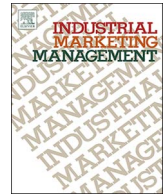




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Embracing uncertainty in value-based selling by means of design thinking

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ABSTRACT

Service delivery and solution selling both strive to achieve increased value through co-creation. However, the concept of value co-creation is a macro concept that still lacks precise empirical grounding and accurate operationalisation. To uncover the microlevel processes of co-creation, we examined 15 sales cases via the lens of uncertainty management. We used design thinking and actor-network theory to explore how certainty evolves between a seller and the buyer. We argue that the common industrial logic for addressing and tackling customer problems in solution selling, hitherto portrayed as either deductive or inductive, is incomplete. Indeed, our research shows that solution selling and value co-creation both require a different, abductive epistemology to address the uncertainty. Our study also provides an empirical extension to the value co-creation literature.

1. Introduction

The majority of industrial manufacturing companies have turned away from transactional business (DeVincendis, 1999) of stand-alone goods or services and shifted toward providing solutions (Davies, Brady, & Hobday, 2007; Tuli, Kohli, & Bharadwaj, 2007) and in particular a precise focus on customer value (Windahl, Andersson, Berggren, & Nehler, 2004). For this reason, value-based selling of solutions has received more attention among industrial solution sellers (Terho, Haas, Eggert, & Ulaga, 2012). Value-based sellers want to influence their customers' desire for value as well as quantifying and communicating the value of their offerings to each customer (Storbacka, 2011; Terho et al., 2012; Töytäri & Rajala, 2015).

Although the importance of demonstrating value in monetary terms is well acknowledged, we are still witnessing situations where suppliers have difficulty transferring their offerings into actual fact-based value propositions. This inadequacy was similarly noted by Töytäri and Rajala (2015) who indicated that there is first a need to conceptualize value-based selling as a sales approach in order to create a value-adding solution for the customer and secondly, then find new mechanisms for effective problem-solving between the solution parties.

Before value can be created and communicated, the challenges of value-based selling must be understood. Several authors have stressed that the seller should be capable of demonstrating how its solution constitutes a response to a specific customer problem, and in that way, ensure value creation for that customer's business (Töllner, Blut, & Holzmüller, 2011; Tuli et al., 2007; Windahl & Lakemond, 2006). In this regard, one can distinguish between two types of solution

sales processes, namely, one that departs from a company's current product and service portfolios (Biggemann, Kowalkowski, Maley, & Brege, 2013) and thus is set by the capability of a supplier. We term this approach a deductive one (i.e., 'push sales'). In contrast, the other approach is inductive (i.e. 'pull sales'), where the preferred solution is (solely) derived from the customer's (explicitly communicated) existing needs (Davies et al., 2007; Tuli et al., 2007). In both cases, the problem (or need) of the customer's business is assumed by the seller organization or is based on the customer's own understanding of which of their problems can and need to be solved.

Hence, it can be argued that value propositions that derive either from the standpoints of the capabilities and offerings of the seller organization or from the intellectual capacity of the customer organization will indeed contribute to the recognition of explicit problems. It has also been argued that traditional solution sales that build on recognizing explicit customer needs (i.e., inductive solution selling) has ended, and successful sales in the future must be built on better customer insights (Adamson, Dixon, & Toman, 2012) and a value co-creation approach (Cova & Salle, 2008; Edvardsson, Tronvoll, & Gruber, 2011; Jaakkola & Hakonen, 2013; Mele, 2011). This view is in line with the knowledge that any solution should not only be developed based on explicit or generic customer needs, but also be based on the customer-specific problematics of that customer's current business situation, for example, a changed market environment (Adamson et al., 2012; Storbacka & Nenonen, 2011). These solutions are, however, usually complex and often not even clear in terms of identifying the precise problem (Cross, 2006).

Rittel and Webber (1973) defines this uncertainty of a problem as a

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“wicked problem”, which means that issues are not always obvious and explicitly known at the beginning of a sales interaction. As co-creation, in turn, holds the promise of achieving greater value (Cova & Salle, 2008; Edvardsson et al., 2011; Jaakkola & Hakanen, 2013; Mele, 2011) it also seems that co-creation is a foundation for even greater creativity and complex problem-solving (Amabile, 1983; Hershey & Walsh, 2000). However, it has also recently been argued that co-creation is a macro-level concept, and to advance the field, its actual microfoundations should also be explored (Kohtamäki & Rajala, 2016; Storbacka, Brodie, Böhmman, Maglio, & Nenonen, 2016).

To handle wicked problems and ensure greater value creation to a customer in a value-based sales situation, we thus introduce a third approach. We argue here that neither a deductive nor an inductive sales mode is enough when the target is the creation of considerably higher value overall for the customer. That means that value design in value-based selling should be abductive (Alvesson & Sköldberg, 2010) and be built on a participatory worldview wherein the solution is designed *with* rather than *for* people (Nenonen & Storbacka, 2009).

We justify our view here by investigating and deepening the current understanding of industrial solution development and value-based selling and exploring the microfoundations of value co-creation. We do so by investigating how industrial solution sellers solve the set of customer problems connected to the solutions actually being offered. As suggested by Buchanan (1992), design thinking is an appropriate framework for handling these “wicked” problems. We use the literature on design thinking (Alexander, 1971; Brown, 2008) and uncertainty management (Loch, DeMeyer, & Pich, 2006; Perminova, Gustafsson, & Wikström, 2008; Ward & Chapman, 2003) to develop a view wherein dealing with “wicked problems” during value-based selling through co-creation is a process for handling uncertainty. Applying this view, the seller and the customer can progress toward certainty in that the proposed solution becomes an enabler for added value. Indeed, in value-based selling (like those in many projects) uncertainty is successively reduced and transformed into certainty through precise information processing (Winch, 2015; Winch, Usmani, & Edkins, 1998).

Even though the existing theory suggests that the key demand for value-based selling is understanding a customer's business model (Terho et al., 2012) and customer engagement is seen as the microfoundation of that value co-creation (Storbacka et al., 2016), we could find no account that explained how a customer's certainty of value actually evolves during value-based selling. Hence, the main research question herein becomes: *How is uncertainty handled in value-based selling?*

One can argue that uncertainty is a double-edged sword in that the capability to introduce uncertainty with the intent of creating value for the customer is in fact a key feature of value-based selling. This new insight prompted us to pose two supporting research questions: (1) *How do you design value by utilizing uncertainty?* and (2) *How is value stabilized during a sales process through design* (i.e. how is uncertainty tempered)?

We use the data collected in 15 sales cases from two companies to assert the view that effective value orientation in solution sales requires a different epistemology than does traditional product or service sales. Our approach calls for both managerial and academic attention and repositioning the understanding of the guidelines needed for addressing customer specific problems and the ways of tackling them, i.e., by using value-based sales as the problem-solving context.

This paper is structured as follows. We continue in Chapter 2 with a literature review in which we develop our theoretical view on value co-creation based on the design thinking perspective. In Chapter 3, we describe our processual research design and the various methods we employed for both data collection and analysis. Chapter 4 details the findings from both our within- case analyses and a cross-case analysis, through which we identify four distinct themes. In Chapter 5, we put forward a value-based sales process. In Chapter 6, we conclude by pinpointing three theoretical contributions to the literature on value-

based selling and value co-creation and offer distinct managerial implications and related future research directions. Finally, we propose specific future research streams we believe will add further value to the topic.

2. Literature review

2.1. Co-creation in solution and value-based selling

In industrial solutions and value-based selling, the seller's focus is on the benefit the supplier's offering will provide to the customer (Liinamaa et al., 2016). Using this focus, suppliers strive to create a better return on value for a customer by providing more comprehensive offerings that go beyond the traditional goods and product offerings (Uлага & Reinartz, 2011). At the same time, customers' buying functions have generally become more value-focused (Agndal, Axelsson, Lindberg, & Nordin, 2007), and yet it is acknowledged that customers tend to have a different perception of value than suppliers do (Lefaix-Durand, & Kozak, 2010). Tuli et al. (2007) acknowledged this disparity between the perceptions of both parties, and suggested that suppliers do not understand to the required degree the precise business environments and unique requirements of their customers.

Several authors provide (value) co-creation as a means for finding a solution to a customer problem (Ramírez, 1999; Vargo & Lusch, 2004). In an ideal situation, co-creation contributes to a mutual belief in the value proposition of a solution. Value functions are not identified and created only by the seller; they are co-created by the seller and the customer and realized in the customer's value generating processes (Grönroos, 2008). To date, scholars have argued that by co-creating there is a greater chance to go beyond explicit problems to focus on solving problems that are ill-defined. However, such problems address complex issues, and thus, they cannot easily be described in a concise, complete manner.

A majority of the studies exploring value co-creation have focused on companies providing physical goods or services (Cannon & Homburg, 2001; Uлага & Eggert, 2006; Uлага & Reinartz, 2011) and only few studies discuss value co-creation in solution business (Hakanen, 2014; Pekkarinen, 2013; Storbacka et al., 2016). In the solution business where the customers look for the best available total solution and long term benefits for their organization (Töytäri & Rajala, 2015), the seller organization faces pressure to impact the customer's profitability. This means that an increased focus on customer value-creation is seen to drive industrial sellers away from being not only customer-focused, but also toward providing comprehensive offerings through total customer value management (Keeney, 1992).

However, several challenges have been observed that are preventing the successful implementation of value co-creation strategies. In the next section, we discuss these strategies and corresponding challenges and suggest the needed co-creation mode for value-based selling. In essence, we distinguish between and discuss three different sales approaches. Table 1 provides an overview of these approaches.

As mentioned in our introduction, the current epistemology behind value co-creation, is either based on a deductive view (i.e., a view that departs from a supplier's own product and service portfolio) or on an inductive view (i.e., a view that departs from the customer's request and existing need (Davies et al., 2007; Tuli et al., 2007)). The former view is in line with the original conceptualizations of solutions that address the suppliers' intention to identify their customer's business problems and provide a solution constituted from a combination of goods and services (Davies, Brady, & Hobday, 2006; Miller, Hope, Eisenstat, Foote, & Galbraith, 2002). This view has its origins in the goods-dominant logic, as it concentrates on manufacturing and distribution activities and considers value to be created by the company and consumed by its customers (Vargo & Lusch, 2004). The business performance focuses on value captured by a seller organization

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