additional integrations into a new light, as the cost of these is mainly an operational one, making the factor irrelevant as a competing factor (see 5.3). A valid question is then if the integration service provides the necessary cost savings in the context of additional integrations to be called a value innovation (see 3.3.3). Here, the time perspective is the defining factor. In the short term, an up-front investment in technology can be written off as a sink costs if indeed it

represents a one-time cost. In the short term, this could appear so. However, in the longer term, any technology will reach the end of its life cycle, requiring new investments. Thus, by regarding the up-front investments as recurring, they cannot be written off as sink costs but need to be included in the total cost of ownership. However, from a positioning perspective, this would require a very deep understanding of the technological life cycle of specific customers, making it too contextual to act as a general competing factor.

To summarize, this section used the recommended actions of the current state analysis to crystallize the offering, improve the service provider CVP and improve the position of the CVP in relation to the service provider organization. The resulting proposal meets the objective of this study by proposing an improved and uniquely positioned CVP for the service provider customer.

## 6 Feedback on the Proposal (Data 3)

This section finalizes the proposal for an improved CVP based on feedback gathered and by using the evaluation tools presented in the conceptual framework (see 3.5). In addition, feedback on the offering visualization is discussed. The result is presented as the outcome of this study.

Feedback on the improved proposal was gathered using similar workshop techniques as those employed in the previous data collections stages. Feedback from the case company was gathered in two separate workshops, Workshop 9 and Workshop 11. To get an external perspective on the CVP in the context of IT sales, a free-form workshop for discussing the CVP was arranged with an IT sales professional (Workshop 12). Due to time constraints, no dedicated feedback session with the service provider could be arranged within the scope of this study. However, as co-operation continues and several joint initiatives have started, discussing the improved CVP is on the planned agenda and is given as a recommendation. The main analytical tools employed were *10 questions for evaluating a CVP* and *3 requirements needed to decide on a position*.

### 6.1 Feedback on the Offering Visualization

Feedback on the conceptualized offering visualization was gathered in a separate workshop (Workshop 9), where the visualization concept was demonstrated in an “elevator pitch” type of fast pre-sales oriented manner. During the discussion following the presentation, the conceptualized visualization was well met and approved for usage in the case company usage. In addition, several areas of usage and variations for different target audiences were discussed, including utilizing the temporal nature of the concept for short promotional videos.

From an IT sales perspective, the offering visualization received positive feedback. Specifically, the approach was noted as “matching a current market demand” for solutions that allow customer organizations to focus on their value creating core competencies (Workshop 12). Furthermore, the value proposition itself was seen as well-grounded and approachable. An interesting concept that emerged during the discussion was *IT sprawl*. The concept is used to describe a situation where a majority of the effort of an IT organization are spent on captive and maintenance operations with little left over for value adding business innovation. By freeing up resources from captive,

non-core operations, a service can propose to help the customer focus on creating business value. As this is directly related to the approach of the offering visualization, the term is highly usable when describing the integration service.

## 6.2 Feedback on the Improved CVP and Positioning

Feedback on the improved CVP and positioning was gathered from case company stakeholders on two separate occasions: Workshop 9 and Workshop 11. An external perspective on the CVP and its positioning was gathered in Workshop 12. The gathered feedback and the resulting improvements and further actions are discussed below.

When discussing the service provider CVP or the greater integration provider offering, a central theme is the different actors of the service provision chain: the service buyers, the service providers and the value adding partners. This division into roles received critique of being artificial as the role of a specific actor is highly contextual (Workshop 9). In the larger ecosystem, most service vendors are also buying services and vice versa. The point noted was that the role is mainly a segmentation issue, rather than a clear excluding definition. From a CVP perspective, this means that the value proposition of other segments could be highly applicable for other roles too, depending on the context. Consequently, understanding the roles of the actor in the service provision ecosystem is crucial.

The competing factors were generally regarded as well formulated and in-line with the CVP. The main topics raised were relating to language, specifically with the more abstract points of uniqueness. Here, the suggestion of using the well-understood concept of buying as-a-service should be used instead of introducing new concepts (Workshop 11). In addition, the term continuous development was replaced with a simpler formulation, continuity. On the topic of complexity of integrations, the different types of complexity were discussed and two different facets were identified, 1) The complexity resulting from managing a large volume of simple integrations. 2) The complexity of managing integrations which are complex by themselves. Though the current offering is more geared towards volume solutions, the CVP should acknowledge that it is well suited for individual complex solutions too. Based on the feedback gathered, the positioned CVP was fine-tuned. As the resulting changes to the strategy canvas were minute, it is not repeated here but included in the final merged proposal in Figure 18.

During co-creation of the value proposition canvas (Workshop 10) and in previous interactions with the customer, ways of improving on the identified areas of improvement were discussed. An initiative springing from these discussions related to the unfitted *highly productized and packetized solutions* gain. Here, the idea was to co-jointly define pilot customer cases where other processes beyond the currently supported ones would be the primary goal. Thus, additional processes could be included in the offering in a manner where the resulting offering could be directly formed based on the need for packetization.

On the topic of the tagline of the integration service, the importance of creating a link with the business domain was raised. More specifically, as the integration service is targeted at providing concrete solutions for the ITSM domain, the solution oriented approach should be clearly communicated. To cater for the needs of the service provider, the tagline should be more focused on the actual needs, thus strengthening the association with a purpose. The proposed improvement was to alter the current overall tagline “SaaS for Service Integration” to focus on the service provider needs: “Managed Service Integrations” (Workshop 11). The tagline focuses on both the identified pains stemming from unmanaged and risky integrations and the expressed gain of solutions for ITSM needs. Moreover, it communicates the simplicity of management even complex solutions that integrations service proposes. The tagline also has a strong connection with the unique core offering of system integrations as-a-service, strengthening the uniqueness.

To summarize, the feedback received for the conceptualized offering visualization and the improved CVP was very positive and the proposal was approved by the case company CEO. Some suggestions for improvement were gathered, based of which adjustments were made. To finalize the proposal, the last step was to assess it using the evaluation tools presented in the conceptual framework.

### 6.3 Critical Analysis of the CVP using the Evaluation tools

As recommended in the conceptual framework, the evaluation tools presented were using as guidelines during the building of the improved proposal. For the finalized proposal, they were used as tools of analytical evaluation to assess the quality of the final proposals. In addition, the results of the evaluation provided feedback and acted as a source for further action.

The CVP was assessed using the 10 questions tool of Osterwalder et al. (see Table 9). The answers are given as yes/no/undecided along with a rationale below in Table 19.

CVP Assessment Question	Answer and rationale
1. Is the CVP embedded in a great business model?	Undecided. The business model was not evaluated as part of this study.
2. Does the CVP focus on the most important jobs, most extreme pains and, most essential gain?	Yes. The most important customer needs that could be identified were used as the foundation for the CVP.
3. Does the CVP focus on unsatisfied jobs, unresolved pains, and unrealized gains?	Yes. Pains with the current offering and unsatisfied pains were identified and catered too.
4. Does the CVP concentrate on only a few pain relievers and gain creators but does those extremely well?	Yes. Of the 8 competing factors, 4 are points of difference and uniqueness (see Table 18).
5. Does the CVP address functional, emotional, and social jobs all together?	No. The jobs are described from a non-personal perspective with focus on functional jobs.
6. Does the CVP align with how the customers measure success?	No. Though ensuring customer success is the main driving job, no direct measurement to align to was uncovered.
7. Does the CVP focus on jobs, pains, or gains that a large number of customers have or for which a small number are willing to pay a lot of money?	Undecided. The CVP aims to represent the needs of a larger customer segment. However, this needs to be validated in the market.
8. Does the CVP differentiate from competition in a meaningful way?	Yes. The CVP is positioned uniquely on important customer needs.
9. Does the CVP outperform competition substantially on at least one dimension?	Yes. Half of the competing factors are either points of difference or uniqueness.
10. Is the CVP difficult to copy?	Yes. Being based on difficult-to-copy core competences, the offering is difficult to copy.

Table 19. Assessment of the CVP.

As seen from the table above, only two out of ten questions received *no* for an answer. With six out of ten questions receiving a *yes* and two out of ten an *undecided*, it can be concluded that the CVP has what Osterwalder et al. call characteristics of great value propositions (2014:72). When considering addressing the *undecided* and *no* answers, validation of the CVP in a larger market context is directly linked with the objective of this study. Consequently, it is given as a recommendation for further action.



To assess the positioning, the 3 requirements needed to decide on a position of Kotler and Keller were used (see Table 10). The assessment is given below in Table 20.

Requirement needed for deciding on a position	Assesment and rationale
1) Determining a frame of reference by identifying the target market and relevant competition.	Fulfilled. The target market and completion were identified.
2) Identifying the optimal points of parity and points of difference given the frame of reference.	Fulfilled. A unique positioning based on points of difference and uniqueness was achieved.
3) Creating a tagline to summarize the positioning and essence of the brand.	Fulfilled. The tagline is well aligned with the identified pains and gains. In addition, it is focused on the unique factors of the offering.

Table 20. Assessment of the positioning.

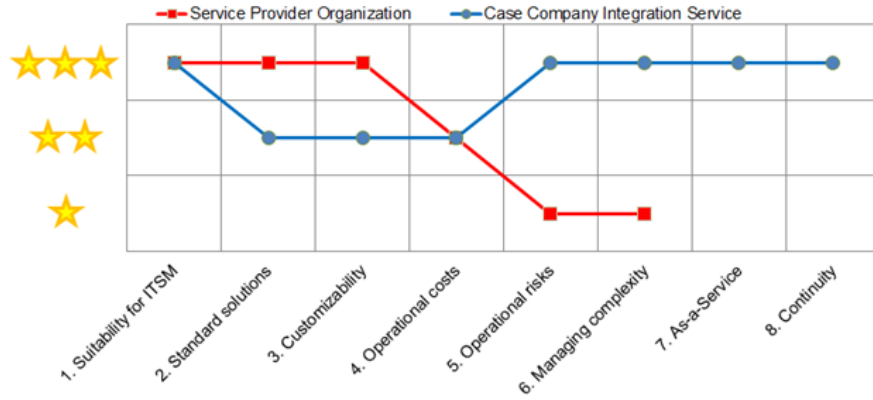
As seen from the table above, the decided positioning fulfills all presented requirements. Thus, it can be concluded that positioning of the CVP was achieved.

To summarize, the result of the assessment of the CVP and the positioning is that the CVP has several characteristics of a great value proposition and that it fulfills all requirements for positioning. Consequently, finalizing the proposal is what remains.

#### 6.4 Finalized Proposal: Competitively Positioned CVP

Based on the feedback received, a summary of the improved CVP was created using a simplistic visual approach. Here, the fitted customer needs are associated with the competing factors used for positioning. The resulting representation is displayed below in Figure 18.

# Managed Service Integrations for service providers



### Parity

1. Suitability for Service integrations (Gain 2)
2. Availability of ITIL –based standard solutions (Gain 1)
3. Customizability for customer -specific needs (Gain 1)
4. Operational costs of using the solution

### Difference

5. Operational risks related to using the solution (Pain 2)
6. Scalability and manageability of complex customer settings (Pain 2)

### Uniqueness

7. Provided as-a-Service, requiring no operational resources (Pain 2)
8. Always up-to-date, continuously improving

Figure 18. Summary of proposal.

As seen from the figure above, the validated proposal places a great deal of focus on communicating the competitive aspects of the CVP, while still catering to the identified customer needs. The tagline is used as a summarizing heading to both communicate the purpose and the target segment. The target audience of the summary is the case company. For external purposes, a slightly different emphasis is recommended where the identified customer needs are presented instead of the type of competing factors.

To summarize, this section gathered feedback on the improved CVP proposal and conceptualized offering visualization, based on which the proposal was finalized. The proposal was then presented for and approved by the case company. When comparing the validated proposal with the previously existing CVP, a stark improvement is observed. The previous CVP had failed to identify important customer gains and was positioned on terms of parity. The validated proposal improves this by proposing solutions to identified important customer needs. Furthermore, it improves the positioning of the offering significantly but focusing on differentiating and unique competing factors. Reflecting this result with the expected outcome of this study, the following can be concluded. The CVP for the service provider customer has been improved and is positioned uniquely. Accordingly, the expected outcome has been reached.

## 7 Discussion and Conclusions

This section discusses the approach and outcome of this study by providing a summary of the results and evaluating the research. In addition, recommendations for further action are given.

### 7.1 Summary

This study focused on improving the customer value proposition (CVP) of the integration service offered by the case company. The CVP is targeted for a specific IT service provider representing a large new customer segment.

The business challenge necessitating this study was related to two factors. The first one was the state of organizational growth of the case company. As a relatively newly formed business, the case company had reached a point where a more established mode of operations was required to ensure scalable operations. A part of this was to more formally define the CVP of the integration service for different customer segments. Secondly, while doing business with service provider customers, it was identified that the previously existing CVP targeted at service buyers and value-adding partners did not resonate with service providers. The service provider for which the CVP was created already had a dedicated organizational unit providing similar services as the case company. Thus, the need to position the integration service in relation to the service provider organization was identified. Consequently, the business challenge was met by gaining a better understanding of the needs of the service provider customer and to cater to these with an improved, uniquely positioned, conceptual CVP.

As its result, this study proposes a CVP that is improved in several aspects. First, core competences and core offerings were identified, providing a solid foundation for CVP building. Second, understanding of the service provider's needs was significantly deepened. Third, an improved CVP was co-created based on identified important customer needs. Fourth, the main competing offering was identified and the CVP was uniquely positioned in relation to it. Fifth, a conceptualized visual crystallization of the integration service offering was created to be used in internal alignment and external marketing. Finally, the process of this study has in itself been a valuable experience for the case company and the researcher. The facilitative and systematic research approach has brought forth a co-creative mode of operation. This has helped the case company find new ways of sharing visions and tacit knowledge in a marketable way. In

addition, the co-creative mode with the service provider has led to several additional co-operative initiatives. Last, the findings of this study have strengthened the notion that the offering of the case company is both highly valuable to customers and unique in the market.

The research design for building the improved CVP consisted of five stages (see 2.1). Stage 1 consisted of defining the business challenge, objective and outcome of this study. In Stage 2, best practice was reviewed with the set target of identifying the building blocks of a competitively positioned CVP. The result was a conceptual framework consisting of three parts (see 3.5). An important aspect of this framework was acknowledging the domain knowledge competence intensive nature of the case company. This mandated identifying the company core competences and the core offerings they give rise to as one part of the conceptual framework. The second part of the framework is identifying and catering to customer needs using a CVP. The third and final part of the framework is competitive positioning of CVPs in a unique manner. For each part of the conceptual framework, corresponding tools were given to be used for putting the presented concepts into practice. For identifying core competences and the core offering they give rise to, the Domain Mapping Matrixes (DMM) tool of Danilovic and Leisner (2007) was used. To identify the most important customer needs and to match them with the company offering, the Value Proposition Canvas (VPC) tool of Osterwalder et al. (2014) was used. Finally, to create a unique competitive positioning, the strategy canvas of Kim & Mauborgne (2004) was used. For this study, the conceptual framework served two purposes. It was used both as an analytical lens to evaluate the current state of the CVP as well as a toolset for building the improved proposal. All three parts of the conceptual framework were complemented with corresponding tools for assessing the quality of the outcome of the part in question. To conclude, the conceptual framework of this study offers a comprehensive toolset for analyzing, building and assessing uniquely positioned CVP's for service offerings.

In Stage 3, a current state analysis was carried out to identify strengths and weaknesses of the current CVP and related areas. The result of the CSA was a listing of strengths and weaknesses and a corresponding set of recommended actions for improving the weaknesses of the CVP. In addition, recommendations for actions outside the scope of this study were identified (see 4.4). The three main findings of the CSA were. 1) A need to more concretely crystallize the offering to aid internal and external alignment. 2) A need to gain a deeper understanding of the service provider customer

profile. 3) A need to uniquely position the CVP with respect to the service provider organization itself.

Based on the actions recommended in the CSA, in Stage 4 a proposal for an improved CVP was built. In addition, a conceptualized visualization of the integration service offering was built to crystallize the offering. By co-creatively work-shopping with customer and case company representatives, an improved customer profile identifying the main jobs and most important pains and gains of the service provider was built. Here, four thematically similar areas of pains and gains were identified. The crystallized offering was then used to fit the company offering in order to create a value proposition. Though not all identified customer needs were fully met, the improved CVP addressed a majority of the identified important customer needs. Finally, the main customer needs were used as competing factors in uniquely positioning the CVP in relation to the service provider organization. The resulting improved proposal was then submitted for feedback and validation.

The final stage of this study was Stage 5. Here feedback was gathered on the crystallized offering, improved CVP and improved positioning. In addition, a crystallizing tagline for the service provider offering was formulated. On a general level, the feedback was very positive with some minor improvements identified. Most importantly, no major shortcomings were identified and the proposal was approved by the case company. The positive feedback was further verified by the assessment tools provided in the conceptual framework. The result of the assessment was a confirmation that the CVP has several characteristics of a great value proposition and that it fulfills all requirements for deciding on a position. The feedback was used to produce a final synthesis of the uniquely positioned CVP in the form of a single-page visualization (see Figure 18). This visualization serves as the final concrete outcome of this study. Accordingly, by having produced the desired outcome, this study is hereby concluded.

## 7.2 Practical Implications: Implementing the Improved CVP in the Case Company Organization

The purpose of this study was to propose a solution to a stated business challenge in a way relevant to the case company. Consequently, providing practical recommendations on how to use the proposed solution was required. In addition to proposing a solution to the immediate business challenge, a number of additionally beneficial related items were uncovered and are given as recommendations for further action to consider.

For the case company to take the proposed uniquely positioned customer value proposition into use, the following steps are recommended. 1) Share and discuss the conceptualized offering visualization and the CVP proposal with key stakeholders of the case company. The outcome of this should be a list of required actions and associated action owners for implementing the CVP in the organization. 2) Share and reflect on the results of this study with all case company employees (see 2.2.). 3) Share and reflect on the improved CVP with the service provider. 4) Make the tools used available for case company usage in subsequent CVP building and positioning.

In addition to the improved CVP created as the result of this study, throughout the research process, a number of related areas of improvement emerged. These are given as recommendations for further action to consider. The recommendations are presented in the order they appeared in the research process and are not prioritized. Rather, they should be seen as individual improvements, to be considered and implemented individually. The recommendations for further actions are given below in Table 21.

Recommendations for further action
1. Create an action plan for closing the identified competence gaps. See 4.4.
2. Communicate the core competences internally to aid alignment with CVP. See 4.4.
3. Finalize identifying all key stakeholder groups. Evaluate relevance to service provider CVP and if they should be included. See 4.4.
4. Investigate how the packetization of integration service could be improved to better fit the <i>highly productized and packetized solutions</i> expected gain. See 5.2.
5. Hold a customer profile creation workshop involving customer responsible managers to gain a deeper understanding of the role. Consider if the profile can be included in the service provider value proposition and what additional value could be proposed. See 5.4.
6. Present improved CVP to service provider representatives to gather feedback. See 6.2.
7. Validate the CVP in a larger service provider market context. See 6.3.

Table 21. Recommendations for further action.

As seen from the table above, the areas for further action are closely tied to the three parts of CVPs presented in the conceptual framework. As such, they should be collectively regarded as ways to further improve the CVP.

To summarize, a series of practical steps were given to facilitate implementing the improved CVP in the case company organization. In addition, recommendations for further actions for improving the CVP were given. Thus, this study aims to provide both a relevant solution to the identified business challenge and to facilitate further continuous improvement.

### 7.3 Evaluation of the Research

The solution proposed by this study was approved for usage by the case company. Thus it can be concluded that the proposed solution is of value as a means to solve the presented business challenge. What remains is an evaluation of the research process, which is discussed next.

#### 7.3.1 Outcome vs Objective

The objective of this study was to build an improved and uniquely positioned customer value proposition of the integration service for an existing IT service provider customer. The outcome of this study is a validated proposal for an improved and uniquely positioned CVP for said customer. The improved proposal was built in the following three stages: 1) A current state analysis was performed to analyze and define the existing offering, CVP and competitive landscape. The main findings of this analysis was the need to crystallize the offering, to understand the customer needs in order to fit the offering to it and the need to position the integration service in relation to the service provider organization. 2) A stage for building an improved proposal was conducted based on the findings of the CSA. A conceptualized visualization of the integration service was created to crystallize the offering. The most important customer needs were identified and mapped to the offering in the form of a CVP. Finally, the identified customer needs were used to competitively position the integration service. 3). A feedback gathering stage was conducted to reflect on the improved proposal, to validate it against the case company needs and to assess its qualities as a CVP. The gathered feedback was used to finalize the improved CVP, which was presented as the outcome of this study.

Throughout the research process, the objective and outcome of this study were evaluated and aligned. It is worth noting that during the course of the research, the objective was made more specific based on identified business needs. More specifically, an original desire to create an improved CVP for the service provider segment in general was

changed. Instead, the needs of a specific service provider customer representing the large customer segment were addressed. The rationale for this was the identified lack of sufficient understanding of the service provider customer needs overall, which was surfaced by the CSA. As a result, a decision was made to go in-depth in seeking to gain a profound understanding of a specific customer and use that knowledge for subsequent generalizations to a specific market.

To conclude, the outcome of this study is the result of a systematic approach to solving the business challenge presented by reaching the stated objective. During the course of the research process, the objective has guided the decisions made from defining the research design to setting the requirements for stage-specific outcomes. Most importantly, the final outcome of this study addresses the business challenge and meets the targeted objective.

### 7.3.2 Research Outcomes

When evaluating this study as research done using the action research methodology, two aspects are assessed as suggested by Näslund, Kale & Paulraj (2010:338). 1) To explain how this study contributes to developing knowledge for practitioners, it can be stated that this study exemplifies a CVP of a particular company within the IT service industry. For other companies in similar situations, the approach taken and conclusions drawn may be a source of learning. 2) To describe the type of recommendations for change this study provided to the case company, the main outcome of the study is a proposition for an improved uniquely positioned CVP. This is supported by a conceptual visualization of the company offering. A recommendation for implementing these in the case company organization is given as well as recommendations for further action to consider. It can then be concluded that this study addresses the expectations for action research outcomes.

### 7.3.3 Reliability and Validity

To ensure that rigorous and relevant research was conducted, four main topics were built into the research design and followed throughout the process, as detailed in the validity and reliability plan 2.3. 1) To ensure relevance for the case company, the topic of the research was an actual business challenge that the case company was facing and that needed solving. 2) To ensure rigorous research, the well-known systematic action research approach was chosen as the methodology for the research. 3) Data



validity and reliability was ensured by data triangulation by involving multiple stakeholders from the case company and customer representatives as informants. Thus, the data gathered can be said to be representative for the two main sources of information relevant to the topic at hand: the customer and case company. 4) The findings and solutions provided were reflected with the main informant groups and external experts. This was done with the target of ensuring the validity and relevance of the proposed solution. Finally, the outcome of this study is a proposal that addresses the stated business challenge and meets the objective set. Consequently, it can be said that this study meets the requirement of validity of providing a response to a question originally posed (Quinton and Smallbone 2006:127).

During the course of this research, a workshop based methodology was used extensively to collect data and to facilitate co-creative discussion and discovery with the parties involved. As part of these discussions, multiple alternatives emerged and were evaluated. The final outcome is thus a synthesis addressing concerns raised throughout the research process. It is worth noting that although a number of different perspectives emerged, no major rival conclusions emerged that could have been considered as alternative conclusions (Näslund, Kale & Paulraj 2010:340). Rather, the choices made were on a more detailed and nuanced level.

From the perspective of validity, a concerns raised during the research process was the limited amount of interviews involving customer representatives and a limited amount of customer roles involved in the process. This was due to time constraints and reorganizations within the customer organizations, leading to new positions being formed during the research process. As a measure to minimize the impact on validity, a wide group of case company stakeholders with experience within the service provider domain were involved in the research process. The topic of this study was to improve the customer value proposition of a specific customer. This was achieved with the involvement of key stakeholders. Thus, repeating the study as such could be difficult due to the prior involvement of key stakeholders. The limited availability of key stakeholders dictated the use of group workshops rather than individual interviews as a means of data collection. This means that the majority of the data is in the form of contextual meeting notes, possibly impacting the traceability of the data. To compensate for this fact, this study has been conducted with great consideration given to the rigidity of the research design and transparency in reporting the steps of the proposal building.

A final aspect related to validity that deserves noting is the starting point of this study. The objective of this study was to improve a specific CVP. However, it should be noted that no explicitly stated CVP existed prior to this study. Rather, the CVP was previously expressed mainly in direct personal contact based on tacit knowledge. As a consequence, the research process has been a process of emergent discovery for most of the stakeholders involved. As a result, separating the current state from the desired improved state has not always been clear-cut, with possible effects on data traceability. However, as the objective of this study was to create an improved proposal, gathering a comprehensive view on the desired improved state was thus made easier.

In this study, the role of the researcher was to act both as a researcher and as a practitioner involved in planning, preparing and implementing the actions proposed. At times, these two roles were in danger of being in conflict. In such cases, the researcher took great care in stressing the researcher's role as a facilitator for the group in favor of being an individual practitioner. Especially when discussing the product management of the case company, the researcher strived to involve multiple stakeholders to ensure an objective view.

To conclude, the researcher wishes to state the following concerning the researcher's role in the case company and possible biases. At the time this study was conducted, the researcher was an employee and minority shareholder in the case company. By holding a position in the product management of the case company, the researcher had direct visibility to the product and strategy management of the case company. In addition, the researcher was in the position to influence decision-making as a subject matter expert in the field of software product development and service design. As such, it was in the direct interest of the researcher that this study helped improving the competitiveness of the case company through the findings presented, fully in line with the stated purpose of this study.

## References

Anderson, J. C.; Narus, J. A., and van Rossum, W. (2006). Customer Value Propositions in Business Markets. *Harvard Business Review*. Vol. 84 (3), 90-99.

Blichfeldt, B.S. and Andersen, J.R. (2006) Creating a Wider Audience for Action Research: Learning from Case-Study Research. *Journal of Research Practice*. Vol. 2 (1), Article D2 1-12.

blueoceanstrategy.com (2015a). Available from:  
<<http://www.blueoceanstrategy.com/wp-content/uploads/2015/01/value-innovation.png>>. [22 February 2015].

blueoceanstrategy.com (2015b). Available from:  
<<http://www.blueoceanstrategy.com/wp-content/uploads/2015/01/strategy-canvas.png>>. [23 February 2015].

businessmodelgeneration.com (2015). Available from:  
<[http://www.businessmodelgeneration.com/images/canvas\\_hero-vpc.png/](http://www.businessmodelgeneration.com/images/canvas_hero-vpc.png/)>. [15 March 2015].

Christensen, C.M., et.al. (2007) Finding the Right Job For Your Product. *MIT Sloan Management Review*. Vol. 48 (3), 38-47.

Danilovic, M. and Leisner, P. (2007). Analyzing Core Competence and Core Products for Developing Agile and Adaptable Corporation. Proceedings of the 9th Dependency Structure Matrix (DSM) International Conference, 16-18 October 2007, Munich, Germany. 49-59.

French, S. (2009) Action Research for Practising Managers. *Journal of Management Development*. Vol. 28 (3), 187-204.

Gallon, M.R., Stillman, H.M. and Coates D. (1995). Putting core competency thinking into practice. *Research Technology Management*. Vol. 38 (3), 20-28.

Garner, B. (2015). 5 Common Mistakes to Avoid When Using the Value Proposition Canvas, Strategyzer Blog. Available from:  
<<http://blog.strategyzer.com/posts/2015/2/19/5-common-mistakes-to-avoid-when-using-the-value-proposition-canvas/>>. [4 April 2015].

Grönroos, C. and Ravald, A. (2010). Service as Business Logic: Implications for Value Creation and Marketing. *Journal of Service Management*. Vol. 22 (1), 5-22.

Hope, J. and Player, S. (2012). *Beyond Performance Management : Why, When, and How to Use 40 Tools and Best Practices for Superior Business Performance*. Boston, MA: Harvard Business Review Press.

Iansiti, M. and Levien, R. (2004). Strategy as Ecology. *Harvard Business Review*. Vol. 82 (3), 68-78.

Kaplan, R.S., Norton, D.P. (2004). The strategy map: guide to aligning intangible assets. *Strategy & Leadership*. Vol. 32 (5), 10-17.

Kim, W.U. and Mauborgne, R. (2004). Blue Ocean Strategy. *Harvard Business Review*. October 2004, 69-80.

Kim, W.U. and Mauborgne, R. (2005). Blue Ocean Strategy. How to Create Uncontested Market Space and Make the Competition Irrelevant. Boston, MA: Harvard Business School Publishing Corporation.

Kotler, P. and Keller, K.L (2012). Marketing Management. 14e Global Edition. Harlow: Pearson Education.

Kowalkowski, C. et al. (2012). The Co-Creative Practice of Forming a Value Proposition. *Journal of Marketing Management*. Vol. 28 (13/14), 1553-1570.

Näslund, D., Kale, R. and Paulraj, A. (2010). Action Research in Supply Chain Management — A Framework for Relevant and Rigorous Research. *Journal of Business Logistics*. Vol. 31 (2), 331-355.

Osterwalder A. et al. (2014) Value Proposition Design. Hoboken, New Jersey: John Wiley & Sons, Inc.

Perry, C. and Zuber-Skerritt, O. (1991) Action research in graduate management research programs. *The First World Congress on Action Research & Process Management*. Vol. 1 (6), 67-79.

Porter M.E. (1996). What is Strategy. *Harvard Business Review*. November-December 1996. (Reprint) 2-22.

Pralahad, C.K. and Hamel, G. (1990). The Core Competence of the Corporation. *Harvard Business Review*. Vol. 68 (3), 79-91.

Service-Flow.com (2015). Available from: <<http://service-flow.com/>>. [31 March 2015].

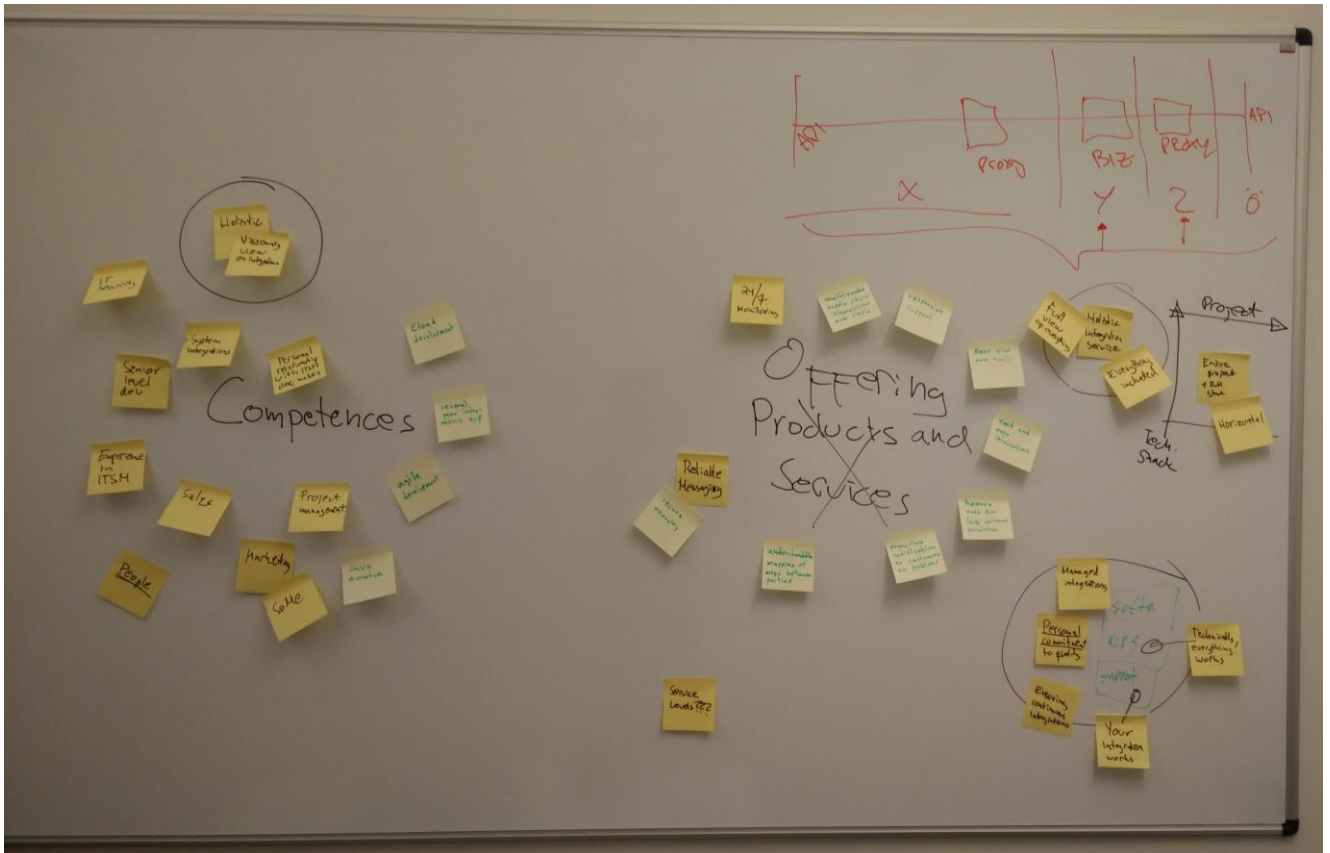
Quinton, S, & Smallbone, T (2006). Postgraduate Research in Business : A Critical Guide, SAGE Publications Inc. (US), London, GBR. Available from: ProQuest ebrary. [2 February 2015].

Vargo, S. L. and Lusch, R. F. (2004). Evolving to a New Dominant Logic for Marketing. *Journal of Marketing*, Vol. 68, 1-17.

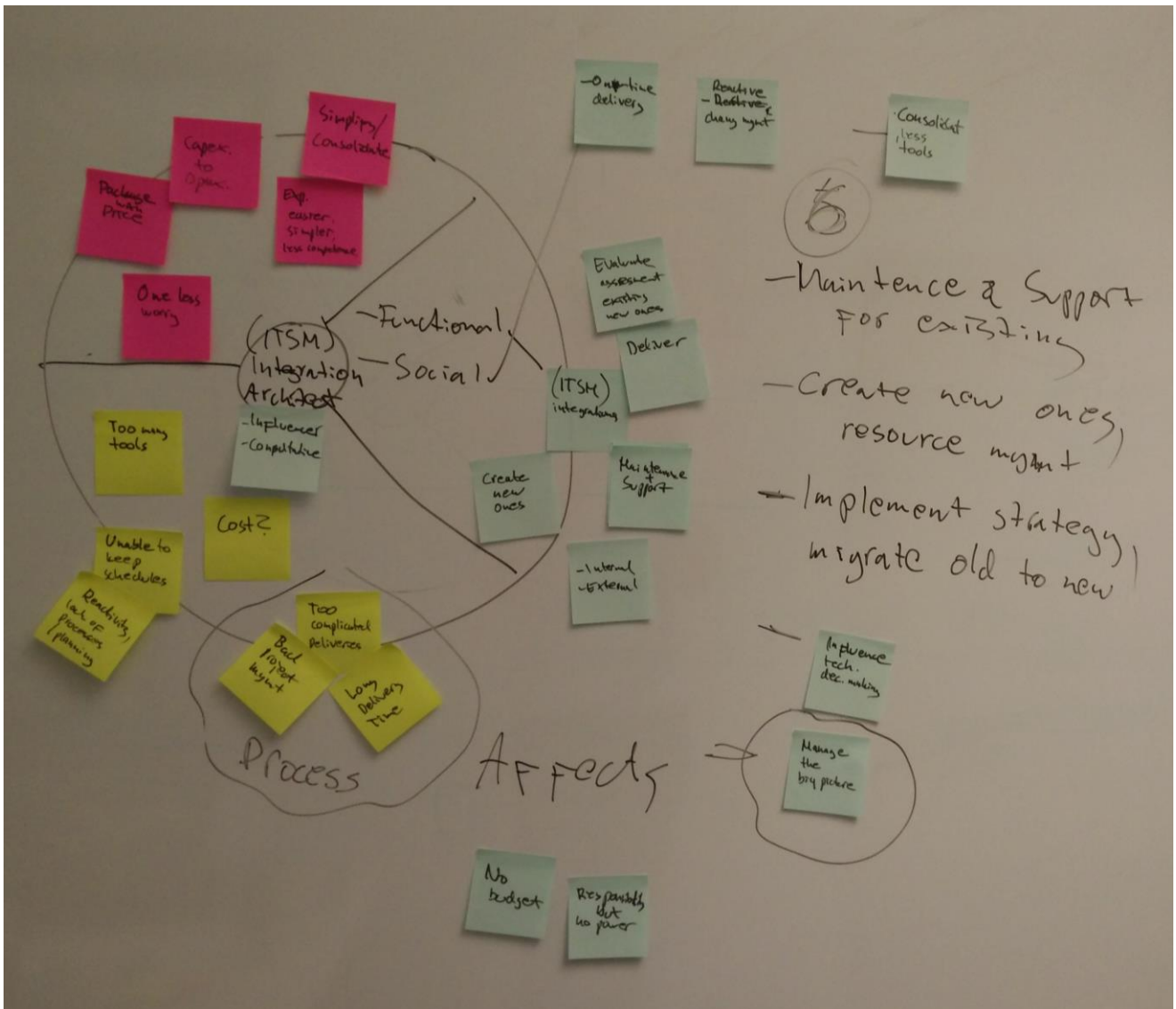
## Appendix 1: Identified Core Offerings

Theme	Offering
<b>CP1: Holistic integration service</b>	Includes everything needed in an integration project: technology and process
	Keep your own tools
	Full view of everything that happens with the integration
	SaaS Service
	Horizontal solutions (ITSM domain)
	Enables troubleshooting, shows the problem
	Process decoupling: only rule changes are needed to map between different processes
<b>CP2: Managed integrations</b>	Personal commitment to quality
	Ensuring that technically, everything works
	Ensuring continuously operating integrations
	Reliable messaging: Messages go where they should, nothing is lost
	Support for the full technology stack (infra, OS, application)
	24/7 monitoring with proactive notifications and responsive supports
	Very efficient support model (DevOps) with deep knowledge from code to integration process

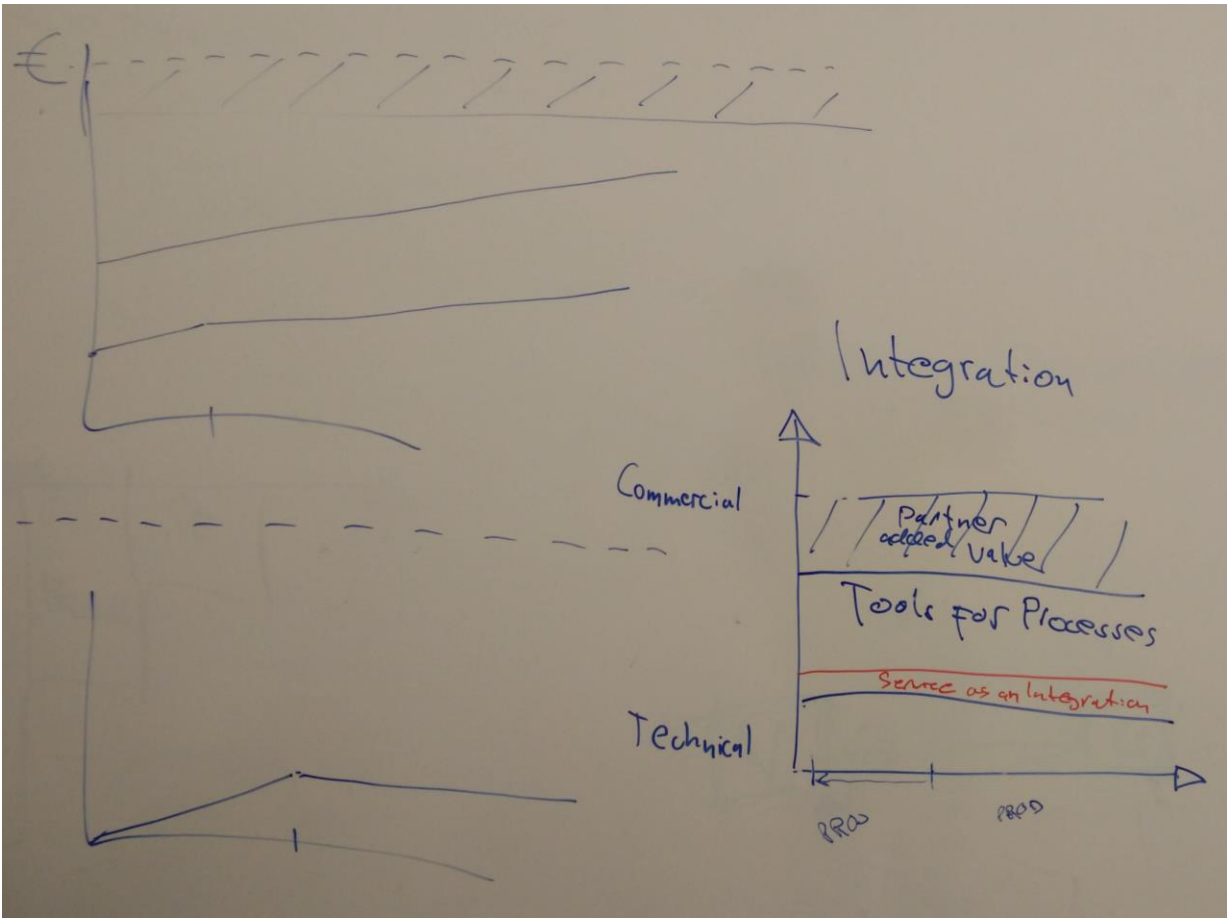
### Appendix 2: Workshop 1, Gathering Competences and Offerings



Appendix 3: Workshop 3, Draft of Integrations Architect Customers profile

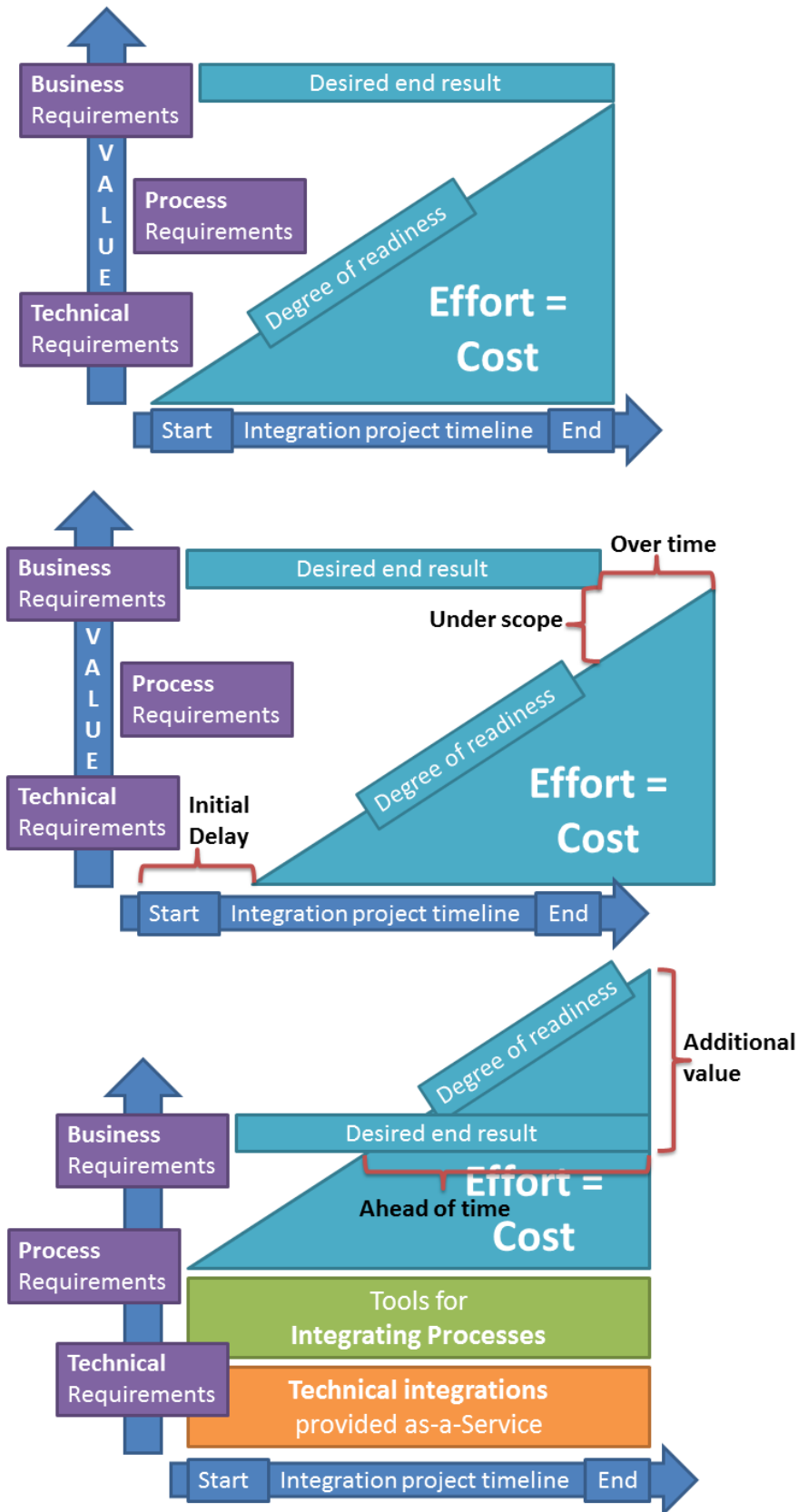


Appendix 4: Workshop 7, Draft of Offering Visualization





Appendix 5: Offering Visualization after Workshop 9



**Appendix 6: Initial Strategy Canvas after Workshop 10**

