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Value Co-Creation in Service Relationships: A Study of Customer and Service Provider Role Responsibilities in KIBS

Marketing

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ABSTRACT

Objective of the study

The objective of this study was to explore the characteristics of value co-creation and the role responsibilities supporting value co-creation in the context of knowledge-intensive business services (KIBS). Research investigating the interactions between a service provider and a customer in services, where the customer is intimately involved in co-creating the service outcome, is limited. This study aims to address this gap by suggesting a framework describing the functioning of a value co-creating service relationship.

Research method

The research question was explored through a qualitative approach. Semi-structured interviews were conducted with representatives of four KIBS firms. Empirical findings were reflected back on theory to create a proposed framework as a basis for further enquiry.

Findings

The main findings of this study are summarized in a framework seeking to explain value co-creation in KIBS. Dialogical interaction was found to be at the core of value co-creation, increasing the likelihood of reaching a high value outcome. Favorable customer and service provider behaviors, referred to in this study as role responsibilities, are suggested to reinforce value co-creation. Two customer and three service provider role responsibilities were found to be especially pertinent to support the emergence of a mutually beneficial relationship, where value is co-created and not destroyed. The service provider's role responsibilities were found to consist of building trust and mutual value through *value leadership*, *expertise* and *solidarity*. On the customer's part, the most relevant role responsibilities were found to be *involving* and *being involved* to ensure a co-created value outcome.

Key words

Value co-creation, service relationship, dialogical interaction, role responsibilities, KIBS

TIIVISTELMÄ

Tutkimuksen tavoitteet

Tutkimuksen tavoitteena oli tutkia arvon yhteisluonnin (engl. *value co-creation*) piirteitä, sekä arvonluontia tukevia roolivastuita tietointensiivisissä liike-elämän palveluissa. Aiempi asiakkaan ja palveluntarjoajan väliseen yhteistyöhön ja vuorovaikutukseen pureutuva tutkimus, erityisesti palveluissa joissa asiakas on aktiivisesti mukana toteuttamassa palvelua ja määrittämässä palveluratkaisun sisältöä, on vähäistä. Tämän tutkimuksen tavoitteena oli kehittää viitekehys arvon yhteisluonnista palvelusuhteissa ja lisätä näin ymmärrystä tällä tutkimusalueella.

Tutkimusmenetelmä

Tutkimuksen lähestymistapa oli kvalitatiivinen. Aineisto kerättiin tekemällä teemahaastatteluita avainhenkilöille neljässä asiantuntijapalveluita tarjoavassa yrityksessä. Empiirisiä löydöksiä peilattiin takaisin teoriaan ja näin luotiin viitekehys, joka toimii ehdotelmana jatkotutkimuksen pohjaksi.

Tulokset

Tutkimuksen ydintulokset on kiteytetty viitekehykseen, joka pyrkii selittämään arvon yhteisluontia palvelusuhteissa. Dialogipohjainen vuorovaikutus (engl. *dialogical interaction*) on arvon yhteisluonnin ytimessä. Sen todettiin mahdollistavan korkean keskinäisen arvon syntymistä sekä tukevan molemminpuolista oppimista. Arvon yhteisluontia puolestaan tuki suotuisa toiminta sekä asiakkaan että palveluntarjoajan toimesta. Tässä tutkimuksessa käytetään termiä *roolivastuu* tämän suotuisan toiminnan kuvaamiseen. Kahdella asiakkaan ja kolmella palveluntarjoajan roolivastuista todettiin olevan erityisen tärkeä rooli yhteistä hyötyä ruokkivan palvelusuhteen rakentumisessa.

Avainsanat

Arvon yhteisluonti, palvelusuhde, dialogipohjainen vuorovaikutus, roolivastuut, tietointensiiviset like-elämän palvelut

Table of Contents

List of Tables and Figures

1. Introduction

Due to the development of service marketing literature and service-based paradigms, value co-creation has climbed to the top of research agenda. It has become widely accepted that value in service settings is collaboratively created in interactions between the service provider and customer (Prahalad & Ramaswamy 2004, Vargo & Lusch 2004, Grönroos 2006, 2008). This view places the customer in an active role, playing a part in the value created and realized. Recently, literature has also recognized that service encounters do not always lead to the co-creation of value, but instead value may be destroyed for both parties (Plé & Cáceres 2010, Echeverri & Skålen 2011). As the economy revolves around firms' ability to create value for both customers and themselves, it i's important to look at the factors reinforcing value co-creation.

This study examines service interactions where value is co-created. While ample research exists on how service firms may involve consumers in value co-creation through redistributing tasks to them (Prahalad & Ramaswamy 2002, Payne et al. 2008), a deeper understanding of customer and service provider collaboration in value co-creation *within the joint service process* is needed. Apart from a few exceptions (including Bettencourt et al. 2002, Skjolsvik et al. 2007, Stucky et al. 2011), limited literature exists on value co-creation in the context of services characterized by intimate customer involvement and a high degree of customization. This study examines the characteristics of value co-creation, as well as the role responsibilities of the customer and the service provider in order to achieve optimal value.

The main characteristics of value co-creation, including dialogical interaction and mutual learning, are explored through existing literature. For better characterization, a representative case industry displaying the characteristics of value co-creation found in the literature review was selected. Along the lines with the approach taken by Starbuck (1993) and Lowendahl et al. (2001), insight is more likely to result from studying extreme cases rather than the average firm. Based on this notion, knowledge-intensive business services (KIBS) were chosen as a suitable case domain. In KIBS, projects are characterized by highly customer-specific needs and knowledge-intensive value outcomes (Miles et al. 1995). Hence, the service provider and customer typically engage in continued interaction to craft the service outcome (Bettencourt et al. (2002). KIBS projects typically involve a mutual learning process benefiting both parties (Den Hertog 2002).

In this study value co-creation is examined as an interactive phenomenon that is reinforced by the role responsibilities of customers and service providers. The mechanisms of value co-creation are explored through a qualitative approach. The case companies selected for interviewing represent the fields of IT solutions consulting, strategic communication, product development and design, and market research.

1.1   Positioning of the Study and Research Question

All service activities aim at value creation, but the amount of interaction in different service contexts varies. In the context of services characterized by a high degree of interaction and complexity, such as KIBS, it is important for service providers to understand what factors within the relationship may promote the emergence of high mutual value. As a result this study examines value co-creation as occurring *in the joint processes within service relationships.* The topic is examined through a range of general literature on value co-creation Vargo & Lusch 2004, Ballantyne & Varey 2006a, Grönroos 2008) as well as literature focusing on KIBS (Bettencourt et al. 2002, Skjolsvik et al. 2007, Stucky et al. 2011)*.

Only a few studies have addressed dyadic customer and service provider interactions in the context of more complex service interactions, where the customer is intimately involved in crafting the service outcome (Bettencourt et al. 2002, Stucky et al. 2011). In this field of study, it is useful to examine value co-creation not merely as involving direct interaction, as proposed by Grönroos (2008), but as involving collaborative and dialogical interactions, as proposed by Ballantyne & Varey (2006a).

The topic of service provider and customer collaboration in value co-creation is explored through the following research question and sub-questions:

What are the key characteristics of value co-creation in KIBS, and what customer and service provider role responsibilities support its realization?

- How is value co-created in KIBS service relationships?
- What customer and service provider role responsibilities promote successful value co-creation?

These questions are explored empirically in the context of KIBS firms through qualitative interviews.

The study begins with a literature review of the relevant theories, including characterizations of value co-creation (Bettencourt et al. 2002, Ballantyne & Varey 2006a, Skjolsvik et al. 2007, Payne et al. 2008, Andreu et al. 2010, Stucky et al. 2011), core value creating activities (Ballantyne & Varey 2006a) and value-supporting behaviors (Bettencourt et al. 2002). As the focus is on KIBS, consumer co-creation frameworks are ruled outside of the study. Empirical data is gathered through semi-structured interviews of KIBS firm representatives to gain an understanding of the rather complex target phenomenon, as prescribed by Gummesson (2004). Due to the explorative nature of the study, combinations of deductive and inductive methods are used to analyze the empirical findings, termed as an abductive research approach (Dubois and Gadde 2002). The aim of the research is not to create an exhaustive list of characteristics of and role responsibilities affecting value co-creation, but rather to suggest interesting ones deserving further research.

1.2 Definitions

Value creation is defined as turning potential resources into meaningful benefits (Lusch et al. 2008). I'll use a broad definition in this paper, based on which value may be created independently by the customer, or jointly in a process of co-creation (Grönroos 2011). Value creation consists of the service provider offering the customer a value foundation in the form of resources, to which the customer adds their own resources in order to create value for themselves (Grönroos 2008).

Services have often been defined as the intangible opposite of goods. A service does not primarily consist of goods supplied, but rather of capabilities and competences made available for the client in the aim of organizing a solution to a problem (Gadrey et al. 1995). Furthermore, it has been widely recognized that service value cannot be delivered or created unilaterally, but always requires the client's contribution within a relational context (Lengnick-Hall 1996).

Customers' value creating processes refer to the customer's consumption and usage processes, in which value-in-use emerges for the customer (Grönroos 2008). In case of a business customer, these value-creating processes may also be used to refer to business processes (Payne et al. 2008). In result, the customer's value creating processes can be defined as a series of activities undertaken by the customer to achieve personal or organizational goals (ibid. 2008).

Value co-creation is a tricky term with multiple competing definitions. While some authors propose that value is always co-created, referring to the dual creation of value for the supplier and the customer (Lusch & Vargo 2006), in this paper I will use co-creation as being synonymous to value fulfillment, necessitating direct interaction (Storbacka & Lehtinen 2001, Prahalad & Ramaswamy 2004, Grönroos 2008). As a guiding definition, I will use that of Prahalad and Ramaswamy (2004, p.16), who define value co-creation as the customer and supplier being "intimately involved in jointly creating value that is unique to the individual consumer", or customer.

Value co-creation as a business logic versus as an interactive process

Lusch and Vargo (2006) point out that there are two different components of the term *value co-creation,* and that these components should be clearly differentiated from one another.

The *co-creation of value* refers to the idea that value is created over time at the intersection of the offerer and the customer, either through direct interaction or through the mediation of a good. The more pragmatic side of the term refers to *value co-creation* as *co-production* between the co-creating parties to create the core offering itself. This co-production or collaboration can occur in many forms: as co-designing

a product, shared production, co-innovating or simply co-producing a service, either with customers or with other value network partners. (ibid. 2006).

Value co-creation or service co-production?

The term *value co-creation* inherently assumes that value is realized for both parties. However, this is not always the case as something may go wrong in the service process and client satisfaction may not be achieved. In the case of an unsatisfied client, value is also diminished for the service provider, as the client is less likely to patronage the service provider with future needs. (Plé & Cáceres 2010). *Nevertheless, value co-creation* is the appropriate term as the interactions *aim to create value for both parties*. As the creation of reciprocal value is the basis of business (Grönroos & Ravald 2011), *service co-production* is too narrow a term: the service provider needs to be concerned about the value realized for themselves and for the client.

In this research I will investigate *value co-creation* as *the co-creation of value outcomes* between the service provider and the client within service relationships.

1.3 Limitations

Value co-creation is such a multifaceted phenomenon, that in order to gain a deeper understanding of a specific area, choices were made to focus the scope of the study. I have chosen to focus on value co-creation as a dyadic activity between the service provider and client, rather than as the activities of a value network. Within the service provider-customer interaction, this research focuses on actors' role responsibilities that support the realization of mutual value

The focus of this study has been narrowed to services where the customer is intimately involved in co-creating the service outcome In order to get a better grasp of the phenomenon. Focus is further centered on KIBS, as KIBS is a strong base to study the phenomenon due to a high degree of interaction and customization in KIBS value creating activities. Although it is suggested that an extreme case can give a good insight into more mainstream cases (Lowendahl et al. 2001), some of the insights gained may be specifically more applicable to KIBS than other service areas.

2. Research Background: Value Creation in Services

Value creation is an abstract and debated area in literature. Lusch et al. (2008) suggest that value creation occurs when potential resources are turned into a specific benefit. In other words, value creation is about the capabilities and resources of firms, customers and other network actors being converted into valued benefits through production, service and consumption processes. I will use this definition in this report.

Value creation has been conceptualized both as the customer's creation of value-in-use, as well as the holistic process of firms creating offerings for, or in co-operation with their customers (Grönroos 2011), as described in Figure 1. From this discussion, it is evident that value creation is at the very core of all economic activity, and thus a highly central theme in marketing research.

Figure 1: Value Creation as the Customer's Creation of Value-in-Use or as an All-Encompassing Process
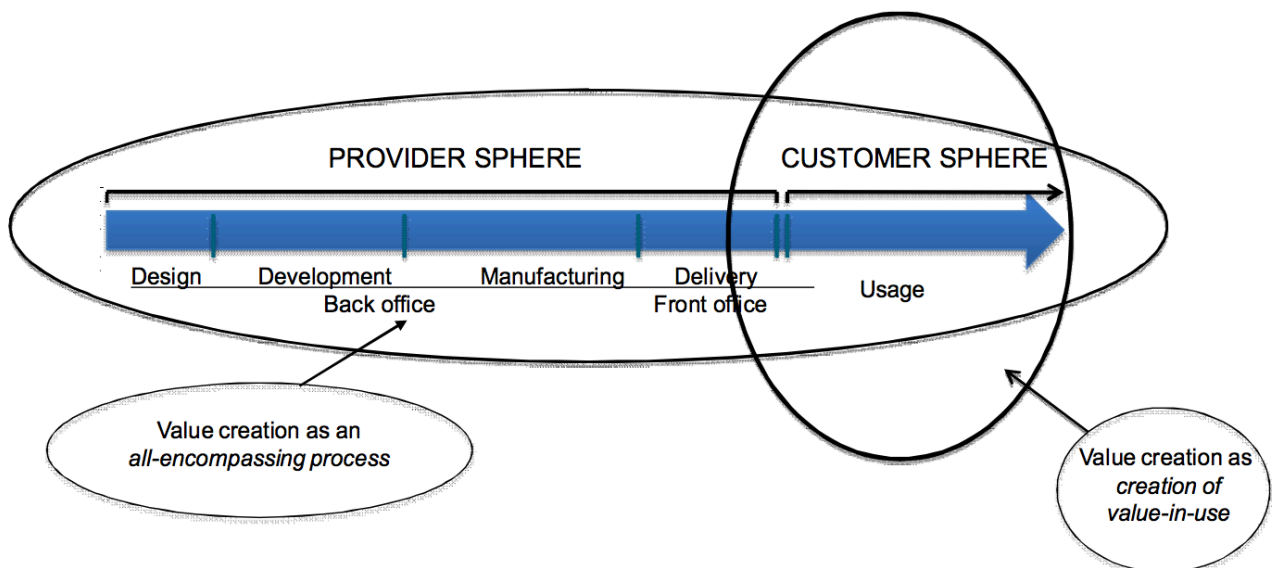
Source: Grönroos (2011, p.283)

2.1 Value Co-Creation or Not?

It has become widely accepted that value in service settings is collaboratively created in interactions between the service provider and the customer (Prahalad & Ramaswamy 2004, Vargo & Lusch 2004, Grönroos 2006, 2008). This view places the customer in an active role, playing a part in the value created and realized. Thus, when speaking about services, value co-creation is a natural term to use. However, this type of usage of the term creates challenges when the aim is to examine customer and service provider

interactions more closely. Ballantyne and Varey (2006a) suggest that the term value co-creation is better reserved for more collaborative and dialogical interactions, where a new and unique outcome may be created.

Along the same lines, Prahalad and Ramaswamy (2004, p.16) define value co-creation as the customer and supplier being "intimately involved in jointly creating value that is unique to the individual consumer", or customer. Looking closer at this definition, there are several key elements deserving further attention. "Intimately involved in jointly creating value" refers to a high degree of direct interaction as well as commitment from both co-creating parties. "Value unique to the individual customer" refers to a highly customized service. (ibid 2004). Thus based on this definition, direct interaction and customer-specificity of the solution can be seen as key characteristics of value co-creation.

2.2   Earlier Conceptualizations of Value Co-Creation

Value co-creation jumped to the top of research agenda as a term through Vargo & Lusch's (2004) conceptualization of the service-dominant logic. Key tenents of the service-dominant view can be summarized by two shifts in marketing thinking that originate from the fields of service marketing, interactive marketing and B2B marketing.

1. Viewing value as experienced by the customer, instead of as determined by the firm
2. Acknowledging the customer as an active player in value creation

The first shift relates to the central concept of value. In marketing literature there has been a significant long-term shift of focus from value-in-exchange, as defined by the firm to value-in-use and determined by the customer (Vargo & Lusch 2004). Value, which was once viewed as something embedded into goods by firms along their value chain and through their production processes, is now viewed as being embedded in the customer's perception, experience and context, and emerging only through the customer's use and consumption (Grönroos 2008, Heinonen et al. 2010). Rooted in service marketing research, this shift has become mainstream marketing (Vargo & Lusch 2008a).

The second shift relates to the customer's role in the value creation process. In value creation, the customer has been transformed from a passive target to an active creator of value (Lovelock & Young 1979, Vargo & Lusch 2004, Grönroos 2006). The customer is viewed to be in charge of their own value creating processes (including consumption, use or business processes), in addition to which customers may participate in the service process as a co-creator. On the other side of the coin the firm may participate in the customer's value creating processes as a co-creator. (Grönroos 2008).

A key determinant of the customer's ability to create value is the amount of operant resources, such as knowledge, capabilities and competences, available to be used in their value creating processes (Normann 2001, Payne et al. 2008). To provide value for the customer, a supplier needs to either increase the customer's total pool of resources or to influence the customer's process in a way that enables the customer to utilize current resources more effectively (Payne et al. 2008). When the service meets or exceeds expectations and value emerges for the customer, value is also likely to emerge for the service provider in the form of repeat patronage, trust and commitment (Grönroos & Ravald 2011).

Resulting from the two shifts in thinking, modern marketing literature views the customer as an active value creator both in their own value creating processes and in their interactions with suppliers. Meanwhile, the role of the supplier has undergone a transition from a provider of value to a supporter of customers' value creating processes. (Grönroos 2008). As a result, service providers' primary focus should be on identifying ways to help customers in their value creating processes and daily activities (Grönroos & Ravald 2011, Heinonen et al. 2011).

2.3   Earlier Conceptualizations of Services

Although the term value co-creation was only conceptualized in the 2000's, its premises are not new ideas as such. Value co-creation has its roots firmly in service marketing, B2B marketing and relationship marketing (Lusch & Vargo 2004). These fields started to recognize the shortcomings of a traditional goods-dominant marketing theory and several attempts were made to define services and their special challenges to business practitioners. Services were found to typically express four characteristics: intangibility, heterogeneity, inseparability and perishability (Fisk et al. 1993). Two of these, inseparability and heterogeneity are especially relevant to value co-creation. Inseparability, referring to the simultaneous production and consumption of a service, illustrates the inevitability of interaction in service encounters. Heterogeneity, referring to the difficulty in managing service quality due to the human factor of supplier and customer involvement, suggests the uniqueness of each service encounter.

Despite the conceptualization of the IHIP characteristics to distinguish services, several scholars have later pointed out that services in fact possess neither completely unique nor mutually common characteristics. For example, intangibility and perishability can also be found in goods. (Shugan 2004 in Day et al. 2004). While customers may be active counterparts in services, goods also require the customer to actively use them in order for value to be realized (Vargo & Lusch 2004). Looking more closely at services, it is evident that highly standardized service products, such as fast food restaurants and more customized services based on tacit forms of knowledge, such as consulting, do not have a lot in common (Den Hertog 2000). As

a result, it becomes evident that the term "services" refers to a broad spectrum of different activities. Some frameworks to characterize different types of services include those of Schmenner (1986) and Bolton and Saxena-Iyer (2009).

Schmenner's framework, shown in Figure 2, maps services based on the degree of customization and interaction as well as the degree of labor intensity. Based on this matrix, four service types are identified. As can be seen from the matrix, professional services are characterized by a high degree of customization and interaction as well as their interpersonal nature. From a value co-creation point of view, these services are the most interesting ones to examine.

Figure 2: The Service Process Matrix
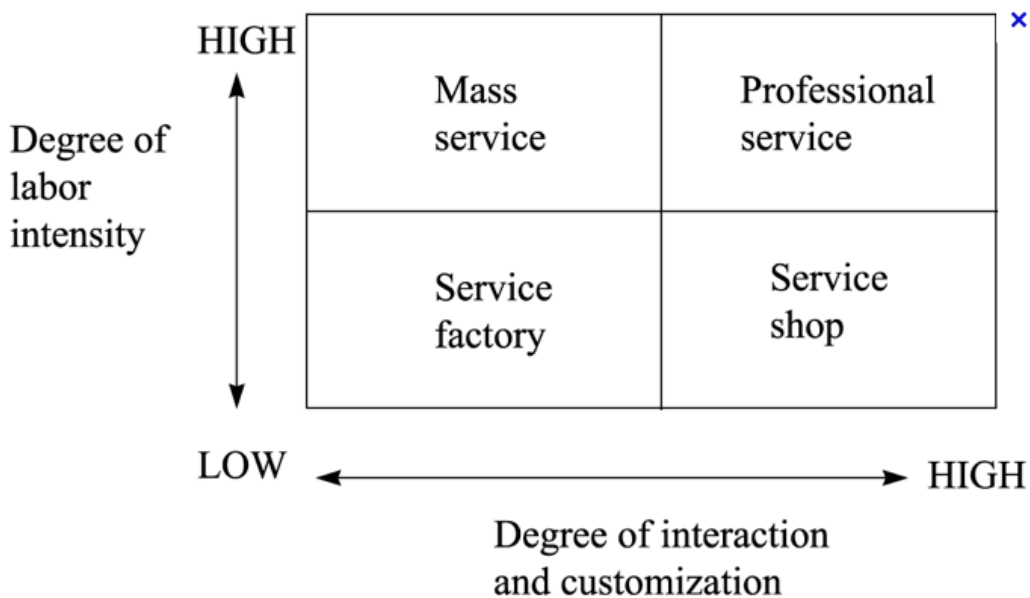
Source: Simons et al. (2004, p. 389); adapted from Schmenner (1986).

In this report value co-creation is examined in the context of complex services, characterized by a high degree of interaction and by the multifaceted and customized nature of the emerging value (Lowendahl et al. 2001). Both professional services and KIBS fit this description (Schmenner 1986, Miles et al. 1995, Lowendahl et al. 2001, Bettencourt et al. 2002).

3. Value Co-Creation as Sparring and Dialog

In this section, relevant theories regarding Prahalad and Ramaswamy's (2004) definition of value co-creation are explored. A lot of the literature on the topic focuses on professional services or knowledge-intensive business services (KIBS), as these domains of business offer fertile ground for the examination of highly collaborative service engagements.

3.1   Value Co-Creation versus Value Delivery

In order to characterize value co-creation in professional services, it is contrasted with the concept of value delivery. As discussed earlier, interactions in services are inevitable, but there is a need to make a clear differentiation between the more and less collaborative forms of value creation. In line with Ballantyne and Varey (2006a), value co-creation is used to refer to more collaborative and dialogical interactions, where a new and unique outcome may be created. Meanwhile, value delivery is used in this study to refer to interactions where information is passed between the customer and service provider in a more one-directional fashion. While value delivery is typically used to refer to the provision of goods (Vargo & Lusch 2004), in the context of KIBS it is suggested to be a useful term to describe more standardized and predefined services.

As interaction is inherent in service engagements, it is important to distinguish the type of interaction that leads to value co-creation. While Ballantyne and Varey (2006a) emphasize the role of interaction between people exclusively, other authors take a broader view to examine the interaction as taking place not only between people, but also between people and other types of resources, such as information and technology (Fitzsimmons & Fitzsimmons 2006, Spohrer & Maglio 2010, Stucky et al. 2011). These types of interactions are argued to be equally important in the context of service engagements. However, for the framework of this study it is more useful to examine interactions between people, thus I will focus on communicative interaction between the customer and service provider representatives.

Ballantyne and Varey (2006a) distinguish between three different forms of communicative interaction: informational, communicational and dialogical. The medium of communication, be it voice, text, image or action, is of less relevance. Informational interaction is seen as consisting of one-directional coercive messaging, such as advertising or promotional messages. Communicational interaction, second up in the hierarchy, consists in turn of informing and listening. Via communicational interaction, value is co-produced through the making and keeping of promises. The authors view dialogical interaction as the most advanced form of communication, as it supports value co-creation through a notion of learning together. Dialog is

defined as involving an interactive process where the involved counterparts find their voice in co-determining the outcome. (ibid. 2006a).

Dialog is inherently relational, in result of which there is no dialog when the perspective of only one counterpart is represented. Dialog cannot take place in the absence of trust: both counterparts must be able to trust in the other's capability, good intention and discretion with the ideas shared. The authors argue that in fact only dialogical interaction can lead to value co-creation, where both parties' know-how is fully utilized. (ibid. 2006a).

The nature of dialogical interaction is described as open and curious:

> "Engaging in dialogical interaction is not unidirectional, self-serving, or accomplishment by control. On the contrary, the purpose is open-ended, discovery oriented, and value creating." Ballantyne and Varey (2006a, p. 339).

Based on this description, dialog occurs when the interaction reveals something new or creates opportunities for mutual learning (ibid. 2006a). Similarly, the customer's willingness to interact and engage in a dialog with the service provider was found to increase the knowledge development or the learning potential presented by the project (Skjolsvik et al. 2007). Dialog is described as explorative in nature and is argued to be highly useful in the knowledge development of the co-creating counterparts, working as a basis for creativity and innovation both within and between firms (Ballantyne and Varey 2006a, Skjolsvik et al. 2007).

Table 1 shows the authors' conceptualizations of the different types of interaction.

Table 1: A Classification of Forms of Interaction

A classification of forms of interaction

Mode of social association	Underlying decision practices	Source of value	Form of 'market' system governance
Informational: Persuasive message making	Controlling and coercing	Promised by *selling* the benefits	Power inequivalence (perceived as domination)
Communicational: Informing and being informed	Ethical communication with stakeholders	Co-produced by making and keeping *promises*	Relational norms (perceived as equitable exchanges)
Dialogical: A bias to learning	Finding a voice in co-determination	Emergent in *learning* together: co-created and integrated	Networked (perceived as spontaneity)

Source: Ballantyne & Varey (2006a, p.339); revised from Varey & Ballantyne (2005).

Similar to Ballantyne & Varey's (2006a) conclusions, Stucky et al. (2011) find that it is the *nature* of interaction and not the *amount* that significantly affects the value co-creation outcome. An interaction based on dialog enables a better alignment between the co-creating parties. The more complex and unique the service, the more imperative it is for both parties to understand the specific capabilities, goals and constraints of the other. Dialogical interaction creates a chance for making tacit knowledge that exists in the minds of the customer and service provider, explicit and accessible to the other party. (ibid. 2011). A dialog with customers has also been found to enable reciprocal learning that helps suppliers to understand the perpective and needs of the customers on a broader level in addition to increasing customer satisfaction in the project at hand. This dialog helps firms to offer value propositions that are most meaningful for the customer both at the present and in the future. (Bettencourt et al. 2002, Skjolsvik et al. 2007, Andreu et al. 2010).

From this discussion, it can be concluded that dialogical interactions are at the epicenter of value co-creation, and that value co-creation only takes place when a potential for mutual learning exists.

In addition to learning, dialogical interaction and value co-creation are closely linked with highly customer-specific service solutions. This is already evident in Prahalad and Ramaswamy's (2004) definition of value co-creation, which mentions value unique to the individual customer. The extent of customization taking

place is typically linked with the type of client interaction taking place. Projects where market data or expert answers are provided are usually associated with a more distant type of interaction, comprising mainly of a transfer of information. (Lowendahl et al. 2001). To put into Ballantyne and Varey's (2006a) terminology, a lower degree of customization is associated with communicational interaction. Meanwhile, a deeper level of collaboration is typically associated with dialogical interaction. In highly customized projects, for example in the case of a joint team implementing a strategic change, the involvement of both parties and the interaction among them is intensive (Lowendahl et al. 2001).

While value co-creation may be thought of as *sparring*, where the resources of both co-creating counterparts are actively involved, value delivery can be termed *jobbing*, where the service provider simply delivers a service according to the customer's preset wishes. In the second scenario there is less interaction, and the customer and service provider do not work together to the same extent as in projects characterized by sparring. (Gadrey & Gallouj 1998). These suggested terms describe well the type of interaction or core action that takes place during more and less collaborative forms of value creation. In sparring, the service provider is often considered by the customer as a partner possessing valuable expert knowledge for task definition (ibid 1998). Once seen as a partner by the customer, a service provider is able to be more deeply involved in learning about the customer's current and future needs and challenges (Grönroos 2008). Meanwhile in jobbing, the service provider is considered more of a supplier, engaged to execute a task supervised by the customer (Gadrey & Gallouj 1998).

In KIBS, customer relationships are found to vary from remote arm's length relationships, where the service provider is merely a contractor, to more intimate ones, where the service provider may be a long-term partner. In the latter, the service provider may be continuously involved with the customer, engaging interactively and negotiating service assignments with them throughout the relationship. (Miles et al. 2005). As a result, it seems that service providers involved in value co-creation with their customers are more likely to be seen as partners than those service providers only delivering services.

Based on the previous discussion, Table 2 summarizes the factors, or characteristics that differentiate value co-creation from value delivery. As the extent of value co-creation differs in projects and contexts (Ballantyne & Varey 2006a), it is useful to view the two concepts as representing different ends of a continuum.

	Core Action	Role of Service Provider	Type of Interaction	Uniqueness	Learning Potential
Value Co-Creation	Sparring	Partner	Dialogical	High	High
Value Delivery	Jobbing	Supplier	Communicational Informational	Low	Low
	Gadrey & Gallouj 1998	Gadrey & Gallouj 1998	Ballantyne & Varey 2006a	Prahalad & Ramaswamy 2004	Ballantyne & Varey 2006a, Skjolsvik et al. 2007

Based on Table 2, the activities inherent to value co-creation seem to be engaging in a dialog (sparring), developing relationships with customers, creating outcomes unique to the customer, and learning or knowledge development. These activities are explored further in the following section.

3.2   A Triangulated View of Value Creating Activities

The generation of value in service relationships can be examined through three key activities that contribute to the realization of value. These are termed exchange-enablers. According to the authors, the activities of relating, communicating and knowing hold the potential to augment value-in-use for the customer, and thus value for both parties involved. (Ballantyne and Varey 2006a).

The first activity consists of *relating*. Relationships provide structural continuity for the co-creation of value, and support the accumulation and application of knowledge. Relationships, when beneficial to the involved parties, help to secure future value-creating activities, due to which it's important for service providers to manage the quality of customer relationships. (ibid 2006a). Being closer to the customer may enable the service provider to be seen as a partner and to engage in value co-creation (Kuusisto & Viljamaa 2004).

The second activity consists of *communicating.* Communicative interaction is a way of developing value creating relationships and the value generated through the relationship (Ballantyne and Varey 2006a). As discussed in the previous section, dialog can lead to more collaborative value co-creation, while more one-directional communication is likely to rather lead to a situation characterized as value delivery.

The third activity relates to *knowing* and *learning.* According to the authors, knowledge renewal is the fundamental source of competitive advantage and not knowledge as such, as proposed by Vargo and

Lucsch (2004). Learning and applying new knowledge is vital for improving the value created for customers in the future (Bettencourt et al. 2002, Ballantyne & Varey 2006a). Through projects characterized by value co-creation, better opportunities for mutual knowledge development can be tapped into (ibid. 2006a).

A framework of the three exchange-enablers that contribute to the realization of value is shown in Figure 3. These value-supporting activities are located between the service provider and customer domains, as value creating connections (ibid 2006a). Based in a service-dominant logic, the service provider's focus is directed to managing continuous processes and communication flows to augment customer experience within the relationship with a long-term orientation (Vargo & Lusch 2004, Ballantyne & Varey 2006a).

Figure 3: A Triangulation of Value-Creating Activities
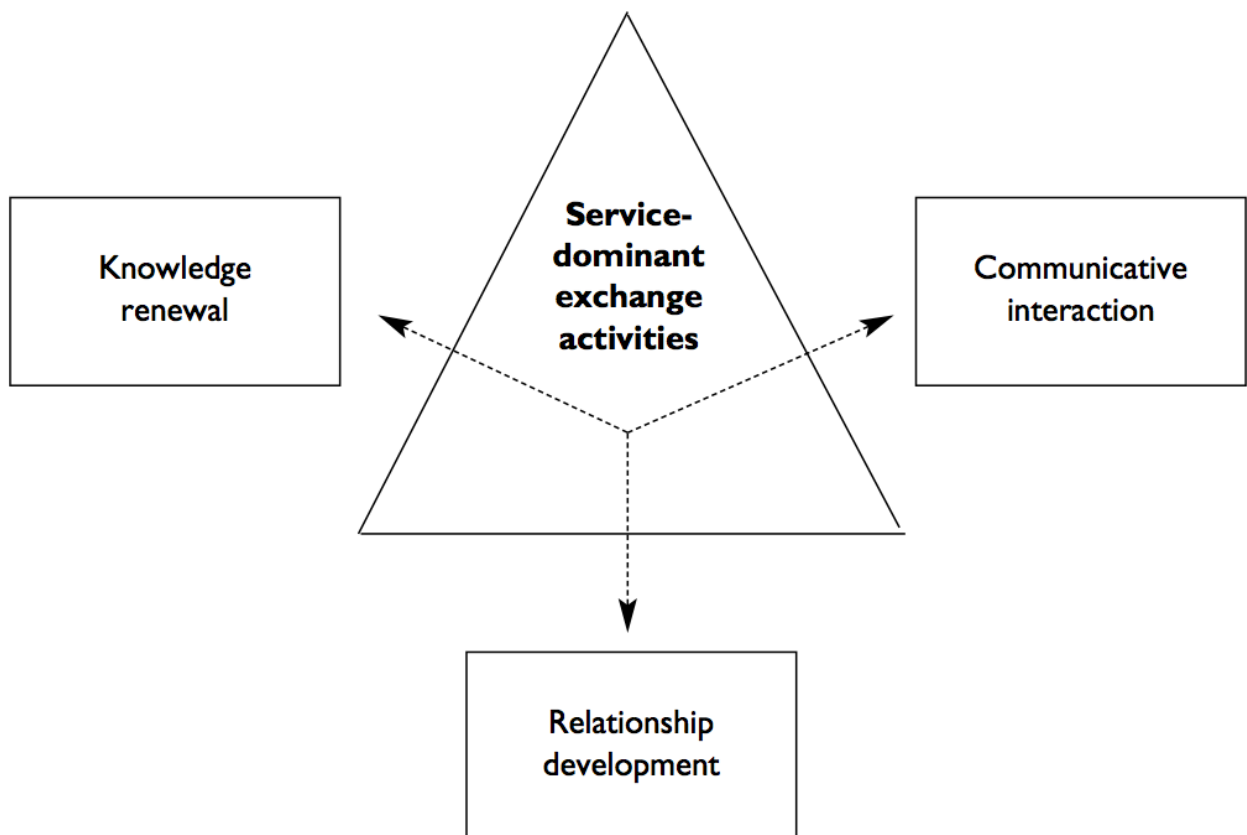
Source: Ballantyne & Varey (2006a, p. 343)

3.2.1 Relationship Development and Trust

The process view proposed by Payne et al. (2008) highlights the relationship between the service provider and the customer as a longitudinal and interactive set of activities performed by the two parties resulting in a series of experiences. Like this, value co-creation occurs in a relationship over time. The continuity of relationships helps service providers to learn about their customers, and about the types of challenges and needs they might face in their field of activity. (Ballantyne & Varey 2006a, Payne et al. 2008). Relationship continuity may thus help the service provider to gain a better understanding of the customer's business, enabling them to, along the lines of Ravald and Grönroos' (2011) service logic theses, better support their customers' value creating processes.

A long-term relationship not only enables the service provider to learn about the customer, but also to create ties through building trust and affective commitment (Morgan & Hunt 1994). Trust, built in the duration of the relationship, increases the willingness of the customer to engage in value co-creating activities with the service provider. In a value co-creating relationship, trust supports true dialog and knowledge renewal through increasingly close collaboration and open sharing (Smith & Barclay 1997, Bettencourt et al. 2002). Thus, managing the quality of customer relationships is very important, as trust forms the basis of the value creating activities of the firm. (Ballantyne & Varey 2006a).

It has been shown that in KIBS, customers tend to work with suppliers that they are already familiar with (Bettencourt et al. 2002, Kuusisto & Viljamaa 2004). When the trust has been established and the customer is satisfied with the relationship, they face the risk of losing this reassurance in the case that they were to switch service providers. Trust and satisfaction thus tend to lead to commitment on the part of the customer, especially in those business areas where the offering is tailored, where relationships are personal or where it is difficult for the customer to compare offerings. (Morgan & Hunt 1994). In this way, mutually good customer relationships provide continuity and help to sustain future value-creating activities. (Ballantyne & Varey 2006a).

3.2.2 Communicative Interaction

As discussed previously, communicative interaction is fundamental to value co-creation. Communicating allows the service provider not to only deliver value, but also to engage in dialogical interaction to create new and unique value (Ballantyne & Varey 2006a). In more complex services, communication is vital for the service provider to be able to offer relevant value propositions and contributions to the client's process (Ordanini & Pasini 2008). As discussed in the previous section, another key role of communication is related

to the building of trust and the demonstration of solidarity towards the customer. Thirdly, communicating is an important source of knowledge development and learning about customers (Ballantyne & Varey 2006a).

As it is very evident from Section 3.1, learning is a desired end product of the interactions between the co-creating parties. Firstly, interaction provides opportunities for the service provider to learn about the customer's needs in order to offer more meaningful value propositions now (customization) as well as in the future (knowledge development) (Andreu et al. 2010). Here informational and communicational interaction can be adequate. Secondly, through a jointly executed project both parties can learn together and arrive at solutions that neither party would have been able to create on their own (Ballantyne and Varey 2006a, Stucky et al. 2011). Here dialogical interaction is necessary, and can be seen to enable mutual learning.

3.2.3 Knowledge Renewal and Application

It has been proposed in literature that the fundamental source of competitive advantage is the generation, sharing and application of knowledge, or in other words, knowledge renewal (Ballantyne & Varey 2006a, Vargo & Lusch 2008a). In complex service projects needs and solutions tend to be customer-specific, which requires the service provider to apply knowledge to individual customers' contexts creating a fertile ground for mutual learning (Bettencourt et al. 2002). Up-to-date knowledge and the ability to apply it in practice are vital for achieving high value outcomes (Skjolsvik et al. 2007).

While explicit knowledge is media-based, tacit knowledge refers to the know-how and competencies possessed by individual employees. Tacit knowledge is gained through experience and observation. (Nonaka & Takeuchi 1995). Unlike explicit knowledge, tacit knowledge is used directly in creating value. Service provider employees use the knowledge that they themselves have, as well as capitalize on their knowledge networks to be able to match knowledge to needs and to create value with the customer. New tacit knowledge is then gathered by learning from the customer case. In this way, an effective knowledge renewal system relies on open interaction and dialog both internally within the service provider as well as externally between the service provider and its customers. (Ballantyne & Varey 2006a).

In a process involving a higher degree of interaction, it is likely that also the tacit knowledge of the co-creating parties is shared. The client gains tacit knowledge and these interactions may also result in the development of new knowledge, either by intention or spontaneously (Gadrey & Gallouj 1998, Kuusisto & Viljamaa 2004, Ballantyne & Varey 2006a). The generation of new knowledge takes place as the general or

topical expertise of the service provider is put together with the situational or topical knowledge of the client. (Kuusisto & Viljamaa 2004).

3.3   A Virtuous Cycle of Value Co-Creation

It is argued in literature that higher mutual value can only be achieved through a project where the value is truly co-created by the full utilization of both parties' resources and know-how (Bettencourt et al. 2002). If the customer and service provider trust each other and engage in a dialog, the co-creation of knowledge may generate higher value through new and unique ways of thinking. In result, more effective solutions or cost savings may be generated. (Ballantyne & Varey 2006a).

Stucky et al. (2011) have studied how value co-creation plays out in practice in B2B IT service engagements. In the case studies of Stuky et al. (2011), one case was found where value co-creation was realized and the customer was left extremely satisfied with the outcome. This was a win-win situation for both co-creating parties. In contrast, the other two cases rather lead to customer dissatisfaction and value co-destruction.

Similar to all cases was that the service provider and customer both brought their knowledge into the project, and both parties participated in the formulation of the service outcome. All service providers thought that they had reached the targets set in the beginning of the project. However, in two of the cases the targets set in the beginning through communicational interaction were not in the end well suited for the client firm and the work load of the project exceeded expectations. This lead to substantial dissatiscfaction and the destruction of value for both parties. (ibid. 2011).

One of the cases studied, however, outperformed the others due to the nature of interaction being more dialogical and collaborative. Through working together with prototypes, the client was able to better communicate their expectations whilst gaining insight into new technical possibilities. Frequent interactions enabled the requirements and capabilities of the customer to become more visible, and the co-creating parties were able to co-develop new compositions of features to fit the customer's needs. As a result, the client was no longer satisfied with the original value proposition, but wanted more. Through aligning their resources with the customer's needs in a dialog, the service provider was able to transform the original value proposition to an augmented one, better fulfilling the customer's need. In result greater value was realized for both parties. (ibid. 2011).

In this case the co-creating parties were able to co-construct novel and emergent value that neither of them could have anticipated on their own without the other's input (ibid 2011). This case illustrates the

power of value co-creation versus value delivery. When the service provider is involved in the need and solution definition and viewed as a partner, they can take a consultative role and in result the knowledge of both parties is pooled together (Kuusisto & Viljamaa 2004, Toivonen 2004, Ballantyne & Varey 2006a). This creates the potential for mutual learning as well as achieving a higher value outcome (Bettencourt et al. 2002, Ballantyne & Varey 2006a, Stucky et al. 2011).

To summarize, the themes relating to value co-creation are suggested to create a virtuous cycle. It has been found that dialogical interactions as well as the application of knowledge are at the core of value co-creation (Ballantyne & Varey 2006a). Through a real dialog, both parties' know how is pooled together to create mutual learning and potentially a superior value outcome that neither party could have envisioned on their own (Bettencourt et al. 2002, Ballantyne & Varey 2006a, Skjolsvik et al. 2007). Value co-creation can thus be seen as a dialogical process of joint problem solving aiming to achieve optimal value-in-use for the customer (Stenroos & Jaakkola 2010). A successful collaboration and the high value created, in turn, can lead to the building of mutual trust (Bettencourt et al. 2002). Trust forms a good basis for future value co-creating activities, commitment and the continuation of the relationship (Morgan & Hunt 1994, Smith & Barclay 1997, Ballantyne & Varey 2006a). This completes the virtuous cycle of value co-creation, shown in Figure 4.

Figure 4: A Virtuous Cycle of Value Co-Creation within Service Relationships
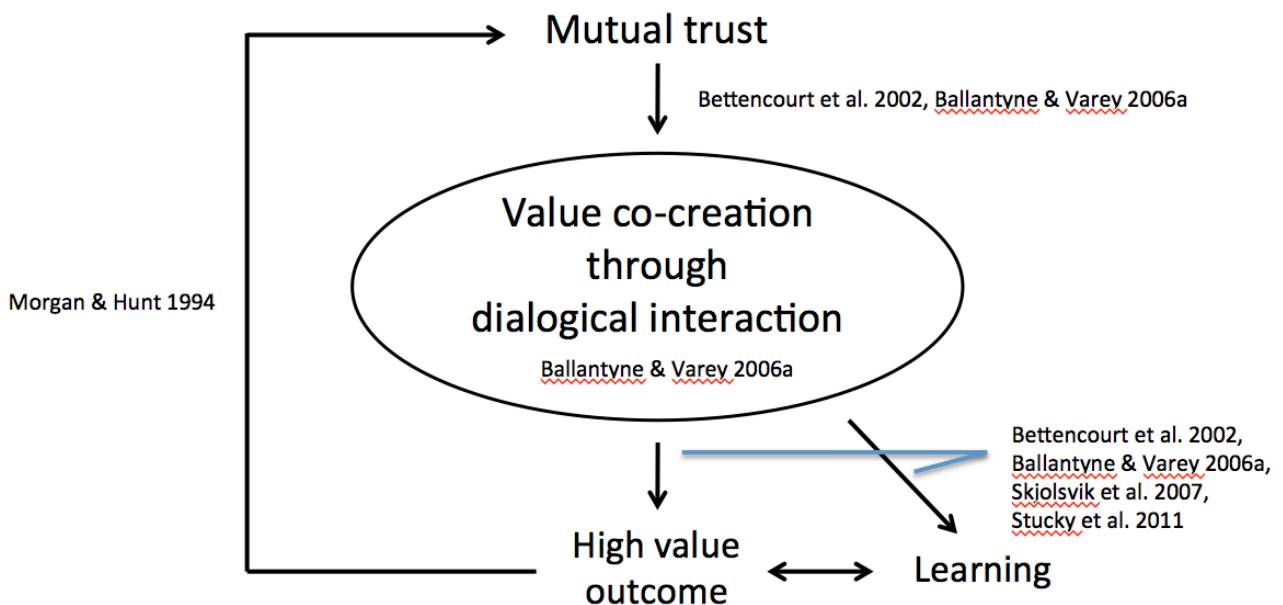
Source: adapted from Morgan & Hunt 1994, Bettencourt et al. 2002, Ballantyne & Varey 2006a, Skjolsvik et al. 2007 and Stucky et al. 2011

An important point to note in the framework is that the service can be successful from the customer's viewpoint even when learning does not take place, or occurs only to a very small extent. More central is the value outcome for the customer relative to their expectations and needs. (Skjolsvik et al. 2007).

4. The Value Creation Process

Payne et al. (2008) have recognized in their research a need for a practical process-based framework of value co-creation. The authors define processes as including the "procedures, tasks, mechanisms, activities and interactions that support the co-creation of value". Hence, value creation between the service provider and client is conceptualized to consist of three types of processes (ibid 2008):

1. Supplier value creating processes
2. Encounter processes
3. Customer value creating processes

Supplier value-creating processes include the processes used by the service provider to manage its business and its relationships with customers and other stakeholders. Customer value-creating processes refer, in a B2C relationship, to the processes that consumers use to manage their personal activities. In a B2B relationship, customer value-creating processes are the processes employed by the customer organization to manage its business and relationships with key stakeholders. Encounter processes, in turn, are the interactions and exchanges that take place within customer and supplier relationships. (ibid. 2008).

During interactions the service provider's and customer's processes merge into a process of joint value creation (Grönroos & Ravald 2011). While Grönroos (2008) emphasizes the direct interactions in encounter processes, Payne et al. (2008) perceive encounters as encompassing not only collaborative practices involving joint activities, but also exchange practices involving an exchange of resources (eg. money, products, work or information). During encounter processes, the processes of interaction and change are jointly managed. Both suppliers and customers need to match resources not only in joint projects, but also in their independent activities in order to be able to co-create value. (Andreu et al. 2010).

Between the three types of processes, two lines of visibility evidently exist. The processes visible for the client include encounter processes, but do not extend to supplier's value creating processes (Heinonen et al. 2010). In fact, suppliers' value creating processes can be likened to Shostack's (1984) back office processes and encounter processes to front office processes – with the exception of a shift of focus from the service provider's activities to joint activities. The second line of visibility refers to the client's activities that are visible to the service provider. These are also limited to encounter processes. This leads to the following: Firstly, all information relevant to the successful completion of the project needs to be shared as part of the encounter processes, and secondly, the service provider should be interested in what happens beyond their line of visibility, in the customer's value generating processes. By understanding these

processes, the service provider can offer increasingly relevant value propositions and be a true partner to the client organization. (Heinonen et al. 2010).

A framework of value creation proposed by Andreu et al. (2010) integrates process and actor views of value creation, as presented by Payne et al. (2008) and Grönroos (2008). The process of value creation and the actors' roles are characterized in Figure 5.

Figure 5: A Framework of the Value Creation Process
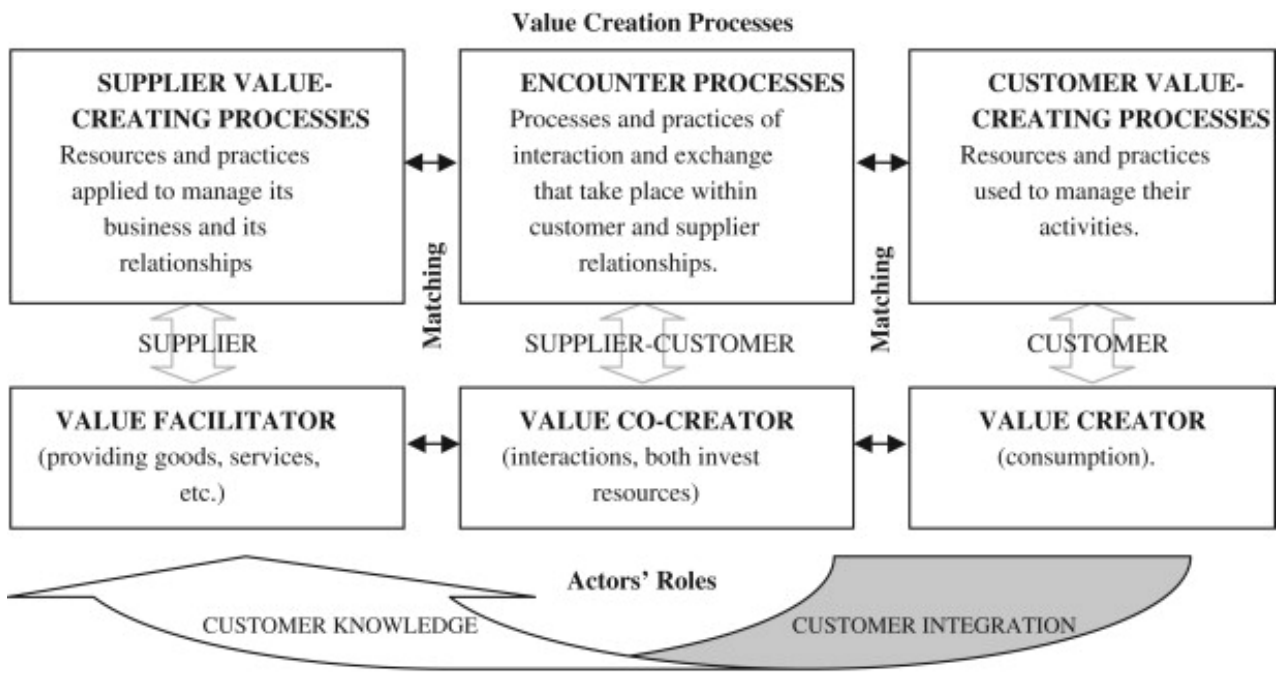
Source: Based on Grönroos (2008) and Payne et al. (2008)

Source: Andreu et al. (2010, p. 244)

In examining dyadic value co-creation between the service provider and customer, it is useful to view supplier and customer value creating processes as independent contributions of the co-creating parties pertinent to the project at hand (Gummesson 2004 in Day et al. 2004). These contributions may be immediately necessary in creating the service outcome, such as service execution and delivery, or long-term activities enabling the creation of better value opportunities in the future.

4.1   Customer Role Responsibilities

Clients are the co-creators of the service outcome and their contribution is critical for the success of the service, especially regarding its ability to fully satisfy the client needs (Bettencourt et al. 2002). Hence it is useful to perceive customers as partial employees of the service firm (Mills & Morris 1986). Research

suggests that the same factors that are considered to be critical in enhancing employee job performance are equally necessary for clients to be able to perform their roles successfully. Thus client *role clarity,* as well as *motivation* and *ability* to engage in the desired behaviors are prerequisites for successful value co-creation. (Bowen 1986).

Bettencourt et al. (2002) have studied desired client behaviors, or in other words *customer role responsibilities*, in service co-production in the context of KIBS. The following seven customer role responsibilities have been identified to contribute to the realization of value in the form of a successful project (Bettencourt et al. 2002):

1. Communication openness
2. Shared problem solving
3. Tolerance
4. Accommodation
5. Advocacy
6. Involvement in project governance and
7. Personal dedication.

Communication openness is defined as the timely and mutual sharing of information relevant for project success, including plans, motives, expectations and goals (Smith & Barclay 1997, Bettencourt et al. 2002). The importance of open communication as a source of effective partnerships has been shown by a number of researchers (Mohr et al. 1996, Smith & Barclay 1997). Especially in the case of KIBS, coordinated actions and open dialog between service providers and client firms are necessary in order to keep the project moving on track. It is vital that the client's situation-specific information is openly shared for the service provider to be able to offer a relevant solution for the client's need (Bettencourt et al. 2002, Ordanini & Pasini 2008, 290).

The second element, *shared problem solving,* is defined as the co-creating parties sharing responsibility for maintaining the relationship and tackling any problems that may arise (Heide & Miner 1992). The importance of shared problem solving is highlighted in knowledge-based projects, where adjustments are inevitable due to the multifaceted and customized nature of the value activities. The client cannot simply expect to give a brief and a deadline and expect a ready solution without further involvement, but reaching an optimal knowledge-based solution requires that the client's competences are effectively utilized. This necessitates mutual engagement and collaborative decision making. (Bettencourt et al. 2002). The more the customer is involved in direct interaction and project direction, the better the learning opportunities presented for the service provider (Skjolsvik et al. 2007).

The third element, *tolerance,* is defined as the extent to which the client lead responds to minor project complications and glitches with understanding and patience. Mutually tolerant behavior leads to reduced tension and enhanced working relationships. Any complications can be tackled effectively and from a functional angle when less energy is wasted on counter-productive frustrations. (Bettencourt et al. 2002).

Clients are not always receptive to the service provider's recommendations. The fourth element, *accommodation,* is defined as the degree to which the client demonstrates a willingness to accommodate the approach, desires and expert judgment of the service provider. (ibid. 2002). For the relationship to function smoothly, it is suggested that this flexibility should go in both directions: both partners should be ready to adjust their behavior to accommodate the needs of the other (Heide & Miner 1992). Inherent to the concept of dialogical interaction is that both co-creating parties take part in co-determining the outcome (Ballantyne & Varey 2006a). In result, flexibility in the form of accommodation is viewed as especially important to value co-creation. Situations and partnerships where this readiness is absent are likely to lead to rigidity and sub-optimal results (Smith & Barclay 1997).

Advocacy, the fifth element is defined as the extent to which the client lead acts as an internal advocate and salesperson for the project within the client firm. Advocacy is vital for the project to receive adequate priority and attention from the key stakeholders within the client firm. (Bettencourt et al. 2002).

Involvement in project governance is defined as the extent to which the client lead takes an active role in monitoring project progress, ensuring that the project is moving towards set objectives within the given time and budget (ibid. 2002).

Last, but not least, *personal dedication* refers to the extent to which client lead performs individual responsibilities in a timely, conscientious and responsive manner, reflecting a sense of personal commitment to project success. The effect of client's persistence, enthusiasm and extra effort in performing their project-related tasks can make a big difference in pushing both parties towards a high value outcome. (ibid. 2002).

Bettencourt et al.'s (2002) framework, like other similar frameworks, focuses on desired behaviors of the client and on measures with which a service provider may attempt to manage customer involvement. It provides a pragmatic framework regarding the desired client behaviors that should be reinforced, and suggests that customer performance can be managed through good leadership practices (ibid. 2002). As previously discussed, trust also plays a role in the emergence of desired customer behaviors (Smith & Barclay 1997, Bettencourt et al. 2002).

In the following section the service provider's desirable actions, or role responsibilities reinforcing value co-creation are explored. The service providers' required actions are examined both from the point of view of supporting the customers' role responsibilities through building trust, as well as more directly ensuring the realization of optimal value-in-use for the customer.

4.2   Service Provider Role Responsibilities

Very little literature focuses explicitly on service providers' role responsibilities within service relationships or value co-creation, but some general ideas from marketing and previously explored literature can be used to define these role responsibilities. A simple starting point is that a service provider's responsibilities include delivering the service (what is agreed) and striving to achieve client satisfaction. Client satisfaction is perhaps the most quoted measure of a successful service. The customer receives value through the use of the service outcome (Vargo & Lusch 2004). The customer is satisfied, in turn, when the benefits received meet or exceed their expectations.

The exchange-enablers supporting value creation (Ballantyne & Varey 2006a) discussed in Section 3 may be used as a basis to discuss service provider role responsibilities. Thus, the service provider's role responsibilities regarding value co-creation can be seen to include relating, communicating and knowing. However, a closer examination is needed to gain a more concrete understanding of the service provider's role responsibilities in value co-creation. KIBS providers need to fulfill their expected roles in order to create an atmosphere of confidence and trust, which is key for sustaining a loyal clientele (Gadrey & Gallouj 1998).

Clients are more likely to be motivated to participate and carry out their value co-creation tasks if the project is of high priority (Bettencourt et al. 2002). If the customer leads have a good knowledgeability in the project area, in turn, they are likely to be better value co-creating partners by challenging the service provider to achieve a better outcome (Skjolsvik et al. 2007). Nevertheless, the service provider can impact customer participation to a certain extent, by reinforcing the clients' ability and motivation to carry out the seven client role responsibilities outlined in the previous section (Bettencourt et al. 2002). This can take many forms.

Being a partner in value

Based on Grönroos and Ravald's (2011) service logic theses, the service provider's role is to assist the customer in their value creation, helping the customer to achieve their goals. Service should not be co-produced for the sake of service, but the service provider should have the orientation of adding value to

the customer's business. In this way, the service provider should not be concerned only about the value-in-exchange received in the form of payment, but also about the realization of value-in-use for the customer. (ibid. 2011). Hence, the service provider's orientation should be that of a partner and if needed, they should take a consultative role, helping the customer in defining their needs and exploring possible solutions (Toivonen 2004).

Reinforcing positive relationship norms

As Bettencourt et al. (2002) point out, value co-creation is performed by individual people engaged in interpersonal relationships. In order to function, interpersonal relationships must rely on trust and supportive relationship norms (Moorman et al. 1992), such as information exchange, mutual flexibility and solidarity that motivate co-operative behavior (Heide & John 1992). It's largely the service provider's role to create a favorable atmosphere for the enactment of these norms. In other words, the service provider needs to set a good example. This means that they should proactively provide the customer with information and ideas useful to them, be willing to adapt and make changes flexibly if needed and to demonstrate a high value placed on the relationship (Heide & John 1992).

Accumulating and applying knowledge to fit needs

As previously discussed, it is important for the service provider to learn about the customer and their daily challenges to be able to deliver exceptional value. From the service provider's point of view, as marketing is essentially understanding the customer and their needs, creating value for the customer needs to start from gaining a solid understanding of the customer's value creating processes (Payne et al. 2008). The service provider may also seek to accumulate knowledge on the specific fields of the customers' business in order to be able to offer more targeted expert help (Ballantyne & Varey 2006a, Skjolsvik et al. 2007). Through building their know-how to match with and support the customer's needs, the service provider is able to demonstrate expertise and provide relevant value propositions, as a result also becoming an attractive partner for value co-creation in the future (Skjolsvik et al. 2007, Payne et al. 2008, Heinonen et al. 2010).

Taking leadership of the tasks entrusted

A more concrete responsibility area for the service provider is project leadership (Bettencourt et al. 2002). Whatever the responsibility area given to the service provider, they should take charge of it in a decisive manner, freeing the customer's resources for other value creating activities.

The role responsibilities discussed above are suggested to build mutual trust, which is crucial for the functioning of the customer relationship and the joint value creating activities (Moorman et al. 1992). Trust is suggested to positively affect the collaboration through enabling the customer to exhibit the desired customer role responsibilities (Bettencourt et al. 2002), especially accommodation and involvement. This raises the likelihood of a successful project (ibid. 2002). The list of service provider role responsibilities outlined below is not meant to be exhaustive, but rather explorative, guiding the empirical enquiry.

1. Being a partner in value
2. Reinforcing positive relationship norms
3. Accumulating and applying knowledge to fit needs
4. Taking leadership of the tasks entrusted

4.3 Conceptual Framework

The conceptual framework of this study is illustrated in Figure 6. Based on the literature review it is suggested that certain service provider and customer role responsibilities reinforce value co-creation through the development of trust, and through the realization of dialogical interaction between the co-creating parties (Gadrey & Gallouj 1998, Bettencourt et al. 2002, Ballantyne & Varey 2006a). Similarly, it is suggested that both the customer and service provider carrying out their role responsibilities effectively supports the forming of a high value outcome. The customer and service provider role responsibilities will be further explored in the empirical part of this study.

Considering the definition of value co-creation as involving collaborative and dialogical interactions (Ballantyne & Varey 2006a), accommodation is hypothesized to be one of the most central client role responsibilities. Also adequate involvement in project direction, including communication openness and shared problem solving, are expected to be important to project success (Smith & Barclay 1997, Bettencourt et al. 2002). On the service provider's side, key role responsibilities are suggested to consist of building trust and striving for a high value outcome through being a proactive, committed partner and accumulating targeted expertise (Heide & John 1992, Toivonen 2004, Bettencourt et al. 2002, Ballantyne & Varey 2006a, Skjolsvik et al. 2007).

Figure 6: Service Provider and Customer Role Responsibilities to Support Value Co-Creation
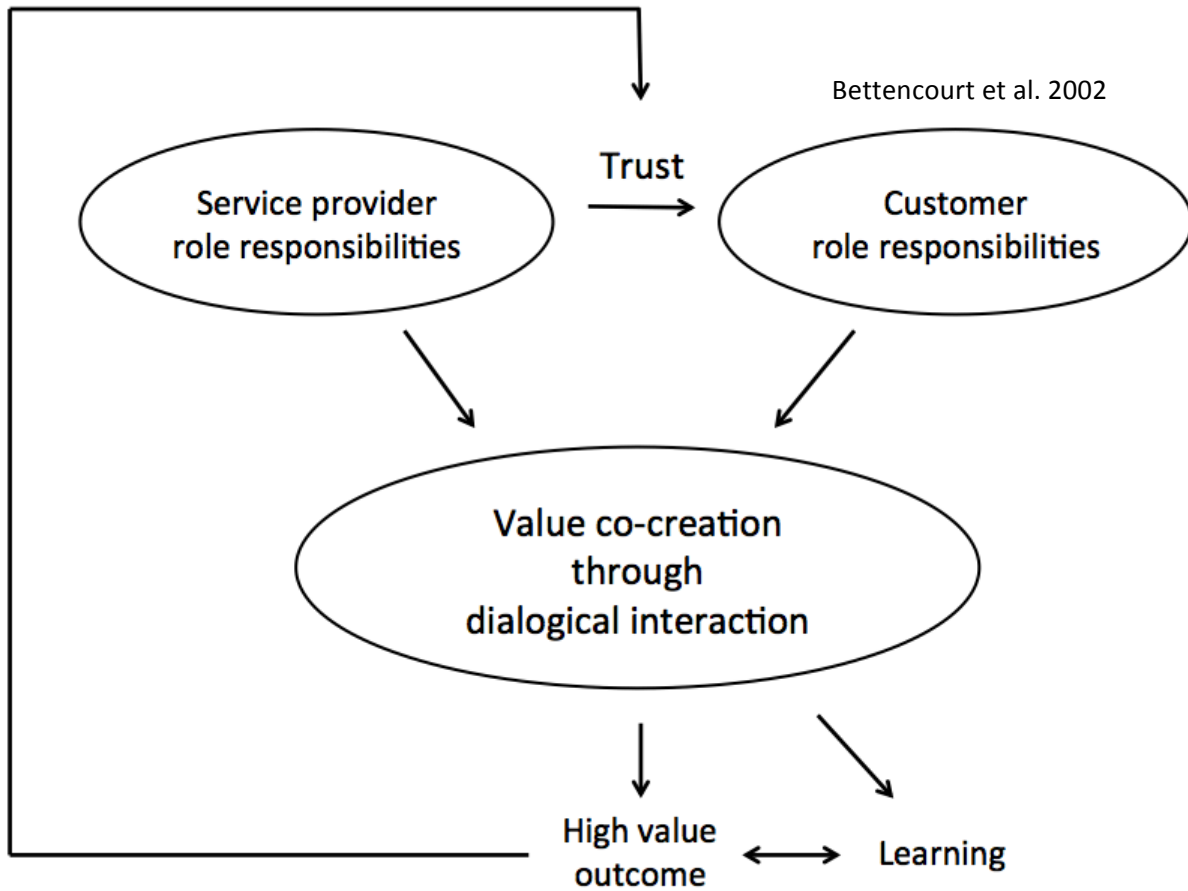
Bettencourt et al. 2002

Source: adapted from Moorman et al. 1992, Morgan & Hunt 1994, Smith & Barclay 1997, Gadrey & Gallouj 1998, Bettencourt et al. 2002, Ballantyne & Varey 2006a, Skjolsvik et al. 2007 and Stucky et al. 2011

For a more explicit discussion on sources, please see Section 3.3 and Figure 4.

5. KIBS as a Case Domain

As previously mentioned, a lot of the literature relevant to value co-creation, as per the definition of Prahalad and Ramaswamy (2004), centers on service areas such as professional services and KIBS. In result, KIBS are a natural choice for a case domain in empirically studying the case phenomenon.

KIBS such as IT, marketing, R&D, engineering, consulting, advertising and market research services, play a key role in the knowledge-based economy. Research interest in KIBS has been increasing in the 2000's and it is argued to be one of the most dynamic and rapidly growing service sectors in the EU economy (Strambach 2008). The entire KIBS sector has emerged specifically to help other firms with problems for which they require external knowledge (Miles et al. 2005). As a result, KIBS are defined as "enterprises whose primary value-added activities consist of the accumulation, creation, or dissemination of knowledge for the purpose of developing a customized service or product solution to satisfy the client's needs." (Bettencourt et al. 2002, 100-101).

Bettencourt et al's (2002) definition highlights the role of KIBS as knowledge brokers and refers to the customer-specificity of the need and the resulting service. The need for this interaction is implicit. KIBS firms are generally seen not only as suppliers of knowledge, but also as co-producers of knowledge in a process involving intimate collaboration with clients (Muller & Dolereux 2009). Based on these characteristics, KIBS represents a very appropriate case domain for this study. Due to the central role of knowledge processes in KIBS projects, knowledge development as an outcome of the service may play a larger role in KIBS than in other service areas (Skjolsvik et al. 2007).

In KIBS, clients possess a good part of the situational knowledge and competence needed by KIBS firms to deliver a successful service solution. The customer has codified knowledge (such as formal guidelines and strategies), tacit knowledge (such as how things are currently done and why), as well as other situational knowledge critical for delivering optimal value, including project goals and key performance indicators. The clients' contributions to the service process are thus an ever more critical factor in determining the success of the project, affecting both the quality of the service outcome, as well as the client's overall satisfaction with the project. (Bettencourt et al. 2002).

As the outputs of KIBS firms are often of competitive importance to clients (Miles et al. 1995), customers tend to be quite involved in projects (Bettencourt et al. 2002). Thus the focus of activities is directed more at the service provider involving themselves in the customer's processes, rather trying to involve the customer in their service process (Grönroos & Ravald 2011). Dialogical interaction plays an especially important role in KIBS due to the knowledge-intensive nature of the service.

5.1   At the Core of KIBS Activities: Knowledge

The client's motivation to use external services may arise from a need to expand existing capacity, or a need for skills the client firm does not have in-house (Kuusisto & Viljamaa 2004). In some cases firms may also want to use external experts to seek new ideas and perspectives to familiar issues (Kuusisto & Viljamaa 2004, Fincham 1999). As the value creation of KIBS is based on professional knowledge, KIBS firms' employment structures are weighted heavily towards experts such as engineers, researchers and consultants. KIBS firms may provide outputs that are direct sources of knowledge to the client, such as reports, training and consultancy, or intermediate inputs to the clients' own information-processing and knowledge-generating activities. (Miles et al. 1995).

The knowledge possessed by KIBS firms can exist in many forms and reside in different media. Examples of explicit knowledge include IT-based knowledge-sharing and information systems, firm-level methodologies and tool-kits and project management guidelines. Tacit knowledge, existing in the heads of employees, in turn includes individual expertise, talent and knowledge. (Skjolsvik et al. 2007, Nonaka & Konno 1998). As is evident from the above, the knowledge base of KIBS firms is dispersed and situated to a great extent with individual employees (Larsen 2001). Moreover, a KIBS firm's knowledge base is not limited to the sum of available internal resources, but is determined by the way that the employees interact and form networks with both internal and external colleagues and clients.

As is suggested by the above discussion, the stock of knowledge accessible by KIBS firms is not static. In order to keep up-to-date and sustain a competitive edge, KIBS firms need to keep a focus on renewing their knowledge. Thus KIBS firms need to not only apply their knowledge in value co-creation through exploiting existing knowledge, but also to develop new knowledge to enhance their future knowledge base through a process of exploration (Skjolsvik et al. 2007, March 1991). These two activities are at the core of a KIBS firm's value creation activities.

According to Den Hertog (2000), the flows of tacit knowledge within KIBS provider-client interactions are more important than the sharing of codified or explicit knowledge. This process is described as the enrichment of the customer's knowledge base through a collision or exchange with the KIBS firm's knowledge base, and illustrates the essence of value creation in KIBS. It is more than merely a transfer of knowledge: KIBS firms can "trigger or strenghten the process of knowledge conversion in clients" (ibid. 2000, p. 511). While they can provide expertise and share new insight, KIBS firms may also act as catalysts to stimulate internal knowledge processes and communication (ibid. 2000).

As a key to strategic development, successful KIBS firms need to actively make decisions on what types of customers and assignments to prioritize to enhance and sustain their dynamic knowledge bases. Since

knowledge and expertise form the core of what a KIBS firm can offer, the ideal clients or projects are those that present ample opportunities for knowledge development, where new knowledge can be generated not only for the customer, but also for the KIBS firm. In the most interesting projects from this perspective, the KIBS firm learns as much as the customer. Knowledge development is largely expected to be a by-product of the interactions and value co-creation processes with the customer, emerging through the exploitation of knowledge through interaction (Skjolsvik et al. 2007).

5.2   Present to a Varying Degree: Customization

Despite being defined as highly customer-specific, KIBS as a case domain contains a variety of different levels of customization and collaborative activities. Lowendahl et al's (2001) mapping of professional services based on customization, shown in Table 3 also well represents the range of KIBS activities. The authors argue that it is important to study cases from both ends of the continuum, as they represent very different value creation processes with different dominant characteristics. Projects with a lower degree of customization are likely to involve less interaction and learning potential than projects characterized by uniqueness, novelty and an explorative nature (Skjolsvik et al. 2007).

Table 3: Customization in Professional Services

Degree of customization	Professional services
Lower	Information, market analyses, reports
	Certification, quality assurance, audits
	Expertise, advice
	Training
	Solutions to problems
	Innovation, new ideas, creative design
	Assistance in implementation
	Mediation, negotiator, 'middle man role'
Higher	Stand in, management for hire, spokesperson 'on behalf of'…

Source: Lowendahl et al. (2001, p.922)

To conclude, the differentiating factors of KIBS from other service areas are that they contribute to the clients' knowledge processes and that the service providers are experts in their area (Toivonen 2004). Meanwhile, the degree of customization and interaction vary within different types of KIBS projects and different areas of KIBS.

6. Methodology

As concluded in Section 5, KIBS are deemed to represent the most appropriate case domain through which to examine value co-creation as a collaborative and dialogical process. In this section the methodology of the study is outlined.

6.1   Choice of Research Methodology

The research question of this study focuses on the key characteristics of value co-creation in service relationships and the client and service provider role responsibilities supporting it. In this study I explore the research question through a literature review and an empirical study, in an attempt to enrich existing theory with new understanding gained from the findings. Such an approach, where the literature review and empirical analysis are done simultaneously and iteratively, is termed by Dubois and Gadde (2002) as an abductive research approach. This starting point will serve to guide my choice of research methodology.

Qualitative research is deemed especially suitable in the absence of an established theoretical framework due to its explorative and discovery-oriented nature (Patton 1990). Qualitative research methods seek to describe, interpret and understand a phenomenon through examining it in its context. While quantitative research aims to establish correlative and causal relationships through the statistical testing of hypotheses, qualitative research aims at forming a deeper and more holistic understanding of the topic being studied. (Strauss & Corbin 1998, 11, Gummesson 2004, Eriksson & Kovalainen 2008). As my aim is to achieve a deeper understanding of the rather multifaceted phenomenon of value co-creation, a qualitative approach is the most suitable for the collection and analysis of data in this study.

6.2   Data Collection

The data collection methods used in qualitative research range from submersive ethnography and observation to elicited data in the form of interviews. For this study, semi-structured interviews are chosen as the most appropriate data collection method. Semi-structured interviews are not based on a stringent preset questionnaire, but on predefined themes that the interviewer covers during the course of the interview (Fontana & Frey 2000). The semi-structured interview method enables the gathering of rich data (Oakley 1981). In result of its more flexible nature, the semi-structured interview allows the interviewee to talk freely and to raise points that may not have been considered by the researcher (Fontana & Frey 2000). It also enables the researcher to ask the respondent to elaborate on issues of interest, and in this way to

uncover new avenues of insight. A semi-structured interview outline ensures that all of the central themes get covered during the course of the interview, while allowing a certain degree of freedom for both the interviewer and the interviewee (Miles & Huberman 1994, 17).

6.2.1 Case and Interviewee Selection Criteria

Due to its eplorative nature, a qualitative research method allows for the examination of a smaller number of cases (Miles & Huberman 1994, 27). Respondents from four KIBS firms were included in the study. Each company represented a different industry, including IT solutions consulting, strategic communication consulting, marketing research and product development. Two of the case companies are small firms with under 15 employees, while two represent large firms with over 150 employees. Both the firms and industries were selected in order to maximize differences. The large firms are from the fields of IT solutions consulting and marketing research, which represent rather established industries with well-defined processes and project characteristics. The small firms, in turn, represent strategic communication consulting and product design, which are perceived as relatively newer industries characterized by less formal rules and less defined expectations.

More information on the case companies can be found in Figure 7.

Figure 7: Short Descriptions of the Case Companies and Interviewees

> **Company A** is a medium-to large firm offering IT, R&D and consulting services. The company has a broad portfolio of services ranging from process development consulting to plug-and-play standardized solutions. All of the interviewees were from consulting services, thus in this report when talking about Company A, I am focusing only on the consulting business. Consultants from two different business domains, banking and retail logistics, were interviewed.
>
> **Company B** is a small firm offering consulting and execution of communication strategy, strategic communication, opinion leader communication and employer image. The company's activities are highly tailored to individual customer cases.
>
> **Company C** is a medium to large company offering market research services. Projects range from standardized research to very tailored customer-specific studies. Managers from two different business domain organizations, media and retail, were interviewed.
>
> **Company D** is a small firm offering product development, design and research services. Each project is highly tailored to the customer's needs and the company's activities also include proactive initiation of networked projects.

All companies have project-based business models, although the offerings of Companies A and C also include service-based business models. Similarly, companies A and C have a broad service portfolio with differing degrees of value co-creation and standardization taking place. Meanwhile, companies B and D are more value co-creation oriented. Through interviewing different types of KIBS firms, the aim is to achieve a more holistic view of value co-creating activities within KIBS firms' interaction with their clients.

According to Miles and Huberman (1994, 27-28), interviewees should be selected based on who is believed to be able to offer the best insight to the phenomenon at hand. In this study I have chosen to interview senior consultants and medium management who have a strategic approach to their work, yet are also personally in touch with customers and are thus knowledgeable of the firm's value co-creation processes. Companies and interviewees are presented in Table 4.

A researcher knows that they have collected a sufficient amount of data when the empirical data reaches a point of saturation (DiCicco-Bloom & Crabtree 2006, 317). Interviews were thus carried out until new interviews ceased to bring forth new major topics relevant to the research question. This study ended up consisting of a total of 8 interviews. Three people were interviewed from each of the large case firms, while one person was interviewed from each of the two small case firms to complement the pool of data.

Table 4: Companies and Interviewees

Company	Interviewee	Company Domain	Company Size*
Company A	Consultant 1, Company A	IT solutions, consulting and outsourcing	Medium-Large
	Consultant 2, Company A		
	Consultant 3, Company A		
Company B	Consultant, Company B	Strategic communication	Small
Company C	Manager 1, Company C	Marketing research	Medium-Large
	Manager 2, Company C		
	Manager 3, Company C		
Company D	Manager, Company D	Product development	Small

*based on number of employees in 2011 in Finland: small < 15, medium-large >100

6.2.3 Forming the Interview Outline

The interview outline functions to guide the researcher through the interview and to ensure that all central topics or themes are covered (Strauss & Corbin 1998, 76-77). The interview outline was formed on the basis of the theory explored. Special care was taken to formulate questions that would elicit responses relevant to the research questions, while not directly answering the research questions. The interview outline can be found in Appendix 1.

Interview questions can be classified in several ways: Eriksson and Kovalainen (2008) divide them into direct and indirect questions, neutral and leading questions, and primary and secondary questions. In the outline I used rather broad open-ended primary questions combined with more targeted secondary questions. I also took attention to keep the primary questions as neutral as possible, so as not to guide the interviewee towards pre-given typologies. Secondary questions were, in turn more leading to ensure that the respondents were guided to discuss the themes in light of the research questions. In this way it was ensured that the data elicited was suitable for answering the research questions posed in the earlier phases of the study.

With all of the inteviewees I began with a simple question asking them to describe their role in the case company. Then the interview moved on to address the company's offering, clients and customer relationships. A key focus was on traits of the ideal customer, how the interviewee perceived their company's role in the customer's business and what they believed the customer's expectations to be. After this we dove deeper to discuss both parties' roles in the service co-production process, also touching upon the topic of the customer's involvement.

Towards the end of the interviews we discussed value realization in the client projects. The respondents were asked to describe a highly successful project and to analyze why it was successful. This served to give good insight to the key characteristics of successful value co-creation, as well as factors contributing to its occurrence. At the end of the interview I asked all respondents whether they were familiar with the term value co-creation and what they thought about it. Although some respondents had mentioned it or discussed similar topics already earlier in the interview, this allowed me to dig deeper into the service providers' experience and beliefs about value co-creation.

6.2.4 Carrying Out the Interviews

The interviews were conducted in December 2010 to March 2011 in the premises of the case companies. Spreading the interviews over a longer period of time allowed me to start the analysis process already after

the first interviews, which is a typical trait of qualitative research. Data collection, analysis and interpretation often take place as an iterative process, which enables the researcher to refine the questions asked and to redirect the study based on any unexpected but interesting insights gained (Spiggle 1994, DiCicco-Bloom & Crabtree 2006, 317).

Although this study is in English, all of the interviews were conducted in Finnish, which is the native tongue of both the interviewees and the researcher. The interviews lasted on average 75 minutes, with individual interviews ranging from 55 to 90 minutes. All interviews were recorded with the respondents' permission using a digital voice recorder, and later transcribed by the researcher. Quotations have been translated from Finnish to English, but special effort has been made to do this as accurately as possible, keeping the essence and meaning of the Finnish quotes in the English versions.

6.3   Data Analysis and Interpretation

It is rather widely accepted that there is no one correct way to analyse and interpret qualitative research data. While data analysis consists of a systematic examination of research data through procedures such as categorization, comparison and integration, interpretation involves reaching beyond the most immediate findings to decipher their meaning (Spiggle 1994). In the analysis phase, empirical findings were merged with existing theory, resulting in a better understanding of the phenomenon under study. This is termed by Dubois and Gadde (2002) as an abductive research approach.

Analysis involves manipulating data through certain procedures. In my analysis, I use Spiggle's (1994) framework as a guideline. I started by identifying main themes and perspectives arising from the data. The categorization was an iterative process, going from the empirical data to theory and back again. Each interview transcript was read and re-read in this stage. The common themes that emerged from the data were then scrutinized with a focus on their usefulness to derive answers to the research questions. For example, through themes that arose from descriptions of the most successful projects and desirable client behaviors, key factors contributing to successful value co-creation were distinguished.

A comparison was also made between the respondents of different case firms, but the differences were deemed minor. I concluded that within KIBS firms' value co-creating activities, it is the projects, and not the firms themselves, that are different. Each firm and interviewee seemed to have very similar ideas of how optimal value is reached in customer projects, but the actualization of these elements varied by the project, showing that the ideal could not always be reached due to various restrictions.

After the comparison, I examined the relationships between categories, such as the different characteristics of value co-creation, as well as the client and service provider role responsibilities helping to achive a high value outcome. These findings were again iteratively related back to the theory. In result, the empirical findings are structured based on existing theory constructs, but where relevant, new categories were added to accommodate empirical findings to the full. In this way the empirical findings are integrated with existing theory and used to complement it.

Interpretation is an intuitive process and rather subjective by nature, involving an exploration of the research data to form a complete picture of the phenomenon under study (Spiggle 1994). In doing this, I have aimed to justify and document my choices, and to keep interpretations well-grounded in the empirical data. The next sub-section will address the reliability and validity of this study.

6.4   Reliability and Validity of the Study

Generalizations in qualitative research are not always possible or widely applicable, as qualitative research focuses on a smaller number of cases than quantitative research (Payne & Williams 2005). Furthermore, the interviewer can never be completely objective, as personal experiences inevitably play a part in the interview itself, as well as in the analysis and interpretation of research data. In this section I have aimed to describe my research process accurately and in detail in order to give the readers the possibility to evaluate the reliability of findings.

7. Findings

In this section the main empirical findings are outlined, starting with an examination of the virtuous cycle of value co-creation, and moving on to explore customer and service provider role responsibilities.

7.1 Value Co-Creation in KIBS: Key Themes

The key themes that came up relating to value co-creation were close collaboration, relationships of trust, interaction characterized by dialog, and high value outcomes. Learning was commonly found to be a result of these types of projects. Meanwhile, these projects were contrasted with projects where the service provider's hands were tied by overly specific project specifications made by the customer. The latter projects, where the service provider's expertise was not accommodated or utilized, were found to leave a lot of the potential untapped.

In this section value co-creation in KIBS is examined through three key theses that arose from the data, the first one being "relationships as a basis for value co-creating activities", the second one being "interaction as a facilitator of project direction", and the third one being "dialog as a vehicle to superior value and learning". Lastly, factors affecting the emergence of a dialog are explored.

7.1.1 Relationships as a Basis for Value Co-Creating Activities

Several of the case firms seem to have long term relationships with their client, within which periodical or adhoc projects take place. Through stable customer relationships, the KIBS service providers are able to have a continuous role in their customers' business.

> "I see our customers' activity as a recurring rhythm in which research is involved at certain points in the year, as product development is directed at certain windows, 3-4 launch windows in a year, that's when we are there periodically to ensure that the customer launches the right products." – Manager, Company C

> "Our role is to think how can the customer best execute their own "service production". We have a big customer base which is very stable, but within these customers there are different divisions and many adhoc projects take place, even within the same customer." – Consultant, Company A

"We have occasional customers who buy something from us once a year now and then, in this case the customer relationship is of course not that close, but on the other hand we also have regular or larger continuous customers, with whom we are constantly in close-knit co-operation." – Manager, Company C

A common theme emerging from the data was close collaboration that is based on a strong trust between the co-creating parties. In KIBS, trust and an existing relationship seem to strongly affect supplier choice. An existing relationship acts as a medium for building trust and winning future projects.

"In consulting the most important thing is trust, and if you put two consulting houses, firms, into a competitive situation to win a customer, and there's one that has not done anything as they haven't had a contact point to the customer, and the other one has, their people know each other and the chemistries work, then we are in quite a weak position if that contact is missing." – Consultant, Company A

As is evident from the above quote, value co-creation is largely an interpersonal affair. Good personal relationships seem to be a key not only to winning the deal, but are an important component of a successful project. The personal nature of customer relationships is also brought up by another respondent.

"Our customers know that when they commission research from us it will be correct and reliable, done with the latest methodology, and that the people responsible for the service are experts of their areas, and they are also very nice to work with, this is what we get a lot of thanks for." – Manager, Company C

A close relationship and mutual trust can offer the service provider with more opportunities to understand and respond to the clients' needs. This can act as an important venue for deepening the relationship and creating high value-in-use. In this way, a partnership based on trust can be seen as enabling a dialog between the service provider and customer.

"I'm returning again to this collaboration- and partnership thinking, that if the customer relationships are more on a partnership basis, we would be able to even better, in the long term, build together with the customer new types of entities that serve the customer's customer." – Consultant, Company A

"In every research project the aim should be to learn something new together, but the continuity, learning to understand the client's business and being able to bring added value

through that, is very important. It's not always possible, but with bigger clients it is. " – Manager, Company C

"Our business consultants have conversations with our clients' top management, and they get from there that this is the direction the customer will invest and these are their priorities, and through this we get to thinking that ok, how can we be there helping and supporting." – Consultant, Company A

It seems that the presence of a close and collaborative relationship with the customer, especially at a high organizational level, enables the service provider to be more proactive in finding ways to work together. When the service provider has access to engage with the customer's top management in a dialog, this enables the service provider to more easily look for ways to support the customer's value creating processes.

7.1.2 Interaction as a Facilitator of Project Direction

Interaction was found to be very important by the interviewees, playing an essential role especially in the diagnosis and solution development phases of the project. This seems to be mainly due to the customer-specificity of the clients' needs and context. Tailoring the service requires the customer's knowledge input.

"A close dialog is essential, you can't manage these kinds of projects without it." – Consultant, Company B

"That's why we want to work together with the customer from the beginning so that we wouldn't end up in a situation where we create something that doesn't work in the client firm." – Consultant, Company B

In projects where the service provider is very close to the customer's core business, interaction to gain an in-depth understanding of the customer's need seems to play an even greater role.

"The interaction with the customer has to be strong, and the stronger it is, the better. It's an essential factor, especially in product development we are often so close to the customer's core business that it has to fit perfectly, it has to answer precisely to the need to which they are offering the product." – Consultant, Company D

It seems that the need for interaction is attenuated by the complex and long-term nature of projects, with situations changing in between the definition of the project scope and targets, and reaching the outcome. Interaction is needed for keeping projects on track.

> "From the start if a certain responsibility has been given to us, it requires close interaction with the customer firstly that we are going in the same direction, that we have a shared view of where we're going, and secondly it's very typical that during a project new needs arise, so keeping the scope under control and clear when things change is key, and here we also need the customer's input." – Consultant, Company A

To keep projects on track, dedicated processes have been set up to ensure regular interaction.

> "Steering committee work and the project team's work are very important…a steering committee forum needs to exist prominently the whole time." – Consultant, Company A

> "These regular, weekly or monthly meetings with the customer are very important – that's where the key decisions are made on the project." – Consultant, Company D

7.1.3 Dialog as a Vehicle to Superior Value and Learning

Sparring between the customer and the service provider was a central theme brought up by several respondents: sparring, throwing around ideas and debating both with the customer and the internal team was seen by the respondents as a key to project success, as opposed to projects where dialogical interaction did not take place. Value co-creation can thus be seen as a collaborative effort of combining resources.

For the service provider, an explorative project seems to be the most interesting as it provides a natural ground for dialog. This leads to an opportunity to pool together the co-creating parties' know-how and to build the relationship through the interaction.

> "The further we advance in our research co-operation, the more it's about value co-creation. It's pretty clear that if we are for example developing the customer's offering and activities, this is when our co-operation is at it's best, when the value is created together and options and opportunities are explored together." – Manager, Company C

The best projects were perceived to be those that incorporated the knowledge of both parties. It was found that in a case where the knowledge and know-how of both parties is utilized, better results are reached as

opposed to a situation where the service provider or customer makes the project specifications alone. In a project where both parties' knowledge is combined, possibilities exist to create something truly new.

> "It's (at its best) a joint activity in which case we reach a far greater end result than if we would have done it alone, or if the customer had defined by the millimeter every step, that we would just execute." – Manager, Company C

> "At it's best the customer brings something specific (into the project), and we contribute some specific know-how, and from that we create a new kind of entity and added value, for which both parties are needed." Consultant, Company A

In order for the outcome to be truly co-created, it seems that the customer needs to allow the service provider to engage with them in dialogical interaction, giving a certain degree of freedom and trusting in the service provider's expert judgement. New opportunities may be identified resulting from the collision of customer and service provider knowledge.

> "The ideal customer knows what they are buying but gives us quite a lot of freedom, he trusts that we can provide him with the right solution to his business problem, even if it may be a slightly different path than what he thought or anticipated, because this is when we can really utilize our own know-how and collaboration across business units, and to spar one another with the customer to find these new things, and also to learn ourselves. This is the most ideal situation for us." – Manager, Company C

As already expressed in the previous quote, when asked to describe the best projects and ideal clients, learning came up as a key theme. Mutual learning is seen as something occurring in the more successful projects, and as being closely connected with creating something new together. The following respondent presents value co-creation as a win-win case, where both parties gain value and knowledge that they previously did not have from the project.

> "What I actually meant by the win-win situation is that both counterparts learn from each other in every case. When we get the kind of capital that we didn't have, and the customer hopefully gets the solution that they didn't have before. In this way value emerges for both counterparts when we put our heads together. " – Consultant, Company B

When the client firm's thinking is renewed and they learn in result of the project, the service provider has been able to deliver exceptional value. This is illustrated in the following passage:

"In the best case we've even exceeded the expectations set in the beginning, our consultant understands the client's business and IT and is able to proactively provide the customer with proposals, and in the best case he's been able to renew the customer's thinking." – Consultant, Company A

Learning is not only important for the client firm, but also for the KIBS firm. As knowledge is in the core of the KIBS firm's offering, it is vital to keep this knowledge up-to-date and to have a broad pool of experience from which to source new ideas and combinations.

"It's pretty much a reference business, that we are able to document the completed end results and communicate about them to our target groups, and that we've learned from them, so that we are accumulating knowledge capital that's easily transferrable. – Consultant, Company D

7.1.4 Moderating Factors Affecting the Emergence of a Dialog

The view that value co-creation at its best is rather sparring than jobbing seems to be shared by all respondents. What is it then that enables the service provider to engage with the customer in a dialog, rather than receiving a more set assignment outline?

The best opportunities for learning, and for creating superior value are presented in cases where the problem is broad and the brief is open. In this case the service provider has more of a chance to bring their own thinking into the project and to challenge the customer.

"When considering our own development and growth and the genuine added value that we want to bring to our customer, it emerges usually in a situation where the customer has a rather demanding business problem to which he needs research data for support, and the brief is quite open and broad, not too detailed, this is when the work is very meaningful for us. In these types of projects we can really help our customers to succeed." – Manager, Company C

"In these basic services that we do based on a certain model, a similar kind of opportunity to learn doesn't exist as in the more tailored services, in which we are invited to be involved from the beginning." – Manager, Company C

In this way an open brief allows the service provider to participate from early on in the project, setting the stage for dialogical interaction.

High customer knowledgeability can provide good ground for sparring. A customer with more experience and insight can be a more challenging sparring partner, pushing the KIBS firm further.

> "The ideal customer would probably be one with whom we have an ongoing communication, who has a broad enough know-how to see the value brought by the research, who can also discuss with us and challenge our people in a way that stretches the know-how of both parties, like this they strongly advance the co-operation as well as both parties' know-how."
> – Manager, Company C

Nevertheless, there are some obstacles to all projects involving sparring and true dialog. In the following, a respondent describes a customer-led project where the client does not accommodate the service provider's ideas, but is strongly holding on to their own ideas of how the project should be run.

> "That's when we go tightly with 'this is the way we do it', and we plant it in the model, and ok, it's a sort of standard solution and we get certain results, but then it may be that something is discarded that could have created something new, for example a new type of functionality or cost savings, and also for the customer new opportunities are missed." – Consultant, Company A

In the above case, it seems that only communicational interaction takes place in the form of the customer communicating preset project objectives and specifications. In the absence of dialogical interaction, the project outcome becomes one-sided and may not reach its full potential. Several reasons were presented for this type of behavior in part of the customer.

One of the reasons for the customer's lack of openness seems to be high customer knowledgeability on the area of the project. In this way customer knowledgeability seems to be a two-edged sword: It's a positive thing that the customer is able to challenge the service provider, but if they already have the answers, they may not leave room for the service provider's suggestions and recommendations. This is illustrated by the following quotes:

> "If the client firm has their own strong IT department, they may have the tendency to give us very detailed specifications, which doesn't leave much room for our know-how to come in." – Consultant, Company A

"The ideal customers know what they are talking about and have a business orientation, so that they are not too focused on minor details. So if it's too much of a researcher person, he may not give us the opportunity to bring something new, in that case he defines precisely that this is what I want." – Manager, Company C

Another important issue in value co-creation is trust. Trust is not only important in gaining insight on the customer and more opportunities for collaboration, but also on successful completion of the co-creation project. When the trust is there, the customer is more likely to accommodate the service provider's ideas and to allow them to be a sparring partner, leading to mutual learning and a superior value outcome.

"The ideal customer trusts that we can we can provide him with the right solution to his business problem, even if it may be a slightly different path than what he thought or anticipated, because this is when we can really utilize our own know-how and collaboration across business units, and to spar one another with the customer to find these new things, and also to learn ourselves." – Manager, Company C

Like the following quote illustrates, a lack of trust may lead to suboptimal results. Customer involvement is desired in interactive processes of the project, but the service provider also hopes for openness and trust in their expert opinion. If the customer is trying to dictate the result too much and fiddle with each phase, this may make working difficult for the KIBS firm and leave little room for innovativeness. In this case customer involvement is seen to hinder the project.

"In some way a customer's worry about the end result, that will they get what they want, leads to the customer being strongly involved and in some cases trying too much to guide and direct the outcome, and this doesn't leave space for the supplier to be innovative. When the customer is too involved and tries to guide too much, it causes that the supplier might feel at some point that this is impossible." – Consultant, Company A

"In this case before blaming the customer we should look in the mirror, into our own activities and processes and think what is it that makes them participate. We still have room for improvement in building the customer's trust, so that they would trust that when they order from us they get the desired result, and then they wouldn't need to be there meddling in the different phases, so to say. In this way also the customer needs to use less of their resources in managing us." – Consultant, Company A

To summarize, the factors affecting the emergence of dialogical interaction found in the interviews include a relationship of trust, client knowledgeability in the area of the project, and explorative nature and broad scope of the project, represented by an open brief.

7.2 Role Responsibilities for Achieving High Value

As established in the previous section, dialog seems to be at the epicenter of those projects that are characterized by value co-creation rather than value delivery. This section is about customer and service provider role responsibilities that support the emergence of a dialog in the interactive processes between the co-creating parties.

7.2.1 Customer's Role Responsibilities: Involving and Being Involved

The customer's role responsibilities can be summarized based on the interview findings as *involving* and *being involved*. The first side, involving, means that the customer allows the service provider to be a partner, involving them from early on in the process and accommodating the service provider's expertise and ideas. The second side, being involved, includes the customer communicating relevant information openly, being involved in project direction, and being aligned internally on project goals.

In this section, the customer's role responsibilities found in the empirical data are grouped into the following:

1. **Involving**
   - o Involving the service provider early on
   - o Accommodating the service provider's expertise and ideas
2. **Being involved**
   - o Being involved in project direction
   - o Communicating openly
   - o Aligning objectives internally

As established earlier, a key characteristic of value co-creation is that the outcome incorporates the know-how and ideas of both co-creating parties. This would not be possible if the customer gave their supplier a pre-defined roadmap according to which to execute the service. Thus both parties' active involvement is necessary. This leads us to the first customer role responsibility: involving the service provider in project definition.

Involving the service provider early on

In their collaboration with customers, the respondents were most concerned about being seen as partners by the client firm, and being included in the customer's process from early on in the project.

> "The ideal customer perceives the IT solutions supplier more as a partner than just a supplier, because as IT is in such a key role in the finance sector, a pure customer-supplier setup often leads to situations that don't lead to the best possible outcome for the customer." – Consultant, Company A

> "A couple of things (differentiate us from competition), one is that we aim to tailor everything from the beginning to the end by ourselves, without bringing any international best practice models, and the other is this intensity, that we are really a partner. We don't want to be in a customer-buyer relationship." – Consultant, Company B

It seems that being seen as a partner enables the service provider to provide better value, but also to better pursue their organizational goals. Several respondents also expressed more explicitly a wish to take part in defining the service outcome together with the customer. This seems to be clearly linked in the minds of the respondents with the quality of the project outcome.

> "It's an interesting case when we can, or we are invited in quite an early phase to define the project, and to modify the direction, in which case we get to affect quite many parts of the project's development. Then there's the best possibilities for us to take the project successfully to the end target." – Manager, Company D

> "Another thing that we need (in addition to case-specific information) is that we are involved from the beginning. We can't really step in and work when someone else has done the analysis, or we can, but then we won't reach such a good end result." – Consultant, Company B

> "Participating in the definition phase is the best way to gain an understanding of what the customer's expected value is. So we can also help in the project definition, and get a chance to decipher what the customer's expectations are." – Manager, Company D

By being involved already in the diagnosis phase of the project, the service provider can ensure that they have the best understanding of the customer's aims. They can also to participate in setting the optimal goals for the project. The earlier on the service provider is involved in the process, the better they can

participate in discussing whether certain aims are relevant and certain solutions optimal. This provides better ground for the improvement of the solution and for creative thinking.

> "If we were even more involved in the early project stages, and in the customer's challenge and problem, we could also offer more innovative solutions to our clients, which in the best case could also be more cost effective than what the customer has themself envisioned." – Consultant, Company A

> "That the IT partner is taken into the project already in the beginning, when the business need is being defined, because then the IT partner can better think that is the solution the customer in considering necessarily the optimal one, or could there be some new perspective and functionality or usability, with which the need could be resolved." – Consultant, Company A

Accommodating the service provider's expert opinions

To achieve a truly co-created outcome, the customer needs to be open to discuss the service provider's ideas. In cases where the customer stringently wants to carry out the project based on their existing structures and methods, opportunities may be lost. In these cases the outcome is seen as dictated by the customer. This is sub-optimal, as opportunities for sparring and mutual learning are not tapped into.

> "For example then (it's not a question of co-production), when we strictly follow the customer's existing methods and structure, in which case the customer doesn't give room or be willing to listen that there might be some other ways and new perspectives." – Consultant, Company A

> "That's when we go tightly with 'this is the way we do it', and we plant it in the model, and ok, it's a sort of standard solution and we get certain results, but then it may be that something is discarded that could have created something new, for example a new type of functionality or cost savings, and also for the customer new opportunities are missed." – Consultant, Company A

> "Something new can't really be generated, if we strictly follow the customer's existing processes and models." – Consultant, Company A

A theme closely linked to accommodation is having the courage to trust in the service provider's vision, even if it was something a bit different than what the customer had initially expected, prior to engaging with the service provider. Having this courage and an openness to rethink familiar ways of working seems to enable the customer to accommodate the service provider's views and recommendations.

> "The ideal client trusts that we can provide him with the right solution to his business problem, even if it may be a slightly different path than what he had thought or anticipated" – Consultant, Company A

> "The ideal customer dares to buy the service: it always helps in a consulting role, that the customer dares to throw themselves into brainstorming outside of their box, because usually you can't create anything new if you don't dare to think in a slightly new way." – Consultant, Company B

> "It's important that the client not only uses the service boldly and without preconceptions, but also challenges their usual way of working, and that's always difficult, to think what could I do better or differently." – Consultant, Company B

The courage for rethinking possible routes to the goal or current ways of working seems to stem from a trust in the service provider's expertise, linking closely to themes in Section 7.1.4. This implies that the service provider may have to build trust and to show that they are competent before they can expect the client to give them "free hands" or the benefit of the doubt.

Being involved in project direction

In addition to being open to the service provider's expert recommendations, the customer also needs to play a role in project direction. They need to keep a strong grasp on what the targets of the interaction are for their organization, and to ensure that on their part, the project is on the right track. Due to the line of visibility between the interactive and customer's processes, apart from shared information and ideas, the service provider has limited means of knowing the exact needs and objectives of the customer.

> "It doesn't make sense for us to use our time to try to reinvent the wheel, or to read the customer's thoughts: The customer's role is to be onboard throughout the project sparring with us. We can't, if the customer doesn't give enough indication, then the research will easily start following the wrong tracks. The customer has to tell us to what is their need, and our job is to then find the solutions and the way to carry out the study and to get the

answers. But he (the customer) needs to be there all the time ensuring that we are going in the right direction, I would say." – Manager, Company C

"My experience is that interaction has to be very frequent throughout the whole process, so that we are always both aware of what's expected, what our possibilities are and what the status of the project is, so that we both keep touch of the project as a whole." – Consultant, Company A

The service provider's role is to help, spar and support the customer. Both parties need to take part in problem solving during the project, but the customer needs to be there making the decisions and calling the shots.

"We disuss and advise the customer so that the content would fit their needs, but it's kind of the responsibility of the customer, they need to themselves make the decision that hey, this is suitable for us." – Consultant, Company A

The more specific the sought solution, the more important it is that the customer be involved in project direction and joint problem solving throughout the project.

"It depends quite a lot on the customer, some are participating very actively, some just want us to execute and deliver, and some are not involved enough. There are projects that are very critical and valuable to the client firm, and if the firm isn't involved, it's quite a challenging situation. Especially if they are in a very specific field of business and they are not participating enough, then the end result might not be what they expect, or what would be best for them." – Manager, Company D

As we've seen earlier, the customer's involvement tends to be high when they have a large stake in the project. However, a lack of resources such as time may be an obstacles for adequate customer participation.

"Sometimes it's the case, especially in small and medium firms that time is so limited, their own resources are so small, and they have to focus on taking care of their daily business. Then their participation in this project, although it's a big investment for them, might end up being very small. Then it's also a really challenging situation for us. – Manager, Company D

Communication openness and clarity

In addition to the customer being involved in project direction, they also need to be open in sharing information and communicating about their real needs and objectives. This is especially crucial at the start of the project, when project objectives are set.

When asked about expectations towards the customer, one of the respondents replied the following:

> "Information. We usually ask for all possible data that's linked to the case, and we usually get it as well, because without this information we aren't able to do a decent analysis." – Consultant, Company B

The initiation phase of the project is crucial for aligning objectives. Communication openness plays a key role here, so that all information relevant for the correct definition of the project goals is shared.

> "We have to understand what the customer's problem, or opportunity, or his goal is. For this it's very important that the customer can describe the problem they have, or the question to which they wish to have an answer. When they're able to do this well, then it's easy for us to go from there" – Manager, Company C

Advocacy and Internal Alignment

As the fifth key theme relating to customer role responsibilities, they were found to be responsible for internal alignment and communication throughout the project. This was found to be vital not only regarding alignment of the project goals and expected outcomes, but also regarding internal commitment to the project in the case that it affected the customer organization's way of working.

> "Activeness on the customer's part would be desirable, so that what they are commissioning, the information would be crystal clear for everyone already from the start as then we can still make adjustive moves on our side, in the case that something else is wanted." – Manager, Company C

> "The customer should align internally beforehand, so we avoid a situation where after we've delivered the results we get a 'huh, we thought that we would get this and this instead of that. Sometimes the information just doesn't reach everyone in larger organizations." – Manager, Company C

Organizational commitment is especially important in projects affecting daily work in the customer organization. In these cases the customer has a large responsibility regarding their internal communication to ensure that the project outcomes are positively received.

> "For a project to be successful, involvement overall and internal communication is extremely important, so that the later stage change resistance is curbed." – Consultant, Company A

7.2.2 Service Provider's Role Responsibilities: Being a True Partner

In order to enable the client to carry out their role responsibilities for optimal mutual value to be created, the service provider also has some role responsibilities to fulfill. Based in the interview findings these role responsibilities can be summarized as *having a partner orientation towards the customer*. This implies taking a consultative role in customer interactions.

The following quote summarizes the service provider's role responsibilities quite well. The service provider is expected to support the customer's value processes in an active, apt and committed manner, providing them with ideas and capabilities that they lack within their own organization.

> "Well, the customer expects from us that we stay on schedule, communicate, sometimes provide some unexpected results even. They do expect us to challenge them, and a certain systematicness, that's expected. And creativity, problem solving skills, initiative and being active towards them. Understanding their business as well, and having an interest in their business" – Manager, Company D

The service provider's role responsibilities found in the empirical data are grouped into the following:

1. **Value Leadership**
   o Leading the service process
   o Striving for optimal value

2. **Expertise**
   o Building trust through expertise
   o Matching resources with customer needs

3. **Solidarity**
   o Being a proactive partner in renewal

As discussed earlier, trust seems to be essential in fostering accommodating and involving behaviors on the customer's side. Also as relationships in the case companies are mainly long term, a high value outcome and a positive experience working with the service provider in a project create goodwill for future projects. Thus the core role responsibilities of the service provider are proposed to center on building trust and mutual value through value leadership, expertise and solidarity.

Project Leadership

The service provider needs to take ownership and leadership of the service process, so that the customer doesn't need to worry about the process advancing in a timely and effective manner. The following quotes show how the service provider is responsible for bringing forth the project to meet the targets set together, while listening to the customer and being sensitive to emerging needs.

> "We of course take a managerial responsibility of carrying out the research itself, this can't be the customer's grief. We have to have the know-how and the framing, but in a way that we listen to the customer and are ready to flexibly make the changes they want." – Manager, Company C

> "It's our responsibility to ensure that we reach the end result that has been agreed with the customer. So once we've thought up a joint solution or a proposal of how to proceed, with this schedule and these estimated costs, it's our job to ensure that the process reaches the end goal." – Consultant, Company A

> "Everything should start from the fact that the customer has a need to which we should to respond, and they have the schedule that we have to adapt to, but of course then our role is extremely important in ensuring that everything is executed well in order to reach project objectives." – Manager, Company C

In case of challenges emerging in the project that the customer fails to react on, the service provider should be prepared to fix the course of the project.

> "Let's say that in some cases there are these extreme situations where the supplier should have the ability to take a leading role when the projects are starting to go wrong. The customer's people might not have enough experience to recognize all the things they should take into account, and in these cases the supplier needs to have a strong ability to blow the whistle and to put projects back on track." – Consultant, Company A

Striving for Optimal Value

In addition to leading the project, a partner orientation implies taking responsibility of the value outcome for the customer. This in turn implies being a partner to the customer in helping them to better serve their customer.

> "Our added value is not that we produce for our customer, but we are thinking beyond to the customer's customer, and we want to be closely collaborating with our customer to build this value chain as a partner in cooperation." – Consultant, Company A

As already discussed in the section on customer role responsibilities, the initiation phase of the project is highly important. It's not only the customer's but also the service provider's responsibility to make sure that the customer's aims and needs are understood. Communication openness of the customer plays a key role here, but also the service provider should be active and alert.

> "It's also our responsibility to really understand in the start of the assignment what the customer expects from us, and we have to dare to also ask the stupid questions openly, in which case we have a clear mutual understanding of what the starting point is and what is it that we are aiming for." – Consultant, Company A

Even in projects where need definition is not part of the scope, the service provider should aim to take a consultative role and ensure that the client is focusing on the right issues, and that the targets set are relevant. This is due to the fact that the customer may not always have the relevant resources or knowledge to be in the right themselves. In all cases the customer and service provider may not agree, in which case the service provider needs to be strong in explaining their own viewpoint.

> "In our conversations with customers we may notice that the customer has already solved some things in his mind, and maybe gone a bit in the wrong direction, in which case we can take a few steps backwards and check if he made the right decisions in earlier phases, and if these assumptions are the correct assumptions." – Manager, Company C

> "I can't really think that we could wash our hands from things: we have to be able to discuss that we also find that this is a relevant problem definition, and so forth." – Manager, Company C

> "If we're actually developing a new product to better respond to customer needs, if we don't know what the customer's needs are, then we have to find out, and it's extremely important

to distinguish between what's actual knowledge, and what are only assumptions on the customer's side." – Manager, Company D

A consultative orientation means not taking the easiest route, but challenging the customer to achieve a better outcome. Ambition is a key component here: A desire to achieve the best possible value for the customer inherently guides the service provider to be a better partner.

"The customers say quite a lot that they want more: analysis, action recommendations and conclusions, but it has to come from the provider's side, the customer can't really know how the process could be taken further. So if we can tell them and that this could indicate these and these types of product development opportunities, and we could sit down and look at the results from this angle specifically – then the customer feels that they are getting a lot more than just a traditional presentation of results." – Manager, Company C

In one of the case firms, it seems that customers increasingly want the service provider's involvement in taking the service further and giving recommendations. It's no longer enough that their objective is to make a 100% reliable study – instead they should share the client's objective, be it to maximize sales or to launch an optimal new product. Customers want to engage in a meaningful dialog and to be challenged.

"Marketing research has changed, nowadays the customer especially wants to discuss and debate on the results, and what they could mean." – Manager, Company C

"Our new positioning reflects looking behind the numbers and finding new opportunities and challenging the customer to think in a new way, and this is the direction where we want to go, and where our customers want us to go. We do customer satisfaction surveys on a regular basis and what emerges to an increasing extent is that customers want their partner to be innovative, to understand their business and to challenge them, it's the desired direction of both parties." – Manager, Company C

Customer learning was seen by several respondents as a characteristic of the more successful projects. It was not perceived as something necessary or attainable in all projects, but rather a good goal and aspiration. Surprisingly, it did not seem like something demanded by customers, but more of a service provider side initiative. In the most successful projects, the service provider has been able to exceed the pre-set expectations and to renew the customer's thinking.

"It's of course always a positive thing that we haven't only provided exacly what the customer was looking for, but also increased their understanding." – Manager, Company C

"(The service interaction is successful) at least when the customer's wisdom has been increased." – Consultant, Company A

"In consulting cases we get very good feedback from the customer when our consultant meets the set expectations, so we've understood the need that the customer had regarding know-how, and in the best case we've even exceeded them: our consultant understands the client's business and IT and is able to proactively provide the customer with proposals, and in the best case he's been able to renew the customer's thinking." – Consultant, Company A

Building Trust through Demonstrating Expertise

As seen in Sections 7.1.4 and 7.2.1, the building of mutual trust is a factor that the service provider can influence. As discussed earlier, trust is vital for a balanced co-operation between the co-creating parties. To ensure smooth collaboration and support the customer's accommodating behaviors, service providers need to work on building trust with their customers.

"We have to have the know-how to convince the customer why we should be a part of their value chain and what added value we bring, so that we understand the customer's value chain and what they are aiming for in their own clientele." – Consultant, Company A

"We still have room for improvement in building the customer's trust, so that they would trust that when they order from us they get the desired result, and then they wouldn't need to be there meddling in the different phases, so to say. In this way also the customer needs to use less of their resources in managing us." – Consultant, Company A

In addition to being flexible and adaptive, the service provider needs to have strong own processes and novel ideas to demonstrate expertise and to build credibility in the client base.

"In our activities there's the dilemma that we should be really flexible to the customers' processes and methods, but then again we also need to have strong own processes and methods so that we are credible, and so that we can convince the customer that we have know-how, and that we have the methods and models based on which we work." – Consultant, Company A

> "You can't go fully into the customer's process, because in that case you lose your role as an outsider. That's why they (the customers) come to us, because they want an outsider's perspective and new ways of working." – Consultant, Company B

As discussed earlier, trust is a largely interpersonal issue. Making the customer lead look good in their organization provides a fertile ground for the building of trust.

> "Of course we want to get findings that are interesting and take the customer forward, because that's when the person is satisfied. It's our job to make the customer look good in his organization, so that people will appreciate him and come to him to ask for his opinion, because they've seen that he has good insight and know-how. He also needs to feel that he's made good decisions in result of our collaboration and our research." – Manager, Company C

The trust built in smaller scale projects can act as a venue to build a deeper collaboration. Small consultation projects can thus function as a door opener to more extensive projects and responsibilities.

> "Taking part with a couple of consultants in projects lead by the customer is a way for us to gain the customer's trust, they see that we have capability and know-how, and this can spawn more extensive responsibilities for us. Consulting is an important spearhead activity for us, so to say" – Consultant, Company A

Matching Resources with Customer Needs

Especially in the area of KIBS, the service provider needs to strive to understand the customer's business and to build their know-how in a direction that is relevant for the customer. In this way they can better enact partner roles, such as sparring.

> "That's why we are organized internally based on customer industry sectors, so that our people would understand the customer's business and be able to say that when we get these sorts of results, it could mean these things in this industry. In result we are able to be genuine sparring partners for our customers, not only in research matters but increasingly also on the business side." – Manager, Company C

Service providers need to focus not only on current needs, but also future needs.

> "My task is to know what our customers will want tomorrow." – Consultant, Company A

A partnership-based relationship and a true ongoing dialog with customers seems to provide a great basis not only for value co-creation in the project at hand, but also for the longer term accumulation of the service provider's topical knowledge.

> "Without our customers, and the partnership and collaboration that we have with our customers, the know-how that we have, we wouldn't do anything with it. It requires a close-knit dialog with customers and the partnership-based relationship so that we can build our own know-how and added value to the direction that creates added value into the customer's value chain." – Consultant, Company A

> "Professional services are challenging in the sense that they are based on peoples' knowledge capital, so our people, and the know-how and competence that they have in their heads are the product. Co-operative and partnership thinking play an important role in the cultivation and tailoring of this know-how to correspond to the customer's needs. Then we know in what direction to develop, and we can even better ensure that our know-how will match the customer's needs also in the longer run." – Consultant, Company A

Earlier projects function as an important source of knowledge for the case firms. A diversity of cases provides better ground for the service provider to build a comprehensive knowledge base. This is illustrated by the following quote.

> "Critical in this kind of business is that it's good that there's a certain degree of diversity in our work, that there are certain creative, differentiating factors that feed our other work as well. In this way we can bring new ideas from somewhere else to another project and these are the surprising and creative ideas that the customer is looking for when they start to work with a design agency." – Consultant, Company D

Knowledge resources don't necessarily need to come from the people working directly with the client representatives, or even from within the KIBS firm. Value co-creation can, after all, be seen as something occurring not only together with the customer, but also with internal and external knowledge networks. The following quote shows how value co-creation can be a dialog not only with the customer, but also internally in order to utilize the company's full know-how.

> "I can't create any value alone, it's work done together with the customer, and then the other facet is that even if I'm the only person working with the customer in a specific consultation project, I have these internal networks within our Group with which I can create better value for customers. I think it goes in both directions." – Consultant, Company A

Value co-creation may also involve finding the right network partners to collaborate with in creating customer value. By capitalizing on knowledge networks and building networked offerings, the service provider may be able to offer a better fit solution for the customer.

> "The banking world with its legal bodies, service providers and consumers is like an ecosystem. It's also value creation that we are able to find the areas where we should, for example work together with competitors, so that added value is created for all parties and also business opportunities are created. You don't have to know how to do everything yourself, but you need to be able to find the right networks and partners for each situation, so that business opportunities are found and genuine added value is created for customers."
> – Consultant, Company A

Being a Proactive Partner in Renewal

It's important that the service provider follow trends, not only to keep their own knowledge up to date, but to pass this knowledge to customers and act as an agent of the customer's renewal in the area of the relationship. Being active towards the customer demonstrates solidarity and shows that the service provider places value on the relationship.

> "Rarely they (the customers) leave because of errors in the research, but more for the reason that the partner may not have been able to renew themselves, this is what I've seen along the way, that the customer may switch between agencies because the previous one made the mistake of believing that when we do like we've done, five, four, three years the same, it's enough. So one day the customer realizes that hey, the neighboring firm provides something new and cool and our firm has done it the same way for the last five years, and this is when they get fed up with nothing happening, and then the customer switches." –
> Manager, Company C

Following trends, keeping eyes peeled and actively feeding ideas to customers rose as central elements of service provider solidarity and a proactive orientation towards the customer.

> "We are more of a partner, we're an intensive partner actually, so intensive that we may feed ideas even if it's not our billing period, if we get an idea that could fit one of our customers or that one of our customers should consider, then we contact them." –
> Consultant, Company B

"Also one is that when we see technological developments, we're able to tell our customers that now this new thing is coming, and it could enable these and these types of new services." – Consultant, Company A

"When we've had this mutually good customer relationship, we may see that this could fit them well, and then we go and proactively propose that what if we did like this, let's try that, and this could fit the need you have." – Manager, Company D

"It's one way that we combine things and bring added value to our, in my case finance side customers, that 'hey, your customers do this, they take the bus, buy plane tickets from the Internet and order skis from Europe', and then things have emerged like could we together develop a safe way of making payments. That's one example, of course we have to keep our senses alert all the time, regarding where we're going and what's coming." – Consultant, Company A

7.3   Summary

In most of the interviews examples of projects representing different levels of value co-creation surfaced. The depth of collaboration between the customer and service provider differed a lot, depending on the complexity and customer specificity of the service, and leading to varying levels of learning. Nevertheless, each interviewee seemed to have very similar ideas of how optimal value is reached in customer projects: The most successful projects were found to be characterized by dialogical interaction, close collaboration and mutual learning. The service provider clearly preferred to be seen as a partner and to be involved in the project from as early on as possible. In this case they were able to participate in the diagnosis or need definition phases.

The realization of dialogical interaction, in turn was found to depend on various factors, including client knowledgeability in the area of the project, and more importantly, trust. A lack of trust, as well as lack of time and limited scope of the project were found to be obstacles to value co-creation.

To reinforce value co-creation, five customer and service provider role responsibilities were highlighted in the empirical data. Based on the empirical findings and literature review, these role responsibilities were collapsed into two categories for the customer and three categories for the service provider. A summary of the customer and service provider role responsibilities found in the empirical data is shown in Table 5.

Table 5: Customer and Service Provider Role Responsibilitie in Value Co-Creation

Customer Role Responsibilities	Service provider Role Responsibilities

1. **Involving**
   o Involving the service provider early on
   o Accommodating the service provider's expertise and ideas
2. **Being involved**
   o Being involved in project direction
   o Communicating openly
   o Aligning objectives internally
	1. **Value Leadership**
	   o Leading the service process
	   o Striving for optimal value
	2. **Expertise**
	   o Building trust through expertise
	   o Matching resources with customer needs
	3. **Solidarity**
	   o Being a proactive partner in renewal

To summarize, whether value co-creation occurred or not seemed to be a matter of the customer being involved and allowing the service provider to be involved; of mutual accommodation of the other's goals and ideas; and of the customer's trust in the partner's capability.

8. Discussion and Conclusions

This study contributes to the understanding of value co-creation in service engagements. The main findings of this study are summarized in a framework that seeks to explain value co-creation in KIBS service engagements. Three customer and two service provider role responsibilities were found to be especially pertinent to support the emergence of a mutually beneficial relationship where value is co-created. It is suggested that the customer and service provider carrying out their role responsibilities effectively supports the forming of mutual trust and the realization of a high value outcome through dialogical interaction.

8.1   Theoretical Implications

The findings of this study suggest that value co-creation in complex services at its best involves creating something new together with the customer. In this case both parties bring their know-how into the project, which creates a greater outcome than working separately. This is very much in line with Ballantyne and Varey's (2006a) and Bettencourt et al's (2002) findings and propositions relating to dialogical interaction and accommodation. Both parties' know-how and capabilities being integrated and incorporated in the outcome through dialogical interaction was associated with a high value outcome. In this way, an equal dialog, where both customer and service provider find a voice in co-determination, was found to advantage the achievement of a higher value outcome and mutual learning, supporting the findings of Ballantyne and Varey (2006a) and Stucky et al. (2011).

Regarding the role responsibilities reinforcing value co-creation, this study found support for most of the customer role responsibilities proposed by Bettencourt et al. (2002). As an overarching topic, the idea of the customer allowing the service provider to be involved from the start, being open to their ideas and accommodating their expert views came up much stronger in this study than in Bettencourt et al's (2002) framework. The perspective of the customer allowing the service provider's involvement is also highlighted in Grönroos' (2008) conceptualization of service logic. The other central theme arising from the empirical data was the involvement of the customer in the project, engaging in project direction through joint problem solving and openly sharing information. These customer role responsibilities have been discussed in prior research by Bettencourt et al. (2002), Mohr et al. (1996) and Heide and Miner (1992).

Along the lines of Smith and Barclay (1997) and Bettencourt et al. (2002), trust was found to play an important role in the emergence of desired customer behaviors and thus dialogical interaction. The overarching service provider role responsibility identified in the empirical findings was thus demonstrating

a partner orientation towards the customer, linking closely to the notion of building trust. The idea of the service provider's role being that of supporting the customer's value creating processes (Grönsoos & Ravald 2011) was also represented in the empirical findings.

Based on existing theory and the empirical findings, the core role responsibilities of the service provider are proposed to center on building trust and mutual value through value leadership, expertise and solidarity. The first theme, value leadership, is closely linked with Toivonen's (2004) findings relating to consultative working practices in KIBS relationships being increasingly demanded by customers. Clients have been found to wish their KIBS providers to more holistically examine how their service offers fit in to support their business and strategic objectives. The service provider is also expected to share these objectives. (ibid 2004). This requires a keen understanding of the customers' business and daily challenges (Miles et al. 2005), which leads us to the second theme.

Expertise is closely linked with Ballantyne & Varey's (2006a) idea of knowing as being one of the key exchange-enablers in value creation. As suggested earlier, through building their know-how to match with and support the customer's needs, the service provider can demonstrate expertise and become a better partner for value co-creation (Skjolsvik et al. 2007, Payne et al. 2008, Heinonen et al. 2010). Furthermore, the demonstration of expertise or competence, and solidarity or mutually beneficial motives, has been found in literature to advantage the development of trust in Smith and Barclay's (1997) conceptual model of partner relationship effectiveness.

This leads us to the third theme, solidarity. In the empirical findings, solidarity was found to be demonstrated through being an agent of the customer's renewal. Being active towards the customer in sharing information and ideas has also been identified by Heide and John (1992) as being advantageous to marketing relationships. Solidarity, or demonstrating the importance of the relationship through proactive beneficial behavior, in turn has been defined as one of the relationship norms that can motivate co-operative behavior in service relationships (Heide & John 1992, Moorman et al. 1992).

Due to an already existing trust, a continuous and strong customer relationship was found to provide the best basis for value co-creation in the longer run. This is in line with Ballantyne and Varey's (2006a) idea of relationships providing a structural support to value creation activities.

Despite the positive points of value co-creation, it's important to note that it may not be desirable in all projects. Sometimes the wanted solution may be simple and thus may not require a dialogical effort from the co-creating parties. Both value co-creation and value delivery were found to take place in the case companies. While some of the interviewees seemed to have a strong preference for value co-creation due

to the learning and value potential presented by these types of projects, also value delivery-oriented services formed an important part of two of the case companies' activities.

8.2 Revised Conceptual Framework

A revised conceptual framework, implementing the specific customer and service provider role responsibilities highlighted in the empirical findings, is shown in Figure 8.

In this study, it is argued that value co-creation occurs through dialogical interaction. Dialogical interaction is at the epicenter, as it inherently involves both of the co-creating parties in finding a voice in co-determining the service outcome. This was shown to have the potential to lead both to superior value emerging from the service engagement, and mutual learning as more of a side-product. Based on the interviews, customers were more concerned with the immediate value sought from the project, while service providers valued the learning outcomes of projects as a way of building their knowledge base.

The main customer role responsibilities contributing to value co-creation are proposed, based on the empirical findings, to be summarized as *involving* and *being involved*. The first side, involving, means that the customer allows the service provider to be a partner, involving them from early on in the process and accommodating the service provider's expertise and ideas. The second side, being involved, includes the customer communicating relevant information openly, being involved in project direction and being aligned internally on project goals.

Meanwhile, the core role responsibilities of the service provider are proposed to center on building trust and mutual value through value leadership, expertise and solidarity. By taking leadership of the service process, striving for optimal value, demonstrating expertise, matching knowledge resources with customer needs and being a proactive partner, it is proposed that the service provider can support the emergence of a meaningful dialogical interaction directly as well as indirectly through building the customer's trust.

Figure 8: Revised Conceptual Framework of Value Co-Creation in KIBS Relationships
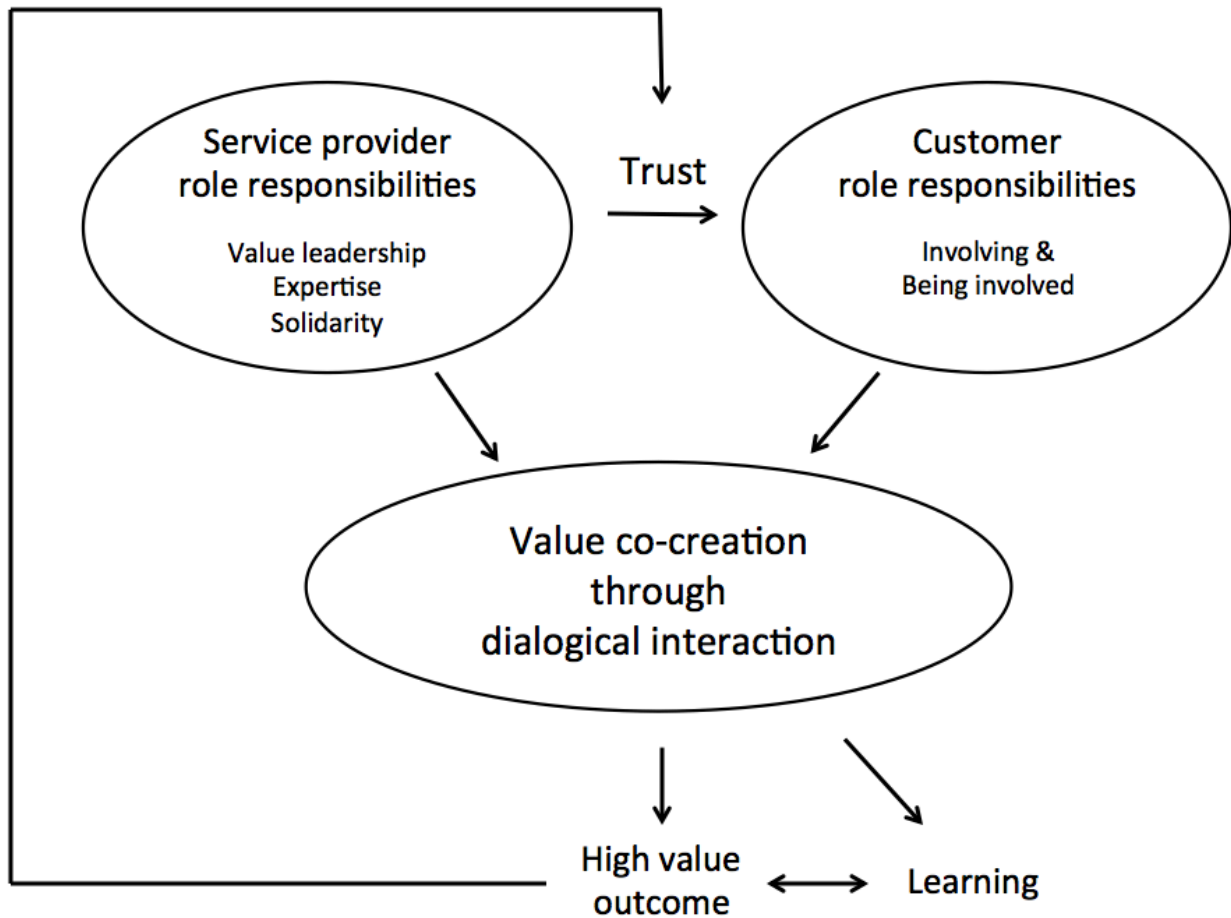
Source: adapted from Moorman et al. 1992, Morgan & Hunt 1994, Smith & Barclay 1997, Gadrey & Gallouj 1998, Bettencourt et al. 2002, Ballantyne & Varey 2006a, Skjolsvik et al. 2007 and Stucky et al. 2011

8.3 Managerial Implications

Successful projects characterized by value co-creation are essential for the KIBS firm's long-term competitiveness, not only for achieving high customer satisfaction to drive retention and reputation (Bettencourt et al. (2002), but also for knowledge development in terms of enhancing the knowledge resources of the firm, making it a more attractive value co-creation partner in the future (Skjolsvik et al. 2007). Ensuring that clients perform their role responsibilities effectively in ways to support value co-creation is a key challenge for service providers (Bettencourt et al. 2002).

As indicated by the previous scholars, value co-creation is of competitive importance especially in complex services such as KIBS. The proposed framework may help business practitioners to identify opportunities to improve the value outcomes sought in value co-creation. Problems in any of the role responsibilities

presented in this study may create obstacles to a mutually beneficial dialogical exchange. Thus it may be useful for managers to use the proposed role responsibilities as a checklist for diagnosing any gliches in their collaborative processes with customers or KIBS suppliers. Practitioners may, through examining the realization of the proposed role responsibilities, identify areas to be developed.

Positioning oneself as part of the customer's process or value chain seems to be essential for the long-term success and survival of KIBS companies. As a result, it is important for KIBS firms to see themselves as partners to their customers. Enacting a partner orientation requires KIBS firms to accumulate and apply targeted expertise, put proactive effort in the customer relationship and to strive for high value outcomes. Firms ranging from marketing research to R&D services or strategic communication consulting may benefit from considering how they might enact these role responsibilities in order to strive for a high value outcome. In order to be a true partner and not just a supplier, business practitioners should aim to create a virtuous cycle of value co-creation in their customer relationships. The suggested framework can serve as a normative, although not exhaustive, guide as to how the business practitioner may design their own processes to best create value for and with their customers.

8.4   Limitations and Avenues for Further Research

This study was an explorative study aiming to achieve a better understanding of value co-creation in the context of KIBS and to identify the most prominent customer and service provider role responsibilities to advance value co-creation. In result, the findings of the study are more suggestive rather than exhaustive in nature. Nevertheless this study provides valuable insight to the factors that may be at play in the value co-creation between KIBS firms and their clients.

Due to the limited scope of this study the empirical examination concentrated on service provider interviews, which may create a bias for the service provider's point of view. An interesting avenue for further research would thus be to also interview customers, or to interview both the service provider and customer counterparts in a number of KIBS cases. This could give a more complete view on the topic. The interviews could also be extended to include not only management and senior consultants, but also non-managers or experts in different areas involved in the daily work with customers.

Another avenue for further research would be to make a quantitative study to further explore customer and service provider role responsibilities, and their interlinkages. Firstly, this could give more insight and validation to the importance of the different role responsibilities at a broader scale. Secondly, a quantitative follow-up study could bring more clarity to the proposed virtuous cycle of value co-creation

through uncovering causal relationships and correlations between the role responsibilities, trust, dialogical interaction and a high value outcome.

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Appendix 1: The Interview Outline

ARVONLUONTI PALVELUISSA – YRITYSHAASTATTELUT

Käsitteiden määrittelyjä

Palvelun yhteistuottaminen – asiakas on aktiivisena osallistujana palvelun läpiviennissä, tuoden prosessiin omia resursseja ja kyvykkyyksiään.

Arvonluonti – potentiaalisten resurssien ja kyvykkyyksien muuntaminen hyödyksi. Arvonluontia voivat tehdä esimerkiksi yritys, asiakas, yritys ja asiakas yhdessä tai erilaiset verkostot.

KYSYMYSRUNKO

HAASTATELTAVAN TAUSTA JA ASEMA

1. TARJOOMA JA KOHDEASIAKKAAT

Kuvaile lyhyesti omin sanoin, mitä yrityksesi tarjoaa asiakkailleen omassa kontekstissasi?

Kuvaile ihanneasiakastanne.

- Mitä asiakas odottaa teiltä?
- Eroavatko tyypilliset asiakkaat eroavat ihanneasiakkaasta? Miten?
- Luoko tämä haasteita toimintaanne?

Valikoitteko kohdeasiakkaanne tietoisesti joidenkin kriteerien perusteella? Miten?

Miten yksilöitte palveluanne asiakkaan mukaan?

2. ASIAKASLÄHTÖISYYS

Minkälainen suhde yrityksellänne tyypillisesti on asiakkaisiin?

Millä konkreettisilla toimilla yrityksenne pyrkii asiakaslähtöisyyteen?

Mikä on asiakasyhteistyön merkitys liiketoiminnassanne?

3. ROOLIT PALVELUPROSESSISSA

Kuvaile lyhyesti tyypillistä palveluprosessia konsultointiprojektissa.

- Mitä te tarvitsette asiakkailtanne voidaksenne viedä projektin menestyksekkäästi loppuun?

- Kuinka paljon palveluprosessissa esiintyy suoraa vuorovaikutusta yrityksenne ja asiakkaan välillä? Onko vuorovaikutus jatkuvaa vai vaiheittaista?

Mikä on asiakkaan rooli palveluprosessissa?

- Panostavatko asiakkaat riittävästi yhteistyöhön ja dialogiin kanssanne?
- Kaipaisitteko asiakkaalta enemmän tai vähemmän kontribuutiota?

Entä mikä on yrityksenne rooli?

- Millä toimilla pyritte edistämään yhteistyötä ja vuorovaikutusta asiakkaan kanssa?
- Osallistuuko asiakas teidän prosessiin, vai osallistutteko te asiakkaan prosessiin?
- Kutsuisitko palveluprosessianne palvelun yhteistuottamiseksi asiakkaan kanssa?
- Mitkä asiat palveluprosessissanne tekevät siitä palvelun yhteistuottamista mielestäsi?

4. ARVON REALISOITUMINEN ASIAKKAALLE

Kuvaile onnistunutta palvelua.

- Missä tapauksessa palvelu on onnistunut, ja mitä tekijöitä taustalta löytyy?

Mitä asioita on tapahduttava, jotta asiakas saa palvelustanne arvoa?

- Miten pyritte varmistamaan sen, että asiakas saa palvelustanne heidän tavoittelemaansa arvoa?
- Minkälaisia haasteita tai esteitä on palvelun onnistumiselle?

Mittaatteko asiakkaalle syntynyttä arvoa? Miten?

- Otetaanko asiakkaalle syntynyt arvo huomioon palvelun hinnoittelussa?

5. ARVON YHTEISLUONTI

Mitkä ovat liiketoimintanne kriittisiä menestystekijöitä pähkinänkuoressa?

Onko arvon yhteisluonti (value co-creation) tuttu käsite?

Mitä arvon yhteisluonti tarkoittaa yrityksellenne? Entä oman työsi kontekstissa?

Mitä tulevaisuuden suuntauksia näet toimintakentässä ja yrityksessänne?