

# Constructing a Service-Dominant Strategy:

A Practice-Theoretical Study  
of a Start-Up Company

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## ABSTRACT

Contemporary marketing studies claim that in order to effectively create value firms should approach themselves and the market through a service-dominant logic (SDL) rather than a goods-dominant logic (GDL). Whereas GDL draws attention to tangible output and discrete transactions, SDL emphasizes knowledge and skills, exchange processes, and relationships. Overall, SDL enables a broader view on value creation.

For the purposes of this study I approached SDL as a particular strategic perspective on value creation, forming the backbone of a service-dominant strategy. I focused especially on customer value, which refers to customer-perceived benefits less sacrifices.

Despite the proliferation of research on SDL it had attracted little empirical examination. There was a lack of studies on how service-dominant strategies could be constructed and formulated. In addition, strategy research had not focused on how companies could accomplish value creation, although it is a prerequisite for continued success and survival.

In order to narrow this research gap I set out to develop a novel theoretical framework to strategizing about customer value creation, and to elaborate on this perspective empirically through a case study set in a waste management start-up.

The framework builds on the so-called practice turn in social theory and strategy research. The practice approach enables a simultaneous view on the micro-activities and the macro-cultural structures that constitute strategizing. According to the practice-theoretical framework, strategizing is a social activity that arises from habituated tendencies and dispositions rather than from deliberate and purposeful reflection. Thus, a strategic perspective on value creation is immanent in strategizing: it builds on the social practices that strategy practitioners draw upon.

The case study involved ethnographic materials and analysis. Over a period of 20 months I participated in the start-up company's meetings and negotiations, which constituted a considerable part of the overall strategizing. The aims were to identify the most significant social practices involved, and to analyze how they enabled or inhibited a service-dominant strategy and the tensions they formed with regard to a strategic perspective on value creation.

Overall, the case study provided a nuanced view on the practical complexities of strategizing about customer value creation in the context of new business development. I found that the strategizing built largely on ten practices, including engaging in product hobbyism and building large networks, which had different inherent logics that guided the strategizing. I also identified seven tensions between the inherent logics, such as rigid versus flexible organizational boundaries and atomistic versus holistic offerings, which were 'played out' in the everyday strategy making, sometimes sparking observable conflicts. Significantly, I discovered that the construction of a service-dominant strategy hinged upon how the tensions were resolved.

The present study has several contributions to marketing and strategy-as-practice research. With regard to the SDL literature in marketing, the novel theoretical framework, with its solid foundation in the practice turn, will enable researchers to examine different strategic perspectives on value creation in the social practices of strategizing. The case study provides an extensive empirical exploration of the construction of a service-dominant strategy, which was found to depend on specific

practical tensions. It also showed that multiple perspectives on value creation coexist within a single organization.

With regard to strategy-as-practice research, this study highlights the worldview on value creation that is always immanent in strategizing, and emphasizes the role of extra-organizational actors in co-creating value. Furthermore, whereas previous strategy research has focused on struggles between ideologies and discourses, this study acknowledges the embodied nature of the tensions between practices. In addition, the empirical part demonstrates the role of historically and culturally transmitted, trans-individual practices. It also sheds light on strategizing in a small entrepreneurial company, which is something that has been overlooked.

Finally, practitioners could use this study to create space for alternative strategies to emerge by reflecting on the different perspectives on value creation that are presented in the theoretical framework. In shifting toward a service-dominant strategy they could use the tensions that were identified in the case study as a tool enabling them to focus on the most significant aspects of strategizing.

**Keywords:** service-dominant strategy, value creation, practice theory, start-up company

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Helsinki, May 11, 2010  
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# **1 Introduction**

## **1.1 BACKGROUND AND RESEARCH GAP**

Firms generally need to create customer value in order to capture value for their shareholders (Lepak, Smith and Taylor 2007, Priem 2007). Value is created as benefits and captured in monetary form. Recent studies in the field of marketing claim that in order for firms to effectively create value for/with their customers they need to develop a service-dominant strategy (Vargo and Lusch 2004, 2008, Lusch, Vargo and O'Brien 2007), in which the focus is on co-created service processes rather than goods and services in the traditional sense, in other words offerings that are embedded with value. The purpose of this study is to enhance understanding, through a practice-theoretical approach (Whittington 2006, Chia and MacKay 2007), of how to construct a service-dominant strategy in a new business development context.

The creation of customer value is a major strategic concern in that it gives direction to the firm (e.g., Normann 2001, Prahalad and Ramaswamy 2004). It also provides the basis for capturing value in monetary form and thus affects survival and success – few companies are able to generate profits without achieving customer value (Lepak, Smith and Taylor 2007). Within the broad range of studies on organization and management there has recently been a call for research on the phenomenon of value creation, and especially on the creation of customer value (Lepak, Smith and Taylor 2007, Priem 2007). Currently there is no consensus on what value creation is, or on how it can be accomplished. Customer value is defined in this study as the customer-perceived benefits less sacrifices (Priem 2007, Khalifa 2004, Zeithaml 1988) that are achieved through social activity between various entities in the market (Korkman 2006, Schau, Muñiz and Arnould 2009, see also Araujo, Kjellberg and Spencer 2008). It is approached from the perspective of use value rather than exchange value, which refers to price (Bowman and Ambrosini 2000).

Different perspectives on value creation have recently attracted overwhelming interest in marketing research, and significant steps have been taken to enhance understanding of the various roles of companies as well as of other actors and entities. Vargo and Lusch (2004) argue in one of the most widely read papers in marketing that the different forms in and processes through which customer value is created are best

understood through what they call a service-dominant logic (SDL). They describe SDL against a goods-dominant logic (GDL), which is based on an industrial paradigm (Ramirez 1999). Whereas GDL builds on economic science and theories of utility (Vargo and Lusch 2004), SDL has its roots in the services and relationship marketing (Grönroos 1978, 2007, Gummesson 1979, 2007) and the interaction and network approach (Håkansson 1982, Anderson, Håkansson, Johanson 1994, Håkansson and Snehota 1995, Ford, Gadde, Håkansson, Snehota 2003), among others.

According to GDL, value is embedded in offerings, in other words goods and services. It is first produced by the firm and then consumed by the customer. In contrast, SDL posits that value is co-created through ‘service’, which refers to a process in which specialized competences are applied for the benefit of another entity or the entity itself. Accordingly, the co-creation of value builds on relationships and dialogue between different entities, particularly the firm and the customer. The transformation from GDL to SDL thus entails a shift from the production of value *for* the customer to the co-creation of value *with* the customer. Whereas GDL focuses on tangible output and discrete transactions, SDL emphasizes intangibility, exchange processes, and relationships.

The SDL literature claims, often implicitly (Lusch and Vargo 2006) and at times explicitly (Lusch, Vargo and O’Brien 2007), that in order to create value and compete effectively firms should develop a service-dominant strategy. According to these studies, strategy is the art of creating value (Normann and Ramirez 1993), and a strategy that is aligned with GDL enforces too narrow a view on value creation. Firms therefore need a service-dominant strategy to leverage their knowledge and skills for effective value creation (Lusch, Vargo and O’Brien 2007). They need to institute the principles of service-centricity and co-creation throughout the organization (Ramaswamy 2009).

SDL is regarded in this study primarily as a strategic *perspective* (Mintzberg 1987) on value creation. This is consistent with the assumptions held within SDL research, according to which organizations should view and approach themselves and the market through a service perspective (Lusch, Vargo and O’Brien 2007, see also Normann and Ramirez 1993, Prahalad 2004, Ramaswamy 2009). At this point, it is

important to emphasize that a service-dominant strategy does not refer to complementing manufactured goods with “supplementary services” (e.g., Anderson and Narus 1995), a view that is aligned with GDL. As Vargo and Lusch (2004, 2008) argue, such a view obscures the nature of service, which is essentially about co-creating benefits. For example, Homburg, Hoyer and Fassnacht (2003) studied industrial companies that aimed to complement their existing product portfolios with services, conceptualizing a “service-oriented strategy” in terms of the number of services offered and how strongly they are emphasized to customers. This conceptualization builds on GDL, implying that services are differentiated from goods on the basis of their less tangible features. Service is seen not as a co-creative process but as something in which value is embedded and that the firm does to the customer. Thus, a service-dominant strategy, as perceived in this study, does not necessitate a focus on services in the sense that they are distinguished from physical goods. It rather involves a strategic perspective on value creation that emphasizes the role of service as a relational, co-creative process of creating benefits.

Against this background, a research gap emerges. Whereas SDL provides a novel strategic perspective on value creation, there is lack of research on how service-dominant strategies can be constructed and formulated for the creation of customer value. Firstly, strategy research has emphasized value capture over the challenge of crafting organizations and strategies that create value (Nickerson, Silverman and Zenger 2007, Priem 2007). Secondly, as a theoretical construct, SDL has received little empirical examination or elaboration (Vargo 2007, Winklhofer, Palmer and Brodie 2007, Brown and Patterson 2009, Peters, Gassenheimer and Johnston 2009). The majority of studies so far have focused on improving SDL conceptually on a rather abstract level. With few exceptions (e.g., Blazevic and Lievens 2008, Brown and Patterson 2009) these theorizations have not been connected to the practice of organizations and strategy, and consequently there is little understanding of the social dynamics of strategizing about customer value creation.

## 1.2 RESEARCH APPROACH AND OBJECTIVES

In order to enhance understanding of how a service-dominant strategy for customer value creation can be constructed, I will develop a novel theoretical framework and

elaborate on this empirically through a case study on strategizing in a waste management start-up. The theoretical framework builds, firstly, on the discussions of value creation in marketing, and secondly on the practice turn in social theory (Schatzki, Knorr-Cetina and Savigny 2001, Reckwitz 2002) in general and strategy research (Johnson, Melin and Whittington 2003, Johnson, Langley, Melin and Whittington 2007, Jarzabkowski 2005, Jarzabkowski, Balogun and Seidl 2007, Whittington 2006, 2007, Chia 2004, Chia and Holt 2006, Chia and MacKay 2007, Carter, Clegg and Kornberger 2008, Rasche and Chia 2009) in particular.

According to the practice approach, strategy is not something organizations *have*, but something that people *do* (Jarzabkowski 2004, Whittington 2006). However, in terms of conceptualizing strategizing these so-called strategy-as-practice studies have adopted multiple approaches; also ones that do not explicitly draw on the practice turn in social theory. Furthermore, no unified practice theory exists. This study takes a non-individualist, practice-theoretical view of strategizing as a social activity arising from “habituated tendencies and internalized dispositions rather than from deliberate, purposeful goal-setting initiatives” (Chia and MacKay 2007). Accordingly, the strategy arises largely from the immanent logics of the social practices that practitioners carry out and draw upon (Chia and Holt 2006). These practices are nexuses of doings and sayings that are linked through certain background understandings (Schatzki 2002, 2005, 2006).

The practice-theoretical approach constitutes a significant departure from what is perhaps the most prevalent view of strategy, which is connected to Porter (1980, 1985) and the design school (Mintzberg 1990). The design school considers strategizing primarily in terms of detached, analytical decision-making that is driven by conscious thought and uses various analytical tools. It aims at an explicit, implementable plan. In contrast, from the practice-theoretical perspective the strategy builds on social practices that are transmitted historically and culturally. Organizationally effective actions do not depend on purposefully crafted strategic plans because practitioners act upon the practices they have internalized as certain ways of approaching the world (Chia and Holt 2006, Chia and MacKay 2007).

According to the non-individualist, practice-theoretical approach, a strategic perspective on value creation is immanent in strategizing. It draws attention to the subtle ways in which the strategic perspective is constructed in the social dynamics of strategizing. It highlights the roles of various social practices, not only typical “strategy practices” (Whittington 2007) such as strategy away-days and those implicit in common analytical techniques. It also stresses how some practices enable and others inhibit (Mantere 2005) a service-dominant strategy, thereby constituting tensions in the strategizing.

The construction of a service-dominant strategy is elaborated through a case study (Stake 2003) on strategizing in a start-up company that aimed to develop new business in the management of biological waste. The entrepreneurs sought to develop new solutions for the environmental-technology market. Given the nascent stage of the waste management industry the business environment did not impose strict perspectives on the strategizing. As suggested in the research on entrepreneurship, the strategizing involved improving access to various resources by growing the surrounding network on the one hand, and constraining the possible means and goals of the new business development in order to achieve a common direction on the other (Sarasvathy and Dew 2005a). The case enabled the direct and extensive observation of strategizing about customer value creation.

The following three research questions guided the empirical study, the aim being to elaborate on the practical complexities related to strategizing about customer value creation:

1. How is a service-dominant strategy for customer value creation constructed in the new business development and start-up context?
2. What are the relevant social practices of strategizing that enable/inhibit a service-dominant strategy?
3. What are the tensions and complexities of these practices with regard to a strategic perspective on value creation?

The aim in the empirical study was to build theory from practice (Schultz and Hatch 2005): to engage in the everyday strategizing and analyze how it constituted different



views on value creation. In accordance with the principles of abductive research (Dubois and Gadde 2002), the theorization and the empirical analysis were simultaneous. The practice-theoretical framework provided a specific viewpoint on the observed strategizing (Alasuutari 1996), highlighting its deeply rooted practices and, in particular, the different perspectives on value creation they demonstrated. However, the perspectives were not imposed on the data through existing theoretical knowledge. The practices were approached with as few preconceptions as possible, the aim being to give room for the everyday complexities and paradoxes in the strategizing. The construction of a service-dominant strategy was elaborated both conceptually and empirically in an iterative process between theory and practice.

The empirical study involved ethnographic materials and analysis (Moisander and Valtonen 2006) that built on philosophical hermeneutics (Gadamer 1989/1960, Arnold and Fischer 1994, Thompson 1997). The data were collected primarily through participation in the strategy meetings and negotiations of the start-up company over a period of 20 months. Contrary to what is often observed in companies, the meetings and negotiations constituted a considerable part of the overall strategizing in that the start-up was organized like project teams in larger companies: the practitioners were all simultaneously involved in other jobs and periodically gathered together in order to push forward the new business development. The study thus involved unobstructed access to the everyday efforts and complexities of developing new solutions for waste management.

### 1.3 EXPECTED CONTRIBUTIONS

Overall, the novel practice-theoretical framework and the empirical elaboration enhance understanding of how to build service-dominant strategies for customer value creation, particularly in a new business development and start-up context. With regard to the research on value creation in marketing (Vargo and Lusch 2004, 2008), this study continues the problematization of GDL in organizations. It provides a coherent social-theoretical basis on which to examine the dynamics of constructing a service-dominant strategy. In addition, the empirical elaboration of strategizing in the development of new business gives practical meaning to the relatively abstract dimensions of SDL.

Although strategy-as-practice research (Johnson, Melin and Whittington 2003, Whittington 2006, 2007, Jarzabkowski, Balogun and Seidl 2007) has undergone rapid development in the last two decades, the main body of that work has been criticized for ignoring the philosophical foundations of practice theory (Chia 2004, Chia and Holt 2006, Chia and MacKay 2007, Carter, Clegg and Kornberger 2008). At the core of this criticism is, firstly, an undue focus on the visible doings of strategy and neglect of the background understandings behind them, and secondly the primacy of individuals over practices. In response to this criticism the present study reports an empirical examination of the culturally and historically transmitted practices that constitute strategizing in a start-up company. It illustrates how these social practices can be empirically examined and described.

To strategy practitioners this study offers a novel approach to making sense of strategizing about customer value creation. On the one hand the theoretical framework creates space for alternative strategies to emerge by unlocking some of the often-taken-for-granted aspects of value creation: the focus shifts from producing and selling offerings to co-creating value with customers. On the other hand, it illustrates how strategizing is driven by deeply rooted practices. Becoming mindful of these practices is the first step to facilitating strategic change.

#### 1.4 STRUCTURE OF THE REPORT

This research report comprises this introductory chapter and subsequent chapters covering the theoretical framework, the methodology, the empirical study, and finally the conclusions and discussion with suggestions for future research. *Chapter 2 “Theoretical framework”* begins with a description of the theoretical background in the marketing literature related to the strategic perspective on value creation. The theoretical construct of SDL is divided into two dimensions, namely the relationship and the offering, which help to maintain focus in the empirical study. The second part of the chapter works toward a practice-theoretical understanding of strategizing about customer value creation by drawing on relevant literature within the practice turn in social theory and strategy-as-practice research. Overall, the chapter constitutes a novel practice-theoretical framework for examining the construction of a service-dominant strategy.

*Chapter 3 “Methodology”* describes the methodological approach of the empirical study and discusses the validity, reliability, and limitations of the research. Furthermore, it introduces the empirical data and the research site and goes through the analytical process.

*Chapter 4 “Developing new business in waste management”* presents the empirical analysis and findings. It is organized around four topics: identifying the social practices of the strategizing; exploring possible tensions between those practices; examining the strategizing as practical coping; and analyzing the strategic perspective on value creation that was immanent in the strategizing.

*Chapter 5 “Conclusions, discussion and suggestions for future research”* gives a short summary of the empirical study and highlights the theoretical and practical contributions. This study is then discussed with respect to its wider societal connections, beyond marketing and strategy-as-practice research. Finally, suggestions for further research are made.

## 2 Theoretical framework

### 2.1 A STRATEGIC PERSPECTIVE ON VALUE CREATION

This section presents the theoretical background behind the idea of a service-dominant strategy for customer value creation, and especially the strategic perspective on value creation. The concept is positioned and elaborated theoretically within the marketing literature. It is novel but has strong roots in the history of marketing thought. Previous studies surrounding the idea of service-centricity approach it broadly as a worldview or paradigm (Vargo and Lusch 2004, Edvardsson, Gustafsson and Roos 2005, Gummesson 2007, Grönroos 2008). In this study I conceptualize it as a strategic perspective (Mintzberg 1987) on value creation, which forms the backbone of a service-dominant strategy. This allows me later to tap into recent practice-theoretical developments in strategy research, and thus to enhance understanding of the construction of a service-dominant strategy in organizations.

I adopt a broad definition of value<sup>1</sup>. Although the concept has been discussed extensively, no unitary theoretical view exists (for reviews, see Khalifa 2004, Korkman 2006, Sánchez-Fernández and Iniesta-Bonillo 2007). This study focuses on customer value, which I define as customer-perceived benefits less sacrifices (Priem 2007, Khalifa 2004, Zeithaml 1988). Rather than focusing on exchange value, which is only realized at the point of sale, I adopt the perspective of use value, which is subjectively assessed by the customer (Bowman and Ambrosini 2000). Although the process of creating value can be managed, at least to some extent, the resulting value cannot always be measured or monetized (Ramirez 1999).

I follow a practice-theoretical approach throughout the study, and see customer value creation as a social activity between various entities in the market (Korkman 2006,

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<sup>1</sup> A more rigorous conceptualization of value would require choosing a specific philosophical standpoint. For example, a practice-based view would differ from a view that places the mind at the center of the social. Taking such standpoints, however, would inhibit dealing with the different types of strategic perspectives on value creation that are presented in the marketing literature, rendering certain types of arguments unintelligible. If we were to assume, for example, that value was essentially a social construction, then stating that it is embedded in offerings would not make sense. Thus, the concept of value in this study remains intentionally open-ended.

Schau, Muñiz and Arnould 2009, see also Araujo, Kjellberg, and Spencer 2008). Biological waste management in a residential area is an example of value-creation activity that is relevant to the case company in this study. It involves a multitude of practices and material arrangements. The material processes needed for managing biological waste are organized around a bioreactor that is connected to all houses in the area through an extensive piping system. The bioreactor processes biological waste into soil that is then transported to where it is of further use. The actors who are directly related to these material processes include residents, employees who adapt and maintain the bioreactor and the piping system, and municipal or private employees who transport the output from the bioreactor. Beyond these actors are various organizations that employ product developers, manufacturers, and marketers, among others. The residents are involved in various kinds of practices, such as cooking and taking out the garbage, which are supported by the practices required for running the bioreactor and the piping system. The activity is also connected to the municipal decision-making that determines the specific technologies, such as composting, that are supported through political and financial mechanisms. These decisions follow the continuously changing laws and regulations on the national and EU levels. Thus, in this example, customer value creation is accomplished within a complex and dynamic social activity, the effectiveness of which depends on various human practices and material arrangements.

Vargo and Lusch (2004) argued relatively recently that value creation is best understood through the concept of ‘service’, as a process of creating benefits rather than goods and services in the traditional sense, in other words offerings that are embedded with value and done to/for the customer. They label this perspective service-dominant logic (SDL), and define it against goods-dominant logic (GDL). In their view, GDL offers too narrow a perspective on value creation, overemphasizing physical goods and tangible resources. In contrast, SDL allows a proper status for relationships, skills, knowledge, and other intangible resources. Vargo and Lusch originally published their ideas in the leading journal of marketing research, the *Journal of Marketing*, generating a wealth of academic interest and complementary articles (for overviews, see Lusch and Vargo 2006, Vargo and Lusch 2008).

According to the literature, effective value creation requires that organizations approach themselves and the market through SDL (Lusch, Vargo and O'Brien 2007). I see SDL essentially as a particular *strategic perspective* on value creation – forming the basis of a service-dominant strategy. Mintzberg (1987: 16) defines the strategic perspective as an “ingrained way of perceiving the world”. In this respect he likens strategy in organizations to “what personality is to the individual” (ibid: 16), emphasizing that the perspective is shared by members of the organization “through their intentions and/or by their actions” (ibid: 17). I will continue to theoretically elaborate the concept of the strategic perspective on value creation in *Section 2.2*, in which I develop a practice-theoretical framework in order to foster understanding of its construction through strategizing in organizations.

The view of markets as fields of practices highlights the importance of a strategic perspective on value creation (Kjellberg and Helgesson 2007, Araujo, Kjellberg, and Spencer 2008). According to this view, markets as sites for exchange that provide the broad context for value creation are not universal, self-contained entities, but rather take on distinct forms across various social contexts (Peñaloza and Venkatesh 2006). They are social constructions and the logics according to which market actors interact are continuously being negotiated (Andersson, Aspenberg and Kjellberg 2008). The identities of different market entities and the ways in which they relate to each other in terms of value creation are defined in the field of practices (Schatzki 2002, 2005, 2006). Relationships are formed between market actors, such as companies and their customers, as well as among other entities such as goods and services. The social activity of creating value draws on a shared understanding that defines certain intelligible and desirable positions for each entity. However, the identities and relations are not fixed. They are continuously being established and reshaped. Thus, the position of an organization in this activity is tied to the way its members perceive value creation. The strategic perspective on value creation affects the creation of customer value, enabling particular forms of value creation and inhibiting others.

A strategic perspective on value creation, then, is not merely a way of seeing the market, but contributes to configuring the social activity through which value is created within the market. The strategic perspective resonates beyond the individual organization, and particularly in the context of new business development lays the

foundation for further business and market development. This is consistent with the effectual approach to entrepreneurship (Sarasvathy 2001, Sarasvathy and Dew 2005a, 2005b, Read and Sarasvathy 2005, Read et al. 2009). According to Read et al. (2009), experienced entrepreneurs use an effectual logic to tackle uncertain market elements: rather than starting from predicting the future they allow their goals to emerge through imagining courses of action that take the available means as the starting point. In this they rely on past experience and understanding.

Outside marketing research there has been relatively little discussion about different strategic perspectives on value creation. The strategy literature emphasizes value capture over value creation (Nickerson, Silverman and Zenger 2007), and Porter's value-chain model dominates the research (1980, 1985). The starting point in this model is that companies strive to maximize their profits and shareholder value by outperforming their competitors. They create these profits by managing a value chain, whereby offerings are developed, sold, and delivered to customers. The power and role of customers, especially in consumer markets, are limited to making purchasing decisions. Stabell and Fjeldstad (1998) argue that Porter's model is not valid in all industries, and especially not in the service sector. They note that it inherently approaches value creation as transforming various inputs into products, and suggest that firms could also create value by (re)solving customer problems and linking customers together. In addition, the introduction of the notion of co-opetition (Brandenburger and Nalebuff 1996), which refers to simultaneous inter-organizational competition and collaboration, could be seen as a move toward a more multifaceted understanding of how organizations can create value for/with customers. The aim in this study is to further examine different value creation perspectives by drawing on the marketing literature.

*Sub-section 2.1.1* elaborates on the problems related to GDL, which focuses on valuable offerings as the primary unit of exchange. In the light of this study, the primary reason for organizations to construct a service-dominant rather than goods-dominant strategy is, as Vargo and Lusch (2004) claim, that although value creation is a complex and broad phenomenon, GDL reduces it to the mere production and movement of tangible objects. I continue this discussion, drawing on multiple critically-oriented studies in the marketing and management literature.

In *sub-section 2.1.2* I trace the idea of service-centricity as a strategic perspective on value creation in the evolution of marketing research. Providing a coherent view on how value creation is conceptualized in marketing is challenging because of the theoretical ambiguity in the extant literature. Marketing theory has been accused of lacking a solid theoretical orientation (Burton 2005) and of forgetting and ignoring its roots (Wilkie and Moore 2003, Wooliscroft 2008). Moreover, the research has not captured the complex nature of value creation, and usually adopts a logical empiricist view that stresses rationality, objectivity, and measurement (Arndt 1985). Furthermore, core concepts such as logic, mindset, orientation, and paradigm are often used interchangeably, and their meanings are rarely elaborated on. The inevitable conceptual difficulties related to value creation logics in the marketing literature could be overcome, to some extent, by translating them into practice-theoretical language. However, this would largely erase the historical and disciplinary context of those conceptualizations. It is also apparent that some of the logics are incompatible with the practice-based view of markets and marketing. Thus, the aim is to achieve a balance between making the different views intelligible and conserving their original meanings.

*Sub-section 2.1.3* breaks down the concept of SDL into two dimensions: the relationship and the offering. Through trial and error I chose these two related but distinct dimensions to specify and distinguish between various conceptual discussions about value creation in the marketing literature. The selected dimensions resonate well with what Hunt (2002) more broadly calls the fundamental explananda of marketing, in other words exchange relationships: they open up the possible roles of market actors and material entities in the relationships within which value creation is accomplished. Throughout this study the two dimensions provide the necessary means for staying focused and consistent in the inevitably complex mesh of viewpoints on value creation.



### 2.1.1 Problematizing a goods-dominant strategy

In this sub-section I discuss alternative ways in which a goods-dominant strategy may be associated with poor economic performance in companies, and bring in various other critical arguments from marketing and management research. It is argued in the SDL literature that GDL as a strategic perspective on value creation limits companies' attention so that it only covers tangible output and discrete transactions (Vargo and Lusch 2004, 2008). A goods-dominant strategy undermines the importance of intangible elements in value creation, as well as the complexity of exchange processes and relationships. In the realm of companies that embrace such a strategy there is no co-creation of value – there is just the production and movement of offerings. These companies are unable to fully utilize their resources for effective value creation (Lusch, Vargo and O'Brien 2007). Thus, because value creation is a prerequisite for maintaining the ability to capture value in monetary form (Lepak, Smith and Taylor 2007), a goods-dominant strategy may hinder overall economic performance.

Taking another point of view, Prahalad (2004) argues that the primary problem associated with staying within the old, “dominant logics” of value creation is the missing of the entrepreneurial opportunities that are continuously emerging outside of them. He predicted that the idea of co-creating value associated with a service-dominant strategy would produce unforeseen opportunities and solutions. In a similar vein, Prahalad and Ramaswamy (2004: 6) suggest that the need for new “value creation practices” is incurred by consumers who are “armed with new tools and dissatisfied with available choices” and who want to “interact with firms and thereby ‘co-create’ value”. They conclude that consumers choose firms that explicitly offer co-creation possibilities over those that do not.

The literature on corporate social responsibility, or sustainable/green marketing (Vaaland, Heide and Grønhaug 2008), also highlights the economic performance of companies. These studies often take a corporate perspective on how particular business practices affect the social and natural environment (Banerjee 2008): good corporate citizenship is related to good financial performance, and if a corporation is perceived to act badly its license to operate will be revoked by ‘society’. As an example of this managerialist approach, “old” value creation perspectives on companies as independent production and sales units are often associated with profit-

making concerns through their ongoing surveillance by society (e.g., Senge and Carstedt 2001, Hart and Milstein 1999).

A goods-dominant strategy is not only an issue for individual organizations: it may also affect the social and natural environment. The grand issues that are currently under debate in the global media and various political and business arenas, such as the increasing challenge of maintaining human and ecological well-being, provide significant motivation to explore the construction of a service-dominant strategy in this study. As discussed below, it is apparent that different perspectives on value creation are connected to these challenges, although it is impossible to draw definitive conclusions because of the holistic nature of markets and their embeddedness in society and the natural environment. I will connect the goods-dominant strategy with examples of critical commentary, although it may be that we need critical research in areas other than marketing and management in order to successfully identify the multifaceted effects of the views that are inherent in current marketing and business practices (Banerjee 2008). To date there have been few serious attempts to map business-society relations in terms of sustainability (García-Rosell 2009).

It seems that a goods-dominant strategy may disconnect companies from their business, societal, and natural environments: the idea of the company as an autonomous agent with one prioritized goal, i.e. increasing profits by selling more offerings, easily marginalizes other goals such as the collective quality of life and environmental well-being (Kilbourne 2004). In contrast, a service-dominant strategy is inherently relational. Kavali, Tzokas and Saren (1999) connect this kind of relational view with a number of virtues that make companies better connected to other market entities: equity, benevolence, reliability, responsibility, commitment, diligence, and trust. Similarly, taking a postmodern consumer-culture perspective, Firat and Dholakia (2006) observe a shift in orientation from consumer satisfaction to consumer empowerment. They suggest that the idea of co-creating value through dialogical interaction and mutual learning embeds companies in their cultural environment and empowers other market actors, such as consumers.

A goods-dominant strategy can also be associated with material aspirations that many studies have problematized (e.g., Roy 2000, Senge and Carstedt 2001, van der Zwan

and Bhamra 2003, Heiskanen and Jalas 2003, Mont and Plepys 2008). An example of such theoretical development is the concept of sustainable product-service systems, which goes beyond ideas such as cleaner production and design that focus on optimizing offerings and processes with regard to the environment (Roy 2000). The goal of sustainable product-service systems is to provide the essential “end-use functions” of existing offerings, such as warmth and mobility, by using alternative socio-technical systems. This concept resonates well with the idea of shifting focus from offerings to value-in-use (Vargo and Lusch 2004). Of course, the transition from physical objects toward the value that is realized through service processes is not simple and should be further examined. It should be remembered, for example, that tangible goods are often an inseparable part of widely shared consumption practices (Heiskanen and Jalas 2003).

Finally, we should bear in mind the need to carefully and critically examine the current theoretical and practical developments in marketing that flirt with the idea of co-creation, which may, for example, legitimize companies’ efforts to outsource some of their work to customers (Zwick, Bonsu and Darmondy 2008). In addition, one-sided activities related to empowering customers may not result in increased customer power (Denegri-Knott, Zwick and Schroeder 2006) or in customer perceptions that they have the authority to take action (McGregor 2005). Thus, a service-dominant strategy should always be seen vis-à-vis the full spectrum of company practices. It is not reducible to mere strategic plots or marketing campaigns.

### 2.1.2 Toward a service-dominant strategy

When it began at the beginning of the 20<sup>th</sup> century the formal study of marketing was based on economics and centered on the distribution of commodities at an aggregate level (Vargo and Lusch 2004). In the 1950s and 60s the discipline split into the consumer behavior (e.g., Engel, Kollat and Blackwell 1968, Howard and Sheth 1969) and marketing management (e.g., Alderson 1957, 1965, Kotler 1967) schools<sup>2</sup> (Sheth and Gross 1988, Vargo and Morgan 2005, Shaw and Jones 2005). Although they were

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<sup>2</sup> There are different interpretations of the number and content of schools of marketing thought (e.g., Sheth, Gardner and Garrett 1988, Shaw and Jones 2005), but here I focus on the ones I considered most important in developing the idea of service-centricity.

poorly linked, both were grounded in the “marketing concept” (McKitterick 1957), incorporating the notions that the market is driven by consumers’ needs and desires, that the firm’s goal is to profit by satisfying those needs with new products and services, and that all activities of the firm should be aligned with these ideas. The consumer behavior school drew heavily on psychology and focused on consumer choice, habitual purchasing behavior, information acquisition, perceptions of satisfaction, and post-purchase behavior. The marketing management school, relying on management research and managerial economics, was concerned with normative issues of product differentiation, market segmentation, and market positioning. It developed the marketing-mix and 4Ps concepts (Borden 1964, McCarthy 1960) for defining optimal firm performance in the marketplace. Thus, for the mainstream, marketing was a decision-making and problem-solving function. From the 1970s onward marketing thought became more dispersed as new perspectives and concepts began to emerge – services marketing, the interaction and network approach, relationship marketing, and postmodern approaches, among others (Möller 1992, Grönroos 1994b, Vargo and Lusch 2004, Vargo and Morgan 2005, Shaw and Jones 2005).

Even at the time when the consumer behavior and marketing management schools were beginning to dominate the discipline researchers were adopting different perspectives on value creation (Vargo and Morgan 2005). Dixon (1990), for example, noted that Beckman (1957) and Alderson (1957) conceived of value differently: Beckman argued in terms of *value-in-exchange* and based his calculation of value-added on the selling value of offerings, whereas Alderson reasoned in terms of *value-in-use* and claimed that exchange transactions increased the utility of offerings because there was more value in use after the exchange. Given the wide range of different and often implicit perspectives on value creation that have been under discussion for a long time, some contemporary authors have gone so far as to question whether recent developments in the marketing literature offer anything new or whether they are just reformulations of past efforts (Levy 2006, Wooliscroft 2008). In any event, new approaches emerged during the 1970s and 80s, especially in the Nordic countries (Grönroos 2007). Services marketing, relationship marketing, and the interaction and network approach became more prominent. They continued the shift in orientation from the sale and distribution of goods to the study of exchange

processes that was initiated by a few pioneers, including Alderson (Vargo and Morgan 2005, Shaw and Jones 2005).

The starting point in services marketing (Berry and Parasuraman 1993, Fisk, Brown and Bitner 1993, Fisk, Grove and John 2000, Grönroos 2007) was an emphasis on the role of services in societies, which was at the time marginalized in studies focusing on physical goods. Services were distinguished from goods by four aspects: intangibility, heterogeneity, inseparability of production and consumption, and perishability (Zeithaml, Parasuraman and Berry 1985). Although services marketing became popular (Fisk, Brown and Bitner 1993), it never actually broke free from the goods-focused paradigm (Shostack 1977, Gummesson 1993, Vargo and Morgan 2005): services were rendered in opposition to goods, and the differences were seen as difficulties for management. Vargo and Morgan (2005) argue that this untenable dichotomy has limited our understanding of the exchange process. However, the services marketing approach did sow seeds for further theoretical development (Gummesson 2007). First, the concept of value creation was endowed with a time component: value is created through time, within a service process, rather than existing in a physical product at any given moment. Second, it was apparent that customers and their behavior constituted an essential part of the service process, in contrast with goods-focused research in which customers are not considered relevant for value creation. Services marketing thus highlighted the customer's crucial and dynamic role. Third, in tandem with relationship marketing, services marketing acknowledged the involvement of all employees, not just full-time marketers, in customer interaction (Gummesson 1991).

Relationship marketing (Möller and Halinen 2000, Eiriz and Wilson 2006, Harker and Egan 2006, Grönroos 2007) shifted the research emphasis on two fronts: first from independence and individual choice to mutual interdependence, and second from competition and conflict to mutual cooperation (Sheth and Parvatiyar 1995). Relational exchange between buyers and sellers differs from discrete transactions essentially because it transpires over time and includes social exchange (Dwyer, Schurr and Oh 1987). According to the relational view, buyer-seller relationships are personal, complex, and dynamic in nature. They build on trust and commitment. Relationships form not only between organizations and individuals, but also between

other market entities such as brands (Fournier 1998). Relationship marketing could be seen either as a strategic choice between relationship and transactional marketing (e.g., Grönroos 1994b), or as an attempt to provide a better theoretical understanding of exchange processes within markets.

The Nordic interaction and network approach (Håkansson 1982, Anderson, Håkansson, Johanson 1994, Håkansson and Snehota 1995, Ford, Gadde, Håkansson, Snehota 2003), in turn, shifted the focus from dyadic relationships to networked relationships in business markets. Researchers have sought to better understand value creation through interaction in networks, and the focus has been less managerial and less normative than in services and relationship marketing. According to this approach, networks consist of activity links, actor bonds, and resource ties (Håkansson 1987). Because of this interconnectedness, networks cannot be unilaterally managed. At the core of this research stream is the notion that companies are always engaged in networks regardless of their own actions and configurations (Håkansson and Snehota 1989). Related to this is the provision of tools for the management of intentionally created business networks, or strategic nets (Möller and Halinen 1999, Möller and Rajala 2007, Järvensivu and Möller 2009).

The above-mentioned research streams, i.e. services marketing, relationship marketing, and the interaction and network approach, all point toward the co-creation of value. One influential pioneer who, together with his colleagues, sought to bridge these streams was Normann (Normann and Ramirez 1993, Wikström and Normann 1994, Normann 2000, 2001, see also Michel, Vargo and Lusch 2008). His treatment of the concepts of customer participation, customer cooperation, and value constellation came close to the current debate in marketing: value for someone is realized through (re)configuring the roles and relationships of multiple network actors. He also promoted a service logic that, he argued, takes us from the “oversimplified view that ‘producers’ satisfy needs and desires of ‘customers’” to thinking in terms of “value creating systems” (Normann 2001: 98). However, neither Normann nor the proponents of the other approaches mentioned above, with the exception of services marketing, were able to break into the predominantly US-based mainstream of marketing literature. According to Grönroos (2007: 4), the notion of relational services that stemmed from the Nordic countries in the 1980s met with

interest from the scholarly audience in North America, but there were difficulties in linking the new concepts and thinking with the conventional body of marketing research.

Building largely on these traditions, an award-winning and one of the most widely read papers in marketing, written by Vargo and Lusch (2004), spawned the recent upsurge in discussion related to different perspectives on value creation. This article was essentially a synthesis of earlier research in the areas discussed above, with additional input from other sources such as resource management (Day 1994, Hunt and Morgan 1995). It has since given rise to a number of forums, special issues, and other publications (Lusch and Vargo 2006, Vargo and Lusch 2008), and opened up a wide-ranging and often heated international dialogue among marketing academics (Gummesson 2007).

Vargo and Lusch (2004) argue that the perspective of marketing scholars and practitioners is evolving from a goods-dominant toward a service-dominant logic, and claim that the new logic they outline potentially serves as a platform for improving the theory of markets and market exchange (Vargo and Lusch 2008). The starting point of SDL is that service, rather than goods, is perceived as the fundamental basis of exchange. Service is “the application of specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself” (Vargo and Lusch 2004: 2). SDL centers around ten “foundational premises” (Vargo and Lusch 2004, 2008):

- FP1. Service is the fundamental basis of exchange.
- FP2. Indirect exchange masks the fundamental basis of exchange.
- FP3. Goods are a distribution mechanism for service provision.
- FP4. Operant resources are the fundamental source of competitive advantage.
- FP5. All economies are service economies.
- FP6. The customer is always a co-creator of value.
- FP7. The enterprise cannot deliver value, but only offer value propositions.
- FP8. A service-centered view is inherently customer oriented and relational.
- FP9. All social and economic actors are resource integrators.
- FP10. Value is always uniquely and phenomenologically determined by the beneficiary.

According to these premises, ‘service’ (in the singular) is the basis of exchange. It refers to the process of creating benefits, whereas ‘services’ refer to a special type of intangible output. This conceptual move is behind the premise that all economies are service economies. A focus on service implies that goods and services are displaced from the center of attention – they become mere distribution mechanisms for service provision. Service, as a co-creative process, also implies that firms cannot create value independently of customers: they do not create value *for* customers, they create value *with* customers. As the locus of value creation shifts from production facilities to interaction and resource integration, managing relationships, knowledge and skills becomes imperative. Thus, in contrast with GDL and the focus on the production and movement of offerings by the firm, SDL shifts attention to the co-creation of value among multiple actors. It concerns co-creation rather than value creation from the perspective of individual companies: how various actors and resources are brought together in order to create value for multiple beneficiaries through specialized competences in a systemic service process.

Vargo and Lusch’s (2004) original paper inspired complementary approaches that further opened up the phenomenon of value creation. According to one such approach, the effective co-creation of value requires mutual learning (Jaworski and Kohli 2006) through dialogical interaction (Ballantyne and Varey 2006). Ballantyne and Varey (2006) see dialogue as an interactive process of learning together. Moreover, dialogical interaction is inherently relational, and by nature its purpose is open-ended, discovery oriented, and value-creating. It cannot be reduced to a single actor’s activity or perspective. Dialogue is to be distinguished from informational and communicational interaction, the former referring to persuasive message making and the latter to informing and being informed. Naturally, value co-creation involves dialogical rather than monological interaction.

Marketing studies building on postmodern philosophical thought have also contributed to the discussion about different perspectives on value creation (e.g., Brown 1993, Firat and Venkatesh 1993, Arnould and Thompson 2005, Firat and Dholakia 2006, Penãloza and Venkatesh 2006). Firat and Dholakia (2006) explore the challenges that the conceptual structure of marketing faces because of postmodern cultural shifts and technological developments. One of their key arguments is that



whereas in “modern thought, production constituted the activities where value was created, and consumption the activities where value was devoured and depleted”, in postmodern consciousness it is “evident that meanings, identities, and experiences are *produced* in consumption” (ibid. 138). Value thus transpires, at least partially, through the meanings that are negotiated between various actors and entities. Accordingly, value creation is fundamentally collaborative, diffused, and complex. When companies engage in value creation they engage in embedded cultural practice.

### 2.1.3 The relationship and offering dimensions of value creation

This section describes a preliminary theoretical tool for distinguishing between different dimensions of value creation, the aim being to facilitate systematic analysis of the construction of a strategic perspective on value creation. Although Vargo and Lusch’s (2004) synthesis is valuable in terms of understanding the different perspectives, during the research process it proved too ambiguous for direct empirical enquiry. In an iterative process I therefore chose two dimensions that would guide the research and help in focusing the empirical analysis on particular aspects of the phenomenon. The relationship and offering dimensions are based upon the previously elaborated traditions in marketing research. They are not imposed on the data in the empirical study, but rather shed light on particular perspectives that can be problematized and modified during the analysis.

#### ***The relationship dimension***

The relationship dimension of value creation offers alternative ways of understanding the roles and relations of the various actors (see *Table 1*). The early school of marketing management considered relationships from a transactional perspective: market actors were seen as largely independent, aiming at their own goals through economic exchange. Relationship marketing focused on continuity and reciprocity in relationships between buyers and sellers as well as other stakeholders. Services marketing, and later the postmodern approaches, highlighted the active role of the customer in the service process, questioning the dichotomy between producers and consumers. The interaction and networks approach, in turn, depicted network actors as deeply embedded in complex networks of interdependent relationships, with trust as a key component of effective collaboration. From these conceptualizations it is possible to distinguish between two extremes of the relationship dimension.

At one extreme, aligned with GDL, value creation is seen as production, or a value chain, that is managed by a producer or a collective actor. Only the producer is active, the customer being a passive recipient or buyer of the offering. The producer also manages other stakeholders. It determines market needs, decides how they can best be satisfied at a profit, and organizes production and distribution. The relationship between the actors mainly comprises economic exchange in which transactions are the primary interface. Moreover, interaction and communication between the producer and other actors are one-directional and are managed by the producer.

At the other extreme, aligned with SDL, value is co-created through ongoing relationships that are complex and dynamic, including anything from material exchange to symbolic interaction. Economic exchange thus represents only a minor part of the relationship, which is built on dialogue and mutual learning. All actors in the value-creation process are active participants, not only the producer of the offering. The actors integrate and reconfigure different types of resources, such as knowledge, skills, and material entities, during the co-creation.

Relationship dimension	Goods-dominant strategy	Service-dominant strategy
<b>Key aspects</b>	<ul style="list-style-type: none"> <li>• Value is created by producers</li> <li>• Customers and other stakeholders are passive</li> <li>• Producers determine market needs and organize production and distribution</li> <li>• Economic exchange via transactions</li> <li>• Interaction and communication is one-directional and managed by producers</li> </ul>	<ul style="list-style-type: none"> <li>• Value is co-created by multiple actors through resource integration</li> <li>• Customers and other network actors are active</li> <li>• Relationships are ongoing, complex and dynamic</li> <li>• Interaction is dialogical and involves mutual learning</li> </ul>
<b>Illustrated in the present empirical context</b>	The start-up company develops a bioreactor together with its partners. Development is based on estimated market needs. The company promotes the bioreactor to potential customers who determine whether to buy or ignore the offering. Feedback from sales is used to reorganize production and promotion.	Together with various network actors (e.g., partners, customers, users, and others, such as lawmakers and the media) the start-up company integrates various resources to enable and facilitate biological waste management. The actors engage in dialogical interaction and mutual learning.

Table 1. A strategic perspective on value creation: the relationship dimension

### *The offering dimension*

The offering dimension of value creation comprises alternative approaches to the meaning and role of an offering (see *Table 2*). The early marketing management school focused on the distribution of physical goods and saw value as embedded in those objects. The customer consumes the value that is created in the form of an offering. Services marketing distinguished services from goods, and considered them an ongoing process. According to SDL, however, there is no conceptual difference between services and goods. The focus is on service, a process through which value is created for multiple beneficiaries and that includes both material and immaterial aspects.

At one extreme, aligned with GDL, value is understood as embedded in the offering, i.e. in goods and services. Offerings have value that can be sold, distributed, and consumed, and can also be approximated by product specifications. Furthermore, this

value is created for and consumed by the customer and captured by the seller in monetary form, although the customer may be involved in its creation through participating in product development. Organizational tasks other than product development and production are separated and disconnected from value creation.

At the other extreme, aligned with SDL, value is created during a service process. Service is understood in a wide sense as a holistic process in which specialized competences and material resources are reconfigured and integrated. Offerings are only value propositions. Moreover, value is potentially created for all actors involved in the process, not just the customer. The seller may thus gain value also in other than monetary form. All organizational tasks are involved in the value creation.

Offering dimension	Goods-dominant strategy	Service-dominant strategy
<b>Key aspects</b>	<ul style="list-style-type: none"> <li>• Value is embedded in the offerings, i.e. goods and services</li> <li>• Value is sold, distributed, and consumed</li> <li>• Value is approximated by product specifications</li> <li>• Value is created for and consumed by customers</li> <li>• Only product development and production tasks are involved in value creation</li> </ul>	<ul style="list-style-type: none"> <li>• Value is created during holistic service processes</li> <li>• Offerings are value propositions</li> <li>• Value is potentially created for all actors</li> <li>• All organizational tasks are involved in value creation</li> </ul>
<b>Illustrated in the present empirical context</b>	Customer value is designed and manufactured in the form of a bioreactor and approximated by its product specifications, for example the maximum speed of processing organic waste. Following the development of the bioreactor the marketing function promotes and sells it to customers.	The bioreactor enables and facilitates biological waste management, which also requires various other resources. Value is co-created in a network for multiple beneficiaries. The start-up company also receives value in other than monetary form, for example as employees' personal fulfillment and learning.

Table 2. A strategic perspective on value creation: the offering dimension

## 2.2 A PRACTICE-THEORETICAL APPROACH TO STRATEGY

This section develops a non-individualist (Chia and Holt 2006, Chia and MacKay 2007), practice-theoretical approach to the construction of a service-dominant strategy. The approach builds on the practice turn in social theory (Schatzki, Knorr-Cetina and Savigny 2001, Reckwitz 2002, Stern 2003) and strategy research (Whittington 2006, 2007, Jarzabkowski, Balogun and Seidl 2007, Carter, Clegg and Kornberger 2008, Rasche and Chia 2009). It directs attention to the everyday doings of strategy. More specifically, it highlights the historically and culturally transmitted social practices upon which practitioners draw in strategizing customer value creation. I will first define the concept of a service-dominant strategy in terms of Mintzberg's (1987) classic definitions of strategy, and then elaborate its construction through strategy-as-practice research.

According to Mintzberg (1987, 2007), strategy can be seen as a plan, a pattern, a position, a perspective, or a ploy. Apart from the last one, which refers to a tactical maneuver, all these approaches could potentially enhance understanding of strategies for the creation of customer value. However, the focus in this study is on the strategic *perspective* (e.g., Drucker 1970) on value creation, which defines the shared worldview of value creation within an organization. According to Mintzberg (1987), the strategic *position* (e.g., Porter 1980) of an organization is more concrete than a perspective, referring to its actual or planned position in the market vis-à-vis other actors such as competitors and customers. However, the strategic perspective also embodies a particular view of the organization's position in the social activity of value creation. In this sense the two views on strategy are not completely separate, although the emphasis in this study is clearly on strategy as a perspective rather than a position. With regard to the construction process, a strategy is seen as a *pattern* rather than a *plan*, which refers to an explicit, high-level policy crafted by the top management. Thus, the strategic perspective on value creation is located in the doing of the strategy.

*Sub-section 2.2.1* lays the foundation of the practice-theoretical approach by introducing the practice turn in social theory. Practice theory is positioned vis-à-vis other culturalist theorizing. *Sub-section 2.2.2* discusses how the practice turn has

influenced strategy research and given rise to so-called strategy-as-practice research, the aim of which is to integrate various reflexive and critical perspectives. *Sub-section 2.2.3* positions this study among the strategy-as-practice movement and elaborates on a specific non-individualist ontological and epistemological approach that explicitly builds on practice theory. *Sub-section 2.2.4* defines the major concepts for the theoretical framework of this study, building on the three themes that Whittington (2006) identified as essential for strategy-as-practice research: practitioners, praxis, and practices. Finally, *Sub-section 2.2.5* presents a dynamic, practice-theoretical view of strategizing and the construction of a strategic perspective on value creation.

### 2.2.1 Practice theory

The practice turn in social theory has been driven by the desire to move beyond current problematic dualisms and ways of thinking (Schatzki 2001, Stern 2003). It places the social in practices rather than in the mind, language, or interaction, for example (Reckwitz 2002). Practice theorizing commonly draws on the work of the philosophers Heidegger and Wittgenstein (Stern 2003), albeit often without systematic scrutiny (Reckwitz 2002). According to Schatzki (2001, 2005), practice theorists question the “ancient” divides between individualist/societist and micro/macro approaches. Individualists attribute social order to features of individuals and their direct interactions: agreements, skills, interpretations, and cognitions, among other things. For societists the social order is attributed to phenomena beyond the features of individuals and their immediate interactions. These phenomena determine order either by affecting the activity that produces it or by determining it directly, independently of human activity. The practice turn builds on a strong relation between micro and macro explanations of social order, on the notion that “context and contextualized entity constitute one another” (Schatzki 2005: 468). Social practices resemble macro phenomena in that they constrain and guide human activity and the context of the actions, but they also incorporate human characteristics. Human activity is always dependent and builds on social practices, but at the same time these practices are embodied in humans: they do not exist unless they are carried out.

According to Reckwitz (2002), practice theory<sup>3</sup>, or theories of social practice, is a form of culturalist theorizing that stands opposed to the two other forms of modern social theory, namely the purpose-oriented ‘homo-economicus’ and the norm-oriented ‘homo sociologicus’. The former explains action through individual purposes, intentions and interests, and social order then results from the combination of single interests. The homo sociologicus model, on the other hand, explains action with reference to collective norms and values that express a social ‘ought’, and social order is formed around a normative consensus. Cultural theories, in contrast, have recourse to symbolic structures of meaning/knowledge, which are seen to enable and constrain interpretation of the world and the corresponding behavior. Social order, then, is not a product of complying with normative expectations but is rather embedded in the shared knowledge of the world.

Reckwitz (2002) distinguishes practice theory from other forms of culturalist theories, namely mentalism, textualism, and intersubjectivism. These four branches of cultural theory differ most significantly in where they situate the social, and other differences result from this elementary difference. *Mentalism* places the social in the human mind and focuses analysis on mental structures. Its most important theoretical roots are structuralism and phenomenology. *Textualism* situates symbolic structures ‘outside’ rather than ‘inside’ the mind, in ‘texts’ such as discourse and communication. It emerged as a critique of mentalism, the claim being that the social could not be anchored on the psychological level of the mind. *Intersubjectivism* also emerged as a product of this critique, but does not follow the radical anti-subjectivism of the textualists: the social is rather located in interactions, particularly in the use of ordinary language. *Practice theory*, in turn, places the social in practices. However, there is no generally accepted definition of practice. For the moment, before I develop a more detailed understanding, the general-level description provided by Stern (2003: 186) will suffice:

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<sup>3</sup> According to Stern (2003), most practice theorists are opposed to the very idea of a *theory* of practice, if a “theory” is considered to be a formalized system of hypotheses that generate explanations and predictions. In this context, the concept of “theory” is more open-ended and refers to a systematic way of approaching a given topic.

At the very least, a practice is something people do, not just once, but on a regular basis. But it is more than just a disposition to behave in a certain way: the identity of a practice depends not only on what people do, but also on the significance of those actions and the surroundings in which they occur.

Practices are thus not only regularly carried out performances of the body but also include shared background understandings of the world.

Following on from Reckwitz's (2002) analysis, Rasche and Chia (2009) suggest that practice theorizing in social theory developed as a consequence of the critique and transformation of social constructivist theories (cf. Reckwitz's 'culturalist theories'). According to their account, which is summarized below, practice theory builds on – rather than closely follows – post-structuralist (e.g., Foucault and Bourdieu) and post-interpretative (e.g., Goffman and Taylor) traditions. Knowledge of these traditions is useful for understanding the current position of practice theory. Foucault (1990/1966, 1982/1969) was originally predisposed to Lévi-Strauss' structuralism (1957), but later acknowledged that shared knowledge schemes were not (re)produced 'beyond' the subject and needed to be activated and contextualized through the practices in which actors engage. He also believed that practices were not restricted to discursive processes, and included non-discursive characteristics. In Bourdieu's view, social analysts could only understand the 'logic of practice' (Bourdieu 1990) by focusing on everyday practical action, and especially on the shared knowledge scheme of 'habitus' (1979), which reflects a system of dispositions beyond an actor's consciousness.

The other stream that has contributed to contemporary practice theory emerged from reaction to the subject-centricity of interpretative theories, particularly social phenomenology as developed by Schütz (1967). Goffman (1969, 1977) strived to de-center the subject and understood mental schemes, or 'frames', as a collective phenomenon. However, unlike theorists in the post-structuralist tradition, he still focused on how a subject produced meaning. Taylor (1985a, 1985b, 1995), in turn, critiqued the conception of the 'disengaged subject', which sharply distinguishes between the 'inner' (mental) and 'outer' (action) spheres (Reckwitz 2000: 485, in Rasche and Chia 2009). He argues that the subject is always an 'engaged agent',



intimately immersed in human activities and thus an unwitting carrier of social practices.

In this study, I lean towards the post-structuralist tradition and emphasize trans-individual practices rather than individual strategists. More specifically, I follow the work of Schatzki (1996, 2002, 2005, 2006), who has recently developed a social philosophy based on practice-theoretical ‘site ontology’ (Schatzki 2005). According to Schatzki, the site of social life is composed of a nexus of human practices and material arrangements. Practices are carried out in the site, which provides the context for human activity. They both constitute and are constituted by the site. Inherent in his view are also the notions that individuals are carriers rather than detached initiators of practices, and that practices are based on culturally and historically transmitted knowledge schemes that transcend the individual.

### 2.2.2 Strategy-as-practice

This study complements recent efforts in strategy research to draw upon the practice turn in social theory in order to better understand the construction of strategies<sup>4</sup> (Whittington 2006, 2007, Chia and Holt 2006, Chia and MacKay 2007, Jarzabkowski, Balogun and Seidl 2007, Carter, Clegg and Kornberger 2008, Rasche and Chia 2009). These endeavors, together with other theoretical approaches to strategy as a social activity, have been joined under the label strategy-as-practice (for overviews, see Jarzabkowski 2005, Jarzabkowski, Balogun and Seidl 2007, Johnson, Langley, Melin and Whittington 2007, Jarzabkowski and Spee 2009). This movement stands in opposition to previous approaches and claims that the practice turn has several implications for how organizations and strategy should be understood and studied (Whittington 2006, 2007). The aim is to integrate epistemologically and ontologically reflexive and critical positions on strategy, further problematize the modernist rationality of the seminal works (e.g., Ansoff 1965, Porter 1980, 1985), and redirect attention to the internal life of organizations (Chia and MacKay 2007, Carter, Clegg and Kornberger 2008).

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<sup>4</sup> The practice turn has also given rise to a number of studies in marketing (e.g., Holt 1995, Allen 2002, Araujo, Kjellberg and Spencer 2008, Kjellberg and Helgesson 2007, Warde 2005, Skålén 2009, Schau, Muniz Jr. and Arnould 2009).

The early calls for a more practical orientation in strategy research (Whittington 1996, Johnson, Melin and Whittington 2003) were not explicitly connected to the practice turn in social theory however, the major concern being the over-emphasis on macro-level issues such as how organizations come to recognize the need for strategic change. It was suggested that scholars were too focused on organizational processes, thereby neglecting the people and the doing of strategy.

There was a rapid turn towards understanding strategy as a social activity, often with a stated link to the practice turn in social theory (Whittington 2006). From this so-called strategy-as-practice perspective, strategy is not something an organization has but something that people do – strategizing (Johnson, Melin and Whittington 2003, Jarzabkowski 2004, Whittington 2006). The studies thus aim to bridge the gap between the “theory of what people do and what people actually do” (Jarzabkowski 2004: 529). We are invited in collections of papers on strategy-as-practice (Whittington 2006, Jarzabkowski, Balogun and Seidl 2007) to zoom into organizations, from an overview of organizational processes to a more detailed look at strategic activities. In this sense, strategy-as-practice research could be considered to extend the tradition of research on managerial work (e.g., Mintzberg 1973, Stewart 1967). However, at the same time we are invited to see the activity as part of society at large. According to Whittington (2006), completing the practice turn in strategy would require a simultaneous view of the intra- and the extra-organizational.

There is already a wealth of empirical research on strategy as practice. Most of the studies focus on strategists and their doings inside an individual organization, providing rich descriptions of strategic activity (Jarzabkowski and Spee 2009). For example, Balogun and Johnson (2004, 2005) analyzed middle-manager sense-making. They identified the social processes of interaction between middle managers that contribute to the unpredictable, emergent nature of strategic change. Laine and Vaara (2007) report on how strategy discourses can be used in the struggle for strategic control within an organization. Moisander and Stenfors (2009), in turn, found that practical strategy work in post-bureaucratic organizations required tools that supported collective knowledge production and promoted dialogue and trust.

The practice turn has no doubt opened up a major avenue for strategy research. However, having attracted a great number of scholars during a short period of time, the strategy-as-practice movement is currently in turmoil and there are ongoing debates about its conceptual direction in different forums such as strategy conferences and workshops<sup>5</sup>. Of particular interest is its obviously close link with practice theory. On the one hand, some of the founders of the movement deny that strategy-as-practice is explicitly about using practice-theoretical approaches. They welcome research that builds on various theoretical bases such as sense-making theory (Weick 1995, e.g., Balogun and Johnson 2004, 2005) and the resource-based view (Barney 1991, e.g., Ambrosini, Bowman and Burton-Taylor 2007). On the other hand, no unified practice theory exists: the different approaches comprise an umbrella theory that allows for an array of research directions and methods.

As a result of these ambiguities, strategy-as-practice research has taken on multiple perspectives and consequently has often been accused of combining incompatible approaches, practice referring to “a myriad of things including events, routines, rules, or simply ‘being closer to reality’ and ‘being more practical’” (Carter, Clegg and Kornberger 2008: 90). In addition, it has not been very successful in making clear the ways in which it is different from the process research tradition (e.g., Pettigrew 1992, Van de Ven 1992), which has long sought to explain how particular organizational strategies emerge (Chia and MacKay 2007). Finally, the majority of this research to date has strictly focused on either micro- or macro-level issues, not striving to resolve this basic dichotomy (Whittington 2006).

### 2.2.3 The non-individualist, practice-theoretical approach

I embrace a specific non-individualist (Chia 2004, Chia and Holt 2006, Chia and MacKay 2007), practice-theoretical approach to strategizing. This non-individualist or “post-processual” (Chia and MacKay 2007) view explicitly builds on the practice-theoretical developments in social theory, and especially the work of Schatzki (1996, 2002, 2005, 2006). It aims to de-center individuals as the unit of analysis and focuses on the trans-individual practices upon which they draw (see *Table 3*). According to

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<sup>5</sup> I was able to observe these debates in detail during the 9<sup>th</sup> EURAM Conference in Liverpool, 2009, and the joint strategy-as-practice workshop between Lancaster University and Helsinki School of Economics, arranged in May 2009.

Chia and MacKay (2007), the non-individualist view is distinguished from the majority of strategy-as-practice and strategy process research in four fundamental ways. They argue that these distinctions are required in order to fully achieve the benefits of a practice-based approach, most importantly to move beyond the old dualist views of individualist/societist and micro/macro.

First, ontological primacy is given to social practices over individual agency. Most strategy-as-practice studies embrace methodological individualism: they assume the individual to be the purposeful initiator of strategic activities. This conception of individual agency holds that change is brought about through the deliberate acts of individuals, which constitute the practice that produces events and outcomes. According to the non-individualist view, internalized practices are the “real ‘authors’ of everyday coping action. This kind of practical intelligence is defined by the absence of a proper locus of agency; individuality is construed as a secondary effect of primary practice” (Chia and MacKay 2007: 226).

Second, capturing the embodied capacities, dispositions, know-how, and tacit understanding that reside within social practices requires a “cultivated sensitivity to the less visible but detectable propensities and tendencies of human situations”, rather than a focus on the explicit and articulated aspects of organizing (Chia and MacKay 2007: 227). It is the observed historically and culturally shaped regularities in such activities rather than the visible activities that are essential in the non-individualist view.

Third, in connection with the two above points, the non-individualist view is distinguishable from the majority of strategy-as-practice and strategy process research in its epistemological assumption regarding the purposefulness and intentionality of human action. It rejects the notion that in order to perceive, act and relate to objects actors should first form some internal mental representations of them. The strategy rather emerges as a consequence of the inherent predispositions of actors. Researching strategy from a non-individualist perspective thus highlights how practices order the strategizing rather than how they are set in motion by practitioners.

Finally, the non-individualist view promotes ‘practical holism’ (Dreyfus 1980), which eschews “the primacy of mentalism, cognitivism, or even intentionality in engaging with the day-to-day affairs of the world” (Chia and MacKay 2007: 228). The assumption is that our understanding happens against a background of shared practices (Stern 2003). There is no need for beliefs, values, and abstract principles, for example, to explain how practitioners strategize: they are secondary retrospective rationalizations that obscure how strategy emerges through cultural mediation and internalized habits and tendencies. The language and assumptions of practice theory are used throughout this study.

Strategy perspective	Ontology	Philosophical commitment	Locus of engagement	Examples
<b>Processual strategy-as-practice</b>	Processes are subordinate to actors	Processes are important, but ultimately reducible to things/actions	Micro-macro activities of individuals and organizations	Time, agency, structure, context, operations
<b>Post-processual strategy-as-practice</b>	Actors and processes are subordinate to practices	Actions and things are instantiations of practice-complexes	Field of practices	Social practices, knowledge, language, intimation, power as collective entities

Table 3. Towards a post-processual perspective (Chia and MacKay 2007)

#### 2.2.4 Practitioners, praxis, practices

With a view to guiding future strategy-as-practice research and providing a framework for integrating the intra- and extra-organizational, Whittington (2006, 2007) suggested three overarching themes for understanding and studying strategizing from a practice perspective: practitioners, praxis, and practices. This framework has been well received among strategy-as-practice scholars (Jarzabkowski, Balogun and Seidl 2007, Jarzabkowski and Spee 2009). According to Whittington, these three interlinked themes form the basic areas of interest for practice-based studies on strategy. The aim is to provide an “overarching structure that can link different theoretical units, and theories about them, into a coherent whole (Tsoukas 1994)” (Whittington 2006: 618).

From a non-individualist practice-theoretical perspective the natural focus is on social practices, which Whittington labels strategy practices. He, too, emphasizes their role

in strategizing, highlighting “the impact of strategy practices on strategy praxis, the creation and transfer of strategy practices and the making of strategy practitioners” (Whittington 2006: 613). The locus of strategic activity is the field of practices (Chia and MacKay 2007). However, an exclusive focus on shared, social practices would fall short of using the full potential of the practice-based approach. Practices can only be understood in the context of the situated praxis and the people that carry them out. The concepts of strategy practitioner, praxis, and practice, which are used throughout this study, are elaborated below.

### ***Practitioners – carriers of practices***

The strategist, or the strategy practitioner, naturally takes a central role in strategy research. Practitioners are bodily and mental agents who carry and carry out practices (Reckwitz 2002). They are the actors who draw upon practices in order to act (Jarzabkowski, Balogun and Seidl 2007). According to Reckwitz (2002: 256):

As carriers of a practice, they are neither autonomous nor the judgmental dopes who conform to norms: They understand the world and themselves, and use know-how and motivational knowledge, according to the particular practice. There is a very precise place for the ‘individual’ – as distinguished from the agent – in practice theory (though hitherto, practice theorists have hardly treated this question): As there are diverse social practices, and as every agent carries out a multitude of different social practices, the individual is the unique crossing point of practices, of bodily-mental routines.

Strategy practitioners, therefore, are agents who habitually carry out and draw upon a wide range of practices in everyday strategizing. They are individuals in the sense that they act from their internalized tendencies and dispositions (Chia and MacKay 2007).

Traditionally, strategy research has largely focused on senior management. Strategy-as-practice research, on the other hand, is increasingly also focusing on middle managers (e.g., Rouleau 2005, Mantere 2008) and employees (e.g., Laine and Vaara 2007) as participants in strategizing. The potential role of external practitioners such as consultants and business gurus has also been pointed out (Whittington 2006, Jarzabkowski, Balogun and Seidl 2007). This study focuses on practitioners who are entrepreneurs in a small start-up company. They are at the same time owners, board members, strategists, managers, and employees. They take part in making, shaping,

and executing strategy (Whittington 2006) in the context of new business development. During the research process, however, there was movement within the composition of the people involved in the company. For example, one person who was initially a potential business customer joined it as an owner and an active participant in the board meetings. In addition, people other than the start-up members, such as business partners, participated in the observed events and thus affected the set of practices that were carried out. Especially in a start-up context, the relationships and interaction between actors in and outside the focal organization are essential elements of strategizing.

### ***Praxis – the flow of everyday activity***

Put simply, praxis refers to the actual activity, what people do in practice (Whittington 2006). In strategy-as-practice research, strategy praxis denotes the “interconnection between the actions of different, dispersed individuals and groups and those socially, politically, and economically embedded institutions within which individuals act and to which they contribute” (Jarzabkowski, Balogun and Seidl 2007: 9). Praxis takes place in the field of practices (Schatzki 2005, 2006). It is established through social practices: strategic activity is enabled, guided, and constrained by the range of practices available to practitioners. However, carrying out practices always has an improvisational aspect. Although praxis may be habitual, it never recurs identically, without adaptation.

Strategy-as-practice research has been criticized for staying on the analytical level of strategy praxis, studying what managers seem to do rather than the underlying social practices upon which they draw (Carter, Clegg and Kornberger 2008, Rasche and Chia 2009). My aim in this study is to go beyond the easily observable. In analytical terms I will distinguish strategy praxis from the practices on which it builds. Praxis consists of a variety of interlinked activities that are essential for new business development, namely developing offerings, defining markets and customers, building and managing networks, and managing the company. These activities can hardly be categorized as the “formulation and implementation of strategy” (Whittington 2006: 619). They all include aspects of planning, as well as the implementation of the plans.

### ***Practices – building blocks of strategizing***

Practices provide the shared understanding and knowledge that enable strategizing as a social activity (e.g., Jarzabkowski, Balogun and Seidl 2007). According to Carter, Klegg and Kornberger (2008: 92), in order to understand strategy we should begin by analyzing “which practices produce enduring or recurring events that eventually turn into ‘things’ or ‘events’ that are then addressed as ‘strategy’”. Moreover, practices are the key in eschewing the dichotomy between micro and macro views on strategizing. They are trans-individual (Chia and MacKay 2007) and connect situated strategizing to the extra-organizational: whereas some practices may be particular to a single organization, others are shared across organizations, industries, and even societies (Whittington 2006).

In defining social practices I draw mainly upon the work of Schatzki (2001, 2002, 2005, 2006). According to his social ontology, practices are organized nexuses of actions in which the doings and sayings that constitute a given practice are linked through practical understandings, rules, and a teleoaffective structure (Schatzki 2002:77, 2005). *Practical understandings* refer to the knowledge of how to do things, such as crafting a business plan, and recognizing these doings. *Rules* are explicit formulations or prescriptions that participants in the practice may observe or disregard. The *teleoaffective structure*, then, is an array of ends, projects, and uses of things, and even involves certain acceptable emotions. The projects may comprise smaller tasks. Practices therefore give meaning to actions and point toward particular ends. In combination with other practices and material arrangements, they institute intelligibility for strategy practitioners and consequently enable, guide, and constrain strategizing.

Strategy-as-practice research often focuses on formalized practices, such as workshops (e.g., Hodgkinson, Johnson, Whittington and Schwarz 2006), ‘away-days’, (e.g., Bourque and Johnson 2008) and meetings (e.g., Jarzabkowski and Seidl 2008). Porter’s (1980) well-known five-forces analysis is another example of a formalized practice that has widely affected strategy making in organizations. It enables strategists to make sense of the business environment by directing attention to particular aspects of competition. As a consequence, even customers are made sense of through the lens of competition and rivalry. This study takes a wide perspective on



the social practices of strategizing. Some of the practices that were identified in the empirical analysis are perhaps less typical than the ones usually highlighted in strategy-as-practice research. Such practices are mostly based on the earlier business experience of the practitioners, which they bring to the new business development.

#### 2.2.5 Strategizing as practical coping

In the context of this study I see strategizing as a social activity through which strategies for customer value creation are constructed. As shown below, particular strategic perspectives on value creation are immanent in the strategizing. They are not chosen through detached, analytical decision-making, but are part of the field of practice in which the strategizing is accomplished. They are present in the ways in which strategy practitioners engage in their everyday business activity.

From a non-individualist perspective strategizing is best seen as practical coping (Chia and Holt 2006), conceptualized as something that arises from “habituated tendencies and internalized dispositions rather than from deliberate, purposeful goal-setting initiatives” (Chia and MacKay 2007: 217). This means that strategists are intimately involved in searching for the best ways in which to develop the business, and in so doing they rely largely on unreflective familiarity, habit, and custom. It is not implied, of course, that practitioners do not explicitly think and negotiate about the strategic challenges they face, but much of the mundane work is carried out without much reflection. Moreover, even the more deliberate activity is shaped by the unconscious social forces that work through practitioners’ dispositions.

Strategists’ attention and dispositions are oriented by practices and wider practice-complexes, constituting the capabilities required for practical coping (Chia and Holt 2006). Practices form the basis for appropriate action, and facilitate comprehension prior to any detached cognitive activity. According to Chia and MacKay (2007: 226), a strategy practitioner is not “a self-contained, self-motivating human agent who acts on its external environment”, but someone who acquires culturally and historically shaped tendencies and dispositions through the social practices s/he internalizes. Practitioners act according to practical intelligibility, doing and saying what makes sense to them within the given arrangement of practices (Schatzki 2002). Practices thus enable and inhibit specific forms of strategizing (Mantere 2005).

Strategy, from a non-individualist perspective, refers to “organized consistency of purposive actions” (Chia and Holt 2006). Strategic actions are thus purposive – they have certain ends – but they are not necessarily purposeful in the sense of an autonomous mind guiding the action. The ends are determined within the site of social practices and material arrangements. They are immanent in the practices. To use Mintzberg’s (1978) expressions, strategy is ‘emergent’ and can be detected in the patterns of strategizing. It emerges from the flow of human actions and interactions, through the inherent logics of the deeply rooted practices that are carried out and drawn upon in strategizing.

Discourse, or various forms of talk and interaction, constitutes a major part of strategizing. It is a specific type of practice and plays multiple roles in everyday strategy making. Conceptions of strategic issues are articulated (Ezzamel, Willmott 2008), shared, and negotiated (Vaara, Kleymann and Seristö 2004, Mantere, Vaara 2008) through discourse. Strategizing could be seen as a “play of contingent discursive possibilities, the signification of which is not fixed in advance because all of its possible terms are relational” (Carter, Clegg and Kornberger 2008: 94). Discourse gives social existence and meaning (Hardy, Palmer and Phillips 2000, Phillips, Lawrence and Hardy 2004) to various entities in value creation, such as ‘offerings’ and ‘customers’. It also works to “create some sense of stability, order and predictability and thereby produce a sustainable, functioning and liveable world” (Chia 2000: 514).

During the ethnographic fieldwork conducted in connection with this study the observed strategists were continuously engaged in meetings and negotiations, in conversations over the telephone or via email, and in preparing documents. The different forms of talk and interaction were central to the new business development. However, echoing Chia and MacKay (2007), the study is not primarily concerned with observed talk and interaction *per se*, but approaches them as a means of tapping into the strategy practices that the practitioners draw upon. These discussions bring social practices to life, reflecting the practitioners’ internalized tendencies and dispositions.

Strategizing is also epistemic work (Cook and Brown 1999) and involves multiple forms of knowing in practice (Gherardi 2000, 2001). Much of strategy-as-practice research is built on the concept of sense making (Weick 1995, e.g., Balogun and Johnson 2004, 2005), the aim being to explain how people in organizations become knowledgeable. Sense making is cognitive and social at the same time. According to this view, strategists become knowledgeable through their cognitive processes as well as their ongoing social interaction. Essentially, strategy practitioners in various positions take part in a collective, continuous process of making sense of and giving sense to the organization and its context.

However, as Gherardi (2000, 2001) argues from a practice-theoretical perspective, the locus of knowledge and learning lies not in cognition but in social practice. Knowing in this sense is social in that it does not happen in the individual body/mind but within the collective subject. 'Knowing' is also connected with 'doing', and conveys the image of materiality, fabrication, handiwork, and craftsmanship. Furthermore, it is situated: there is ongoing interplay of context, interaction, and mutual intelligibility. The non-individualist, practice-theoretical perspective on strategy emphasizes the role of practices as well as 'practicing' in knowing. Through practical understandings, rules, and a teleoaffective structure, practices define certain intelligible and desirable positions and relations for various entities in value creation (Schatzki 2002, 2005, 2006).

Furthermore, practices are learnt from others, and the learning takes place through an ongoing sensitivity to what other practitioners are doing (Barnes 2001). Building on Bourdieu and Dreyfus, Chia and Holt (2006: 649) highlight the role of the style of engagement, a *modus operandi*, in relating and unifying each strategic action:

Style governs how things, situations and people show up and come to our attention so that they matter to us (Spinosa, Flores and Dreyfus 1997: 20). It affects our perception of what matters and the manner by which we attend to things around us. Style is 'simply passed on silently from body to body ... it is only by being an apprentice to one's parents and teachers that one gains ... practical wisdom' (Dreyfus 2001: 48). Style gives individual agents and organizations their identity. Style shapes strategy."

Thus, when practitioners embark on new tasks, carrying certain internalized practices, they engage in collective, practical learning. They go about their strategizing by knowing through the practices they embody and share. Developments in the organization and the business environment become practical knowledge in the form of ever-evolving complexes of social practices.

The practices and material arrangements available in the context of new business development in a small start-up company may differ from those in larger firms<sup>6</sup>. According to Gibb (1996: 314), the small scale often means that there is “a great degree of vulnerability and ostensible weakness in power dependency relationships”, which relates to flexibility and informality in business development approaches. In this context practitioners are often immersed in pushing their companies forward without enjoying any slack resources. They do not strategize within existing organizational structures as much as within an uncertain, emerging business environment. This makes Chia and Holt’s (2006: 651) account compelling:

For the practicing strategist... as Hutchins (1995) rightly argues, the question ‘Where are we now?’ is not so much posed as a navigational question as it is an attempt to relate current experiences to historical past and to ensure some kind of consistency of response. ‘Where are we now?’ and ‘Where do we want to go?’ are not simply answered by analyzing and mapping environmental threats and opportunities from a ‘God’s eye point of view’. Instead, the practitioner... attempts to probe histories and memories and the forgotten depths of his/her culturally-shaped dispositions and to seek to act in a manner consistent with his/her style or habitus.

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<sup>6</sup> The theoretical framework of strategizing developed in this study is not tied to a specific empirical context. However, the nexus of practices commonly available in different contexts, e.g., large and small firms, may affect the ways in which the strategizing is manifested. Felin and Zenger (2009), for example, suggest that the “processes of theorizing and imagination” are especially powerful in nascent organizations.

## 2.3 GUIDELINES FOR THE EMPIRICAL STUDY

The theoretical framework I have built and presented above offers a particular approach to understanding the construction of a service-dominant strategy for customer value creation. Service-dominant logic (Vargo and Lusch 2004) is taken as a strategic perspective on value creation that forms the basis of a service-dominant strategy. The strategic perspective is immanent in everyday strategizing, which consists of praxis that strategy practitioners accomplish through various social practices. The framework highlights the role of historically and culturally transmitted practices that practitioners have internalized as specific tendencies and dispositions.

In order to enhance understanding of how to construct a service-dominant strategy I will next elaborate the theoretical framework through a case study of strategizing in a new business development and start-up context. The methodology, which draws on ethnography (Moisander and Valtonen 2006) and hermeneutic philosophy (Gadamer 1989/1960, Arnold and Fischer 1994, Thompson 1997), is explained in *Chapter 3*. The empirical report, in *Chapter 4*, is structured around the dynamics at play between the two topics that are typical of practice-theoretical accounts (Stern 2003: 186): first I will describe the practices that defined the particular rules or dispositions for the practitioners to behave in a certain way, and then I will focus on the everyday context in which these practices were carried out. *Section 4.1* describes the social practices that I found significant for the strategizing about customer value creation. *Section 4.2* compares the different logics of the practices and describes the tensions between them that seemed to form the important turning points between a goods-dominant and a service-dominant strategy. *Section 4.3* then brings in the everyday social dynamics of strategizing. Whereas the first two sections reflect the recurring and enduring nature of the practices, the third one opens up their contextual and improvisational character. Finally, *Section 4.4* draws these two approaches together and presents an account of the strategic perspective on value creation that was manifested in the strategizing.

### 3 Methodology

#### 3.1 METHODOLOGICAL APPROACH

In line with the general orientation of practice-theoretical approaches, this study aims to build theory from practice (Schultz and Hatch 2005). Instead of translating theoretically derived knowledge into practical solutions, the aim is rather to produce better theorization by tapping into practical knowledge through ethnographic methods. The ultimate objective of such an analysis is to “conceptualize the underlying strategic and organizational problems clearly enough to take appropriate and effective action” (ibid: 338). The goal is to produce fairly simple integrated frameworks that make clear theoretical contributions and also provide tools for practitioners to examine practices and tensions between those practices in their organizational contexts. I agree with Carter, Clegg and Kornberger (2008), who claim that in order to critically examine strategizing we should not start from the object ‘strategy’ and try to explain how it got manufactured, but should begin with the practices that eventually make up ‘strategy’ as it is practiced. Building on Veyne (1997), Carter, Clegg and Kornberger (2008: 91) suggest:

We should not use terms that, from a recent perspective, might appear to be seemingly eternal, such as the state, the manager, the market, etc., for these are ‘notions that trivialize the originality of successive practices and render it anachronistic’ (Veyne, 1997: 154). Rather, Veyne suggests that an object is only the correlative of a practice. Following this perspective, the object is explained by what went into its making, and not the other way round (that the object explains its making). The object we assume to observe is a reaction, a result of an assemblage of practices; only the process of objectifying and reifying these practices has led to what we think of as objects...

The role of the theoretical framework in culturalist research differs from its role in other research approaches (Alasuutari 1996, Moisander and Valtonen 2006). Most importantly, theories are seen as particular viewpoints on social reality, not as universal theories about social mechanisms. The practice-theoretical framework developed in this study consists of ontological and epistemological premises that build on the practice turn in social theory – i.e. being and knowing is grounded in social practices. It enables a reflexive perspective on practical knowledge and helps to break away from the “confines of mundane reality” (Alasuutari 1996: 374). There is a

clear distinction between the theoretical framework and the case that is being analyzed through it. As Alasuutari points out (ibid: 377), the “frame presents a general viewpoint and is applicable to a number of cases, whereas the object of a study is a particular case, whose details can only be given a *local explanation*”.

The practice-theoretical framework is elaborated through a case study (Stake 2003) of strategizing in a small start-up company aiming to develop new business in the area of waste management. The single case facilitates deep, contextualized understanding of strategizing and the social practices it involves. The specific case allowed me direct and lengthy access to strategizing. I was granted full access to the company in May 2007 and was able to observe the strategizing for almost three years. The way the company was organized allowed me to get a rather complete picture of the new business development. Namely, the practitioners worked similarly to project teams in larger organizations: they met periodically while simultaneously working on other jobs. Although some of the strategizing was accomplished outside the meetings, I was able to participate in most of the activities that constituted the new business development.

Because the objective of the case study was to enhance understanding of the *construction* of a service-dominant strategy, it was natural to focus on strategizing in a start-up company in which the social practices were not yet institutionalized within the specific organizational setting. They were rather carried out in an emerging, relatively unstructured context. As Felin and Zenger (2009) point out, it is important to shed light on the emergence of practices during the early, nascent stages of organizations. What happens in the beginning affects the organization and the consequent value creation disproportionately far into the future.

The case also suited the research objectives with regard to the business environment it involved. First, biological waste management is an emerging sector within the broader context of clean technology (Sitra 2007). The various actors in clean technology envision possible futures for the industry, but no one has gained a dominant position in setting the common agenda. The companies were crafting new strategies rather than imitating existing ones – at least within biological waste management. Second, developing new business in waste management did not presuppose a focus on either

goods or service. The sector comprises companies supplying technical solutions and others supplying service solutions. Thus, the business environment in which the strategizing transpired did not predetermine the construction of either a goods-dominant or a service-dominant strategy for customer value creation.

The case study consisted of ethnographic materials and analysis aimed at explicating cultural patterns of action (Arnould and Wallendorf 1994, Arnould and Price 2006, Moisander and Valtonen 2006). Ethnography is a natural ally in practice-theoretical studies that strive to research “the contextual, detailed, ‘deep’ and unique characteristics” of strategy practices (Rasche and Chia 2009: 725). It refers to a research process that includes observing, recording, and engaging in the lives of the target, as well as delivering a rich account of this fieldwork. Arnould and Wallendorf (1994) identified four distinctive features of ethnography. First, it gives primacy to systematic data collection in natural settings. Second, it involves extended, experiential participation by the researcher in a specific cultural context. Third, it produces interpretations of social action that the people studied and the intended audience find credible. Fourth, it incorporates multiple sources of data, ranging from naturally occurring documents and social interaction to interviews.

Strategy-as-practice research has good examples of ethnographic studies (e.g., Samra-Fredricks 2003, 2005, Rouleau 2005), but some methodological challenges remain. Given the emphasis of this study on the inherent logics of the social practices of strategizing, the main challenge was to reach beyond direct observation and examine the rules and background understanding of the practices in a systematic manner. This is related to the basic issue of knowing-in-practice. How can I, as a researcher, interpret what others know through the practices they carry out daily?

In the analytical process I aimed to overcome these challenges through the principles of hermeneutic philosophy, which builds mostly on the work of Heidegger (1962/1949) and Gadamer (1989/1960) and emphasizes the role of (pre-)understanding prior to any interpretation or reflection (Arnold and Fischer 1994,



Thompson 1997). According to Arnold and Fischer (1994)<sup>7</sup>, hermeneutic philosophy holds that the interpreter and that which is interpreted are linked by a context of tradition, which in this case refers to shared practice-complexes. This (pre-)understanding enables rather than constrains the interpreter and is continually being worked out. My (pre-)understanding resulted from my experiences as a strategist and a new business developer on the one hand, and as a researcher on the other. Prior to engaging in this research I had been involved in a few product development projects involving developing a service and a technological platform for advertising in drug stores and finding a holistic navigation solution for a mobile touch screen, for example. As a researcher I had, of course, familiarized myself with various theories of strategizing and of new business development. These kinds of experiences are used to construct a coherent account in philosophical hermeneutics, although the unavoidable limitations of each interpreter's (pre-)understanding are acknowledged.

Arnold and Fischer (1994) highlight the notion in hermeneutic philosophy that when we understand, our own self-knowledge is changed. Understanding is part self-understanding, part self-reflection, and part self-development, thereby transcending the boundary between the researcher and the research target. It is intimate and action-oriented rather than detached. Hermeneutic philosophy does not see interpretation leading to understanding, but maintains the opposite: "interpretation is the explicit form of understanding" (Gadamer 1989/1960: 307).

The biggest advantage of drawing on hermeneutic philosophy is that it allowed me to fully utilize my personal experiences during and before the research process. Further implications with regard to the empirical analysis are discussed in *Section 3.4, 'The process of empirical analysis'*.

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<sup>7</sup> In defining hermeneutic philosophy I follow Arnold and Fischer (1994), with two exceptions. First, they focus on the role of language in understanding, whereas I approach discursive practices as only one type of practice. Second, their typical data consists of autonomous texts, whereas I see textuality in a broader sense (e.g., Moisander and Valtonen 2006: 68-83) and construct the research data mainly through participant and nonparticipant observation.

### 3.2 VALIDITY, RELIABILITY, TRANSFERABILITY, AND LIMITATIONS

In assessing the validity, reliability, transferability, and limitations of this study I draw on the tradition of culturalist research (Alasuutari 1996, Moisander and Valtonen 2006, Rasche and Chia 2009). The notions of validity and reliability also apply in the context of culturalist, qualitative analysis, but their meaning is different than in more quantitatively oriented research. Although I do not seek an objective or single correct interpretation in the empirical study, I do not resort to extreme relativism. Not all interpretations are equally persuasive. Arnold and Fischer (1994) liken the judgment of good interpretation to the critical review of an artistic performance: the judgment is ultimately in the readers' hands. Moisander and Valtonen (2006: 147) propose several criteria for evaluating cultural analysis. In accordance with their account, I relate validity with insightfulness and relevance. The analysis should bring new insights to the existing theoretical and practical context. It should also be relevant with regard to the readers' pre-understanding. Reliability, in turn, relates to the coherence and transparency of the analysis. Moisander and Valtonen also suggest that researchers should demonstrate sensitivity to the phenomenon and to the ethics and politics of the interpretation, and be committed to credible communication.

The theoretical framework, as a worldview, is not tied to a specific empirical context (Alasuutari 1996) and is readily applicable to various settings. In terms of empirical research results the situation is different. The aim in a qualitative study such as this is not generalizability of the results, but transferability (Moisander and Valtonen 2006). Transferring the findings from the empirical analysis to other contexts is facilitated by the researcher but ultimately accomplished by the reader. The specificity of the case, and particularly the small scale of the strategizing, may potentially raise issues about transferability. One might question the usefulness of the findings of this study in the context of larger corporations, for example. Given my experience in various businesses I tentatively suggest that the practices identified resonate well with many different business settings. However, there are undoubtedly other settings to which the results are less relevant. Overall, given the relatively challenging empirical analysis that was needed to identify the practices and tensions of strategizing, the small scale turned out to be a good choice. It might have been an overwhelming task to carry out the analysis at the same level of detail on a larger scale.

The main limitations of the study are related to the way the strategizing proceeded. At first I assumed that the company would rapidly gain access to the market by developing and commercializing new offerings. However, the new business development did not proceed as quickly as the practitioners had planned, and as a result the emphasis of the strategizing was on developing offerings rather than launching them onto the market. There was thus limited interaction with certain actors, such as retailers and end customers. Furthermore, the set of practices that was drawn upon did not seem to evolve significantly during the process. Despite these drawbacks, the case did provide the necessary materials for fulfilling the research objectives.

### 3.3 EMPIRICAL DATA

The empirical data of the case study consisted of ethnographic material obtained through participant and nonparticipant observation (Arnould and Wallendorf 1994) in meetings and negotiations over a period of almost three years. The analysis focused on the first 20 months of this period when I was most actively involved. The later period allowed me to reflect on the strategizing that had taken place in the light of further events. By participating in the strategizing I was able to closely discern the practices that were carried out. Although my role was mostly that of a silent partner, I achieved a trusted position and consequently had access to situations that were closed to outsiders. In these meetings I shared and participated in the practitioners' thought processes, in their "often unnoticed and seemingly insignificant moves, mannerisms and dispositions" (Rasche and Chia 2009), and even in their emotions. Every once in a while I commented on their discussions, and they might ask: "Having participated in these meetings, how do you feel about...?"

The majority of the start-up members' meetings and also some of their negotiations with other actors were recorded and transcribed (see *Appendix 1* for a full list of the observed events). In addition to having personal encounters with the entrepreneurs, I interviewed the key individuals in the company and even consulted one of them in my position as an expert in marketing. During the whole process I carefully took notes and collected any materials that seemed relevant. I also had full access to the company's business texts, including memos, emails, presentation materials, and

contractual papers (see *Appendix 2*). With regard to the business environment of waste management, I talked with several experts and read through business magazines and other public materials.

### 3.4 THE PROCESS OF EMPIRICAL ANALYSIS

Following the principles of hermeneutic philosophy implies the use of certain types of approaches and methods during the empirical analysis (Arnold and Fischer 1994, Thompson 1997, Moisander and Valtonen 2006). The idea of a “hermeneutic circle”, which is commonly used in the social sciences, is central. It refers to an iterative, part-to-whole interpretative process. Interpretation is achieved within the hermeneutic circle, in which the parts are understood in the context of the whole and the whole is made sense of through its specific elements. Thus, on the one hand the analytical process involved the careful examination of the doings and sayings I had observed and recorded, and on the most detailed level this meant close-reading the transcribed recordings from the meetings. On the other hand, the meanings of these doings and sayings could only be understood in the larger context in which they transpired. Hence, I also pursued a holistic picture of the strategizing, which acquired its meaning partly through the minutiae of the everyday strategy making.

Another key concept in hermeneutic philosophy is the “fusion of horizons” (Gadamer 1989/1960, Arnold and Fischer 1994). A horizon is, both literally and figuratively, everything that is “visible” from a particular vantage point (Gadamer 1989/1960: 302). Both the interpreter and the “cultural text”, or in this case the studied social action, have a horizon that is based on (pre-)understanding. The process of interpretation, in which the interpreter moves or changes position by developing understanding, is aimed at the fusion of horizons: the horizon of the interpreter comes to encompass the discerned horizon of the “text”. “(Pre-)understanding becomes understanding” in this process (Arnould and Fischer 1994: 64).

I started the data collection and analysis with as few preconceptions as possible. Rather than observing strategizing through a specific theoretical lens I wanted to immerse myself in it in order to be able to use the practitioners’ vocabulary and, more generally, to see the business through their eyes. After my initial discussions with

them, which gave me an introduction to the history and current state of the company, I wanted to understand what its members did as part of the new business development. I also wanted to understand how they did those things: how the members interacted together and with others, what drove their work, how they perceived the start-up company and the business they were in, and so on.

Although having previously interviewed several people in the field of environmental technology and having read various related articles in business magazines, I found it quite difficult at first to grasp what the practitioners were talking about in their meetings. For example, they used highly specialized terms related to composting technologies. In addition, they had been nurturing similar ideas either individually or together for several years, and therefore no longer needed to clarify the basic concepts with each other. Although causing difficulties in understanding, from a research point of view this was also a relief: the meetings seemed to provide me with naturally occurring data that was not significantly affected by my presence.

One of the first key tasks was to list the strategizing activities that took place in the meetings at the level of praxis. I took notice of their talk, interaction, and various doings, such as crafting contracts and making phone calls. Eventually this resulted in a categorized list of strategizing activities. This list – divided into the categories of developing offerings, defining markets and customers, building and managing networks, and managing the start-up company – was useful in maintaining an overall picture of the strategizing throughout the empirical analysis (see *Table 9* at the beginning of *Section 4.3 “Strategizing as practical coping”*). Observing the activities was rather straightforward; they were the visible and audible doings and sayings of strategizing. Compiling a classification was slightly more complex, however. I had to distinguish between the categories and decipher how the doings and sayings did or did not relate to each other. I also had to give fitting labels to the activities.

It was immensely more challenging to identify the various social practices that the practitioners carried out and that formed the basis of their tendencies and dispositions in strategizing (*Section 4.1 “Social practices of strategizing”*). This entailed abstracting the underlying patterns from the unfolding of the observed meetings and negotiations. In particular, my aim was to closely analyze the practical

understandings, rules, and teleoaffective structures that linked the doings and sayings in any given practice. In order to accomplish this task I had recourse to both intuition and theoretical elaboration, as a more mechanistic analysis proved too limited. During a decisive and intensive period of four weeks I engaged in close-reading the transcriptions of the meetings that I had observed earlier, at the same time keeping in mind what I had experienced first-hand. I searched for recurring themes and categories in the doings and sayings that I had observed. I also looked for consistencies and differences in the meanings that were attached to different objects in different situations. Gradually, through this process of trial-and-error, meaningful patterns began to emerge in the seemingly varied and complex social activity of strategizing.

I was actively engaged in the process of identifying the social practices for several months before and after the four-week period of close reading, and less actively for the rest of the research period. I alternated between involvement and distance as well as between individual practices and practice-complexes. Sometimes I would focus on an individual practice that I had preliminarily identified. Through theoretical distancing I would elaborate on the specific background understandings and know-how through which the doings and sayings seemed to hang together. Then, I would go back and participate in the meetings, and consider how my interpretation resonated with what I could see and hear as part of the everyday strategizing. At other times I shifted my attention from individual practices to practice-complexes, examining whether and how well my interpretations of the various practices worked together and how they matched the unfolding of the events. Embracing a single practice in my interpretative horizon was not that difficult, but accommodating the horizon with several, often conflicting practices turned out to be more challenging. A truthful and credible account of the multiple practices required an extensive process of iteration.

I also aimed at a holistic understanding of the historical and cultural construction of the practices. This meant that I needed to go beyond direct observation of the doings and sayings in the meetings. For example, although the start-up company had not yet started selling the offerings beyond its attempts to arrange piloting facilities, the practice of selling rapidly could be said to include the project of contacting potential customers and persuading them to buy. This project was something that at least some

of the practitioners had experienced in one way or another, and talked about in the meetings. It had become part of their habits and style, although the doings and sayings were not demonstrated during the observation period.

Furthermore, producing a holistic understanding required me to move back and forth between detailed observation of the strategizing and the wider cultural and practical context in which it was embedded. It is apparent that without a solid understanding of the context in which it transpired, it would have been impossible to develop a sophisticated account of the inherent logics of the practices. In order to enhance this contextual understanding I conducted deep interviews with the key practitioners, in which they elaborated on their personal backgrounds as well as their roles and relations within the start-up company. They told me in an informal way about their working and educational histories, their learning experiences in their previous jobs, their views on how the start-up company had evolved vis-à-vis the market and how they saw them at the time of the interview, their goals and reasons for being involved in the company, and finally their personal roles among the other start-up members.

I then proceeded to examine the possible tensions and complexities among the identified social practices, particularly between their inherent logics (*Section 4.2 “Tensions between practices”*). My aim was to give voice to the multiple horizons by highlighting the tensions between the practical understandings, rules, and teleoaffective structures of the different practices. I also analyzed how these practices were aligned with service-dominant logic – whether they enabled or inhibited a service-dominant strategy. During this process I distanced myself from the everyday strategizing and searched for any differences in the worldviews that were inherent in the individual practices I had found. Although I remained open to multiple views, the analysis built on and was guided by the theoretically derived dimensions of value creation in the theoretical framework, namely the relationship and offering dimensions. However, these dimensions and their key aspects, which I had previously identified in the existing marketing literature, proved to be too abstract in terms of analyzing the tensions. It was evident that the inherent logics of the practices conflicted on a more practical level, which was also a substantial finding of this study. Thus, rather than discovering that a certain practice followed either a goods-dominant or a service-dominant logic, I found out that it could follow the logic of integrating

resources for either the focal organization or the whole value-creating network. At the same time as identifying the tensions from the empirical data, I sought theoretical elaboration from relevant discussions in the existing management literature. With regard to the above example, I elaborated the tension of integrating resources for different beneficiaries through the notion of co-opetition (Brandenburger and Nalebuff 1996) in the strategy literature. This theoretical elaboration was useful in terms of contextualizing and broadening the individual findings. During this process I found a total of seven tensions between the practices of strategizing (see *Table 6* in *Section 4.2 “Tensions between practices”*), which could be seen as turning points in the construction of a service-dominant strategy.

The analytical process thus far entailed listing the apparent activities of strategizing, identifying the social practices behind them, and examining possible tensions between the practices. At this point I looked back at the new business development in the start-up company as a whole, and how it had developed over time. I pursued a neutral account of what had happened – the praxis of strategizing – and tried to make sense of the overall storyline that had emerged. I then looked at the story through the practice-theoretical framework, exploring the strategizing as practical coping that was guided by social practices (*Section 4.3 “Strategizing as practical coping”*). The practices and tensions I had identified made sense immediately. They enabled me to produce a fluent and coherent account of how the practitioners ‘coped’ with the mundane tasks and surprising situations during the new business development. The relative ease of the process could be interpreted as a sign of validity in identifying the practices. The practices and their inherent logics resonated well with what could be directly observed, and provided a deeper understanding of the everyday complexities of the strategizing.

Finally, I reflected upon the strategic perspective on value creation that was immanent in the strategizing (*Section 4.4 “A strategic perspective on value creation”*). This phase emanated from all the preceding analytical procedures. I went back and forth between the practices, the tensions, and the everyday praxis, and analyzed the strategic perspective on value creation that they demonstrated. The resulting account was a holistic interpretation rather than the sum or average of all the identified practices and tensions. Positioning the different entities involved in value creation in



relation to each other during this phase of the empirical analysis was important in terms of understanding the overall strategic perspective on value creation that emerged throughout the strategizing.

### 3.5 THE RESEARCH SITE

The case concerned strategizing within a small start-up company operating in the area of biological waste management. The company was officially founded in 2005, but some of the partners had been planning similar operations together for more than a decade. It consisted of about ten people, all with extensive experience in related fields such as chemicals, electricity, pulp and paper, logistics, industrial design, process design, and financing. The goal was to enable and facilitate biological waste management by bringing together skillful people, developing offerings based on novel environmental technologies and the combination of different types of know-how, and crafting a powerful strategy for growing the business. As one of the board members put it:

To reach our idealistic goals, the return on capital has to be at the right level. Otherwise we cannot attract the investors that we need to accomplish our goals.

The new business development was carried out in the Finnish business environment. The market for so-called clean technologies, such as for biological waste management, was turbulent and thus challenging to define. Simultaneously, it seemed to have high potential. There seemed to be countless targets for any offerings that used environmentally friendly technologies, especially on the global level. There were few established multinational corporations in the business of clean technology, although several small and medium-sized companies were developing and already selling competing solutions for biological waste management in Finland and abroad. The following extract provides a telling account of the business context in which the start-up company operated. Sitra, the Finnish Innovation Fund, developed “Finland’s national action plan to develop environmental business” in 2007. The report concluded (Sitra 2007: 38):

The total value of global environmental business markets is around 600 billion euros. Traditional environmental technologies [such as waste

management technologies] are emphasized in this estimate, and new clean technologies are not yet significantly included in the statistics. The whole sector is growing by around 10 per cent. Clean technologies are growing fastest: for example, the annual increase in wind and solar power technologies is as high as 30%.

Legislation has traditionally been the driver for growth. The rising prices of energy and natural resources make clean technologies more viable. The economic consequences of climate change and its harmful environmental impacts are becoming even more important drivers for growth than legislation.

Finland has a strong environmental image. In international comparisons of sustainability Finland has been ranked among the best in world. The turnover of Finnish environmental business is estimated to be around 4.5 billion euros. At the beginning of the current decade there was considerable concern as the field only seemed to be increasing by about 3% annually – much less than in other countries.

The main engines of environmental business in Finland are the few strong companies operating in international markets. Many Finnish small and medium-sized enterprises (SMEs) are constantly creating new technologies, but there is still plenty of unrealized potential for the commercialization of their products, especially as the sector is very dispersed in Finland.

Clustering is only at its early phase, and regulation and incentives defined by the public sector influence markets considerably. More cooperation is therefore needed between smaller and larger companies.

The attitudinal climate in the Finnish clean technology business, before the global financial crisis in the fall of 2008, was optimistic and entrepreneurial. There was a lot of encouragement for technology-oriented SMEs that were driven by the enormous potential for growth. The business atmosphere turned gloomy towards the end of 2008, however. With the rest of the economy slipping, start-up companies found it increasingly difficult to get funding from all types of investors. In addition, established corporations became more reluctant to invest in new pilot projects, making it challenging for start-ups to develop and test new solutions. It was not until the end of 2009 that the first signs of recovery appeared.

Overall, the Finnish clean technology sector seemed to have potential, but there were also clear challenges in comparison with other countries such as Germany and the US. Technological know-how and the general business infrastructure in Finland were

considered relatively advanced, but many were of the opinion that companies had difficulties in commercializing technologies and marketing technology-driven offerings. There were only a few examples of rapidly growing companies, such as WinWind that built wind farms and Naps Systems that developed solar energy systems. The rather unsatisfying results of the biotechnology companies, despite being very promising only a few years previously, had added to the skepticism toward new, hyped-about business fields. Furthermore, the lack of long-term, committed funding and the constantly changing regulation on the EU and national policy levels constituted challenges in terms of the market entry of new firms.

It is notable that many actors in the waste management business had strong sensibilities related to the long-term wellbeing of societies and the sustainability of the environment (Hietanen et al. 2006). These sensibilities were grounded in the large structural changes that seemed to be taking place globally. Sitra (2007: 14) listed the following as the commonly recognized “mega-trends” that “steered markets” in the clean technology business:

*Globalization:* Free movement of people, capital, technology and companies; Strong will to improve standards of living in developing countries; Production shifting to countries with cheaper costs; Rapid spread of knowledge and technology; Fewer and fewer companies are gaining ever larger market shares.

*Climate change:* The strengthening of the greenhouse effect due to the burning of fossil fuels; Warming of the climate, potential sea level rises, changes in rainfall, and increases in extreme weather events such as severe storms, floods and droughts; Increased awareness of environmental issues among politicians and the public; Need for new infrastructure planning and developments to facilitate adaptation to climate change.

*Urbanization:* Absolute and relative population growth in urban areas; Increased environmental and health problems in urban areas; Urgent need for improved air quality, water supply, sewerage and waste management; Improved noise control also needed in future.

*Growing middle class in developing countries:* New markets for consumer goods resulting in pressure on the environment; The way of living of the middle class has significant environmental effects through food production and the production and use of commodity goods.

*Wastage of natural resources and shortages of energy and raw materials:* Reserves of fossil fuels and other non-renewable raw materials

increasingly depleted; Wastage of natural resources leading to excessive consumption rates and rising energy and raw material prices; Erosion becoming an ever more widespread problem due to more intensive land use; Increasing use of chemicals resulting in environmental problems.

*Scarcity of fresh water:* Water reserves and water quality declining, resulting in environmental and health problems; Population growth in areas with water shortages a potential source of conflicts.

### 3.5.1 Strategizing through meetings

The organizational structure of the start-up company was relatively loose but function-oriented, resembling project teams in larger organizations. All the entrepreneurs were involved in other projects, most having other full-time jobs. The company did not pay any salaries at this phase, and had no operational management or employees other than the board members. The work carried out for it could thus be described as voluntary, and most of its members appeared to feel they were doing inspiring work for a good cause. However, the work was also driven by the enormous potential of the waste management business, which the entrepreneurs hoped could be turned into profits in the future. The company did not have the established infrastructure that comes with a larger organization, such as a dedicated working space, so the entrepreneurs met in a few different places in central Helsinki. The meetings covered issues such as developing offerings, defining markets and customers, and building and managing a wide network of individuals and organizations. They also dealt with the management of the company. Outside of the meetings the entrepreneurs carried out the relatively few tasks that could not be handled during them, such as searching for new information, making connections with various people, and doing the required paperwork.

Although the company was at the formative stage of business development, it had recognizable routines and habitualized ways of strategizing. Meetings, including board meetings and negotiations with actors outside the formal organizational structure, constituted the backbone. Jarzabkowski & Seidl (2008) suggest that meetings structure strategizing by either stabilizing existing strategic orientations or proposing variations. However, in this case they constituted a considerable part of the overall process: more than merely enabling a reflexive take on the everyday

organizational activity, they provided the key forum for the new business development.

Meetings can be analyzed in terms of the practices related to their initiation, conduct, and termination (Jarzabkowski and Seidl 2008). In this case they typically proceeded in the following way. First, the three or four most active board members who were usually present casually discussed the new business development. Next they went through the previous proceedings. This, in addition to various other chairing practices, heightened the sense of formality and seriousness during the otherwise rather informal interaction. Then they went through the agenda. The conduct of the meetings involved everything between free and structured discussion. Whenever there was a need to speed up the process the agenda was taken into active use. Naturally, it also gave voice to certain views and suppressed others. There was limited use of formal strategy tools: there was no SWOT analysis, formalized scenario planning, or five-forces modeling, for example. Finally, the meetings ended with the building of bridges to further meetings. The participants set the next agenda and decided where and when to meet. They then went back to their other projects and set to work on the tasks that had been given to them for the next meeting.

### 3.5.2 The practitioners

The start-up company consisted of friends and their business connections with expertise in complementary areas related to new business development in waste management. The key person was Board Member 1 (BM1). He had originally called together the group of experts and was essentially the one who held the start-up company together. Board Members 2 and 3 were BM1's closest and most active colleagues in the start-up: together these three, in addition to the less active Board Members 4 and 5, answered to the rest of the investors and were essentially responsible for the survival and success of the company. Other members, totaling about ten, had invested in the company and occasionally provided their expertise in specific areas as required in the strategizing.

BM1 graduated as a chemical engineer (M.Sc.) in 1969, having also worked as a professors' assistant. Chemical engineers were in great demand at that time, and he started his career as an operating engineer in a large Finnish corporation. He then

obtained positions in process engineering, project management, and administration in three different companies of varying sizes. He thought that the most important thing these jobs had taught him was to be open to different perspectives. For example, one of the companies was extremely production oriented, whereas another heavily emphasized marketing. In 1985 he decided to get out of the industry and helped to start an investment company. The stock portfolio grew significantly during the first few years, but the company collapsed in 1989 and BM1 lost all his assets, including his house. Gradually regaining his financial balance during the following years, he met with experts in the business and technology of composting. He worked in several waste management projects involving collaboration among various partners, including municipalities and universities. In retrospect he thought that the products were not advanced enough, and that the projects ultimately failed due to resistance from the largest actors in waste management and a lack of funding for further development. Again after a couple of years, he began to discuss the future of waste management with old friends and colleagues, and together they decided that their earlier efforts should not be abandoned – the issue was too important for society and the natural environment. They familiarized themselves with several different approaches and technologies, and in December 2005 founded the start-up company that is the focal organizations in the present case study.

Board Member 2's studies focused on electrical devices, and he obtained his first degree from a technical school in 1972. Since then he had undergone continuous further training in order to maintain his official rights to inspect electrical systems. He started his career as an operating manager in a factory, and then worked in electrical planning. In 1980 he founded his own electrical planning company, which specialized in facilities with advanced ICT systems and continued to operate profitably. He decided to keep the number of employees under twenty in order for the organization to stay flexible and manageable. He believed the success of the company was largely due to the large network of people and organizations with which he and his colleagues had developed personal relationships. BM2 had known BM1 for a long time and was asked to join the start-up company primarily because of his vast business connections and electrical know-how.

Board Member 3 is a chemical engineer, graduated with a B.Sc. (philosophy) in 1977 and obtained his licentiate degree in 1997. He forged his career in the paper and pulp industry, having had jobs in laboratory engineering, technical sales, industrial process research, departmental management, and most recently process-development management. He worked at a research center between 1987 and 2000, and since then in a large corporation specialized in fibers. Both places placed heavy emphasis on specialized technological know-how related to chemicals and paper. At the beginning of the new Millennium BM1 asked BM3, through a mutual friend, to join the group that was striving to develop new solutions for waste management. BM3 had the necessary expertise for developing a new kind of biodegradable bag, which was one of the two development focuses in the start-up company.

Other key people in the start-up company included Board Members 4 and 5, and Shareholders 1 and 2. BM4 and BM5 were not as actively involved in the new business development as the other three. BM4's background is in financial services, and he is currently running another start-up that consults on construction projects. BM5 is a private investor and well networked with other investors. Shareholder 1 (SH1) is a professional in design management of long standing, and a former full professor of industrial design, and is currently a partner in one of the largest design agencies in Finland. He was involved with BM1 in some earlier waste management projects. Shareholder 2 (SH2) is currently head of the board of the large consumer product corporation for which BM1 once worked. During those years they developed a personal relationship and SH2 agreed to invest in the start-up company and to offer his business knowledge when needed.

Technology Supplier 1 (TS1) and Business Customer 1 (BC1) invested in the start-up company personally but mainly represented their own companies. BM1 had known TS1 for a long time and believed in his and his team's capabilities related to composting technology. TS1 runs a small expert company that developed technology for the start-up. In this project he used two highly skilled professionals: Technology Supplier 2 is an expert in chemical engineering and Technology Supplier 3 in biological processes. In 2007 BM1 was introduced to BC1, who ran a rapidly growing company that sold pipe-transportation systems. Together with TS1, BM1 convinced BC1 that the start-up company could develop a bioreactor that would complement his

company's existing offerings very well. BM1 and the other start-up members were similarly impressed by BC1's abilities to grow his company's sales abroad by effectively combining skills in high technology and marketing.

### 3.5.3 From ideas to offerings

Overall, the strategizing revolved around different solutions to biological waste management, which typically involves highly complex social and technological arrangements. When I described the theoretical framework of this study earlier in the report I presented an example of customer value creation in the context of biological waste management in a new residential area (see *Table 4* below). In this example the company's offering, a bioreactor solution or a biodegradable bag for example, would become part of a complex social activity of value creation, involving various people and organizations, practices, and material arrangements. The waste management would be affected by the cooking and recycling practices of residents as well as the business practices of several waste management and construction companies. In addition, the offering would need to comply with the municipal waste management infrastructure and various laws and regulations.

<b>People and organizations</b>	Residents	Waste management companies	Construction companies	Municipal actors	Legislators
<b>Practices</b>	Cooking and recycling practices	Business practices	Business practices	Waste management practices	Regulating practices
<b>Technologies and other material arrangements</b>	Cooking and recycling technologies	Waste management technologies	Construction technologies	Waste management infrastructure	Laws and regulations

Table 4. Customer value creation: an example of biological waste management

Since the birth of the start-up company in late 2005 the members had approached it from various directions, and one of the main challenges was clearly in deciding which way to proceed. When I started observing the company in May 2007 its key members told me that "the project" had now gathered a certain momentum and was rapidly moving forward. They said that the biggest issue was still in concretizing the plans: making the first prototypes and concluding deals for the test phase of manufacturing. During the discussions in the meetings the practitioners generally framed the



strategizing in the company as product development or orchestrating product development in a network. Furthermore, they stated that marketing was something that the firm had lacked until they partnered with a potential business customer with proven skills in international sales, and even the potential to take the start-up's offerings into its product portfolio. They discussed "marketing and sales" as a close-coupled pair referring to the activities of distributing, communicating, and selling products to customers. Furthermore, "communication" involved crafting a message that was understandable to the customer and set out the benefits of the product. Despite acknowledging the need for and value of "marketing", the practitioners did not see it in their strategizing.

In the following I give an overview of how the strategizing progressed throughout the data collection. It should be noted, however, that the different phases overlapped and that the practitioners continuously moved back and forth between different activities. In general terms, during the period from May to December 2007 the strategizing centered on visioning: product ideas and different types of organizational configurations were brainstormed and fitted together into strategic visions for the future. During this phase the ideas were not restricted to short-term realities. However, they were based on the practitioners' knowledge about existing technologies and the increasing challenges related to sustainable development all over the world. The practitioners came up with many kinds of solutions to biological waste management, the applications of which ranged from poultry farms in Russia to new shopping malls in the Middle East. In conjunction with the different solutions, various forms of collaboration with companies from multiple industries were discussed. Although this type of visioning was emphasized during the first phase, it continued alongside other forms of strategizing.

Roughly from January to August 2008 the practitioners focused on taking their early ideas and plans forward. This involved, most importantly, ordering preliminary technological planning from a technology supplier and growing the start-up company's network of individuals and organizations with the necessary know-how and other resources for the new business development. Technological development covered areas related to composting, such as mechanics and microbiology. It required close collaboration with the technology supplier, because no detailed specifications

were available at the time. The result was a report that included an overview of the composting process, a draft of the system's benefits and economic feasibility, calculations of the material processes, and the blueprints of the system that included a list of required components. However, more technological development was required before the system could actually be built. The start-up company's network grew in many directions, incorporating potential suppliers/partners as well as customers. Two new members came in as minority owners, representing the technology supplier and the business customer with the most potential. The practitioners saw this not only as an investment but also as a symbolic act of commitment to the goals and development of the company.

From September to November 2008, the strategizing centered on preparing for product prototyping and piloting, which involved searching for investors and piloting partners/customers. The practitioners acknowledged that it would be impossible to complete the technological development without additional funding from external investors. They also had to find a suitable piloting site and a customer that would be willing to participate in carrying the risks that were associated with the new, untested waste management solution. However, they were unable to attract significant amounts of funding. Despite promising leads, they did not manage to make piloting deals either. One factor that contributed to these difficulties was undoubtedly the global financial crisis that struck in late 2008.

The case study focused on the period from May 2007 to November 2008, as described above. However, I also followed the strategizing in the company after that period, albeit less actively. During this time the company behind Business Customer 1 was bought, and he therefore became a member of the start-up rather than a representative of another business. In addition, an external consultant recommended by one of the board members put together a professional business plan for the start-up company. Crafting the new business plan clearly brought rigor and energy to the strategizing. The Finnish Centre for Economic Development granted funding for making the business plan on the basis of the company's good potential to attract significant research and development investments from the Finnish Funding Agency for Technology and Innovation. The breadth and depth of expertise in the company was emphasized in the decision.

## 4 Developing new business in waste management

### 4.1 SOCIAL PRACTICES OF STRATEGIZING

Strategizing is enabled and guided by the social practices that practitioners carry out and draw upon. These practices consist of doings and sayings that are linked through practical understandings, rules, and a teleoaffective structure (Schatzki 2002, 2005, 2006). The doings and sayings are organized as tasks that form larger projects. The inherent logic in the practice thus consists of particular know-how, explicit prescriptions, goals, hierarchies between different entities, and even desired emotions. The practices are trans-individual but the practitioners carry them as internalized tendencies and dispositions. A strategic perspective on value creation is immanent in the field of practices.

This section presents the practices that were identified in the empirical analysis. Each of them is described individually, and due to their structured analysis they are reported in a table format. The descriptions could be thought of as different horizons the practices open up to the world. I have not given further reflection to them: all the descriptions follow the same reporting logic and reflect the perspective of the practice in question. This section does not explicitly concern how the identified practices affected the strategizing in the start-up company. The ways in which they contributed to everyday life in the organization are analyzed in *Section 4.3 “Strategizing as practical coping”*.

The practices that were identified did not seem to change significantly during the observation period of 20 months. They were rather part of the practitioners’ deeply rooted ways of being and strategizing. The observed strategizing built on the culturally and historically shaped practices that the practitioners brought along from their previous experiences as managers, employees, investors, and researchers, among other things. Most of the practices were shared among more than one practitioner (see *Table 5*), although the practitioners expressed them to different degrees. They also learned from each other. They began to expect and prepare for certain doings and sayings and gradually even adopted some of the practices of other people.

In theory it would have been possible to identify numerous practices, but I concluded that the following ten were the most relevant for the new business development. Together they seemed to account for most of the activity that I observed. This section elaborates on the practices of 1) engaging in product hobbyism, 2) piloting, 3) separating technical and commercial people, 4) selling rapidly, 5) forming and maintaining strategic partnerships, 6) building large networks, 7) researching, 8) identifying the markets for environmental technology, 9) contracting, and 10) drawing in investors.

Taken together the practices may seem uneven. This is a testimony to the practical nature of the analysis: practices do not fall neatly into precise categories in everyday organizational life. They comprise a variety of different types of doings and sayings as well as background understandings at different levels. In addition to the ten that I identified there were a number of “dispersed practices” (Schatzki 2002): simple, commonly carried out doings and sayings that belong to strategizing in most similar organizations and include taking notes, chairing meetings, scheduling various tasks, for example. For the sake of clarity these dispersed practices were excluded from the empirical report.

Strategizing can also be distinguished through the absence of practices. There were some common aspects of new business development that were notably absent from the arrangement of practices within the observed strategizing. For example, there were none that were strongly related to competition: apart from drawing in investors, differentiation vis-à-vis competitors or their offerings did not form part of the strategy making. There was thus no tendency to position the start-up company directly in relation to its competitors, which may seem surprising from the perspective of the strategy discipline.

Practice	BM1	BM2	BM3	BM4
Engaging in product hobbyism	X			
Piloting	X	X	X	
Separating technical and commercial people	X		X	X
Selling rapidly			X	X
Forming and maintaining strategic relationships	X	X		
Building large networks	X	X		
Researching	X		X	
Identifying the markets for environmental technology		X		
Contracting	X	X	X	X
Drawing in investors				X

Table 5. Practices carried out by the four most active board members

#### 4.1.1 Engaging in product hobbyism

*Engaging in product hobbyism is about enthusiastic, hands-on development of technologies and physical products. It is disconnected from the business goals that are usually attached to new business development, such as commercialization and sales. The main goal is to improve “things”.*

##### **Practical understandings**

Practical understandings in product hobbyism are connected to simple doings such as measuring, drawing, and working with different building materials. They are about being able to effectively grasp technical drawings and about knowing what to do with certain tools such as a measuring tape or a hammer. In the context of new business development these understandings help practitioners to absorb and share technological information related to offerings as well as design and manufacturing processes. They are able to quickly relate changes in technology to practical implications for business practice.

##### **Rules**

The rules in product hobbyism consist of scientific models and theories in areas such as physics, chemistry, and biology. The rules and models are considered unbreakable and thus constitute a solid platform for product development. The instructions for applying these models and theories are disseminated through teaching in universities of technology and industrial design, for example.

##### **Teleoaffective structure**

Behind the practice is the idea that the wellbeing of societies is improved through technological development. Technological inventions drive innovation and new product development. New businesses are formed around superior technological know-how that is supported by business skills.

The primary end in the practice of engaging in product hobbyism is the developed product. The focus is exclusively on “things” such as tools and devices, and the underlying technologies. The aim in product development is to solve technical problems rather than satisfy human needs. Commercialization and value creation in the marketplace do not play a part. The development is not sales-driven and there is no pressure to create profits.

The main objective in this practice is to develop and improve products and technologies collaboratively with other developers. It pulls together the best available developers, who may come from competing and partnering firms, be prior customers or simply friends. Social compatibility and the ability to solve particular problems are prioritized. The developers’ tasks include planning and blueprinting as well as implementing the plans through manufacturing and assembling. Product improvements are reported in technical terms: a device is made faster, stronger, slimmer, more durable, and so on. From the perspective of new business development it is essential to understand what is not included in the practice: organizational structures and hierarchies, markets, and customers are largely irrelevant.

Relevant emotions and moods include strong interest, enthusiasm, dedication, and determination. Participants are substance-oriented and ignore aspects of socialization that are not directly related to achieving the practice’s ends.

#### 4.1.2 Piloting

*Piloting is about developing products and services during a testing process in actual service settings. It involves mutual learning with the customer and aims at improving user experience of the offerings.*

##### **Practical understandings**

Practical understandings in piloting are related to managing uncertain situations. A person knows how to piece together a prototype that can be piloted by using less-than-perfect resources. S/he is able to provoke and react to feedback from users of the prototype. In general, the practice involves understanding how to handle ambiguous situations in diverse social settings involving various kinds of formal and informal interaction.

##### **Rules**

There are few explicit rules in piloting. The practice is more about knowing how to behave in uncertain, even chaotic situations than about following clear rules in well-known settings.

##### **Teleoffective structure**

The piloting phase is situated ambiguously in the new business development process. On the one hand, piloting implies that product development continues after the product has been released from planning and prototyping. The offering is not complete before it has been tested in usage situations. On the other hand, offerings that require piloting and are still in development have to be sold because piloting requires resources from the customer. The customer could deliver the facilities and commit employees to using the pilot, for example. Despite the need for selling, transactions are not an essential part of piloting as unconventional funding mechanisms are often used.

The primary ends in the piloting practice include ensuring that the offering functions in practice as planned, and improving usage experience and situated functionality through inputs from end-users.

The main project consists of concrete collaboration and mutual learning among product developers, end-users and others at the piloting site, and then improving the offering according to the knowledge acquired. There are various demanding tasks. The prototype needs to be prepared for transfer to and assembly at the piloting site. Possibly for the first time during its development the offering is made usable to people other than the developers. The collaboration between the developers and others has to be planned and organized. There has to be a system for feedback and rapid response in case something goes against the plans. The offering usually needs to be improved either at the piloting site or after the initial piloting phase. Finally, information on all the strengths and weaknesses of the offering should be made available for future use, through documentation, for example. The hierarchical authority commonly connected with producer/consumer and seller/buyer relationships is blurred in the practice of piloting. Collaboration at the piloting site requires inputs from all actors, regardless of their status as producer or consumer. In addition, selling a pilot involves complex negotiations rather than simple contracts and transactions.

**Teleoaffective  
structure (cont.)**

Diverse emotions are related to piloting. Surprising problems, changing and overlapping roles as well as leadership and decision-making issues may produce feelings of chaos. The piloting practice is thus very different from laboratory-type product development in which learning is structured and largely predictable. In addition, the developers may feel proud of their achievements and experience a sense of ownership. It may be difficult for them to accept criticism from end users.



### 4.1.3 Separating technical and commercial people

*Separating technical and commercial people entails categorizing those who are involved in the value-creating network according to their perceived properties, and assigning them to different tasks accordingly. The implication is that technical and commercial people cannot truly understand each other because they think and act differently.*

#### **Practical understandings**

The practical understandings in the practice of separation are social in nature. They include recognizing personal traits, deciphering meanings from talk and interaction, and categorizing these traits and meanings into two distinct groups.

#### **Rules**

There are few explicit rules in this practice. Those that do exist are generally related to 'playing the social game', for which technical and commercial people have their own rules.

#### **Teleoaffective structure**

According to the practice, people have incompatible ways of thinking that hardly ever change. Technical and commercial people are fundamentally different in their approach to business. A technical person understands technology and is eager to invent new things. More than anything else, s/he wants to develop things further. A commercial person looks at existing things and tries to figure out who could benefit from them or to whom they could be sold. The two approaches cannot exist simultaneously in one person. In the context of new business development these differences cause difficulties unless properly taken into account.

The primary aim in separating technical and commercial people is to deal with different kinds of people appropriately. Moreover, a successful business team should have both. Although they may never be able to truly understand each other, they have to be able to discuss matters openly. Carrying out the practice enables diverse business teams to operate with minimal conflicts.

The tasks include distinguishing between technical and commercial people, projecting what kinds of roles they should have in new business development, and treating them accordingly. The product development process is entirely in the hands of technical people. Once they are finished with or near finishing the development, the commercial people take over and continue with marketing and sales.

The affectual structure in this practice consists of distrust toward 'the others' and a sense of belonging to one's own group. As 'the others' have different understandings and rules in new business development their behavior is regarded with suspicion.

#### 4.1.4 Selling rapidly

*Selling rapidly is about pursuing maximum sales volumes by basing sales efforts on an existing product portfolio. The goal is to achieve business results quickly, and although the salespeople interact with customers and thus gain knowledge about their needs, there is limited collaboration with product developers.*

##### **Practical understandings**

The practical understandings are connected to contacting potential customers, getting their attention, formulating and delivering sales pitches or other communication materials, and closing the deals. The practitioner also knows how to break inertia in organizations by focusing on getting results.

##### **Rules**

The rules of selling rapidly arise from the organizational selling infrastructure and guidelines. Advice is passed on from experienced salesmen to novices in the form of stories and rules of thumb. The rules describe proper methods for dealing with potential customers, as well as with employees and managers who are resistant to change.

##### **Teleoffective structure**

Selling is essential for the survival and growth of the firm. It is a prerequisite for further business development, as proven results and existing references are commonly used to prepare the ground for future deals.

The primary objective in the practice of selling is increased sales. This does not presuppose creating value for the customer or even increasing the bottom-line profit.

The main project is to sell offerings after the product development phase. The tasks include searching for customers and persuading them to buy the offerings. Selling may also be done through a sales channel, e.g., as part of the product range of another company. According to the hierarchical authority in this practice there is little collaboration between those who develop an offering, those who sell it, and those who buy and use it. As the selling takes place after the product or service has been developed, salespeople are not involved in product development. Finished offerings that have rather than contribute to creating value are passed on to the sales team, who then carry out their selling tasks. Although product development is not part of the practice of selling, the process is conceived of in a particular way, as based on a rough, initial estimation of customer needs. Technical or technological issues drive it in later phases. Finally, feedback from customers is based mainly on sales statistics rather than a deeper understanding of the offerings' roles in customers' lives or processes.

The emotions involved in selling may be strong. On the one hand, constant rejection from customers may be dispiriting, and on the other, success in intensive sales situations may be exhilarating. The potential intensity of selling is related to the kind of dedication that excludes the consideration of alternative ends or approaches. Furthermore, there is a general sense of immediacy that is connected to rapid decision-making.

#### 4.1.5 Forming and maintaining strategic partnerships

*Forming and maintaining strategic partnerships is about developing strong relationships with particular, well-chosen actors with complementary resources and capabilities. The relationships involve mutual learning and build on openness and trust.*

<b>Practical understandings</b>	The practical understandings related to this practice are interpersonal, and include “reading” each other, finding a common ground, and negotiating trustworthiness. It is essential to know who can complement the existing resources and capabilities and who can be trusted with sensitive information.
<b>Rules</b>	Similarly, the rules of the practice draw on wider cultural understandings of social interaction. A key component is trust, which is a requirement for a well-functioning relationship. Betraying the other party’s confidence leads to immediate consequences, i.e. terminating the relationship.
<b>Teleoaffective structure</b>	<p>Effective collaboration in new business development is possible only through strategic partnerships that consist of open, honest, and cooperative relationships between two or more organizational actors. The practice excludes other than the chosen organizational actors from sharing the same knowledge and skills. High trust between the partners is a prerequisite, and this can only be achieved through strong individual relationships and clear boundaries for the group involved. Collaboration between strategic partners is highly appreciated.</p> <p>The goal is to enable honest collaboration and mutual learning among organizational actors. This type of collaboration makes it possible to share ideas, information, and skills without fear of their being abused.</p> <p>The main project is about forming and maintaining strategic partnerships between organizations through personal relationships. The tasks include finding potential partners, initiating and building relationships with them, and organizing a platform for sharing knowledge and skills, such as facilitating discussion about ideas and plans that would in other circumstances be classified as business secrets. Through these partnerships the actors collaborate in reaching a common goal. Although they usually have additional goals that are not aligned with or related to the strategic partnership, it is not acceptable to misuse knowledge that is gained through this collaboration.</p> <p>Affective structures are emphasized in this practice. Strategic partnerships are formed only between actors who feel connected to each other, and emotions are important in finding the “right” partners. Continued collaboration contributes to reproducing this sense of belonging.</p>

#### 4.1.6 Building large networks

*Building large networks is about increasingly making connections with individuals and organizations that may be beneficial to the focal organization and the value-creating network. The practice builds on the idea that new business development requires different, sometimes surprising forms of collaboration with various actors.*

**Practical understandings**

The practical understandings include the ability to sense and connect the interest of various people and organizations. Knowing how to meet and get along with different kinds of people is essential.

**Rules**

The rules of the practice are not explicit; they draw on wider understandings of social interaction in business networks. The interaction builds on certain conventions that may vary across industries and firm types, for example.

**Teleoaffective structure**

According to this practice it is impossible for a small start-up company with scarce resources to succeed in new business development without a large and diverse network of individuals and organizations. The capability to build large networks distinguishes successful entrepreneurs from other business practitioners.

The goal of building large networks is to ensure access to an adequate amount and variety of knowledge, skills, funding, and other resources for new business development. A large network of individuals and organizations enables rapid development through the integration and reorganization of resources and capabilities from various sources. It also facilitates serendipity.

The main project is to form and maintain relationships with individuals and organizations as widely as possible. One of the most important tasks is to keep oneself updated on current issues: following trends, searching for changes in the business environment, and exchanging ideas with knowledgeable people. Other tasks include arranging meetings with interesting new people, maintaining an organized register of contacts, and keeping in touch with the contacts regularly. A supporting activity is arranging seminars to which various actors are invited at the same time: current and potential owners, partners, and external experts could be invited to exchange their views.

The hierarchical structure between the various actors is largely equal. The focal company usually organizes the collaboration but the other actors may also work together independently. Building large networks relies on reciprocity between loose contacts, and benefits the focal firm as well as the whole value-creating network.

The emotions in the practice are mainly related to the everyday interaction with different kinds of people. In addition, knowing people and being known may also provide personal fulfillment.

#### 4.1.7 Researching

*Researching is about providing rigorous information to enable careful planning and decision-making. It involves a modernist approach to doing research, emphasizing precise measures and detached methodologies. Customer and market knowledge is gained through surveys and outsourced market research rather than direct interaction.*

##### **Practical understandings**

The practice of researching requires a practical understanding of research methods, scientific models, and research reports. In particular, one should know how to produce new knowledge through these methods and translate that knowledge into practical solutions for new business development.

##### **Rules**

The rules of the practice are important and cannot be bypassed. They are essentially modernist and originate mostly from the natural sciences, with some support from the social sciences. Long research traditions establish the ways in which knowledge is understood and produced. The application of these rules to product and process technologies is rather straightforward, whereas in connection with market and customer knowledge it is more complex. According to the dominant tenets that draw on modernist research traditions, the production of customer knowledge aims at obtaining objective, quantifiable information about customer needs and behavior. However, a natural tendency in this context is to acknowledge that following these rules excludes a lot of aspects that are intuitively relevant for a comprehensive understanding.

##### **Teleoaffective structure**

The practice builds on the idea that knowledge that can be gained through scientific research benefits not only individual companies but also society at large. Research is the primary process for producing new technologies. The practice attaches positive meanings to supporting researchers pursuing the genuine cultivation of knowledge rather than monetary benefits.

The aims in the researching practice are, first, to gain knowledge that will produce better business decisions, and second, to contribute to the body of scientific knowledge. These ends often have synergies, and sometimes they are separate. They may also be conflicting.

The main project is to produce knowledge through research and to find ways of utilizing it in practice. Scientific or academic research is preferred over commercial, applied research. The tasks include conducting or purchasing research and relating the results to current business challenges. The business environment, including customers and their needs, is made sense of through research rather than interaction. The setting is familiar from laboratories in which the researcher is the actor who manipulates variables and collects information, and the environment only reacts to changes caused by him or her. In prioritizing the idea of scientific knowledge the practice emphasizes the technological aspects of the offerings. This prioritization also sets limitations: specifications for product development can only be described in terms of precise quantifiable measures. The implementation of research results about customer needs requires them to be transformed into product specifications, which are considered to give value to the offerings. Users do not appropriate the offerings but rather collect the benefits that the firm crafts into them in the form of product specifications.

The researching practice tends to favor rationalization over emotions. Emotions stand in opposition to producing credible knowledge.

#### 4.1.8 Identifying the markets for environmental technology

*Identifying the markets for environmental technology is about estimating how they will develop in the future, creating a vision for the value-creating network, and developing a roadmap for the focal organization and its partners. The market and the related institutional environment are external, and a small start-up company cannot influence their development.*

##### **Practical understandings**

Practical understandings of this practice enable the creative use of different kinds of reports, such as market, technology, and policy reports. The information comes in various formats, including market scenarios in industry magazines, technological blueprints of strategic partners, and discussions with policy makers. Practitioners know how to translate the information into practical business solutions.

##### **Rules**

Rules in the practice are mostly related to governmental and EU-level policies and regulations that shape the institutional boundaries of the environmental-technology business. The policies define the technologies and modes of business that are supported and incentivized at any given moment. The regulations, in turn, define the legal boundaries within which companies have to operate. For example, biological-waste-management solutions have to meet dozens of requirements in order to get approval. The policies and regulations have changed rapidly during the past few years.

##### **Teleoffective structure**

According to the practice, the market for environmental technologies in general, and for biological waste management in particular, is huge and rapidly growing. It is growing because increasing production and consumption all over the world are adding to the already significant challenges in recycling and other types of waste management. In addition, the general changes in attitudes toward waste management call for more effective solutions.

The goal in this practice is a vision of new business development that will broadly map current and future conditions in the environmental-technology market and position the focal company and its offerings in such a map. The desired result is a vision of a desirable value-creating network.

The main projects are, first, to craft a vision of future changes in the environmental-technology market, and second to estimate the potential for developing new business within such a vision. The tasks in outlining the market include estimating trends, opportunities, and threats. As far as estimating market opportunities is concerned they involve assessing the current situation of the company, i.e. its knowledge, skills, and other capabilities and resources, forecasting how they can be developed, and finally comparing the results with market outlooks. An essential element of these tasks is the envisioning of multifaceted solutions and value-creating networks, not merely individual offerings. The solutions usually require collaboration among multiple actors.

**Teleoaffective  
structure (cont.)**

According to the hierarchical authority in the practice, small companies cannot really influence the markets. They see them as external environments rather than something in which they can participate. Markets set the continuously changing conditions to which small companies have to adapt. They evolve mainly because of changing regulations, increasing environmental problems, and various activities pursued by more influential organizations. The role of small companies is to innovate, particularly by developing new technologies. They should develop their products and services and hope that the market will turn favorable to their offerings.

The affectual structure of the practice highlights “thinking big”, despite the current scarcity of resources. Without a great vision it is impossible to establish a significant market position. Outlining environmental-technology markets also contributes to a sense of purpose and commitment within the company.

#### 4.1.9 Contracting

*Contracting is about ensuring the rights and obligations of various actors in the network, and constitutes the formal structure of the collaboration. The roles and relationships in the network are clarified, agreed upon, and affirmed in the form of legal contracts – usually with the help of external experts.*

##### **Practical understandings**

The practical understandings of contracting are related to processing information in legal terms, crafting and interpreting contracts and collaborating with legal experts. It is essential to know how to avoid legal loopholes and how to interpret contractual terms favorably.

##### **Rules**

There are vast amounts of explicit and precise laws and regulations that drive contracting. It is difficult for ordinary small business practitioners to familiarize themselves with all the rules that may apply, which leave plenty of room in which to maneuver in any case. Contracting involves ongoing negotiation and interpretation of the meaning and implementation of the rules.

##### **Teleoaffective structure**

The practice involves the idea that contracts are needed but they should not be a driving factor in new business development. Without them the roles and relationships of individuals and organizations would be ambiguous, and advantage could be taken. Contracting inhibits dishonest and unjust behavior and facilitates the maintenance of long-term structured collaboration between organizations even if the individuals in them change.

The goal in the practice of contracting is to enforce the rights and obligations of various network actors. Contracts have only instrumental value – they are not crafted for the sake of it.

The tasks involved include crafting and signing contracts and ensuring that they are adhered to. Prominent examples in new business development include the contracts made between inventors of new technologies and people/organizations that help to commercialize the inventions. In addition, the founders of small start-up companies often protect themselves from unsolicited interventions from large corporations.

The hierarchical authority of contracting is special: the crafting is usually outsourced to lawyers or other legal experts because of the incapability or unwillingness of others to do so.

The dominant emotions related to contracting are relatively negative. It is perceived as taking time from more important tasks. However, there is respect for its important role in enforcing order in business relationships.



#### 4.1.10 Drawing in investors

*Drawing in investors is about securing funding and locking in talented people. The practice involves differentiating the focal organization and its offerings from its competitors and their offerings.*

##### **Practical understandings**

The practical understandings are related to various investment instruments and mechanisms, such as shares and company loans. Knowing what they are and how they can be creatively used is essential for investment planning. The practitioners also know how to negotiate with professional investors and experts in various areas of new business development.

##### **Rules**

The rules of drawing in investors build upon the legislation related to limited companies. They have to be followed in order for the company to maintain its legal rights to operate. In addition, private and public investment organizations have their own rules that govern their investment policies. These rules affect how the start-up company should approach such organizations and how it should frame and communicate itself and its offerings.

##### **Teleoffective structure**

Investments provide the financial mechanisms that enable further business development and personal gains. Even if they are not prioritized the existing legislation constitutes them as one of the pillars of new business development.

The aims in drawing in investors are, first, to secure enough funding in order to meet current and future goals, and second to lock in talented people. Shareholders are seen as a potentially valuable source of non-salaried expertise: if everything goes well they will profit through future dividends and selling their shares.

The main project is to draw in competent people with the ability to invest in the new business development. The first task is to search for people who can provide financial resources and/or knowledge and skills in various fields. They should be willing to collaborate without immediately being compensated. The investors are carefully chosen. The most desirable ones are those who have a genuine feeling for the company's vision and values, and are able to connect it with individuals and organizations that would ensure the effectiveness of the value network. Another important task is to differentiate and persuasively communicate about the company and its offerings to potential investors. This involves crystallizing what makes it unique and better than its competitors, and how it plans to create and increase its profits in the future.

Investors who are sought based on their expertise and connections are regarded very positively and are warmly welcomed. Larger investors with mainly financial goals are approached with appreciation as well as suspicion: their contributions are essential but they cannot be allowed to take too much control of the company.

## 4.2 TENSIONS BETWEEN PRACTICES

One of the objectives of the empirical study was to examine the practical complexities involved in strategizing about customer value creation. Practices have conflicting inherent logics that spark conflicts and tensions practitioners face in their everyday strategizing. During the empirical analysis I realized that these tensions were a key element in understanding how a service-dominant strategy could be constructed. They were turning points in the field of practices in which the strategic perspective on value creation was determined and manifested.

I analyzed the tensions through the two dimensions of perceiving value creation identified in the theoretical framework, namely the relationship and offering dimensions. Although these theoretical dimensions guided the analysis, I remained open to anything that arose from the empirical data. I did not impose existing theories on the data but interpreted the tensions based on the background understandings or cultural patterns I found in the practices. After discovering the tensions I elaborated and made sense of them in the light of previous studies in the broad field of management research. For example, it was clear that the practice of engaging in product hobbyism aimed very concretely at developing technologically new or improved products without much consideration for their potential benefit for users. In contrast, the piloting practice produced user feedback that guided further product development. Although this tension is interesting in itself, it is possible to elaborate on its relevance further with the help of existing theories. In this case, related issues are discussed in studies that contrast driving markets with being-driven-by markets (e.g., Day 1994, Jaworski, Kohli and Sahay 2000). The studies show, for example, how the tension is linked with innovation strategies in organizations.

Overall, I found seven tensions between the practices of strategizing that were meaningful for the construction of a service-dominant strategy. As in the previous section in which I described the individual practices, here I report the tensions in a way that distances them from the everyday activity I observed in the start-up. This enables a more fine-grained analysis of the parts that make up the whole of strategizing. *Section 4.3 “Strategizing as practical coping”* gives a more dynamic

interpretation of how the underlying tensions were involved in the everyday situations and conflicts.

*Table 6* below lists the seven tensions I identified and gives an overview of how they built on different practices. A minus (-) sign implies that the practice in question pulled the strategic perspective on value creation toward goods-dominant logic and a plus (+) sign toward service-dominant logic. Zero (0) means that the practice had inherent conflicts regarding that tension: it was simultaneously aligned with both GDL and SDL. An empty space means that it had no direct relation.

	Engaging in product hobbyism	Piloting	Separating technical and commercial people	Selling rapidly	Forming and maintaining strategic relationships	Building large networks	Researching	Identifying the markets for environmental technology	Contracting	Drawing in investors
<b>The relationship dimension</b>										
Rigid vs. flexible organizational borders					o	+			-	-
Resource integration for oneself vs. the network					+	+		+		-
Value for vs. with customers	o	+		-			-			
<b>The offering dimension</b>										
Competing vs. creating	+	+								-
Customers for offerings vs. offerings for customers	-	+		-				+		
Marketing as a function vs. a culture	-	+	-	-						
Atomistic vs. holistic offerings	-	+			+		-	+		

Table 6. Tensions between practices

#### 4.2.1 Tensions on the relationship dimension

The relationship dimension involves alternative ways of understanding the roles and relations of various actors within the social activity of value creation. Three tensions between the practices were identified: 1) rigid versus flexible organizational boundaries, 2) resource integration for oneself versus the network, and 3) value for versus with end customers. *Table 7* below summarizes the practical tensions and how they were linked with the key aspects of a goods-dominant or a service-dominant strategy that were identified in the theoretical framework in *Chapter 2*.

Relationship dimension	Goods-dominant strategy	Service-dominant strategy
<b>Key aspects</b>	<ul style="list-style-type: none"> <li>• Value is created by producers</li> <li>• Customers and other stakeholders are passive</li> <li>• Producers determine market needs and organize production and distribution</li> <li>• Economic exchange via transactions</li> <li>• Interaction and communication are one-directional and managed by producers</li> </ul>	<ul style="list-style-type: none"> <li>• Value is co-created by multiple actors through resource integration</li> <li>• Customers and other network actors are active</li> <li>• Relationships are ongoing, complex and dynamic</li> <li>• Interaction is dialogical and involves mutual learning</li> </ul>
<b>Rigid versus flexible organizational boundaries</b>	<ul style="list-style-type: none"> <li>• Protecting resources</li> <li>• Hierarchical management</li> <li>• Clear organizational identity</li> </ul>	<ul style="list-style-type: none"> <li>• Sharing resources</li> <li>• Networked management</li> <li>• Loose organizational identity</li> </ul>
<b>Resource integration for oneself versus the network</b>	<ul style="list-style-type: none"> <li>• Competition</li> <li>• Conflict</li> <li>• Competing resources</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation</li> <li>• Harmony</li> <li>• Complementary resources</li> </ul>
<b>Value for versus with end customers</b>	<ul style="list-style-type: none"> <li>• Company developing and selling offerings</li> <li>• Customers consuming offerings</li> </ul>	<ul style="list-style-type: none"> <li>• Customers participating in developing offerings</li> <li>• Customers bundling resources to co-create value</li> </ul>

Table 7. Tensions on the relationship dimension

#### **4.2.1.1 Rigid versus flexible organizational boundaries**

The identified practices had conflicting immanent logics related to organizational boundaries. The practice of contracting emphasizes rigid boundaries, the aim being to produce clear definitions of the roles and relationships of the various network actors. Contracts stabilize the rights and obligations of various organizations over time even if the individuals change. The practice of drawing in investors, in turn, involves clarifying the identity and role of the focal organization vis-à-vis other relevant actors and competitors. The aim is to positively differentiate the organization in the eyes of potential investors.

In contrast, the practice of building large networks aims at establishing a wide network of individuals and organizations that may benefit each other without considering existing organizational boundaries. The focal organization is often the initiator of the collaboration but the other actors may also work together independently. Collaboration across boundaries is encouraged in order to enable serendipitous activities. The practice of forming and maintaining strategic partnerships also aims at minimizing the barriers to collaboration and resource sharing. However, such partnerships involve only a limited number of actors. It is built into the practice that the resources that are shared between the partners cannot be shared with other actors without mutual agreement. It is therefore difficult to draw the line between the focal organization and the collective actor comprising multiple organizations that are networked together. The boundaries of different organizations are flexible and partly intertwined.

Previous research on organizational boundaries (e.g., Santos and Eisenhardt 2005, 2009, Jacobides and Billinger 2006, Scott 2002), serves to elaborate this tension. According to these studies, rigid boundaries help to shield knowledge and skills from other actors, and allow efficient, hierarchical management. Furthermore, organizational boundaries are relevant in terms of making sense of an organization and its identity. In contrast, flexible organizational boundaries facilitate engagement in collaboration and the sharing of knowledge and skills with other network actors. They reflect networked rather than hierarchical management. Networked management implies collaboration through shared goals and frames of reference rather than direct control (e.g., Järvensivu and Möller 2009).

#### **4.2.1.2 Resource integration for oneself versus the network**

Practices of strategizing relate differently to resource integration within a network. The practice of drawing in investors is related to integrating resources for oneself, i.e. the focal organization. The goal is to attract additional funding and talented workers/owners in order to enable successful new business development. Investments are gathered for the focal organization rather than the wider network of organizational actors. The tendency to seek self-benefit is also related to existing investment instruments and mechanisms: it is not usual, and in some cases not even possible, to treat a network of companies as a single investment target.

In contrast, the practices of building large networks, forming and maintaining strategic partnerships, and identifying the markets for environmental technology aim at integrating resources for the whole network. The first of these involves making connections between several partners that may be mutually beneficial – sometimes in surprising ways. It involves, for example, arranging seminars at which several actors meet, get to know each other and discuss various issues related to new business development. Of course, these seminars also serve the interests of the organization running them, but in line with the logic of the practice, their nature is open and collaborative. Similarly, the practice of forming and maintaining strategic partnerships involves integrating resources among all actors involved in a particular partnership. The varying needs for resources and ways of obtaining them are openly discussed, negotiated, and planned. The aim identifying the markets for environmental technology is to turn market knowledge, such as estimated trends, opportunities and threats, into holistic environmental-technology solutions that require collaboration among multiple actors. The purpose is to envision a network that could accomplish value creation effectively.

The concept of co-opetition in the strategy literature (Brandenburger and Nalebuff 1996, Bengtsson and Kock 2000, Padula and Dagnino 2007, see also Medlin 2006) serves to elaborate on this tension. According to Bengtsson and Kock (2000: 412), the relationship between actors engaged in co-opetition consists of “hostility due to conflicting interests” on the one hand and “friendliness due to common interests” on the other. The actors have competing and complementary resources. Companies thus ensure access to a proper bundle of knowledge and skills through networks – they

integrate resources for their own benefit. However, in order to effectively create value as a network they engage in integrating resources for the whole network.

#### **4.2.1.3 Value for versus with customers**

Practices have different logics with regard to the role of customers in value creation. In several of them customers are seen as receivers of value. Inherent in the practices of researching and selling rapidly is the assumption that offerings carry value and that this value can be assessed through product specifications. Customers do not even take part in developing or producing the offerings and are thus seen as mere consumers of value. Product development is also independent of other business activities in the practice of engaging in product hobbyism. Customers may be part of this project but only as product developers, not as skillful users contributing to creating value-in-use by creatively using the offerings and bundling them with other resources.

The practice of piloting is different: customers are assigned a more fundamental role in value creation. They are key actors in realizing value-in-use, using their knowledge, skills, and possibly various material elements in connection with the company's offerings. In this case the potential value of the offerings is only understandable in the context of the end customer's using them. Customers may even be involved in designing and producing them.

According to recent studies emphasizing co-creation (e.g., Vargo and Lusch 2004, Firat and Dholakia 2006), customers are often viewed as receivers of the value that companies produce in the form of offerings: companies create value *for* customers. This gives customers no role in value creation. On the other hand, they could be seen as essential actors in the co-creation of value: companies thus create value *with* customers. Of course, customers are involved in value creation in various ways, ranging from simply providing input for product development to using their knowledge and skills in order to integrate a range of material and immaterial resources. In the latter case the role of offerings is merely instrumental: they do not *have* value but take part in *creating* value.



#### 4.2.2 Tensions on the offering dimension

The practices of strategizing on the offering dimension reflect different approaches to the meaning and role of offerings in value creation. I identified four tensions between the practices: 1) competing versus creating, 2) customers for offerings versus offerings for customers, 3) marketing as a function versus a culture, and 4) atomistic versus holistic offerings. *Table 8* below summarizes the practical tensions and how they are linked with the key aspects of a goods-dominant and a service-dominant strategy that were identified in the theoretical framework in *Chapter 2*.

Offering dimension	Goods-dominant strategy	Service-dominant strategy
<b>Key aspects</b>	<ul style="list-style-type: none"> <li>• Value is embedded in the offerings, i.e. goods and services</li> <li>• Value is sold, distributed, and consumed</li> <li>• Value is approximated by product specifications</li> <li>• Value is created for and consumed by customers and captured by sellers in monetary form</li> <li>• Only product development and production tasks are involved in value creation</li> </ul>	<ul style="list-style-type: none"> <li>• Value is created during holistic service processes</li> <li>• Offerings are value propositions</li> <li>• Value is potentially created for all actors</li> <li>• All organizational tasks are involved in value creation</li> </ul>
<b>Competing versus creating</b>	<ul style="list-style-type: none"> <li>• Focus on competition</li> <li>• Strive for competitive advantage</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on value creation</li> <li>• Strive for mutual benefits</li> </ul>
<b>Customers for offerings versus offerings for customers</b>	<ul style="list-style-type: none"> <li>• Driving markets: proactive business logic</li> <li>• Innovation spawns demand</li> </ul>	<ul style="list-style-type: none"> <li>• Driving with markets: dialogical business logic</li> <li>• Innovation meets demand</li> </ul>
<b>Marketing as a function versus a culture</b>	<ul style="list-style-type: none"> <li>• Full-time marketers</li> <li>• Market and customer knowledge is produced and shared in a dedicated organizational function</li> <li>• Explicit knowledge that is shared through documents</li> </ul>	<ul style="list-style-type: none"> <li>• Part-time marketers</li> <li>• Market and customer knowledge is produced, shared and applied throughout the organization</li> <li>• Tacit knowledge that is inherent in organizational activities</li> </ul>
<b>Atomistic versus holistic offerings</b>	<ul style="list-style-type: none"> <li>• Offerings as objective and stable specifications</li> <li>• New product development as problem-solving that is based on explicit customer needs</li> </ul>	<ul style="list-style-type: none"> <li>• Offerings as part of the context</li> <li>• New product development as orchestrating market actors and other entities involved in value creation</li> </ul>

Table 8. Tensions on the offering dimension

#### **4.2.2.1 Competing versus creating**

The identified practices conflict in how they relate to the aims of competing and (co-)creating value. The practice of drawing in investors is oriented toward competition in that the task to attract them is based on differentiating between competing investment targets, i.e. companies seeking similar investments. Accordingly, in order to get investments it is essential to focus on competitors: to learn what they are doing and how they appear to potential investors. Value creation is not part of this practice. Whether value to customers or to others is decisive is defined only by the particular investment rules of the investor.

In contrast, there are two practices that strongly center on creating value. The aim in engaging in product hobbyism is to create value by developing new technologies and products. However, the value is not targeted specifically on customers. The practice of piloting, in turn, focuses on enhancing value creation through customer feedback given at the piloting site. It involves improving the usage experience and situated functionality of the offering through collaboration between multiple actors such as technology suppliers, product developers, and end customers.

Padula and Dagnino (2007), who distinguish between a competitive paradigm and a cooperative paradigm, shed light on the tension between competing and creating. They describe a competitive paradigm as embracing a “zero-sum game structure” in which companies strive for competitive advantage, for something that not everyone can have, and a cooperative paradigm as being built on a “positive-sum game structure” involving the seeking and exploitation of mutual benefits in order to create value. These aims do not always sit together comfortably, and an exclusive focus on either one may lead to problems. As Armstrong and Collopy (1996) argue, a competitor orientation may be detrimental to organizational performance. Winning over competitors does not necessarily mean that value is created, not even in the form of shareholder gains. If value creation – most importantly but not exclusively – for/with customers is not taken into account the company can only serve the short-term interests of its owners. Of course, failing to compete may weaken the possibility of creating value in the long run.

#### **4.2.2.2 Customers for offerings versus offerings for customers**

The practices differ in terms of why and how offerings are developed. Two of them support the logic of searching for customers to sell existing offerings rather than developing offerings to meet customer demands. Engaging in product hobbyism and selling rapidly both place product development prior to customer needs. In the former case the development of products and technologies has value in itself and customer needs do not come into it. The objective of selling rapidly, in turn, is to find customers for offerings that have already been developed or are near completion. Sales data is the primary feedback from customers that may influence product development decisions.

Meanwhile, the practices of identifying the markets for environmental technology and piloting aim at developing offerings based on market and customer knowledge. In the former case changes in governmental and EU policies and demands related to environmental issues provide the basis for envisioning future offerings and positioning the company within the market. The practice of piloting builds on observed usage situations that bring customer needs and behavior to the forefront. This information is used for further product development.

Earlier marketing literature distinguishes between two related logics: companies may drive markets or be driven by them (Day 1994, Jaworski, Kohli and Sahay 2000, Tuominen, Rajala and Möller 2004). Driving markets implies a proactive business logic according to which companies develop new technologies and offerings that spawn new demand. If this is taken further, the implication is that market evolution is driven by technological innovation. Being driven by markets, in turn, refers to a reactive – or in the case of SDL, dialogical – business logic in which companies strive to meet evolving customer needs by developing new offerings. Accordingly, changing customer needs are the starting point for market changes: companies innovate in order to meet the challenges customers are facing.

#### **4.2.2.3 Marketing as a function versus a culture**

Practices of strategizing have different inherent logics related to the role of marketing in the organization. The alternative roles depend on whether value creation is associated with activities and processes beyond developing and producing offerings,

and on whether product development is linked with other activities. In the practice of separating technical and commercial people marketing is an activity only commercial people are able to carry out. For example, they have the ability to consider potential offerings in terms of customer benefits, whereas technical people are only concerned with explicit market and customer knowledge that can be readily transformed into product specifications. In addition, the practices of selling rapidly and engaging in product hobbyism effectively separate product development from the customer interface. In the former case sales follow product development and do not include other than transactional feedback from customers to inform further development. Engaging in product hobbyism, in turn, does not involve any notion of customer interaction because the value lies in the product development process.

In contrast, the practice of piloting involves producing customer knowledge at a piloting site. Several actors, such as product developers, sellers, customers, and end users, are brought together to produce experiential knowledge about usage. This knowledge is used to improve the offerings' potential for value creation. Market and customer interaction is inherent in the collaboration between different actors.

The tension of marketing as a function or a culture is explicitly discussed in the marketing literature (e.g., Gummesson 1987, Grönroos 1994a). Two separate views prevail. According to the first, marketing is a separate function employing "full-time marketers" who maintain a focus on customers and markets and share their insights with others. Their main tasks are to produce market and customer knowledge as well as to communicate and sell offerings that are developed within other functions in the organization. The knowledge is explicit by nature and can be easily shared through documentation. The other functions may consult the marketers should they need information about markets and customers, with regard to product development for example. Secondly, marketing is viewed as an important part of the organizational culture: it is established as a market and customer orientation that is inherent in all organizational activities. The nature of the market and customer knowledge is largely tacit. It is seamlessly produced, shared, and applied throughout the organization by so-called part-time marketers.

#### **4.2.2.4 Atomistic versus holistic offerings**

The practices conflict in their inherent logic of what constitutes an offering. In the practice of engaging in product hobbyism material objects are seen as complete entities that are not attached to immaterial or cultural elements, except for hobbyist aspects such as technological or technical beauty. In the practice of researching too, offerings are understood in atomistic terms, as arrangements of technical specifications. Moreover, the aim in producing customer knowledge is to obtain objective, quantifiable information. This enables the explicit formulation of customer needs as a basis for developing offerings.

There are three contrasting practices. First, piloting incorporates the assumption that offerings can only be understood in the context of unique usage situations: the aim is to produce customer knowledge for further product development on the basis of usage experiences at a piloting site. Second, it is acknowledged in the practice of forming and maintaining strategic relationships that offerings do not exist in a vacuum but are related to complementary and even competing offerings. Strategic relationships are required for organizations to match their complementary offerings. Finally, identifying the markets for environmental technology includes the task of envisioning multifaceted solutions to complex environmental problems, requiring multiple collaborating actors. It is acknowledged that a single technology, product, or service cannot effectively solve environmental problems.

The marketing literature (e.g., Vargo and Lusch 2004, Firat and Dholakia 2006) provides various viewpoints on offerings but the identified practices seem to resonate with what I have labeled in this study the atomistic and the holistic. The literature provides a basis on which to build an atomistic view. Be they products or services, offerings can be defined and compared in terms of their technical specifications, which are objective and stable by nature. New product development is a problem-solving task, the problem taking the form of an explicit consumer need. It is solved through the designing, manufacturing, and delivering of an offering whose specifications meet the need. The offering is then merely replicated in order to satisfy customer needs. According to the holistic view, on the other hand, products and services can only be understood in specific contexts. Offerings do not have universal value but take part in creating value in unique situations in which human and

nonhuman, material and immaterial aspects are intertwined. They are never ‘ready’: they adapt to their context, which in turn is partly constituted by them. From this perspective, developing new offerings involves enabling and facilitating the ongoing and evolving value-creation processes of which the offering is a part. Product development is thus essentially about orchestrating the actors and other entities involved in the value creation process.

### 4.3 STRATEGIZING AS PRACTICAL COPING

According to the practice-theoretical framework developed in this study, practitioners strategize through the social practices they have internalized as particular habits, tendencies, and dispositions. Rather than approaching strategic issues via detached reflection, they engage in their daily affairs by ‘coping’ through the practices they have learned (Chia and Holt 2006, Chia and MacKay 2007). They draw upon these practices in specific contexts. Firstly, there are certain points of contact or natural relationships between them. They are mutually dependent and make up wider practice-complexes. For example, when the new business development was lagging, the practice of selling rapidly replaced the practice of researching: whereas the latter entails careful thinking, the former is more geared towards urgency. Secondly, practices are always somewhat improvised or innovated in praxis, in the activity of strategizing. For example, researching and selling rapidly were sometimes drawn upon simultaneously. Thus, various practices with different inherent logics morph into the everyday flow of strategizing.

Tensions between the practices are ‘played out’ in the practical coping of strategy praxis. During the case study I discovered that sometimes the tensions were translated into particular decisions and actions effortlessly through practical intelligence: the practices were carried out when and in the way in which it made sense to do so in a given situation. At other times the tensions sparked real conflicts. For example, the practices of contracting and forming and maintaining strategic partnerships with opposing aims seemed to result in constant quarreling in some of the meetings. Contracts were crafted in order to clarify the roles of the partnering organizations, but at the same time they were seen to obstruct genuine dialogue.

In the empirical analysis I distinguished between four activity categories on the level of strategy praxis: 1) developing offerings, 2) defining markets and customers, 3) building and managing networks, and 4) managing the start-up company. These categories describe what the practitioners were observed to do as part of their strategizing, but they reveal nothing about the underlying practices. I used them to structure the empirical data for analytical purposes. In the context of developing offerings, for example, the practice of researching had different meanings than in the



context of defining markets and customers. Naturally, in reality the categories were overlapping. Different people carried out the activities at different times, and sometimes several were accomplished simultaneously. *Table 9* below lists the activities in the various categories.

Activity category	Activities
<b>1) Developing offerings</b>	<ul style="list-style-type: none"> <li>• Outlining the range of offerings to be developed</li> <li>• Discovering possible technologies and selecting the best one(s)</li> <li>• Defining the general attributes of the offerings (what the products "do" and how)</li> <li>• Defining the specifications according to which the technology supplier develops offerings</li> <li>• Ordering, assessing and managing the work of the technology supplier</li> <li>• Understanding and articulating the benefits of the offerings to customers (what the products are for)</li> <li>• Defining the "extended offering": related products and services, e.g., maintenance and education</li> <li>• Finding sites for prototyping</li> <li>• Preparing calculations: e.g., profitability, investment needs, development costs versus serial-production costs</li> <li>• Preliminarily planning marketing and sales</li> <li>• Preliminarily planning the design of the offerings</li> </ul>
<b>2) Defining markets and customers</b>	<ul style="list-style-type: none"> <li>• Broadly defining the current and future market for waste management in general and composting in particular</li> <li>• Discovering and making sense of current laws and regulations related to waste management; estimating future changes</li> <li>• Identifying competitors and their offerings</li> <li>• Identifying potential customers and their needs related to each offering</li> <li>• Determining how to position the firm and its offerings in relation to markets and customers</li> </ul>
<b>3) Building and managing networks</b>	<ul style="list-style-type: none"> <li>• Identifying and contacting individuals and organizations with resources or access to them: e.g., technology, manufacturing, funding, sales channels</li> <li>• Defining the roles of and the relationships between the network actors</li> <li>• Managing collaboration between the network actors</li> <li>• Crafting and signing collaboration contracts</li> <li>• Arranging seminars</li> </ul>
<b>4) Managing the start-up company</b>	<ul style="list-style-type: none"> <li>• Leading new business development, i.e. keeping the development moving forward</li> <li>• Finding effective ways of strategizing</li> <li>• Arranging meetings and negotiations</li> <li>• Setting goals and targets for board members and other network actors</li> <li>• Defining the organizational layout and selecting board members</li> <li>• Finding, selecting and persuading potential investors</li> <li>• Consulting with current owners</li> </ul>

Table 9. Activities of strategizing on the level of praxis

In the following I give an account of how the practitioners drew upon social practices in developing new business and strategizing about customer value creation. Within the framework of the four activity categories presented above I show how the strategizing was driven by the ten practices I described in *Section 4.1 “Social practices of strategizing”*, and discuss how the seven tensions described in *Section 4.2 “Tensions between practices”* were manifested on the everyday level.

#### 4.3.1 Developing offerings

Developing offerings comprised a major part of the practitioners’ strategizing. It included activities from early idea conception to purchasing technological development and finding possible sites for prototyping. These activities changed or advanced according to the phase of new business development but the process was thoroughly iterative. The role of the start-up company was more about orchestrating the networked development than engaging in it hands-on. However, the practitioners were no strangers to product development, having extensive experience in chemical engineering, electrical engineering and industrial process development.

Throughout the observation period of 20 months there were continuous negotiations about the set of offerings to be developed and brought to market. Two main ones were on the agenda: a composting system and a biodegradable bag. Although there were potential synergies in that the bag could be used in the composting system, they were developed rather independently. Toward the end of the observation period the composting system gained a more secure position whereas the development of the biodegradable bag was partially and for the time being put on hold. Later the composting system was renamed a bioreactor. The new label avoided the negative connotations that had been attached to composting in recent writings in the media.

The national and industry context was significant in relation to developing the offerings in that the general opinion and attitudes toward environmental technologies were highly positive. In recent years governmental institutions in Finland had heavily emphasized the role of so-called clean technologies, or cleantech, in Finnish innovation and competitive strategies. Cleantech, which also encompasses biological waste management, was said to be one of the most promising areas for economic growth. Innovative products and services were at the core of the national strategy. The

development of these products and services was supported financially and in other ways by a national innovation system that aimed to gather public and private organizations into strong industry clusters.

At the beginning of the observation period, developing offerings was closely linked with defining customers and markets. The main aim was to decide which offering(s) should be developed further from the existing preliminary ideas and plans. The activities were shaped by the internalized tendencies in the practice of engaging in product hobbyism, as the following quotations illustrate.

The practitioners were enthusiastic about the ideation of material products. They were also proud to have the best possible team of product developers involved.

BM1: If we now think about the bag that goes into the pipe, it could be like, if it's nicely designed, and let's say that the pipe is 110, the pipe that leaves the kitchen is 110 millimeters.

BM3: No more than that?

BM1: No more, you see, if it would be a kind of suitable...

BM3: Yes, it has to be some kind of a cartridge.

BM1: Yes a cartridge, or you see when we made these straw things, like we had in the old times a real nice cruiser, we would make a nice straw cruiser that has this kind of a latch and then, what could the shape be, but for example it could be directly on the table and you put your stuff there and [whistles] and close the hatch and into the pipe it goes.

BM1: We have to think... one concept at a time, but in this scheme we have to include this putrefaction because there's this peculiar wrestling between putrefaction, composting and the others... this guy here that has developed putrefaction... and this guy's father has been a professor of putrefaction... there are these arguments between different schools that are difficult to decipher... anyway we try to get those people involved as well and then we have the best possible board of experts available in Finland... when there's VTT and TKK involved as well.

The activities also stemmed from the practice of researching. In many cases a suggestion to do more research, even if it was not considered absolutely necessary, was not disputed. In this practice researching as an activity had positive connotations.

BM1: We will take putrefaction only as part of the research but that's a more complicated thing and requires more work and is more expensive.

BM3: But we can't build a composting system at the same time and then do putrefaction.

BM1: No we only take the bag and then the composting system... let's take the putrefaction in this research just to compare...

After the early ideation the start-up company commissioned preliminary technological planning from the technology supplier. The orchestration of the technological development was guided by the practices of researching and separating technical and commercial people. Interpreting the preliminary report that the technology supplier delivered required an understanding of the rules of the researching practice, such as mathematical equations and the rules of physics. The following is a short quotation from a representative of the technology supplier explaining the development they had done so far. It illustrates the level of technical knowledge needed to communicate effectively.

TS2: The additive comes here and it is a sort of an element that functions as a catalyst, so the amount is minimal. But because we are dealing with solid matter, it has to be fed with the help of a screw and a locking feeder.

In line with the practice of researching, scientific research was looked upon very positively. Although commissioned for commercial purposes the technological planning also aimed at generating new scientific knowledge in the area of composting. For example, there was talk about involving Master's-level and doctoral students in the preparations. These aims were mentioned several times during informal discussions with the practitioners. In the meetings they were brought up as part of the mechanism that would enable the start-up to apply for funding from Tekes, the Finnish Funding Agency for Technology and Innovation.

The practice of separating technical and commercial people kept commercial views out of the business report, which was based on the technological planning. This is well illustrated by BM1's remark that was heard more than once: "Let us handle these [technological] issues while you concentrate on other issues." As a result, the focus in the report was almost exclusively on the technological aspects of composting and there was little information about how the technology would match customer needs or existing market structures.

There was also some difficulty in letting go of other potential offerings in order to focus on one or two. The practice of engaging in product hobbyism involves the

continuous development of unfinished tools and devices. Focusing on just one or two offerings requires foregoing the excitement that developing new gadgets can produce. In a sense, there is no end to product hobbyism as new targets are always emerging.

Later on the technology supplier developed the composting technology further and presented a more advanced version of the technology report. There were also plans for further collaboration. The activity of orchestrating the technology development with the technology supplier was structured by the conflicting practices of contracting and forming and maintaining strategic relationships. In line with the practice of contracting the entrepreneurs tried to formalize the relationship: lawyers representing each side set out the rights and obligations of both companies in the form of multiple contracts. In contrast, drawing on the practice of forming and maintaining strategic relationships, the practitioners sought to emphasize and foster personal, open relations between the two companies. Thus, crafting the contracts was considered important, but at the same time wasteful of time and energy.

In addition, because the technological development was going rather well the practitioners were already looking for suitable piloting sites for the upcoming prototype. This was guided by the practice of piloting. A good place with the right technical features would not be enough. There was a strong emphasis on finding the right people and engaging in practices that would enable mutual learning and the solving of any unforeseen problems with the collaboration. The developers wanted to ensure that all aspects of piloting, including having a proper means of financing as well as learning from the inevitable mistakes, supported the process.

BM3: If we assume that we get an order and then install the device, we're not through yet, then it only begins. Then we have a process that in the end we cannot predict... I have been developing online metering devices and I remember that once they called us and said there was a big problem and then we had to go there immediately. We now have to make sure that we have that kind of knowledge or people available... We have to ensure that the resources exist.

### ***Tensions in developing offerings: the relationship dimension***

The process of developing offerings manifested the tension of rigid versus flexible organizational boundaries. This was clearly present in the observed strategizing and

not only on the level of underlying practices. During the first half of the observation period, the process was driven more by the practice of forming and maintaining strategic partnerships than the practice of contracting. This resulted in open dialogue in which nearly all information was shared between the two companies as the development was done in collaboration with the technology supplier. Toward the end of the observation period the rules of contracting became increasingly relevant. The roles of the companies were formally defined and agreed upon. However, despite the interest in securing a future income for the start-up the practitioners' dispositions were strongly aligned with flexible organizational boundaries. In the context of developing offerings, making contracts remained something that was undesirable but "had to be done".

The practices drawn upon strongly supported the logic of creating value for customers rather than creating value with them. The practice of researching locates value in the offerings: it was seen in the composting system and the biodegradable bag and their specifications. There is no active role for the customer in creating value. The practice of engaging in product hobbyism, which separates product development from interaction with customers, was also heavily drawn upon. During the later phases of the development the practice of piloting became more relevant and the logic of creating value with customers started to assume some importance. However, even at the end the process was dominated by the idea that the start-up company would create value for its customers by developing innovative technological solutions.

### ***Tensions in developing offerings: the offering dimension***

Given that the practice of engaging in product hobbyism was prevalent in developing offerings, there was an emphasis on the logic of searching for customers over the logic of designing offerings to meet customer needs. Before the piloting practice became current, i.e. before the new business development proceeded to that stage, the practitioners were not concerned with how best to satisfy customer needs by developing the composting system and the biodegradable bag. They rather drew upon the practice of engaging in product hobbyism, developing products and technologies in isolation from customer knowledge. Finding a site and partners for piloting was a key issue at the end of the observation period, and thus the practitioners' tendencies related to the practice of piloting became more important. This meant that in

preparing for the final stages of product development it was acknowledged that there was a need to gather customer knowledge at the piloting site and to further develop the offering accordingly.

Marketing, referring here to facilitating the exchange between a company and its customers, was largely present as a function rather than an organizational culture in the strategizing related to developing offerings. The practice of separating technical and commercial people, which was strongly present especially at the beginning of the observation period, set marketing apart from the doings of the core people in product development. The logic was that product developers should not be concerned with issues related to customers but should focus on the technological aspects of the composting system and the biodegradable bag. However, finding a piloting site rested on the practice of piloting and thus pushed them toward a dialogue with the potential users of the prototype.

There was ongoing tension between the atomistic and the holistic views on the composting system and the biodegradable bag. The practices of engaging in product hobbyism and researching that were heavily drawn upon are linked with the atomistic view: the value of the two offerings could be broken down to the level of their specific attributes and no other aspects had an impact on it. The assumption in the practice of piloting that was drawn upon later, however, was that the value related to the composting system and the biodegradable bag could only be understood in the context in which they were used. In this case usage experience and the functioning of the offerings could only be assessed at the piloting site. These atomistic and holistic views co-existed throughout the development stage but did not cause overt disputes.

#### 4.3.2 Defining markets and customers

The praxis of defining markets and customers involved broadly identifying the current and future market for waste management in general and composting in particular, making sense of the relevant laws and regulations, discovering existing and prospective competitors, identifying potential customers and their needs, and determining how to position the company and its offerings accordingly. Rather than buying market research services, the entrepreneurs relied mainly on information from their extensive personal connections, and various public sources such as newspapers,

industry magazines, and governmental and municipal officials. The vision of the company's position in the marketplace gradually became more focused during the observation period. However, even at the end there was talk about changes in the way the market should be approached. It was not clear which products should be offered and how. At times this seemed to be frustrating for the practitioners. However, the flexibility allowed them to be prepared to take on anything that came up and enabled them to move forward in their new business development.

The markets for biological waste management were strongly regulated. The regulations were mainly EU-initiated and were continuously changing. Combined with sanctions and subsidies they affected what types of solutions were allowed and supported by the government and the municipalities for handling organic waste. For example, two competing technologies, namely composting and putrefaction, were treated differently. During the observation period composting gradually assumed negative connotations even in the public press. It was deemed old-fashioned, although the biological and chemical processes behind it were still not well understood.

An important dimension in defining the markets and customers was the deepening relationship between the start-up company and one particular potential business customer. In fact, at some point the practitioners considered this customer such an essential actor in the start-up's network that without it the whole development process would fall back significantly. The customer, strongly personified in one powerful individual, gradually became more and more involved and eventually bought a small symbolic share in the company.

The general perspective on markets and customers was a combination of the national and the global. Competitors and potential business partners were mainly sought in Finland and Scandinavia. It was clear to the practitioners that if the business was to grow the offerings should also rapidly be available outside Finland. Potential targets included the upcoming environmentally sustainable areas in China and the United Arab Emirates. The start-up's potential business customer/partner already had related business operations in both of these areas.



At the beginning of the observation period defining markets and customers consisted of constructing grand visions and devising creative approaches in order to achieve them. Existing technologies and offerings were minimally burdensome because the company was not committed to any particular approach. Although it gradually became more committed by developing its offerings further, the unrestrained visioning continued until the end. However, this visioning became less meaningful in terms of strategizing and was more a way of keeping up good spirits than finding avenues for future development.

The practice of identifying the markets for environmental technology provided the basis for the visioning. Global markets were imagined around geographically defined areas with shifting governmental policies and growing customer needs to manage environmental problems. The affectual structure was highlighted: defining markets and customers in this phase seemed largely emotion-driven. Thus, the activity was not based on rationalized processes but rested more on managerial intuition. “Thinking big” also contributed to producing a sense of meaning for participating in the start-up. Referring to the increasing environmental concerns of the business world, BM1 said more than once:

The world finally seems to be going in our direction. We have always believed in strengthening the nutrient cycle, for example, but now others are also beginning to question wasting the nutrients and always adding more fertilizers that have lasted for so long.

The visioning was supported by the practice of building large networks. One of the aims in this practice is to ensure access to any information that is potentially useful, and in connection with defining markets and customers it guided the activities toward utilizing the knowledge of an increasingly wide range of people. The entrepreneurs continuously brought in new input from various business acquaintances they had met outside the meetings.

Following certain technological development the search for markets and customers naturally became more focused. However, the three main practices that were drawn upon, i.e. selling rapidly, researching, and forming and maintaining strategic partnerships, have conflicting aims and involve highly diverse tasks. In the meetings

there was constant and sometimes heated negotiation about the way the markets should be defined and approached.

First, in accordance with the practice of selling rapidly as soon as there is an offering, or at least the promise of one, it should be sold aggressively to potential customers. The main aim is to create immediate sales, which might mean ignoring other longer-term goals such as developing lasting relationships with important customers. Thus, along with this practice the customers were defined almost exclusively in terms of the potential to sell existing offerings to them. The practitioners showed frustration about not yet engaging in actual sales efforts.

Second, the practice of researching guided the defining of markets and customers in a more careful direction than the practice of selling rapidly, the premise being that researched knowledge should precede action. The entrepreneurs suggested that they should conduct market surveys in order to find out more about their potential markets and customer needs. These surveys could be commissioned as theses or company projects in universities in order to save money and to foster collaboration with universities.

Third, the praxis drew upon the practice of forming and maintaining strategic partnerships within which, in contrast with the practice of selling, the imperative is to focus on deep, long-lasting relationships. Instead of going after as many customers as possible, the emphasis was on building trust with a limited number of potential customers. For example, one of the practitioners had a very open discussion with the most important potential business customer who had been at a meeting with all the entrepreneurs. Information was openly shared with a view to building a collaborative supplier-buyer relationship. To a certain extent the search for customers was channeled through this relationship: the business customer gave some insight into its existing customer portfolio and future plans.

The following discussion illustrates how the diverse practices were drawn upon in the meetings as part of defining markets and customers.

BM2: And when the bag [has been prototyped], surely we have to do a consumer survey or something like that and then it must be done by some school, otherwise it will cost so darn much.

BM3: Then we need a salesman here, we don't need that much research any more, we need someone to put a back-pack on and go sell this thing. We need a lot of funding when the first reactor or the first bags go forward.

When the technological development had proceeded relatively far the primary activities of defining markets and customers consisted of identifying and negotiating with potential piloting partners/customers. These activities drew upon the practices of piloting and forming and maintaining strategic partnerships, which are well aligned. In the former the process of testing a prototype requires well functioning communication between partners, whereas the focus in the latter is on a few central partnerships that may demand great effort and take up a lot of resources. Thus, the combined aim was to create dialogical relationships with piloting partners/customers that would suit the piloting process. A good illustration of this kind of commitment to a single potential piloting partner/customer was the way the entrepreneurs approached a large municipal actor. In addition to using their existing connections they met over lunch with a specifically chosen municipal decision maker who had just retired from his post. He was very familiar with how the municipal organization worked and could describe relatively freely how the decisions related to these kinds of environmental solutions were made. The purpose of the meeting was to ensure that the right people would be approached and that the relationship could be developed effectively.

### ***Tensions in defining markets and customers: the relationship dimension***

During the first half of the observation period the practice of defining markets and customers displayed an immanent logic that emphasized the role of the start-up company, together with its organizational partners, as the sole creator of value. According to this logic, customers are not involved in the value-creating process. Along the lines of the practice of selling rapidly, this organizational network would create value for a wide global audience by producing technologically advanced solutions for biological waste management. The practice of researching supported this tendency: customers were made sense of through research rather than more direct interaction. As the relationship with the business customer/partner deepened and the practice of building and maintaining strategic relationships was drawn upon, the

overall logic shifted significantly toward including the customer in the value-creating network. In identifying such customers the skills and competences they would bring to the network were thus accounted for. However, at this point it was only the business customer, not the end customer (or customer's customer) that was linked with the network. Later, when the search was primarily narrowed down to finding suitable customers/partners for piloting, and the practice of piloting thus became relevant, the end customer was acknowledged as an important participant in value creation. Overall, it is clear that defining markets and customers was ambiguously related to customers as part of the value-creation process.

### ***Tensions in defining markets and customers: the offering dimension***

The focus in defining markets and customers was on creating value rather than competing. The practitioners occasionally discussed the competition in the market, but competing was not an aim in any of the practices that were drawn upon. Thus, the logic was to define the market in terms of creating value for/with customers rather than in terms of securing the best position against competitors. There was practically no competitor orientation.

After there had been some technological development the activities demonstrated the logic of searching for potential customers rather than for more information about customer needs. This was supported mainly by the practice of selling rapidly, the tasks being related to promoting and selling existing offerings. Later, when the praxis was focused on a limited number of customers, the logic was geared more toward developing offerings to meet the needs of particular customers. The practices of piloting and forming and maintaining strategic partnerships oriented the search toward customers with whom the start-up could engage in dialogue and thereby improve its offerings.

Within the praxis of defining markets and customers marketing was more a culture than a separate function: for the most part it involved all active members of the company. It was only in connection with the practice of selling rapidly that the people related to identifying customers were separated from the others. Drawing upon this practice the practitioners discussed hiring salespeople from outside the company: minimal collaboration is needed between people developing the offerings and people

searching for customers. However, in this case the practice of selling rapidly had only a minor role. Generally, the collaboration among the practitioners functioned well with regard to defining markets and customers.

#### 4.3.3 Building and managing networks

The activity category of building and managing networks included searching for potential individuals and organizations with which to collaborate, defining the roles of and relationships between various actors in the network, and managing the collaboration between them. In addition, the practitioners arranged seminars for their current and potential partners. The activities were largely based on the existing wide network of contacts they had formed during their earlier careers. However, they were also keen on approaching new people. Their contacts were mainly situated in Finland and nearby countries, but through them the network also extended toward eastern countries such as Russia and China.

Networking was clearly a priority for the entrepreneurs. Its vital role in developing the new business was consistently brought out in the meetings, and activities related to networking comprised a major part of the overall strategizing. The practitioners stated that they needed a wide network in order to compensate for the lack of resources in the start-up company. Resources in this case referred mainly to technological knowhow, manufacturing facilities and skills, and funds (or “chips”, as one of the practitioners put it). Selling shares in the company at a relatively low price was seen as an effective way of utilizing the skills of competent people without having to pay them fees up-front. Networking was oriented to different people and organizations at different times. At first the activities spread in all directions: toward technology experts, marketers, lawyers, governmental officers, investors, and fellow businessmen, for example, and during the first months of 2008 they were directed primarily but not exclusively at experts in various environmental technologies. Later the entrepreneurs sought to identify and contact potential investors.

The activities were guided by various practices, specifically building large networks, forming and maintaining strategic partnerships, contracting, and separating technical and commercial people. Other practices were involved in determining the people and organizations the practitioners could usefully target at any given moment. For

example, engaging in product hobbyism naturally drew attention to product developers as potential collaborators.

Naturally, the praxis drew most heavily upon the practice of building large networks. The underlying aim was to ensure access to an extensive pool of resources. The wide range of contacts also gave personal satisfaction to the entrepreneurs: they felt connected. The practice took the form of a continuous search for people and organizations that would benefit the start-up company, the practitioners themselves, and the wider network of individuals and organizations, in one way or another. It was clearly a major part of most of the practitioners' careers and lives in general. Carrying it out within the start-up company was part of a lifelong, ongoing activity that had been going on for decades.

Whereas the prime aim in building large networks is to widen the network through adopting an explorative, open-minded attitude, the practice of forming and maintaining strategic partnerships emphasizes deeper individual-level relationships based on commitment and trust. In this sense these two practices established a certain balance in building and managing networks. Two relationships were especially important for the start-up company, namely with a technology supplier and with a potential business customer. The openness in them was driven by the practice of forming and maintaining strategic partnerships, the aim in which is to enable honest, dialogical collaboration between well-chosen partners.

If the practice of building large networks focuses on widening the network without too much commitment to any single relationship, and that of forming and maintaining strategic partnerships emphasizes open collaboration, the practice of contracting centers on clarifying the structure of the network and making sure that everyone is clear about the rights and obligations of each actor. This focus was manifested in the activities of crafting and signing contracts, but also involved a general orientation toward clarifying the roles in the network. The following quotation is illustrative:

BM1: We must do some kind of outline agreement. But at this phase we should carefully think it through – and we've learned this quite well – the obligations, rights, and other things. And when this project catches on it will be a big thing, as always, about who gets what, and who does what.

BM3: Yes exactly, and then we have to define the role of [this start-up company]. It easily happens that [large companies] start to discuss things without us and then leave us with nothing. We also have to get [the company of one of the owners who is not a board member] involved so that when we negotiate with [a large potential partner], they will be behind the same sales efforts.

The practice of separating technical and commercial people sensitized the practitioners to the differences between potential network partners in terms of how they approached business. According to the inherent logic in the practice there are two types of people: technical people are keen to improve “things”, such as tools and devices, whereas commercial people look for customers that could benefit from and buy different offerings. Furthermore, a successful business team ought to have both types. Consequently, a key person who represented the business customer with the most potential was highly appreciated because of his evidently rare ability to connect the technical and the commercial approaches. His skills were seen as making an extremely important contribution to the network.

Arranging invitation-only seminars was a distinct activity in building and managing networks, drawing upon the practices of building large networks and forming and maintaining strategic partnerships. It was a way of inviting interesting new people to learn about the start-up company and its future plans, and of deepening existing relationships by exchanging views and spending time together. The group of people attending the seminars not only received new information but also learned more about each other. By fostering personal relationships they seemed to facilitate future collaboration in the growing network.

As mentioned, the type of people and organizations that were contacted changed during the observation period and stemmed from several practices. The practice of researching was naturally oriented to people in academic and commercial research institutions. Scientific research has highly positive associations. In the following quotation one of the practitioners is contemplating the aspects that might persuade potential investors:

BM1: And then if we have the school of economics, the university of art and design, and then the university of technology involved, that would be the kind of carrot that would probably work...

Furthermore, the practice of engaging in product hobbyism oriented the search for collaborators to experts in technology and engineering, that of piloting to organizations that would potentially be suitable partners for testing a prototype, that of selling rapidly to people with perceived skills in selling offerings efficiently, and that of drawing in investors to people and organizations that might be able and willing to invest in a small start-up company. This does not mean that the respective practices only involved these actors, but they did establish a natural tendency that guided the search for new people and organizations in certain directions.

***Tensions in building and managing networks: the relationship dimension***

Building and managing networks constantly swayed back and forth between an orientation toward rigid and flexible organizational boundaries. A good example was the way in which the entrepreneurs tried to manage the relationship between the start-up company and the technology supplier. Whenever the practice of contracting was drawn upon, the aim was to erect stable, well-defined boundaries between different actors in the network. The two parties used lawyers to craft contracts and had tough negotiations over the principles and details. They ended up signing two contracts. The first one described the overall framework for their long-term collaboration and the second outlined the next project to be accomplished. The objective in these contracts was to establish clear-cut roles for the two organizations. One aim in the negotiations was thus to ensure that the contracts existed and that they were solid enough to enable long-term collaboration with minimal uncertainty. However, the practitioners also drew upon the practice of forming and maintaining strategic relationships, which largely makes organizational boundaries between strategic partners meaningless. Another aim in the negotiations was thus to establish personal relationships that would enable collaboration based on trust and commitment. It was even decided that some of the payments referred to in the contracts would be executed through the exchange of shares, effectively blurring the boundaries between the two organizations.

Another tension was between the logics of integrating resources only for the benefit of the start-up company or for the whole network surrounding it. Much of the strategizing related to networking drew upon the practices of building large networks and forming and maintaining strategic relationships. The aim in these practices is to



secure and share access to various resources for the whole network. The practitioners were continuously searching for new contacts that could benefit the new business development, a search that was largely based on potential reciprocity. In contrast, the practice of drawing in investors oriented the networking toward individuals and organizations that would be interested in funding the growth of the start-up company, rather than of the whole network. The company was separated from the network in order to attract additional resources.

### ***Tensions in building and managing networks: the offering dimension***

The logic in building and managing networks was largely to enable and facilitate value creation in the context of waste management, and there was little orientation toward competition. Drawing upon a variety of practices the practitioners sought links with the kind of individuals and organizations that would help them to design and manufacture waste management offerings, contact potential customers, and carry out other tasks they perceived as essential to the new business development and, ultimately, customer value creation. The search did not include actors that would primarily strengthen the competitive position of the start-up company against its perceived competitors. Competition was briefly discussed on some occasions, but it did not play a central role in the practices that were drawn upon.

#### **4.3.4 Managing the start-up company**

Managing the start-up company involved two types of interlinked activities: advancing the new business development and managing the organizational structure and financing. The former included setting up the general leadership, finding effective ways of strategizing, arranging meetings and negotiations, and setting goals and targets. Managing the structure and financing meant defining the organizational layout, consulting with the owners about the future of the company, and searching for and approaching potential new investors. The practitioners stated that further technological development and the consequent commercialization process would require substantial external investments.

The company's business environment changed significantly during the observation period. Most importantly, the global financing sector went into a crisis that gradually started to affect the economy as a whole. Because of the worsening financial situation

throughout the practitioners began to realize in 2008 that they would have to act quickly if they were to attract any larger investments. It was becoming increasingly difficult for small start-ups to obtain funding. Finnish companies were not immediately affected, but by late 2008 the general mood in the business environment had shifted rapidly from moderate optimism to severe pessimism. In 2009 the economy was in recession. It was not until late 2009 that the company received external funding, which complemented the earlier share issue to its existing shareholders. The Finnish Centre for Economic Development granted this funding for drawing up a new business plan. In its view the company had a good chance of obtaining substantial funding for further product development from the Finnish Funding Agency for Technology and Innovation.

In the first phase the activities of managing the start-up company were related to defining the basic organizational arrangements. Important issues included defining the ownership structure and deciding how the entrepreneurs would work together. The practice of drawing in investors established a continuous search for talented individuals to join the company as minor shareholders who would share their expertise in the new business development. These people represented many areas of expertise, such as engineering, microbiology, manufacturing, jurisdiction, and logistics. They were expected to invest their knowledge and skills rather than money, and in exchange they would potentially get future gains by selling their shares later. The rules of the practice played a significant role: it was essential to know how to deal with the regulations related to investing in private companies. These rules affected how the ownership structure was organized to enable the inclusion of a diverse set of experts. For example, the practitioners debated whether they should allow companies or only individuals to own the company's shares. In the following quotation a board member reflects on potential partners:

BM2: ...as we don't have much money and we're now gathering these partners, how do we get everyone to do something, and where will we get our money, I think the best trick is to take these partners as shareholders. Perhaps they'll be more polite if they're shareholders.

Whereas the aim of the practice of drawing in investors, in connection with building large networks, was to attract an increasing number of talented people, the practice of

contracting brought in a sense of structure and formality. The objective was to enable rapid growth while making sure that the more effort the participants put in and the more personal risks they took in joining the company early, the more they would be compensated. In addition, the organizational arrangements had to be scalable in order to fulfill the requirements of wider business operations in the future.

One of the strongest practices in managing the start-up company was identifying the markets for environmental technology. Visioning and “thinking big”, essential elements of the practice, took a prominent role in the overall strategizing. Given the lack of counteraction, particularly in the beginning, signs of frustration began to emerge in the meetings. This frustration with ideation without much implementation continued to control the activities to a varying extent for the whole observation period.

After the early visioning phase and the preliminary technological development the practitioners were increasingly anxious to speed up the new business development. This plan included further product development and the first steps of commercialization. The aims and ways of moving forward stemmed from the practice of selling rapidly, which includes a strong sense of urgency. It provided a counterforce to the practice of identifying markets for environmental technology, which was behind the earlier emphasis on visioning. The urge to speed up the new business development was expressed in the suggestion to hire a person from outside to take responsibility for bringing the offerings to market, for example.

BM3: I've had this idea for a long time that we would need a CEO to run this project. We've had so many good thoughts and ideas... but we've now been dealing with these things for years... I say that we need a CEO who will start to push people to take things forward... someone who owns the project and will make the extra calls we need late in the day and put more drive into it... we need an implementing force... this person does not need to be a world leader in environmental protection or technologies but more like a boss who will push things ahead and can also sell this thing... not necessarily called the CEO but after the development of the composting system we need someone to look after sales.

Managing the company also drew on the practice of separating technical and commercial people. This tendency is also visible in the above quotation, which

strongly distinguishes between the person who would ultimately follow through the commercialization and the people who were responsible for inventing and developing the offerings. The practice was drawn upon more heavily when the situation and the atmosphere in the company changed. During a couple of more heated negotiations some of the practitioners seemed to set commercial people against technical people rather strongly: the commercial people should get on with their own business while the technical people took care of product development. Despite the general orientation toward deep collaboration between various experts in and outside the start-up company, this practice served to divide and separate people with different backgrounds.

There were some attempts to attract considerable amounts of funding to cover the costs of further product development in early 2008, but it was not until later that year that the practitioners systematically pursued those investments. The board members were often careful not to promise too much to investors and potential customers:

TS1: As an engineer I have to say that we have to be able to respond to the inquiries that will come, we have to be realistic.

The earlier attempts were largely related to piloting agreements according to which the piloting partner/customer receives a functional solution at a lower price by investing in the development of the prototype in its own premises. However, later attempts centered on venture capital. They were structured by the practice of drawing in investors and there was a shift in perspective: the practitioners now described the company and its offerings in a way that would appeal and make sense to potential investors. They contacted people in their network, mainly in Finland, to find out who might be able and willing to invest in a waste management start-up at a time when almost all companies were preparing for a global recession. In presenting their case to these potential investors they highlighted the ways in which the company would be better than its competitors as an investment target. This was unusual in the context of the overall management of the company: the practitioners' tendencies strongly leaned toward practices such as engaging in product hobbyism, and articulating the advantages of the company over other similar companies was not always easy.

### ***Tensions in managing the start-up company: the relationship dimension***

The activities of managing the start-up company largely emanated from the logic of flexible rather than rigid organizational boundaries. Within the practice of building large networks it made sense to allow for flexibility. The ability to attract and utilize experts from various fields required the possibility to make changes to the ownership structure. Even the practice of contracting, and the aim for clarity of rights and obligations, was drawn upon in a way that defined solid rules but at the same time enabled rapid, exponential growth in the future. Within this organizational arrangement experts would be able to enter the start-up company as minor shareholders and exit when appropriate. It was only in connection with the practice of drawing in investors that rigid organizational boundaries were emphasized: the company was given an identity that was clear and distinguished it from its competitors.

There were ongoing complexities involved in integrating resources for the benefit of the start-up company and the whole network. The practice of drawing in investors highlighted the company as the receiver of benefits. Although the investments were sought for new business development in general, they were specifically targeted on the start-up company. In contrast, the practice of identifying the markets for environmental technology established the whole value-creating network as the starting point. The practitioners envisioned collaboration between different individuals and organizations far into the future, their goals including integrating various resources in order to build holistic solutions for biological waste management.

### ***Tensions in managing the start-up company: the offering dimension***

Managing the start-up company was initially oriented toward creating value rather than positioning the company and its offerings against the competition. The praxis drew upon the practices of engaging in product hobbyism and identifying the markets for environmental technology, among others. It was only on some occasions that the practitioners briefly discussed their direct and indirect competitors and used them as an argument to speed up the new business development. A competitor orientation became more salient in late 2008 when they engaged in the practice of drawing in investors in order to cover the costs of further technological development and commercialization. The aim was to differentiate the start-up company from its

competitors in the eyes of potential investors. Despite these attempts, the overall tendency in managing the company supported value creation over competition.

There were also struggles related to establishing marketing either as a separate function or as a perspective and a set of activities that belonged to all the entrepreneurs. It was natural in such a small company for everyone to be involved to some extent in carrying out various customer-centric tasks, such as producing and analyzing customer information. However, in line with the practice of separating technical and commercial people, the practitioners tended not to combine marketing and product development when sharing out the future tasks among themselves.

## 4.4 THE STRATEGIC PERSPECTIVE ON VALUE CREATION

A strategic perspective on value creation guides and lays the ground for creating value for/with customers. It is immanent in strategizing and builds on the social practices that enable and drive the everyday doing of the strategy. The focus in this section is on the strategic perspective that was manifested in the observed strategizing. I examine the emerging roles and relations of the different entities that, according to the start-up company's strategy, were involved in the social activity of value creation. I also consider whether the practitioners constructed a goods-dominant or a service-dominant strategy, and present a novel tool for the analysis.

### 4.4.1 Entities in the strategic perspective on value creation

I found that the strategic perspective structured customer value creation around three separable but interrelated entities (see *Figure 1*). The first was the start-up company itself. Overall, it was a natural focal point in the strategizing. The two other entities were the network for new business development and the market for environmental technology. This was an important distinction in that it demonstrated the nature of the potential relationships between the start-up company and other actors in the network and the market. In simple terms, the network included "us" and the market consisted of "them". According to the strategic perspective, the start-up company orchestrated a new business development network consisting of experts, business customers, suppliers and investors, which mostly concerned developing new technologies and offerings for biological waste management. The offerings were developed for the environmental-technology market. This was not a marketplace for technologies, but was for any offerings that utilized environmental technologies. Governmental policies and environmental issues were involved, as were end customers, offerings, and competitors. These entities and their roles and relationships in the company's strategic perspective on value creation are elaborated in the following.

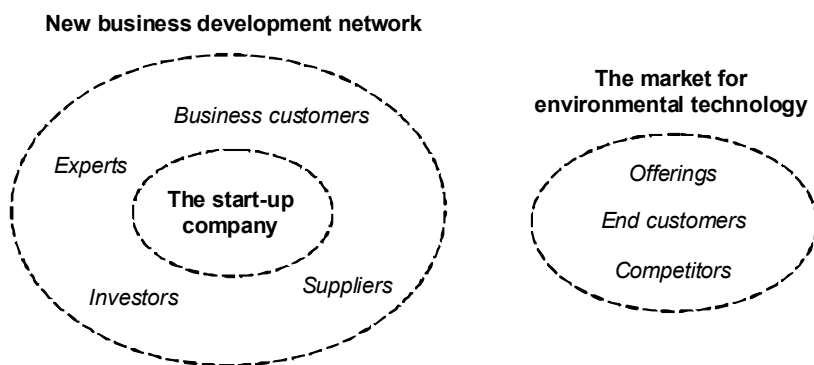


Figure 1. Entities in the strategic perspective on value creation

### *The start-up company*

Looking through the strategic perspective, the start-up company was there to allow the entrepreneurs to make use of their knowledge and skills in various areas related to biological waste management. It gave them the opportunity to do something good, i.e. address environmental issues, and also the potential for personal gain in the future. It functioned as a platform for developing new business and technological solutions in biological waste management. It was a hub organization for a growing network of individuals and organizations and was flexible enough in structure to adapt to rapid transformation: the inclusion of new experts and investors required relatively effortless changes in its ownership and management. The company was oriented toward deep collaboration with members of the new business development network, especially in terms of technological development. Relations with the market, and with end customers/users in particular, were distant rather than collaborative or co-creative.

Navigating through and making sense of different technologies and market outlooks was a collaborative task belonging to all members of the company. However, the tasks of developing offerings and defining markets and customers were largely separated. Technological development and product design were only loosely connected to producing and analyzing market and customer knowledge: development was rather based on technological trajectories. The two tasks were combined only in prototype testing, which was an essential phase in the product development. It brought together members of the company as well as actors from outside in close



collaboration, the aim being to improve the offerings through the acquisition of experiential customer knowledge.

### ***The new business development network***

According to the strategic perspective on value creation the new business development network surrounding the start-up company included experts, business customers, suppliers, and investors. Its function was to enable and facilitate the integration of various resources for the benefit of the hub organization and the network as a whole. The aim was to create new, technologically advanced solutions for complex environmental challenges, especially in biological waste management. There was only minimal concern with competition and no explicit desire to strengthen its position in the market.

The start-up company orchestrated or managed the collaborative relations between the actors. As a hub organization it clarified and instituted specific roles for the various network actors on the one hand, and encouraged proactiveness and dialogical relationships between them on the other. Some of the actors, such as business customers and technology suppliers, were deeply engaged in the network. With the notable exception of potential piloting partners/customers, end customers or users were not part of it, and were regarded merely as part of the target market.

Various experts were at the core of the new business development: the driving force behind the start-up company and the surrounding network was the vast expertise in areas related to creating new solutions for biological waste management. The experts worked mostly from within their own organizations, but were also attracted to the start-up company through being offered shares in exchange for their competence. They fell roughly into the categories of technical people and commercial people. Experts in technology and technical development were used to collaborating with each other across organizational boundaries, but collaboration on commercial issues was more limited.

Value creation involved two types of customers: business customers and end customers/users. End customers were not part of the network, but some business customers worked in close collaboration with the start-up company. Their role was

essential in terms of creating and disseminating customer and market knowledge, and they had existing distribution channels through which to sell and deliver the start-up company's offerings. Established business customers were trusted partners that brought stability and direction to the new business development.

Various suppliers provided resources and capabilities related to technology, manufacturing, and logistics, among other things. The start-up company lacked the specific type of technological knowledge required to develop advanced solutions for composting biological waste, and the technology was developed through open collaboration with the suppliers. Because technology formed the core of the offering, the collaboration required mutual trust built on personal relationships. Resources related to manufacturing and logistics, in turn, were more mundane and offered by multiple suppliers. These kinds of supplier relations were primarily based on economic exchange and did not require extensive cooperation.

Investors were needed in order to facilitate the new business development in financial terms, and some of them could also provide knowledge and skills related to commercializing technological inventions. They were essential because of the lack of resources in the start-up company. Investors with substantial financial resources and primarily financial goals, such as venture capitalists, were regarded with appreciation but also with suspicion due to their potential interest in taking over the company. They saw it in terms of its competitiveness against other companies that were developing similar or alternative technologies. Investors with other than financial interests in the company that could provide complementary competences, on the other hand, saw it in terms of its expertise in developing the most advanced solutions in biological waste management. They were regarded positively and encouraged to collaborate in the network.

### ***The market for environmental technology***

The environmental-technology market was a target for the new business development. The entities comprising it, namely offerings, end customers, and competitors, were distinguished from the core network. On the global level there were several geographically defined markets that were constituted by governmental regulations and policies, competitors, existing offerings, and customer needs. These markets were

constantly transforming because of regulative and competitive actions as well as customer needs that evolved in connection with increasing environmental issues. A small start-up company could not influence these transformations; it could merely anticipate future trends and wait for the markets to turn favorable to its offerings.

Tackling environmental challenges required holistic solutions and collaboration among multiple actors. It was possible to combine the offerings of different companies in order to create better solutions. However, individual offerings were bundles of material and technical specifications rather than complex value propositions to facilitate waste management. Products such as the bioreactor and the biodegradable bag, designed and manufactured by the company together with its partners, were embedded with value. This value varied depending on the context in which the offerings were to be used.

End customers were part of the environmental-technology market, not the new business development network. They had needs related to environmental challenges that the start-up company and its partners were equipped to tackle. These needs were made sense of through research rather than direct interaction: they were objects for research aiming at objective and quantifiable knowledge. Solutions were delivered through offerings based on advanced technology that required little input from end customers, who were seen as buyers rather than users. Apart from the final product development phases, such as prototype testing, they did not participate in developing products or creating value.

The market for environmental technology was defined to some degree by the competitors' current and future offerings. Competitors were part of the market, but the new business development went on largely in isolation: differentiation from the competition was not emphasized. However, the development of similar or alternative technologies and offerings increased the pressure to make faster technological and commercial progress. Its competitors were also exploring the same pool of financial support, so the start-up company needed to outperform them in the eyes of potential investors.

#### 4.4.2 A goods-dominant or a service-dominant strategy?

The tensions in strategizing that were identified in *Section 4.2 “Tensions between practices”* provide a useful starting-point from which to explore whether the practitioners in the start-up company constructed a goods-dominant or a service-dominant strategy for customer value creation. They can be used as a tool for analyzing and illustrating the kind of strategic perspective that was manifested in the strategizing. Each of them could be seen as an axis, the extremes of which are a goods-dominant and a service-dominant strategy, and on which the strategizing is positioned. Although this kind of analysis is rather simplistic, in combination with assessing the roles and relations connected to different entities in the strategic perspective on value creation, it could provide valuable insights into the progression toward a service-dominant strategy.

As *Figures 2 and 3* show, the strategic perspective on value creation in the start-up company was rather well aligned with service-dominant logic on the relationship dimension, but less so on the offering dimension. Thus the company’s strategy for customer value creation was well oriented towards collaborative relationships with various individual and organizational actors, especially business partners. On the other hand, it entailed a rather narrow view on offerings, emphasizing tangible goods over more holistic service processes. However, in line with a service-dominant strategy, the offerings were primarily seen in terms of their potential to create value for customers rather than to provide competitive advantage. It should be noted that although *Figures 2 and 3* only list the practices related to each tension, alone they are not sufficient for the analysis, which should also take into account the praxis of strategizing and the context in which the practices are carried out. For example, some of them were clearly drawn upon more strongly than others, and consequently carried more weight in the analysis.

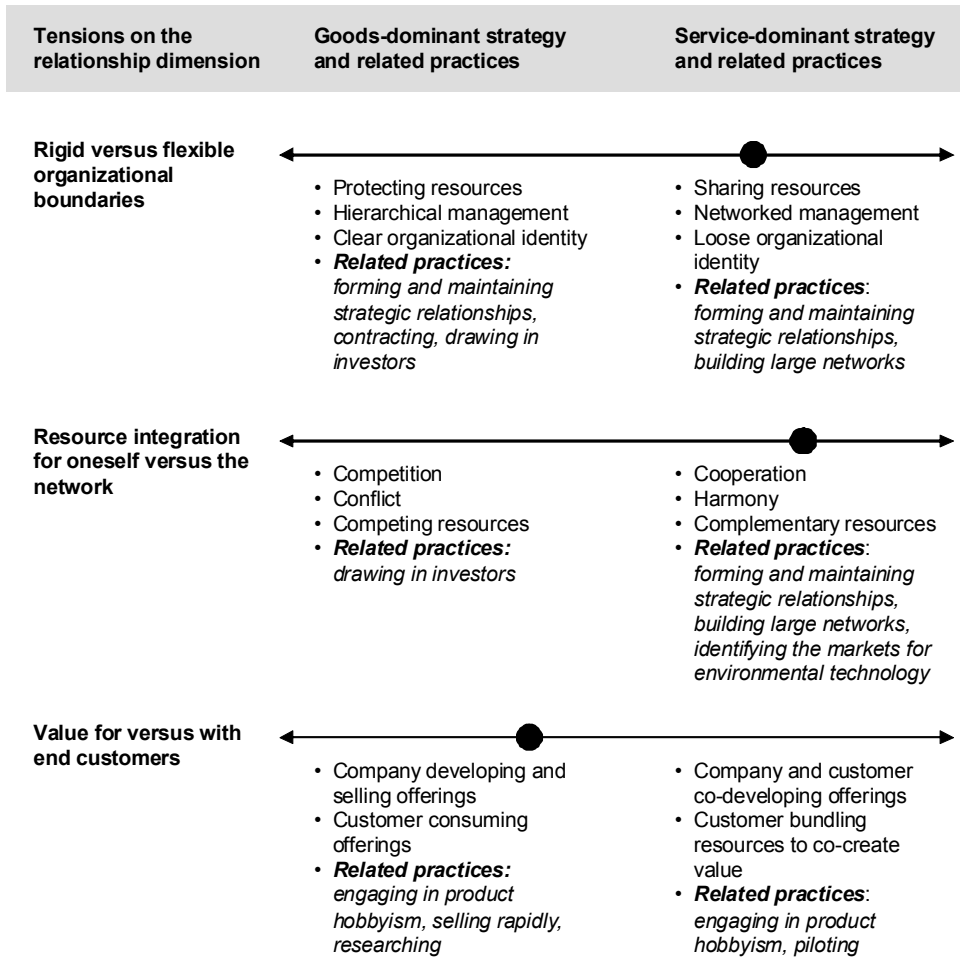


Figure 2. Strategies for customer value creation: the relationship dimension

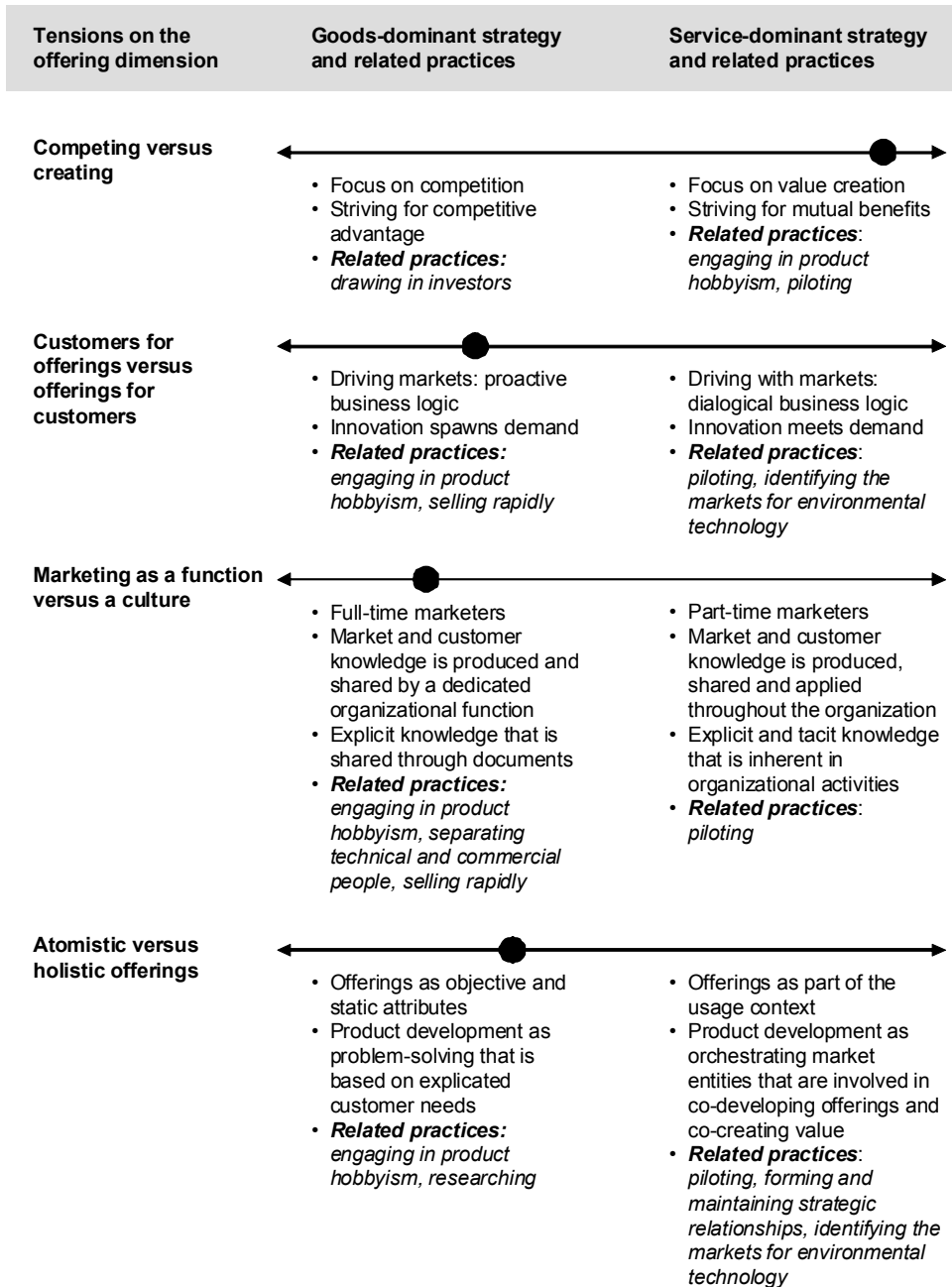


Figure 3. Strategies for customer value creation: the offering dimension

## **5 Conclusions, discussion and suggestions for further research**

### **5.1 SUMMARY OF THE CASE STUDY**

The case study provided a nuanced view of the practical complexities of strategizing about customer value creation in the context of new business development. The strategic perspective that emerged was not fully aligned with service-dominant logic – the strategizing revealed goods-dominant and service-dominant elements. However, I believe that in the real world there is no such thing as a pure service-dominant strategy. The case study was therefore useful in elaborating the theoretical framework from multiple, practical perspectives.

The strategizing that consisted of developing offerings, defining markets and customers, building and managing networks, and managing the start-up company built on various social practices, which the practitioners carried out in a largely habitual manner and which enabled them to act properly in the everyday situations they came across. For example, through engaging in product hobbyism they knew how to develop and improve ‘things’ such as composting systems. They obtained satisfaction from inventing new solutions and working with the best experts. The practices also promoted certain views and inhibited others, and guided the practitioners toward certain ends. For example, customer benefits and commercialization mean nothing in the practice of engaging in product hobbyism, which thus took the practitioners’ attention away from customers when they were developing the offerings. There were alternative practices such as piloting, however, that did acknowledge the importance of customers and their needs.

Essentially, the difference between a goods-dominant and a service-dominant strategy hung on the tensions between the inherent logics of the practices. For example, whereas contracting involves establishing clear roles for organizations in the value-creating network, the practice of forming and maintaining strategic relationships strives for seamless collaboration. The approach to this tension between rigid and flexible organizational boundaries was defined through practice-complexes and consequently determined whether the strategic perspective was aligned with a service-dominant strategy. Naturally, a service-dominant strategy acknowledges the need for

open, dialogical collaboration, which requires flexible rather than rigid organizational boundaries.

Different practices were drawn upon at different times during the observed strategizing. As the new business development advanced from ideation to working on the selected offerings, i.e. the bioreactor and the biodegradable bag, a different set of practices was required. The practitioners also learned from each other. For example, only one of the board members carried out contracting at first, but later almost all the practitioners were able to undertake the practice. Those who did not have any previous experience gradually began to get a grasp of the arguments on which the contracts were based, which they used during the negotiations in subsequent meetings. Furthermore, sometimes the inherent logic of a practice sparked conflict in the strategizing: whereas contracting requires strict organizational roles among the parties involved in developing the offerings, forming and maintaining strategic relationships is directed more toward open and improvised collaboration. These conflicting aims resulted in debates about how much the organizations could collaborate before the contracts were crafted, although at other times the different practices were carried out simultaneously and smoothly.

The strategic perspective on value creation that emerged through the strategizing was rather well aligned with the service-dominant logic on the relationship dimension: the possibility of forming co-creative relationships was acknowledged, especially among individuals and organizations that seemed to belong to the new business development network. However, on the offering dimension it did not give a full picture of the process of creating value. It rather drew attention to tangible devices and their attributes, largely ignoring the context in which they would be used. Thus, in order to fully embrace a service-dominant strategy the practitioners should first acknowledge the shortcomings of the current practices and then ensure access to those that approach value creation as a situated, co-creative process involving interaction among multiple actors possessing specific skills and capabilities.



## 5.2 CONCLUSIONS AND THEORETICAL CONTRIBUTIONS

The conclusions and theoretical contributions of this study are presented with respect first to the discussion on value creation in marketing and then to the research on strategy as practice. In terms of the marketing literature, my main conclusion is that the non-individualist, practice-theoretical framework developed in this study provides a coherent and insightful perspective on how a service-dominant logic, as a strategic perspective on value creation, can be constructed in organizations. The framework's philosophically and theoretically solid foundation in the practice turn in social theory fosters understanding of the immanence of such a perspective in the doings and sayings of strategy. Despite its coherence, it does not enforce a narrow view. It eschews the juxtapositions between body, mind and language, and sheds light on the connections between strategy praxis, practices, and practitioners. It simultaneously acknowledges the importance of micro-activities in organizations and the cultural and historical context in which they are embedded. Researchers in marketing are thus invited to delve more deeply into strategizing, to become knowledgeable of the social practices that underlie the easily observable praxis. This will facilitate discovery of the inherent complexities and tensions related to strategizing about customer value creation.

There are few existing studies taking explicit ontological and epistemological stands on how different perspectives on value creation come about in organizations. Following the practice-theoretical framework, I found that social practices as the primary unit of analysis provided a meaningful platform on which to examine the construction of a service-dominant strategy. Focusing on the trans-individual practices of strategizing highlighted the different background understandings that give practitioners the ends and means of creating value. Vargo and Lusch's (2004) original paper locates service-dominant logic primarily in managerial mindsets (see also Prahalad 2004). However, the practice-theoretical framework drew attention to the role of a shared understanding and the presence of SDL in doings and sayings, not merely in individual minds. To my knowledge, Peters, Gassenheimer and Johnston's (2009) recent conceptual paper provides the most advanced analysis of the organizational construction of SDL to date. They consider it in the light of multiple concepts and models from the perspectives of structuration theory (Giddens 1984) and

organizational learning (e.g., Berends, Boersma and Weggeman 2003). Consequently, they suggest that organizational learning evolves from interaction among structural properties, social practices, and knowledgeable individuals. The present research contributes to and continues this work in providing a more integrated practice-theoretical framework that seeks to avoid the basic dichotomy between structure and individual agency, and in giving insights from an extensive empirical study on how social practices may affect strategizing.

Given the focus on the unit of social practice in this research, it is suggested that there are always multiple perspectives on value creation within a single organization. Most of the relevant literature seems to assume that an organization has only one unified perspective that can be more or less aligned with SDL. However, if we consider SDL a strategic perspective that builds on the social practices of strategizing, it appears to be replete with paradoxes. The means and ends in the practices are bound to diverge and collide at some point. Thus, researchers aiming to examine the construction of SDL in organizations should not search for a single perspective.

It became apparent during the research process that in terms of empirical analysis the strategic perspective on value creation should be described theoretically on a level that is meaningful in practical settings. Specifically, distinguishing practices directly in terms of GDL and SDL may not be fruitful. These logics are highly difficult to identify in empirical settings, and the interpretative process may become too incoherent. In developing the theoretical framework I first divided GDL and SDL into two parts, namely the relationship and the offering dimensions. They also proved too abstract however, although they were useful for maintaining the overall focus and direction during the research process. They therefore enabled rather than strictly guided my interpretation, and I sought to induce understanding from the empirical data openly. Several tensions between the practices emerged during this process. They seemed to form the practical dimensions that I was then able to use to analyze the strategizing in terms of goods dominance and service dominance. Interpreted through closely observed strategizing they gave deeper meaning to the construction of a service-dominant strategy.

Not only is there ontological and epistemological ambiguity on the theoretical level, there is also a lack of empirical research on how SDL, as a specific perspective on value creation, is constructed in organizations (Brown and Patterson 2009, Callaway and Dobrzykowski 2009). Callaway and Dobrzykowski (2009), in a paper that most closely reflects the objectives of this study, sought to “examine service-oriented entrepreneurship, where new business opportunities can be identified from the value co-creation perspective that may have been otherwise unnoticed by the goods-centered view” (ibid: 225). Suggesting that entrepreneurs should embrace SDL, they put forward several propositions, such as “service-oriented entrepreneurship will increasingly identify new opportunities for value creation by addressing the lifetime use of a product” (ibid: 236), which they illustrate only briefly through third-party case studies of companies such as IKEA and some Danish pharmacies, however. The extensive case study I conducted in connection with this research enabled me to bring out the practical tensions related to strategizing about customer value creation that practitioners in the context of new business development may face in their everyday work.

In addition to complementing the recent discussion on value creation in the marketing literature, the present study has several implications for strategy-as-practice research. Overall, it brings to the forefront the worldview on value creation that is immanent in all strategizing, and especially in the context of new business development. Previous research has largely overlooked value creation, focusing on value capture (Nickerson, Silverman and Zenger 2007), and has not concerned how the activities and practices of strategizing affect customer value creation as a social activity. As shown in this study, a strategic perspective defines who could be considered participating actors, for example (e.g., What is the role of the customer?), and how the value creation could be accomplished (e.g., Is it enough to manufacture and sell tangible goods?). I argue that these are questions that strategy-as-practice researchers should not take for granted if they wish to continue to address the role of such practices in overall company performance (Johnson, Melin and Whittington 2003).

Strategy-as-practice scholars have shown an interest in the identity of the strategist within a single organization, focusing on the roles that are assigned to specific organizational members (Mantere 2005, 2008, Beech and Johnson 2005, Mantere and

Vaara 2008). This study shifts the focus from an individual organization to social activity among several actors. I have looked at individuals and organizations not primarily as strategists, but as creators of value. Essentially, however, the underlying question is the same: Who gets to decide on how value creation (strategy) is accomplished? Mantere and Vaara (2008), for example, identify six discourses that either promote or impede the participation of employees and middle managers in strategy work, which has traditionally been reserved for top management. In a similar fashion, I found ten practices of strategizing that either enabled or disabled the co-creation of value within a network of actors, including customers. I also discovered that the co-creation hinged on several tensions between the inherent logics of the practices.

In the context of strategy, tensions or struggles have been identified between discourses and ideologies (Knights and Morgan 1991, Styhre and Kohn 2006, Ezzamel and Willmott 2008, Laine and Vaara 2007, Mantere and Vaara 2008). The emphasis in this study on the tensions between the social practices of strategizing continues this work. The theoretical framework takes into account the doings and sayings of strategy as well as the background understandings that link them together in any given practice. Tensions between the inherent logics of the practices are not merely abstract negotiations of meaning, but have a more embodied nature (Bürgi, Jacobs and Roos 2005, Heracleous and Jacobs 2008). Laine and Vaara (2007) studied the discursive ways in which dialectical battles between different groups (Mumby 2005) may be manifested in concrete organizational settings. This study reaches beyond strategy discourses. As found in the empirical analysis, tensions between practices are 'played out' in strategy praxis. Different practices have diverging means and ends that can either seamlessly blend into the flow of everyday strategizing or spark more or less tangible conflicts. In this sense they mediate between the strategy praxis and the underlying practices. For example, the practices of selling rapidly and researching involve completely different modes of operation: inherent in the former is a strong sense of urgency, whereas in the latter action is preceded by carefully crafted plans. In the meetings in which these two practices were drawn upon simultaneously they seemed to produce anxiety and frustration, and to result in delayed decision-making. Of course, the tensions were not merely about conflicts during discrete

strategy events, they also helped to shape the start-up company's strategic perspective on value creation.

This study also makes an empirical contribution in terms of enhancing understanding of the immanent nature of strategy with its focus on historically and culturally transmitted, trans-individual practices (Chia and Holt 2006, Chia and MacKay 2007). As Jarzabkowski and Spee (2009: 83) note in their recent review of the strategy-as-practice literature, "little empirical attention has been paid to how such [trans-individual] practices comprise resources or their implications for the way that strategists act within their worlds". These deeply rooted practices are at the center of the theoretical framework, and their empirical examination was enabled by the extensive case study. I collected rich ethnographic data by engaging in the strategizing of the start-up company for a period of 20 months. I also followed the strategizing less actively for another year. In line with the principles of philosophical hermeneutics (Gadamer 1989/1960, Arnold and Fischer 1994, Thompson 1997), I interpreted the data in connection with my personal experience and theoretical pre-understanding about strategy making and new product development. In addition, I contextualized the practices historically by conducting deep interviews with the key members of the company and reading multiple documents they had produced during their earlier cooperation. As a result I was able to identify the trans-individual practices that the practitioners drew upon and to analyze how they affected the strategy construction.

Previous strategy-as-practice research has overlooked strategizing in small, entrepreneurial companies, although their role is significant in producing innovative solutions for value creation (Almeida and Kogut 1997). According to the empirical analysis of this study, the concept of practical coping aptly describes new business development in a small start-up company (Chia and Holt 2006). Lacking the established organizational infrastructure of larger companies, entrepreneurs rely strongly on the practices they have previously internalized as certain habits and orientations (Read et al. 2009, Callaway and Dobrzykowski 2009). Upon entering or establishing a start-up they cannot begin to strategize according to organizational rules and routines; they must draw on their experiences and expertise. However, the theoretical framework of this study is not limited to start-up companies. In that it

encompasses all kinds of social practices of strategizing, regardless of their scale of context, it can also be applied to strategizing in larger corporations.

In summary, the theoretical contributions of this study are as follows. With regard to the discussion on value creation in marketing:

- The proposed practice-theoretical framework, with its philosophically and theoretically solid foundation in the practice turn in social theory, fosters understanding of the immanence of SDL in strategizing.
- The present study continues earlier work theorizing the organizational construction of SDL (Peters, Gassenheimer and Johnston 2009) in providing an integrated theoretical framework that purports to avoid the basic dichotomy between structure and individual agency.
- In contrast with the majority of existing research, this study suggests that there are always multiple perspectives on value creation within a single organization.
- It seems from the case study that examining practices directly in terms of GDL and SDL may not be fruitful. Such analysis should rather build the respective dimensions from practice.
- The extensive, participatory case study identified practical tensions related to strategizing about customer value creation. This has been overlooked in previous research, which often utilizes third-party case studies (e.g., Callaway and Dobrzykowski 2009).

In terms of strategy-as-practice research:

- The present study brings to the forefront a worldview on value creation that is immanent in all strategizing, and especially in the context of new business development.
- It seems from the case study that, similarly to either promoting or impeding the participation of employees and middle managers in strategy work (Mantere and Vaara 2008), the practices of strategizing may either enable or prevent the co-creation of value.
- The study extends the work on tensions or struggles between discourses and ideologies in strategizing (Knights and Morgan 1991, Styhre and Kohn 2006,

Ezzamel and Willmott 2008, Laine and Vaara 2007, Mantere and Vaara 2008) in focusing on social practices, the implication being that the tensions also have an embodied nature.

- The case study enhances understanding of the immanent nature of strategy in focusing on historically and culturally transmitted, trans-individual practices (Chia and Holt 2006, Chia and MacKay 2007), which have received little empirical attention.
- The empirical analysis confirms the suitability of the concept of practical coping (Chia and Holt 2006) in the context of strategizing in small, entrepreneurial companies, which has thus far been overlooked in strategy-as-practice research.

### 5.3 PRACTICAL CONTRIBUTIONS

Perhaps the most profound practical contribution of this study is that it brings out multiple perspectives on value creation according to which companies may operate. It is common rhetoric in the business world to justify companies' actions based on the inescapable, unifying economic logic aimed at maximizing profit growth. Moreover, it is often difficult to estimate whether economic logic is merely a rhetorical tool or a genuine belief. Firstly, the findings of this study clearly show that not all businesses are driven by the same logic. Secondly, even within a single company, there are always multiple perspectives on value creation. Practitioners draw upon various practices that are based on different, often conflicting means and ends. Thus, not all business activity has the ultimate aim of profit growth. I would suggest on the basis of my previous experience in various companies in Finland, for example, that the practice of engaging in product hobbyism that I identified in this study is likely to run through many technologically oriented industries in one form or another. It is a practice in which the employee's goal is to develop things, not to work for profit.

The theoretical elaboration of the different strategic perspectives on value creation opens up a conceptual space in which to discover alternative strategies. It provides strategists with various ways of approaching the role of their company in creating value, ranging from independent design and manufacturing to co-creation in networks. As a starting point they could take the two dimensions of value creation, i.e. the relationship and the offering dimensions (*Tables 1 and 2*), in order to reflect

upon the current practices in their company and to picture new futures. They could then carry the analysis further by using the tensions between the practices of strategizing that were found in the empirical study as a strategic tool. The tool depicted in *Figures 2 and 3* enables practitioners to analyze their current customer value creation strategy. They could assess the extent to and ways in which their company's practices are goods-dominant or service-dominant. The figures draw attention to specific aspects of strategizing on which strategists should focus if they wish to move toward service-centricity, enabling a comprehensive view on value creation.

Strategy practitioners often feel constrained. They are deeply engaged in the everyday happenings of their busy business lives, and there are certain ways of doing and saying things by which they feel restricted. The results of this study shed light on the social practices of strategizing that provide the basis for recurrent activity. Although some may be immutable, at least in the short run, the starting point for strategic change is to identify the taken-for-granted, deeply rooted practices that are commonly carried out in and outside the organization (Johnson 1992, Balogun and Jenkins 2003). The practice-theoretical framework developed in this study provides a means for discovering and describing social practices. It directs attention to the cultural patterns of doings and sayings, the rules and background understandings that hold the practices together. Although it is not an easy task, becoming knowledgeable about routinely carried out practices enables alternative practices to emerge.

A further aspect I would like to highlight from the practitioner perspective is that strategy making is largely based on internalized tendencies and dispositions rather than rational thought. Although similar observations have been made during the long tradition of strategy process research, many practitioners still seem to emphasize rationalization over other forms of knowing and doing (e.g., March 2006). This emphasis is manifested in organizations, for example, when precise measures are demanded in situations in which they are impossible to craft. In this study I identified a longing for rational reasoning in the practice of researching, which draws on modernist ideals of objective knowledge. Acknowledging that strategizing may take the form of practical coping will help to break down the idea of omnipotent strategy planning and implementation, and gradually legitimize a more flexible approach to



strategy making. As Moisander and Stenfors (2009) note, it is not always necessary, or wise, to stick to modernist tools. In strategizing, striving for accuracy is often unfounded.

To summarize, the practical contributions of this study are:

- The present study brings out multiple perspectives on value creation according to which companies may operate, and suggests that even within a single company, multiple logics always co-exist.
- The theoretical elaboration of the different strategic perspectives on value creation opens up a space for alternative strategies, and in moving towards service-centricity the tool depicted in *Figures 2 and 3* can be utilized to focus on specific aspects of strategizing.
- This study sheds light on the deeply rooted social practices of strategizing that should be acknowledged in order to facilitate strategic change (Johnson 1992, Balogun and Jenkins 2003).
- In emphasizing the internalized tendencies and dispositions behind strategy making this study contributes to breaking down the idea of rationalist strategy planning and implementation that is still prevalent in organizations (e.g., March 2006).

## 5.4 DISCUSSION

In the following I discuss the implications of the findings of this study beyond strategy-as-practice research and the literature on value creation in marketing. The global market system, as we know it, is undergoing significant transformation, according to an increasing number of estimates (Stiglitz, Sen and Fitoussi 2009, White 2009, Mokka and Neuvonen 2009, Eskelinen and Bruun 2009, Financial Times 2009). Even the basic principles are being questioned. Can we maintain a system that is built on continuous growth and goes into crisis whenever the growth slows down? Can we continue to base our acts in the marketplace on “economic principles” without relating them to human and ecological wellbeing? Can we continue to consume and place an increasing burden on natural resources without considering them in the pricing? These are important questions that also affect the way we study and teach in

disciplines related to strategy and marketing, for example. In order to remain relevant these disciplines need to be able to adapt to fundamental changes in the way we live. There is thus a need for research that does not merely test and adjust existing theoretical principles but also builds theory from practice (Schultz and Hatch 2005). It needs to bring to the forefront the current tensions and crossroads that define the directions in which we may proceed.

Although the focus of this study is not on the societal level, it could be interpreted with regard to the above-mentioned global transformation. It draws attention to the variety of ways in which value creation in companies can be understood. The basic assumption behind the theoretical framework is that the market as such does not universally define how individuals and organizations act or should act (e.g., Araujo, Kjellberg and Spencer 2008). The implication is that markets should be studied as a complex social activity in which actors take multiple different roles. Furthermore, the study elaborates theoretically and empirically on the various meanings that can be attached to relationships and offerings in value creation. Acknowledging the different views may shed light on some of the current market transformations. For example, a value-creating relationship between a company and its customer does not necessitate a focus on economic exchange or transactions. Although widespread, the logic of buying and selling can ultimately be traced back to particular practices that are not universal to all activity within the broad market system. Collaboration in value creation, for instance in the case of waste management, cannot be reduced to discrete events of economic exchange.

This study also opens up a practice-theoretical view on stability and change in the underlying principles of the market system. Particular logics and perspectives are located in the deeply rooted social practices that practitioners in the system often unwittingly draw upon. The logics are inherent not only in language, cognition and interaction, but also in bodily routines. They are usually not reflected upon and thus remain silent or hidden unless purposefully uncovered. However, practices do adapt and they can be improvised in specific contexts. It could be assumed, for example, that some activities in the marketplace will be influenced by practices that have been previously connected with non-market phenomena. Early signs are visible in the novel ways in which consumers share their cars, clothing, and even some intangibles

such as computer installation services via electronic forums (Mokka and Neuvonen 2009). This type of activity mixes market-based practices with practices typical of personal communities. Similar signals are detectible in the practice of engaging in product hobbyism that was identified in this study. Although it is based on non-market goals, it was carried out naturally in the context of new business development.

Some critics of the current market system emphasize that we should search for alternative logics within, or preferably, *for* the system (e.g., Holvas 2009, White 2009). Vargo and Lusch's (2004) distinction between a goods-dominant and a service-dominant logic offers a potential way forward. A close reading of the distinction would highlight aspects of SDL such as "indirect exchange masks the fundamental basis of exchange" (ibid: 8). Inherent in this is criticism of the current financial system, which has extended monetization to cover almost all types of exchange processes. It is impossible to say from the results of this study how far SDL could stretch beyond the current market system. However, changing the focus from the distribution of goods to service exchange seems to offer a promising starting point.

## 5.5 SUGGESTIONS FOR FUTURE RESEARCH

The non-individualist view on strategizing (Chia and MacKay 2007, Chia and Holt 2006, Rasche and Chia 2009) adopted in this study builds largely on Heidegger, Wittgenstein, and Bourdieu. These traditions could be considered past-oriented: the practitioners' present action draws upon historically and culturally transmitted practices. Although the theoretical framework allows the researcher plenty of flexibility, it draws attention to certain interpretations. It does not leave much room for the possibility that practitioners could also be actively oriented toward and seek out the future. After all, estimating, anticipating and even crafting the future typically constitute a major part of new business development. Furthermore, the non-individualist view places strong emphasis on unreflective activity. It could be argued, however, that strategizing could also take more reflective forms when the practices that are drawn upon are consciously thought over – albeit through the practitioners' pre-understanding. These questions provide relevant starting points for future studies: they potentially open up new types of dynamics in strategizing.

The focus of this study is on small-scale strategizing in a start-up context. Although the strategizing I observed was affected by several individuals and organizations connected with the start-up company, the network and the scope of the operations grew only moderately. In addition, I focused on the strategic perspective of the company rather than on the construction of different perspectives within the waste management market. Future research on value creation as a social activity could explicitly shift the perspective from the company to the market, in which several different types of practice-complexes interact. This kind of research is already gathering momentum under the rubric of markets as practice (Araujo, Kjellberg and Spencer 2008, Kjellberg, Harrison, Helgesson, Geiger 2009, Araujo and Kjellberg 2010), the aim of which is to theorize markets within the practice turn. Ultimately this may lead to a vastly improved understanding of how value co-creation can be achieved.

In the broader context there is a need to develop methodologies for analyzing wider practice-complexes. Currently, for example, it is difficult to imagine how to properly examine the customer relationships of a multinational corporation from a practice-based perspective. The key question would seem to concern how to focus on relevant (practical) issues without resorting to a reductionist view. I believe that researchers will gradually learn the practices of doing practice-based research. One avenue might be to engage the research “targets” in the co-creation of the data. This could be accomplished through ‘cultural probing’ (Gaver, Dunne and Pacenti 1999), for example, which involves giving the targets materials that stimulate and help them to observe and record their everyday activities. In addition, there would be a need for more quantitatively oriented studies examining the prevalence of different practices in different contexts.

Finally, the present study shares an interest in the inherent logics of different business practices with so-called critical marketing (e.g., Saren et al. 2007, Tadjewski and Brownlie 2008), which calls for a more reflective take on the marketing discipline. As an example, Svensson (2007) examined how different forms of ‘marketing work’ were produced through discourse. The representations between an advertising agency and a client he analyzed situated “marketing work and marketing workers next to society rather than entangled within it, as spectators rather than participants in the

social accomplishment of ‘society’” (ibid: 286). With regard to this topic, a practice-theoretical view could be used to reconnect the analysis of discourse with non-discursive activity. This would potentially contribute to a more multifaceted understanding of the constitution of marketing.

## 6 References

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## 7 Appendices

### *Appendix 1. Observed events*

<b>Date</b>	<b>Type of event</b>	<b>Participants</b>	<b>Main activity</b>	<b>Rec</b>
<b>16 Mar 2007</b>	Interview	Carola Wictorsson, FECC	Interview about Finnish-Chinese collaboration in cleantech	
<b>26 Apr 2007</b>	Interview	Lauri Hietaniemi, Greennet	Interview about the cleantech industry in Finland	x
<b>31 May 2007</b>	Board meeting	Board members	Defining potential markets and the firm's offerings	x
<b>6 Jun 2007</b>	Board meeting	Board members	Defining potential markets and the firm's offerings; defining organizational arrangements	x
<b>13 Jun 2007</b>	Annual general meeting	Board members	Assessing the firm's current situation	x
<b>14 Aug 2007</b>	Seminar	Board members, owners, potential partners, external experts on waste management	Presenting the firm's approach to the waste management business	x
<b>5 Sep 2007</b>	Board meeting	Board members	Defining the firm's offerings	x
<b>10 Oct 2007</b>	Board meeting	Board members, technology supplier	Assessing the early technical development of the composting system, conducted by the technology supplier	x
<b>12 Nov 2007</b>	Board meeting	Board members, technology supplier	Assessing the early technical development of the composting system, conducted by the technology supplier	x
<b>17 Dec 2007</b>	Board meeting	Board members, potential business customer	Outlining collaboration between the firm and a potential business customer	x
<b>21 Jan 2008</b>	Board meeting	Board members	Advancing business development	x
<b>25 Feb 2008</b>	Board meeting	Board members	Advancing business development	x
<b>7 Mar 2008</b>	Interview	Representative of a large retail chain	Determining the large retail chain's approach to composting	
<b>14 Mar 2008</b>	Board meeting	Board members	Advancing business development	x
<b>23 Apr 2008</b>	Interview	Board member	Background interview with board member 3	x
<b>24 Apr 2008</b>	Interview	Board member	Background interview with board member 2	x
<b>22 May 2008</b>	Interview	Board member	Background interview with board member 1	x
<b>22 May 2008</b>	Consulting	Board member	Assessing the firm's current challenges with board member 1	x
<b>24 May 2008</b>	Consulting	Board member, owner	Settling contractual issues	x

<b>Date</b>	<b>Type of event</b>	<b>Participants</b>	<b>Main activity</b>	<b>Rec</b>
<b>30 Jun 2008</b>	Annual general meeting	Board members, owners	Planning stock issue; assessing the firm's current situation	x
<b>5 Aug 2008</b>	Board meeting	Board members	Advancing the development of the composting system	x
<b>20 Aug 2008</b>	Board meeting	Board members, technology supplier	Defining collaboration between the firm and the technology supplier	x
<b>27 Aug 2008</b>	Negotiation	Board members, owner, technology supplier, potential business customer	Assessing the technical development of the composting system, conducted by the technology supplier	x
<b>27 Aug 2008</b>	Discussion after negotiation	Board member, potential business customer	Defining the collaboration between the firm and the potential business customer	x
<b>19 Sep 2008</b>	Board meeting	Board members	Planning the collaboration between the firm and the technology supplier	x
<b>24 Sep 2008</b>	Meeting after negotiation	Board member, potential business customer	Planning prototyping in municipal premises	x
<b>15 Oct 2008</b>	Negotiation	Board members, technology supplier	Defining the collaboration contract between the firm and a technology supplier	x
<b>22 Oct 2008</b>	Negotiation	Board members, technology supplier	Defining the collaboration contract between the firm and a technology supplier	
<b>11 Nov 2008</b>	Board meeting	Board members	Planning risk-capital application	x
<b>27 Jan 2009</b>	Board meeting	Board members	Defining potential investors and pilot projects	
<b>28 Oct 2009</b>	Board meeting	Board members, business plan consultant	Business planning; defining potential investors	
<b>26 Nov 2009</b>	Board meeting	Board members	Business planning; defining potential investors	
<b>27 Nov 2009</b>	Negotiation	Board member, representative of the national investment fund	Discussing the firm's business plan	
<b>18 Dec 2009</b>	Board meeting	Board members, business plan consultant	Further business planning	x
<b>13 Jan 2010</b>	Negotiation	Board members, business plan consultant, potential business partner	Further business planning	

## Appendix 2. Secondary data

Data type	Date	Main content
Board meeting agenda and minutes	13 Jun 2007	Stock issue
	5 Sep 2007	Decision to order technological planning; stock issue; arranging an expert seminar
	10 Oct 2007	Product planning
	12 Nov 2007	Product planning
	17 Dec 2007	Product planning
	21 Jan 2008	Product planning
	25 Feb 2008	Product planning; CEO assessment
	14 Mar 2008	Product planning; CEO assessment
	12 May 2008	Pilot projects
	30 Jun 2008	Stock issue
	5 Aug 2008	Product planning
	27 Aug 2008	Technological and market planning; investors
	19 Sep 2008	Technological and market planning; contracting with technological developer
	24 Sep 2008	Technological and market planning
	30 Sep 2008	Stock issue
	15 Oct 2008	Contracting with technological developer
	22 Oct 2008	Contracting with technological developer
	11 Nov 2008	Contracting with technological developer
	27 Jan 2009	Pilot projects; contracting with technological developer; stock issue
	14 Apr 2009	Pilot projects
	22 Jun 2009	Stock issue
	11 Aug 2009	Business plan; stock issue
	3 Sep 2009	Stock issue
	25 Sep 2009	Accepting proposal for business plan consultation
	28 Oct 2009	Business plan; stock issue
	26 Nov 2009	Business plan; application for funding from TE Center
	18 Dec 2009	Business plan; investors; pilot projects
	20 Jan 2010	Business plan; investors; pilot projects
Meeting minutes	16 Feb 2007	Assessing current market situation; investors
	22 Feb 2007	Assessing current market situation; investors
	30 May 2007	Collaboration with potential technological developer, business customer
	7 May 2008	Collaboration with business customer
	27 Aug 2008	Assessing technological planning with technological developer
	27 Apr 2009	Stock issue, collaboration with technological developer, business customer

<b>Data type</b>	<b>Date</b>	<b>Main content</b>
	7 Dec 2009	Collaboration with potential academic partner
Technological assessment	18 Aug 1998	Suggestion for ecological living
Technological assessment	17 Oct 2003	Composting of organic municipal waste
Technological assessment	21 Dec 2003	Composting facility logistics
Business assessment	7 Jun 2007	Potential partners; market viability
Technological assessment	5 Oct 2007	Comparing composting and putrefaction
Stock subscription list	31 Oct 2007	List of owners
Extract from register	19 Dec 2007	Extract from the register of the National Board of Patents and Registration of Finland
Cost calculations	13 Mar 2008	Costs of biological waste in housing associations
Animation storyboard	25 Aug 2008	Animation storyboard for product presentation
Cost calculations	27 Aug 2008	Cost calculations for product development, design, and branding
Technological plan	26 Sep 2008	Technological plan, composting system; market potential
Stock subscription list	1 Oct 2008	List of owners
Contract draft	7 Oct 2008	Collaboration contract with technological developer
Business-planning proposal	10 Aug 2009	Proposal for business plan consultation
Business plan	25 Jan 2009	Business plan for potential investors, customers
Technological assessment	12 Jun 2009	Management and recycling of biological waste
Article in Kauppalehti, daily economic paper	26 Oct 2006	"Large composting system planned in Finland"
Article in Prima, magazine for the Confederation of Finnish Industries	Vol. 12, 2006	"Biowaste piping transportation in Chinese Olympics built by a Finnish company"
Article in Prima, magazine for the Confederation of Finnish Industries	Vol. 1, 2007	"The Middle East - opportunity for Finnish companies"
Article in Finpro, magazine for the Finpro association	Vol. 2, 2007	"Should we raise Finland to the top of cleantech through competition or regulation?"
Special issue in Science and Technology in Europe	Vol. 3, 2007	"Going for green competitive performance"
Article in Uusiouutiset, professional magazine on environmental issues	Vol. 18, 2007	"Biofuels from the biological waste of the retail industry"
Article in Uusiouutiset, professional magazine on environmental issues	Vol. 18, 2007	"Less and less biodegradable waste to dumping places"
Article in Tiede, Finnish science magazine	Vol. 3, 2008	"To burn or compost/recycle municipal waste?"
Article in Kauppalehti, daily economic paper	17 Mar 2008	"Investing in cleantech is engineer-driven"
Article in Time magazine	15 Sep 2008	"Recycling food scraps"





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