

EXPLORING VALUE (CO-)CREATION STRATEGIES IN PRODUCT-ORIENTED COMPANIES FROM A SERVICE-DOMINANT PERSPECTIVE

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INTRODUCTION

During the last years, the strategic importance of services in product-oriented companies continuously increased. More and more companies recognized the importance of services as part of their value creation. Prominent success stories refer to GE's extension of the service business as of one of the company's main strategic initiatives or ABB's pioneering move into integrated solutions in the early 1990s. The increasing importance of service leads to changes in the way value is created. Providing services requires the application of specialized skills and knowledge which are co-created between the company and the customer. This change of value creation toward the customer reflects the shift from a goods-dominant to a service-dominant logic of business (Vargo and Lusch, 2004, 2008).

Service strategies in product-oriented companies are typically linked to the breadth of service offerings. Vandermerwe and Rada (1988), for example, use the offering as their point of origin and view the transformation from products to services as a process of "servitization"; i.e. companies that create more value for their core offering through services are experiencing a shift in their core business. According to Martin and Horne (1992) and Kotler (1984), the shift in total offerings means to move from product only via a bundle of product and service where products dominate and a bundle of service and product where service dominates the total offering towards service only. Other classifications of service strategies in product-oriented companies include Davies' (2004) description of systems integration, operational services and business consulting or Gebauer's (2008) after-sales service providers (ASP), customer support service providers (CSP), development partners (DP) and outsourcing partners (OP). Companies following an ASP strategy offer basic services for the installed base to ensure the proper product functioning whereas CSP provide advanced preventive services to optimize product utilization. DP use their specific development competencies to co-produce R&D-oriented services with their customers and OP offer operational services assuming the risk and responsibility for the customers' operating processes. Thus, each service strategy represents a specific customer value proposition.

However, drawing on contingency theory, Neu and Brown (2005) state that companies need to align strategy with external environment and organizational design to form successful B2B services. This study concentrates on the alignment of service strategies with organizational design factors. We argue that, properly aligned, these elements will form specific strategic configurations which correspond with certain types of value creation strategies. In other words, each value creation strategy consists of a specific customer value proposition and the required organizational "infrastructure" to provide the service. Our study is led by the following two research questions: "*Which value creation strategies exist in product-oriented companies?*" and "*How do these strategies differ in co-creating value between the company and the customer?*".

RESEARCH DESIGN

We followed a two-step approach to respond to the research questions. We used a qualitative research approach based on 25 case studies of product-oriented companies moving towards service provision. The case studies represent Gebauer's (2008) four service strategies (ASP, CSP, DP and OP). Each case describes the move of a company towards one specific service strategy. In the first step, we analyzed which organizational design factors were changed and how important these changes were for each case. To guide our

investigation, we built a research framework from literature on organizational design. The framework captures 10 organizational design factors from the main categories human resources, culture, measurement and rewards, processes of service development, organizational structure and supporting infrastructure/IT systems (e.g., Antioco et al., 2008; Bowen and Lawler, 1995; Galbraith, 2002; Homburg et al., 2003; Martin and Horne, 1992; Matthysens and Vandenbempt, 1998; Neu and Brown, 2005; Oliva and Kallenberg, 2003). The framework supported us to extract patterns for each type of service strategy leading to specific configurations of strategy and organizational design factors which form four value creation strategies. In the second step, we investigated the value creation processes for each strategy type. We tried to find out how specialized skills and knowledge are applied leading to value co-creation between the company and the customer and what are the differences in the value co-creation.

PRELIMINARY RESULTS

Our preliminary results indicate that the number of relevant organizational design factors varies considerably for the different service strategies. For example, more factors of organizational design appear to be significantly affected for companies becoming CSP than for companies becoming ASP. Concerning the value creation, companies pursuing an ASP strategy only show low degrees of value co-creation between the company and the customer because value is still mainly embedded in the product and supplementary customer service or supplementary basic services for the installed base provided by the manufacturing company. In contrast, value is co-created between the company and the customer for companies following a CSP, DP or OP strategy. For example, value co-creation occurs during the process of tailoring advanced preventive service offerings to satisfy the unique needs and preferences of an individual customer (CSP), during providing R&D services to support customers in the development of their manufacturing processes (DP) and during co-producing an in-depth understanding of customer's operational requirements from the output of taking over the customer's operational processes (OP).

IMPLICATIONS

Our findings contribute to research on service management in manufacturing companies by relating service strategy configurations with organizational design to value co-creation between the company and the customer and the corresponding specialized skills and knowledge. The acquisition of these skills and knowledge presents an essential factor to create competitive advantages.

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