

Creating Value with Ship Life-Cycle Services Selling - Case STX Finland Oy

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Abstract

The service-dominant logic and value co-creation together form a widely studied topic in the area of industrial business-to-business marketing. Through the underlying principles of the service-dominant logic, services selling is developing from dyadic goods-based transactions towards a more comprehensive and co-operative logic of value creation.

This master's thesis attempts to approach the subject at a rather practical level by examining sales' interactive tasks in value-based selling, and how this logic can be adapted to business relationships with governmental organizations. More specifically, the study focuses on an industrial ship builder's, STX Finland Oy, life-cycle services.

For this purpose, three potential ship life-cycle customers and four reference industrial companies, being successful in the field of services selling, were interviewed. The study, thus, applies a qualitative research approach. Along with the semi-structured interviews, also secondary data sources and discussions with the case company were utilized in the empirical part of the thesis.

The main findings of this thesis study focus on customer perceived value in ship life-cycle services. Based on these findings it is suggested how life-cycle services can be commercialized. Furthermore, the study also reveals that the studied organizations experience a positive attitude towards value-based selling and see a need for transitioning towards the direction of such a logic. As a result, altogether eight value selling tasks are identified. Finally, the study concludes that value selling is difficult to adapt to the business-to-government environment.

From an academic perspective, this study deepens the research area concerning the service-dominant logic, as it takes on a rather practical approach and focuses on those concrete selling tasks, which a service oriented company should pursue. In addition to this, the thesis study provides insight into value perceptions in business-to-government relationships. As a practical output, the study assists STX Finland Oy to develop the company's life-cycle services in a novel value creating way, which supports the company's core business, ship building.

Keywords Business-to-Government, life-cycle services, service-dominant logic, services selling, value-based selling, value co-creation

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Palvelupainotteinen logiikka (Service-dominant logic) ja arvon yhteistuotanto (value co-creation) muodostavat laajalti tutkitun aiheen teollisen business-to-business markkinoinnin saralla. Näistä näkökulmista tarkasteltuna palveluiden myynti on kehittymässä suuntaan, jossa tuotepohjainen ja kahdenvälinen palveluiden vaihdanta on kehittymässä kokonaisvaltaisemmaksi arvon yhteistuotannoksi.

Tässä Pro Gradu -työssä paneudutaan aiheeseen käytännön tasolla tutkimalla myynnin vuorovaikutteisia tehtäviä arvomyynnissä sekä sitä, miten tämä lähestymistapa soveltuu yksityisen ja julkisen sektorin kaupallisiin suhteisiin (Business-to-Government). Tarkemmin ottaen tutkimus käsittelee teollisen laivanrakentajan, STX Finland Oy:n, laivan elinkaaripalveluiden myyntiä.

Tätä varten tutkimuksessa haastateltiin kolmea potentiaalista laivan elinkaaripalveluiden ostajaa sekä neljää teollista, palveluiden myynnissä kunnostautunutta, viiteyritystä. Rakenteeltaan haastattelut olivat puolistrukturoituja ja ne toteutettiin laadullisin tutkimusmenetelmin. Lisäksi tutkimuksen empiirisessä osassa hyödynnettiin myös toissijaisista tietolähteistä ja keskusteluja case-yrityksen kanssa.

Tutkimuksessa saatiin selville potentiaalisten asiakkaiden arvokäsityksiä laivan elinkaaripalveluissa ja tämän pohjalta tehtiin suositukset näiden arvokäsityksien kaupallistamiseksi. Lisäksi tutkimuksessa tuli esiin myönteinen suhtautuminen arvomyyntiin ja tarve kehittää myyntiä tähän suuntaan tunnistettiin. Havaintojen perusteella identifioitiin kahdeksan myynnin vuorovaikutuksellista tehtävää arvomyynnissä. Lisäksi todettiin että arvomyynti soveltuu huonosti julkisen ja yksityisen sektorin välisiin kaupallisiin suhteisiin.

Akateemisesta näkökulmasta tarkasteltuna tutkimus syventää palvelupainotteisen logiikan tutkimusta, lähestyen aihetta mahdollisimman käytännöllisestä näkökulmasta; työssä keskitytään konkreettisiin myynnillisiin tehtäviin, joihin palveluorientoituneen yrityksen tulisi panostaa. Tämän lisäksi työ tarjoaa näkökulman arvon käsitteeseen ja siihen mitä arvokäsitykset ovat julkisella sektorilla. Käytännöllisestä näkökulmasta tarkasteltuna tutkimus edesauttaa STX Finland Oy:tä kehittämään laivan elinkaaripalveluita siten, että ne loisivat uutta arvoa yrityksen ydinbisneksen, laivanrakennuksen, rinnalle.

Avainsanat Business-to-government (B2G), elinkaaripalvelut, palvelupainotteinen logiikka, palveluiden myynti, arvomyynti, arvon yhteistuotanto

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1. Introduction

Since the early 20's, the Finnish ship building industry has undergone several transitions and managed to develop itself globally as one of the most advanced players in ship building; Finland is known all over the world for its capabilities building the most sophisticated cruise ships as well as other technically advanced vessels. In 2012 the industry is still doing well, but, similar to other western industries, it is facing challenges keeping up with the ever intensifying competition rising from the East.

Unsurprisingly, especially China is rapidly catching up the traditional European, Korean and Japanese ship builders. Even though China is not yet capable of such technical expertise as, for instance Finland, there is no doubt that some day it will. And presumably with substantially lower costs.

In order to cope in such a transition, where the advantage of technical expertise is shrinking and the cost structure seems to be on the favor of developing countries, a Western shipyard is in a position where it should draw its competitive advantage from alternative business strategies. Instead of trying running faster, entirely new logics of doing business should be explored; it's a time where plain ship building has to be replaced with more comprehensive thinking, based on customer's business rather than around own core competence .

This research seeks answer to this challenge by studying life-cycle services as a source of revenues supporting a ship builder's core business. More specifically, the study focuses on a traditional Finland based shipyard STX Finland Oy and its development of ship life-cycle services.

The challenge of creating such services is tackled from a value selling point of view, where rigorous knowledge of customer's business and capability support it through the whole product life cycle challenges the traditional product centric thinking. Also, possibilities to adapt such thinking to an environment of governmental customers are explored.

2. Introduction of Research Problem and Relevant Concepts

Based on the challenge of creating competitive advantage in the tightening competition in the ship building industry, the ultimate research problem of this study is to explore

“how to create value with ship life-cycle services selling?”

Along with the challenge the western ship building industry is facing, the approach to the problem was driven by the case company's initial need of developing ship life-cycle services to smoothen the seasonal variation generated only from ship building. More specifically, it was timely to develop such services for a governmental agency, the Finnish Coast Guard, that had ordered an advanced multi-purpose vessel from STX Finland. Also, the research problem was driven by the limited academic research about value creation specifically with life-cycle services selling.

Since the concept of ship life-cycle service is relatively complex, the study approaches the research problem from the perspective of service-dominant logic and value selling; the service needs to be developed in close cooperation with the customer instead of convincing the customer to buy ready and fixed solution. Furthermore, value selling requires comprehensive understanding of the concept of customer value, which is also discussed in the study. Additionally, doing business with governmental agencies sets the need for examining the special characteristics of B2G.

The concepts of service-dominant logic and value have already been quite extensively researched. However, the academic discussion has evolved mostly around the context of business-to-business (B2B) while B2G has been left to minor attention. Furthermore, there has been limited attention of implementing value selling especially in life-cycle services; often, life-cycle services are pre-determined activities supporting the initial sales (like spare parts and maintenance) but rarely aiming to create novel value.

Also, value selling and service-dominant logic have been researched mostly in a theoretical level, while the concrete interactive tasks of sales are relatively untouched. This study aims at deepening to deepen the view of service-dominant logic by examining the prerequisites of value selling in the context of life-cycle services and also in the context of B2G. Hence, the primary research problem can be elaborated into three sub-questions:

- 1. What is value in ship life-cycle services?**
- 2. What is value selling and sales' interactive tasks in life-cycle services?**
- 3. What are the special characteristics of Business-to-Government and hence prerequisites for value selling in such a context?**

In order to get as holistic a view as possible, the research problem was tackled with the latest scientific discussion and empirical study, which consisted of service-oriented industrial companies as well as potential ship life-cycle customers. The first sub-question was discussed mainly with the potential customers while the second sub-question was contributed more by the other industrial companies. The third question was elaborated with the both empirical groups.

3. Introduction of the Case Company

The following chapter briefly presents the case company STX Finland Oy. Also, as being the initiative to this research, the new-build project of UVL-10 is presented as well. Lastly, the current, as well as the desired, state of the life-cycle services in STX Finland are discussed.

3.1 STX Finland Oy

STX Finland Oy is a ship building company specialized in technologically demanding projects, such as ferries, offshore vessels, naval ships, multipurpose vessels and cruise ships. STX Finland currently employs approximately 2500 employees in its three shipyards, located in Helsinki, Turku and Rauma. (STX Europe 2012)

The company is a part of STX Europe Group, belonging to the international industrial conglomerate STX Business Group, with main business areas of shipping and trade, shipbuilding and machinery, construction and plant & Energy. STX Finland's ownership is presented in the below picture (STX Europe 2012)

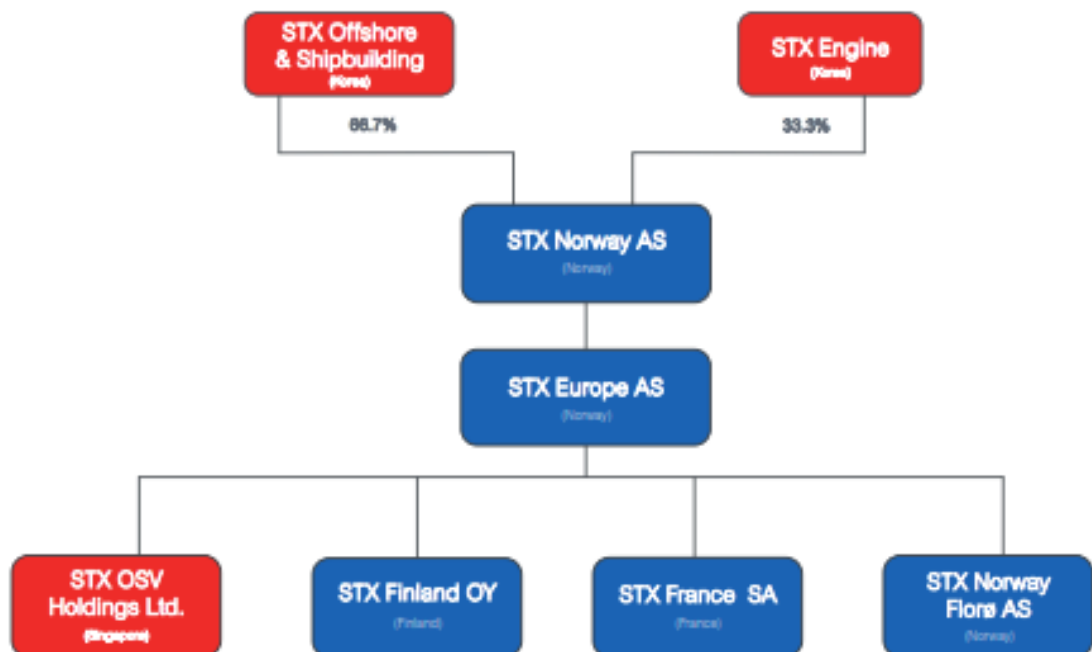


Figure 1, STX Finland Oy Ownership (Source: STX Business Group)

Currently STX Finland Oy has altogether 9 vessels in its order books, varying from rescue vessels to cruise ships. One of the constructions is a coastal guard offshore vessel UVL 10, which is further discussed in the following chapter.

3.2 Finnish Coast Guard and UVL-10 project



Figure 2, "UVL-10"(Source: Turun Sanomat)

In the year 2010 the Rauma shipyard of STX Finland won the tender of the the Finnish Coast Guard outer guard vessel, which currently has a project name "Ulkovartiolaiva 10". The ship is a sort of multipurpose vessel; in addition to coastal safety, it can take care of rescue and environmental protection missions. The UVL 10 is also capable of performing military actions if needed. In the planning process, special attention has been paid to environment and energy efficiency and the ship's engines have been planned to be running on natural gas. One of the key objectives of the ship

purchase is to prune Coast Guard's operational overlapping as well as lighten the cost structure. (Finnish Coast Guard 2011)

The UVL 10 has been planned in cooperation with the Finnish Environment Centre (Suomen Ympäristökeskus) and several different ministries, putting emphasis on Baltic Sea, environment and safety. The nature of the vessels versatility has been a great challenge from a planning perspective, but the parties have reached an agreement about the key terms. The construction of the UVL 10 should be completed in 2013. After being finished in construction, the vessel is the most expensive guard vessel ever bought by the Finnish Coast Guard; the ship itself costs 97 million Euros and additional 10,4 million have been reserved for planning and procurement costs. (Finnish Coast Guard 2011) (Turun Sanomat 2011)

Furthermore, Finnish Coast Guard and STX Finland have agreed on including life-cycle services of some kind in the project. However, the scope of these services is yet to be determined due to the government's unfinished budget negotiations and STX-Finland's ongoing development of life-cycle services concept. One of the purposes of this study is to understand the main features of these possible services and also how to sell them to a governmental organization such as the Finnish Coast Guard. (Finnish Coast Guard 2011)

3.3 Life-cycle Services in STX-Finland Oy

The company is somewhat in the square one when it comes to life cycle services. Currently there are separate life-cycle related services, such as conversions and repairs, but a concept where a customer could handle all the life-cycle issues through one shipyard contact is only a vision. However, the future UVL-project has arouse intentions to create such concept (Mäkinen 2012 S4; Sipilä 2012 S5; Utter 2012 S6)

Thus, according to several interviews with STX Finland Oy, the desired form of the life-cycle service concept would be "all-inclusive", where the customer would trust all the needed ship life-cycle services for STX's

responsibility. In practice this would include at least the following characteristics (Enlund 2011 & Luukkonen 2011 & Utter 2012):

- maintenance planning and execution
- spare part deliveries
- upgrading's / transitions / configuration management, which would utilize the 3D-models created in the planning and building phase
- automated system, which would provide performance measures from the vessels as well as on board information of the needed spare parts and maintenance.

STX Finland estimates that in one year it would be able to sell spare parts approximately the amount which would be 1 percent of the value of the sold vessel (Enlund 2011 & Luukkonen 2011). But spare parts would not be the true source of revenue; as Utter (2012) reflects, in order to run profitable life-cycle services, the money needs to come from elsewhere. But the question is from where and how.

Remarkably, the planned life-cycle activities are quite strongly related to separate maintenance activities and not much attention has been paid to more comprehensive and continuous life-cycle management, which would aim to capture and create more value along the life cycle of a ship. In other words, managing and being closely involved in the life cycle interface instead of offering separate and irregular services would allow the life cycle supplier to tap greater value of the life cycle. However, the current situation, where the ship buyer operates directly with many different suppliers, makes such orientation somewhat challenging.

Still, in order to develop the business, STX recognizes the need of developing value creating post-service concept supporting the traditional core competence, ship building. This study aims at finding the right way to do that.

4. Theoretical Background and Existing Research

The theoretical part of the study covers the areas of special characteristics of business-to-government (B2G), value and value-based services selling.

Out of these topics, B2G is an issue where relatively limited scientific research has been published; more than often B2G has been categorized only as a sub-field of B2B. Even though the whole concept is somewhat vague and depends significantly on the context, this study aims to make sense of the fundamental basics a company face when doing business with governmental agencies.

Value, on the other hand, is researched relatively extensively and hence, this study does not attempt to focus on elaborating the existing theories. However, the understanding of the concept of value is truly essential in successful value-based services selling and hence needs to be dealt with.

Lastly, this study discusses the main theoretical area – value-based services selling - which is also been under a close scientific attention over the past decades. The purpose is not only to focus on the importance of the service-dominant logic, but rather to get a holistic understanding of the concept by examining the concrete selling tasks an industrial company needs to be able to pursue in order to be service oriented and hence, being able creating competitive advantage. This theoretical area is built around the latest scientific publishes, which recognize interaction as a key in value creative business relationships.

4.1 Value in B2G Relationships

There is quite an extensive amount of research focusing on the importance of value selling in B2B-relationships. On the other hand, very limited attention has been given to private-public business relationships (that is to say business-to-government or B2G) (Purchase et al. 2009). As said, business-to-government has been treated mostly as a minor subset of business-to-business and the research, how to successfully market to governments, have been to some extent neglected (Wang & Bunn 2004). Even though it can be assumed that many similarities exist between these two orientations, there are significant varieties as well.

Anyhow, before making any distinctions, it is important to form a view on the concept of value itself.

4.1.1 What is Value?

“Value is (1) a fair return on equivalent in goods, services, or money for something exchanged. (2) The monetary worth of something” (Soman & N-Marandi 2010, 29)

“Value in business markets is the perceived worth in monetary units of the set of economic, technical, service and social benefits received by a customer firm in exchange for the price paid for a product, taking into consideration the available suppliers’ offerings and prices” (Anderson, Jain & Chintagunta 1993, 5)

“...a tradeoff between the quality of benefits they perceive in the product relative to the sacrifice they perceive by paying the price.” (Monroe 1990, 46)

These perspectives characterize value mainly in monetary terms and value is perceived to be embodied in the exchanged product or service. The following picture, Soman & Marandi’s (2010) value spectrum, brings these

views together by demonstrating customer value as a ratio between benefit and price:

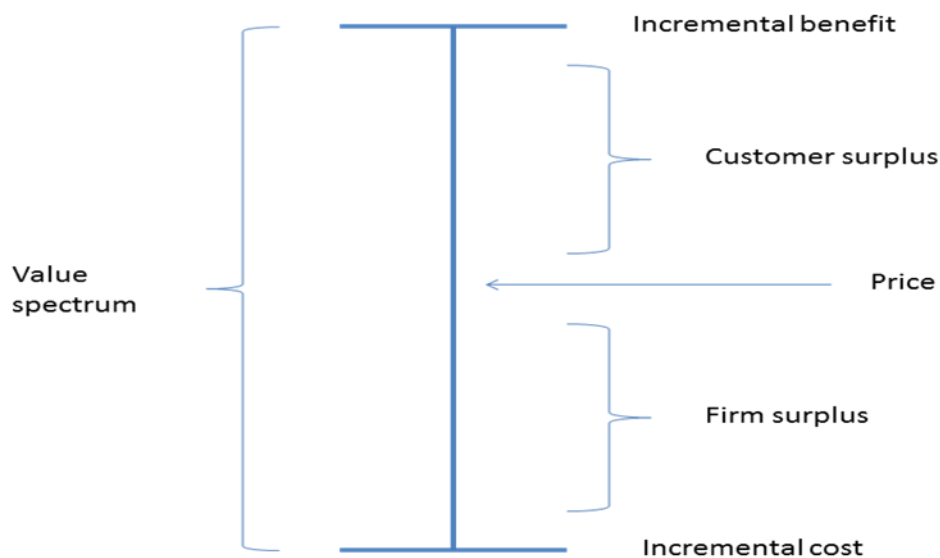


Figure 3, Value Spectrum (adapted from Soman & N-Marandi 2010)

The value spectrum (or overall value) is the difference between incremental benefits gained by the customer and incremental costs caused for the seller. No matter where the price is set within the value spectrum, both the seller and the customer are winning; the seller is always selling with a higher price than the incremental costs and the customer is always paying less than the incremental gained benefits. Even though this study is more focused on the customer surplus, the spectrum gives an important aspect to value; it is always shared by both the seller and the customer.

What is the actual price then is a sum of many different factors, but is heavily affected by the competitive landscape and the customer behavior. However, a seller should not consider the value spectrum to be fixed, but instead try to expand it by increasing the benefits or lowering the costs. (Soman & N-Marandi 2010)

Woodruff (1997) points out that value definition is usually incorporated through using a product or a service. That kind of an approach distinguishes value from personal or organizational values, which are fundamental beliefs about right and wrong, good and bad. In other words, value is more than what a seller has determined; it is something perceived by the customers. Hence:

Customer value are perceptions, which

“typically involve a trade-off between what the customer receives (e.g., quality, benefits, worth, utilities) and what he or she gives up to acquire and use a product (e.g, price, sacrifices). (Woodruff 1997, 141)

Also, Soman & N-Marandi (2010, 29) point out that value can also be understood as *“Relative worth, utility, or importance”*.

So it is obvious that customer perceived value is also something that cannot be quantified in monetary terms. Sometimes it is unaccountable, like trust, and sometimes it is purely countable, like money. Usually it is something in between. Rosendahl (2009) has successfully managed to pull these different dimensions of value together in her illustrative model of value build-up relationship, which is presented and further discussed below:

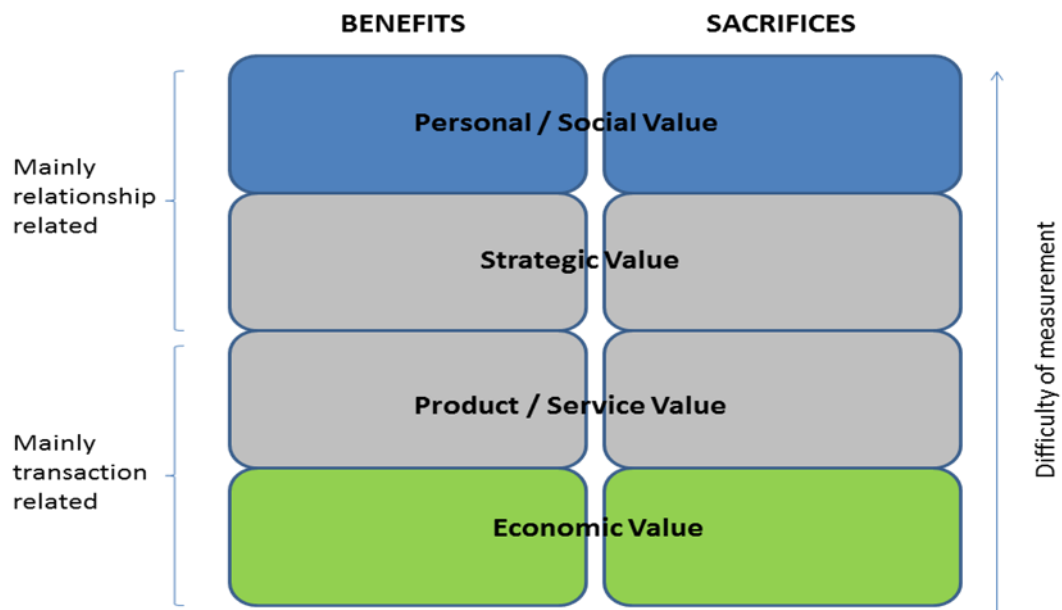


Figure 4, Illustrative model of value build-up relationships (adapted from Rosendahl 2009)

In the above model, the two lowest levels, economic value and product / service value, represent the traditional transaction focused view, where the value arises from utilizing the core product or service. In turn, the two upper level value dimensions, strategic value and personal / social value, represent the relationship marketing focused view, where the value comes along with the relationship itself. (Rosendahl 2009)

For example, cost savings for utilizing a certain solution would stand for the economic value, while an increase in employee's motivation could symbolize the personal / social value. As the model proposes, measuring these benefits becomes more difficult in the relationship related value categories than in the transactional categories; it is relatively easy to quantify the monetary benefit for utilizing, for instance, new logistics system, whereas measuring the increase in motivational level from adapting the system can be rather impossible. However, all dimensions can affect each other; increased motivation can have an impact on financial figures and vice versa. (Rosendahl 2009)

Furthermore, defining customer perceived value also includes the evaluation of sacrifices. Does the utilized solution increase strategic risk? Or what are the maintenance costs for the whole life cycle? And what about the quality, is it going to affect our business undesirably? After all customer value is a tradeoff between benefits and sacrifices and a seller must evaluate both perspectives when defining customer value. (Rosendahl 2009)

4.1.2 Governmental Value Perceptions - Differences to Private Sector

Conceptualizing “governmental organization” is not always unambiguous. The scale of different forms of governance varies from pure governmental agencies (e.g. military or police) to government-owned private market enterprises (e.g. airlines). In the middle there are legal monopolies (e.g. alcohol selling) and mixed forms of state enterprises (e.g. railroads or gambling).

Koppell (2010) thinks that it is increasingly irrelevant to make sharp distinctions of what is “public” or “administrated”. Instead, one should discuss about programs and institutions that create and protect public goods and services. These programs are not necessarily defined solely by government bureaucracy but can involve market-based activities as well. Especially keeping an eye on the future, “governance in the public interest” might be a better concept compared to “public administration”.

However, one could still claim that there is a distinction in value perceptions when comparing private and public sectors. When discussing governmental agency of any kind, one could argue that especially strategic goals and values are fundamentally different compared to private side.

More specifically, probably the most remarkable difference lies in the basic operating logic; while private organizations are dedicated to maximize profit for their stakeholders, public organizations’ goals are more diverse, like fairness, equality, democracy, public accountability, efficiency, competitiveness, balancing interests and political advocacy. In other words,

while private companies are more focused on creating financial wealth for their owners, public organizations are focusing more on serving public interests. (Purchase et al. 2009; Van Der Wal et al. 2008)

Another peculiar difference is in the bureaucracy; it is generally recognized that governmental contracts have a higher degree of formality and possibly involve more “red tape” compared to private business (Purchase et al. 2009). That is, when a private company can make business decisions purely on the basis of calculations and business intuition, public organizations might have many formal and rigid steps in their procurement process. Furthermore, the requirement of transparency and accountability to ensure that the process is carried out in an ethical and fair manner is considered to be a difficulty in public contracts (Loader 2007).

Wang & Bunn (2004) point out that bureaucracy further sets challenges for commitment, which is considered to be a key characteristic in value creating B2B-relationships; when the buyer's focus is on single transactions' regulatory requirements, it is more difficult to create functional long-term relationships. Practically this means that relationships cannot affect the procurement process since it is supposed to be open and fair to all bidders. In private business it is easier to create more lasting relationships with flexible solutions, which suit the buyer's business processes in the best possible manner.

Furthermore, as transparency and accountability, among other formal standards, are seen as good in reducing corruption, on the other hand it is considered to drive public organizations to risk avoiding behavior on the cost of innovative thinking (Purchase et al. 2009). Hence, it can be assumed that not always the best or the most innovative solution meets the support of the decision makers within the public organization. Moreover, this kind of thinking is often based on a win/lose-philosophy, which is not the best ground for long lasting and innovative business relationships.

However, this claim cannot be generalized to all governmental levels, since information exchange and value creation varies a lot depending on the complexity of the product or service (Purchase et al. 2009). But again, public organization's buying is always under a closer look by the public and the media, and hence more rigid than in the private sector, where buying decisions can be done without pre-determined criteria (Wang & Bunn 2004).

4.1.3 Public Sector Opportunities

It is questionable to claim that private organizations would always be better value creating partners than their public rivals. Especially in expensive, complex and novel purchases, a public buyer might actually value the long-term functionality and benefits more than a, possibly short-term profit seeking, private company. Furthermore, in these kinds of purchases, the buyer might not have all the required knowledge or skills needed to utilize the product or service, and hence would need a closer support from the seller (Haas et al. 2012.) This kind of a situation, where the value would lie in the other dimensions, than just cost savings for instance, the public buyer could actually be motivated to a committing business relationship with the seller.

Furthermore, Kamarck (2001) is elaborating this view by discussing the emergent forms of governmental organizations. The new roles could be seen moving from traditional bureaucratic rule follower towards networked value-creating partner; the desired state of these new forms is to create public administration, which is more innovative, flexible and efficient in using tax payers' money and of course, less bureaucratic.

Wang & Bunn (2004) also emphasize that governmental organizations are increasingly fostering collaborative and relational exchanges in realizing both private and public strategic goals, especially when it comes to high-tech systems and novel services. In these kinds of procurement situations,

governmental agencies are renewing their procurement processes from pure transactions towards partnering with private entities.

The view is touched upon also by Edler & Georgiu (2007), who draw attention to the fact that in terms of innovativeness, public buyers need to reshape their purchasing behavior away from the risk avoiding win-lose philosophy. They underline that the public side should shift its focus from cost-benefit rationale towards life cycle costing; instead of basing their procurement on lowest initial cost rationale, the “most economically advantageous tender” thinking should steer the decision making, especially in procuring innovative products or services.

Edler & Georgiu (2007, 960) also point out that innovations are often more costly in terms of their initial price, which would also support the latter decision making criteria. Their study claims that this kind of debate is ongoing especially in Europe but raising increasing attention in developing countries, such as China, as well.

4.1.4 Conclusion

Even though there is discussion about the opportunities to create collaborative and long-lasting public-private business relationships, it needs to be remembered that it is somewhat impossible to form a general picture about public organizations and their ways to do things. Depending on their location, function, political environment etc, there is presumably extreme variety within public sectors and hence, extreme variety to for public-private business relationships.

Nevertheless, one thing is unquestionable: public sector creates a huge business potential for private companies almost everywhere in the world. In Finland, for instance, in 2010 public expenditure measured 24.6 percent of the total GDP and similar figures appear in other developed countries as well (OECD 2012). Moreover, compared to private sector, public demand

ought to be more stable and predictable, which could be considered to be positive especially during economic downturns.

In this study, the focus is on public-private business relationships, where the form of transaction is complex, results include high uncertainty and the selling process requires a high level of interaction between the parties. In other words, the study is interested in relationships, which, in order to succeed, are presumably collaborative in nature. In such relationships, it is important to understand the different dimensions of the concept of customer perceived value and also how to create it with value based services selling.

4.2 Creating Value with Services Selling

When talking about the concept of customer value, it is important to go beyond the core product or service and think about what it actually does for the customer: does it help them to save money, does it make their processes more efficient, does it make them happy, does it allow them to do their business more efficiently? How are they doing their business and what can we do to make their processes and products better? (Soman & N-Marandi 2010)

A company can no longer offer just a fixed set of products or services. Instead, it should focus on customer's behavior, needs and skills; what does the customer actually need. A firm should not focus on innovating just products or services that they are capable to innovate, but instead add value to customers. (Prahalad & Krishnan 2011)

4.2.1 Service-Dominant Logic

Vargo & Lusch (2008) points out that there are two ways to think about the transition from products to services; a good-dominant (G-D) logic and a service-dominant (S-D) logic. In the service-dominant view, a service is considered as a value creating process, utilizing both the seller's and the customer's resources, whereas in the good-dominant logic, services are considered as intangible goods, where goods production and distribution logic should be adapted to selling services. Service-dominant logic understands the nature of the exchange in terms of value creation in the whole seller-customer network, whereas in the good-dominant logic the nature of exchange is considered as dyadic and product-driven.

Storbacka (2011) points out, that compared to the old good-dominant logic, the S-D-logic kind of approach requires more collaborative management, higher customer involvement and business cross-functionality. All this can

be considered to differ from traditional hierarchical selling process. Actually, Vargo & Lusch (2008) describes the G-D logic as “manufacturing logic” or “old enterprise logic”.

The service-dominant logic is one of the latest service marketing orientations and is fundamentally based on the concept of interactive co-creation of value. It has roots in the different alternative marketing orientations, which can be seen as attempts for challenging the traditional G-D logic. Concepts such as “services marketing”, “market orientation” and “relationship marketing” are closely connected with the concept of S-D logic. (Ballantyne et al. 2011)

Grönroos et al. (2007) are further elaborating the view and importance of the service-dominant logic; they claim that in a traditional sense, pure products and pure product selling is diminishing. Increasingly, even manufacturing companies have shifted their focus from products to supporting customer’s core processes; services, solutions and support have become inseparable part of a product and processes have replaced traditional product manufacturing logic. A physical product has become just one resource next to another in seller’s value creation process. In a wider scope, Vargo & Lusch (2011) explain this transition to be a natural outcome of the transition of developed economies moving from product economies to service economies.

This means that the focus has shifted from seller’s traditions and core competencies to customer’s daily processes. Real value adding service selling is not about offering tailored products and separate services that the company is able to offer; real value adding service selling is about going behind the customer’s true needs and innovating, developing and improving the relevant service concept closely in cooperation with the customer. In other words, the value proposition is shifting away from product functionality towards the product’s effectiveness in the end user’s process. And in order to create real value, companies need to re-think their value

creation towards the service-dominant logic. (Grönroos et al. 2007, Kaario et al. 2003, Oliva & Kallenberg 2003)

The following three figures, created by Kaario et al. (2003) are good examples to demonstrate the differences between the traditional product sales (G-D logic) and the value sales (S-D logic) processes:

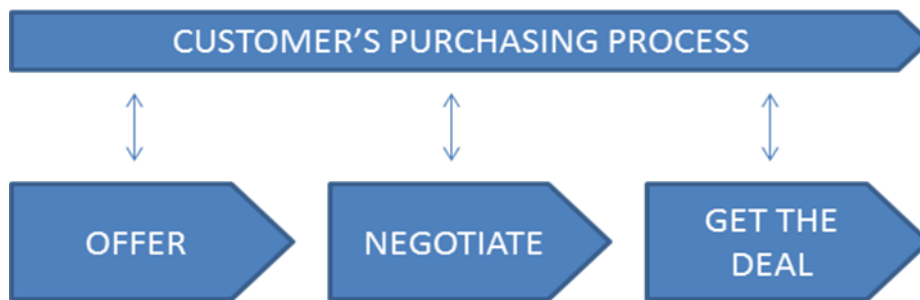


Figure 5, Product Sales Process (adapted from Kaario et al. 2003)

In traditional product sales process the focus is on customer's buying behavior. The seller is mostly dependent on buyer's articulated needs and does not have an in-depth view about product use or business processes. In this kind of sales process, the buyer is more or less self-sufficient and has defined what it needs before approaching the seller. The only process the seller can support is customer's buying process. (Kaario et al. 2003)

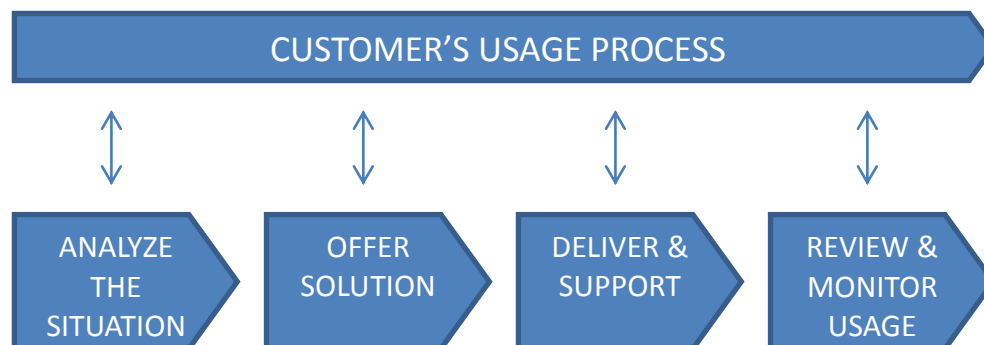


Figure 6, Solution Sales Process (adapted from Kaario et al. 2003)

In the solution sales process the seller ought to offer support in a wider scope than just in a buying process. Here, the seller tries to go behind the product or service usage; how the solution is going to be utilized in the

customer organization and what kind of supporting solutions can be developed? The relationship does not end when the deal is closed but continues with reviewing and monitoring the usage. The seller listens to the customer but is not truly in a possession of deep understanding of the customer's business. The role of the customer is more or less passive "price and offering taker" and the initiative and responsibility stays with the seller. (Kaario et al. 2003 & Haas et al. 2012)

However, in this study, the main purpose is not to make a sharp distinction between the concepts of solution sales and value sales, which is further discussed below. Rather than being two detached concepts, solution sales may often have overlapping features with value sales (Storbacka 2011). Similarly, Tuli et al. (2007) discuss about product centric and process centric solutions. Hence, the most important thing is to understand the fundamental difference between the product-dominant and the service-dominant logic, or in other words, product sales process and value sales process. Solution sales can be found somewhere between these logics.

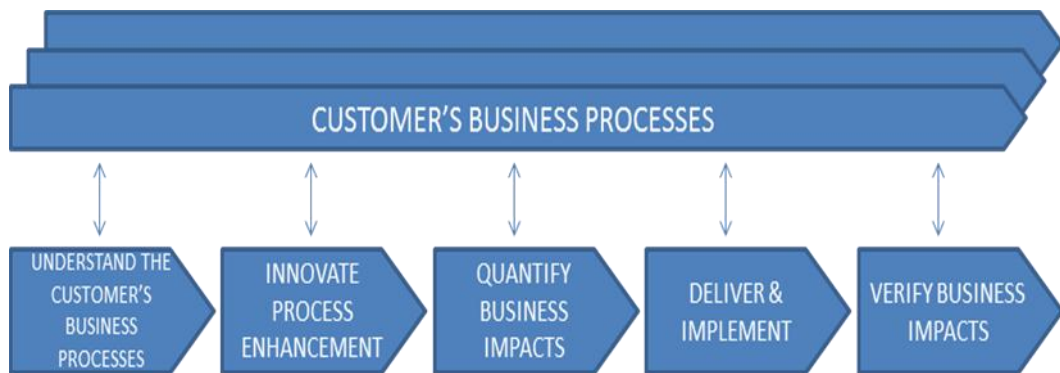


Figure 7, Value Sales Process (adapted from Kaario et al. 2003)

In the value sales process, the seller does not support only customer's buying process or usage process, but the whole business process; how the customer is running its business as a whole and what are the dynamics of the value chain the customer is operating at? What are the business processes and their key drivers? In value sales, the seller has deep

understanding of the customer and what they value. (Kaario et al. 2003 & Töytäri et al. 2011 & Terho et al. 2012)

In addition to understanding the customer's business, value sales activities should also be able to find innovative ways to improve it; how to create additional value for the customer. (Kaario et al. 2003)

Further, Vargo & Lusch (2008, 255) describe the value-adding service as “...a process of doing something for another party”. This means that the product still plays a role in the service, but is not in a determinative position. In other words, rethinking the meaning and process of value creation rather than thinking about how to market to a different type of customer or how to make a different type of good, is in the central idea in the value creating service-dominant (S-D) logic. (Vargo & Lusch 2008.)

Grönroos et al. (2007, 35) are on common ground and emphasize the following essential questions what a selling firm should ask when creating a process supporting value:

- Do we know the customer's processes we are affecting to?
- Do we know how these processes are working and who are involved?
- Do we know how these processes are affecting customer's core business; raising costs or increasing profits?
- Do we know which processes are essential for customer's core business?
- Do we know how our process support affects our customer's processes today?
- Do we know how customer's processes could work better and more efficiently by eventually making the core business process more successful?
- Do we know our customer's core processes so well, that we could tell them how they could serve their customers better?

Only after being able to answer these questions, a company is capable to create services, which are truly valuable and support the customer's processes. Still, especially many young service businesses are failing to

adapt the process perspective and settle for offering only technical support and separate services, like training, installation, spare parts and warranty services. But this is just not enough, since it does not increase customer's knowledge and performance in the best possible manner and more importantly, does not increase the selling company's competitive advantage compared to other sellers. (Grönroos et al. 2007)

Kaario et al. (2003) say that the main challenge in value sales relates not so much to "how" something should be sold but instead to "what" should be sold. For instance, what is happening at the organizational level; is there going to be strategically significant changes? And what about industrial level; is there going to be new technologies or regulations? And how about the individual level situation? Are some one's personal goals at stake in a particular project or in its outcomes? These are just examples of how a seller could rethink his selling and turn these questions into "what" could be sold.

Understanding the customer's business sounds easy in theory but might be challenging to achieve in practice. It is not enough to listen to the customers and their needs; one needs to understand their vision, goals and strategy, their business functions and processes, organization and decision making process, financial situation and key performance indicators. (Kaario et al. 2003). Moreover, in addition to understanding the customer value creating process, the seller needs to go further and also grasp an understanding of the end user's value as well. (Salonen 2011)

This requires a very proactive approach in the value sales process (Challagalla et al. 2009; Terho et al. 2012; Töytäri et al. 2011); the sales force needs to analyze the customer's business processes as well as their over view, identify the areas of improvement and quantify the business impacts instead of trying to sell predefined offerings. Knowing the own product or service is simply not enough, but the very key task of the sales is to foster collaboration among customer-seller network.

Challagalla et al. (2009) support the view by claiming that especially when it comes to post-sales, proactivity leads not only to positive customer-level outcomes, but also positive supplier level outcomes, such as increased innovativeness and new product success rate. Furthermore, their study argues that the mental frames of customers are more favorable when the initiative comes from the seller instead from the customer. In other words, proactivity is a prerequisite for potential value to fully emerge.

4.2.2 Co-Creation of Value as a Key in Service-Dominant Logic

Remarkably, value selling requires a lot of commitment from the customer side as well; value creation can never be a one-sided process and the customer needs to understand their important role in the process as well (Grönroos & Helle 2010; Viio 2011). Prahalad and Krishnan (2011) emphasize that the customer is in a mutually vital role with the seller when creating customer value; value is created together throughout the relationship and mutual commitment to collaboration is an irreplaceable element in the service-dominant value co-creation logic.

As Vargo & Lusch (2011, 256) argue; in the service-dominant logic the locus in value creation moves away from “producer” to a collaborative process of value co-creation between parties. Hence, the purpose of an economic exchange is not within exchanging goods, but rather in exchanging reciprocal services with each other.

The product is still important, but in a conveyor role in exchanging knowledge and skills; instead of making something (goods or services), the service-dominant logic is about assisting the customer in their own value-creating process. And most importantly, value is not produced by the seller; it is co-created with the customer. (Vargo & Lusch 2008)

The view is supported by Ballantyne et al. (2011), who say that the S-D logic is about marketing “with” customers instead of marketing “to” customers. Instead of pushing products to the marketplace, one should focus making their customers successful. (Terho et al. 2012)

Service becomes the basis of all marketing activities, involving reciprocal giving and receiving; also customers participate in the value co-creation through sharing and integrating resources, which are especially related to skills and knowledge. Furthermore, Cova & Salle (2008) say that co-creation of value should not be limited only to customer-seller relationship, but to be broadened to supply and customer network as well.

However, it is relatively easy to understand the philosophy of the service-dominant logic and value co-creation at a theoretical level. Not much of the literature or studies give answers on how these principles should be understood in the practical marketing and sales level. Herewith, this study attempts to further grasp this area.

4.2.3 Interactive Tasks of Sales in Value Co-Creation

The view of value co-creation is further elaborated by Haas, Snehota and Corsaro (2012), who claim that the fundamental basis of collaborative value creation lie in interaction; the traditional persuasive role of sales is from a world of solid product offering, whereas customer value creation requires deeper interaction between the seller and the customer. Furthermore, interaction is seen as the ground of all business activity, being the enactment of exchange in many and varied forms (Ballantyne et al. 2011.)

However, both Haas et al. (2012) and Terho et al. (2012) claim that the role of sales as a value co-creator is not understood and studied in a systematic way enough, and therefore they have attempted to form a holistic and systematic view on the topic in. The view is shared by Lowe & Purchase & Ellis (2012), who claim that the precedent industrial research have

extensively highlighted the importance of interaction in business relationships, but still, there is a lack of knowledge concerning the interaction activities itself.

Haas et al. (2012) underline that “interaction should not be interpreted as simply a means for value creation but rather the very process of value itself, which is produced ‘in between’ parties”. In their study, four key elements of interaction are identified: jointness, balanced initiative, interacted value and socio-cognitive construction.

The purpose of their study was to examine the role of sales in the value creating process of a business relationship and integrate the views of value-related sales and business relationships research. On a basis of this, a theoretical framework for interaction was created, which identifies a set of criticalities to the creation of value in business relationships and also how sales can contribute to producing value. (Haas et al. 2012)

This framework was further tested with a qualitative study of 43 business-to-business companies (employees ranging from 50 to several thousands) and interviews of their sales managers and sales people. The framework is presented and further discussed below:

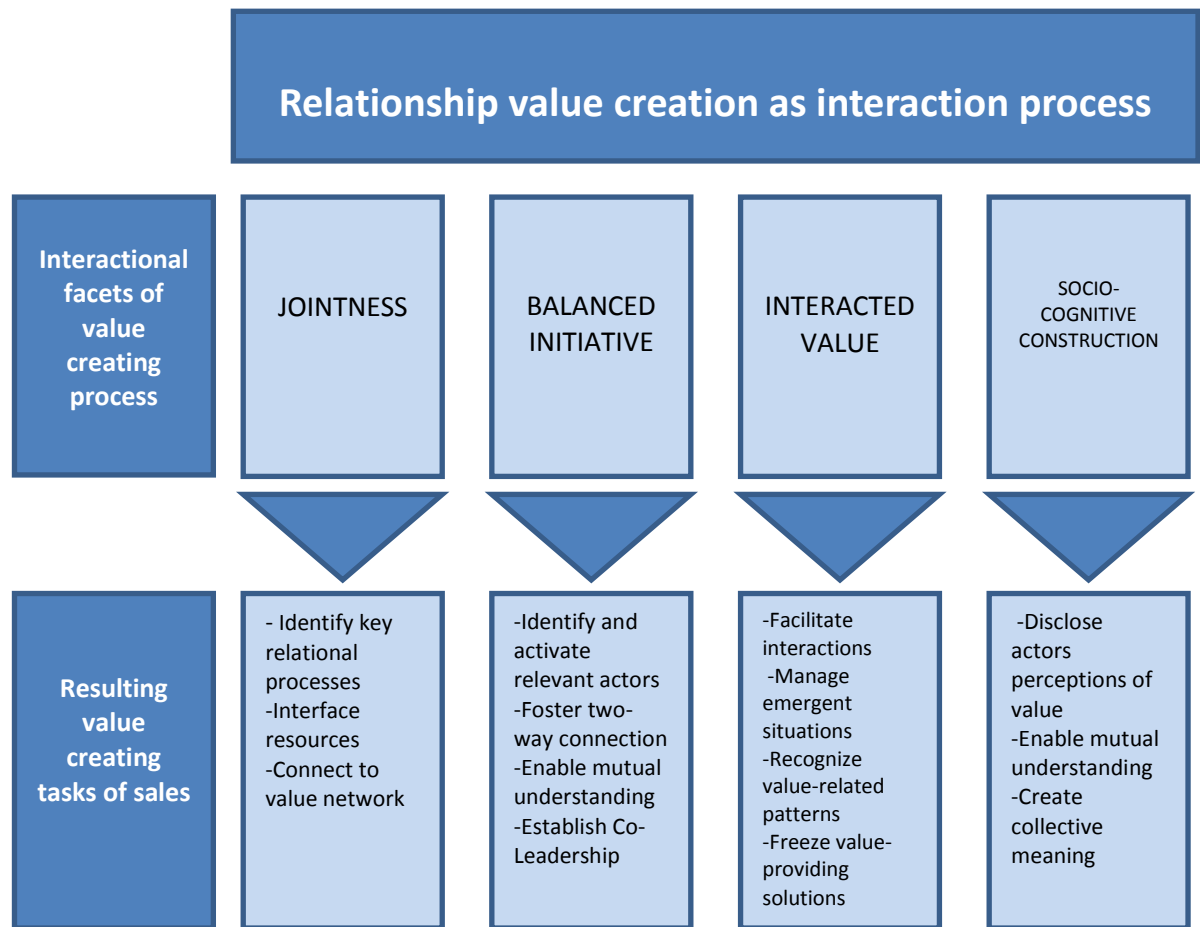


Figure 8, An interaction-based framework of sales' value creating tasks (adapted from Haas et al. 2012)

JOINTNESS

In the model, the first interaction element is jointness. In a business relationship, value does not arise so much from the exchange of a product or service, but rather from the two resource sets; one from the seller and one from the customer (Haas et al. 2012). These resources are especially immaterial, such as skills and knowledge. Resulting value creating task of jointness are

- identifying key relational processes,
- interfacing these processes, and finally
- connecting the actors, activities and resources of both organizations

Even though the idea of jointness is constructed on both the seller's and the customer's resource sets, Storbacka (2011) emphasizes the importance of firm-wide initiative of cross-functionality in the seller organization; developing complex solutions and creating value cannot be delegated to a single function in the organization. Still, sales have a critical role in creating and managing jointness, but support from all functions is a prerequisite for value creation to take place.

In her study of service transition strategies of industrial manufacturers, Salonen (2011) discovered that it is essential to pay attention to the sales force's capabilities in enabling interaction with the customer. This requires building a selling organization with people, who are not only experienced, but most of all possess the right attitude and behavioral characteristics. Supporting this view, Töytäri et al. (2011) claim that there is still a gap between the traditional sales force skill set and a skill set required in value based selling.

Furthermore, Prahalad & Krishnan (2011) are stressing the importance of flexibility. It is needed in every area, whether it is a question of long term capacity planning or every day customer support. Flexibility is not about leveling the resources in a customary manner, but more about the ability to level the resources in a manner which serves the current and most important tasks in a best possible way.

Hence, the key task in the facet of jointness is a functioning and flexible interface of resources; without such, there are no conditions for interaction to take place and resources to interact with each other. Furthermore, these resource sets are controlled by both the customer and the seller organization, and it is the sales that are in a critical position to link these. However, this requires openness and willingness on the behalf of the customer side as

well; successful solutions do not depend only on supplier variables, but also on customer variables. (Tuli et al. 2007.)

Also, the latterly mentioned broader value network, for instance the customer's suppliers, needs to be connected as well. This requires ability to see the customer-seller relationship in the wider network of the business' partners and the on these bases, new possibilities of networking. Ehret (2004) point out that here the key is to manage cross-functional and cross-organizational processes. However, as the network expands, the role of sales becomes closer to getting full knowledge and gaining control; one of the key tasks is to find, coordinate and put feasible solutions in place (Haas et al. 2012).

BALANCED INITIATIVE

The second interactional facet, balanced initiative, refers to the novel role of sales; in value creating selling, the role of sales is not to be considered as persuasive (as it is in the G-D logic), but rather as a partner, who is soliciting and interpreting the voice of the customer and bringing that into their own organization. The facet of balanced initiative has four main value creating sales tasks (Haas et al. 2012, 7.):

- identifying and activating relevant actors,
- fostering two-way connection,
- enabling and facilitating mutual learning and
- establishing co-leadership in value creating processes

As the customer role in value creation becomes more important, the sales' task of identifying and activating relevant actors, both from the seller's and the customer's networks, becomes more obvious. Sales key role is to engage with relevant people and also contribute to the creation of customer value. It might not be enough that the buying organization identifies the relevant

people; the seller also needs to ask who really needs to be involved. (Haas et al. 2012)

This view is strongly supported by Prahalad & Krishnan (2011) who underline the fact that hardly any company can produce the desired value only with its own resources. A very key capability in value creation is the ability to acquire the needed resources outside the own organization, which requires flexible business processes and effective supplier management.

Fostering two-way communication refers to the importance of confrontation of the seller and the customer. Communication itself, like phone calls and e-mails, is important, but not sufficient. In here, the main task of sales is to foster confrontation, which enables the actors to understand each other's behavior and to generate novel ideas, which could otherwise remain hidden. An open, spontaneous, dialog without political constraints, where actors' personal bonds would be strengthen, would be the desired approach to foster two-way communication. (Ballantyne 2004 & Haas et al. 2012)

Moreover, Chang et al. (2011) point out that two-way connection fosters interdependence between the seller and the customer which can be considered a rather favorable in value selling relationship; both parties are mutually dependent on each other instead of other being one-sidedly dependent on the other. In other words, if a relationship is based on one-way connection, also one-sided dependency is more likely to take place.

The task of enabling and facilitating mutual learning means that every salesperson acts simultaneously as a teacher as well as a learner. The idea behind this is that usually salespeople do not have all the required information to create the needed customer value. In other words, many times the customer might have the most valuable information, when the seller would need to listen and learn. The same applies vice versa; one of the

sales' tasks is to encourage the customer to learn from the seller as well. (Haas et al. 2012)

As Ballantyne et al. (2011) elaborate the tasks of two-way communication and mutual learning; in service-dominant logic unidirectional communication gives way to dialogical communication, where both the seller and the customer engage in working together and learning together. Dialogical communication and mutual learning also enables co-development of new skills and knowledge which further creates value. And more importantly, Ballantyne et al. (2011) claim that skills and knowledge are determinant in a firm's competitive advantage.

Lastly, Haas et al. (2012) point out that establishing co-leadership refers to the balanced efforts in managing value co-creation. The sales task is to ensure, that both actors take their responsibility in driving the joint development of solutions. Sometimes it is the seller's responsibility to make decisions and coordinate the process of value creation, but in turn, sometimes the seller only executes customer's suggestions.

After all the level of co-leadership is a matter of an agreement, but the key selling task in here is to activate the customer to take responsibility of the value creation. Setting mutual targets and involving the customer to a value assessment process are prerequisites for driving this value sales activity (Töytäri et al. 2011.)

INTERACTED VALUE

The third interactional facet, interacted value, refers to the notion that in business relationships, value is emergent and mutually enacted, while the traditional sales approach refers more to selling which is planned by the seller. The facet of interacted value can be further divided into four tasks of selling (Haas et al. 2012, 7):

- facilitate interactions,
- manage emergent situations,
- recognize value-related patterns and
- freeze the value providing solutions

Since the value is considered to emerge from interaction, one of sales' important tasks is to facilitate interactions between the seller and the customer (Vargo & Lusch 2008). Salonen (2011) discovered in her study that customers need to be engaged with early enough in the purchasing process and the dialogue needs to be open and intense in order to create mutual value (Ballantyne 2004). If the sales fail to facilitate this dialogue, the customer may find the planned solution suboptimal and turn to find alternative solutions.

Enabling the actors to meet, talk and foster trust in the relationship acts as a base for further value creation. And remarkably, the interaction does not have to be formal; it can also take place outside the business context, like in dinners or cocktail parties. (Grönroos & Helle 2010 & Haas et al. 2012)

Facilitating interactions requires managing the emergent interaction situations, which is the second selling task of the interactional value. The status of interaction is never stable and hence it needs to be actively managed. There needs to be a ground for constructed dialog in order to enable emergent interaction situations to take place. Furthermore, salespeople need to be alert about the factors which might create any

emergent and relevant interaction situations; new technologies, changes in supplier relationships, new strategic outlines or market outlook might be aspects of such. (Haas et al. 2012)

In addition to managing emergent interaction situations, sales should also be able to recognize patterns, which would potentially produce novel customer value. Even though the task might sound difficult (which it was found to be in the Haas' study), a lot of emphasis needs to be put on trying to identify such opportunities. And if the sales manage to do this, the next task would be freezing that interaction; the emerging solution needs to be grabbed and stabilized in order to utilize the benefits. (Haas et al. 2012)

In his study on customer interactivity in new product development, Bonner (2005) found out that formally controlled process did not foster interactivity between the parties. Instead of controlling the process (how things should be done in order to achieve the desired outcome), interactivity was strengthening when the management was setting standards for the process output (such as financial success, specification of standards, technical performance or quality). Furthermore, team rewards were also found to foster customer interactivity.

Hence, one of the important selling tasks in interactional value could be considered promoting uncontrolled management; people seem to interact better in nature when given a more informal environment and common incentive.

SOCIO-COGNITIVE CONSTRUCTION

The value facet of socio-cognitive construction further stresses the view, that value is not embodied in the exchange of products, but rather socially constructed in the interaction process. Here, three new roles of sales can be identified (Haas et al., 2012):

- disclose actors' perceptions of value
- enable mutual understanding and
- create collective meaning among relationship partners

The first role, disclosing actors' perceptions of value refers to the matter of understanding each actor's subjective perceptions about value. It is important to remember, that value cannot be considered homogenous across customer relationships, hence the seller needs to analyze and make clear what value actually is in a certain relationship. Even though the solution or service would have a proven track record with someone else, it does not mean that it would satisfy the value perceptions of some other customer. Moreover, seller needs to understand how each customer's value perceptions are changing in order to design their customer management in a way which keeps them constantly ahead of competition (Flint et al. 1997 & Haas et al. 2012 & Töytäri et al. 2011)

Furthermore, Ballantyne (2011) points out that the sense of value needs to be reciprocally determined. In other words, both parties need to make a reciprocal value proposition, and communicate it to each other.

Rosedahl's (2009) above presented value build-up framework is a good example of how value can have different dimensions. For instance, in ship life-cycle services, the immediate availability of spare parts may be essential to one customer, when another may consider it to be too costly. Similarly, someone may find technical online support the key to value creation, when some other customer could assess it less valuable. Again, the role of sales is

not to sell something that works, but instead, on the basis of reciprocal value proposition, try to create a service that is valuable to a particular relationship. (Grönroos & Helle 2010; Kowalkowski 2011)

The second role of socio-cognitive construction is to enable mutual understanding. In other terms, mutual understanding refers to finding the same language or common outlook; both parties should comprehend the common framework of issues in the same way. It does not make sense, if the seller has an excellent solution if he cannot communicate it in a language the customer understands. Similarly, the customer needs to communicate in an understandable manner as well in order to create value in the relationship. (Haas et al. 2012)

Sales' task in enhancing this communication is creating collective meanings, which is the third component of value as socio-cognitive construction. Haas et al. (2012) pick-out some practical examples, such as arranging workshops, speaking up in conferences or making the best practices public.

Remarkably, in addition to the framework discussed above, interaction has been proved to be an important driver of business relationship maintenance in general. In their study of customer commitment in business-to-business markets, Chang et al. (2011) demonstrated how interaction satisfaction strengthens the positive effect of dependence and trust, which in turn are important elements of customer commitment. The purpose of the study was to understand what made customers wanting to maintain relationship with sellers, and interaction at every level of the relationship was found to be an important aspect in fostering commitment.

4.2.4 What Does it Take to be Service Oriented?

Even though the importance of service-dominant logic and unique value proposition of co-created value is widely recognized, it is important to approach the transition from traditional products to value adding services in a rational way.

First of all, recognizing the capabilities needed to such transition is the key for comprehensive value selling to succeed; for instance, one might ask that does an engineering-based manufacturing company have the capabilities to foster and manage deep interaction with their customers?

In her study of industrial manufacturers' service transition strategies, in addition to interaction, Salonen (2011) is shedding light to the challenge of such issues as management structure, organization re-engineering and changes in mindsets and cultures. Taking into consideration the nature and scope of the changes, the transition can be considered rather as an iterative process; instead of just adopting the service-dominant logic, the process is more like moving along the continuum from products to solutions and from solutions to value sales (Oliva & Kallenberg 2003). Along this way a seller is facing major structural and cultural issues to tackle with.

Secondly, as Salonen (2011) points out, it is obvious that traditional manufacturers need to implement service transition strategies which are built upon their core strengths. Hence, even in the long run, no such company can turn itself into flexible service organization at the expense of their core product.

Nevertheless, the transition is still about gradually changing the way in which value creation through products take place. Hence, manufacturing companies must move their focus away from product features towards a greater orientation around customer processes. Even though this is a slow

process, it is inevitable in order to secure long term competitiveness. (Salonen 2011)

Thirdly, it is essential to acknowledge, that offering customized and unique solutions to each customer is expensive. Hence, a seller needs to learn to develop services that are scalable; services should include modules and components of a certain level of standardization which could be further adapted to every customer. At least a seller should be able to routinize the process of creating value-adding solutions (Salonen 2011). Nevertheless, one should avoid the hazard of fixating on standardization and taking once invented solutions as granted (Grönroos et al. 2007). As said, instead of a seller focusing on what they are capable to innovate, they should attempt to innovate something that supports the customer's business in a best possible way.

Still, even though scalable solutions are somewhat necessary in order to create profitable services, this study argues that the real value lies above standardization; knowing the customer's business and co-creation of unique value are the key ways how a seller should approach customer value creation and also an effective way to increase competitive advantage. Furthermore, as Prahalad and Krishnan (2011) predict, the change towards unique co-created value in business is inevitable in the future, no matter which industry a company is operating in. The change is just a matter of time.

4.2.5 Typical Value Evolution of Services Selling

Even though this study focuses on creating customer value, it is important to remember that value is created only if it has positive effects on selling company's cash flows in the long run. Therefore it is not enough just to create value for the customer; over a time, the customer needs to be valuable for the selling company as well (Soman & N-Marandi 2010). In the typical evolution of a customer relationship, customer surplus is created more than firm surplus, especially in the beginning. This typical evolution is demonstrated in the picture below:

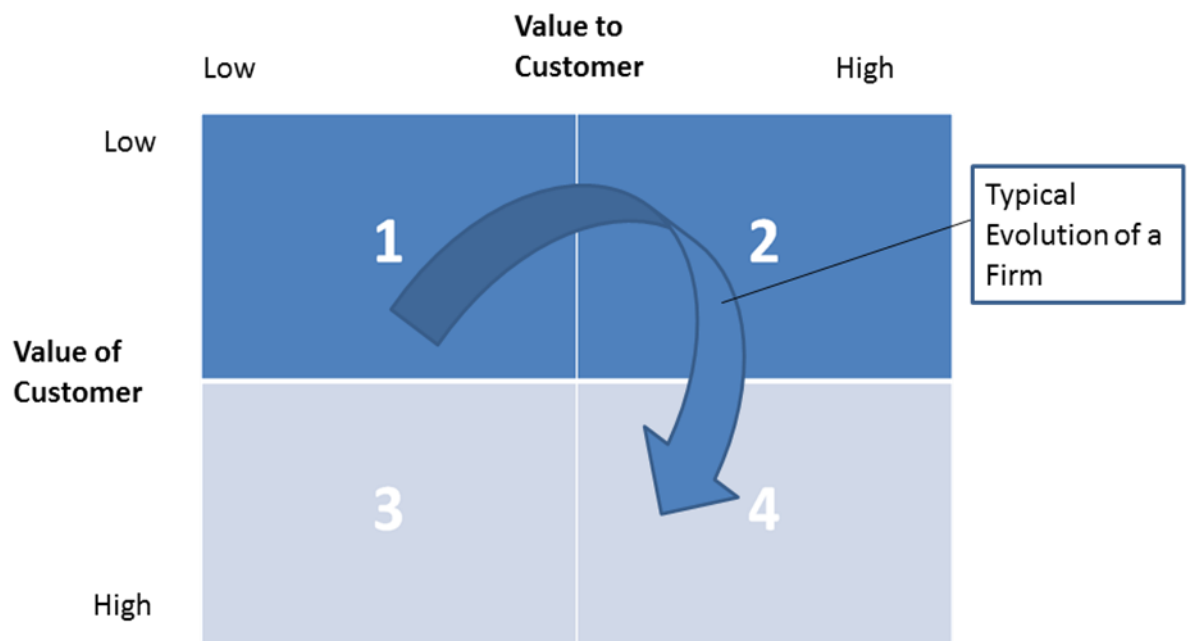


Figure 9, Value Grid (adapted from Soman & N-Marandi 2010)

The above value grid shows the typical value creation evolution of a customer relationship. Here, value of customer is considered as (a) potential revenue, (b) cost to serve, and (c) the lifetime of the customer.

In the phase 1, the company is not able to neither produce value to the customer nor gain value from the customer. This is typically a situation, where a company has no proven products or services. However, most

successful firms can quickly move on the phase 2 where they have a winning product or service, but are still unable to capture value from their customers. This can be a result of uncertain pricing and selling policies and hence, a firm should be able to get these policies corrected in order to move on to the phase 4, which can be seen as the most desired stage. (Soman & N-Marandi 2010)

The revenues of the relationship are likely to be lower in the beginning of the relationship, and increase with time. This means negative cash flow in the beginning, but over a time, as the relationship revenues surpass the sales investments, the cash flow will turn positive. (Kaario et al. 2003)

Still, it is important to recognize, that the best results are often achieved when the firm determinedly strives to create value for the customer without being too concerned about the short run profits. A customer has to be treated as an asset, which needs to be invested in for a long period of time before it starts giving returns. (Soman & N-Marandi 2010)

Furthermore, Grönroos & Helle (2010) are stressing the importance of transparency. In order to co-creation of value emerge, the seller has to be very open with its cost drivers and earning logic.

4.3 Conclusion

This chapter has discussed the theoretical areas of the study; value in B2G relationships and interactive value based services selling. The theory has set an interpretive framework for understanding how to comprehend different dimensions of value, what are the typical characteristics of governmental organizations and most importantly, detailed view on value selling and its interactive tasks.

On the basis of the theoretical discussion, the study goes deeper into the research questions by focusing particularly in life-cycle services selling, which is usually considered as a new-sales supportive function instead of a novel value creating business and hence, left rather unexplored. The focus of value selling in life-cycle services is especially relevant in the case of STX Finland, since the life span of a ship is long and the product itself is rather complex. In other words, ship life-cycle services can generate many business opportunities.

The research attempts to operationalize the theoretical discussion by seeking answers to what is value particularly in ship life-cycle services and hence, how it should be utilized in the level of commercialization.

5. Research Data and Methodology

This chapter discusses the empirical part of the study, its chosen research methods and the collected research data; why the research was conducted in a way it was and what kind of data was used? Also, validation of the study and notions to research data analysis are discussed.

5.1 Qualitative Study Approach as Research Method

The study is conducted based on a qualitative study design. The selected approach is an eligible method since the aim is to grasp understanding from a new phenomenon rather than producing objective data from existing and known facts, which often is the aim in quantitative research. The form of ship life-cycle services is relatively indeterminate and the existing processes rather underdeveloped and hence, it is reasonable to pursue for qualitative data in answering the research questions (Patton 2002).

Instead of trying to find general causalities and predictions, qualitative research aims to find out “what” is done in a certain context, “how” is it done and “why” is it done. Thus, the data collection and interpretation is always more or less influenced by the researcher’s subjective judgment. However, the research applies a positivistic approach to analyzing the research phenomenon; the reality is factual rather than contextually constructed, which in turn reduces the bias of subjectivity (Patton 2002; Silverman 2006)

5.2 Unit of Analysis – What is Actually Researched?

The aim of the research is to elaborate the existing value selling theory particularly to life-cycle services. This is done by examining peer industrial companies’ perceptions on value selling as well as potential customers’ value perceptions, regardless of the type of offering of possible life-cycle services. Also, both group’s views on B2G-relationships are viewed. In more general terms, the research attempts to examine how a western shipyard should develop and commercialize its ship life-cycle services and how it should sell them to a governmental organization.

From this perspective it was appropriate to get insight from other industrial companies which have shown good abilities to generate turnover from selling life-cycle services. Moreover, these companies were ought to have hands on experience on value selling and hence, give valuable contribution to the theoretical part of the research. To seek answers to value particularly in ship life-cycle services, it was appropriate to gather insights from potential customers of STX Finland.

5.3 Data Collection

The empirical data was collected mainly by using semi-structured face-to-face interviews. Each interview took approximately 45 to 90 minutes and the selected informants held positions on managerial level. The interviews were conducted in Finnish and also recorded, except in one case where an informant did not find it favorable.

Two different forms of questions were composed; one for reference companies and other for potential customers (please see appendices). The premise was to go through the whole set of pre-determined questions, but as typical to semi structured interview, many of the discussions evolved to their own orbit, getting deeper to some particular area while other areas were left to minor attention. However, all the interviews focused on the same phenomenon and hence, contributed to the research problem in an appropriate way.

In grasping a general understanding of each interviewed company situation, many secondary data sources, like news articles and annual reports, were used as well.

5.3.1 Interviewed Reference Companies

The reference companies were chosen on the basis of the following parameters: they needed to be industrial B2B companies with proven track record on selling services. In other words, significant amount of the

revenues had to be generated by services selling. The ultimate focus was to get insights to value selling activities in life-cycle services as well as to conducting value selling with governmental organizations.

Each reference company is well known in the field of Finnish industry. Unlike Patria, not all of them have major public customers, but each company has experience in B2G and hence could contribute to the discussion of the particular area. All together, 7 interviews, directed to managerial / CEO level, were conducted. The reference companies are briefly presented below.

KONE Corporation is a global company specialized in manufacturing elevators and escalators. It is one of the biggest players within the industry with sales totaling 5,225 million Euros, which is contributed by 2,830 million Euros in services selling. In addition to manufacturing, Kone is putting strong emphasis on services and understanding customer's needs; the company's mission is to dedicate itself to understanding people flow (Kone 2012)

KONECRANES is specialized on industrial lifting. 40 per cent out of its total sales (1896,4 Eur in 2011) comes from life-cycle management services. The company's mission is not only to lift weights, but rather whole businesses. (Konecranes 2012)

PATRIA is a company specialized in the areas of defence, security and aviation. In addition to manufacturing products from these areas, the company focuses on providing life-cycle services for armored wheeled vehicles, aviation and command/control situational awareness. Many of the customers exist in the public sector. Patria is owned by the state of Finland (73,2 %) and European Aeronautic Defence and Space Company EADS N.V (26,8 %). (Patria 2012)

WÄRTSILÄ is a company specialized in ship power and power plant solutions. Its services accounted for 1816 Eur out of the net sales of 4209 Eur. The company aims to be the leader in complete life-cycle power

solutions in the global marine markets and selected energy markets worldwide. (Wärtsilä 2012)

5.3.2 Interviewed Potential Customers

Out of the potential customers, the Coast Guard was an obvious organization to be interviewed due to the topical UVL 10 new build project and the nature of a governmental agency. The other companies were chosen on the basis of their potential life-cycle services customership as well as their history of being governmentally owned.

The main focus of the customer interviews was to provide information about the perceived value in ship life-cycle services, no matter the form of offering. Also, likewise with the reference companies, the special characteristics of B2G-relationships and value selling in this context were discussed.

Even though the Finnish Coast Guard was the only true public agency, the other customers provided considerable contribution especially to the value discussion. Furthermore, since these companies have been privatized only a few years ago, they could easily contribute to the special features of B2G as well and hence, were suited for this research. All together, 5 interviews, directed to the managerial / CEO level, were conducted. The Finnish Coast Guard and the other customers are briefly presented below.

ARCTIA SHIPPING is a former government agency but nowadays a Finnish government owned private company. It provides services in the area of ice breaking, offshore and other special vessel related services, such as oil recovery. In addition, Arctia Shipping pursues vessel management and chartering in Finland and abroad. Currently the company operates altogether 8 ice breakers / multipurpose vessels (Arctia Shipping 2012).

FINFERRIES, former government transportation agency Destia, is specialized in small car ferries, providing road network supporting transportation all over the country. A few years ago Finferries became a

private company and it carries annually more than 5 million passengers. In the year 2012, the company operated approximately 40 ferries (Finferries 2012).

FINNISH COAST GUARD is also responsible for sea rescue missions and environmental protection. Currently the company is operating with 6 patrol vessels, 30 coast guard boats, 30 patrol boats and 7 hovercrafts. In the becoming year STX should deliver its new flagship, UVL 10 (Finnish Coast Guard 2012)

5.4 Validity and Reliability

The concept of validity refers to the generalizability of the findings of the research (Yin, 2003.) Even though the results might be found generalizable at a practical level, in the light of science the validity can be considered rather limited due to the qualitative nature and context dependency of the study. However, especially the findings regarding value selling activities could be generalized to many industrial companies attempting to develop value based life-cycle services with relatively unique, complex and long-lived products.

Reliability, on the other hand, refers to the ability to arrive in the same results if the study is completed again by repeating the operations of the study (Yin, 2003). In the light of the concept of reliability, the study can be considered moderately reliable; semi-structured interviews were recorded, carried out in a pre-determined pattern and the interview data began to saturate during the last interviews. However, when assessing the reliability, one has to take into account the qualitative nature of the study and the influence of the researcher's subjective interpretations.

6. Empirical Results

The empirical part of the study pursues to operationalize the theoretical discussion of value, value selling and B2G. The aim is to build an understanding in what is value especially in ship life-cycle services, what kind of selling activities are considered to be important in value-based life cycle selling and what are the prerequisites for value selling in the context of B2G.

6.1 Value in Ship Life-Cycle Services

The first part discusses the empirical findings answering the research problem “what is value in ship life-cycle services?” The findings represent only the view of the possible ship life cycle customers and hence, neither STX Finland nor other interviewed companies did not contribute to the below results.

6.1.1 Customer’s Value Perceptions Regardless the Form of Ship Life-Cycle Services

The premises of all the interviews were that ship life-cycle services could be anything at all and hence, it was made clear that the concept did not have any pre-defined form. This was to foster open discussion and also to bring out perceptions that were not necessary associated to possibly maintenance-oriented life-cycle support.

Customer’s value perceptions were discussed as thoroughly as possible by considering all the value dimensions presented in the theory section. The purpose was to discover the overall value perceptions and most of all, how the possible ship life-cycle services should support them. Also, the perceived sacrifices and possible risks in each value dimension were discussed.

The findings of customer's value perceptions, regardless the form of ship life-cycle services, are illustrated and further presented below. Governmental value perceptions, if differing from the private companies, are discussed as well.

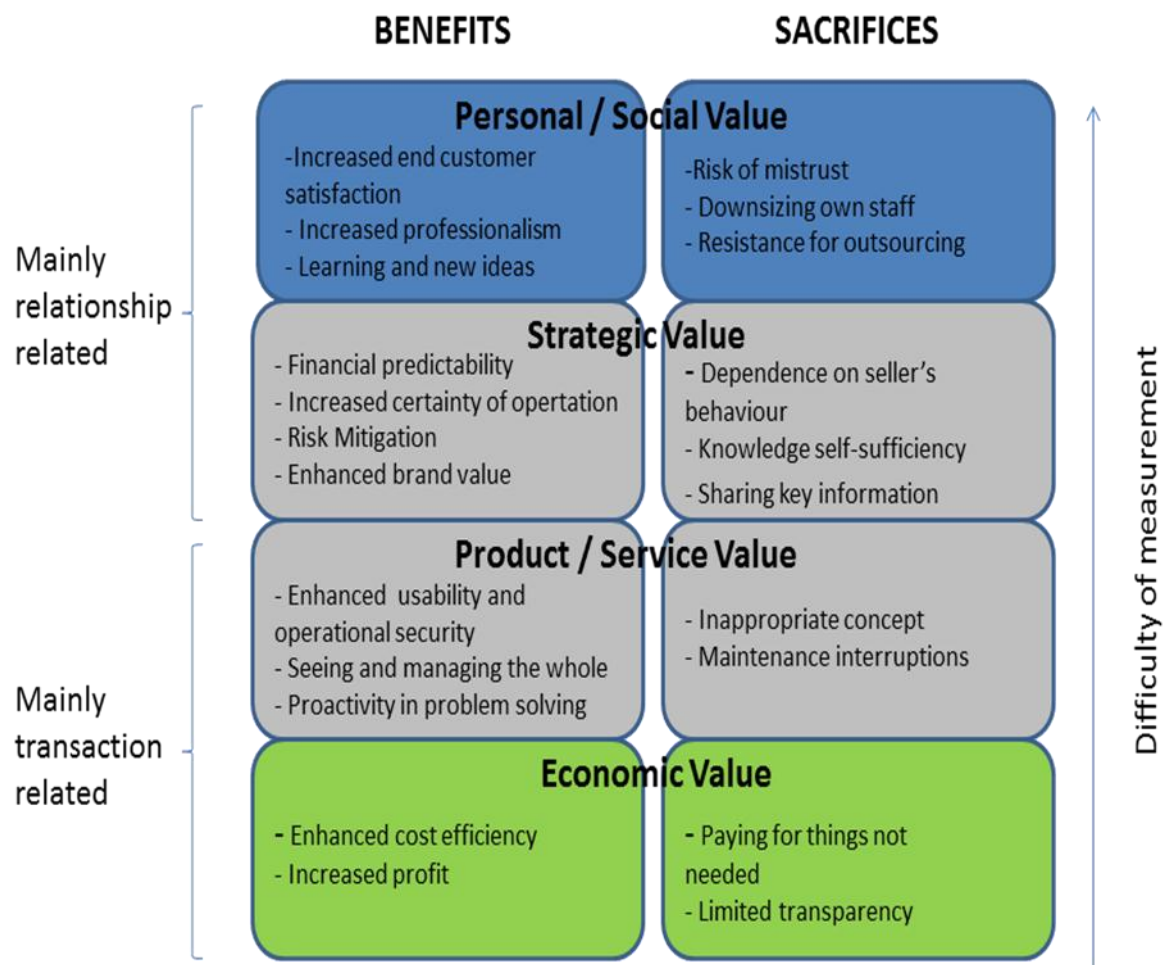


Figure 10, Customer's Value Perceptions Regardless the Form of Ship Life-Cycle Services (Adapted from Rosendahl 2009)

ECONOMIC VALUE

The most frequently discussed economic benefit a ship life-cycle service should pursue was cost-efficiency; the customer should be able to operate with lower cost compared to the present situation. Cost-efficiency was brought into discussion by all the interviewees and was the most intuitive value benefit a life-cycle service should support.

As obviously, increased profit margins were mentioned when discussing about economic benefits. However, in the public sector, where the operation is pre-defined by budget frames, profit was not considered an economic value like cost savings

From the economic sacrifices point of view, all the interviewees shared the perspective of paying for things not needed. In other words, money spent would not create the needed value and hence, could have been invested elsewhere.

Supporting this perspective, another sacrifice was transparency; if life-cycle service is carried out by an external service provider, the buyer might lose their touch to true costs behind services needed. Hence, the service received might involve unnecessary or too large supplier profit margins at the cost of potential economic value and reduced trust in the relationship.

PRODUCT / SERVICE VALUE

All the interviewees stressed the importance of operational security; life-cycle services should keep the vessel in operation as effectively as possible. Ability to react swiftly in the problem situations was also considered as an important element of credible operational security.

The nature of the particular value benefit varies when comparing the needs of the Finnish Coast Guard and private customers; while in the case of a vessel like UVL10, operational failure might endanger national security, environmental protection or even human lives, the private customer may be more likely to experience business related losses. However, safety was still mentioned as a high priority by both private customers.

The second value benefit ship life-cycle service should create was a better ability to see and manage the life cycle of a vessel as a whole. The life cycle should be managed systematically and the service provider should have a solid understanding and vision about the whole life cycle. In addition to just extending the life cycle and making effective maintenance plans, the service should contribute to keeping the vessel up-to-date with latest technical solutions and environmental improvements.

One of the interviewees also pointed out that life-cycle services should be able to utilize their vessels as effectively as possible year round; in addition to ice-breaking, their vessels should generate income from offshore to tourism.

All this requires proactivity from the seller, which was the third value benefit perceived by the customers. In addition to creating value, life-cycle services should create a peace of mind that possible problems and challenges are proactively tackled and managed by the seller.

None of the interviewees saw significant product / service value sacrifices in the possible life-cycle services. The Finnish Coast Guard, however, pointed out the importance of minimizing the maintenance interruptions; the service

provider should pursue for flexibility in their maintenance process and as much as possible should be done while the vessel is operating normally.

STRATEGIC VALUE

The findings of perceived strategic value benefits varied between interviewees. For Finferries, the stability and predictability in budgeting was found to be a remarkable strategic value benefit in long-term life cycle relationships. Also, a certainty that the service provider can act swiftly and in an agreed price was seen important.

On the other hand the Coast Guard valued maintaining operational ability under all circumstances as a key strategic benefit a possible life-cycle services should pursue. Moreover, they perceived that life-cycle services should support achieving strategic goals allocated to the vessel's each respective life cycle phase, which can vary over time.

The third value benefit, risk mitigation, was discussed with Arctia Shipping. Through consistent maintenance planning and technical expertise, they perceived the life-cycle support to lower risks of technical failures in critical operations such as in offshore. They also found brand value as an important strategic value aspect; life-cycle services should contribute to the unique arctic brand, which is based on the holistic knowledge of planning, building, equipping and operating the ice breakers.

Strategic sacrifices were found to be somewhat similar. The ultimate sacrifice was perceived to being dependent on seller's behavior. One of the key concerns was changes in a seller's strategy and ownership; what if the ship life-cycle service is not aligned with new strategy? Or in the end, are relatively small customers with low volumes an interest for a huge global shipyard?

To some extent, decreasing knowledge self-sufficiency was also found to be a strategic sacrifice; as the life-cycle service is provided outside the

organization, knowledge about ship life-cycle maintenance might disappear. In other words, it is relevant to consider how much a customer should do by himself and is the supplier always available when needed?

The third strategic value sacrifice associates with sharing key information. The Coast Guard is especially concerned about national security related issues; for example location information cannot be provided outside organization. Furthermore, when dealing with a multinational corporation, it is a challenge to keep confidential information only within the relationship parties. Even though the nature of key information is rather different in the private side, the concern of losing it was also discussed with Arctia Shipping.

SOCIAL VALUE

A social value benefit all interviewees perceived to have was increased professionalism. If the life-cycle service provider was more professional than the customer, it was considered to have a positive effect on social value benefit. The limited potential of customers' life cycle resources was also found to support the cooperation with a more skilled supplier. Similarly, a professional relationship partner was thought to foster learning and new ideas. Social value benefit was also defined as end customer satisfaction; if things are working as they are supposed to, it creates satisfaction.

In the contrary, if the relationship would not work, there would be a risk of mistrust, which was considered to be a major social value sacrifice. Downsizing own staff was also seen as a sacrifice in possible life-cycle service, but in the other hand it was not considered as a significant or likely sacrifice. Whereas, automatic resistance for outsourcing was identified as likely sacrifice; especially in the organization with the background of public agency and strong labor unions, people tend to be sensible for such activities.

6.1.2 Discussion

Based on the theoretical discussion and empirical findings, this chapter suggests how to create value out of customer value perceptions, which are further specified in table 1 below. Many of them are perhaps impossible to measure or write down into the life cycle contract, but the most important thing is to understand their fundamental nature in a long value co-creating relationship.

VALUE CREATING OPPORTUNITY	VALUE CREATING ACTIVITY	REDUCING SACRIFICES
Professionalism	Invest on life cycle knowledge and development	Foster trust
Learning and new ideas	- Involve customer - Challenge customer	
End-customer satisfaction	Examine and support end-customer satisfaction	
Brand value	Examine and support customer's brand	- Show commitment - Support customer knowledge self-sufficiency - Protect customer key information
Risk mitigation	- Strive for technical superiority - Share risks	
Financial predictability	Pursue for long-term contracts	
Proactivity	- Be active - Be innovative - Make suggestions - Think out of the box - Manage life cycle systematically	Foster flexibility
Seeing and managing the whole	- Make action plan with long-term goals together with the customer - Capture and manage the selling opportunities of the whole life cycle - Involve and manage suppliers - Take initiative in ship building cluster	
Usability and operational security	- Investigate customer's current operational usability and innovate better - Lower operational risks	
Cost-efficiency	Investigate customer's current life cycle operations and make them more cost-efficient	Foster transparency
Profit	Quantify and communicate the created value	

Table 1, Capturing Value from Customer's Value Perceptions

ECONOMIC VALUE

As economic value is the most quantifiable and measurable value dimension, the bottom line of a life-cycle service is that the seller should be able to perform more efficiently. This requires a thorough understanding of the customer's existing economic processes; the seller needs to identify areas where their life-cycle service could perform better, measure the actual effect and communicate it to the customer. The finding is supported by the study of Töytäri et al. (2011), who emphasize the importance of quantifying the created value in value-based selling.

As importantly, the seller should also avoid making the customer uncertain about the money paid for the offering; instead, the customer should be able to identify the impact of the money spent. The view of transparency is also discussed in Grönroos & Helle's (2010) study; the seller has to be very open about the cost drivers and earnings logic in order for co-creation of value to emerge.

PRODUCT / SERVICE VALUE

Grasping the operational usability value opportunity requires detailed understanding about a customer's operational processes. The seller needs to identify areas of improvement in pursuing more effective utilization of the vessel.

The usability may not have to be limited to minimizing maintenance interruptions, but instead the seller should pursue all kinds of innovations that might improve it. How could we get closer to the best fuel efficiency? Is the crew getting the best out of the vessel? Is there any feature to be added that was not considered in the planning phase? How could the energy consumption be reduced? Is there going to be technical upgrades the ship might benefit? The list could go on and on...

The seller should also grasp the value opportunity of operational security by sharing the risks of operational interruptions; against customer's financial input, the seller should guarantee the operational security. In addition to a customer sharing their risks and a seller generating more revenue, this would also act as an incentive for the seller to continuously develop the service.

Seeing and managing the whole is an important value opportunity a life-cycle service should be able to grasp on; on the basis of the long term goals and action plan, the seller should take an active role in managing the whole life cycle value network. In addition to making a customer's life easier with a more controlled and harmonized supplier interface, the seller could capture more value out of life cycle activities. The key activity here is to actively manage and involve the whole supplier network. Moreover, in doing so, the service provider should pursue a leading role in uniting and developing the whole ship building cluster in Finland.

Remarkably, the network perspective is in a central position in the value-based selling theory; the service-dominant logic understands the nature of the exchange in terms of value creation in the whole seller-customer network, whereas in the good-dominant logic the nature of exchange is considered as dyadic and product-driven (e.g Vargo & Lusch 2008; Cova & Salle 2008; Haas et al. 2012). Furthermore, Prahalad & Krishnan (2011) remind that that hardly any company can produce the desired value only with its own resources. Hence, Ehret (2004), Prahalad & Krishnan (2011) and Storbacka (2011) suggest focusing on managing cross-functional and cross-organizational processes, acquiring resources outside own organization and creating flexible processes.

Further, active and systematic management is also needed in the value creating opportunity of enhanced proactivity (also discussed by e.g Challagalla 2009); the life cycle service seller needs to be able to manage the whole life cycle not only accurately, but most of all proactively. It is not enough to be good in anticipating risks; the seller has to be an innovating and active partner through the whole life cycle. In addition, suggestions need to be made and most of all an attitude to dare to think outside the box has to be pursued.

Finally, in product / service value creating opportunities, it is important to pursue flexibility (e.g Prahalad & Krishnan 2011). For instance, how to do maintenance, examine or improve the vessel without interfering with the customer's processes? How to organize all the life cycle value network resources in a way that new ideas would be fostered and brought rapidly into practice? How to adapt to changing situations during the life cycle? How to reduce bureaucracy in decision making? These are just a few examples to think of.

STRATEGIC VALUE

In order to grasp the strategic value opportunities, the life cycle seller should pursue long-term life cycle service contracts. This not only gives financial predictability for the customer, it most of all fosters commitment from both sides which further generates positive impacts on the development of the relationship. Since a ship's life cycle can last for several decades, significant investments ought to be made to the life cycle relationship – both from the seller and the customer side. Long-term contracts make a good ground for these necessary value-realizing investments, like IT, training and research projects.

The second strategic value creating opportunity, risk mitigation, refers to the technical reliability of the vessel. This opportunity should be tackled with technical superiority; especially in the new build cases the life cycle supplier should be able to offer superior knowledge in technical planning, maintenance and development. Situations such as installing wrong components to critical systems or maintenance pull backs due to inconsistent planning should not exist.

For the third strategic value creating opportunity, enhancing brand value can be as important as the others. This may sound very theoretical, but on the other hand brand value creation should guide all the activities in the relationship. For instance, while Finferries' brand might be associated to safety, Arctia shipping may seek for superiority in arctic knowledge. Similarly, the Coast Guard may pursue for public admiration or an image of being environmental envoy.

Furthermore, it is important to remember that customers might experience strategic sacrifices, such as losing knowledge self-sufficiency or key information, in a life cycle relationship. Hence, the seller has to put an emphasis on supporting customer's skills and knowledge as well as make efforts to protect confidential information in the relationship.

SOCIAL VALUE

“the service provider really need to have the needed knowledge...It does not help if the service provider contact is just middleman broker without real knowledge” – Mats Rosin / Finferries

As stated by Rosin, real life cycle knowledge, capable of grasping the several previously discussed value opportunities, requires credible investments to life cycle development. In order to be truly service oriented the seller needs to have true capabilities which support customer's processes. A superior product is not enough.

And if the seller's life cycle capabilities are credible enough, the value opportunity of learning and new ideas can be tapped on more easily. Anyhow, to realize this opportunity, the seller should challenge and involve the customer as much as possible; as underlined e.g. by Grönroos & Helle (2010) and Viio (2011), value creation is not a one sided process and customer's active participation and idea sharing is a key element supporting the seller's expertise.

The last social value creating opportunity is end customer satisfaction. As discussed by Salonen (2011), at times the seller should go beyond their initial customer's value perceptions and do something that makes the end customers feel satisfied. Again, challenging to implement in practice, but definitely a needed philosophy in a long-term relationship.

For the last, perhaps the most important activity to pursue in a life cycle relationship is trust fostering (e.g. Haas et al. 2012; Grönroos & Helle 2010). If knowledge, financial feasibility, usability and managing the whole would be the corner stones of the life-cycle service, trust could be considered as the foundation. All the interviewees of this study stressed the importance of this value element, which leaves no need to further revolve it.

6.2 Value Selling in Life-Cycle Services

This chapter presents the findings of value selling, mostly from the reference companies, but also from the customers, perspective.

First, a general perspective to value selling is briefly presented; value selling was considered as a desired approach in long-term life-cycle services. Second, the study makes a more detailed view of the topic by discussing the reference companies' perceptions about the most important interactive tasks of value selling and complements them with customer insights. Lastly, based on these empirical findings, applying value selling in ship life-cycle services is discussed.

6.2.1 Value Selling as a Desired Approach in Life-Cycle Services

Value selling as a term was not necessarily familiar to the customers but, after discussing and opening the concept, was recognized as a much desired approach in ship life-cycle services by all the interviewees:

“It's today's reality” –Tero Vauraste / Arctia Shipping

“Until this I have not heard about the concept, but it sounds very reasonable approach in this case” –Gunnar Holm / Finnish Coast Guard

“I see this as a very positive approach” –Sture G. Auren / Finnferries

“Both Benefits and learns from each other” –Kari Virtanen / Finnish Coast Guard

“Value co-creation is the approach we are already using with our suppliers” –Mats Rosin / Finnferries

The reference companies were already more familiar with the concept of value selling but more importantly, had understood the fundamental idea of the discussed approach:

“Maintenance and spare parts are not necessarily enough – we have tried to go one step beyond; how can we support the customer’s process and make it better?” – Esko Kuparinen / Konecranes

“Life cycle is not just traditional maintenance. The solutions around keeping the aircrafts operational are very complex and require creativity and close cooperation with the customer” – Simo Mäkipaja / Patria

“In the past the selling was based on the product the seller was offering. But nowadays also our thinking is based on the view that the product is no more the core thing – the core is the need of the customer” – Stefan Malm / Wärtsilä

“I’d emphasize the difference that is something developed just for developing something new, or is it developed for serving the customer value” – Kalle Sahari / Kone

6.2.2 Sales' interactive tasks in value-based life cycle selling

All together eight points of sales' interactive tasks repeatedly came up to the discussion. These points are presented in the below table:

INTERFACING PROCESSES WITH INFORMATION TECHNOLOGY
CONNECTING RESOURCES ON PERSON LEVEL
FOSTERING MUTUAL LEARNING BY LISTENING AND TRAINING
INVESTING TO COMPREHENSIVE INTERACTION
MANAGING THE LIFE CYCLE BASED ON REAL VALUE PERCEPTIONS
GOING BEYOND TRADITIONAL VALUE PERCEPTIONS
CO-CREATING UNIQUE VALUE
MANAGING THE WHOLE VALUE NETWORK

Table 2, Sales' interactive tasks in value based life-cycle services selling

These sales' interactive tasks are further discussed below.

INTERFACING PROCESSES WITH INFORMATION TECHNOLOGY

Further to face-to-face meetings and discussions, IT-systems were found to be sufficient in interfacing key processes. Konecranes, for instance, collects very detailed and real time information about their customer's processes with their remote system. In addition to knowing customer's business, Konecranes aims to know how their products are being used, what their status is and also how to utilize them more efficiently. The goal is not only to provide quantitative maintenance information, but also to keep up with issues such as state of the relationship and cooperation with the customer. The ultimate goal is to comprehend how the whole process is performing.

The customers emphasized that sharing information about key processes is essential but needs to be based on trust. Especially when it comes to governmental issues, there are things to be considered; for instance, accurate remote systems might not be applicable if they provide information about the ship's accurate location. Otherwise, information sharing about key processes was not found to be an issue.

CONNECTING RESOURCES ON PERSON LEVEL

Personal connections between the seller and the customer were emphasized by several interviewees. In every level there needs to be a person responsible – someone to call; generally both organizations need to know each other on an individual level and who should be doing a certain thing. At Wärtsilä and Konecranes for instance, someone from the seller's staff can be even a physical member of the customer's team and hence, encourage the personal connection between the seller and the customer.

The customers also considered personality as an important factor in resource connection. The service provider should really know the customer; it is not sufficient if each time when calling a customer is having a different person answering. The customer needs to have a contact which can be always contacted and who is one to help.

Furthermore, resource connection requires flexibility in resource planning. Even though there is some kind of certainty about the needed annual resource level, the seller's resources must be flexibly available for the customer. Sometimes things can evolve quite quickly and they need to be reacted to.

Finally, resources from all the relevant levels have to be connected. In addition to managerial level, especially operational level people need to be involved in developing life-cycle services – they know the best how things are done in practice. When it comes to the supplier side, the right people with real knowledge have to be involved – deep interaction requires a few people to sit down with the customer.

FOSTERING MUTUAL LEARNING BY LISTENING AND TRAINING

*“We train our customer to make the best out of our products and the customer trains us to understand their business” –
Tore Björkman / Wärtsilä*

*“It is a prerequisite for a long term relationship. Tomorrow needs to be better than today for both of us” – Sture G. Auren
/ Finferries*

Mutual learning brings out the fundamental philosophy behind value selling; instead of selling a pre-defined offering, the seller needs to develop the service on the customer's business. The seller has to understand what their solution is really doing. For instance in the case of Patria, the seller has to understand a certain kind of a war situation and the mindset of a fighter pilot when developing a solution. It might be difficult but again, an area where systematic research and management needs to be involved. The challenge does not solely limit to the seller-customer interaction, but reaches also the seller's internal communication; how to create and communicate collective meanings inside the own organization?

Listening and training is a reciprocal process. It means that the customer needs to take an initiative and responsibility in value creation as well. Without it, there are very limited opportunities for value to be created. Hence, enhancing mutual commitment can be seen as the key in mutual learning and training.

INVESTING TO COMPREHENSIVE INTERACTION

Interaction itself was considered to be an inevitable area of successful value creating life-cycle services. Furthermore, basically all the interviewees emphasized the importance of trust in well functioning interaction.

Interaction needs to be open in every level of the relationship. Moreover, it has to be continuous and innovative. This means that also the grass root level people have to be able to be very open about issues; if they see something going wrong, point of an improvement or even a more innovative way to do things, they must bring it to the attention of the whole organization. For instance, Konecranes has a lead system, where whoever involved in the life cycle process can make a proposition; it does not matter who does it as long as someone does.

In addition to extending the interaction to pertain all organizational levels, it is important to invest in the kind of interaction which does not arise solely from problems; something important and surprising can come out which can again generate more business. The customer needs to have a very low threshold to have a conversation about anything with the seller.

The customers also expect proactive interaction in the relationship; things have to be communicated before something happens. This would also mean that the seller should keep the customer alert for new solutions and innovations. Openness was also seen as an inevitable prerequisite for well functioning interactions.

All in all, interaction has to be something more than exchanging e-mails or phone calls. Effective interaction means that areas of improvements and good ideas are not only heard, but also successfully utilized in practice.

MANAGING THE LIFE CYCLE BASED ON REAL VALUE PERCEPTIONS

It appeared that one of the most challenging value selling tasks in life-cycle services selling related to the seller's internal processes; how to deploy your whole organization creating the desired value? The usual issue relates to communication and different goal orientation within the selling organization; usually it is the sales department, who discloses the customer value perceptions and develops the solution in new sales, while the life cycle phase responsibility is left to the maintenance department. These departments may have totally different goals and value drivers, which can be seen as conflicting from a value selling point of view.

“It is a challenge to involve the service unit to the value selling. They need to understand what the sales is trying to do in order to align their operations for best possible value creation in the becoming 20 years” – Stefan Malm / Wärtsilä

“every unit in the organization needs to be committed to value creation – otherwise it does not work” –Tore Björkman / Wärtsilä

Heterogeneous value perceptions were also a concern recognized by the customers:

“We have actually experience that first there is the sales team, and after the contract signing, they are gone. Then comes the service team who are like ‘what the hell has the sales been doing?’ We have seen this many times. It would be crucial not having this kind of conflicts. Furthermore, the people who are responsible of the life cycle should be involved from the very beginning” –Tero Vauraste / Arctia Shipping

Hence, it was found that the whole organization needs to share the same values and goals; a customer solution should be comprehended as a whole instead of as separate activities performed by separate units. Also, the

information must flow through the whole organization without departmental boundaries. From the perspective of a customer, there should not be several seller interfaces with various value perceptions; instead, one group of people with intense interaction seeking for the best possible value.

GOING BEYOND TRADITIONAL VALUE PERCEPTIONS

"It is not enough to settle for disclosing the traditional value perceptions, like usage and maintenance costs. We have to go further by making a more in depth business plan for the customer, which should serve the value perceptions more efficiently than if the customer would have made it by himself. In other words, the value in our selling is not based on the kilowatt-profit dependence, but rather on the ability to communicate different scenarios and what they concretely mean for the customer's business" –Stefan Malm / Wärtsilä

It was also acknowledged that value perceptions can vary hugely depending on the customer. As importantly, these perceptions can change over time and it is challenging to keep up with such transformation. Especially changes in social and cultural values were considered difficult to notice.

However, in addition to going beyond traditional value perceptions, financial feasibility and quantifying everything down to numbers were seen as key points in value selling. Without such, it is rather impossible to convince the customer as well as commit them to co-creating value.

All in all, it came up that the task of disclosing value perceptions is definitely an area of improvement when it comes to life-cycle services selling. Especially when the life cycle is long, the subsequent phases may include totally different value perceptions compared to the starting phase. The seller needs to be close to the customer, all the time

CO-CREATING UNIQUE VALUE

“I see that the trend is not to offer ready solutions but instead, create unique value – this is the basis for the whole life cycle thinking” -Veli-Matti Erkkilä / Patria

The above view is shared by the customers:

“The service needs to take into account the special nature of our operations, which is totally different from the commercial actors” –Gunnar Holm / Finnish Coast Guard

Even though unique value creation, contrary to fixed solutions, was seen as an essential aspect to value selling, it was also considered somewhat problematic from an internal point of view; it is rather difficult to establish coherent organizational values or indicators of performance if the solutions are heavily customized. Hence, instead of trying to be able to do everything, it is reasonable to harmonize processes and make standards to some extent; it also enables a company to act in the same way around the world.

MANAGING THE WHOLE VALUE NETWORK

“I have seen the world where the shipyard have tried to provide life-cycle service and I can say that it is not easy ... there are many kind of stakeholders involved which causes more challenges; information may move slower and thus cause extra costs” –Sture G. Auren / Finferries

Managing the whole value network is one of the most challenging selling tasks of life-cycle services; how to create one well-functioning customer interface? In other words, the customer should always have a feeling that things can work out better through the life cycle supplier than through some other way. Without real value network management efforts, this condition may be impossible to achieve.

6.2.3 Discussion

The empirical findings provide evidence that the interviewed reference companies are arguably in a transition towards value based selling. The need for such change is well acknowledged in the managerial level, where the focus is shifting away from products and towards supporting customers' business. Without such fundamental change in strategic thinking, it would be hard to imagine these companies being as successful as they are today.

For instance, in the past a company such as Wärtsilä might have drawn its competitive advantage from manufacturing one of the finest valves in the world. This is absolutely different from today's competitive advantage, which is based on comprehensive customer solutions and supporting life-cycle services.

Similarly Konecranes, whose product is just a rather simple crane, has managed to develop their business towards value selling. This has not happened only by improving the technical quality of their products, but also

by realizing that the only thing that matters after all, is how customers' businesses can be supported in the most value creating way.

As stated by Vargo & Lusch (2008), the product is still important but it takes an increasingly conveyor role in exchanging knowledge and skills; technical superiority is still essential, but in less extent a source of competitive advantage. The value itself is embodied in the seller's ability to use the product in supporting the customer's business processes (e.g Kaario et al. 2003; Terho et al. 2012)

Furthermore, as pointed out by Haas et al. (2012) a lot of this is about interaction and sensing the customer's value perceptions. Traditional communication and exchanging products have changed towards deeper and more comprehensive interaction, exchanging knowledge and connecting resources. The objective is to create a relationship, in which more value can be created together than apart.

This kind of thinking creates whole new processes with whole new managerial challenges; the vague value networks and value creating interaction need to be systematically developed and managed (Cova & Salle 2008; Haas et al. 2012; Prahalad & Krishnan 2011; Vargo & Lusch 2008). This further sets traditional organizations and their ways of thinking about business in a new light; everything needs to be considered from the perspective of customer value.

Based on the interviews, it seemed that a gap between the strategic-level thinking and the reality existed right here. Especially when it comes to life-cycle services, it is reasonable to question whether value selling and its interactive tasks really take place; value selling tasks are more involved in the new sales phase and after that the life-cycle services are considered more as supportive functions without coherent value selling activities.

Usually the problem lies specifically in the coherency; new sales shoot the relationship in a certain orbit and only little value selling effort is made during a long life-cycle service. In the worst case the maintenance

department, who is responsible for the relationship after the new sales, might not even share the understanding of the customer's value perceptions. In order for life cycle selling being able to truly create novel value, the seller has to put emphasis on the interactive tasks throughout the whole life cycle.

Another challenge is committing the customer; value selling is a reciprocal relationship in which the customer cannot expect simply to receive value at a reasonable price (e.g. Ballantyne 2011; Grönroos & Helle 2010; Viio 2011). In value selling, the logic of exchange is vaguer and not every action between the seller and the customer can be quantified. The seller has to be able to come close and both parties have to dare to take the risk of committing themselves into a relationship in which value is uncertain. However, as mentioned previously, everything needs to be based on trust. Also, it is one of the sales' tasks to set goals and visions and to demand the customer to commit to them.

Lastly, the transition towards value selling is a very long process. It not only takes a lot of time, but it sets major organizational challenges. True value selling requires intensive interaction, flexibility, new kind of goal orientation and leadership (e.g. Prahalad & Krishnan 2011; Salonen 2011; Storbacka 2011)

Value selling and its commercial possibilities are not easy to discover; they can have so many different forms and during a long life cycle many things can happen. Hence, a traditional industrial company should not expect to make quick profits with value based life cycle services. Instead, the approach should be experimental and conscious risk-taking. As discussed by Oliva & Kallenberg (2003) the transition towards value selling should be seen as an iterative process with considerable investment and long-term goals.

Still, Grönroos et al. (2007) remind that especially young service businesses may fail to pursue the process supporting perspective and settle only for offering separate services, like maintenance and spare parts. But as

discussed both in the theoretical and empirical part, separate services are just not enough. Instead, the seller has to be able to support customer's business processes.

All in all, when tackling the research question - what are the sales' interactive tasks in value-based life cycle selling - it appeared, from the empirical point of view, that the findings support the interaction-based theoretical framework presented by Haas et al. (2012).

Especially the interactional facet of jointness, in which value is considered to arise from the seller's and the customer's resource sets rather than from exchanging products, was emphasized throughout. Similarly, the facet of balanced initiative, which refers to the partner role of sales, was considered important in value based selling. The facet of socio-cognitive construction, which further stresses the view that value is not embodied in the exchange of products, was also found to be aligned with the Haas et al. (2012) framework.

However, remarkably the facet of interacted value was an area that was left rather untouched. Even though the task of facilitating interactions was discussed somewhat extensively, not too much came up on managing emergent value creating situations, recognizing value-related patterns or freezing value providing solutions. On the other hand, these subjects were rather abstract and perhaps therefore left to minor attention in the interviews.

6.3 Special Characteristics of B2G and Prerequisites for Value Selling in Such a Context

The last part of the empirical findings discusses the customers' and reference companies' views on business-to-government, and also the prerequisites for value selling in such a context. The findings are quite straight forward; even though value selling was considered as a desirable approach especially in the case of ship life-cycle services, the governmental context was not considered to support value selling activities – rather vice versa. The findings are further discussed below.

6.3.1 The nature of procurement legislation seen as the major barrier in value selling

When it comes to public procurement, every product or service purchase exceeding 30 000 Euros has to be tendered (kunnat.net, 2012). It also means that a continuous life-cycle service contract needs to be tendered at certain periods of time as well, no matter how good the relationship is. In other words, regular tendering has to treat everyone equally and the criteria of the tender need to be very clear and concrete.

Hence, the nature of procurement legislation was considered to be the most fundamental conflicting issue in value based life cycle selling in a B2G context.

“Even though beneficial and interactive relationship might be an incentive to make this kind of long term agreements, tendering is an essential in procurement legislation and all the bidders needs to be treated equally” – Gunnar Holm / Finnish Coast Guard

“Procurement legislation is very difficult; it does not increase cost efficiency nor it generate trustful customership, but vice versa... you choose the cheapest” –Tero Vauraste / Arctia Shipping

“Any supplier who can assure a governmental agency that they will be able to deliver the needed resources, can win the tender” –Simo Mäkipaja / Patria

“This kind of value thinking does not fit to purely governmental organizations; the trade is more about choosing the best price” –Esko Kuparinen / Konecranes

Value selling is about things that are difficult to write down on a paper; so how to tender trust, interaction or resource connection? In every interview, the conflicting nature of the procurement legislation was brought into discussion and it was considered very difficult to get everything out of the life-cycle service when being in a business relationship with a governmental organization.

Further looking from the seller's point of view, regular tendering was also seen as a considerable risk; one can ask if there is any sense in making essential investments to personnel, training, IT-systems or other infrastructure if there is a regularly occurring chance for the relationship to end? And again, without credible investments to a long-term relationship, it is questionable if true value selling activities can be achieved.

All in all, the respondents were almost unanimous concerning the crippling effect of the procurement legislation. However, despite the rather skeptical views, some opportunities came out as well. They are further discussed below.

6.3.2 Tendency for Long-Term Profitability and Life Cycle Expertise as Public Sector Value Selling Opportunities

A life-cycle service seller's expertise in a certain area was seen to match a governmental organization's needs in an appropriate way; it was considered that a public agency would benefit from outsourcing everything that goes beyond simple and generic support when it comes to life-cycle services.

Furthermore, as public procurement requires a high level of expertise, it is not necessarily obvious that anyone can win the tender:

“There are presumably different levels of partnerships; the more complex and vital functions included, the more arguments a public agency has to maintain relationship with a certain supplier” –Simo Mäkipaja / Patria

The best alternative would naturally be a status of “strategic partnership”, where a governmental organization would have clear criteria to use only a certain supplier in life-cycle services. However, this kind of an arrangement is not reasoned in most of the cases and usually requires quite heavy arguments, like maintaining the knowledge of strategic self-sufficiency in a certain company, which is the case with the Finnish Air force - Patria relationship.

Still, looking into the case of the Finnish Coast Guard and the strategically important vessel UVL-10, there might be a reason for favoring the Original Equipment Manufacturer in life-cycle services; when it is a question about safety and governmentally important interests, there could be arguments for keeping the service physically based in Finland. On the other hand, the global nature of the service provider might offer evidence against favoring such an arrangement, which would actually be the case with STX Finland Oy.

However, if not focusing on the barriers of the procurement legislation, there is clearly favorable ground for long term ship life-cycle services to

take place. In addition to technical expertise, The Coast Guard seems to stress long-term profitability in their procurement; for instance choosing natural gas as a power source to the UVL-10 was an example of not choosing the cheapest alternative but rather emphasizing the longevity of the solution.

6.3.3 Tender Must Be Influenced Before It Comes Out

“The service provider needs to be involved as early as possible; in a way or another, you need to influence the people preparing the tender” –Kalle Sahari / Kone

“We do not just follow what is going to happen – we try to make an impact” –Kenneth Engblom / Wärtsilä

Even though governmental procurement is bureaucratic and rigid, there are possibilities to affect the nature of the tender. The seller should not just wait what the customer may want but rather be actively involved and consult the customer about the needed solution way before the tender is starting to take its shape.

Hence, knowing and understanding the customer’s business processes and establishing the selling efforts on these bases is essential in winning the public deals. Further, the more complex and vague the solution, the more important these efforts are.

6.3.4 Discussion

Based on the empirical findings, business-to-government seems to be a very challenging context for value selling. The restrictive nature of the procurement legislation seems to truly foil the prerequisites of value selling and hence, the life-cycle service inevitably remains only as a pre-determined and supportive function, rather than a novel value creating relationship. The public sector is still seen as a relatively bureaucratic buyer who is enforced to choose the cheapest offer.

Hence, the public sector buying process is arguably closer to the old good-dominant (GD) logic than the service-dominant (SD) logic; the seller is mostly dependent on the buyer's articulated needs and does not have an in-depth view about product use or business processes. The sales process follows the "offer – negotiate - get the deal" –logic presented by Kaario (2003), rather than being closely involved with customer's business processes.

Furthermore, the empirical findings seem to be aligned with the view of Wang & Bunn (2004), who remind that a governmental buyer's focus is on single transactions' regulatory requirements, which makes forming a long-term relationship rather difficult. Similarly, Purchase et al. (2009) consider that the governmental context does not encourage innovative thinking in the buying process. Remarkably, both views were strongly identified in the empirical discussion.

In the theoretical discussion the goals of a governmental organization were claimed be more diverse compared to the private sector (Van Der Walt 2008) but based on the empirical findings, they indeed seem to have rather rigid frames. There might be signs of Koppell's (2010) view about more flexible market-based activities involving "governance in the public interest", but the empirical findings suggest the public sector still remaining a more traditional and bureaucratic public administration. Hence, Kamarck's (2001) vision of public sector moving towards a networked value creating partner does not seem to be materialized.

Therefore, even though the Finnish Coast Guard does not seem to possess a public administrative “win-lose” philosophy, it is arguably still challenging to find a way to develop the ship life-cycle services towards a truly innovative value creating relationship. However, the exact nature of the procurement legislation still remains somewhat vague and possibilities to form a longer term ship life-cycle relationship should not be left undiscovered. Especially keeping in mind that a complex product creates an increasing need for a closer relationship (Edler & Georgiu 2007; Haas et al. 2012; Wang & Bunn 2004)

At least the seller should not rigidly follow the procurement legislation, but instead put a strong emphasis on shifting their selling focus away from the buyer’s articulated needs and towards a more holistic view of the public buyer’s goals and operating logics. The seller should act in a consulting role in tender preparing, taking into account the public buyer’s mission and political environment. Proactivity long before the tender is a necessity for any level of value selling to take place.

7. Conclusion

This study was conducted on the basis of examining how a Finnish shipyard STX Finland Oy should develop its life-cycle services in order to create novel business and gain competitive advantage supporting the core competence, ship building. Also, knowledge on how to sell to a governmental organization was an interest of the research.

Creating novel value with life-cycle services and doing business with governmental agencies were considered to be areas left to relatively limited attention in the current academic discussion and hence, comprised a gap in the research. Also, these topics were timely for the case company STX Finland Oy, which is in a situation of developing novel businesses supporting traditional ship building. On these bases, the study attempted to find an answer to the ultimate research problem: “how to create value with ship life-cycle services selling?”

The study approached the ultimate research question by examining the concept of value, the latest theoretical discussions of value based selling and by forming an overview of the area of business to government (B2G). Hence, the main research question was further divided into the following three sub questions:

1. What is value in ship life-cycle services?
2. What is value selling and sales’ interactive tasks in life-cycle services?
3. What are the special characteristics of Business-to-Government and hence prerequisites for value selling in such context?

The main contribution of the theoretical part related to understanding customer value and the differences in value perceptions in B2G relationships when compared to private business relationships. Furthermore, an in-depth exploration into value based selling, value co-creation and interactive value based selling tasks was conducted.

On the basis of the theoretical discussion, the empirical part of the study focused especially on life-cycle services and how to apply value selling in a way that novel value would be created. The focus was also to find out which value perceptions are particularly present in ship life-cycle services and to gain insights from doing business with governmental organizations. For this purpose, both potential ship life-cycle services customers of STX Finland and reference industrial companies, successful in services selling, were interviewed.

7.1 What is value in ship life-cycle services?

The empirical study focusing on value perceptions was conducted in a manner, which regarded services without any predefined forms – the offering could be anything at all. A lot of valuable information about the customers' views on perceived ship life-cycle services was gathered. Drawing a conclusion from the key findings, a ship life-cycle service should take into consideration all the discussed value dimensions presented in Rosendahl's (2009) value build up model. These dimensions were economic value, product/service value, strategic value and personal/social value. Also, value sacrifices of each dimension should be considered.

The perceived economic value related to enhanced cost efficiency and increased profit. In turn, economic sacrifices should be reduced with transparent pricing. In other words, the possible ship life-cycle services should make the life cycle of a ship more economic compared to the present situation.

In the product/service value side, the ship life-cycle service was perceived to enhance usability and operational security. The service provider was also expected to see and manage the whole usage process and proactively solve the problems and innovate solutions. The potential customers did not want to have a fixed service concept, but rather a service based on their real

needs. Furthermore, interruptions in customers' operations should be avoided.

From a strategic perspective, issues such as financial predictability, increased certainty of operations, risk mitigation and enhanced brand value were discussed. In turn, dependence on the seller's behavior, reduced knowledge self-sufficiency and key information sharing were considered as strategic sacrifices a life-cycle service relationship could entail.

Finally, personal/social value elements were discussed. It came up that life-cycle services should strive for increased end customer satisfaction, enhanced professionalism, learning and new ideas. Whereas risk of mistrust, downsizing own staff and resistance for outsourcing were considered as possible social sacrifices.

7.2 What are the special characteristics of Business-to-Government and hence prerequisites for value selling in such context?

Next, the theoretical discussion focused on the area of Business to Government (B2G). It was found as a relatively ambiguous theoretical concept but defined as doing business with purely governmental agencies such as Police or Coast Guard.

A part of the theory suggested that it is increasingly irrelevant to make sharp distinctions between what is "public" or "administrated". Instead, one should discuss about programs and institutions that create and protect public good and services. In other words, the public sector is developing its bureaucratic and risk-avoiding win-lose philosophy towards innovative and networked value creating thinking.

Especially with novel and complex solutions, governmental organizations were suggested to increasingly renew their processes from pure transactions towards partnering with private entities. In terms of the procurement process, the cost-benefit rationale should be replaced by the "most advantageous tender" thinking, which means that strategic goals and the

life-cycle as a whole would be ever more important decision making criteria.

On the other hand, the public sector was still seen to have its own distinctive characteristics especially when it comes to value perceptions. Fairness, equality, democracy, public accountability, balancing interests and political advocacy were identified as some of the most common perceptions a public agency may have. Despite picturing the future's public sector as an innovative, networked and value creating partner, the theoretical discussion reminded about the bureaucracy and rigidity involved in the relations of business-to-government.

Remarkably, the empirical findings supported this view. Public sector was not seen to be moving away from bureaucratic administration and towards innovative, networked and value creating behavior. Instead, governmental agencies were still considered as bureaucratic rule followers who continue to put determinant emphasis on price in their procurement. Most of all the procurement legislation was seen as a major barrier for collaborative public-private partnerships, as rigid tendering was not considered to encourage trust based value creating relationships. In this kind of an environment, a long life cycle relationship was seen as risky and difficult to pursue.

Nevertheless, despite of the rigid legislation, the public sector was found to create huge business potential, which is presumably more stable than the cyclical private business. Moreover, possibilities that governmental partners might be more long-term oriented than private customers were discussed as well. Still, opportunities to form close and lasting life-cycle relationships and prerequisites for value selling were seen as very challenging.

7.3 What is value selling and sales' interactive tasks in life-cycle services?

Value selling was the main theoretical topic of the study. The fundamental thinking behind value selling lies in co-created value and intensive interaction. Instead of focusing on the core product/service, the seller needs to put emphasis on the customer's business and develop the offering around it – in close cooperation with the customer. The offering can be anything as long as it supports the customer's business.

Hence, value selling was seen as an opposite approach to the traditional good-based selling, which is based on a pre-defined offering and customer's buying process. When in product based selling the seller tries to convince the buyer to buy the offering, in value selling the seller knows the customer's business and their end users' value perceptions throughout. Additionally, the selling activities are continuing through the whole product life-cycle.

Further, it was discovered that in value selling the value is co-created with the customer, which requires commitment and trust from the customer side as well; the locus moves away from the "producer" to a collaborative process of value co-creation between both parties. Hence, the product is still important, but in a conveyor role in exchanging knowledge and skills, which are essential elements in value selling.

The study suggested that even traditional manufacturing companies have to shift their focus away from products and towards supporting customers' processes. It is not enough to settle for technical superiority and separate supporting services; in the future an organization has to be able to co-create value from the relationship itself. The change towards such a service-dominant logic is just a matter of time.

After discussing the theoretical concepts of value selling, the study attempted to grasp a more holistic understanding of the topic by going deeper into the concrete and interactive selling tasks of value selling. This theoretical discussion was built around the study of Haas et al. (2012)

interaction-based framework of sales' value creating tasks, which presented many essential value-creating activities a seller should pursue.

Firstly, the framework suggested that instead of value being intact to exchanged products or services, it arises from the seller's and the buyer's resource sets. And these resource sets are mostly immaterial, such as skills and knowledge. Here, the key selling tasks were identifying key relational processes, interfacing these processes and finally, connecting the actors, activities and resources from both organizations.

Secondly, the framework emphasized the novel role of sales; instead of being persuasive, sales should be seen as a partner, who is soliciting and interpreting the voice of the customer and bringing that into their own organization. Here, the main selling tasks were identifying and activating relevant actors, fostering a two-way connection, enabling and facilitating mutual learning and establishing co-leadership in the value creating process.

Thirdly, the framework suggested that value has to be understood as emergent and mutually enacted; it is something not planned solely by the seller. This requires intensive interaction, and the value creating selling activities are; facilitating interactions, managing emergent value developing situations, recognizing value-related patterns and freezing value providing solutions.

Lastly, the framework further stressed the view that value is not embodied in the exchange of products or services, but rather socially constructed in the interaction process. Hence, three value creating selling activities were identified: disclosing the actors' perception of value, enabling a mutual understanding and creating collective meanings among relationship partners.

After presenting the interaction-based framework, the theoretical part concluded the value selling discussion by stating that the transition from a manufacturing company towards a true service-oriented company is a long and an iterative process – also in terms of financial feasibility. Along this

way the seller is facing huge structural and cultural issues to tackle with. Still, no manufacturer can do the change at the expense of their core product; the service transition has to be built around their core strengths.

The empirical part operationalized the theoretical discussion by examining how value selling and its interactive tasks should be pursued in the case of life-cycle services. The findings suggested the main selling task to be:

- INTERFACING PROCESSES WITH INFORMATION TECHNOLOGY
- CONNECTING RESOURCES ON PERSON LEVEL
- FOSTERING MUTUAL LEARNING BY LISTENING AND TRAINING
- INVESTING TO COMPREHENSIVE INTERACTION
- MANAGING LIFE CYCLE BASED ON REAL VALUE PERCEPTIONS
- GOING BEYOND TRADITIONAL VALUE PERCEPTIONS
- CO-CREATING UNIQUE VALUE
- MANAGING THE WHOLE VALUE NETWORK

These tasks were relatively well aligned with the discussed theory and especially the interviewed reference companies had internalized the fundamental idea of value selling. However, it was discovered that value selling is pursued mostly in the new sales phase, but not so well in the post-sales phase.

Still, as suggested by the theory, moving away from product-centric thinking and towards customer's processes have arguably created competitive advantage for the traditional reference industrial companies. All in all, in addition to the supporting findings of the reference companies, value selling was seen as a positive and needed approach also by the customers when it comes to ship life-cycle services selling.

7.4 Limitations and Further Research

When evaluating the study, it has to be remembered that the findings represent only some particular Finland based companies' views on the topics and hence, cannot necessarily be generalized to other industries or countries. However, the study may provide a good approach for all western shipyards or other industrial companies, who are manufacturing complex products and face increasing challenges in the field of competitiveness. Still, in order to get a better outlook of the timely topic of value selling, further research is recommended.

Moreover, the researched area of Business to Government, and especially the theoretical discussion, did not cover the topic comprehensively, being too general and deficient to meet scientific credibility. This did not encourage empirical discussion to emerge at a similar level as the other theoretical areas and hence, was left to minor attention. On the other hand, the topic proved to be less relevant among the interviewees as well and hence, the empirical discussion did not generate findings too diverse. Thus, B2G remained as an area of limited scientific discussion and sets a need for further research.

Lastly, using the theoretical model of value build up relationships created by Rosendahl (2009) could be considered somewhat inappropriate from an academic perspective; the model is cited from master's thesis and it does not necessarily meet the required scientific credibility of academic literature. However, the model was given such central role in the study because it illustrates the concept of value in a comprehensive and understandable way.

7.5 Discussion

The transition from offering separate services towards true service orientation is a challenge of breaking the existing business structures and strategic thinking. Compared to the old good-dominant logic, the service-dominant logic requires more collaborative management, higher customer involvement and business cross-functionality (e.g. Storbacka 2011).

In order to build services around the customer's processes, interaction has to be put in the centre of the business. This involves not only building upon closer customer relations in a traditional sense, but most of all establishing a new kind of sales management and selling infrastructure aiming at interactive value selling activities; in other words, making ground for closer integration to customer's processes and value co-creation.

This requires investments to new organizational capabilities; a seller has to be able to manage the whole customer-seller value network, pursue value creating interaction and commercialize the emergent value. Particularly heavy emphasis needs to be put on coherent selling activities in order to avoid a situation where sales and maintenance are having a different comprehension on customer's value perceptions.

In the case of a traditional industrial company such as STX Finland, it is reasonable to consider whether this can be done with the existing resources and management practices or if an entirely new set of capabilities needs to be acquired. Anyhow, in financial terms the transition requires considerable investments with high uncertainty of return and payback time.

Still, considering STX Finland, the prerequisites for value selling are fairly good; the sold offering is rather complex and capital intensive, which means that customers ought to be willing to commit themselves to a value selling approach. As stated by Kaario et al. (2003), customer attractiveness for value selling can be characterized based on two dimensions – the customer's

willingness to partner and the value of the relationship. Further, Töytäri et al. (2011) encourage pursuing value selling if these two measures are high.

Another encouraging aspect for value selling is the current selling process of a ship; the new build is planned and designed in close cooperation with the customer and the whole selling process can last from several months to a few years. The process obviously has common elements with value-based selling and therefore STX Finland can be seen to have good premises for adapting the service-dominant logic. But the issue is still on how to extend the logic to the whole organization and make value creating life-cycle services an inseparable part of new built ships.

To conclude, the study suggests STX Finland to take considerable initiative in developing their life-cycle business based on value selling. They should not only focus on their dyadic customer relationships, but to the whole customer-seller value network. This could involve taking a leading role in the entire Finnish ship building cluster and becoming an actor who is capable to flexibly acquire the needed skills and knowledge and thus, become a life cycle partner who is truly able to add novel value to customers' business processes.

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Appendices

Appendix 1, Interviews

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Mäkipaja, Simo 2012. Senior Vice President, Business Development, Aviation. Patria. Discussion 22.3.2012. Tampere.

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Sipilä, Heikki 2012. General Manager, Lifecycle Services. STX Finland Oy. Discussion 12.4.2012. Helsinki

Utter, Pekka 2012. Project Manager (currently UVL-10), STX-Finland Oy. Discussion 3.2.2012. Rauma.

Vauraste, Tero 2012. Managing Director. Arctia Shipping. Discussion 5.4.2012. Espoo.

Virtanen, Kari 2012. Engine Inspector (Konetarkastaja). Finnish Coast Guard / Länsi-Suomen Merivartiosto. Discussion 23.3.2012. Turku.

Appendix 2, Interview Questions – Potential Customers

WHAT IS VALUE IN SHIP LIFE-CYCLE SERVICES?

(before continuing, discussion about what is meant with the concept of “value” and making a distinction between value and “values”. Also, making clear that ship life-cycle services don’t have any strict form yet – they can be anything)

- In free words, how would you describe what is value for your organization?
- What is economic value for your organization?
- From an economic perspective, how would you perceive ship life-cycle services to create value for your organization?
- And what are the perceived economic sacrifices?
- what is product/service value for your organization? In other words, how would ship life-cycle services improve the utilization of your ship? Explain as profoundly as possible.
- And what are the perceived operational sacrifices?
- What is strategic value for your organization?
- From a strategic perspective, how would you perceive ship life-cycle services to create strategic value?
- And what are the perceived strategic sacrifices?
- What is personal / social value for your organization?
- From a personal / social perspective, how would you perceive ship life-cycle services to create personal / social value for your organization?
- And what are the perceived personal / social sacrifices?

- On a basis of the previous value discussion, How would you describe what is value for your organization in ship life-cycle services?
- From a previously discussed value perspective, describe the perceived life-cycle service which would suit your organization in the best possible manner

VALUE CO-CREATION IN SHIP LIFE-CYCLE SERVICES

(before continuing, discussion about what is meant with the concept of “value co-creation”)

- What do you think about the concept of value co-creation in ship life-cycle services?

JOINTESS

- What do you think about sharing information about your key processes for the ship life-cycle services supplier?
- What kind of interaction do you perceive to take place in developing co-creative value adding life-cycle services?
- if life-cycle services would be developed, who would be the actors in your organization that should be involved in creating life-cycle services?

BALANCED INITIATIVE

- what do you expect about mutual learning in ship life-cycle services?
- what do you expect about two-way communication in developing ship life-cycle services?
- what is your organization’s perception about joint-development of solutions in ship life-cycle services?

WHAT ARE THE POSSIBLE BARRIERS FOR LONG TERM VALUE CO-CREATING RELATIONSHIP IN SHIP LIFE-CYCLE SERVICES?

WHAT ARE THE POSSIBLE ENABLERS FOR LONG TERM VALUE CO-CREATING RELATIONSHIP IN SHIP LIFE-CYCLE SERVICES?

WHAT ARE THE SPECIAL CHARACTERS OF B2G AND PREREQUISITES FOR VALUE SELLING IN SUCH CONTEXT?

- How would you describe the special characters of B2G?
- What are the possible barriers / enablers for value co-creation?
- Compared to the private side, what is value for governmental customers?
- What are the prerequisites for value selling in the context of B2G?

Appendix 3, Interview Questions – Reference Companies

Prior to beginning, making a distinction between the concepts “value” and “values”.

Discussion about value selling (product selling VS. value co-creation)

VALUE SELLING AND SALES’ INTERACTIVE TASKS IN IT

JOINTESS

- From the interactional value co-creating view, value is does not arise so much from the exchange of the product or service, but rather from the two resource sets; one from the seller and one from the customer. These resources are especially immaterial, such as skills and knowledge. What do you think about this in selling life-cycle services?
- How to interface the key relational processes?
- How to connect the actors, activities and resources of both organizations?
- What is the sales’ role in connecting these resource sets?
- And what are the prerequisites for the rest of the organizational (e.g. cross-functionality)?

BALANCED INITIATIVE

- What is the importance of fostering two-way connection (in other words dialogical communication VS one-way persuasion)? How to foster two-way connection?
- What is the importance of fostering mutual learning? How to enable and facilitate mutual learning?
- How do you see co-leadership in value co-creation?

INTERACTIONAL VALUE

- How to facilitate interaction?
- When selling a solution, how to recognize / manage / freeze emergent value creation?

SOCIO-COGNITIVE CONSTRUCTION (the value is not embodied in exchange of products, but rather socially constructed in interaction process)

- How do you disclose the actor's perception of value (which can change over a time)?
- How to enable mutual understanding / same language?
- How to create collective meaning (workshops, conferences etc...)?
- After discussing these interactive tasks, what do you see as key in value co-creative life-cycle service?

- What is the prerequisite for the organization structure / culture for value co-creative interaction to take place?
- From a perspective of value co-creation, how do you see the ratio between standardization and unique customer solution?

VALUE SELLING AND SPECIAL CHARACTERS OF B2G

Briefly explain your business relationship with governmental customers

- what kind of products or services?
- what is the degree of novelty and complexity of the post-delivery solutions? (Very basic / highly complex)
- who are the governmental customers?
- Special characters of B2G. What are they?
- How does life-cycle services selling differ from the private side?
- What are the possible barriers / enablers for value co-creation with governmental customers?
- what is value selling in the context of Business to Government?
- What is value for governmental customers?

Appendix 4 – brief review to life cycle services in ship building industry

Life-cycle services seem to be not too well established in the ship building industry. However, there are companies who offer after-sales services, but usually it is up to customer to manage the ship's life-cycle. The following brief outlook to two chosen companies gives an overview to level of existing life-cycle services in the industry.

DAMEN SHIPYARDS GROUP is based in Netherlands with 35 yards worldwide, a turnover of 1,3 billion Euro and employees more than 6000. The company is manufacturing mostly small boats such as tugs, dredging and other special vessels, but also bigger ones such as cargo vessels and fast ferries. The company is also specialized in repairs and it conducts over 1000 repair works in a year.

The company has an extensive range of after-sales services covering the whole life-cycle of a vessel. In addition to start-up and warranty services, Damen offers repairs, conversions and maintenance. In addition to traditional manufacturing functions, it offers financing and trading services as well.

In post-maintenance, the company uses computerized maintenance management system DAMOS, which is a software providing information about planned maintenance activities, resource allocation and documented maintenance history. It also documents on board systems data and gives information of the initial spares needed. In the future, the system will enable communication between office and vessel, spare parts planning and stock control, cost and budgeting reporting and online spare part purchasing.

Hence Damen is actively participating the life-cycle of a ship, but there is no evidence that they would have comprehensive life-cycle management in their offering. However, the company seems to be on a right path towards service organization and seems to be on more advanced level than STX.

AUSTAL is an Australian based company which has shipyards in Australia and United States. It manufactures customized aluminum vessels both for commercial and defense international markets, with the main focus on defense. The product range includes, for instance, passenger ferries, vehicle-passenger ferries and patrol vessels and multi-role vessels.

The company also offers a wide range of after sales services; contract maintenance, general fit and repair, spare parts, training, ship management support services and consultancy. Out of this service offering, the contract maintenance can be considered as a life-cycle service with through life support (TLS), integrated logistics support (ILS), technical management and specific systems maintenance.

The through life support includes scheduled onsite maintenance programs as well as unscheduled maintenance, which are delivered with Austal's own engineers and technicians. The ILS includes multi-discipline packages and is organized through contractors and partnerships. The technical management covers all aspects of vessel maintenance, such as supervision of dry dockings and technical consultancy. The special systems maintenance service offers a tailored solution for maintaining and supporting a specific system on board.

In addition to contract maintenance, the company offers different ship management support services, such as international safety management systems, international ship and port security systems and computerized maintenance managements systems (CMMS). Moreover, the company has extensive training programs for customer's own maintenance crew, which can be delivered on customer's location. Austal has also wide range of consultancy services, such as conversion and modernization, surveys, regulatory compliance, client representative and project management.

In short, Austal is an organization which has put a lot of emphasis on services and it can participate the life cycle of a vessel in several different ways. And obviously it is able to do it. For example, in November 2011, the

company announced about a service contract with BAE systems; Austal will provide structural maintenance for BAE systems on board U.S Navy research vessel until the beginning of a year 2012. The value for this contract is US \$ 1,5 million.

Another example comes from Australia; in August 2011, the company was awarded for construction and through-life support of eight new patrol boats for Australian Customs and Border Protection Service. Likewise, In Oman, Austal was awarded for two years service contract of Oman's National Ferries Company (NFC), Austal built and non-Austal built, ferries with a one year option. Furthermore, in 2009 in Trinidad and Tobago, Austal signed a 5-year maintenance and support service for six patrol boats with the Coast Guard.

Most of the life-cycle services contract values seems to be non-public, but must bring significant increase to company's turnover. Moreover, it is remarkable that Austal is not focusing only to its own built ships, but to alien vessels as well. It has a global service network, with service centers in Australia, Oman, Spain, Trinidad and Tobago and the USA and sales offices in United Arab Emirates, United Kingdom and Japan.

Another notable thing is that majority of the life-cycle services seem to be signed with governmental organizations; the need for such services is somewhat more obvious in public side compared to private customers, who probably have capabilities and efficient processes to perform the essential repair and maintenance themselves. Still, the company has service contracts also with private operators, like Saudi Arabian ferry operator MACNA. However, no matter of the nature of the customer, Austal seems to be able providing real value to the customer's processes with it's post-delivery services. In a year 2010, the company employed more than 1000 people with service related jobs in 16 different countries. As Austal service general manager Chris Pemberton Said:

“I think operators now recognise how our experience in designing and building more than 200 vessels over two decades translates to a more effective and efficient service offering”.

“This experience allows us to understand the value of vessel operability across all sectors, from commercial ferry operations to patrol boat fleets to luxury private yachts.”

“For commercial operators this means more revenue-earning voyages per annum, for naval operators it’s more patrol days per year and for yacht owners it ensures their vessels are available when they want them.”

Austal seems to transform its business logic toward services not until few years ago. According to company press releases, the life-cycle services contracts were mainly signed only after 2010 and the position of the general manager of services was established in 2010, just before the Oman ferry service contract. Also, probably the fact that Austal commenced its ship building operations not until 1988, and the relatively small base of built ships (approximately 220), have had an impact on the service-dominant logic truly arising until past years. However, growth and development of the service business is on a company’s strategic agenda.

In 2005 the company extended its services to selling its own ships by establishing a website Austal Marketplace. The purpose is to assist the owners in the sales and purchase process and also chartering. Even though this has nothing to do with ship operations, such as maintenance, assisting re-selling the ship can also be seen as after-sales service. Moreover, the Marketplace assists the prospect owners and hence can mean new service contracts for Austal. And predictably, currently non-Austal ships are present in the Marketplace as well.