

# **Service Organization development**

A study in Key-customer value propositions

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## **Master's Thesis**

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### **Abstract**

This thesis addresses the process of collecting and evaluating performance of current offered value propositions for the case study company's key-customers in Sweden and how these could be utilized in development of a Service Organization and its leadership for this market and find value propositions that can be used in negotiations of new sales.

The purpose of the study was to implement a framework for collecting insights and understanding of what things was important for the key-customers and considered as value to customer. The found value propositions and leadership features was evaluated and rated to retrieve the top scoring value propositions and leadership features to be presented in a business model context.

The research problem translated into five research questions related to value propositions and leadership features that were approached through a literature review, a set of qualitative interviews with selected key-customers was done via MS Teams and later summarized in writing by the author and the findings was implemented in business modelling canvas and evaluation based on the theoretical framework.

The result of this study gives answers to the research questions and displays the top scoring value propositions desired by the specific key-customers and what they see critical in leadership features for maintaining a long-term customer relationship. The study also presents a business model proposal including the found value propositions and their value chain throughout the business model.

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Language: English

Key Words: Value propositions, leadership, business plan

## EXAMENSARBETE

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### Abstrakt

Detta examensarbete går igenom processen att samla in och utvärdera hur väl bolagets nuvarande erbjudna kundmervärden presterar för bolagets nyckelkunderna i Sverige och hur dessa mervärden till kund kunde realiseras vid utvecklingen av en service organization och dess ledarskap för denna marknad samt hitta kundmervärden som kan användas i förhandlingar vid ny försäljning.

Målet med studien var att ta fram ett ramverk för att ta tillvara insikter och förståelse över vad som verkligen är viktigt för nyckelkunderna och ansågs ge mervärde till kund. De funna kundmervärden och ledarskapsegenskaperna skulle presenteras i affärsmodellens kontext.

Problemställningen gav fem stycken forskningsfrågor relaterade till mervärde till kund och ledarskapsfrågor som hanterades genom en litteratur studie, en serie kvalitativa intervjuer med utvalda nyckelkunder gjordes med hjälp av MS Teams och summerades därefter i text av författaren. De funna kundmervärden och ledarskapsegenskaperna blev sen implementerad i in affärsmodell och utvärderad baserat på det teoretiska ramverket.

Resultatet av denna studie ger svar på de ställda forskningsfrågorna och visar de viktigaste kundmervärden som är de mest eftertraktade av de specifika nyckelkunderna i studien och vilka är ledarskapsegenskaperna som de anser kritiska för att underhålla en långsiktig kundrelation. Studien föreslår också en affärsmodell med de funna kundmervärden och deras värdeskapandekedja genom den förslagna affärsmodellen.

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Språk: Engelska

Nyckelord: Value propositions, leadership, business plan

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## 1. Introduction

This paper is a master thesis within the educational program Industrial Management and Engineering at Novia. The client for the Thesis work is Oy Nordpipe Composite Engineering Ab in Jakobstad later “NCE” where I am working as Head of Project.

During this master’s program at Novia we had courses in business and organizational development which I found very interesting and the idea of combining the thesis work with questions related to these subjects grew on me.

NCE has been delivering products and installation services of their delivered products to customers in Sweden for many years. The installations have historically been carried out mainly with personnel from NCE in Jakobstad. In 2020 when different arrangements regarding travel restrictions related to Covid-19 became a well know challenge for many companies, this also had a negative impact on NCE’s ability to serve the customers the way they were used to and a prolonged response time for different jobs could be seen.

As the business grew a strategic decision was made by NCE to establish a company also in Sweden in order to come closer to the customers as well as adapting to these changing environments. Initially the purpose was to serve the existing customers in the Swedish market and further develop the collaboration of the customer-supplier relationship. This organization shall reflect the core values of the main company and find value propositions that can be utilized also in negotiations of new sales to repeat customers.

Another point of interest is to get some direct feedback on how NCE is performing in their current value propositions for their key-customers and what is seen as critical when doing business together as long term partners. This information will also offer decision support for the next steps when developing the new service organization and evaluating different business plan alternatives.

When making this thesis journey and digging into different theory of value propositions and value to customers, there is also an opportunity to develop a routine for NCE Oy on how to continuously collect feedback and interactions experience with their key-customers and translate them into the business model context.

### 1.1. Background

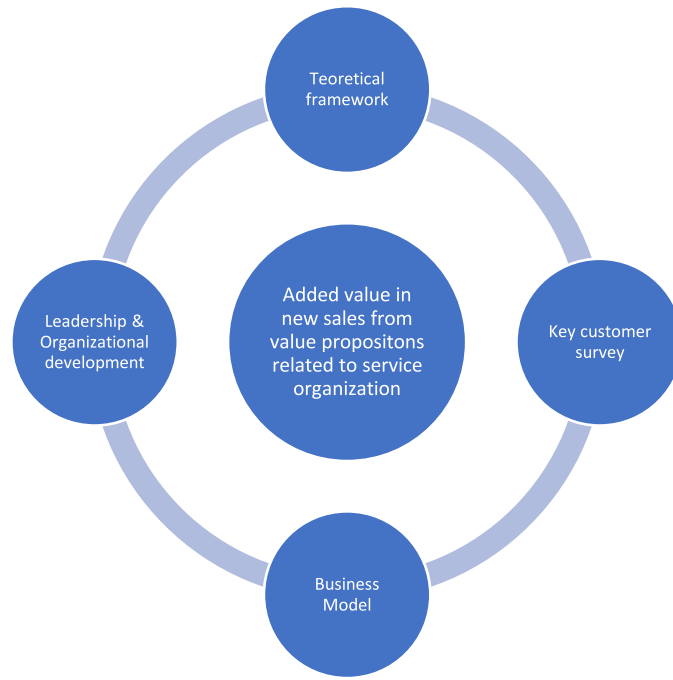
NCE oy is a private equity company founded in 1993 that manufactures high quality, corrosion resistant and durable fiber reinforced equipment for several industry sectors such as Marine, Energy, Metallurgical, Chemical and Pulp and paper industry. The company is situated in Jakobstad Finland and delivers their products worldwide, most of the products over the years have though been delivered within the Nordic countries so many key-customers can be found in these countries. The company has got about 100 own personnel and had a turnover of 22,6M€ for the fiscal year 2020. All of the sales are done via NCE main office in Jakobstad, where also the procurement, project management, design office and manufacturing can be found in house.

### 1.2. Problem formulation

Collect and analyze customer feedback from the interviews from a business point of view and introduce this framework and routine for continuously identifying new value propositions from customer feedback and their business model adaptations that can be utilized in new sales.

### 1.3. Purpose in the work

The purpose of the thesis was to identify NCE Oy's key customer needs and related value propositions that could be translated into the business model for new products or services. These value propositions were put in a business model canvas context to find value propositions that support organic growth of the business. The second part of the business modeling was to identify the key resources needed to utilize the proposed business plan also considering the type of leadership found important to the customers, (Figure 1).



*Figure 1 Thesis purpose*



#### 1.4. The delimitations of the work

The research scope was first narrowed down by the company executive group to interviews with the top six already existing key customers within four different customer segments working on the Swedish market. This market is the single largest market and relatively close geographically to NCE Oy and is where the service organization will be launched first also due to similar cultural aspects of communicating and doing business.

Another delimitation was that the interviews were done by online meeting via Microsoft Teams due to ever changing travel restrictions related to Covid-19 during the interview period. The chosen interview persons for the different customers were already established business connections in the organization. The already established business relation might result in some bias contribution to the answers and to the interpretation of the answers. Special attention needed to be addressed to create genuinely qualitative questions guided by the specific research problem.

Leadership theory is a very broad subject and was too large of a scope for the purpose of this thesis work so the leadership theory part was narrowed down to leadership theory related to customer value proposition, team performance and customer relations.

#### 1.5. Method selection

A qualitative research philosophy was chosen for the thesis work and was done as an inductive approach to collect and look for patterns in the type of wanted services and the proposed value propositions that could be found between different customer segments. The cross-sectional qualitative study was conducted by interviewing a sample set of key-customers in 2021 of NCE Oy with the purpose to generate business model proposal that would generate additional value to the customer and supplier. The interview results were then analyzed using a quantitative approach on the qualitative survey, (Figure 2). The interview design process follows the common steps preparation, interviewing, analysis, and reporting (Brinkmann, S. 2013).

The number of samples or data was too small for doing a reliable study using a quantitative research method with data analytics and therefore not chosen for the task.

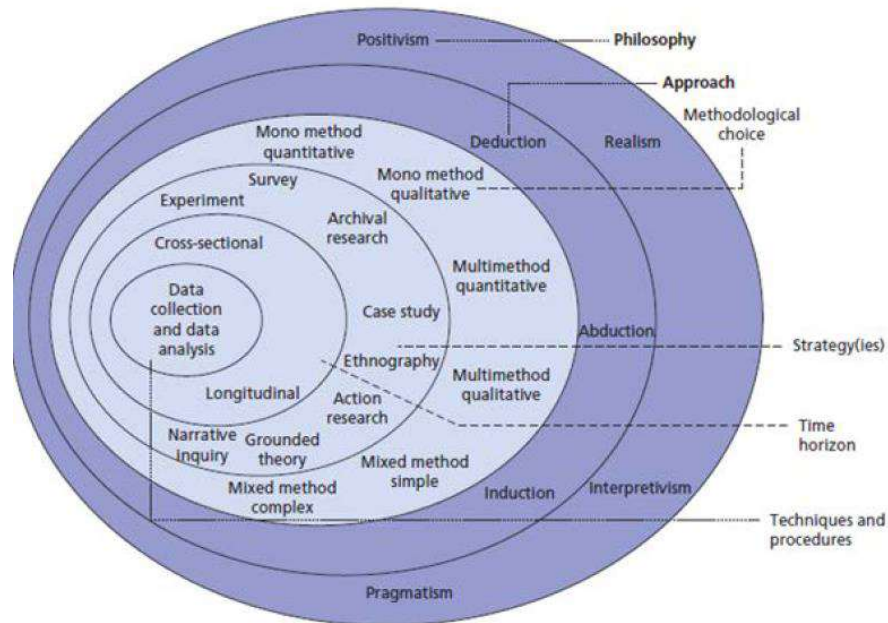


Figure 2 Research methods from NOVIAS Research Methodology material hand outs, Henrik Höglund 2020

The qualitative interview can be divided into Question; negotiation of meaning concerning questions and themes, including clarification; Concrete description from the interviewee; Interviewer's interpretation of the description; Coda, follow up question or new question (Brinkmann, S. 2013, p16).

## 2. Teoretical framework

I have studied foremost scientific articles and books related to value propositions, customer value and methods on how to analyze interview results and translate them into value propositions is summarized in the chapters below. The rubrics used to sub-section this chapter comes mainly from Osterwalder's definitions in, Osterwalder et al. (2014) as I find them informative on this subject.

### 2.1. Value propositions

#### 2.1.1. Definitions

Value propositions in business relations can be defined as the link between what customers' needs and what the supplier has to offer, this link then creates value to the customer business and creates value to the supplier's business and thereby results in a win-win situation for both parties. The number one requirement for a successful value proposition is the best fit between what the company has to offer and what the customer want (Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014). The same is also argued by Mård as *"The value propositions describe the unique mix of products or service attributes, customer relationships, and company image that you offer targeted customers, the center of gravity of any business strategy is the value proposition delivered to the customer"*, Mard, M. J. (2004).

Customer loyalty and profit is strongly linked to the value that a company creates to its customer according to literature and as long as the customer is offered superior value compared to competitors by the company, they are loyal (Khalifa,2004).

Kouptsov describes four components for value propositions in his design artefact method, the first being "Tangible flow" that is a physical element of the value proposition for example a tangible product. The second is "Tangible's monetary flow" that is the financial value associated with the physical element for example price, the third is the "intangible flow" of the value proposition such as information or service. The fourth is "Intangible monetary flow" that is the financial value associated with the non-physical element for example price. Kouptsov, A. (2020)

Value in terms of customer relations is according to Khalifa. (2004) strongly affected by the type of customer-supplier relationship in place, if the view of the customer is treated

only as a consumer the value buildup is low but if the customer is treated respectfully as a person the value buildup is high, this visualized in Figure 3 Customer value buildup Khalifa(2004) below.

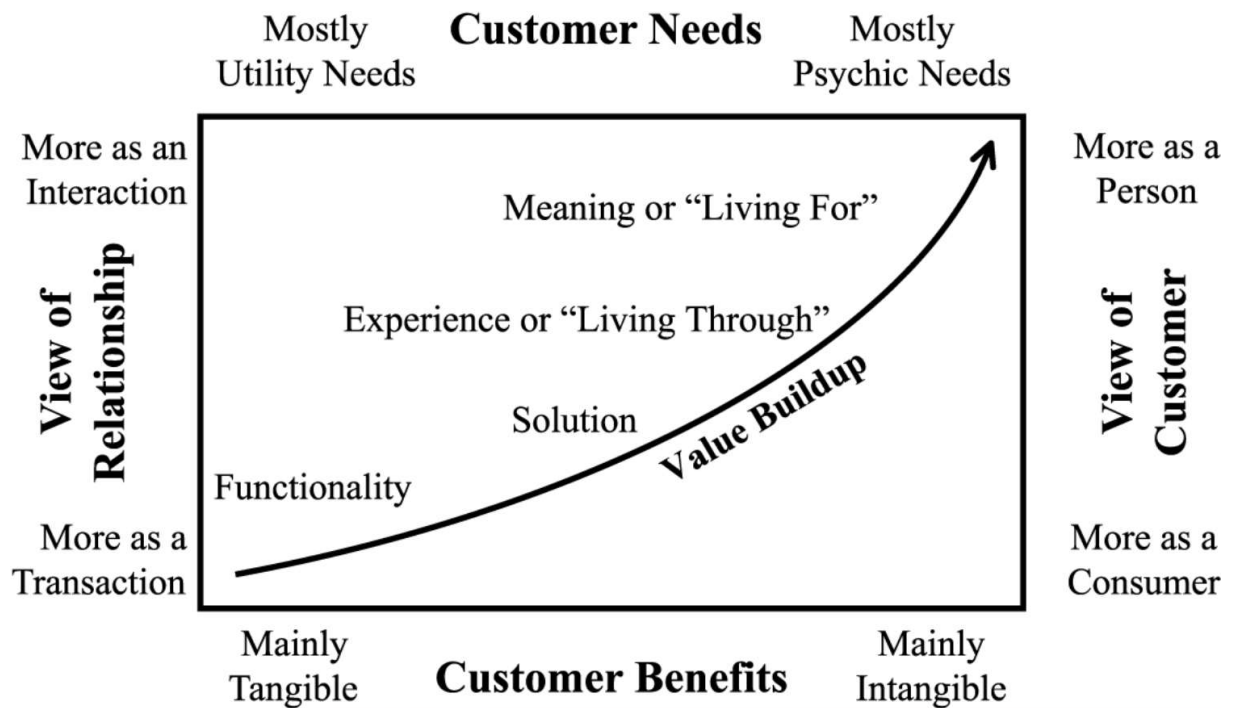


Figure 3 Customer value buildup Khalifa(2004)

### 2.1.2. Customer profile

A customer profile can according to Osterwalder et al. be broken down to a set of tangible and intangible aspects such as customer jobs or services, customer gains and customer pains that then could function as selection criteria for different value proposition proposals for different customer segments. These tangible and intangible aspects in the customer profile can later be used together with the value proposition map that contains the value proposition features for each customer. By setting these two sets side by side the fit and how well they correlate can be visualized.

It is important for the interview results to bare in mind that the customer value is generally clustered in management literature around three categorizes of value; financial economists advocate shareholder value, marketers advance customer value and stakeholder theorists promote stakeholder value, Khalifa(2004).

As the persons being interview may relate to different ones of theses values, their answers will most likely then be influenced by their interests accordingly and also impact the correlation between customer segment answers.

#### 2.1.2.1. Jobs/ services

Customer jobs can be described as the tangible service or job that are important for the customer to get done. The importance of the job can be seen as crucial for the customer if it occurs frequently or if the result is a desired or undesired outcome. The jobs or services can further be classified as nice to have or essential for the customer. Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014).

If the target is to find revolutionary innovations, then there might be a risk asking the customer of what they need as the innovation in terms of product or service are not necessarily even known to be needed. As captured by Henry Ford, *“if I'd asked customers what they wanted, they would have told me, ‘a faster horse’!”* Here it is important for the role of strategy or entrepreneurship to look beyond the present into some unknown future - beyond existing products and realities to fill this gap. Felin, T., Gambardella, A., Stern, S., & Zenger, T. (2019)

#### 2.1.2.2. Pain creators

Pain creators are described by Osterwalder et al. as the bad outcomes risks and obstacles in the context to the identified customer jobs or service that then are classified by the customer from extreme to moderate. In order to get the classification, I used a scale of 1 to 5 in the customer interview later on. Here it is important to get concrete examples from the customer in order to clearly differentiate what it is in the jobs, pains or gains that make them extreme or moderate in the eye of the customer. These pain creators can be undesired outcomes, problems or characteristics that in the eye of the customer “Feels bad” or “Do not like” and are then the obstacles for the customer that slows them down or prevents them from getting started, the possible undesired outcome is then the risk from this obstacle. Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014).

#### 2.1.2.3. Gain creators

Gain creators can according to Osterwalder et al. be described either as the ones that are important to the customer and feels “essential” or the ones that are “nice to have”. The concrete gains are used to differentiate the jobs, pains and gains from each other by categorizing them into four groups: “Required gains” are the gains needed for a solution to work, “Expected gains” are for example high quality expected from a known supplier. “Desired gains” are the ones that goes beyond what the customer expect and would love to have if they could. The fourth one is known first after the gain is discovered and would not come up in an interview as it is the “Unexpected gain” Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014).

The characteristics of the desired gain creator also describes the recognition in the article by Felin, T et al. regarding the risk of asking the customer what the need and that relation to revolutionary innovations.

### 2.1.3. Value Proposition Map

The value proposition map presented by Osterwalder et al. is a tool for breaking down each value proposition into three categories: “products” and services”, “pain relievers” and “gain creators”. These categories are described as the features of the value propositions in the business model canvas. When the value map meets the customer profile a “Fit” is achieved and the company product, service, pain relievers and gain creators meets one or more pains, gains and jobs that are important to the customer defined in the customer profile (Figure 5), Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014).

A similar definition is also proposed by Kaufman who argues that the principal value elements in studies are classified as esteem value or “want”, exchange value or “worth” and utility value or “need”. According to Kaufman each decision to acquire a goods or services includes one or a combination of these elements, Kaufman(1998).

Products and services, Pain relievers and gain creators are also components found earlier in literature described as components of value in consumer behavior models visualized in (Figure 4).

Dissatisfiers (must be) are characteristics or features that the customer generally takes for granted and thereby only brings the customers to neutral in their presence, and their absence will create customer annoyance. Thomson calls these “Must-have needs”, satisfiers (more is better) are the features that are expected and explicitly required by the customer. if these are poorly met, they cause disappointment for the customer but the better they are met satisfaction is increasing, and delighters (exciters) are the new features or innovations that the customer did not expect. They solve a latent need and since they are unexpected they will not have any negative effect on the value, Heming,d.(1994); Thompson.(1998);Khalifa.(2004).

In Kano’s model these features are also expressed as “value magnifiers” and the “value diminishers” that are responsible for satisfying or dissatisfying core needs of customers as persons, Khalifa(2004).

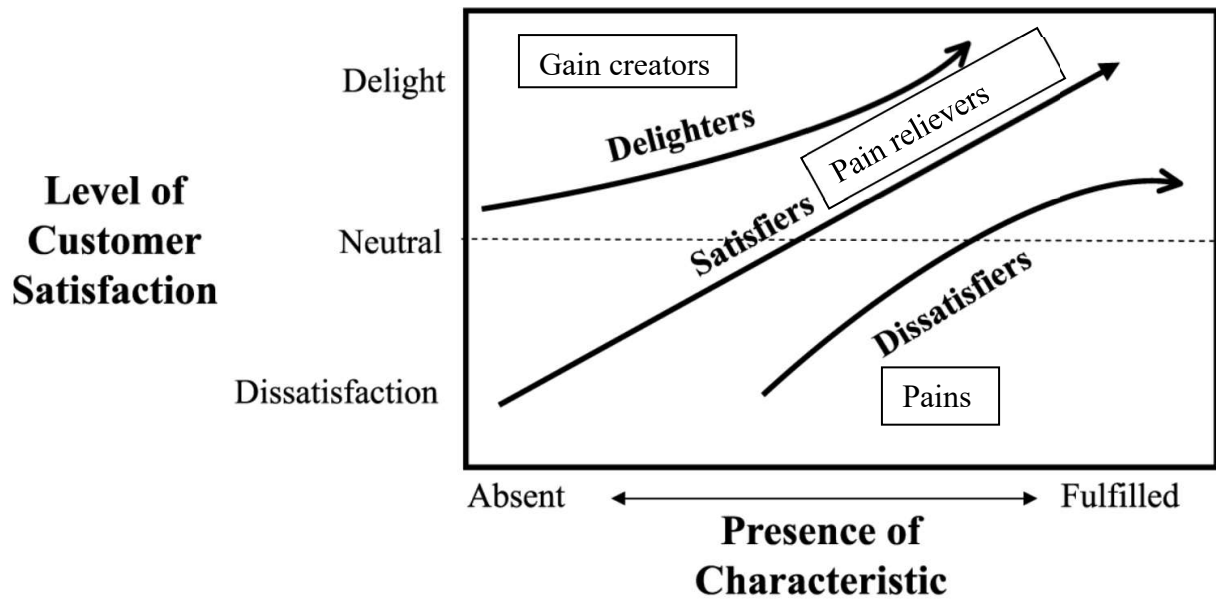


Figure 4 Adaption of Kano's model of customer perception of value, Khalifa(2004)

#### 2.1.3.1. Products and services

Products and services are the tangible products or services that the supplier could provide the customer in order to meet the demand from the findings in the customer profile.

This was where the potential to find new product or services to provide the customers would be discovered if the current portfolio did not consist of any products or services that met the requirements of customer pain relievers and gain creators.



#### 2.1.3.2. Pain relievers

Pain relievers are described by Osterwalder et al. as how exactly the company products or services alleviate specific customer pains. They should explicitly outline how they intend to eliminate or reduce some of the things that annoy the customer before, during or after completing a job or prevent them from doing so. “*Great value propositions focus on pains that matter to customers, in particular extreme pains.*” Osterwalder et al. The idea is not to find a pain reliever for every identified customer pain but to focus on the few ones that matter the most and then alleviate extremely well, Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014).

#### 2.1.3.3. Gain Creators

Gain creators describes and outlines how the offered products or services by the supplier creates customer gains. Here the supplier explicit gain creators outline how they intend to produce customer expected and desired outcomes and benefits or the gain creators that would surprise the customer including functional utility, social gains, positive emotions, and cost savings. Gain creators do not need to address every identified gain but should be focused on the most relevant gains for the customer were the suppliers products or services makes a difference Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014).

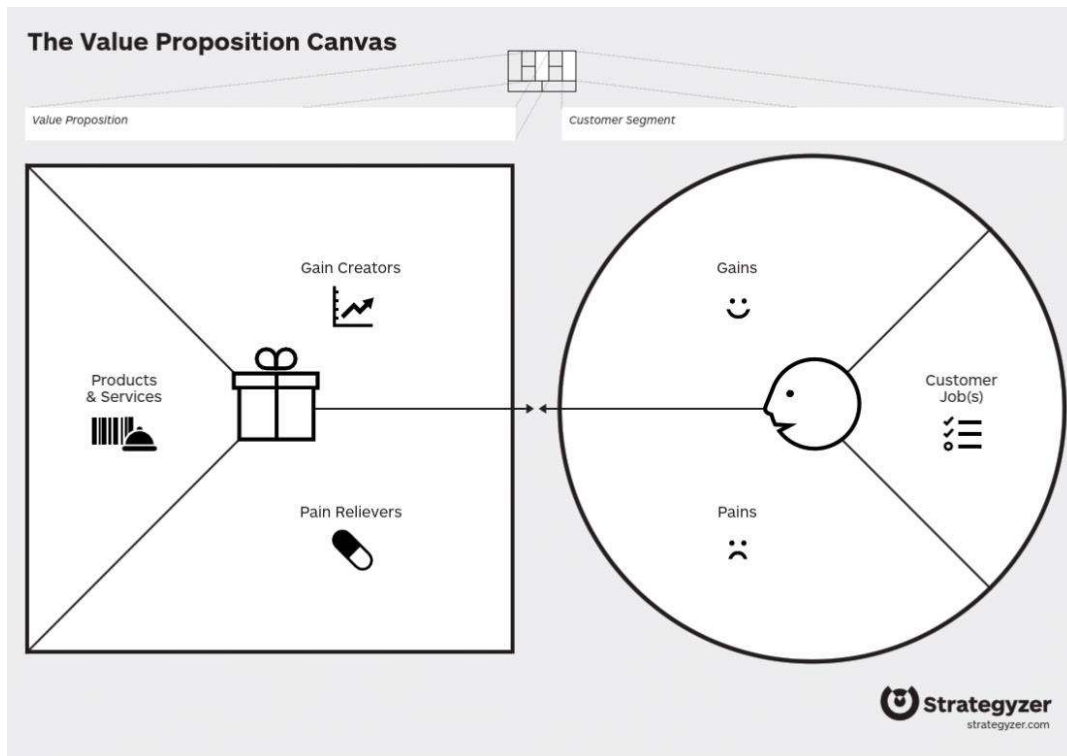


Figure 5 Value map and Customer profile; Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014)

## 2.2. Business model

### 2.2.1. Canvas

The business model canvas by Alexander Osterwalder (Figure 6) is a strategic management and lean startup template with nine key elements/ blocks used to identify and visualize on how to utilize the value propositions for the supplier's business and what modifications or additional recourses would be needed in the current business model to utilize the new proposed value propositions. The tool can be used to map existing business model, design new business models or manage a portfolio of business models to juggle between "explore" or "exploit" options.

How to capture, create, deliver, and captures value is how Osterwalder defines a business model.

The canvas puts the value proposition in the center and then groups the different key attributes into a so called "frontstage" and "backstage" arena, you can picture a theater where the frontstage is the things that is visible to the audience in this case the customer and the backstage is containing all of the activities and recourses needed to make the play. The "frontstage" is the thereby information that is visible to the customer and the "backstage" are the attributes behind the value propositions that are needed to create the value.

The earlier explored "customer segment" and "value proposition" map is placed in the frontstage and then three attributes are explored.

First up is the "Channels" where it is described how the value propositions are delivered to the customers for example the communication, distribution, and sales channels for delivering the value propositions.

The next step is the "Customer relationship" where the type of relationship each specific customer segment expects to be established and maintained with them.

Then comes the "Revenue streams" that results from successfully offered value propositions to the customer, representing the cash a company generates from each customer segment. Here you explore "what the customer is currently paying for?" and "how are they currently paying?". To further elaborate the following questions comes as

“what values are the customer really willing to pay for?” and “how would they prefer to pay?” And finally, “How much does each revenue stream contribute to overall revenues?”

When these questions have been answered the workflow in the canvas moves to the “backstage” analyze where first the “Key Resources” are identified as in terms of the most important assets required to offer and deliver the three previously described elements.

Next the “Key activities” are explored, they “describes the most important things a company must do to make its business model work” when analyzing the four earlier presented attributes.

The next building block of the business model canvas is the “Key partnerships”, these represents both the outsourced activities and the outside acquired resources needed to make the business model work. To identify these the following questions can be asked: “Who are our key partners, who are our key suppliers, which key resources are we acquiring from partners, which key activities do partners perform?”

The last building block in the business model canvas is the “Cost Structure” this describes all costs incurred to operate the business model and can be identified by the following questions: “What are the most important cost inherent in our business model, which are the key resources that are most expensive, and which key activities are most expensive?”

Osterwalder, A., & Pigneur, Y. (2010)

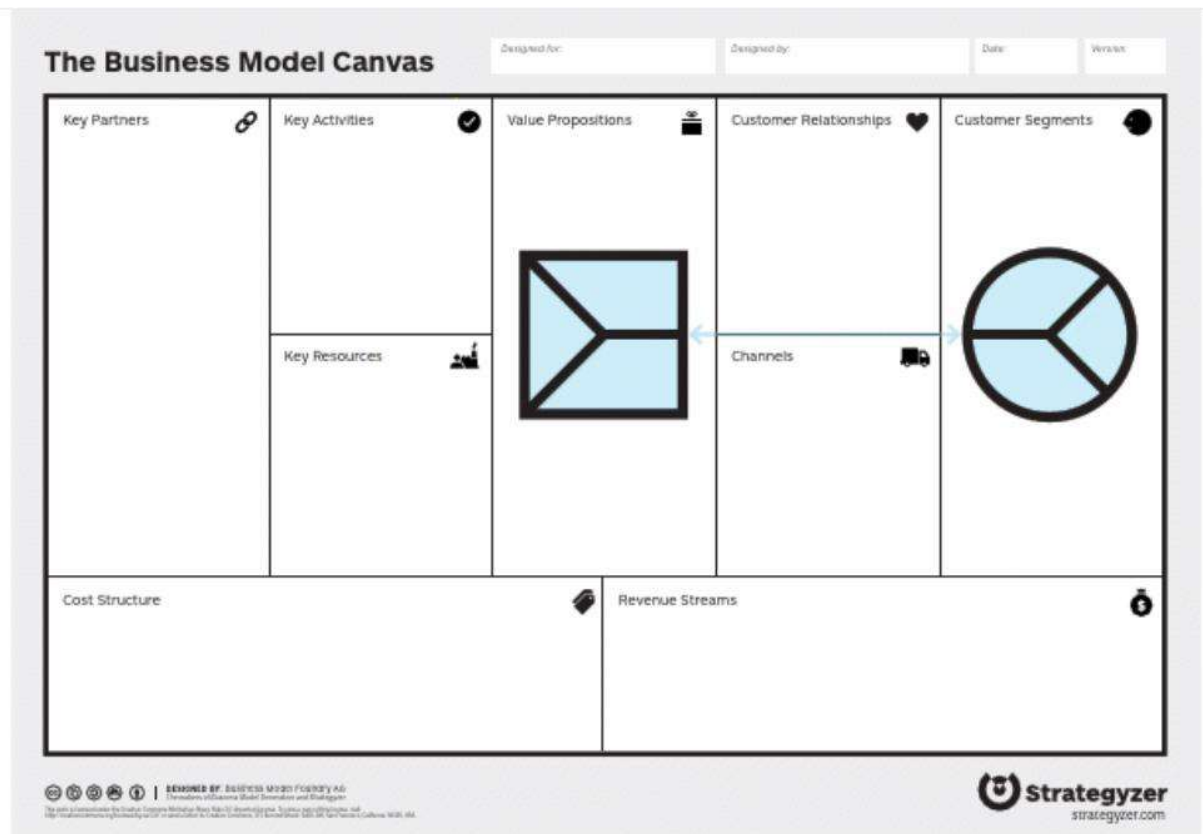


Figure 6 Business Model Canvas, (Osterwalder, Pigneur, Bernarda, & Smith, 2014)

### 2.2.2. Design artefact

Kouptsov presents an alternative business model-driven concept called “The artefact method” that expresses value proposition property as a combination of tangible, intangible and their monetary components configured in terms of five properties. Volume, velocity, variety, veracity, and value as they move/ flows from one dimension to another in the business model. It suggests that a change in value flow can lead to change in the capabilities of a business model dimension and vice-versa.

This artefact offers another business model-driven perspective and argues that by elevating the role of the value proposition and its properties the outcome advances from the established business model thinking of a business model that needs to meet the need or requirement of the customer to the statement that “*A business model needs to meet the configuration requirements of the customer AND those of its own value creation, delivery and capture dimensions.*” Kouptsov, A. (2020).

The method is an input – process – output configuration where you identify the value proposition components in terms of tangible flow, intangible flow, and their monetary components in each flow dimension. The four business model dimensions are defined as the “Customer dimension”, “Value capture dimension”, “Value creation dimension” and “Value delivery dimension”.

Kouptsov utilizes the business model artefact by first defining the value proposition in terms of its value creation, delivery and capture activities and the customer it is intended for. The output for each dimension is then expressed for the value proposition. This has many similarities to Osterwalders Customer profile and value map described earlier in chapter 2.2. Next Kouptsov expresses the value propositions in terms of the four value flow components and breaks them up in their five properties and analyzes them for a fit to the next dimension. Here an identification of the “non-configured” properties that do not fit the requirement for the receiving dimension is reviewed and by checking the properties by the following checkup questions a re-configuration to meet the receiving dimensions requirement is achieved and if not, the value proposition is removed from the flow.

a. Does the value proposition (i.e. product, service) flow in the right quantity and at the right cost/price?

- b. Does the value proposition (i.e. the physical product, the service, the payment) flow at the right speed and frequency?
- c. Does the value proposition (i.e. the physical product, the service, the payment) flow in the right composition/type/format?
- d. Do the value proposition flows meet the quality and reliability requirements of the receiving dimension?
- e. Do the tangible and intangible value proposition flows meet the value expectations of the receiving dimension?

After that re-configuration options have been identified they are then evaluated using a Desirability-Feasibility-Viability framework by asking the following questions:

- a. Desirability – is there demand or need for the given option?
- b. Feasibility – can the option be realistically implemented?
- c. Viability – can the option be successfully implemented (i.e. is it worth it economically?)

Kouptsov, A. (2020, p146-147).

### 2.2.3. Competitive arena

## 2.3. Evaluation criteria of value propositions and business model

When evaluating the value propositions Osterwalder has a set of three main evaluation criteria's:

The first one being “Problem-Solution fit” Is there evidence that customers care about certain jobs, pains and gains and does the designed value proposition addresses these?

Secondly is a “Product-market fit” Are there evidence that products and services, pain relivers and gain creators are actually creating customer value and getting traction in the market?

Third evaluation criteria is “Business model fit” Do we have evidence that value proposition can be embedded in a profitable and scalable business model? Osterwalder, A et al. (2014)

Khalifa also uses three general definitions of customer similar to Osterwalder “value component models, utilitarian or benefit/ costs ratio models and means-ends models that overlap and can be utilized to build an integration configuration of the concept of customer value, Kahlifa(2004).

Kouptsov has earlier in chapter 2.2.2. a set of questions that supports Osterwalders criteras above with more detailed questions and later a set of three follow up questions after re-configurations been done to the value propositions. These are asked in order to check the desirability, Feasibility and Viability of the value proposition Kouptsov, A. (2020). A criteria for successful innovation adapted from Brown, T (2009) is that innovation can be found in the overlap between “desirable”, “Viable” and “Feasible” Müller, R. M., & Thoring, K. (2012).

In order to assess the business model design Osterwalder propose at set of seven questions for the evaluation on a scale from 0 to 10.

First is the “Switching costs” that evaluates how easy or difficult it is for the customer to change to another company where 10 is a good customer lock for several years and 0 is that there is nothing holding the customer from switching.

The second question is “Recurring Revenues” that measures the frequency of new sales effort with follow up revenues and purchases, a 100% of the sales leading to recurring revenues is a 10 and if the 100% of the sales are transactional sales then the score is zero. Question three is the “Earning vs. spending” where a score of 10 is a 100% revenue earning before incurring costs of goods and services and wise versa a 100% incur of cost before earning revenue is a 0 score.

The fourth question is “Game-changing Cost structure compares the cost structure of the business model vs. the competitors business model, here a score of 10 indicates a cost structure that is at least 10% lower than competitors and a score of 0 would then be a cost structure that are at least 30% higher than the ones of the competitors.

Question five is “Others who do the work” this question is asked to evaluate how much of the value in the business model is created by others for free, here a score of 10 means that all of the created value in the business model is created by external parties. Hence a score of 0 means that all of the value created in the business model incur costs.



Question six is “Scalability” that evaluates how easily the business model can be grown without roadblocks for example infrastructure, customer support or recruiting. A score of 10 indicates that the model has virtually no limits to grow and a score of 0 the requires substantial resources and effort in order to grow.

The seventh question is “Protection from Competition” that evaluates how much the business model is protecting the business from competitors, a score of 10 provides substantial moats hard to overcome and a score of 0 is a business model that is vulnerable to competition Osterwalder, A, et al. (2014)

When evaluating the found value propositions from the interview results in the business model context Michael J. Mard et al. has a definition called “The five dimensions of value” and states that every strategic action to create value must correspond to one or more of these “Five Dimensions of Value” that are a part of their Holistic model called “Strategic benchmarking for value”.

First the “Growth dimensions” that are defined as:

- a. Increase market share using a constant capital investment.
- b. Invest capital in projects that yield a higher economic return, such as new product line.

Secondly “Productivity Dimensions” defined as:

- a. Increase profit through operating efficiencies while using a constant capital structure, for example flexible working hours or overtime instead of expanding the facility physically or to improve efficiency of existing resources.
  - b. Maintain profit while using less capital through improved asset utilization (Turnover). Enable higher revenue without change in workforce or production lines.
  - c. Maintain or improve profit while lowering the weighted average cost of capital (WACC)
- Mard, M.J et al. (2004).

These questions by Mard, M.J was answered as “yes” or “no” in the business model evaluation.

Regarding the evaluation process of business models in B2B context Sjödin et al. also recommend that both value creation and value capture should be considered simultaneously in a model for outcome-based services, also considering value distribution creating a Win-win from the start is a key requirement for successful business, Sjödin et al. (2020).

## 2.4. Leadership

Key competencies of successful leaders are described by Goleman et al. such as sensitivity and a genuine interest in understanding others' interests, excellent listening skills, resonance, and leading with emotional intelligence, as reinforcing concepts essential to developing successful strategy, Goleman, D et al. (2004).

Jim Collins made an extensive study on empirical data of companies that made the leap from "Good to great" and the key features that were found in these companies. The level 5 leadership as Collins call it was one of the important features in achieving, maintaining and develop the organization and company to greatness that would last for at least fifteen years. The level 5 leader embody the paradoxical mix of personal humility and professional will, to teach and set up their successors for even greater success in the next generation. Displays compelling modesty, self-effacing and understated. The level 5 leaders are also fanatically driven and have an incurable need to produce sustained results, display a workmanlike diligence. In order to attribute success factors the level 5 leaders looked more out the window than on themselves.

What this study showed was that ten out of eleven good to great company leaders came from the inside of the company and that the level 5 leaders or the ones that have the potential to evolve into level 5 exist all around us, we just need to know what to look for, Collins, J. C. 1. k. (2001).

An organization seeking to gain competitive edge can use strategic thinking as method and mindset not only in the domain of organizational leadership but throughout the organization levels. Strategic thinking can be described as the process of finding alternatives ways of competing and providing customer value and this is stated by Abraham,S(2005) a significant aspect of every leaders job. It is important have a learning across the whole organization. According to Kaufman et al. the organizations that truly will excel in the future are the ones that discover how to tap people's commitment and capacity to learn at all levels in an organization, Kaufman,R et al. (2007).

A study report made in Finland where they conducted group interviews with over 1500 foremen and individual interviews with 97 foremen stretched the importance of having allocated enough time during the work week for leadership and foreman duties as a well-executed leadership will strengthen the organizations' ability to perform and its efficiency

and was found having a central role in the success of the organization. When the leadership details and its impacts on the organization has been well defined, it is possible to follow up performance and quality measurements and develop the leadership of individuals and of the whole organization, Salminen, J, et al. (2020).

## 2.5. Hypothesis

By combining the business model canvas and the design artefact evaluation criteria for re-configuration of the value propositions in the context of value at new sales. Value propositions can be identified in terms of what is important to the customer and the artefact can identify which value propositions are feasible to offer the customer.

The chosen customers will have similar challenges and expectations with the value propositions, and this might be also independent of segment.

## 2.6. Research questions

1. Which is the three most desired and profitable services to offer independent of customer segment based on the survey?
2. How does the business model for these three support NCE current operations?
3. What kind of key competencies and leadership needs to be recruited to execute the proposed model?
4. What are the most important key leadership qualities for the organization according to our customers?
5. Can a value proposition fit for several customer segments be identified?

### 3. Survey

#### 3.1. Introduction

The thesis first explores methods of collecting information and data from a few chosen existing key customer relations as qualitative research methodology with a series of predefined questions, both open questions and closed questions with follow up questions to further elaborate the answers and identifying customer jobs, pain creators and gain creators with key persons in customer organizations as (Osterwalder, Alexander, et al., 2014) describes as the key elements in creating value for both the customer and company.

The questionnaire including the main questions was sent to the interviewees prior to the interviews to enable a deeper thinking and get-well prepared answers from the customer. A critical mind needed to be applied when conducting the interviews to minimize a possible bias effect from the existing business relationship between the interviewer and interviewee in some of the interviews.

The interview results for each key customer were then summarized and prioritized according to the question in the interview where the representant was asked to rank the importance of the given answers for their business and for their daily activities. These prioritized answers were then analyzed to see the level of correlation independent of customer segment if any to find the focus areas for value propositions.

The findings from the interviews were checked against already existing offered services to see where there was a fit between customer needs and current offered services and the possible gap and need for new services and perhaps find a bit of the desired “Blue Ocean” market in the service field to get ahead of the competition instead of competing on the same arena (Kim & Mauborgne, 2005).

The found value propositions was then analyzed to identify which propositions that would most likely be profitable, scalable, and hard to copy to encourage the organic growth of the service company and gain an advantage over the competitors in the field. To find out if there were existing links between the value propositions in different customer segments or between different customers in the same business segment different business model alternatives was explored with Osterwalder’s business model canvas to find models that works for several value propositions.

These were additionally evaluated in accordance with the methodology of “The artefact method” by Kouptsov, A. “*A business model needs to meet the configuration requirements of the customer AND those of its own value creation, delivery and capture dimensions.*” (Kouptsov, A, 2020) I agree with Kouptsovs statement that the value proposition needs to be evaluated not only with the customer value perspective in mind but also with its value for the suppliers business to create a win-win.

### 3.2. Defining Key customer profiles and persons for the study

The top five key-Customer segments/ areas for the study were chosen based on firstly their average portion of the turnover in the Swedish market between the fiscal years 2017 to 2020 for NCE Oy, (Table 1). This criterion showed that the largest segment (segment 1) consisted of several customers and the three other segments in the study consisted of single key-customers. The top two customer segments (segments 1-2) contributed to 75 percent of the average turnover and customer segment three and four contributed with 22 percent of the average turnover for the chosen period, (Figure 7, Figure 8).

Business area	Customer segment
Waste to energy	1
Marine	2
Metallurgical	3
Pulp & Paper	4

*Table 1 Business area and customer segment identification in study*

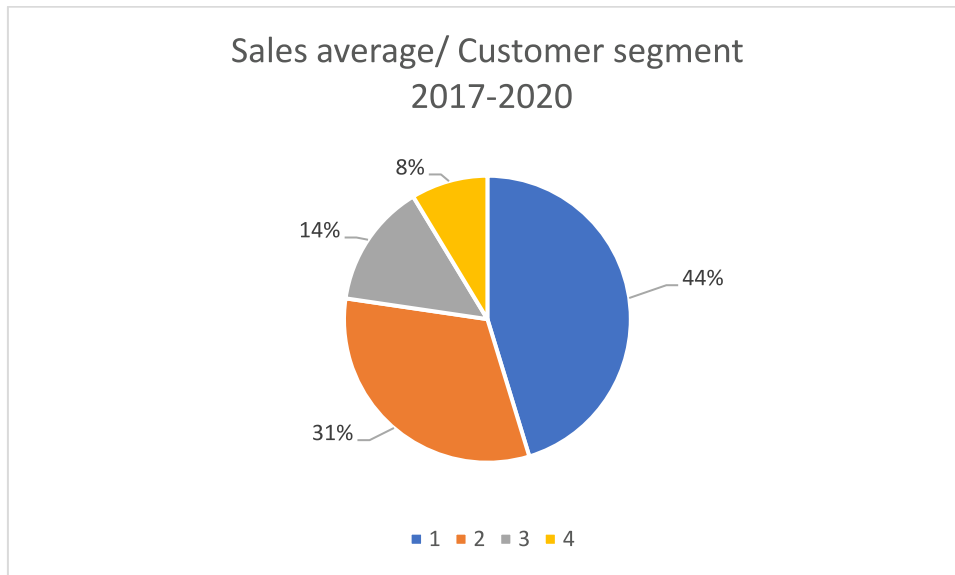


Figure 7 Average sales / Customer segment 2017-2020

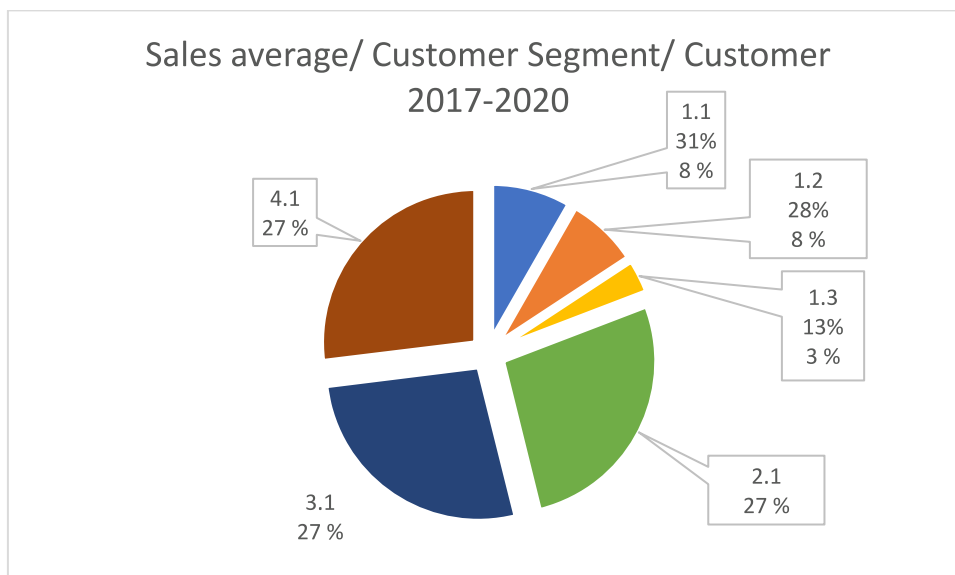


Figure 8 Customer sales average / segment 2017-2020



Key persons in the companies for the interviews were chosen from already established long term customer relations with NCE Oy. A list of the company roles of these persons can be found in Table 2 below. These persons have their key roles in their companies and can influence both positive or negative in the decision making when it comes to new sales based on their experience with the supplier. One additional thing to take into consideration when doing the interview and also when doing the analyze of the interview results is influence from their different positions in their companies that might result in different type of value propositions based on their perspective. In order to minimize this impact, the questionnaire with main topics was sent one week prior to the interview in order for the interview person to prepare and collect possible required input from other parties in the company.

Customer	Role	Interview method
1.1	A) CEO	Microsoft Teams
1.2	B) Project management	Microsoft Teams
1.3	C) Procurement	Microsoft Teams
2.1	D) Business & Project Management	Microsoft Teams
3.1	E) Project Management	Microsoft Teams
4.1	F) Procurement	Microsoft Teams

*Table 2 Role in company of interview persons*

### 3.3. Question topics to customers

#### 1. What comes to mind when you hear NCE?

Follow up questions:

- 1.1. What are your expectations when you do business with NCE?
- 1.2. What type of flexibility is important to you?
- 1.3. Importance of compliance to norm and standard to your business and everyday activities?
- 1.4. Importance of product and service safety and good night sleep?
- 1.5. What can we improve?

#### 2. What type of Leadership is important to you?

Follow-up questions:

- 2.1. Describe Know how?
- 2.2. What is your preferred Language?
- 2.3. Preferred means of communications?
- 2.4. Presence, and availability?
- 2.5. What is social competence in your own words?

#### 3. Most important key-features of the Workforce?

Follow-up questions:

- 3.1. Importance of valid company warranty after service or repairs?
- 3.2. How would NCE authorized subcontractors impact your decisions on who to contact?

#### 4. What Tasks, Jobs or services would you like to get done?

Follow up questions:

##### 4.1. Customer Pains:

- 4.1.1. How would you define too costly?
  - 4.1.1.1. a) Takes a lot of time?
  - 4.1.1.2. b) Costs too much money?

- 4.1.1.3. c) Requires substantial efforts?
- 4.1.2. What makes you feel bad?
  - 4.1.2.1. What are your frustrations?
  - 4.1.2.2. What are your annoyances?
  - 4.1.2.3. What gives you headache?
- 4.1.3. Current offered value propositions performance:
  - 4.1.3.1. Which features are you missing?
  - 4.1.3.2. Are there performance issues
  - 4.1.3.3. Are there malfunctions?
- 4.1.4. Main difficulties and challenges that you encounter:
  - 4.1.4.1. Do you understand our way of working?
  - 4.1.4.2. Are you getting things done?
  - 4.1.4.3. Is there resistance for particular jobs and if so specific reasons?
  - 4.1.4.4. What are the big issues, concerns and worries that keep you awake at night?

## **4.2. Customer gains:**

What savings would make you happy?

- 4.2.1.1. Time?
- 4.2.1.2. Money?
- 4.2.1.3. Effort?
- 4.2.2. What level of quality do you expect?
  - 4.2.2.1. What would you wish more of and what less?
- 4.2.3. What makes your job easier?
- 4.2.4. What are you most looking for?
  - 4.2.4.1. Good design?
  - 4.2.4.2. Guarantees?
  - 4.2.4.3. More features?
  - 4.2.4.4. Easy accessed documentation and change history?
  - 4.2.4.5. Other?
- 4.2.5. What would be a big relief to you?
- 4.2.6. How would you describe success?
- 4.2.7. How would you describe failure?
- 4.2.8. How do you gauge performance or costs?

4.2.9. Rank the following properties of a job or service according to your company values:

- 4.2.9.1. Lower cost
- 4.2.9.2. Less investment
- 4.2.9.3. Lower risk
- 4.2.9.4. Better Quality

**4.3. Type of tasks, jobs or Services?**

- 4.3.1. Annual Inspections?
- 4.3.2. Support and annual maintenance?
- 4.3.3. Turn-key scopes of supply or part delivery?
- 4.3.4. Coordinate job and subcontractors?
- 4.3.5. Other?

**5. What is your preferred Pricing setup?**

Follow up questions

- 5.1. Hourly rate
- 5.2. Fixed price / jobs
- 5.3. Annual service agreement with availability clause

**6. Other/ Feedback:**

### 3.4. Summary of the interviews

This chapter is a conclusion summary of the answers that can be found in appendix 2.

#### **Question 1, What comes to mind when you hear NCE?**

The result indicates that the interviewed key-customers are referring to NCE as a competent partner that deliver good quality, have good customer relations and good cooperation abilities. NCE is easy to work with and their customers know what they will get when doing business with NCE, however every key-customer expressed that NCE are expensive and that the cost level need to be improved in order to stay competitive. The key-customers also emphasis the ability to cooperate with other suppliers, rapid and good communication.

#### **Question 2, What type of Leadership is important to you?**

The result highlights the importance of good communication and social competence when it comes to leadership features for NCE's key-customers. Regarding language skills English is important for everyone as a mean of communication, however the ability to also use Swedish in the communication is seen as a huge advantage as it is the mother tongue for many of the contact persons of NCE's key-customers. Thrust and honesty are important features for the customer relationships, together with a know-how within the area of the final clients. The ability to work independently and be a responsible partner is also of value.

#### **Question 3, Most important key-features of the Workforce?**

The interview results suggests that NCE's key-customers find competence and know-how of the personnel to be the most important feature. The importance of valid company warranty also after a service or repair job also scores high, this correlates well with the importance of know-how. Responsible workforce is also a feature that NCE's key-customers appreciate very much.

An interesting discovery regarding the use of NCE authorized work force is that tree out of six persons interviewed saw this more or less as an extended hand of NCE and were ok with such a set up were as two did not comment or had nothing positive or negative to say about it, and one was not interested at all to have this set up.

Quality and good communication as a key feature was also seen as important but was only mentioned by two of the interviewed persons.

#### **Question 4, What Tasks, Jobs or services would you like to get done?**

When grouping the answers in the main categories' customer pains, customer gains and jobs, tasks, and services the following keywords are above average. Customer A, B, D and E expresses the biggest pain when something "costs too much money". This was not a high concern for customers C and E, similar ranked answers were also found regarding the keyword "expensive" where customer E did not find expensive as critical feature.

"Delayed delivery" was the second highest ranked keyword by customer B, C and F. The importance of "frame agreement" was expressed by customer C and E, there seems to be a correlation between this and the customer relationship as these C and E are the end customers of NCE whereas A, B, D and E are supplying the end customer and NCE acts as their sub-supplier.

Poor communication, or the customer needing to put substantial effort themselves or having a low budget was also features that were also pains ranked above average by the customers.

Then for the customer gains the "Delivery on schedule" was ranked the highest gain, "good documentation" and to be "able to cooperate" was also found important. Customer A, D and F also found it important to "know what you get". An interesting finding was that when the customers were asked to rank the following properties according to their company values "Better quality" was highest ranked together with "Lower risk" and way down in the ranking "Less investment" and "Lower cost" could be found. This was not aligned with the earlier findings regarding the pain of high cost and expensive products and services.

Again "Good communication" was highly ranked as both a gain and earlier as a pain when there is a lack of good communication.

Customer A and B expressed their concern of "Not everyone buys a Rolls Royce" and still customer A had "Better quality" highly ranked according to their company values.

"Realistic quotations", "Good design", "Good planning", "Longer warranty", "Flexible" and "Easy to work with" were all equally ranked above average customer gains.

In terms of Jobs, tasks, and services the customers expressed six proposals. Customer A, C, E and F all ranked "Turn-key delivery" the highest. Annual service and maintenance were

highly ranked by customer A, C, D and E. Customer B was not at all interested in annual service and maintenance as this was considered one of their own core businesses.

Annual inspections was ranked similar to annual service and maintenance with the exception of customer D, that may be explained from a different market segment and business model of this customer compared to the others.

Customer E expressed the value of proposing FRP (Fiber reinforced plastic) solutions in new areas where they perhaps today uses other materials, design modelling services and change of gas ducts. These were customer specific and not commented by the other customers.

### **Question 5, What is your preferred Pricing setup?**

Two values were ranked above average were all of the customers preferred a fixed price arrangement compared to an hourly rate. For customer A and E a fast response time was also a requirement and a component in the price level.

Customer A found NCE competitive in pricing when it came to large structures. Customer C and E ranked the need of a frame agreement high, but customer B was not at all interested in such an agreement and expressed their freedom of choice among several suppliers and partners. Customer A had not thought of NCE when it comes to piping systems due to assumed pricing level. Both customer A and C expressed the traveling costs as a big cost driver in the pricing level of NCE due to physical distance from the clients.

### 3.5. Conclusion and discussion

The literature review gave me an understanding in different frame works related to value proposition and how to identify customer value and value propositions that are important to specific customers. There is a lot of literature related to customer value and value propositions available, a search on Google scholar on “Value propositions” gives approximately 1 290 000 hits in December 2021. For this thesis work I focused more on the literature that were addressing these questions from a more practical point of view.

The number one criterion of a successful value proposition according to many sources is that the value proposition is to be recognized as valuable both by the customer and the supplier and thereby creating a “win-win” situation.

I found the interview part of the work extremely interesting, and it gave a lot of insights regarding the specific customers business and what is important to them. The first question was designed as a general holistic question to get the customer to open up and talk freely about the things they felt are important and wanted to get out in the open, the interview climate got quite relaxed and interesting discussions followed.

It was a bit challenging to keep the discussion on a holistic approach at all times of the interview as the customers all had their specific things for each question topic that was really important for them personally but was not necessarily critical for the value propositions analysis purpose.

The interviews gave insights in what the customer need and what they feel important when doing business together, in order to get more objective interviews for each customer multiple individuals from different departments in the customers organization could be included in future research.

The number of interviewed persons was in the end only six and that is too small of a sample to be able to reliably draw any generalizing key-customer value propositions in between the customer segments and find fits-all solutions, (Research question 5).

The interviews gave however many customers specific insights, that are worth further developing and utilize in the customer relationships with these specific customers and that is a treasure of its own. When thinking about it this is also in line with how Khalifa (2004) see the value in terms of customer relationship with interaction and personal relationship to



achieve customer loyalty. Five out of six customers used the keyword “Partner” in the interview.

I found the framework based on Osterwalder’s definitions useful when analyzing the interview results, I developed a light tool for visualizing keywords and their scores in relation to all the customer answered keywords, the keywords that scored above average was used in the next step of the analysis that was the value map and customer profile match (Appendix 2). The keywords that matched and could be described as a value proposition was then put in the business model canvas (Appendix 3) and further in the evaluation sheet (Appendix 4).

When evaluating the found value propositions using the questions from Osterwalder, Kouptsov in (Appendix 4) a challenge occurred related to the type of found value proposition, as the value propositions were already selected based on how they scored in the interviews almost every control question was answered with a “1” (yes) so in my opinion it gave no additional value to the evaluation of the found value propositions. A few of the questions are mainly focusing on business in terms of selling volume products straight to a customer, B2C relations in my own opinion and that is currently not the case with the proposed business model of the service organization.

The value propositions that attracted all four customer segments were fixed price arrangements for the scope of supplies. The importance of having material and industry know-how, good quality products with good documentation. To be a flexible partner who is easy to work with and are able to cooperate with other stakeholders, have rapid and good communication and are able to maintain customer relation, (Research question 1).

The majority of the top scoring value propositions are of intangible character. The ability to maintain and utilize these value propositions are directly linked to the type of personnel, leadership, core values and company culture.

The desired leadership features according to results are foremost trust and honesty with good communication skills, social competence and the ability to work independently and take responsibility that thing get done, (Research question 4). This is interesting when thinking about upcoming recruiting in the development of the service company, it is a bonus that the leaders have know-how about the customers’ needs and material but more important for the customer is that the key personnel are honest and trustworthy and that is foundation for a partnership. This means that the focus in key-personnel recruitment

internally or externally should be on the persons core values and their alignment with the company core values.

“Even an excellent core value is quickly destroyed by late deliveries, lack of proper support and delayed maintenance, or unfriendly and untrustworthy personnel and a lack of interest in service recovery”, Grönroos, (2000).

Annual service and inspections are semi-new value propositions but are only valid for the end customers of NCE, the customers where NCE has a sub-supplier relationship are focusing on further developing their own service organizations and this service would thereby result in a competition scenario.

When the value propositions are put in the business model canvas it visualizes that the majority are already handled with the current model, (Research question 2). By adding a service department for handling the annual inspections and service needs. A new channel for delivering value to the customer is created and a new customer relationship are formed also with already established customers and this can generate input on new needs directly from the new established customer relationship. This can generate new revenue streams in form of service contracts and frame agreements. To execute this additional feature, recruitments of key resources such as Inspection engineers, Site managers and service teams are needed which can add on the cost structure depending on how it would be designed, (Research question 3).

The hypothesis was that:

*“By combining the business model canvas and the design artefact evaluation criteria for re-configuration of the value propositions in the context of value at new sales. Value propositions can be identified in terms of what is important to the customer and the artefact can identify which value propositions are feasible to offer the customer.*

*The chosen customers will have similar challenges and expectations with the value propositions, and this might be also independent of segment”.*

The value propositions could be found using the framework but the re-configuration criteria to identify the value propositions that are feasible to offer the key-customers did not meet my expectations in performance.

The customers had a lot of similarities in their challenges and expectations quite independent of segment except the marine segment that had several unique features.

My aim with this thesis was to see how NCE is currently performing and find value propositions that are important to our key-customers and that could be utilized during negotiations in new sales, function as decision support for the development of the service organization. The aim was in my opinion met in terms of NCE current performance and the routine based on the framework had the ability to translate and rate the found value propositions important for the specific interviewed key-customer but not necessarily for whole customer segments as described further below. The interview results translated into sets of value propositions that can be thought of during negotiations in new sales and for the service organization development to create additional value to the customer and NCE.

The validity and reliability of the study is good for evaluating the chosen key-customers value propositions but not for generalizing whole customer segments as every customer will have their individual and specific need, these persons are also previously known to the company and thereby the expectation on their reliably input is assessed as good. The repeatability is low as the qualitative interviews were done with a few individuals with different positions within the organizations and if those were to be changed by person or title the interview results would also be changed to some degree mainly due to their point of view in some matters.

In order to improve the reliability and validity of the study the interviews could have been divided into several smaller interviews within the same organizational position of the different customers, CEO vs. CEO, Procurement vs. procurement and so on. That would have most likely resulted in material that could better have been compared for each level, customer and segment.

### 3.5.1. Further research

Further research topics related to this thesis could be addressing the following step more deeply in terms of organizational and leadership development focusing of value proposition utilizations in scalable environment.

- Value propositions performance compared to competitors.
- Value proposition translation from product to service.
- Leadership recruitment and outcome related to company core values
- Enhancing Learning organizations

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