

**Identifying Challenges in Applying the Value
Co-Creation Approach in Practice
- a Case Study in the B2B Service Context**



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**Identifying Challenges in Applying the Value Co-Creation Approach
in Practice**
- a Case Study in the B2B Service Context

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The purpose of this study is to explore the nature and theory of value co-creation and to develop a framework for understanding and managing value co-creation in a practical context. At present, many managers in various industries are not yet familiar with the specific concept of value co-creation and, therefore, more practical guidance is needed to fill this knowledge gap.

In order to accomplish this target and especially in order to achieve a correlation with the practice, a case company from the Business-to-Business (B2B) service sector was chosen as a research subject. The research purpose is the identification and examination of challenges and areas of risk within the co-creation context, in particular in the B2B service area provided by the case company. Based on this research, the current report identifies and discusses the challenges that occur when implementing value co-creation theory in practice, and how these challenges can be managed.

Based on the results, new insights for managing the process of value co-creation will be provided. The focus of the research is on the opportunities and needs of transformation of the current product-centred approach towards a co-creation approach, and thus, on how to actively engage customers in the value creation process. The study concludes with practical implications and examples about how to change the current business approach into one of a value co-creation that would enable the company to master the competition in the industry, in current times and the future.

Keywords

Value co-creation · Value-in-use · Value propositions · Co-production · Service-dominant logic · Value-in-exchange · Challenges · B2B market

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1 Introduction

This first chapter will provide the necessary background information on the research subject for the better understanding and comprehension of this thesis report. It will further describe the scope of the study, formulate the research problem and define the research purpose. In addition, this chapter will provide a brief overview of the key concepts used throughout the thesis report and present an outline of the study.

1.1 Theoretical research background

Services are increasingly moving to the centre of attention in the business world. Instead of simply purchasing goods or products (value in exchange), customers are increasingly seeking overall solutions combined with personalized service experiences (Vargo & Lusch, 2004). Comprehensive services, such as intangible products that include knowledge and relationships are increasingly important and offer the possibility for firms to step ahead of the competition and, therefore, gain a competitive advantage (Ojasalo, 2009). For this reason, the role of the customer is changing to become an integrated part of the organization.

The customer could be seen as a co-producer of the service which means he is an active participant in the service production process. Consequently, deep customer involvement in the company's service design processes and strong customer relationships with the company in general are essential. However, the changing role of the customer also leads to increasing complexity in the service production and service delivery process (Grönroos & Ojasalo, 2004).

For this reason most companies face major challenges to continuously offer improved or even totally new services (Grönroos & Ojasalo, 2004). More specifically, the main challenge faced by companies is to integrate the customer into the service production and delivery process in the best possible way. Customers could be used as resources by providing them with increasing opportunities for participation in the service production process of the company, with the aim to offer improved and successful innovative services (Ojasalo, 2003).

A comprehensive understanding of what creates value for the customers should be the company's goal. Thus the company could cooperate closely together with the customer to get the unique possibility to access critical information, such as customer needs and requirements, or user experiences (De Bretani, 1995). The basic idea of customer involvement is that by cooperating and spending time with customers, deep customer insights about latent needs may emerge (Narver, Slater, & MacLachlan, 2004; Flint, 2002). This information is especially essential for the development and design of new, valuable services for the

customer. Due to that, the ideal situation would be to have the customer involved even in the early stage of the service production to create customer value. This would lead to differentiation and competitiveness and at the same time minimize the risk of failure and poor service quality (cf. Voss, 1992; Alam, 2005).

It seems that in practice companies have difficulties accessing, understanding and meeting latent needs of the customer. To find inspiration and innovative ideas that might lead to the development of new services, it does not seem to be enough to simply use the customer as a source of information or to apply common structured research methods, because customers tend to have troubles imagining services that they have not experienced yet.

Treating the customer as an active partner and co-designer may help managers to access valuable information that customers would not otherwise express and which cannot be attained by means of traditional methods, such as questionnaires or surveys (Miettinen, 2009). Consequently, new improved methods for understanding the customer's value and latent needs as well as an active involvement of the customer in the service production process are needed to ensure service innovations and modifications (Ojasalo, 2003).

Taking into account the situation described, adopting a co-creation approach is not an easy process. Still, relatively little is known about how customers could engage in the value co-creation process (Payne, Storbacka, & Frow, 2008). Hence, the fundamental shift from a conventional company-centric approach to a customer-centric co-creation approach requires more investigation. Between customers and service companies there are interdependencies which need to be taken into consideration by service developers. In order to identify these, new insights, approaches, techniques and theories are required (Ostrom, et al., 2010). For new forms of service innovation, the traditional approaches outlined in the current marketing and strategic literature, as well as the traditional transactions based on product theory, are insufficient (Michel, Brown, & Gallan, 2008).

There is a special need for additional focus and research in the Business-to-Business (B2B) service area. This area was repeatedly emphasized as being underrepresented in service research, and that is why a pressing need for more investigation is necessary (Ostrom, et al., 2010). In particular, the B2B market requires practical experience and knowledge, innovative tools as well as applicable models for implementing theory approaches for the company to actively involve customers.

1.2 Practical research background

This thesis report is initiated by the PhD thesis of Krista Keränen ‘*Value co-creation in B2B context: Developing a conceptual framework of value co-creation in B2B services which offers tools for co-creation*’, written at the time of this report for the University of Cambridge and the research project CoCo, where CoCo stands for ‘from co-production to co-creation’ (see Figure 1).

The CoCo research project is an alliance of case companies as well as public organizations. In detail, these participants are four case companies, in which three are from the so-called knowledge intensive service (KIBS) sector and one from the trade sector. The public sector is represented by Laurea University of Applied Sciences, to which this current thesis is presented. Furthermore, this project is supported by VTT Technical Research Centre of Finland, by Tekes, the Finnish Funding Agency for Technology and Innovation, by C G Evatt, member of the SID board of Laurea UAS and by Helsinki World Design Capital 2012.

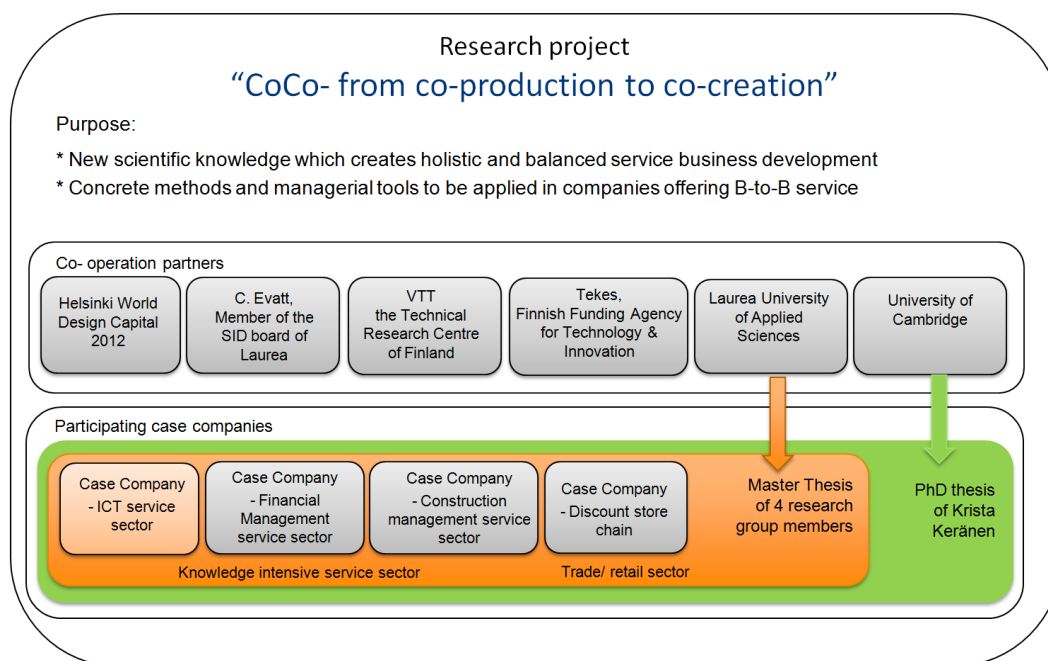


Figure 1 The CoCo research project in relation to the current thesis

In February 2011, I was approached by Katri Ojasalo, the head of the degree programme of Service Innovation and Design, to participate in the earlier mentioned research project and develop a topic for my Master’s thesis through it. I felt that this would allow me very valuable insight into the industry and its service related processes and would furthermore provide me with exclusive data and information that I would otherwise be unable to gather. For these reasons, I agreed to participate in this project and to, base my thesis topic on this research

work. Thus, the content of this thesis is related and influenced by the earlier mentioned PhD thesis and the CoCo project.

1.3 Research objective and purpose

As outlined in the previous section, within the concept of co-creation there is a need for additional focus and research in the B2B service sector. Moreover, I argue that the existing theoretical knowledge seems to be partly isolated from the practice, meaning that the theories of service-design logic and value co-creation are implemented and experienced in practice in a fragmentary manner, especially within the B2B sector.

Therefore, more specific, practical experience and concrete knowledge as well as applicable models are needed in order to transfer the theoretical concept into a comprehensive practical tool-pack for entrepreneurs within the B2B service sector. This research project will focus on the described managerial knowledge gap, through the application of the theoretical knowledge to a practical example. The top aspiration of the thesis project is to provide comprehensive knowledge about the complex system of value co-creation for entrepreneurs. With this knowledge, entrepreneurs would be able to implement, or respectively enhance, the logic of value co-creation into the actual business operations with the goal of improving the current service business. Consequently, the thesis project aims to provide applicable insights in order to support the transformation of the actual business operation.

The interviews and the analysis model provide the base for the study and constitute a crucial content of it. While conducting the interviews, I learned more about the research problem and I could adjust the interview questions accordingly. The analysis of the interviews served as a background for the development of the analysing model.

This thesis does not include a hypothesis and related research question, but identifies instead a relevant research purpose. The attainment of this purpose is to fill the knowledge gap that is described earlier in this chapter and to provide the base for the improvement of the case company's service development and its implementation. In the following, the research purpose is specified in detail.

Research Purpose

- The identification and examination of the challenges to enhance value co-creation within the B2B context

This thesis report analyses the current state of the case company's business approach, in order to investigate the challenges and development needs for enhancing value co-creation. More concretely, the case company will be analysed to identify co-production and co-creation activities and roles in its specific B2B service relationship. Hereby, not only the internal processes of the case company but also the relationship between the case company and its customers are examined. Hence, the analysis will determine the company's perspective and, in addition, gain information from the customer's perspective as well. In order to achieve this target, an applicable analysing tool is developed, allowing a structured, target-oriented analysis of the current business operation, with the intention to gain deep insights into the current status of the B2B service operations of the case company.

1.4 The case company

The case company is a Finnish communications specialist founded in 1997. The enterprise is a service provider that offers comprehensive technical knowledge, networking and personalized communications solutions to its customers. The services are designed to suit perfectly the individual customer and their businesses, by integrating them in a safe and cost-efficient manner. The case company is acting only in the B2B market and covers mainly networking needs of companies, communities and educational institutions. Further details about the case company itself and its field of working are provided in chapter 3.2.2.

1.5 Research approach and methods

In order to deepen the research, the study focuses on one single case company. When this particular case company was chosen, the aim was to capture circumstances and conditions of a representative small size service company within the B2B sector. Due to the nature and objective of the thesis research, the usage of the exploratory research design seems to be the adequate.

In general, the exploratory research objective is to formulate problems more precisely, to clarify the concepts in practice, to gather explanations, to discover ideas and insights as well as to provide understanding, eliminating impractical ideas or define hypotheses. Key characteristics of this approach are flexibility and versatility. Usually, the scope of the research problem is initially unknown. The exploratory research approach can be performed by using literature research but also by surveying certain person's statements about their experiences (Ghauri & Gronhaug, 2005).

Typical methods used within exploratory research are, for example, expert surveys, pilot surveys, case studies, secondary data or qualitative research (Ghauri & Gronhaug, 2005). In this research, data will be gained through the qualitative research method by in-depth interviews. Hereby, seven interviews have been organized with the case company and its customers.

1.6 The structure of the thesis report

The thesis begins with an introductory review on the current situation of companies and their customer relations in general and in particular in the B2B business. Furthermore, this chapter provides an overview about the purpose and the structure of the thesis, and it gives insights into the key concepts used in the text.

The second chapter comprises the extensive literature research. This chapter provides a detailed insight into the co-creation theory by discussing relevant key concepts, such as S-D logic and co-production approach. The discussion covers the distinction between co-production and co-creation and it defines and evaluates the major challenges and risks that might occur with the co-creation approach in a business environment.

The third chapter contains information about the research methodology and outlines the reasons for the choice of the exploratory research. This chapter gives more insight into the nature and situation of the case company and why it was chosen for this research. Furthermore, this chapter contains information on the research execution, in particular the preparation of the qualitative interviews and the data collection process itself. The chapter concludes with the preparation process of the analysis of the collected data.

Chapter four focuses on the design of the analysing model. It explains the purpose of the model and how it was developed. The model is related to three different environments that are relevant for the research of the case company: the strategic thinking and business model, customer interactions and relationships, and the service design process.

Chapter five of this thesis presents the research results. The chapter begins with the presentation of the service blueprint of the case company and continues with the examination of the previously coded data by following the structure of the analysing model introduced in chapter four. Each category is analysed aiming to investigate challenges for adapting a co-creation approach for the current business model.

Chapter six summarizes the major challenges and development needs in order to enhance co-creation, for the case company, a representative of small and medium sized service provider within the B2B market.

Chapter seven comprises personal conclusive thoughts of the theoretical and empirical parts of this research project as well as present certain managerial recommendation which might enable the enhancement of value co-creation in practice.

Finally, the final chapter concludes with the identification of limitations and future research recommendations

1.7 Definition of key concepts

Co-creation

In general, this research project, understands co-creation as the inter-collaboration in the creation process of value via shared inventiveness, design, knowledge, and other sub-processes (cf. Prahalad & Ramaswamy, 2004 c; Ostrom, et al., 2010; Ojasalo, 2010).

Co-production

The concept of co-production could be placed between the traditional product business approach and the value co-creation concept (Ojasalo, 2010). The co-production logic is defined as the participation in the production of a service with certain limitation imposed by the focal organization.

Value and value co-creation

In general, value is an elusive concept (Woodall, 2003), which is perceived in an individualistic way by the customer (Grönroos C. , 2011). According to Grönroos (2008) value is defined as a feeling of becoming better off, in some respect, than before using the service or in the words of Vargo et. al. (2008), who describes value as the increased feeling of customer's well-being. The customer uniquely determines what means value for him, creates the value and moreover experiences the value individually (Vargo & Lusch, 2004). That means, value is attached to an in-use experience and is not just seen as purchase of an object (Holbrook, 1994).

Service-dominant logic (S-D logic)

S-D logic claims that services are the fundamental unit of exchange for the benefit of others (Gummesson E. , 2008). The purpose is to provide the customer with a solution, through co-creating value by service providers and customers. Therefore, the S-D logic understands value as a collaborative process between providers and customers, rather than what producers create and subsequently deliver to customers (Vargo & Lusch, 2008). Goods are only the distribution mechanism for service provision to give customers a “solution” and satisfy their needs.

Service experience

Service experience, considered from the customer’s perspective, comprises all aspects of the production, delivery and creation of value (Ostrom, et al., 2010). Creating customer experiences is less about products and more about relationships and therefore, the entire offer itself. Service experience is focusing on “value-in-use” instead of the single product features (Payne, Storbacka, & Frow, 2008).

2 The concept of value co-creation

This chapter elaborates the theoretical discussion about the value co-creation concept. To be able to understand and follow the theoretical discussion, it is initially needed to analyse certain relevant elements and clarify diverse characters about what the concept is based on. Hence, in the beginning the chapter focuses on the concept of customer value. Secondly, the service-dominant (SD) logic will be introduced. Section 2.3 and the following one discuss the distinction between the different stages of participation, starting from the traditional approach, continuing with the co-production approach and finally concluding with the value co-creation approach. The section 2.6 will provide the first part of results to the defined research purpose. Thus, this section focuses on the identification of the most discussed challenges for applying the value co-creation approach in practice within the theory.

2.1 The concept of customer value

In general, value is an elusive concept (Woodall, 2003), which is perceived in an particular way by the customer (Grönroos C. , 2011). Various literature sources define the term value from different perspectives. For instance, the economic-based view of value states that customers spend their income to maximize the satisfaction they get from products (Bowmann & Ambrosini, 1998). According to Grönroos (2008), value is defined as a feeling of becoming better off in some respect than before using the service, or in other words, value describes the increased feeling of customer's well-beings (Vargo, Maglio, & Akaka, 2008).

The exchange theory (value-in-exchange) defined by Kotler (1972) states that value could be exchanged through transactions between two parties, whereby the term value is not limited to goods, services and money but also resources such as time, energy and feelings could be defined as value (Kotler, 1972).

Holbrook defines the nature of customer value "as an interactive relativistic preference experience" (Holbrook, 1996). Thereby he understands 'interactive' as the connection between a subject (a customer) and an object (a product/service). According to Holbrook, value depends on the characteristics of some physical or mental object but cannot occur without the involvement of some subject who appreciates it. Under the term 'relativistic', he comprehends that customer value is comparative (among objects), personal (varies from one individual to another) and situational (specific to the context). Hereby, the term 'situational' describes, that value depends on the context in which the customer evaluates the object (Holbrook, 1996).

Value-in-use has the objective to gain value directly through product consumption (Bruns & Woodruff, 1992). Hence, value is attached to an in-use experience and is not just seen as the purchase of an object (Holbrook, 1994). Therefore, the focus is on the customer value during the usage, which is a process that the customer is in charge of (Parasuraman, Zeithaml, & Berry, 1985). Consequently, the customer determines what means value for him, creates the value and moreover experiences the value individually (Vargo & Lusch, 2004).

In general, the literature focuses rather on individual customers than on organizations and, therefore, is not taking into account the B2B-context. In the B2B-context, the relationship and the role of multiple stakeholders are fundamental within the value creation process (Payne & Holt, 2001). In particular, the work of Norman and Ramirez is highlighted because they centre the role of additional, non-customer stakeholders in the creation of value. They point out the importance of the value-creating-system as a whole, among economic actors such as suppliers, business partners, allies and customers. All parties work together to co-produce value. They argue that mutual value is developed as a consequence of interactive relationships between organizations and stakeholders in a constellation or network (Normann & Ramírez, 1993).

The concept of relationship value indicates that value creation should not be viewed just as part of an individual customer transaction. Value will be created over time and will be subject to the influences of other external and internal stakeholders. Reichheld (1996) argues that the value creation for external stakeholders could be evaluated from two perspectives: the values these stakeholders create for the organization, and the value the organisation creates for the stakeholders. Gummesson (1999) argues that the creation of mutual value will become the core focus of both customers and suppliers and other stakeholders in the relationship so that value is jointly created between all the parties involved in a relationship (Gummesson E. , 1999).

2.2 The service-dominant (S-D) logic

The service-dominant logic, introduced through Vargo and Lusch (2004) and further discussed by Gummesson (2008) is the result of a changing worldview. This concept is more and more replacing the traditional view of goods-versus-services. In the past, marketing concepts were predominated by goods-dominant logic (G-D logic), which focuses on “goods” themselves as fundamental units of exchange. Hence, the G-D logic points out that value are embedded when a good is produced. Furthermore, G-D logic focuses on operand resources such as natural resources, which are rather physical and static and must be processed to be useful. In contrast, S-D logic claims that services are the fundamental unit of exchange for the benefit of others. The purpose is to provide

the customer with a solution by co-creating value jointly by service providers and customers at the same time. Goods are only the distribution mechanism for service provisions, in order to give customers a “solution” and satisfy their needs. Therefore, value is only created after customers used the service and firms (service providers) can only offer value propositions. In other words, value is created through a collaborative process. Consequently, service is always customer-centred because it is the customer who decides about the value (cf. Vargo & Lusch, 2004; Gummesson E., 2008).

Goods-dominant (G-D) logic	Service-dominant (S-D) logic
Tangible product - services are considered as aid to the production of goods	Skills and knowledge
Products (units of outputs) = operant resources (static, usually tangible resources)	Service (a process) = operant resources (dynamic resources such as competences as skills and knowledge)
Customers as a target group	<ul style="list-style-type: none"> • Collaborating with customers & partners • Customer = a partner who co-creates the value with the firm and promotes a market with philosophy • Customer is treated as endogenous
4P's <ul style="list-style-type: none"> • Products • Promotion • Price • Place 	4C'S <ul style="list-style-type: none"> • Co-create service offering • Co-create conversation & dialogue • Co-create value proposition
Competitive advantage is goods	Competitive advantage is knowledge creation & application
Value is added to the products in the production process - value delivery	Value can be only determined by the user in the consumption process - value creation
The external environments are considered as largely uncontrollable and forces to which firm needs to adapt	The external environments are considered as resources the firm draws upon for support by overcoming resistances and proactively co-creates

Table 1 Comparison of goods-dominant (G-D) logic to service-dominant (S-D) logic (cf. Lusch & Vargo, 2006; McCarthy, 1975)

In summary, the S-D logic understands value as a collaborative process between providers and customers, rather than what producers create and subsequently deliver to customers (Vargo

& Lusch, 2008). Table 1 compares the good-dominant logic with the service-dominant approach and consequently provides a compact overview about the most relevant aspects of differentiation.

According to Vargo (2007), the S-D logic proposes that service is the foundation of exchange, and it describes rather seeing things from a different perspective than a theory. All social and economic actors that are resource integrators interact through mutual service provisions in order to co-create value.

Grönroos (2011) argues that the term 'service-dominant logic' is leading to misunderstandings and accordingly suggests renaming it to service logic, meaning dominant logic based on services. In addition, he emphasizes that the service logic has to be seen from different viewpoints, considering both parties involved: the customer and the supplier; and both engaged with each other with varying goals. From customer's vantage point (customer service logic), service means integrating available resources and applying individual skills in order to create value for themselves (Vargo & Lusch, 2004; Grönroos C., 2011). From provider vantage point (provider service logic), service means that the customer is able to create value for himself by providing resources and interactive processes (Grönroos C. , 2011). By supporting the customer in the described way, the provider could gain financial value (Grönroos C. , 2008).

In general, the literature manifests different interpretations and discussion about the value co-creation approach and the customer's role within the S-D logic. Therefore, the logic has raised many questions and critical discussion about the nature of co-creation.

For instance, the authors of the article 'A customer-dominant logic of service' (Heinonen et. al., 2010) asserted that the S-D logic is mostly a provider-dominant logic and that there is a need to shift the viewpoint to a different perspective, namely the customer perspective. Hence, the customer-dominant logic refers to a view that places the customer in the centre, rather than the services, the service provider or the interaction. Instead of focusing only on what companies are doing to create services that the customers might prefer, the authors (Heinonen et. al., 2010) suggest that the focus could be on what customers are doing with the services to accomplish their own goals.

It is claimed that the S-D logic is only considering activities and experiences that are directly related to the service. It is suggested that marketers should not only focus on the act of service alone but rather customers' intentions. In other words, suppliers could find out what the customer is doing or trying to do, and how a specific service fits into the customer's intention. They argue that the focus on value creation during interactions between service

providers and their customer is too narrow. The authors (Heinonen et. al., 2010) claim that if the interaction is the only centre of attention, there is a risk to fail to consider what the role of the company is in the customer's life or business (Heinonen et. al., 2010).

This means, companies require deeper insights of their potential role within customers' activities. Rather than involving their customers in co-creation, service companies could focus on involving themselves in the customer's business or life. In contradiction to the traditional view, service providers could, besides visible and controlled interactions, expand their perspectives in order to get to know their customers on a deeper level than before. The service provider has to see beyond the co-creation activities in order to identify activities that customers are involved in with other individuals, companies, or service systems.

Consequently, the service provider might learn what processes customers are involved in their own context and what different types of input, both physical and mental; they would need to support those processes (Heinonen et. al., 2010).

2.3 The traditional production approach

In the traditional product business approach, grounded in the model of an industrial economy, value is produced inside the company for the customer. According to this company-centric view, every company occupies a position on a value chain. The suppliers provide inputs; the company adds value to these inputs and then delivers the value to the next actor in the chain: the customer. The customer is seen separated from the value creation process and hence comprises a passive role (Porter, 1985; Normann & Ramírez, 1993; Kotler, 2002). In this concept, the value emerges through selling the benefit (value-in-exchange).

Most often, the interaction takes place only once at the moment of exchange. Thus, in this traditional approach, the company focuses on the internal processes and the product features and functionalities. Companies decide which product or service they would produce. Consequently, as an implication, they decide how customer value is defined (Prahalad & Ramaswamy, 2004 a).

In the traditional production approach there might be a bigger risk of misunderstandings. This means more concrete what the customer values and what the company think that the customer values might be quite divergent (Prahalad C. K., 2004). That is why the traditional role definition of customer and company and thus the traditional approach of value creation is becoming more and more blurred (Prahalad C. K., 2004).

2.4 Co-production approach

To explore the value co-creation aspect, it is essential to understand at first the concept of co-production in services.

The goods dominant logic of co-production could be placed between the traditional product business approach and the value co-creation approach (Ojasalo, 2010). In general, the production process is defined as sequential operational activities linked in a chain (Achrol & Kotler, 1999), where each action is leading to the next action (Porter M. , 1985). Various activities, which could be involved in the production process, such as, for example, intellectual work of initiating and designing, resource aggregating or processing activities lead to the creation of outputs. Consequently, co-production implies that customers participate in the performance of various producing activities (Etgar, 2008), whereby the company is typically in charge of the overall management of the process and its outcome. In consequence, companies and customers have different roles when considering the production of services and their consumption (Prahalad & Ramaswamy, 2004 b).

In service companies, value is usually produced jointly with the customer through customer participation. It could be seen as co-production of services if the customer is providing any kind of resources needed in the production process. According to Arnould et al. (2006), the information provision could be considered as a simplified alternative strategy for achieving customer participation within the co-production process. This strategy demands only marginal use of the customer and his/her resources. Hereby, the customer conveys relevant information about his preferences to firms which then proceed in producing the relevant products according to these specifications and finally dispatch them to customers who have provided this information. It is beneficial that it does not require customer effort in learning new skills, nor accepting the dependency of customer's performance in the process. However, the risk of mismatching the customer preferences due to misinterpreting or false transmission of customer information is high (cf. Etgar, 2008).

2.5 Co-creation approach

2.5.1 General understanding of the co-creation concept

In the value co-creation approach, the customer is who defines the value. This value is based on the experiences and perceptions while producing, consuming or using the service (value-in-use). Thereby, referring to Prahalad and Ramaswamy (2004 c) the customer co-creation experience depends highly on particular individuals.

Moreover, the value co-creation approach emphasizes the customer-company interaction. In this manner, the company-customer relationship is defined through a dialogical, personalized interaction, enabling a joint creation of value (Prahalad & Ramaswamy, 2004 b). This means, through the interaction, the company gets an opportunity to influence the customers usage or according to the value-in-use definition, the customer value creating process (Grönroos C. , 2011).

During the direct interaction, each value creating processes (customer and provider) are merging into one integrated dialogical process. Both parties are operating inside each other's processes and have the chance to be active, coordinate actions, learn together and from each other and eventually directly influence each other (cf. Grönroos C., 2011). That means interactions imply deep engagement and the ability and willingness to act and learn between two parties (Prahalad & Ramaswamy, 2004 b).

In the traditional product business approach, where the company-customer relationship is transaction based, the financial value is the transaction itself (Prahalad & Ramaswamy, 2004 b). In contrast, in the co-creation approach, the set of interactions and the building relationships drive the financial value.

As a result, the value is co-created through a continuous interactive learning process (Ballantyne & Varey, 2008). The customer is involved at every stage of service development from joint problem definition until collaborative problem solving. Consequently, according to Payne et al. (2008), the customer is taking a proactive role and acts as an equal partner in the creation of value. Some companies have always maintained a closer working relationship with their customers without essentially focusing on value co-creating, because the relationship was still firm-centric (Prahalad C. K., 2004). In general, the customer value creating process could be viewed as a dynamic, interactive, non-linear and often unconscious process (Payne, Storbacka, & Frow, 2008).

According to Prahalad (2004), the concept of co-creation explores jointly with the customer a whole range of additional ways to create value. Customers, as the source of knowledge, are actively involved in the process and are able to choose what they consider being the greatest value to them (Prahalad C. K., 2004). However, co-creation does not contain the transfer or outsourcing of activities to customers nor a customization of products and services (Prahalad & Ramaswamy, 2004 a).

Considering the firms perspective, firms and their suppliers can gain more about customer insights and consequently get new ideas for designing, engineering and manufacturing products and services. Employees have the possibility to more deeply understand the

customer's aspirations, desires, motivations and behaviours regarding features and functions due to intensive interaction and dialogue possibilities (Prahalad & Ramaswamy, 2004 b).

2.5.2 Critical analysis of the roles within the co-creation concept

In general, Grönroos (2011) argues that in the literature, the term co-creation of value is used as an expression including all supplier and customer activities in an unspecified process that leads to value for customers. In his opinion, it is essential to clearly define the roles before analyse and derivate actions for the practice (Grönroos & Ravald, 2011).

Vargo (2008) states, for instance that the customer is a co-creator of value within the co-creation concept. This expression indicates that both the supplier and the customer are involved in the same process in which value is created for the customer (cf. Vargo S. L., 2008).

Compared to that statement, Grönroos (2011) argues within a critical analysis that according to the value-in-use definition, which implicates that value is created by the user for the user, the user can not be a co-creator and consequently cannot act as an equal partner in the creation of value, as it is asserted by Vargo (2008). The customer is the value creator, who is in charge of their value creation. The service provider that provides the customer with resources cannot be a value creator in an equivalent definition. The firm takes the role as value facilitator, who could support the value creation process through facilitating (developing, designing, manufacturing, delivering resources) the customer's value creation.

Normann and Ramirez (1988) also suggest that the supplier role within the value creation process is to support the customers to be able to create value for themselves. In other words, customers produce value for themselves independently, but suppliers may offer assistances. The supplier is the producer of the resources the customer integrates it in his process of value creation (Grönroos & Ravald, 2011).

Furthermore, Grönroos (2011) argues that the role of the value facilitator does not make the company automatically to be a co-creator of value; it is only a part of the process that leads to value for the customer (Grönroos C. , 2011). Except, if the company has the opportunity to interact directly with the customer and, therefore, get the chance to engage themselves with their customers value creation, the company becomes a co-creator of value, because it has attained the chance to influence the customer usage process.

Hence, Grönroos (2011) advocates that co-creation of value only emerges if direct interaction between the company and the customer takes place. If there are no direct interactions, the

company could only facilitate the customer's value creation. Although, that does not automatically mean that as soon as any kind of interaction occurs, the company is engaged in the value creation process of the customer and has the opportunity to influence it. The quality of interaction has an effect on the degree of influence, which in turn depends on the individual customer needs and wishes (cf. Grönroos C., 2011). For that reason, the firm's employees have an important role, because they are interacting and communicating with the customer and have the ability to understand the customer (Homburg, Wieseke, & Bornemann, 2009).

In conclusion, Grönroos (2011) argues that only during the qualitative interactions with customers, suppliers get opportunities to influence their customers' processes of value creation. Thus, they become co-creators of value. This means, during the interactions the supplier's and the customer's processes merge into one integrated process of joint value creation. The supplier enters the customer's process of value creation and can directly and actively influence the outcome of that process. In this moment, the supplier has a direct impact on the customer's value fulfilment and on how the customers' preferences and future purchasing behaviour would develop (Grönroos & Ravald, 2011).

2.5.3 Distinction between traditional and new value creation approach

In the following paragraph, the differences between the traditional and the new value creation approach, based on the theory of Prahalad and Ramaswamy (2004 c), are summarized.

As illustrated in Table 2, the traditional approach creates the company's value through an internal value creation process, which is placed separately from the market. The value is created through the exchange on the market. Hereby, the focus lies on the efficient match between the supply from a company's value chain and the customers demand.

As a consequence, the customers are overwhelmed and dissatisfied by the product variety available for them. In contrast, within the new value co-creation approach, the focus lies on the co-creation experience, which is created through the co-creation between the firm and the customer. The firm cannot create anything of value without the engagement of the individuals. Thus, the individuals and their co-creation experiences are in the centre. This premise leads to new implications: the interactions.

Since customers are heterogeneous, the value creation process must accommodate a variety of customer involvement possibilities and focus on the quality of the interaction points. Hence, the infrastructure of interaction between the company and its customer is an

important tool as fundament to be able to create a diversity of experiences (experiences environments).

Prahalad & Ramaswamy (2004 c) suggest establishing the network of experience that gives the customer the possibility to co-construct and to have an individual experience.

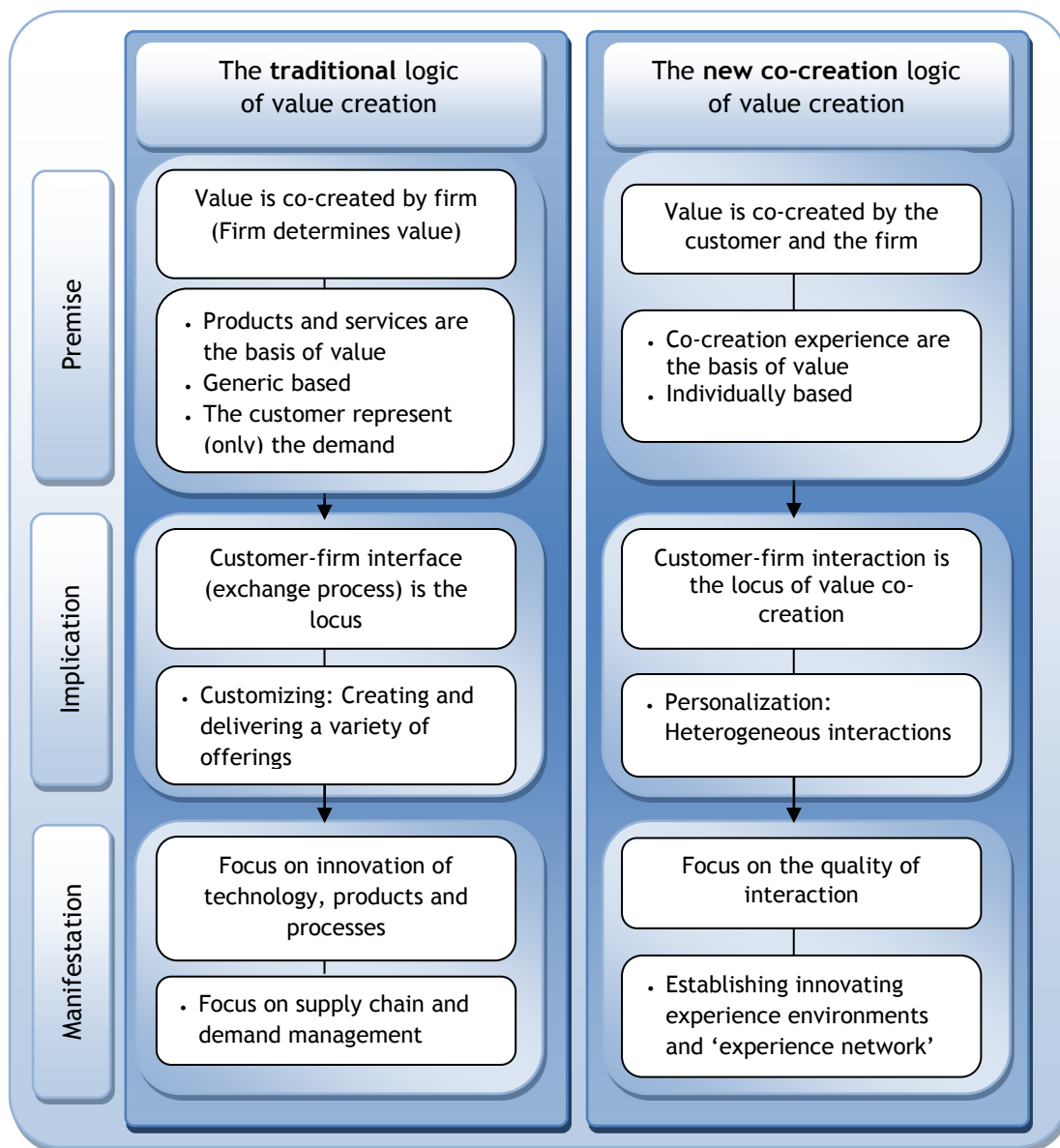


Table 2 Distinction between traditional and new value creation approach (cf. Prahalad & Ramaswamy, 2004 c)

2.5.4 Specific distinction between co-production and co-creation

Even though that customers could be seen as active parties in the production process as well, the parameters of co-production are only defined by the service providers (Zeithaml, Wilson, Bitner, & Gremler, 2006). Hence, Ojasalo (2010) argues that the involvement of the customer

is pre-planned, managed and carefully controlled. The customer is taking a reactive role, in which they are able to give feedback and respond to questions posted by the service provider but are anyhow not able to actively design services (Ojasalo, 2010).

According to Ballantyne and Varey (2008), the co-production proceeds with pre-specified guidelines which results are defined in advance. In contrast, the co-creation's goal is to create something new and unexpected and it includes learning from each other and something new together.

2.6 Identifying the challenges within the co-creation approach

This subchapter comprises most of the discussed challenges within the theory of the Business-to-Customer (B2C) sector, while aiming to enhance value co-creation. Thus, this section is essential in order to follow the research purpose of the thesis project. Hereby, the intention of this subchapter is to provide initial indications for investigating practical challenges and critical circumstances that are inhibiting the enhancement of value co-creation of the case company. This section serves as the foundation for evaluating if the challenges highlighted in the theory are relevant for the service B2B sector as well, which is further discussed in chapter 6.

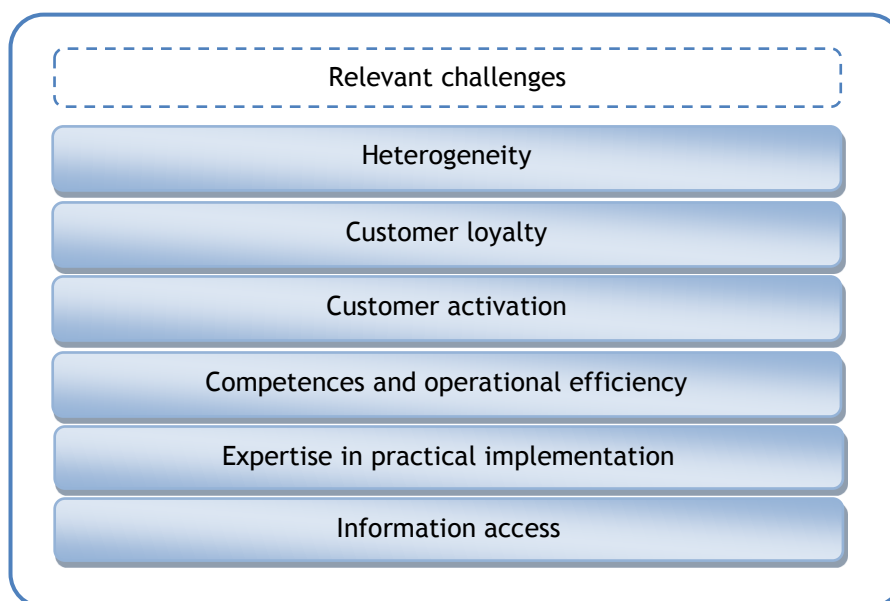


Table 3 Relevant challenges in the co-creation approach in practice within B2C market

2.6.1 Challenge: Heterogeneity

Ojasalo (2010) emphasizes that when applying the co-creation concept, the challenge for companies is to anticipate and to respond to customer's desires. This is because the customer

values different components of the supplier's value proposition in different situations, also called multiple priorities (Ojasalo, 2010). This means the challenge is the heterogeneity. Hence, companies must consider widely different customer viewpoints and demands and choose how to respond to them. In order for a company to deal with the heterogeneous demands of their customer base (Prahalad & Ramaswamy, 2004 b), they need to listen to customers and decide what to follow up and what to bypass. This process will require sophisticated judgments; thus the co-creation process will require comprehensive learning on both sides (Prahalad C. K., 2004).

2.6.2 Challenge: Customer loyalty

Another challenge is to foster mutual trust and customer loyalty in order to engage the customer. This means that a critical factor is the ability of the provider to build trust, as well as keeping promises (Kowalkowski, 2011). Referring to Prahalad (2004), the collaborative dialogue with customers is not only for supporting the knowledge sharing aspect but rather for enhancing the level of understanding and trust. In order to gain trust and have successful co-creation relationships, companies have to be aware of transparency as an essential aspect of the co-creation relationship (Prahalad, 2004).

To gain trust, companies have to investigate new levels of access and transparency in their dealings with customers (cf. Flint & Mentzer, 2006). Thereby, the question about in which extent the customer access is useful and practicable for both parties arises (Prahalad & Ramaswamy, 2004 b).

2.6.3 Challenge: Customer activation

As previously discussed, co-creation is all about sharing and empowering the customers, according to their individual needs, to influence the value creation process. Thereby, Norman & Ramirez (1993) state that activating customers to interact in their own value creation process could involve some sort of effort, which might be a great challenge for the company. Customers could, however, learn how to use, maintain, repair and adapt the offer to their individual needs (Vargo & Lusch, 2004). Thereby, one key aspect is the customer's ability to create value with the amount of information, knowledge, skills and other resources that they can access and use (Norman, 2001).

2.6.4 Challenge: Competences and operational efficiency

The acquisition of those competences required for the delivery, follow-up and evaluation of what has been promised could be a challenge, in particular to meet customer demand for

complex offers with an emphasis on value-in-use. In consequence, providers need to achieve a proper alignment between their value propositions and the available operating resources (Kowalkowski, 2011). Furthermore, to process in-depth dialogues with the customer could be a very time-consuming procedure. The challenge is to find a way to maintain operational efficiency during the intensive interaction with each customer (Prahalad & Ramaswamy, 2004 a).

2.6.5 Challenge: Expertise in practical implementation

Still, the service-logic is just partly implemented in practice. Concrete business models that focus on the outside-in-view are missing. Hence, one of the challenges for the future will be to create business models and tools that successfully integrate the service provider's processes with the customer's process of value creation. Instead of trying to make the customer fit in the supplier processes, the supplier should find an entrance to the customer's process of value creation. Just when the supplier is able to understand the customers' value creation, the supplier is able to provide more effectively resources and processes to support the customer value creation (Grönroos & Ravald, 2011).

2.6.6 Challenge: Information access

As previously mentioned, companies consider a risk in providing information access, because they fear to provide the customer a higher degree of control. In general, talking about risks, according to Prahalad (2004), co-creation can dramatically reduce rather than increase the risk of the supplier, because the customer's investment of knowledge and time reduces the supplier's effort to forecast customer needs.

Customers are an important source of information regarding what they want and expect from a service, because they are experts on their own consumption process (Ostrom, et al., 2010). Moreover, involving customers in an early stage of co-creation and maintain a continuous dialogue with them can reduce the risk of customers rejection of the end product.

2.7 Specialties within the B2B market

Usually, due to the few customers existing in the B2B-market, there is a greater interdependence between supplier and customer than in the B2C market. Hence, Ojasalo (2010) asserts that the value co-creation approaches could have an even more important and beneficial effect in the B2B market.

As highlighted earlier in the discussion about the context of customer value (Chapter 2.1), the new logic of value implicates that next to the value creation approach for end customers, the entire value-creating systems must be considered as well. This is due to the fact that the demand for varied and complex offers is increasing, and a single company is rarely able to provide everything anymore.

Hence, there is an increasing need for more complex relationships, especially in the B2B market. In this market, it is an even more essential task to think about the reconfiguration of the roles and relationships among the traditional constellation of different economic actors (suppliers, business partners, customers) and organisational practices in order to design an integrated business system.

This means that most often the value occurs not in sequential chains but rather in complex constellations of customer's suppliers, allies and business partners. These constellations invent value by matching the various capabilities of the participants in a more efficient way, and in this manner mobilise the creation of value in new forms (Normann & Ramírez, 1993).

Before starting the analysis of the case company for investigating the challenges within the B2B market, chapter three will describe the applied research design and methodology in more detail.

3 Research design and methodology

This third chapter will provide a plan that specifies the research methodology and the procedures used for generating and analysing needed information. Hence, this chapter provides insights about how the data was collected and analysed. By designing a structured research plan, it was aimed to systematically analyse collected data in order to accomplish the research purpose, which was formulated in the introduction chapter.

In the following paragraphs, the research plan is described in detail in order to guarantee the validity aspect. Thus, the reader would be able to reproduce the whole elaboration by following this research plan. The actual research analysis and the report of findings and results will be described in chapter five and six.

According to the nature and objective of the research, the usage of the exploratory research design seems to be adequate. In general, the goal of the exploratory research is to formulate problems more precisely, clarify the concepts in practice, gather explanations, discover ideas and insights, provide understanding, and eliminate impractical ideas (Ghauri & Gronhaug, 2005).

Two key characteristics of this approach are flexibility and versatility. In addition, the research problem is initially unknown. The exploratory research approach can be performed through using literature analysis or by surveying certain people about their experiences. Usually, by using this latter option, the obtained samples are small and non-representative, as the aim is not to acquire a representative sample, but rather seek to interview selective knowledgeable persons who are able to provide insights concerning the research problem. Typical methods used within exploratory research are, for example, expert surveys, pilot surveys, case studies, secondary data or qualitative research (Ghauri & Gronhaug, 2005).

3.1 Research process

In general, the research process consists of three main phases, which are visualized in Table 4. It contains phase I 'Pre-understanding', continuing by phase II 'Interpreting & translation' and ending with phase III 'Conclusion'.

- I. The 'pre-understanding' phase collects the initial primary and secondary data of the value co-creation approach as well as the current situation of the case company. Hereby, enabling the extensive literature review a deeper understanding of the research subject. Furthermore, this stage includes the conception of the research plan, the development of interview questions in cooperation with the focus group, the

actual interviews and the writing part of the corresponding transcripts, including the coding guidelines as preparation of the actual research analysis.

- II. The second phase 'Interpreting & translation' consists of the actual comprehensive analysis and interpretation of the interview data based on a comprehensive transcription summary. Hereby, chapter five summarizes the main findings and its interpretation. Supporting tools as the designed analysing model, introduced in chapter four, and the service blueprint model, described in chapter 5.1, are applied for a comprehensive, structured analysis.
- III. The third research phase 'conclusion', which is composed in chapter six and seven, outlines, based on the acquired theoretical knowledge and practical interview findings, the most relevant challenges in order to enhance value co-creation within the B2B market. In additional, in this phase it is summarized the personal interpretation of the literature discussion of vale co-creation as well as the managerial recommendations for the case company in order to enhance the value co-creation approach in practice.

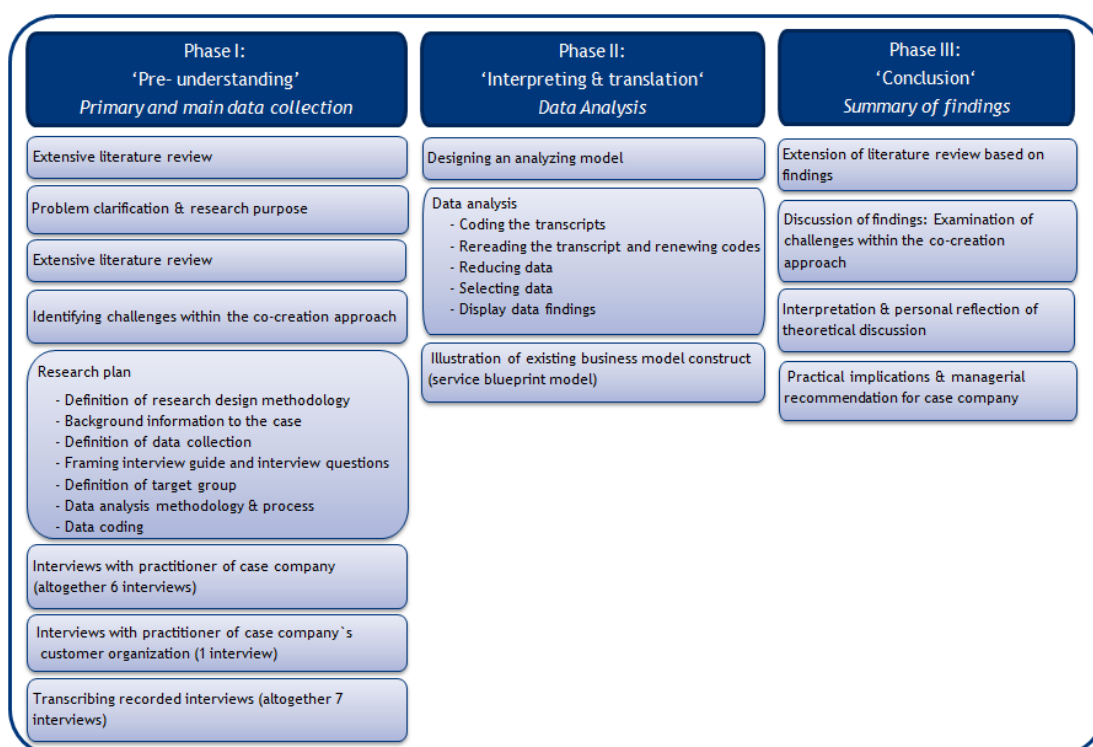


Table 4 Visualizing the research process

3.2 Research design

This subchapter discusses the research design, dealing with at least three problems: what kind of data is relevant, what data needs to be collected and how to analyse the results (Yin, 2009). Thus, this subchapter covers the methods of the study. More specific, it deals with data collection and covers how the data is derived from primary and secondary sources. The various stages of the investigation and how it was carried out are described and in addition, it explains in more detail how the interview questions, the target group and the data analysis methods have been developed and used.

3.2.1 Case study research

In this thesis the case study research methodology, in order to investigate the co-creation phenomenon in depth, is applied (Yin, 2009). Hence, the purpose is to provide a practical contribution to the theory of enhancing co-creation within the B2B context as well as to critically test the applicability of the theory in practice by focusing on the chosen case organization.

This method is selected to investigate an empirical topic by following pre-specified procedures. The goal is to collect, present and analyse data in a valid, reliable and high quality way by a dedicated form and explicit procedure of the research (Yin, 2009).

3.2.2 Defining the case

In order to deepen the research, it is limited to a single-case study. While choosing this particular case company, the aim was to capture circumstances and conditions of a representative small size service company within the knowledge intensive business sector (KIBS). The research of this specific case company provides additional knowledge and experience for further development of the co-creation approach within the B2B context.

The case company is a Finnish communications specialist. The enterprise is a service provider, which offers its customers comprehensive technical knowledge, networking and personalized communications solutions, especially designed for individual customer, integrating these solutions safely and cost-efficient into their businesses.

Hence, the company is specialized in planning, designing, installing and maintaining the infrastructure and networks of information and communication based technology (ICT). In addition, the enterprise is providing data protection services as well as back-up services. Thereby, the focus is on offering the service, not the hardware equipment. This case

company is acting only in the B2B market and their services cover most networking needs of companies, communities and educational institutions and are suitable for organizations of any size (Website of the case company).

3.3 Research execution

The empirical research was planned to be carried out during a period of three months. Hereby, the research was accomplished through the cooperation of a formed research group of five students who focus on a common theme. The goal of this focus group was to work together and inspire each other in order to get a deeper understanding of the topic and think further within the empirical study. Therefore, the diversity of opinions was enabling everyone in the group to get more insights and gain as much information as possible within the field study.

3.4 Data collection

In this section, the special type of data as well as the methods of collecting data will be identified and described.

3.4.1 Qualitative research methodology

For gaining deeper insight information, the qualitative research methodology is applied. Qualitative research is a type of scientific research that is based on the following characteristics:

- seeks to find answers to a question
- systematic use of a predefined set of procedures to answer the question
- collects evidences
- produces findings that were not determined in advance (Ulin, Robinson, & Tolley, 2005)

In addition, the qualitative research tries to understand a given research problem or topic from the point of view of the local population involved. Furthermore, it is especially effective in obtaining information and results about the values, behaviours, opinions, relationships, beliefs, and emotions of individual persons. Through this research method, it is possible to gain a rich and complex understanding of a specific social context or phenomenon (Ulin, Robinson, & Tolley, 2005).

3.4.2 Data types and sources

In general, there are two categories of data: the primary and the secondary data. The primary data is collected directly by the researcher. The secondary data is gathered from other resources such as published materials, journals, articles or websites. For the purpose of this study both sources, primary and secondary, are used.

Secondary data: Desk research method

Firstly, for gaining initial background information, the desk research method was used. This method is also known as the secondary data analysis, and it refers to the published data that is collected by other parties in the previous time. It involves gathering data that already exists either from internal sources of the case organization or from free access data on the internet (Ghuri & Gronhaug, 2005).

As the source of the initial desk research, mainly the case company's website was used with the intention of gaining background knowledge and for understanding the first impression from the customer perspective and, therefore, to get an idea about the current situation of the organization.

Primary data: Interview

One of the most important, and especially for this thesis report, most appropriate key data collection technique was the personal interview. This technique was applied to provide relevant insights from employees of the case company as well as customers that cooperate with the case company. Input on various aspects, such as company's needs and wishes, or lived company values and company strategy criteria could be gathered with this technique (Ostrom, et al., 2010).

For these interviews, the semi structured interview style was applied, which could be seen as a guided conversation. In other words, even the themes of the interview have been determined beforehand, the respondent has the liberty to use their own words and ways to answer and discuss reactions, opinions and behaviour on particular questions. Depending on the interviewee's responses, the interviewer is providing more or less questions to lead the conversation.

While collecting the data through semi-structured interviews, the researcher must be able to control the situation, ask the right questions, adapt to new or unexpected situations and develop trust (Yin, 2009). For instance, if the interviewee is talkative, the interviewer is less

active and asks more open-ended and free-response types of questions to stimulate the respondents to talk freely and reveal their innermost thoughts and beliefs (Alam, 2002).

This type of interview was applied to gain a more accurate and clear picture of the employee's position, thoughts, behaviour and understanding about the strategies and internal process-insights of the case organization. The challenge is to encourage the respondents to think and talk freely about their internal activities, habits, attitudes, and interests related to their work, because the key findings are often expressed indirectly "between the lines". Thus, it is tried to use mainly open-end questions that the respondents are free to answer according to their own thinking (Ghuri & Gronhaug, 2005).

In conclusion, semi-structured interviews, as a supportive guideline for the interviewer, was applied in order to ensure the coverage of all topics and issues within the interview with the aim to minimize the own participation in the discussion after establishing the general subject that has to be discussed.

3.4.3 Framing interview questions

Based on the extensive literature analysis and a co-creation framework (Ojasalo, 2010), it was aimed to frame the research questions and set a first structure draft within the first meeting of the formed research group. The affinity diagram methodology was used to be able to discuss together the content of the interviews and the needed information outcome.

In addition, based on our independent preparation, we identified in advance four initial main perspectives for interview themes, which focus on central features of value co-creation and the conventional business approach:

- Company insight information (Company's strategy, vision, aims and business environment)
- Development of a service offer
- Delivery of a service offer
- The customer

These categories are clustering the questions and, therefore, provide a frame. Based on the literature research these categories should ensure to gain relevant information for analysing the current stage of value co-creation within the case company.

The categories were written down on flipchart papers. At first, everyone taped prepared post-it labels, comprising questions, to the different flipchart papers. Hence, everyone was

independently arranging the questions within the initial categories. Afterwards, we presented our own thoughts to each other and discussed in a group the necessity of the questions.

Through this active discussion, we were able to create a comprehensive list of important research questions. After that, we organized the findings with the goal of creating an order of questions as a first draft of the interview themes. The draft of interview themes has been several times rechecked and compared with the research problem, partly to test the consistency between these two and see later on whether these questions are detailed and correct enough to gain relevant information.

Within the second and the third meetings the questions were further evaluated and specified, and were finally prepared to an ultimate questioner sheet as a guideline for the interviews (appendix 1).

The intention of this guideline for semi-structured interviews is to ensure being able to gain insights to all relevant interview themes. However, it is important to be flexible in adapting the interview questions to the interview situation in order to enable an interactive conversation rather than strictly following the guidelines and ask only predefined questions.

3.4.4 Target group for the interviews

The case company participating in the research project has a strong interest in exploring the business model in the discussed context and for this reason is actively cooperating within the research project.

The literature is suggesting using different models of involvement for gaining information, both from internal (case company) and external (customers of the case company) sources, to avoid or reduce uncertain and unstructured information (Ostrom, et al., 2010). For that reason, the company was screening the most appropriate candidates and provided a list of employees to be interviewed. Hereby, it was recommended to choose the persons who could provide the most relevant and valid information. Finally, the interview candidates comprise of board members, senior level executives and vice presidents.

In addition, the company made the choice of one customer to be interviewed. The literature recommends selecting carefully the collaborating customers because the success of interaction depends on the strategic fit between the customers and the company that interacts with them. Because of this particular reason, a customer with whom the company has a long, close relationship was chosen for this interview.

According to Alam (2002), close customers have a greater motivation to cooperate, but it has to be considered that they often cannot provide access to potentially critical and diverse information. For interviewing the company's customer, similar, slightly modified interview questions were applied (appendix 1).

In total, six interviews were conducted with the different directors of the participating company and one interview with their customer.

3.4.5 Drafting interview guide as preparation of interview execution

As described previously, the semi-structured interview method is used for the interviews. The questions could be used as reminders regarding the information that needs to be collected.

It was agreed with the case company that the interviews will take around one hour. In practice, the interviews took place between 45 minutes until two and half hours. It was also announced that the interviewer would record the whole interview conversation by using recording devices aimed to provide a more accurate rendition of the interviews and, therefore, ensure a deep analysis of the collected data afterwards. Tape recording is a useful method to tape the information but has the disadvantage that the respondent might hesitate or even not answer some questions which are sensitive. To reduce this risk, it was emphasized at the beginning of the interview that it was anonymous and only recorded for the individual analysis. Additionally, the location of the recording device was consciously chosen, which means instead of locating it in the centre of interaction, it was chosen a more hidden place to ensure that it would not disturb the concentration and interaction flow.

Due to the language barrier, the interviews were segmented between two kinds of persons, one group of four interviews that were held in English language, and the rest of three interviews that were held in their mother tongue, Finnish.

Once all aspects were considered, the interviewed person was approached by phone to set up a meeting appointment. To avoid misunderstandings on dates and timing, confirmation e-mails were sent after the phone call commenting the appointment and thanking for giving the opportunity to visit the interviewee.

After the interviews were held, the interviews were transcribed. Transcribing is a time-consuming process, which describes the systematic listening to the content of the electronic record as well as detailed documentation of every single word that was said during the interview.

3.5 Reliability of data

Through a comprehensive description of the research process, it could be proved the consistency and repeatability. The objective is to ensure that, if a later investigator follows, the same procedures as described by the author, as well as conducting the same case study all over again, the future investigator could arrive at the same findings and similar conclusions. Hence, as beforehand mentioned, the research study was documented through recording the interview and writing the transcripts afterwards.

3.6 Analysing the data

3.6.1 Data analysis process

This analysis process is based on the qualitative data analysis methodology, which purpose is to systematically understand and gain insights from the collected data. The challenge is to obtain a final sense from the massive amount of data, by reducing the volume of information, identifying significant patterns and constructing a framework for communicating the essence of what the data reveals.

According to Marshall and Rossman (1995) the intention of data analysis is to order and structure a mass of collected data. The key analysing characteristic is to divide the whole data in constituent parts. That means that through the usage of analytical procedures the researcher dissects, reduces, sorts and reconstitutes the information.

Miles and Huberman (1994) distinguish between the following components within the qualitative data analysis:

- Data reduction
- Data display
- Conclusion drawing/verification

Miles and Huberman (1994) describe data reduction as the first element of qualitative data analysis, whereby the data, which appears in the transcriptions, will be systematically selected, simplified, abstracted and transformed. The goal is to generate meaning from the mass of words. In this phase, the researcher generates categories or clusters and identifies themes and patterns as a footing. Data reduction is a form of analysis that sharpens, sorts, focuses, discards and organizes data in such way that valid explanations can be drawn (Miles & Huberman, 1994).

Data display is the second level in Miles and Hagerman's model of qualitative data analysis. Data display assembles the information in an ordered way which would allow conclusion

drawing. In order to display data, many different techniques could be used, such as, for example, matrixes, graphs, charts or networks. The aim is to assemble organized information into an immediate, accessible, compact form so that the analyst can see what is happening and draw justified conclusions. In other words, by creating a visual format that presents information systematically so that the user can draw valid conclusions (Miles & Huberman, 1994).

The third main research analysis activity is the conclusion drawing and verification. From the start of data collection, the qualitative analyst begins to decide the meaning of certain data or words. Of course, in the beginning these conclusions could be really fragmentary and vague which will become more and more explicit and grounded. Due to that, interpretations are always intuitive and subjective. The researcher should be open and sceptic in analysing the data to ensure that first vague impressions and thoughts are not misleading to wrong final conclusions. Consequently, the researcher should carefully consider alternative interpretations as well. The meanings emerging from the data have to be tested for their validity, which means their plausibility, their sturdiness and their conformability (Miles & Huberman, 1994).

These three analysing activities must be seen in a continuous interactive cycle, rather than as a sequence, with fix order, of consecutive steps (Miles & Huberman, 1994).

3.6.2 Coding the data

The process of classifying units and data is called coding. During this process, the data will be efficiently categorized by naming or labelling relevant words, in order to identify a unit of data which belongs to or represents a more common phenomenon. Codes serve as shorthand devices to label, separate, compile and organize data. No meaningful parts of the transcript will remain uncategorized. Later on, the analytical activity, named abstraction, clusters previously identified categories into more general or higher-ordered conceptual constructs. Hence it is common to redefine or change the categories or codes during the research analysis to ensure its coherent meaning (Ghauri & Gronhaug, 2005).

Comparison, as another analytical activity, is usually used in the initial stage while categorizing the data. The researcher documents general similarities in the specific empirical instances of the data and labels those that represent the same category. Comparison aims to discover differences and similarities within the data (Ghauri & Gronhaug, 2005).

In this research, as the first step I applied these guidelines and created an initial list of codes. During this initial process, I identified four categories, which are based on the literature

research and the meanwhile increased individual understanding of the co-creation approach. These categories are named 'company', 'customer', 'service design' and 'product'. Appendix 2 provides further description and subordinated codes of each segment. The codes were developed during the analysis because new insights and new ways of interpreting the data emerged. Hence, when I felt that a code had become inapplicable, I adapted, added, redefined, discarded or reconstructed the code.

3.6.3 Description of the data analysing process in practice

This subchapter should provide insights about how the process of data analysis was executed in practice.

After the interviews were finalized and transcribed, several workshops were conducted among the master students and the doctoral student, in order to agree on a common method for the analysis of the collected data. As a result of these discussions, three, partly overlapping main categories were identified in line with the interview topics. These categories focus on the central features of the value co-creation approach:

- (1) Strategic thinking and business model,
- (2) Customer interactions and relationships,
- (3) Service design processes

The process of identifying these main categories and assigned sub-categories, their background, and further details are described in more detail in chapter 4.

After the main categories and their corresponding sub-categories were set, I began analysing the data by applying the methodology of Miles and Huberman (1994) as it is described in section 3.6.2. I repeatedly read the transcript, in order to identify patterns and find expressions that aligned with the defined categories. In other words, the process was based on going through the transcripts, marking off units with different colours that cohered, as they dealt with the same topic according to the specified category.

To add more detail to the analysis, I added previously defined codes to categorize the text align with the assigned sub-categories. This way, I was able to separate relevant from non-relevant information and hence reduce the amount of mass data.

2 presents an example of how each interview transcript was analysed, and it displays how the text might have looked after it was processed. The code was marked in the left-hand margin and the right-hand margin was used for additional comments. The procedure of reading, interpreting and coding the transcript was repeated several times.

After the process of reading, highlighting and coding was considered to be exhaustive, in other words, no further information could be gained; I created a separate table for each main category that included all the corresponding data from every single interview. Also in this sheet, I added a column for personal comments and thoughts that would occur when reading, reflecting and interpreting the data. By using different font colours, I was able to deduce who of the interviewees had given the particular statement, and I was, therefore, able to combine the transcripts from all the interviews on one worksheet.

While reflecting and interpreting the data, I applied two separate working stages. At first, I wrote a rather general interpretation of around 100 pages. This procedure mainly served the purpose of an initial collection of my thoughts.

At the second stage, I repeatedly read the collection of thoughts and thereby, focused again on the identified main categories and their assigned sub-categories. During this process, I strictly reduced the data to come up with an extract of the most important and most relevant arguments that are presented as the results of the research, and which are summarized and discussed in chapter 5.

Code	Interview transcript	Comments
COM/ROLE	Interviewee: Well, my role in the company is mainly sales. I was hired to XXX three years ago. Then we were two sales persons. Senior sales person and me. And then the senior one, a couple of month later, he changed the company. So then I was all alone.	Indicator for fluctuation
COM/ROLE	Interviewee: And then about half a year later we hired a new one. And he stayed for a couple months and then he left. And after that we decided together with Kjell, our managing director, that I will take a bigger role in sales. And then I was working alone for three or four months. Then we hired a second sales person that I am now responsible for.	Fluctuation and lack of resources: especially in sales department → main customer contact person as well responsible for establishing the relation
SD/INV	Interviewee: It depends. Some customers...they... interesting in what the details are for example. What kind of service, what model what the things are. Some customers, they want to buy service ... that kind of service could you have it when it's installed. And the best customers and one thing what we need, the ...develop is how we report to customers. How we maintain his services	creating service info platform where the customer decide how much information are visible depending on customer needs
CUS/ACS	You can compare our industry. So if you have clean services in your office premises. If it's clean it's ok you never know that it's cleaned. One morning you come to work and your waste basket is full. Then you see is not working. Our services like same. When you server up running nobody noticed it but then it's down they notice it. And between the ...during the year we have maintenance breaks and make so many things that customers never knows these things	customer don't know what is behind the service offer → evidence that it is needed stronger Communication and transparency

Figure 2 Example of analysed transcript

4 Designing an analysing model

Based on the results of the interviews and several follow-up workshops among the group of researchers, an analysing tool was developed. The aim was to provide a useful and easy applicable tool for analysing the current state of the business approach of the respective case company participating in the CoCo project. This tool was meant to identify areas in the business operations where the co-creation approach would need further improvement.

In particular, the purpose of this tool is to ensure a structured analysis and systematically investigate challenges. In addition, it has a very practical approach for any company in this business context as it can be used to identify specific possibilities for improvement. The application of this tool might help companies to understand and develop their business further towards a co-creation approach (Ojasalo & Keränen, 2011).

The bases for applying the analysing model are the gathered data, the interview themes and the specified questions of each theme, which were introduced in chapter 3.4.3. These interview questions, shown in appendix 1, enabled me to gather crucial information of the current state of the company's business approach and ensure that I would obtain enough information to analyse.

4.1 Co-creation analysing model methodology

After accomplishing the interviews, the focus of the following workshops among the researchers was to identify categories and criteria for analysing the interview data. The intention was to understand the current service business approach and development needs of the case company by developing a tool to systematically analyse the needed information. As a result, three main categories were identified during the process, which are in line with the interview themes and emphasise the central features of the value co-creation approach:

- (1) Strategic thinking and business model
- (2) Customer interactions and relationships
- (3) Service design processes

Under each category, five more specific aspects, so called sub-categories, were distinguished. After this, the data was analysed in terms of systematic coding and categorization, as it was described in section 3.6.3.

This analysing tool enables the researcher to systematically analyse the company's current state of co-creation approach. By applying the tool, all identified categories and sub-categories can be evaluated, covering the entire array between two extremes: at one end it

defines the evidence of a co-creation approach, and at the other end it shows a conventional business approach.

Table 5 depicts the analysing model. It shows the three different main categories and each of the five sub-categories that support the analysis of the gathered interview data.

	Co-creation approach not evident	Co- creation approach evident
A: Strategic thinking & business model		
A1. Strategy process	Top-down / Inside-out	Down-top / Outside-in
A2. Business goals	To make and sell services and products / Value-in-exchange	To jointly create comprehensive customer solutions / Value-in-use
A3. Value creation processes	Focus on own value creation processes	Focus on customers' and customers' customers value creation processes
A4. Resources	Focus on own competences and other resources, own processes and technologies	Focus on shared resources / customers' resources
A5. Position in value chain/ value network	Focus on one part of the value chain, not in the business network	Focus on value networks
B. Customer interactions and relationships		
B1. Company-customer relationship	Transaction oriented	Focus on long term customer relationships
B2. Customer insight	Segmented by size, industry and other demographic factors	Deep customer insight - knowing in person
B3. Nature of customer interactions	Passive / reactive (selling)	Proactive/ dialogue
B4. Amount of interactions	Only at the moment of exchange	Active/ two-way Anywhere / anytime
B5. Customer access to information and other resources	Very limited	Transparent
C. Service design processes		
C1. Gathering customer insight	Structured methods	Participatory methods, listening and learning together
C2. Processing customer information	Within the company	Participatory methods, listening and learning together
C3. Developing the value proposition	Top-down / Inside out	Down- top with the customers
C4. Testing value propositions	Inside	With customers
C5. Launching value propositions	Selling services/products	Providing solutions

Table 5 Co-creation analysing model

In the following paragraphs, this analysing tool will be used to examine the interview data in order to reveal the current state of a co-creation approach in different business units of the case company. But before applying this tool in practice, the sub-criterias, shown in Table 5, will be described in the following subchapters in more detail.

4.1.1 Strategic thinking and business model

Table 6 summarizes the sub-categories that were identified under the main category 'strategic thinking and business model'. In the following, the meaning of this particular main category and its five sub-categories and how they apply in the co-creation context are discussed.

	Co-creation approach not evident	Co-creation approach evident
A: Strategic thinking & business model		
A1. Strategy process	Top-down / Inside-out	Down-top / Outside-in
A2. Business goals	To make and sell services and products / Value-in-exchange	To jointly create comprehensive customer solutions / Value-in-use
A3. Value creation processes	Focus on own value creation processes	Focus on customers' and customers' customers value creation processes
A4. Resources	Focus on own competences and other resources, own processes and technologies	Focus on shared resources / customers' resources
A5. Position in value chain/ value network	Focus on one part of the value chain, not in the business network	Focus on value networks

Table 6 Strategic thinking and business model

In order to apply a value co-creation approach in practice, the business strategy, as well as the business model, are essential. The business strategy is the fundamental base to understand an existing business model. In general, the business strategy is the clear stated guideline and vision of a company's goals and its direction of growth, and it underlines the priorities for future investments. Especially for traditionally managed companies that might aim to transform their operations to a co-creation business approach, fundamental changes and new ways of strategic thinking are needed (Lusch, Vargo, & O'Brien, 2007).

As discussed in chapter 2.3, conventional businesses base their strategies in giving the whole value to the products or services. It is assumed that by selling the product, the value is delivered to the customer (value-in-exchange). On the other hand, the strategy of co-creation is based on comprehensive customer solutions, which value is co-created at the consumption phase (value-in-use).

The fundamental starting point for framing a company's strategy is the understanding of the customer's value creation processes and selecting certain customer's process parts that the service company wishes to support (Payne, Storbacka, & Frow, 2008). Thus, the position within the customer's processes defines the scope of the company's value propositions that support customer's value-creation processes.

In other words, planning for co-creation is an outside-in procedure, as it starts from an understanding of the customer's value-creation process and it aims to provide support for better co-creation of value (Payne, Storbacka, & Frow, 2008).

Hence, it is needed that service companies understand the value-creation process itself, in addition to understand their own customers and the customers of their customers. Furthermore, it is fundamental to define a strategy that focuses on an appropriate company culture that truly supports the co-creation of value approach. That means, for instance, that instead of a "making, selling and serving" attitude the company culture has to consider the approach by listening to the customer and learning together (Ojasalo, 2010).

Equally important to the company culture, appropriate management and leadership practice is essential within the co-creation approach.

4.1.2 Customer interactions and relationships

Table 7 depicts the main category 'customer interactions and relationships' and its five identified sub-categories. Under this paragraph, the content of this table is discussed in detail.

	Co-creation approach not evident	Co-creation approach evident
B. Customer interactions and relationships		
B1. Company-customer relationship	Transaction oriented	Focus on long term customer relationships
B2. Customer insight	Segmented by size, industry and other demographic factors	Deep customer insight - knowing in person
B3. Nature of customer interactions	Passive / reactive (selling)	Proactive/ dialogue
B4. Amount of interactions	Only at the moment of exchange	Active/ two-way Anywhere / anytime
B5. Customer access to information and other resources	Very limited	Transparent

Table 7 Customer interactions and relationships

This second category focuses on the customer and its relationship with the company. As emphasised in chapter 2, the customer-company interaction is the essential locus of value creation. Interactions provide opportunities for influencing each other and being involved in each other's processes (Grönroos, 2008). Grönroos' critical viewpoint, which was discussed under paragraph 2.5.2, highlights the immense importance of qualitative interactions for a value co-creation approach.

The active dialogue, as one important element, implies interactivity, deep engagement, and the ability and willingness to act from both sides. However, dialogues are more than just talking and listening to customers. The dialogue could be understood as a shared learning and communication between two parties. Usually, multiple points of customer-company interactions exist anywhere in the system, and all of them can be considered critical because they are all providing opportunities for value co-creation (Prahalad & Ramaswamy, 2004a).

Additionally, the relationship itself has to be analysed in detail. According to Ojasalo (2010), the value co-creation approach focuses on the establishment of long-term customer relationships, instead of the transactions-based, financial value. It is necessary, therefore, to create a strong, long-term relationship with the customer in order to be able to design value proposals that are supporting and enhancing the customer's value creation process (Ojasalo, 2009).

4.1.3 Service design processes

The category 'service design processes' describes the development of the value proposition and service processes. Table 8 shows all the sub-categories that are comprised under this main category.

	Co-creation approach not evident	Co-creation approach evident
C. Service design processes		
C1. Gathering customer insight	Structured methods	Participatory methods, listening and learning together
C2. Processing customer information	Within the company	Participatory methods, listening and learning together
C3. Developing the value proposition	Top-down / Inside out	Down-top with the customers
C4. Testing value propositions	Inside	With customers
C5. Launching value propositions	Selling services/products	Providing solutions

Table 8 Service design processes

Ideally, within the co-creation approach the customer takes a proactive role and is involved at every stage of service development (Moritz, 2005). Hereby, it is a big challenge for service companies to involve as soon as possible the customers into the development process.

Ojasalo (2009) distinguishes two different customer roles in service design: 'customer as informant' and 'customer as co-designer'. Because customers are an important source of information, knowledge, innovation and creativity, it is important to increase possibilities of qualitative interactions as well as spending time with the customer in order to get access to deep customer insights.

Especially for developing the value proposition, it is essential to understand how to create value for the customer and act in a pro-active manner seeking for their latent needs in advance. In addition, customers may also be directly involved to design new value propositions.

5 Research results

This chapter summarizes the conducted information from the research. In order to ensure a structured analysis, the previously collected and coded data will be examined by applying the designed analysing model that was described in chapter 4. Hereby, each category will be analysed with the aim of investigating challenges and development needs for adapting a co-creation approach for the current business model of the case company.

In order to understand and comprehend the current business model and the rather complex service production process of the case company, the service blueprint methodology is applied and introduced in section 5.1.

5.1 Service blueprint framework

In order to be able to understand the business model and the complex service production process of the case company, the following chapter will introduce the service blueprint model. The aim is to visualize the current business model with its service production process and the different interaction points between the case company and the customer.

By analysing the company and customer encounters in more detail, the service blueprint supports the analysis of the challenges and the identification of value co-creation opportunities. In other words, the purpose of this technique is to highlight opportunities, identify failure points, improve service enhancement, re-engineer processes, and support differentiation (Payne, Storbacka, & Frow, 2008).

5.1.1 Service blueprint methodology

Services blueprinting is a versatile and practical technique with the aim to visualize clearly the service and delivery processes from the customers' point of view, as well as the organization process of the case company. This tool systematically depicts the different layers, from customer interaction and physical evidence up to the layer of internal interaction within the service production process and overlapping services (Zeithaml et al., 2006).

The uniqueness of services blueprinting compared to other flowcharting approaches is the continuous focus on the customer as the centre and foundation of the business. For this reason, this model allows the visualization, analysis and optimization of service processes, taking into account the customer's perspective, the supplier's processes and the supply perspective, aiming to improve the company's services (Shostack, 1984).

When designing a service blueprint, initially all key activities which are involved in producing and delivering the service must be identified. Typically, there are five components involved in a service: customer actions, onstage/visible contact employee actions, backstage/invisible contact employee actions, support processes, and physical evidence (Bitner et al., 2007).

“Customer actions” include all of the steps that customers take as part of the service delivery process. As the service blueprint focuses on the customer viewpoint, the actions of the customer are the foundation, and are typically laid out first and chronologically so that all other activities can be seen as supporting the value proposition.

The next critical component is the “onstage/visible contact employee actions,” which are separated from the customer by the line of interaction. This ‘onstage’ action describes occasions where the company gets personally in touch with the customer. Every time the line of interaction is crossed by the customer in order to contact an employee, or the other way around, a ‘moment of truth’ occurs.

The next significant component of the blueprint is the “backstage/invisible contact employee actions” that are separated from the onstage actions by the very important line of visibility. It is essential to understand that everything that appears above the line of visibility is seen or noticed by the customer, while everything below is invisible for the customer. Consequently, below the line of visibility describes all the other employee’s activities that are necessary to produce the service for the customer.

The fourth critical component of the blueprint is “support processes”, separated from contact employees by the internal line of interaction. These are all of the activities carried out by individuals and units within the company who are not contact employees but that need to happen in order to deliver the service. The contact employee’s actions, both onstage and backstage, can be delineated secondly, followed by support processes (Bitner et al., 2007).

After involving the customer interaction, the employee role and the operational processes, as well the information technology, it has to be specified how these activities are linked with each other to show the dependencies (Lovelock, 1996). These linkages are highlighted as grey lines in the blueprint example.

Finally, for each customer action and every ‘moment of truth’, the physical evidence that customers come in contact with, is described at the very top of the blueprint. These are all the tangibles that customers are exposed to and that can influence their quality perceptions. The physical evidence is typically the final component added to the blueprint (Bitner et al., 2007).

5.1.2 Service blueprint of case company's business model

In order to interpret the existing business model, a service blueprint framework of the case company is designed. Thus, appendix 3 is reflecting a simplified service production process of the case company. Hereby, it has to be highlighted that the process depends very much on the individual customer needs. Therefore, the drafted service blueprint captures only the basics of the complex service projects. Thus, the main goal is to capture the customer service experience from the customer's point of view and provide a basic overview about the current business model of the case company.

For a better understanding, the draft is divided into five different scenarios: contract/negotiation process, service delivering process, after sales process, service desk process, and the customer complain-scenario.

Firstly, when analysing the service blueprint, the front desk employees are attracting the attention. It seems that several different persons are involved in the 'moment of truth' and hence are responsible for the customer interaction. As a result, the impression arises that the customer has more than one contact person. Having several employees being in direct contact with the customer normally requires a high level of internal information flow and suitable unified information infrastructure. Further analysis is needed to investigate if this operational structure is leading to efficient business processes which ensure adequate transparency.

A second eye catcher is the physical evidence that reflects that mainly the electronic mail is used as a communication channel. For being able to evaluate the necessity of further communication channels in order to ensure the qualitative interaction between the customer and the case company, further elaboration of the interview data would be needed.

As the service blueprint can be used to support the interpretation of the interview data, only a very generic analysis of this draft have been made in this chapter. Further interpretations of the service blueprint are pointed out in the following subchapters, in order to underline and explain occurring challenges in a comprehensive way.

5.2 Analysis and interpretation of 'strategic thinking and business model'

In this subchapter, the case company will be analysed under the consideration of the first main category: 'strategic thinking and business model'. The goal is to investigate the challenges of managing the company and its operations under the consideration of the value co-creation approach. The results present aspects within the business operation and business

structure, the resource allocation, and the company strategy. Hereby the analysis follows the five sub-categories, described in paragraph 4.1.1.

In addition, further aspects are added to reflect a comprehensive report of challenges and development needs in order to adapt the concept of value co-creation.

5.2.1 Strategy process

Analysing the interview data from the perspective of the category 'strategic thinking and business model', it could be assumed that the strategic process is created by the management board with the aim to introduce afterwards the message to the personnel by following the top-down/inside-out procedure.

"... The vision and the target, where we want to be in the future, come from the board."

The content of the strategy is mainly quantity based and focuses on internal entrepreneurial aspects, for instance, as working more efficiently, improving processes and increasing the revenue.

"There is a lot of emphasis on the numbers as such"

"To grow, get more customers, get more revenue and grow as a company and still be profitable."

The personnel and the customers might not be involved in the development of the company strategy. Due to the versatile answers given during the interview process, it is assumed that there exists a different understanding about the company strategy among the employees and the interviewed customers. Hereby, it is worth to mention that the board has actively being concentrated on renewing the company's strategy within the last half a year, what might have caused some confusion among the employees. Nonetheless, within the interviews it seemed that some employees feel uncertain about the final strategy definition and have as a result some difficulties to identify themselves with the strategy message.

"We should have a more or explicit strategy."

In conclusion, by comparing the divergent comments of the management board members with the interviewed employees, the impression arises that the communication of the company strategy as such, might need further improvement in the way that the personnel is able to understand and identify themselves with the strategy message.

“... We are supposed to have a strategy which shows us where we are heading. So far we have not heard anything about our vision...”

Company Structure

The company structure defines the framework of each company. This structure sets up the company specific guidelines and rules, and ensures that everyone in the company has a clear picture about the decision and reporting sub-framework.

The interview data suggests that the company structure might benefit from certain adaptations that would consider the changes that the business has undergone a while ago.

“Maybe we have kind of a structure”

According to the data, it seems that the company is structured in the sense of a hierarchical organization, with the decision making power assigned to the management board.

Roles and responsibilities

The analysis of the interview data suggests that the roles and responsibilities of the different positions might need more specific depiction.

“The roles tend to be a bit overlapping and are not always clear who has the main responsibilities for some roles...”

Usually, overlapping roles induce the employees having to do several different tasks in addition to the tasks that they have been hired for. This might lead to an unstructured business process and process execution, but might also result in a discouragement of the employee.

Moreover, examining the service blueprint model of the case company, it is apparent that several different roles are involved in the direct customer contact. From the customer perspective, this means different contact persons for different matters. Especially in this situation, it is important that everyone knows his/her responsibilities very well.

Company culture

Elements of corporate culture cover external issues, such as the company's mission and goals as well as systems and process definitions, and also internal integration issues, such as, for example, common language, concepts and identity, and the kind of authority and relationships.

These elements include deeper underlying tacit assumptions. In other words, the company culture is formed by shared attitudes, experiences, beliefs, values and practices of an organization. It can be defined as a specific collection of values and norms that are characteristic for an organization.

Especially within the S-D logic, the culture of a company plays an important role and hence, special attention is needed in that field as this element can boost or hinder the company's survival. That means that the company culture can strongly influence the success of the company and employees performance (Schein, 2004).

When reviewing the data, it seems somehow difficult for the interviewees to describe the case company's culture in their own words. They articulated that there is no clear culture definition stated in the organization. Moreover, the comments might reflect partly different understandings about which aspects might actually comprise the culture of the case company.

"It's difficult to describe our company culture because we haven't stated what our company culture is."

Some kind of consistency within the answers could be summarized through the following characteristics: honesty; quality focus; openness; informal. In several comments of the interviewees, it was acknowledged that the company has not the size yet to define values and certain company culture.

"I think the more the company grows then the more it will be important."

Management and Leadership

Analysing the interviewed data from the management and leadership perspective, it might be concluded that the management board has the strongest decision making power in the case company.

"CEO has most power."

The middle management seems to be able to make decisions on a daily basis or respectively in “*basic matters*”. However, the understanding of the extent of decisions making power might need clarification.

“We might have on some level some power [...] in normal day to day work; we have relative free hands...”

In particular, the front line personnel seem to have limited possibilities to take independent actions or to make decisions.

Analysing the data further, it seems that a wide diversity of different ages, experience levels and personalities exists among the personnel. In general, it could be assumed that different functions are representing divergent awareness, understandings and interests. Thus, to generalize, the sales department is naturally financial driven and centres the customers with the aim of receiving a financial value for the company; in contrast, the technical division focuses on the production and delivery of the product, in other words, the solution for the customer.

It seems that this difference among the two functions manifests through the usage of different systems and technical access rights. Hereby, it has to be highlighted, that this occurrence could be a common phenomenon for ICT companies. It might be an enormous challenge to overcome this discrepancy and find a common approach in order to motivate and address the information equally to all employees. A strong demand on excellent leadership and communication skills might support the implementation.

“[...] we have sales clique, we have a technical clique and then we have some administrative people [...] you can already see it when we go [to] our lunch break [...] because they [employees] always leave in [the same] groups. So, there are small issues in the company culture or in the company organizations that are constantly there.”

In addition, the response of the interviewees suggests that the employee’s knowledge of their colleagues from other functions might be partly insufficient. This is especially surprising as the company is tightly structured and employs just 16 employees. These results suggest that the development of the internal communication and cooperation might lead to positive changes.

Information & communication

The information flow and communication channels of a company tend to be one of the essential elements for enhancing the value co-creation approach. Thus, this category is separately analysed from the others in order to explore further challenges and development needs in facilitating a co-creation approach.

Because the company is rather small, the ways of communication are, therefore, short; thus, the information is usually reaching the addresser. Anyhow, the comments are signaling that there might not be clear guidelines of information exchange and systematically usage of communication channels.

As a consequence, it seems that the case company is highly dependent on the personnel and their own understanding of the necessity of exchanging information. The interviewees admit that most often the reason for internal or external problems or challenges is an inappropriate way of communication.

“I think that most of the problems in IT industry are the problems with communication. Mostly inside the company or between the customer and the service provider. Mainly if there are some processes delayed or some problems, most of them are communication problems.”

Personal contact, sudden or initiated, is often used as a channel for communication. However, based on the service blueprint as well as on the interview data, it could be assumed that the electronic mail channel might be preferably used for exchanging information, especially in conflict situations. In addition to this rather impersonal communication style, different interest groups within the case company might be a source for misunderstanding and lack of information.

“...we might need an interpreter between these departments [sales and technical department].”

Interviewees told different stories about failed transfer of information, what in the end led to insufficient customer's care and disappointment among the colleagues. I assume that there could be a lack of communication between the first line personnel from the technical department and the sales department, which is defined as main customer contact within the case company.

As an example, a situation is described in an interview where the technical department is informing the customer about a service break. Hereby the sales person, as the main contact

person, is not receiving the information and is not able to react to customer's offended response appropriately. The consequence is that the sales department recommended in several cases their customers to contact them directly when problems arise, against the official rule that the customer should always contact at first the front line personnel, named "help desk". From the customer perspective, the internal communication challenges and less standardized execution of the communication rules seems to be noticeable. This could lead, in the worst case scenario, to a lack of transparency that might end in an insufficient level of customer's trust.

In summary, the data suggest that employees might not be aware of the importance and the effect of an appropriate communication exchange. Therefore, there seems to be an urgent need to create communication rules and guidelines as well as defined communicating channels to ensure structured information flow within the company, and externally to customers and other stakeholders.

5.2.2 Business goals

In general, the case company aims to sell services and products. In their understanding, the value occurs when delivering the solution to the customer (value-in-exchange). Even though that they are aiming to standardize their services, they are able to create individual solutions or respectively make individual adjustments. Actually, their biggest financial revenue is gained through the tailor-made solutions.

"The turnover comes from the tailor-made solutions."

Hereby, they are partly cooperating with the customer in a production stage. This means that the customer co-produces by providing the resources that are needed in the production process (Arnould et al., 2006). Therefore, certain customer activities are already involved in the production process what finally leads to the creation of the output. However, the case company seems to be in charge of the whole process management and its produced outcome; thus, the customers have only a limited role of participation.

The case company's latest business decision was to become a reseller for certain products, what is in line with the traditional business approach. That means that they recently enlarged their portfolio aiming to sell standardized hardware products. Thus, the value emerges through selling the product, whereby the customer only covers a passive role (Normann & Ramírez, 1993).

Consequently, evaluating the defined goals of the case company's business, the case company might range between the traditional and the co-production approach. The case company is already interacting and maintaining a closer work relationship with their customers. However, customer interaction points might be currently seen just as a necessity to convey the customer relevant information about their preferences in order to create the solution on their own.

It might be that the potential benefits of the customer involvement are not fully utilized yet. The challenge is to use more consciously and targeted those available customer resources. It may be worthwhile to consider the communication challenges described in the previous paragraph, as well as the risk of mismatching customer's preferences due to misinterpreting or false submission of customer information (cf. Etgar, 2008).

5.2.3 Value creation processes

Taking into account the interviewees comments, it could be supposed that the company's focus is currently rather on their own internal processes than on the customer's value creation processes. Based on the data, I could assume that the internal processes are partly in a generic level and are not yet comprehensibly defined.

"We need to kind of organize this; we need to start to define: [...] who does what and who is responsible"

Although the company is recognizing this necessity, it seems that the development of the managed processes may require further improvement.

"These kinds of things [...] it's very easy to postpone."

The customer comments might suggest that they have experienced the case company's processes as partly undefined. The customer points out that especially the sales, marketing and strategic co-operation processes seem to be unclear and unstructured from their external perspective. It might be that several different contact persons, partly undefined internal business processes, and the internal communication challenges are leading, in summary, to less transparency from the customer's perception.

5.2.4 Resources

Human resources are typically the most important asset to ensure the success of the business in knowledge intensive service companies, such as the case company.

However, it seems that this is also one of the challenging components within the case company. Diverse interview comments might suggest high fluctuation, especially in the technical and the sales divisions.

“So, at the moment that is a real issue for us, the resource side [...] we need consistency.”

These mentioned departments directly influence the customer meeting points. Hereby, the sales department mainly concentrates on customer contacting and customer care. A high fluctuation could be challenging in order to establish a long-term relationship between the customers and the company. For building up trust, it tends to be important to have one responsible face towards the customer; in other words, the same contact person the customer can always rely on. Furthermore, in the technical department, where the asset is mainly project related expert knowledge, frequent changing positions might cause a delay, which consequently could affect the service quality.

The comments of the customers might infer that they have noticed this fluctuation tendency. One customer expresses that he is concerned that the case company is truly able to finalize the projects on the agreed schedule. Additionally, the data reflects that there might be a lack of adequate human resources in order to develop further the business operations. This situation might bear the risk of losing competitiveness as it influences the development of new products and hence the flexibility and innovativeness in the service area.

“Simply we don’t have enough people working here.”

The applied technology tools and systems are important resources as well, which have a great impact on the co-creation of customer’s value and on running the business efficiently. Interviewees have partly given contradictory answers about the systems and its access rights. It seems that different systems are used in different divisions. Due to the reason of divergent interview responses, there is no assumption made about the effective usage of internal systems.

5.2.5 Position in the value chain/ value network

It was highlighted already in chapter 2.7 that there is an increasing necessity for more complex relationships. Hence, the entire value-creating system requires special attention within that analysis.

In general, it seems that the case organization is acting in a complex business network. That means that there exist possibilities, and due to the strong competition also the necessity, for more complex business constellations within this industry. Anyhow, it seems that the case company mainly focuses on own production processes; meaning that their preference might be to produce the services inside the company with limited cooperation from outside.

“Mainly we want to produce our services by our own...”

Although the company is already co-operating with business partners, in many cases the cooperation level comprises a rather minor degree. Consequently, most often the partnership is described by single value-in-exchange activities, such as, for example, buying and reselling standardized products.

5.3 Analysis and interpretation of ‘customer interactions and relationships’

Within the second category of the co-creation analysis model, the customer and its relationship with the company is covered.

5.3.1 Company-customer relationship

In general, the case company has a customer base of around 130 different customers, from which the most are smaller customers with minor potential revenue. Each of the two sales persons, who are defined as the main contact persons, has a customer base of approximately 50 customers. Due to the performance based salary model, the work of the sales persons seems to be clearly guided in raising the revenue, mostly through getting new contracts or respectively new customers.

As only two sales persons are focusing on attracting new customer and are responsible for establishing and maintaining a long term company-customer relationship, it is questionable if the current sales personnel resources would allow intensive actions on the establishment of long-term customer relationships.

In addition to the sales persons, the technical department is involved in frequent interactions with customers. Hereby, is the interaction point defined as anonymous “entity”, which means

in practice every time the customer is contacting the service "help desk" to clarify relevant issues, a different person might handle the case.

"From the customers' point of view the most important resource in our company is our service help desk because they communicate with the customer."

The interview data imply that the understandings of loyal customer care activities are divergent. While some of the interviewees seem convinced that the case company is actively enhancing the relationship through customer events once a year, other interviewees seem to believe that they are not focusing on establishing long-term relationships.

"We hear nothing from them [customer] until they cancel the contract after 2 or 3 years."

In general, the service solution-offer comprises continuing medium-term customer deals. That means, most often the service is combined with a contract lasting from a couple of months to several years. Moreover, changing the service provider might result in a strong impact and big investment for the customer.

"Customers do not want to change, [...] because it causes a lot of work."

This phrase might express that long-term company-customer relations do not necessarily mean that the customer is always satisfied. There might be a risk of wrongly assuming that all long-term customers are pleased. Thus, it is important to investigate intensively what exactly satisfies the customer. It seems that the main reason for some of the long-term relationships is based on the unique solution itself rather than on excellent service attitudes and customer-focused loyalty-activities.

Naturally, this dependency between the customer and the case company is a strong driver for creating a long lasting relationship, but it should not be the only reason for cooperating together. Establishing a successful relationship means to actively involve the customer, gain trust and offer a fair and respectful treatment in order to fully satisfy the customer.

Based on the interviews' answers, it could be assumed that the case company's processes are not clearly structured and transparent enough from the customer and employee perspective.

5.3.2 Customer insight

This subchapter discusses the scale of the case company's knowledge about the customer, covering from generic customer information to deep, personal customer insights.

Based on the interview data, it is difficult to make a general statement. Thus, it seems that the case company has a divergent level of knowledge about each customer. For instance, with profitable, long-term customers, the company seems to form steering groups in order to build a platform to jointly develop specific solutions. This platform is an excellent source to get to know the customer in more detail. Customers with less revenue expectations are not in the focus and, consequently, the company might know the customer just on a generic level.

“Actually, some customers we know very well because we have this kind of meetings and quite long time agreements. But some customers, mostly quite small customers, we might not know so well [...].”

The following comment might suggest that the necessities of all long-term customers are not known equally well by the company.

“We have had some cases where we have noticed that we have had a customer at least for 7 years and only now he is asking for some new products and services.”

Additionally, analysing the answers of the interviewed customer, it seems that the customer might believe that the knowledge that the case company gained is exclusively due to the long time working together with that particular customer.

In general, the case company defines that it is the sales person’s responsibility to gain and store information and knowledge about the customer and not the contact persons within the technical department. Basic customer information is stored in a customer relationship management system (CRM), mainly including hard facts, such as contact details or contract conditions.

“The information in our system is mostly related to contracts offers and such.”

Deeper customer insight information is only stored in the electronic correspondence between the sales person and the customer, or in the memories of each sales person in the form of tacit knowledge.

Since the technical and the sales department are using different systems and having limited access rights, it seems that, at this moment, there is no standardized method available for storing the customer knowledge.

“You can’t really access to the technical information, what’s going on, if there are some complaints or if something isn’t working.”

According to the interview data, the impression arises that some interviewees of the case company are convinced that they have a good knowledge about the customers they are working with. Hereby, it seems that the viewpoint of the extent of needed customer information is strongly divergent. The impression arises that the available or respectively accessible customer information is covering mainly just basic knowledge about the customer. Basic customer information is necessary to get to know the customer’s needs, but apparently the information might not be sufficiently enough to be able to comprehensively understand the customer and its business, as well as the customer’s customers.

It seems that some employees know really well certain customers who they are cooperating with since a long time, but the knowledge is not accessible for other colleagues working in the case company. In the case that such knowledge would be shared, the case company might be able to decide on a strategic level which part of the customer’s value production processes they want to focus on and aim to support as a value facilitator.

-Segmentation-

The co-creation approach suggests that the market segmentation from the customer perspective is the necessary basis to process customer insights. By determining what value-creating activities should take place, the organisation needs to make an assessment of the customer’s value to the firm. Before deeply investigating each customer, it is necessary to understand which customer segments are profitable in order to ensure cost efficiency and profitability (Payne & Holt, 2001).

In general, the market segmentation is an essential concept for dividing the whole market into smaller subdivisions with similar characteristics, which demand similar service solutions and are clearly distinctive from each other.

The interview data indicates that the concept of customer segmentation is still under development.

“I don’t have an official segmentation but I have my own segmentation.”

In addition, it seems that the interviewees sometimes have partly contradictory perceptions of the existing customer cluster. From the divergent responses, it can be assumed that the *“most valuable”* growing segment is the educational sector, where the company is already

"well known" and has a "strong expertise." Further classification of the customers seems to be:

"[...] customers nearby [...] so that's one segment."

"The rest [...] has been small and medium size enterprises."

The definition of the last two suggested segments might be a bit randomly defined and does not seem to accurately classify several homogenous characteristics within one segment.

Moreover, there are different opinions and understandings about which segments could be focused in future operations. The opinions differ from "small and medium sized companies" to "larger companies" or from the location aspect between "Helsinki/ Metropolitan area" to whole "Finland" as a segment.

Furthermore, the impression arises that the responsible sales persons, who address the customer, are steered by financial revenue targets. Additionally, it seems that there is no clear defined objective set which states how the sales person will be able to reach the revenue budget. The only guideline, defined by the salary and bonus system, seems to be acquiring new customers or gaining revenues through rather new customers.

One consequence from this action might be that the sales personnel could be not motivated enough to systematically approach profitable customer segments, because it could be too time-consuming, especially considering the public sector, where the purchasing process is extensive. In other words, without a clear goal definition there is a risk that the sales personnel is guided randomly and, therefore, tries to attract new customers focusing on short-term transactions based exchange, rather than on long-term relationship build up with profitable customers.

5.3.3 Nature of customer interactions

As previously emphasized, the customer-company interaction is the crucial centre of value co-creation. In a business context, the supplier-customer interaction means that through the mutual contact two parties have the opportunity to influence one another's processes. That means that by interacting is possible to influence the flow of the other party's processes and, in consequence, eventually the outcomes (Grönroos, 2011).

The case company is providing a permanent, passive interaction interface between the customer and itself, meaning that the customer has the possibility to get in contact with the technical support via email and phone, named "help desk". For this matter, a "ticketing

system" is used which can be assumed being a common tool within the ICT sector to structure the incoming customer requests.

"[...] every day thing that goes on, usually happen between the technical department and the customer."

From the interview data, the impression arises that the case company is aiming to limit the amount of personal interactions by phone and guide the customer to use the electrical mail as the primary communication channel.

"Of course we try [that the] customers contact [us] via email. [...] Only urgent things are made by phone. "

The following expression might describe the reason for intending a more impersonal driven communication style.

"I think in Finland, at least in this branch, some people are quite shy. They do not want to interact with anybody. [...] They usually don't call or meet rather send an email."

In general, it can be assumed that the customer interaction is used to gather the most necessary information for being able to produce and deliver the services. Hence, the more complex the service order is, the more information is needed in advance to produce the service. As a result, in addition to the help-desk interaction points, the number and form of personal interaction points with the customer depend on the size of the customer and the complexity of the services involved.

"[...] we need customer interaction [...] depending on what kind of service and how large and complicated the environment is."

Apparently, the interviewees understand the positive effect of an active communication with the customer, due to the fact that they experienced that the more information they are receiving beforehand, the better they are able to develop the solution.

"If there is a lot of communication before we deliver some service, [...] we have higher possibilities to make it right at one time. We don't make any errors"

As it was mentioned before, the case company is organizing regular meetings for the most potential customers. Thus, from approximately 150 customers, 10 steering groups are formed

for a regular come-together. These kinds of meetings are formal, including an agenda, protocol and a defined time frame in order to calculate the overall cost for them.

“We have an agenda and we write the minutes of the meeting.”

Hereby, it seems to be a challenge for the case company to measure the investment and set an appropriate price for the customer. The interview data reflects that for the company, such meetings are a possibility to discuss openly about customer needs, challenges and future plans. Surprisingly, for the interviewed customer the meeting comprehends nothing more than *“routine matters, which are mainly related to service desk functions”* and seem to be just *“too marginal development and surveillance.”*

Overall, the impression arises that the company might benefit from initiating the active dialogue and information exchange, and it could be useful to motivate the customer to actively contribute through interactions.

To conclude, it seems that the potential value of the customer interactions is not utilized yet, even though the interviewees have a good understanding about the value of the information they could receive through qualitative interactions.

“[...] the best way to get the idea is ask and listen to the customers, what they want and what they need.”

Interactions provide access to important valuable information as well as offering a chance to influence the customer value processes. Each dialogue ensures an interactive learning process, meaning that the value is co-created by learning together (Ballantyne & Varey, 2008). Therefore, every single point of customer-company interaction provides opportunities for value co-creation. Because of this, it is important to consider all possibilities of qualitative interaction in the whole business operating system. Thus, current encounters could be critically evaluated whether they are enabling and promoting qualitative dialogues or not (e.g., Gremler 2004; Grönroos 2006; Payne, Storbacka, & Frow, 2008, pp. 89-91).

5.3.4 Amount of interactions

As stated earlier in this study, the case company aims to ensure regular information exchanges. The quantity and quality of interaction points depends on the size of the customer and the complexity of the service solution. Consequently, the interactions are not only taking place in the moment of service delivery. Even though the case company has defined rules for regular customer contacts, it seems that in practice is not executed in the same way.

“I think the kind of standard that has been set is that sales person needs to contact each customer at least twice a year [and] meet once a year.”

It could be assumed, that the lack of human resources, as well as a misleading bonus system, could be the reasons that the theoretical company guidelines are not accurately executed in practice. As it was discussed earlier, the sales person seems to not be able to get in contact with every customer regularly. Apart from the lack of time to get in contact with each customer, the bonus system is not motivating the sales person to actively interact with the customer on a regular basis.

Hence, there seems to exist a divergent distance between the internal standards, the theory and the practice. According to the principles of service management, the reward system could focus on all relevant facets of the outcome: the, from customer’s perception, produced service quality, instead of just financial revenue numbers (Normann, 2007).

5.3.5 Customer access to information and other resources

As it is highlighted in the previous chapter, in order to enable co-creation and the development of shared solutions, the establishment of qualitative two-way-interaction encounters has to be centred. That means that through meaningful dialogues, the firm and the customer could become equal joint problem solvers within the whole co-creation process. However, meaningful dialogues are only possible if the costumers are knowledgeable through having the same access to information.

I believe that the needed foundation of value co-creation is the access to resources and information, which offer different ways and opportunities for co-creating. Furthermore, I suggest that transparency enhances the ability to co-develop trust between the company and the customer as a centre for a long-term relationship. (Prahalad & Ramaswamy, 2004 b). For that reason, this chapter will comprise in more detail this important aspect of the value co-creation approach.

First of all, it has to be highlighted that the case company is most often producing, delivering and invoicing immense complex service solutions. The more complex the service production processes are, the more challenging seems to be to ensure transparency in such a way that the customer is able to comprehend the company’s value creation processes.

Based on several stories and comments of the interviewed employees and the customer, the assumption is made that the current business operation is not transparently designed yet. In consequence, the customer access to information and resources seems to be limited.

Interviewer: *“Can the customers get into some of your programs so that they could, for example, see how your company operates?”*

Interviewee: *“No.”*

The employees and the customer seem to notice challenges, which could be traced back to non-transparent operating systems. For instance, customers seem to be partly confused and have different perceptions about the service itself, as well as its production and delivering process. This kind of misapprehension causes delays in the production process, immense extra work of the employees and may lead to disappointed and unsatisfied customers, as some interviewees imply.

“Sometimes there are misunderstanding, but usually the mistakes come from that, that the customer does not know what he actually bought.”

Additionally, the customer was admitting within the interview that *“at the moment the invoices are quite big compared to the amount of work they do”*.

It seems that from the external perspective of the customer, the product solutions with its invoicing procedure are not comprehensively created. If the customer does not understand the entire service offer and does not know which effort has to be done backstage in order to ensure the functionality of the solution, he will not be able to correctly evaluate the pricing of the services.

However, based on the interviews, there seems to be a need of creating more transparency. Therefore, the case company is already concentrating on improving certain specific aspects, as for instance the invoicing system.

“We should develop our invoicing system, so that the customers pay only for the services they use.”

“We need to develop how we report to customers. How we maintain this services.” This means that actions are taken to organize the operations in order that they become more transparent for the customer. Anyhow, it seems that the understanding of transparent operating system is too restricted in comparison to the co-creation concept and its principles.

Moreover, it seems that the case company is uncertain about the scale of information access. The impression arises that there is a fear to give up the control and the expert knowledge which is a unique selling proposition. According to Prahalad & Ramaswamy (2004 b), information access and transparency will enable the customer to have a clear, personalized assessment of risk and benefits. In other words, with access to information, knowledgeable customers can make more informed actions and decisions.

It is recommended to develop tools and programs that would allow the customer access to information. In practice, this could mean that the customer would be able to monitor the status of the operation, the solution details and the upcoming necessary tasks that have to be done backstage. The company could create an access to information, recourses and systems that would allow customers to engage each other in dialogues, helping to solve technical problems and enhancing the experience of everyone. Such practice might support the company to operate more efficiently. The facilities and knowledge within the case company seem to already exist, as well as the awareness that it is necessary to implement tools that would provide the customer with proper information and background knowledge.

5.4 Analysis and interpretation of 'service design process'

5.4.1 Gathering customer insight

In general, it seems that the case company is just partly applying structured methods for gaining customer information. The customer satisfaction survey seems to be the most relevant tool for gathering customer insights, which is executed once a year.

The interviewees commented that it is a traditional survey, comprising "*really general questions*" about the products and services, as well as the execution of different functions, which the customer is in contact with. Since the questions have not been changed for a couple of years, it is easy to compare the results from year to year. Although the interviewees seemed to be pleased having this tool to gather information, doubts or respectively scepticism about the company's real benefits were apparent.

"We haven't used the information in the survey good enough. "

The interviewees admitted that the survey results reflect only a number within an own defined satisfaction scale, but the reason behind customer's evaluation is most often not comprehensible.

"I would like to know why it was so negative but I can only guess what the problem was."

The case company's analysis of the customer's satisfaction level only relies on the results of the questionnaire. Since the answers could be influenced by the formulation of questions made within the questionnaire, the validity of the data could be questionable.

"The problem is depending on how you ask your questions, you can lead the answers"

Afterwards, most often the results are introduced to the employees in a meeting or at least are available in the “*coffee room*” for each employee. However, according to the comments, “*usually [...] it doesn’t lead to any further actions.*”

It seems that the case company has a basic understanding and willingness for involving the customer in their processes. Meetings are organized from time to time to exchange information and gain further customer information. However, it seems that the organization is overtaking the passive part in collecting only the general information that the customer is willing to provide.

To conclude, the company does not seem to proactively and intensively gather customer insights yet. Although inspirations and insights from the customer are gained in the customer meetings, somehow this information seems to be not utilized to its full potential. Hence, there are more benefits that could be obtained by using the invested time more efficient by actively listening. Participatory methods could be designed in order to activate the customer to open up and offer possibilities to involve the customers in production and delivering processes. This kind of meeting could be a session to learn from each other, which would lead to more valuable information, trust, loyalty, and deeper knowledge of the customer.

Even though the awareness of gathering customer feedback exists, I guess that there is still a need to bring this information to a professional, executive level, because customer knowledge could incorporate a deep understanding of customer experiences and processes, rather than be solely based on hard data, such as customer satisfaction measurements (Payne et al., 2008).

5.4.2 Processing customer information

As it was already highlighted in the previous analysis, the customer information is exclusively processed inside the company without the involvement of the customer. Moreover, it seems that the gained data from the satisfaction survey is not intensively exploited inside the company. Just the lowest numbers are taken into consideration when evaluating possible reasons behind the results. However, the interviewees suggested that most often no further actions are taken as a consequence of the results from the customer satisfaction survey.

The research data implicates that spontaneous feedback is forwarded inside the company in a non-systematic way. In other words, it is highly depending on individual understandings if customer feedback will be transferred to all responsible contact person involved in the project. There seems to be no methodical way of handling customer information defined in the business operation.

It seems to be useful to focus on structured knowledge management as a development need, which is especially important in complex businesses, such as the one the case company is operating in. As the first step, it is important to have the co-creation processes defined in order to identify the required customer knowledge to be engaged in these processes. The intention of a systematic knowledge management is to capture and effectively utilize customer information that exists in the company, with the aim to improve the knowledge management activities and infrastructure around the identified value co-creation processes (Payne et al., 2008).

5.4.3 Developing the value proposition

The development of customer's value propositions is arranged most often inside the case company.

“Mainly we want to produce our services by our own. Because then we have the best way manage how the production team is working.”

It seems that the customer is only involved when the company needs certain information for continuing to develop the service solution. Considering the following comment, I suppose that partly the customer does not understand his role within the production process.

“Our people ask the customer for information, and the customer for some reason doesn't answer and then the whole process is delay.”

In general, it seems that decisions about a development project are exclusively made by the management board in a hierarchical, top-down order.

“[...] the [development projects] are discussed in the management group and decided in the management group.”

Anyhow, it seems that only partly customer feedback is used to gain insights for further development projects. If needed, the case company is able to react flexible and adjust to individual customer needs. It seems that the economical factor is the driver for individual adjustments. Hence, I would assume that the financial or respectively the short-term revenue aspects are the centre of attention, but in addition innovativeness and product development, as well as customer long-term relationship aspects, might be useful to take into consideration.

“We have also the possibility to discuss with the customer different needs and different solutions. But all in all we have to keep in mind, that it must be economical”

In general, the employees, as well as the customer, commented that for accomplishing development projects not enough resources are allocated. Consequently, development projects are slowed down or even not taking place.

“We are so small [that] we are not able to develop new things. All resources go to just the routine maintenance.”

“They react quite slowly. The [development] projects don’t start fast enough. [...] In certain cases they have slowed us down. “(Comment of the customer)

The interviewees are admitting that they have customers who would be willing to take a further step in cooperation. Moreover, the interviewed customer is showing interests in a closer cooperation, especially in the development phase. Based on the customer response within the interview, the reason for the customer’s willingness to co-operate is to gain more access to information and transparency, as well as more influence on the project’s outcome. In addition, the interviewed employees acknowledge that more cooperation beforehand would reduce the level of failure.

As it was previously mentioned, it seems that the case company feels uncertain in providing information access, which could give the customer a high degree of control. As Prahalad (2004) claims, co-creation can dramatically reduce rather than increase the risk of the company.

Customer’s investment in knowledge and time could reduce the failure within the assumption of customer needs. That means that the earlier customers are involved in co-creation, the lower risk of failures would occur in the final solution. In order to utilize customer insights, it is important to maintain a continuous dialogue with the customer during the whole process.

The customer participation and engagement could be a valuable additional asset in order to counter the missing resources. In this kind of complex projects, it tends to be especially important to define and specify in advance the parameters of the development process within the co-operation frame. Moreover, with more access to information, the customer is able to comprehend his role and task within the development project in order to ensure an unobstructed cooperation.

5.4.4 Testing value propositions

Due to the complexity and individuality of most of the produced service solutions, the testing phase is most often done in cooperation with the customer.

“We do it and then the customer test it”

However, the impression arises that the testing phase happens more likely in a sequential succession instead of a permanent cooperation. It seems that the employees understand the testing phase as a necessity in order to ensure the functionality. It could be assumed that the case company has still room for utilizing the full potential by involving the customer in this stage.

With more access and transparency, the customer is able to comprehend the producing process. This could lead to a higher engagement within the testing phase. Instead of testing the service solution together with the customer only in the most needed situations, the system could be changed in such a way that all service will be tested beforehand in cooperation with the customer, independent from the level of complexity. Although, this may request more resources, it would lead to more transparency, fewer failures and adjustments later on, as well as more customer engagement and individual responsibility for the success of the service.

5.4.5 Launching value propositions

Similar to the testing phase, the launching phase is processed, what means that the level of customer involvement depends on the product. Therefore, when selling standardized products, the value will be simply exchanged. However, the more complex the solution is, the more participation of the customer is needed when the solution is installed.

6 Examination of the challenges within the co-creation approach

The purpose of the previous chapter, number 5, was to summarize the key findings via highlighting the most important challenges that imply future recommended development needs in order to enhance the value co-creation approach within the B2B service sector.

The intention of this chapter is to provide initial indications of relevant practical challenges, as well as critical circumstances, that are inhibiting the enhancement of value co-creation of service provider companies. Based on chapter 2.6, which introduced the most discussed challenges within the theory of the B2C sector, assumptions are made on the most relevant challenges that occur within the B2B market.

The structure of this chapter will be in line with the designed analysis model in order to ensure a systematic approach of investigation. Table 9 summarizes the relevant challenges of the co-creation approach in the B2B service context that have been identified in this study. In comparison with the challenges already visualized in Table 3, additional investigated challenges for the B2B market are highlighted with dark blue.

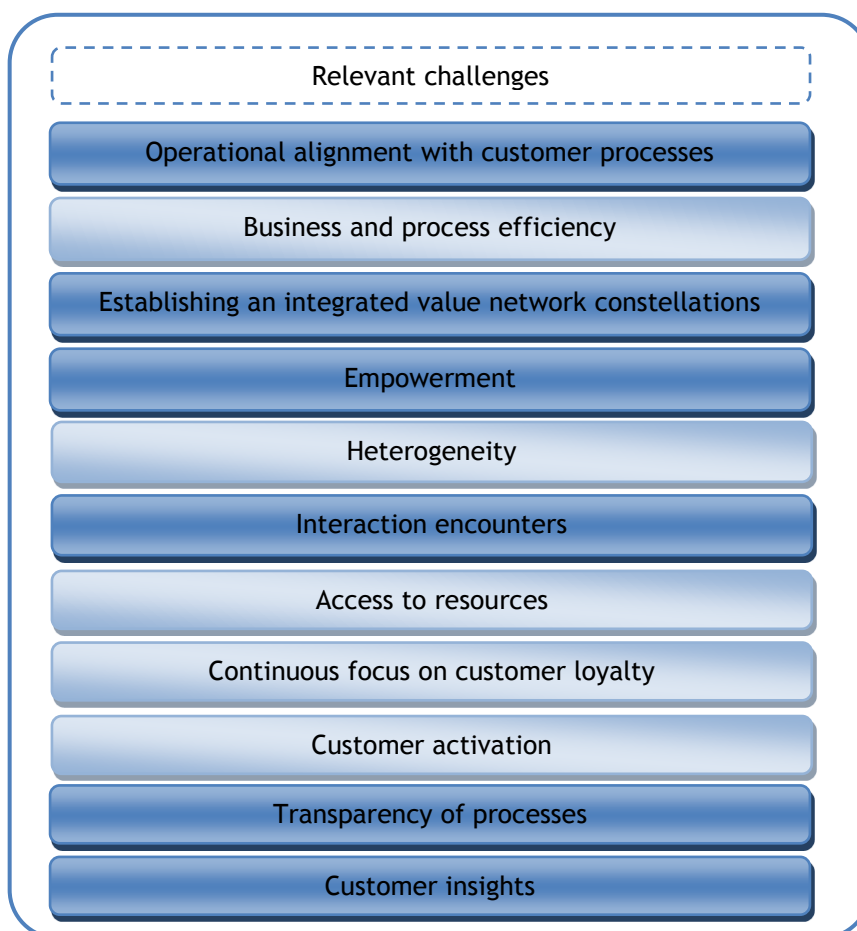


Table 9 Relevant challenges in the co-creation approach in practice within B2B market

6.1 Summarized findings of 'Strategic thinking and business model'

The research has shown that the company's focus lies rather on internal processes than on the customer's value creation process. Moreover, I assume that the business processes are not fully aligned with the customer value creation processes.

In order to implement the co-creation approach, it is necessary at first to understand the customer's value creation processes. This new perspective might help to understand the customer's business operation and to select these processes that the company wishes to support as a value co-creator (Payne & Holt, 2001). This means, by understanding the customer processes, the case company could be able to select certain process parts that they want to support for co-creating valuable solutions with customers.

Afterwards, the internal business process could be further defined for providing internal rules and guidelines as well as measurement tools to guide, control and report the business in a more efficiently operating way. Further, based on the selected direction, a company could be able to redefine its strategy, reorganize its structure and different roles and responsibilities within the company. Hereby, it is recommended to reorganize the production and the delivery processes, in order to align to the customer value creation process, and to enable the customer to be involved at every stage of service development (Prahalad & Ramaswamy, 2004 b).

In addition, with the knowledge of the customers value creation processes the case company might be able to develop new levels of access and transparency in their dealings with customers, what is needed to gain the trust as basic for a successful company-customer relationship (Flint & Mentzer, 2006).

Challenge: Business and process efficiency

I assume that especially small and medium sizes companies would benefit from further development and more comprehensible definition of the internal processes. Consequently, there might be a necessity for promoting the continuous development of the internal processes to ensure efficient, controllable operations. Hereby, there is a challenge to enable the proper alignment between the value propositions and the operating efficiency, and the resources available (Kowalkowski, 2011).

Challenge: Establishing an integrated value network constellations

In the B2B context, the relationship, and hence the role of multiple stakeholders, is fundamental within the value creations process (Payne & Holt, 2001). Especially in the B2B sector, the value is created over time and most often embed in complex constellations between customer, suppliers, allies and other business partners. In order to jointly generate mutual value between all the parties involved, there is an increasing need for actively developing and maintaining an integrated, sustained value network.

It is recommended to behave less like a competitor and think more seriously and consistently about the co-productive constellations. That means, a development need is to actively establish a cooperative relationship with external value network partners in order to create a new integrated business system.

One way to create mutual value in such a new integrated business system could be to actively establish a cooperative, interactive relationship between the organizations and external stakeholders (cf. Normann & Ramírez, 1993; Gummesson E., 1999).

Challenge: Empowerment

The last highlighted development need and at the same time challenge, within this part of 'Strategic thinking and business model' is the management and leadership approach. Especially knowledge intensive organizations and service oriented companies might benefit from an appropriate management and leadership approach that enhances the co-creation approach in all company functions. The challenge might be to decentralize the decision-making authority and instead aligning it close to the customer interface (Normann R. , 2007).

Thus, empowerment can be named as one key principle in service leadership. It means shifting the decision making power to the front line personnel with the purpose that the person in charge can act appropriately and immediately at the "*moment of truth*" (Homburg, Wieseke, & Bornemann, 2009). This should be integrated because the front line personnel has the possibility to directly interact and communicate with the customer and have the possibility to understand the customer (Homburg, Wieseke, & Bornemann, 2009).

6.2 Summarized findings of 'Customer interactions and relationships'

Challenge: Heterogeneity

Since the customer uniquely determines what means value for him, he could value different components of the supplier's value proposition in different situations (cf. Ojasalo, 2010; Vargo & Lusch, 2004). That is why it is an immense challenge to consider divergent consumer viewpoints and meet customers' individual demands, especially for complex solutions.

In order to approach this challenge, I suggest that market segmentation is essential. A comprehensive assessment of the market and its division in the most profitable market segments will enable the company to focus systematically on the most potential customer clusters (Payne & Holt, 2001).

Challenge: Interaction encounters

The co-creation approach underlines that the company needs to focus on the customer-company interaction, meaning that the company should get into a dialogue with customers. Such dialogue could provide access to important valuable information as well as the opportunity to influence the flow of the other parties processes, and, therefore, also the outcome (Grönroos C. , 2011). This means that co-creation of value only emerges if direct interaction between the company and the customer takes place.

Grönroos (2011) argues that the quality of interaction decides over the scale of influence. Usually, multiple points of customer-company interaction exist anywhere in the system, which all are critical because they all provide opportunities for value co-creation (Prahalad & Ramaswamy, 2004 a).

In order to utilize the described potential, the interaction encounters could be critically evaluated whether they are enabling and promoting qualitative dialogues or if further development might be necessary. Moreover, there might be still room for developing the quality of the interaction encounters in general.

Another challenge is to process in-depth dialogues with the customer because they might sometimes be rather time-consuming, and such intensive interaction with each customer might have a negative influence on the operational efficiency (Prahalad & Ramaswamy, 2004 a).

Additionally, since consumers are heterogeneous, the value creation process must accommodate a variety of consumer involvement possibilities (Prahalad & Ramaswamy, 2004 c). Due to the divergent customer preferences, it is important that a company knows their customers. Ideally, the company would provide a flexible system that allows the customer to select his preferred communication channel enabling an active dialogue and deep engagement.

Challenge: Access to resources

The research has shown that there might be an uncertainty about the scale of access to information. Some expressions could be interpreted as there is some kind of fear to give up control and expert knowledge that it is seen as a unique selling proposition.

According to Prahalad & Ramaswamy (2004 b), information access and transparency will enable the customer to have a clear, personalized assessment of risks and benefits. That means that with access to information, knowledgeable consumers can make more informed actions and decisions, because they are experts on their own consumption process and, therefore, they know what they want and expect from a service (Ostrom, et al., 2010).

As Prahalad (2004) claims, co-creation can dramatically reduce rather than increase the risk of a company. Customer's investment of knowledge and time reduces the supplier's effort to forecast consumer needs (Prahalad C. K., 2004). That means that the involvement in the earliest stage of the co-creation process will reduce the risk of customer's rejection of the end product. Moreover, thorough access will initiate and motivate customer participation and engagement, what could be a valuable additional asset in order to counter the deficient resource problem.

Challenge: Continuous focus on customer loyalty

Especially in the service sector, where people are the core of the business, trust and relationships between the company's employees with customers and other stakeholders are the gatekeepers to co-create mutual value (Gummesson E. , 1999).

Apparently, companies are aiming for a closer work relation with their customers, and in consequence, focus on the establishment of a successful long term customer-company relationship. However, it seems that there are no concrete methods available to actively focus on employee retention. The study revealed that some long-term relationships might just be based on unique technical solutions, but do lack consistent and excellent service attitudes and customer focused loyalty-activities. Changes in the company culture might be one key to

positively influence the transparency and trust building process between the involved interest groups of employee, customers and other stakeholders.

Furthermore, companies tend to assign tasks to different employees. From the customer perspective, this might be confusing to receive needed information on a particular subject from different contact persons. I assume that the more different contact persons are involved in the customer contact, the less transparency is guaranteed from the customer perspective. However, I strongly believe that transparency enhances the ability to develop trust between the company and customer as the central point for a long-term relationship (cf. Prahalad & Ramaswamy, 2004 b; Flint & Mentzer, 2006). The reconfiguration of the roles and responsibilities in such a way that the customer has just one responsible contact person for all matters could be a possible solution to increase transparency.

In summary, the company -customer relationship can be characterized through a dialogical, personalized interaction (Pralhad & Ramaswamy, 2004 b). Referring to Prahalad (2004), the collaborative dialogue with customers is not only supporting the knowledge sharing aspect but rather enhances the level of understanding and trust.

In order to gain trust and to have successful co-creation relationships, companies should be aware of transparency as an essential aspect of the co-creation relationship (Pralhad C. K., 2004). This means to gain this trust, companies would approach new levels of access and transparency in their interactions with customers (cf. Flint & Mentzer, 2006).

Challenge: Customer activation

In the theory part of this study, the common challenges within the B2B and the B2C market were discussed. One of them is based on how to activate customers to take advantage and involve them in the value creation process together with the company (Normann & Ramírez, 1993). That means that in order to influence the value creation process, the customers could learn to use, maintain and adapt the offer for their individual needs (Vargo & Lusch, 2004).

Based on the interview data, I assume that the B2B market benefits from rather close customer relationships. In the case of the researched company, the customer expressed willingness to contribute more and to get involved in the production processes if the necessary conditions would be provided. For this reason, I would suppose that companies are able to mobilize the customer to get them actively involved in the co-creation process.

I assume that it is a challenge to provide the amount of information, knowledge, skills and other resources that the customer can access and use. For that reason, the described

challenge of customer activation could be overcome by focusing on trustful relationships, access to information and transparent processes.

6.3 Summarized findings of 'Service design processes'

Challenge: Transparency of processes

As it was highlighted earlier in this chapter, in order to gain trust and to establish a long term loyal customer-company relationship, it is essential to ensure a transparently operating business. I guess that, especially within the B2B market, it is an immense challenge to ensure internal as well as external transparency, since most often the knowledge intensive service solutions are less standardized and are produced through a complex cross-functional producing process.

The research shows that it is necessary to define clearly the processes within the company. Different aspects could be identified that might lead, in summary, to less transparency from the customer's perception, and could end in an insufficient level of trust. These identified aspects are: several contact persons for the same customer, undefined internal business processes, and challenges in the internal communication.

The co-creation approach recommends that in order to enable the customer to participate, the business and production processes could be kept as transparent for the customer as possible. Of course, the same rules have to apply internally for the employees inside the company. By providing thorough information and comprehensible leadership, it is possible to involve, motivate and raise the passion of each employee.

In order to increase the level of transparency, the creation of communication rules and guidelines as well as the definition of standardized communicating channels might help to ensure a structured information flow both inside the company and also externally to the benefit of the customer and other stakeholders.

Challenge: Customer insights

Last but not least, I would like to discuss the challenge of systematically gathering, evaluating, processing and maintaining customer insights. Customer insights, gained through intensive interaction and dialogues, provide the company the possibility to more deeply understand the consumer's aspirations, desires, motivations and behaviours regarding features and functions (Prahalad & Ramaswamy, 2004 b).

Most often the customer is only taking a reactive role, in which they are able to give feedback and respond to questions posted by the service providers (Ojasalo, 2010), but in order to utilize customer insights, it is important to maintain a continuous dialogue with the customer during the whole process.

The study revealed that the case company acknowledges that cooperation before producing the solution might reduce the level of failure, and that increased customer involvement and additional customer interaction points might help gaining valuable insights.

Customer knowledge could incorporate a deep understanding of customer experiences and processes, rather than be solely based on hard data such as customer satisfaction measurements (Payne, Storbacka, & Frow, 2008). That means that instead of only focusing in the satisfaction surveys which are only a historical snapshot, it might be useful to implement tools to gather qualitative data through motivating the customer to actively provide insights.

I would suggest that, especially in the B2B market, customer information is more complex. Information about customer processes, customer preferences and customer's customers is equally relevant. Consequently, it is a challenge to develop tools that systematically gather process information, exploit the data, and finally ensure accessibility for the front line personnel.

7 Conclusions and practical implication

Based on the acquired theoretical knowledge as well as on the examination and elaboration of the gained interview data, in this chapter 7 I introduce my personal viewpoints and various conclusive thoughts of the thesis research project. Furthermore, I would like to suggest managerial recommendations that might enable the enhancement of the value co-creation approach in practice.

7.1 Conclusions

The different discussions within the literature regarding the exact defined role of the customer and the company within the value creation process underline the currentness and at the same time uncertainty of this topic, and, thus, the current development of an ultimate statement to be proved in practice.

Evaluating the different viewpoints mentioned throughout this study report, I see the company as a part of the value creating process, which provides the relevant resources for the customers enabling them to create value. Consequently, the role of the company is being a supporter of value.

My personal understanding about the value creation process focuses on a different perspective. When taking into consideration the value creation process of the provider that is exclusively dedicated to finances, then certainly in this case, the firm is a co-creator of value. However, when focusing on the value-in-use theory, where the customer is in charge, the firm is not automatically a co-creator, but rather a facilitator.

As Grönroos (2011) indicates, the key is the qualitative interaction which enables the firm to act as a co-creator within the customer's value creation process. Therefore, the firm is seen as a co-creator, who is supporting the value creation process of the customer and gets access to the co-creation process through qualitative interactions with the customer. As a result, the firm is able to influence on it. Thanks to Grönroos' critical analysis, the importance of the qualitative interaction within the value creation process is elaborated, as it is crucial to the supplier becoming a co-creator of value in the customer's process of value creation.

My personal conclusions from the literature analysis are highlighted in Figure 3. This figure visualizes the key aspects for enabling co-creation and the development of shared solutions. Co-creation is happening only when all these four elements are considered and included in the value creation process - namely interaction, access, transparency and involvement. By applying these elements in the co-creation process a trustful, long-term relationship between

the customer, as a value creator, and the company, as a value facilitator, could be developed.

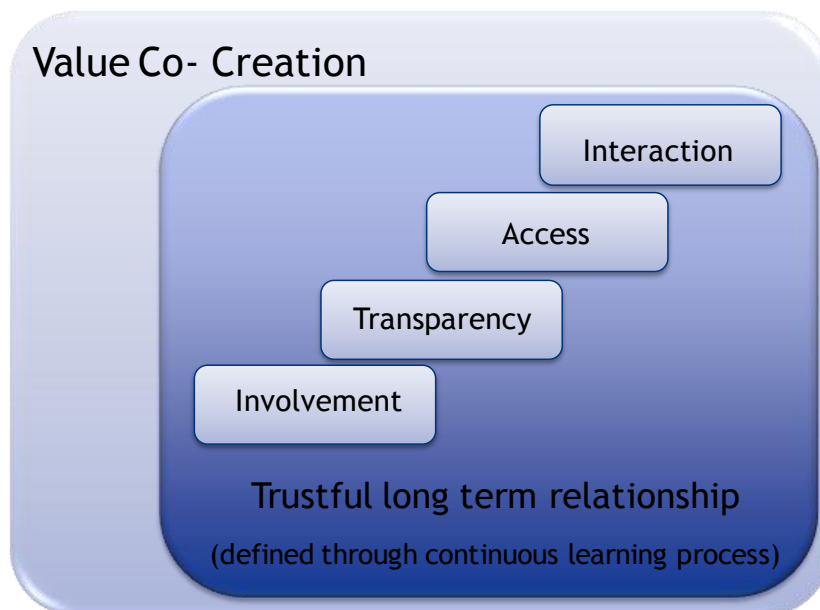


Figure 3 Key aspects of enabling value co-creation

The locus of co-creation is the establishment of qualitative two-way-interaction between service provider and customer. This means that through meaningful dialogues, the firm and the customer could become equally joint problem-solvers within the whole co-creation process. On the other hand, meaningful dialogues are only possible if the customers are knowledgeable by having the same access to information. In consequence, I believe that the fundamental need of co-creation is the access to resources and information, which offer different ways and opportunities for value co-creation.

Furthermore, in order to involve and to activate the customer in the co-creation process, more transparency is needed to form the base of a trustful long term relationship. Such relationship is essential and can be seen as the superior element to ensure a continuous interactive learning process (Ballantyne & Varey, 2008).

I am convinced that only when the customer has access to information and is accordingly able to comprehend the co-creation processes through transparent operating systems, he is finally capable to involve himself and to experience the joint co-creation of mutual value.

When transforming a business towards a co-creation approach, the direction and scope of the enterprise needs to be defined from the customer perspective, which also implies the employees, considered as internal customers. Defining a co-creation business strategy begins from an understanding of the customer's value creation processes. That means that it is

essential to understand first the value creation process of the customer, and secondly determine certain customer's process parts that the service organisation wishes to support (Payne, Storbacka, & Frow, 2008). Thus, the company's strategy and the value proposition scope will be determined by the position that the company has inside the customer's processes.

Therefore, it is essential to understand the customer's value creation processes in order to select the processes that the company wishes to support (Payne & Holt, 2001). Depending on the chosen value proposition within the customer value process that is considered in the company strategy, the company structure could be renewed as well. It is important to evaluate if the company framework operates efficiently and in such a way that it can take over the role as a value co-creator, and if needed, to adjust even the structures and roles of responsibilities within the company.

Hereby, the service blueprint is a good tool to analyse the business process from the customer perspective. It is important that the resources of the company are clearly allocated and defined. Doing that, everyone is able to concentrate on his/her area of responsibility and ensure the success of this part, which would aid efficient company operations.

While the enterprise grows over time, the structure and explicit definition of roles and functions might need to be updated or changed. Hence, I believe that the necessity for guidelines that may ensure some kind of transparency for the customer and the personnel is no matter of company size, but rather a matter of company culture.

Defining a suitable company culture is a long term process and requires historical thinking of the whole organization, because the culture underlies in the most invisible level, which refers to jointly learned values and beliefs. Thus, managing cultural change and transformation takes time to construct a parallel system, to learn new assumptions and then design processes that allow the assumptions to be introduced into the original organization. (Schein, 2004).

By establishing a strong and productive company culture, a better alignment of the company's vision, mission and goals, together with a higher employee motivation and loyalty, could be achieved. A strong culture might be able to shape the behaviour of the employee at work and enable the organization to be more efficient. In consequence, by specifying appropriate standards of behaviour for various situations, employees can be guided in the desired direction of the enterprise. In addition, the team cohesiveness among the various divisions might be ensured and especially might have a positive effect on the consistency, encouraging the coordination and control within the company.

In order to define the company culture, at the beginning, it is necessary to identify the key success factors of the service business and figure out the common behaviours and norms (Normann R. , 2007). Hereby, the easiest way to assess the company's culture information is to integrate the employees and the customer in identifying and defining common behaviours, daily practices and visible symbols. Certain components are especially relevant to be defined for the culture of service organizations, such as, for example, employee commitment, empowered employees, trustful relationships, transparency, highly effective leadership, effective systems and processes, customer-focus, effective communication infrastructure, etc. Hereby, it is important that the culture is in line with the company's vision and values, and, above all, with the strategy of the organization.

Further important step to ensure the successful implementation, or rather change, towards a clear and vital company culture is to communicate regularly the new culture, aiming to everyone internally and externally, in a translated and comprehensible way. Especially in the service sector, where the people are the core of the businesses, trust and relationships between the internal (employees) and external customers and other stakeholders are the gatekeeper to be able to co-create mutual value (concept of relationship value) (Gummesson E. , 1999). Hence, the company culture could positively influence the transparency and trust building process between the involved interest groups (employee, customers and other stakeholders). Moreover, defining an appropriate company culture could be used as a unique selling proposition to be distinguished from the competitors.

The communication and information flow is essential. A lack of information could cause misunderstandings and demotivation among the personnel and also eventually among the customers. The company's strategy definition, vision and company culture are especially important in order to ensure the feeling of unity, where the whole company works together towards a common future goal. It is furthermore important to translate the strategy message appropriately, with the purpose to make it comprehensible for the employees, who should be able to convert the message into personal goals for their daily working life.

The value co-creation approach suggests that leaders in a company develop its business strategy jointly with the employees. This will ensure a common understanding and at the same time avoid the risk of low acceptances among the personnel. Besides a positive attitude towards changes that might develop during the process, the employees will also feel more valuable by contributing personally and directly to the company's development. A consequence could be an enhanced employee motivation and individual responsibility level for the company success, what again might result in customer satisfaction.

Furthermore, in line with the service management principles, the company's operations might benefit when the organization is structured in such a way that resources, which support the frontline operations, are mobilized. This may require a "flat" organization with fewer unnecessary layers (Normann R. , 2007). Such flat organization might support a flexible and agile business, which is able to adapt fast to comprehensive customer needs and challenges, as well as complex constellations of customer's suppliers, allies and business partners. Additionally, flat organizations might empower the middle management and employees with decision making rights.

Especially for knowledge intensive organizations, the service management approach advocates to decentralize the decision-making authority, aligning it closer to the customer interface. This means that while adapting a co-creation approach, there is a development need in giving the personnel more authorization, in the sense of empowerment. The front line employees have an important role, as they are interacting and communicating with the customer and have the ability to understand the customer. Hence, they need the decision power to act accordingly and fulfil the customer promise at every "*moment of truth*" (Homburg, Wieseke, & Bornemann, 2009). Empowerment, as the key principle in service leadership, means that the employees' individual freedom is to take responsibility for his/her ideas, decisions and actions. Empowering the employees adds value to their performance, which leads to higher motivation and accountability.

In this context, it is important to highlight that in line with the target to create value for the customer, the employees need to be considered as internal customers. Hereby, two different perspectives could be considered. First, the value that the employee creates for the organisation, and second, the value that the organisation creates for the employees. In order to create value for the employees, it is evident that supportive human resource practices have beneficial results on employee satisfaction and performance (Hallowell et al., 1996). Therefore, the management might develop appropriate internal value creation drivers. That means that the employees would be able to recognize the benefits they are receiving from the company in order to feel motivated. Hereby, it is important to find out which actions can lead to employee retention. Long-lasting employee relationships imply that the employees are more likely to know their jobs and the goals of the organisation and thus, are more productive (Prahalad & Ramaswamy, 2004 a).

7.2 Practical implications

Suggestion 1

In order to translate the theoretical knowledge into a practical approach, I would suggest that the case company could create access to information, recourses and systems that would allow customers to engage in dialogue, helping to solve technical problems and enhancing the experience of everyone. This way, the company might benefit from more efficient operations.

On this basis, internal tools, as well as guidelines and rules for a structured dialogical information exchange between the customer and the case company, could be designed. The basis for developing or improving interaction encounters needs to be always the customer perspective, meaning that depending on the preferences of the customer the interaction encounters could be designed.

Due to the divergent customer preferences, it is important that the case company knows their customers. It is suggested to implement a flexible system that would allow the customer to select according to their preferences. Based on the assumption that for the employees, as well as for the customer, the electronic communication channel is the preferred tool for interaction, it is recommended to enhance the electronically supported communication environment. In this context, I would suggest the development of a web based intranet platform which includes tools and programs that would allow the employee and the customer to access and to share the same information, as well as the possibility to personalize the settings according to the individual customer needs. Such interactive online medium could be accessed via a personal link to a website, which continuously reflects the development phase in order to ensure a transparent process.

The customer could be able to follow the project status and correspondence report, could monitor the status of the operation, the solution details, the upcoming necessary tasks that have to be done backstage and so forth. Furthermore, in order to minimize the uncertainty among the front line roles, the customer could monitor who they have been in contact with and who is the responsible person for the requests on each moment.

According to Prahalad (2004), web based Internet tools and especially social media network platforms, could provide a useful possibility to gather customer information and in addition, enable transparency and immediacy. These tools offer exceptional services and could provide an interface that easily involves the customers into active communications through sharing all kinds of experiences and knowledge by using, for example, a virtual dialogue.

Hereby, the company could be able to learn, discover and understand customers' latent needs by sharing and gathering information (Payne, Storbacka, & Frow, 2008). Relevant, initial information, as well as routine matters, could be gathered and maintained via the electronic infrastructure. Personal meetings could be reserved to establish personal contact and trust.

Figure 4 visualizes an example how a web-based interface could look like in practice. The major contribution of this technological interface is its ability to allow rapid and low cost interactions between customer and the case company that could lead to a great reduction of economic costs, time and effort required for customer participation in value creation (Pralhad, Ramaswamy, & Venkaratam, Consumer centricity, 2000).

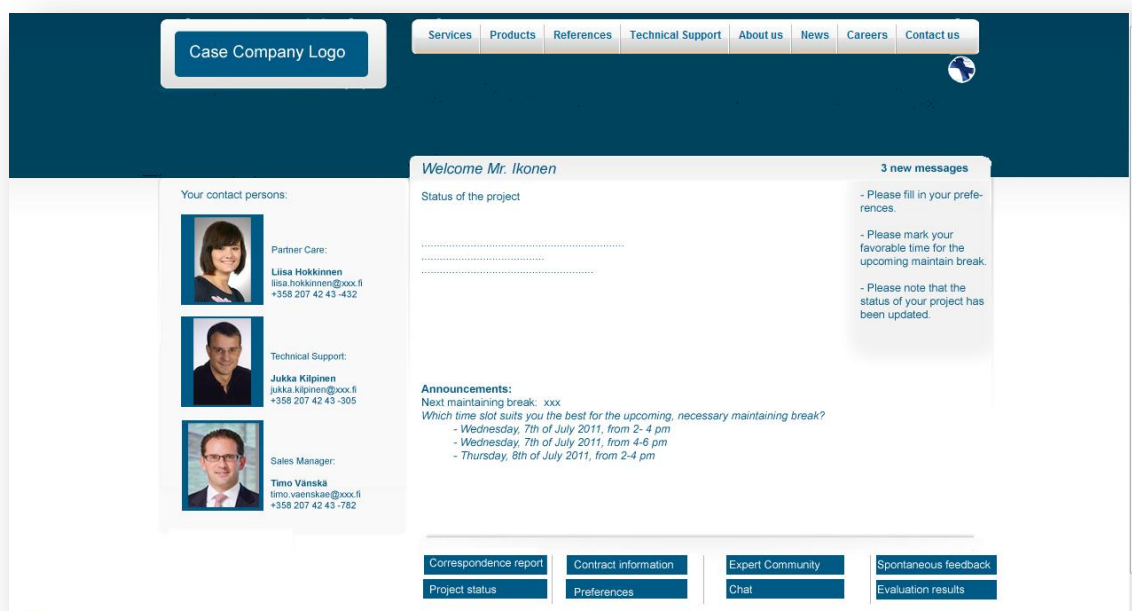


Figure 4 Service design evidence

It is important that the web-based interface is not only created as a one-way communication channel, which means is only providing information to the customer. The platform could involve the customers as well as animate them to interact and share their experiences. This means that the customer is able to add information, select options and adjust individual settings, give feedback and participate in discussions according to customers' individual needs.

In addition, connective-tools could be included in order to enable the customer to interact and allow collaborative practices, in which the parties jointly perform activities to co-create value. Hereby, it could be considered, for example, to involve communities of professionals,

service providers, partners and other customers, so that the customer is able to be a part of an expert community. According to Prahalad and Ramaswamy (2004 b), the internal system could enable the engagement of individuals to allow the co-creation of value and the co-creation experience, because each person's uniqueness could affect the co-creation process. Consequently, the infrastructure for interaction could strongly influence the quality of interaction.

Suggestion 2

As it is highlighted previously, a continuous focus in actively establishing a successful long-term customer-company relationship is highly recommended. Therefore, the organizational structure, the attitude, the behaviour, and the mind-set of the personnel in each department of the company need to be aligned with the willingness to establish a long-term relationship. For establishing a trustful relationship, there is a need of transparency between the case company and the customer.

Especially the customer contact persons have an immense responsibility to ensure a continuous customer focus. As the research revealed, apparently several different roles are involved in the direct customer contact. Thus, from the customer perspective he/she has different contact persons for different matters. In addition to the sales person, the technical department is involved in frequent interactions with customers. Hereby, is the interaction point defined as anonymous "entity", which means in practice every time the customer is contacting the service "help desk" to clarify relevant issues, a different person could be handling his case.

As a result, it is recommended to reconsider certain role definition and rights, especially those roles which are in direct contact with the customer. The challenge is to define an appropriate role model because of the extensive knowledge of different roles and sectors (e.g. administrative, technical, business-sales knowledge) which is necessary to serve the customer properly within the company's part of customer value creation process.

Based on the interview data, in Figure 5 a customer journey is created for visualizing the customer perspective and the different situations of personal customer-employee contact. This illustration might provide a deeper understanding about customers' feelings and emotions when dealing with several contact persons. Due to several different contact persons, the transparency for the customer is not guaranteed, which is the essential key element for building trust as a basis for establishing a strong relationship. (Flint & Mentzer, 2006).

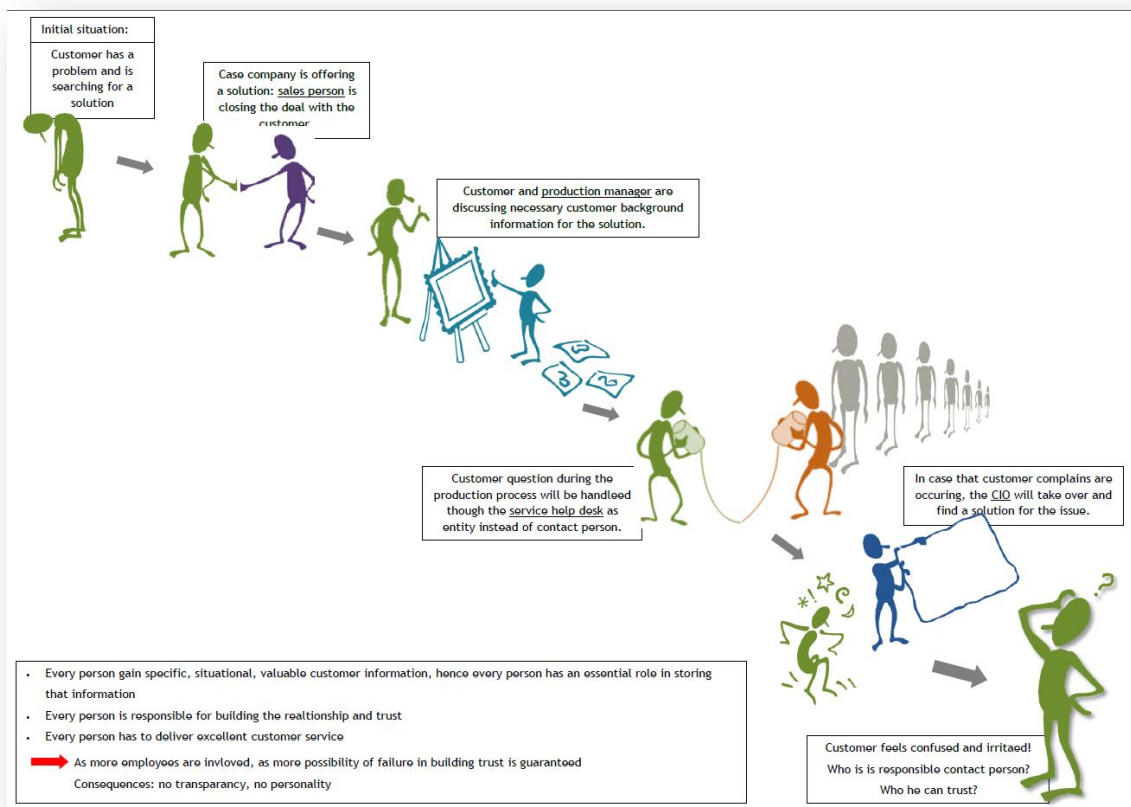


Figure 5 Customer journey illustration of case company

The first development step could be to visualize the proper responsible contact person in each moment internally as well as externally. Hereby, it is recommended to restructure the role definition in order to create one responsible 'face' towards the customer and the employees.

Furthermore, it is important that every single customer contact person knows their responsibilities and has a high sense of service understanding and service attitude. Thus, they need to have decision making rights in order to react to customer needs immediately. That means, to ensure a good relationship it is recommended to reconsider the decision making power of the frontline personnel and empower the personnel in making appropriate decision in the moment of truth in order to serve the customer appropriately, for instance by empowering the "help desk" to be able to react in emergency situations.

Suggestion 3

Motivating customers to actively involve themselves in the production and delivering process will enhance the possibility to gain valuable customer insights. Therefore, in addition to

satisfaction surveys, it is recommended to implement tools to gather qualitative data through motivating the customer to actively provide insights.

The organized steering group meetings provide an ideal possibility to activate the customer and actively involve them in some development projects, as well as gathering precisely customer insight information. Additionally, these meetings might be an excellent way to actively involve the customer in more complex development work from which the company might benefit in many different ways.

Overtaking the active part and using the invested meeting time efficiently by active listening and communicating, the benefits of the meetings would be further utilized. These meeting sessions could be determined by shared learning, with the purpose to obtain valuable information, trust, loyalty and deeper understanding of the customer. Hereby it is recommended to constantly focus on a qualitative dialogue.

Self-service platforms in the form of an intranet that is directly linked to the CRM system could involve the customers and motivate them to actively provide more information about themselves. Hence, intranet or web interface could automatically request more specific background information from the customers. This information would be automatically stored and further processed in the internal system. Routine matters would be handled via this platform, which is less time consuming and, hence, more cost efficient.

Suggestion 4

During the analysis phase, the impression arose, that there are no clear market divisions, and consequently the marketing activities might not be properly focused. This could lead to an inefficient usage of resources because the knowledge gained during the development of a specific service solution cannot be easily transferred to other projects due to the variety of different customers. Of course, every customer is important; however, due to the lack of resources, there is an emergent need for efficient resource allocation through focusing on potential customers within defined segments.

In other words, customer segmentation is especially important for ensuring efficient business operation because through the defined subdivisions the enterprise is able to target their solutions into certain most potential segments. By doing that, the company is able to tailor their service offers, and marketing and distribution programs to match the needs of each target segment. In addition, the segmentation will also provide better possibilities to monitor and measure the performance of each segment in order to accordingly plan the future marketing activities.

It could be supposed, that it is the responsibility of the top management to ensure the identification of the market segments, which would not be too broad but also not to undersized. The segments would need to be precisely defined and clearly communicated. Moreover, it needs to be ensured that the operating system is aligned with the defined customer focus. For instance, if the educational sector is a very important segment, it needs to be ensured that the sales department is able to focus on that segment, and is not distracted from the bonus system, which guides or motivates them towards a short term transaction focus.

Based on the research data, the following three clusters seem to be potentially interesting: the public sector, respectively the educational sector; the IT/ software companies, where they could have a partnership position; and the knowledge intensive service sector, such as medium size advertising and consulting agencies. Of course, these segments are only proposals for potential division and are not sufficiently defined yet.

8 Limitation and future research recommendations

Further research would be needed in order to generalize the findings reported here. The results of this study are limited in scope since the behaviour associated with other service settings may differ.

Since this research project includes 7 interviews and only one interview from the customer perspective, I would suggest enlarging the empirical studies especially from the customer perspective. Moreover, such research could expand the study, for instance by including data from other companies within the same size and service setting, from other service setting within the knowledge intensive service sector as well as from divergent company sizes.

Moreover, additional research could develop further the first draft introduced of an applicable analysing model for its usage in practice, which has been applied to three different knowledge intensive service companies in total. With enhanced applied experience, it would be possible to define more precisely relevant criteria to avoid overlapping content as well as to ensure that all significant aspects of the value co-creation approach are included.

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Appendix 1

- Question list for the case company-

1. Company's strategy, vision, aims and business environment

- What is that you do in this company? What are your main tasks and responsibilities?
How long have you been working here?
- What does your company do?

- What are the basic elements of your company's strategy?
- How the current strategy has been developed? (Goals, target)?
- What are the most important resources in your company?

- What is your vision or future intention?
- What are the main challenges in execution of your strategy?

- What are the company's values?
- What do they mean in your everyday actions?
- How is your company culture defined? (mind-set, attitude, behaviour)

- What kind of organizational structure do you have?
- Who has the power to make the decisions and what kind of decisions? (Together or from top to down)

- What do you promise to your customers? (Competitive advantage)? / What is the value promise to the customers?

- Who are your competitors?
- How do you define your market? (market position)

2. Developing service offering

- What do you offer to your customers? (Products, services, portfolio/package?)
- What are the benefits that your customers get from your offering?
- Do you know why do they choose your service? (What should be the value for the customer?)

- How do you get new customers? (Which activities?)
- How is your service offering being built?
- Are other shareholders/partners involved in the producing process? How is the relationship to other stakeholders?
- What kind of earning logic or pricing do you use? (Where does the money come from?) (Contract or transaction based) Could you describe these contracts in more detail?

3. Delivering the service offering

- How is the service delivered? / Which actions of the service process are taking place?
- How long takes an average service process?
- Which modules are standardized/flexible/set?
- What is the role of the customer in the service process?
- Does the customer understand his/hers role in the service process?
- Is the producing process transparent for the customer?
- What kind of customer interaction is taking place? How many interaction points do you have with your customer? In which level and with whom?
- Do customers have access to company information and resources?
- What kind of information and other resources?
- What is the employee's decision role during the service delivery process? (E.g. if something goes wrong/ if the customer complains)

4. Customers

- Who are your customers?
- Are they segmented? How many customers do have in average in each segment?
- How is the ratio of existing and potential customer base?
- Which kind of customers is most valuable for you?
- How well do you know your customers/ and customers' customers, their processes, targets, business models, cooperation partners etc.?

- How do you interact with the customer?
- How often do you meet the customers?
- How are structured the activities, responsibilities, functions and departments around the customer? (e.g. from attracting a customer, to sending offers, until customer care activities, producing the service and “after sales activities/customer care activities)

- How long is lasting the customer relationship in general?
- Why do they usually end?
- Why do you have more long-lasting or transaction based relationships with the customer?
- What kind of loyal customer activities do you have?

- Are you monitoring/using social media environment as a tool of interaction with the customer?

- How satisfied your customers are?
- How do you define your customer satisfaction?
- How do you measure your customer satisfaction? And how often?

- In which form customer are able to provide feedback?
- How do you collect or get customer data? And how the data is handled/shared inside the company?

- Question list for the case company’s customer-

1. Company's strategy, vision, aims and business environment

- What is that you do in this company?
- What are your main tasks/responsibilities?
- How long have you been working here?

- What are the basic elements of your company's strategy?
- How the current strategy has been developed? (Goals, target)

2. Operational environment of service offering

- What kind of services do you purchase from the company x (products, services, and portfolio/package)? Why?
- Are these services a part of your service offering? / Are these services included in services which you sell further?
- How important are these services to your business?
- How was the contract between you and the company x developed?
- Did you have other options?
- Which sectors are embodied in the contract?
- How would you define your relationship to company x?
- How long has your customer relationship lasted?

3. Developing and delivering the service offering

- How are services delivered to you?
- Do you take part in the service developing process? / What is your role in the service developing process?
- Have you had a possibility to develop your role in service process?
- Do your customers take part in the service process?
- How long does an average service process take?
- Which actions are included in the process?
- Which modules are standardized in your service offering?
- Which modules are flexible/ set in your service offering?
- Which way of action do you prefer?
- Do you access to company x's resources? How would you define the access?
- Who is the person in your company who does the co-operation with company x?
What is his/ her role?

4. Customers

- How well do you know the operations of company x?

- Do you know company x's interest groups or their operations?
- How well do you know their processes, goals, operational models, and partners?

- How often do you interact with the company x (by telephone, by e-mail, meetings)?
- Who takes the first step in communication?

- Do you prefer long-lasting or transactions relationships?

- How do you define customer satisfaction?
- Are you satisfied with the company x and its operations?

- Would you need new services?

- Has the company x been able to meet your goals of your cooperation/ contract?
- How has the company x fulfilled the promises vs. contract?

Helpful question at any stage: *Can you give me some examples?*

Appendix 2

- Coding list -

Category	Code	Code definition	Code description
COM	COM	Company insights	All data which belong to the company: thoughts and information as well as internal insights about the company itself (e.g. organization structure)
	COM/STR	Company Strategy	Information which clarify the understanding of the company strategy
	COM/CUL	Company culture	Information about the company culture: In which level the culture is developed within the company. What are the company values?
	COM/ RES	Company resources	What are the main resources? How is the level of efficient use of the resources?
	COM/MAR	Company- market & Marketing	How is the market position. How is the competition defined? How well do they know their market? How is the segmentation of the customers? Which activities are used for acquire new customers or entering to new market segments? Etc.
	COM/ROLE	Company- roles + internal processes	More information to the employees and their role in the company. How are the cooperation level between the roles? Etc.
PRO	PRO	Product/ Offering/ Service	General Information about the solution.
	PRO/USP	Product- unique selling proposition	Information about the value proposition/ customer benefits. What makes them different form their competitors? What makes them unique?
CUS	CUS	Customer	General information about the customer: Who is the customer?
	COM/CUS	Company- Customer	Information about the relationship between the company and the customer. Who are the responsible contact persons for establishing the customer relationship? Which loyal customer activities are applied?
	CUS/KNOW	Customer knowledge	Information about the customer knowledge of the company: How good do they know the customer? How do they use the knowledge? How do they proceed with customer information?

			(Segmentation?)
	CUS/ ACS	Customer Access	Information about the Customer access to information and other resources of the company (transparency?)
SD	SD	Service design	General information about the production and delivering process of the service. Which activities are taking place?
	SD/CUS-INS	Service design- customer insights	How do they gather and proceed with customer insights related to the service design (e.g. feedback)
	SD/INV	Service design- Customer involvement	Information to the customer involvement: How many interaction points? How does the company handle and care customer interaction? Which activities are organized to enhance customer involvement?
	SD/Cus	Service design- customer role	What is the role of the customer within the service design and delivering process? Do the customer understand his/her role?
	SD/DEV	Service design and development	How is the service developed? How is the value propositions developed in the company?

Service blueprint of current stage of the case company

Customer interaction points in general

