

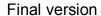
A PARADIGM SHIFT IN CONSULTING: VALUE CO-CREATION THROUGH ADOPTION OF CO-CONSTRUCTIVE CONSULTING PRACTICES.

Master thesis

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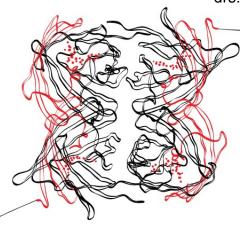


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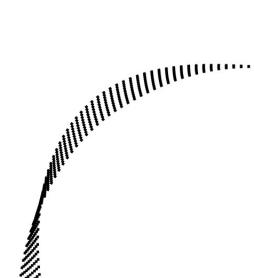
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MASTER THESIS BUSINESS ADMINISTRATION: A PARADIGM SHIFT IN CONSULTING

SUMMARY

Knowledge intensive business service (KIBS) companies provide knowledge-based products and services to their clients. The profitability of their value propositions relies upon the specificity and unicity of their knowledge base. Remaining profitable is of continuous importance for (engineering) KIBS companies, as they are faced with (international) competition and commoditization of their services. One way to stay away from commoditization is value proposition expansion through adopting consulting practices. This research was conducted to answer the following research question: How can an engineering KIBS company expand its value proposition by adopting co-constructive consultancy practices? The research question is answered by conducting five case studies within an international natural and built asset design & consultancy firm based in the Netherlands.

A research method was determined that would allow for answering the research question. Initially, a literature study was conducted in which the existing literature on value, value propositions and (co-constructive) consulting was explored and a theoretical model on value proposition expansion through adoption of co-constructive consulting was determined. Next, a total of five in-depth interviews were carried out with senior managers of companies in the energy sector. The managers were interviewed in a semi-structured fashion were the questions were based on the theoretical model. The outcomes of the interviews were logged and approved by the interviewees. Afterwards, the outcomes were analyzed on a per-case basis after which a cross case analysis was carried out. The outcomes of the cross case analysis have led to a number of key findings that were used to answer the research question.

The results of the research show that market companies see potential added value in value proposition expansion by KIBS companies. The theoretical model, consisting of four elements, is found to influence successful value proposition expansion. First, the importance of the client's current perception of the existing proposition of the KIBS company should be taken into account. Depending on a positive, neutral or negative perception the KIBS company should frame and tailor its expanded proposition. Second, the new consulting proposition should be tailored to each specific client. It cannot be stated beforehand whether an expert-based or coconstructive consulting approach is most suitable. Certain clients will prefer close joint problem-solving consulting whilst other clients prefer an independent expert based consulting approach. Third, certain interfaces between the existing and new proposition exist that should be taken into account. For example, making use of existing knowledge can be a source of value for the consulting proposition. On the contrary, conflict of interest is a risk in case of two propositions and this should be actively prevented. Fourth, value proposition expansion has a number of organizational implications that need to be taken into account. Two of these factors are the need for investment in proactive relating with clients in order to enable specific tailoring of propositions and the need for mobilizing historical knowledge and knowledge from other market sectors to strengthen the ability of the KIBS company to be valuable for its clients.

All in all, the research provided both theoretical and managerial implications that are related to KIBS companies that have an established value proposition in place and intend to expand this proposition with a consulting proposition. The starting point of an established proposition has revealed a number of findings that would not be applicable in case of a new KIBS company that enters the market. For example, the importance of managing the brand and image and preventing conflict of interest are aspects that are particularly relevant for companies such as the case company of this research. In summary, it can be stated that value proposition expansion through adoption of co-constructive consulting practices is possible and valued by market parties, however various aspects should be taken into account to do so successfully.

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1 INTRODUCTION

This document presents a master thesis in Business Administration on the topic of value proposition expansion. The goal of this thesis is to provide insight into the way in which knowledge intensive business services (KIBS) companies can expand their value proposition through the adoption of co-constructive consulting propositions. In this chapter, an introduction of the research is presented. First an overview is given of the situation in which the research takes place, followed by a description of the complication that took place within the situation-Finally the research goal and questions are provided which serve as the core elements of this report.

1.1 Situation

Following den Hartog (2005), Knowledge intensive business services (KIBS) companies are "private companies or organisations, relying heavily on professional knowledge, i.e. knowledge or expertise related to a specific (technical) discipline or (technical) functional domain, supplying intermediate products and services that are knowledge based", p. 505). As private companies, KIBS exist in order to facilitate value creation for their clients, shareholders and employees (Perry & Rainey, 1988). The key resource making in doing so is their professional knowledge base, through which they are able to provide intermediate products and services.

The offerings of KIBS companies should be understood as value propositions, which can consist of products, services or a mix of both. The essential driver of the propositions is knowledge, which in many cases is partially tacit and collectively generated and applied (Leiponen, 2006). Value propositions describe "the unique mix of product and service attributes, customer relations, and corporate image that a company offers" (Kaplan & Norton, 2000, p. 65).

The value propositions that KIBS companies can offer in the form of products and services represent potential value, only usage of the provision can generate real value for clients (value in-use). Service in essence, is value-creating support to another organisation's practices (Grönroos, 2011, p. 285). The value of the proposition is thus highly dependent on not only the resources of the KIBS company used in the proposition but also on the alignment between the provision and the value creation process of the client. Understanding the practices of clients is thus important to maximise the eventual value-in-use that follows from the proposition, despite the often leading focus on the (short-term) value-in-exchange of the proposition (Vargo & Lusch, 2004). Whilst value-in-exchange may reveal short term benefits (i.e. clients buying the offering), recurring business will only follow when the offering improves the client's ability to create value (in-use) (Grönroos, 2008).

Ideally KIBS companies employ one or more value propositions which build upon their specific knowledge base and past experience (Vargo & Lusch, 2004). The clients they serve include public, semi-public and private organisations and the offerings may cover all levels of their organisations (e.g. c-level management, middle management and within projects). The profitability of these proposition depends upon the specificity and unicity of their knowledge base, for example the scarcity of competences and experience built (the amount of KIBS companies offering the provisions at the required quality level) and the degree to which their provisions are client oriented and market demand exists (Anderson, Narus, & van Rossum, 2006).

1.2 Complication

However, developments in the service market have put pressure on the profitability of KIBS companies. The main risk is that the body of knowledge and competence of a KIBS company becomes common, especially in the globalised world where the opportunities for knowledge exchange and cross-border operation are growing (Manning, 2013). This situation, which is knowing as commoditisation, means that the knowledge base turns into a commodity; "a good or service whose wide availability typically leads to smaller profit margins and diminishes the importance of factors (as brand name) other than price" (Webster dictionary online, 2014).

Manning (2013) found that commoditization of knowledge work is common in disciplines such as engineering services (e.g. CAD design, engineering support and testing), R&D development (e.g. research on new material and technology development) and analytics services (e.g. data mining, market analysis and forecasting). These disciplines are increasingly outsourced to for example Asia and Eastern Europe. However there are also disciplines which are or cannot be outsourced as a commodity which means that there are certain factors that determine the likelihood of commoditisation of the knowledge base. This is particularly the case at Engineering KIBS companies who are experiencing a decrease in overall demand (due to for example the economic crisis) and increasing competition (Manning, 2013).

The risk of commoditisation depends on the characteristics of the knowledge base. Some knowledge bases are more prone to commoditization than others. In this regard, Hicks (2010) makes the distinction between technical knowledge and indeterminate knowledge. The ratio between technicality and indetermination could be considered as a factor that influences this risk of commoditisation. According to Hicks (2010, p. 42) technicality is knowledge that can be codified, whilst indetermination refers to "knowledge which cannot be captured by rules, but is intuitive or gained through experience". A high degree of technicality increases the likelihood of commoditisation (as codified knowledge can be copied and more easily transferred). On the opposite, indetermination indicates difficulty of copying and transferring knowledge and thus lower risk of commoditisation.

Not responding to commoditisation means that the KIBS company will increasingly be forced to compete on price, which will eventually limit the KIBS company's ability to facilitate value creation for its clients, shareholders and employees because of continuously increasing pressure on cost reduction, lowering quality standard, lower margins and pressure on employees. In order to move away from this price competition, the KIBS company has to develop a strategy which provides an answer to the tendency of commoditisation.

KIBS companies are thus actively exploring opportunities to counter the commoditisation of their knowledge and competence. Wnek and Williamson (2010) argue that a strategy can be to create a better fit between the knowledge and competence and the demands of the real world through the design, development and delivery of value propositions tailored to client demand. The latter being made possible for example through the acknowledgement that many KIBS companies make use of their network position in which a serves a variety of clients to generate, process and diffuse knowledge (Muller & Zenker, 2001). Therefore, value proposition expansion is a topic that is increasingly relevant, especially in the segment of engineering KIBS companies.

Value proposition expansion through the adoption of practices that involve indeterminate knowledge may provide opportunities for engineering KIBS companies to avoid the commoditisation risk associated with a technical knowledge base. The driving force of the knowledge base then shifts from technical knowledge that can be coded (and thus transferred

and commoditised) to indeterminate knowledge that is gained and applied in the interaction with the client.

Co-constructive consulting is a specific approach to consulting that is based on the interaction between consultant and client and the associated knowing (as an activity) and not on knowledge (as an asset). KIBS are exploring the opportunity to employ co-constructive consulting propositions to make use of their existing knowledge basis to actively play a role in addition value creation by its clients. Co-constructive consulting propositions that build upon the knowledge that the engineering KIBS has gained through existing services are a possible answer to the commoditisation.

The co-constructive approach opens up the ability for KIBS companies to fade the organisational barriers between the KIBS company and the client and play an active and direct role in the value facilitation process using its existing competence. Shaping the transition towards a co-constructive consulting KIBS company, coming from an existing position and having an established value proposition is however challenging or at the least unclear.

The purpose of this research is to gain insight into the topics of value propositions, value proposition expansion from a co-constructive consulting point of view in order to provide an answer to the research question of this thesis which is presented in section 1.3. The scope of this research is limited to KIBS-companies, however the outcomes may be valuable for other types of organisations as well.

1.3 Research question

The aforementioned situation and complication reveal that the existing value propositions of KIBS companies may increasingly become under pressure due to commoditization and the increased (price) competition. This research aims to provide insight into the viability of value proposition expansion through adoption of co-constructive consulting practices The research question to be explored in this thesis is:

How can an engineering KIBS company expand its value proposition by adopting coconstructive consultancy practises?

Method

In order to find answers to the research question, first the academic literature was consulted on the topics of value, value propositions and co-constructive consulting. This led to a framework that acts as a basis for the interviews with various senior managers in the electricity sector. Five in-depth interviews were carried out in order to gain insights into the existing value of KIBS value propositions, the demands and wishes regarding consulting practices and the related feasibility of co-constructive consulting, interfaces between existing and new value propositions and finally the organizational implications of value proposition expansion.

The research took place with as unit of analysis the client of a KIBS company, Arcadis. These clients are all active in the electricity sector, either as energy producers or as system (grid) operators. The choice for this specific context was made because the Power & Utilities sector is one of the sectors in which Arcadis sees opportunities for growth by offering higher value adding services. The choice for clients in this specific sector was made in order to narrow the scope and be able to draw some initial overarching conclusions for the feasibility of co-constructive consulting within this sector. The unit of observation is a staff member of the client

organisations. More detailed insight on the research context is provided in the research method section.

1.4 Relevance

Before turning attention to the academic literature, the relevance of this research for both theory and practise will be stated. Attention will first be paid to the theoretical contribution of this research, i.e. the academic added value. Second, the practical contribution of the research is described, i.e. the value creation for engineering's KIBS organisations in practice.

1.4.1 Theoretical

The theoretical contribution of this research is that the thesis enhances value proposition development literature, in the sense that new knowledge is gathered with regard to opportunities for value proposition expansion from a co-constructive consulting point of view. This topic has not been studied in detail but is relevant for various reasons. In addition new knowledge will be gathered on implications of value proposition expansion instead of abandoning an existing proposition and adopting a new proposition.

Furthermore, the research aims to contribute to academic literature on co-constructive consulting which is a specific kind of consulting which has not been documented extensively. The focus in not on developing the value propositions according to the principles on the co-constructive consulting concept but rather on gaining initial insights into market demand and market opportunities for propositions based on the principles of co-constructive consulting.

1.4.2 Practical

The practical contribution of this research is that it provides KIBS companies with initial insights into the kind of co-creative consultancy services which are deemed valuable by market parties and how they should be shaped. Despite the limited scope of this research initial insights will be valuable because they help in shaping the development process of these new value propositions.

Furthermore the research aims at providing initial insights into the organisational implications of this type of value proposition expansion. By taking those implications into account, KIBS companies will be better able to adopt these practises successfully. A plan can be developed in which the adoption of the extended value proposition can be laid out. Core element of these plans should be the way in which the organisational implications are dealt with. This plan will be specific to the organisation that aims to expand its value proposition but the findings may be relevant for all (engineering) KIBS companies.

1.5 Outline

The outline of this report is as follows. Chapter 2 consists of the theoretical framework of this research. Here, the concepts value, value proposition and co-constructive consulting are analysed based on academic literature. Next, chapter 3 describes the research method used to answer the research question, which is a multiple case study with in-depth interviews as data collection method. Chapter 4 presents the results and analysis of the research. This is followed by a conclusion and discussion in chapter 5.

2 THEORETICAL FRAMEWORK

Based on the goal of this research a number of topics will be elaborated upon in the theoretical framework. First the concept of value will be discussed. Our understanding of this concept has changed over time due to the acknowledgement of the primary role of services instead of goods. Next, the concept of value propositions is described. Value propositions are the offerings of service oriented firms and determine the way in which firms are able to facilitate value-creation by their clients. Finally, the concept of co-constructive consulting will be elaborated upon. Co-constructive consulting is a consulting approach focus on value facilitation in interaction with the client, developed as an alternative for expert and process consulting approaches.

2.1 Goods-dominant vs service-dominant logic

Value is an important concept in marketing and competitive advantage literature. However our understanding of what value is has changed over time. Where value was previously understood as being embedded in resources (goods) which could be exchanged, value is now considered to be the outcome of relational interaction (in use) between the firm and the customer in the form of service.

Resources are "strengths that firms can use to conceive of and implement their strategies" (Porter as cited by Barney, 1991 p101.). In scientific literature, two distinct types of resources are acknowledged, being operand and operant resources (Vargo & Lusch, 2004). Operand resources are defined as resources on which an operation or act is performed to produce an effect, whilst operant resources are employed to act on such operand resources. Where operand resources are often visible, tangible, static and finite (e.g. mineral ore), operant resources are often invisible, intangible, dynamic and infinite (e.g. engineering skill and knowledge).

In the past the associated goods-dominant logic entailed that operand resources were primary, whereby Vargo & Lusch explain that firms and nations had factors of production (mainly operand resources) and technology (operant resources) which allows the firms to convert its operand resource into outputs. Marketing in this logic consisted of segmentation and targeting, market penetration and promotion. Not until the late twentieth century the importance of operant resources was fully recognised. It was acknowledged that operand resources were not the 'inputs' of production processes but rather the services that the resources can render. This is the basis for the service-dominant logic. An example could be that a bridge as an object has no value, the important resource is the service that the bridge provides, being the improvement of the mobility of users to cross from the area on the one side to the area at the other side.

One of the most apparent differences is that the goods-dominant logic reveals an internal focus for firms, where improvement efforts are aimed at efficiency- and profitability enhancements and thus profit maximisation. In comparison, the service dominant logic is customer-centric and demand driven. Improvement efforts are aimed at benefit maximisation for the customer through relationship management and ongoing learning from feedback. Value within the goods-dominant logic can be expressed in terms of *value in exchange*. The value of a good is determined in the trade with another party, for example the ability of the firm to trade the good for assets (such a money). Instead, the service dominant logic explains value as *value in use*, whereby the product or service is used and only then can the beneficiary determine the value of the service, which is not universal but specific to that customer and that context.

Table 1. Goods dominant logic vs. service dominant logic (Vargo & Lusch, 2004).

Goods dominant logic Service dominant logic 1. The purpose of economic activity is to make Identify or develop core competences, the and distribute things that can be sold fundamental knowledge and skills of an economic entity that represent potential competitive advantage 2. To be sold, these things must be embedded Identify other entities (potential customers) with utility and value during the production that could benefit from these competences and distribution process and must offer to the consumer superior value in relation to competitors' offerings 3. The firm should set all decision variables at Cultivate relationships that involved the a level that enables it to maximize the profit developing customized, customer in competitively compelling value propositions from the market to meet specific needs Gauge marketplace feedback by analysing 4. For both maximum production control and efficiency, the good should be standardized financial performance from exchange to and produced away from the market learn how to improve the firm's offering to customer and improve firm performance. 5. The good can then be inventoried until it is demanded and then delivered to the consumer at a profit

The service dominant logic reveals that despite the direct exchange of goods the fundamental unit of exchange is the service. Goods are in that sense only a directly exchanged distribution mechanism for service provision. This has led Vargo & Lusch to conclude that all economies are essentially service economies, whereby services (either provided through a good or not) provided to customers are deemed potentially valuable (in use). As such, operant resources instead of operand resources, are the fundamental sources of competitive advantage. The ability of a firm to act upon resources makes it able to offer value propositions for its customers, regardless in which form and shape (e.g. indirectly through goods and/or directly though intangible services).

Where the relationship between supplier and customer ends at the exchange in the goods-dominant logic, the customer continues the marketing, consumption, value-creation and delivery process in the service dominant logic. Services do not provide value until the customer 'uses' the service and learns, maintains and adapts the service to its individual needs and practises (i.e. co-production of value). In this way, the same service can provide different value for different customers, depending on the ability of both parties to make use of their mutual relationship to improve the alignment between the service and the needs and practises of the customer. Ultimately, the value beneficiary (the customer) is the only party able to determine the value of the service and firms can thus only offer value propositions, the value of associated service provided being dependent on the characteristics of the customer orientation and the relationship between the firm and its customers.

2.2 Value propositions

As this research considers value proposition expansion by organisations it is valuable to consider the definition and use of the concept of value propositions. After providing a definition of value propositions, specific attention will be paid to value propositions aimed at providing value-in-use and the implications and requirements for the service provider. Furthermore insight is provided into the way in which value propositions can be developed.

2.2.1 Definition

Value propositions describe "the unique mix of product and service attributes, customer relations, and corporate image that a company offers" (Kaplan & Norton, 2000, p. 65). Seeing that value can be expressed in terms of both value-in-exchange and value-in-use it is evident that value propositions will also be different for these distinct concepts. The focus will be on value-in-use propositions because services and especially consulting services rely on value-in-use and value co-creation. Various scholars have found that this type of value provision comes with various requirements for the service provider, customer and the nature of their relationship in order to be successful. The service provider related factors are described in Table 2.

2.2.2 Value-in-use propositions

Value-in-use propositions pose different requirements for service providers compared to value-in-exchange propositions. Value-in-use will have to prove itself and depends heavily on the degree of co-operation and co-creation of value. Kowalkowsi (2011) found that the requirements for the service provider include the following (Table 2).

Table 2. Service provider related factors for value-in-use propositions (Kowalkowski, 2011)

,					
Service provider related factor	Description				
Extensive knowledge of customer's operations and needs	The proposition only provides value when it is properly aligned with the customer's operations and needs, hence the need for extensive client knowledge.				
Experience, competence and commitment in delivering complex offerings Sophisticated communication: capacity to involve customers in cocreation and demonstrate value	Value-in-use propositions are generally more complex, and the value provided depends on the client, the provider and the nature of the relationship between these parties. As the added value of value-in-use-propositions is less clear and depends on the customer's involvement communication is very important for successful interaction between provider				
potential convincingly Customer-centred culture and management mind-set	and client. Value is not transferred but only generated through interaction and alignment is it very important that the provider is customer-centred both in culture and management.				
Strong operational-financial-strategic risk management skills	Since the offering is more complex and demanding, the risks associated with the offering are also larger. Because of that the provider should have strong risk management skills on both strategic and operational level.				
Potential to build trust over time	Value-in-use propositions depend on trust between the parties, building this trust is necessary to be able to improve the value added potential of the relationship.				
Strong strategic and operational relationships with buying centre members	Propositions in a value-in-use context can span the whole client organisation from strategic to operational level, hence it is important that the providers has strong relationships with the buying centre members on both these levels.				

Furthermore a number of factors determine the likelihood of customers to be able to appreciate and value propositions that aim at value-in-use and value co-creation. These factors are described in Table 3 (Kowalkowski, 2011). The combination of competence at the service provider and receptivity of the customer increases the likelihood of successful value proposition marketing.

Table 3. Customer related factors for value-in-use propositions (Kowalkowski, 2011).

Customer related factor	Description				
Long-term orientation	Value from a value-in-use proposition requires investment and trust, and may not directly provide value. A long term orientation is thus important, as it avoid s short term focus on monetary gains which does not favour value-in-use propositions				
Established and effective collaboration with provider	As value is co-created, it is important that the provider and customers collaborate effectively in order to				
Experienced buying centre open to new ideas and value-creation opportunities	Value-in-use propositions will only be appreciated properly by experienced buying centres that are open for new and alternative propositions				
Possibility of long contractual periods	In general value-in-use will increase over time if the relationship between provider and customer improves. Longer contractual commitment can accelerate this.				
Purchasing is a strategic function	Purchasing should be recognised as a strategically important function, if not the services may likely not be fully appreciated for the strategic benefits that it has.				
Buying centre purchases solutions	The buying centre should be focused at purchasing solutions and not simply products and services with a certain price tag. The value of the solution should be leading, more so than simply the price.				
Long-term focus in selection of providers	For successful exploitation of value-in-use services, customers should have a long-term focus in its selection procedures. Short term gains is not the main benefit of value-in-use propositions but rather the long-term value.				
Price is order-qualifier: customer prefers unit price increases to value decreases and value increases to price decreases	Value should be leading for customers, price should only determine whether the provider qualifies for potential purchasing, the actual selection should foremost be on the potential value.				
Measurement systems capable of capturing most of value created	The customer's measurement system should be able to capture as much of the value created as possible and not be too rigid to consider all potential ways in which the proposition adds value.				

2.2.3 Value proposition development

Having discussed the definition of value proposition and the factors that influence the specific value orientation (in-use compared to in-exchange) of the proposition, attention will now be paid to how value propositions can be developed based on the framework of Rintamäki and Kuusela (2007). They argue that value propositions are developed through three steps: (1) identification of key value dimensions, (2) development of the value proposition and (3) evaluation of the value proposition.

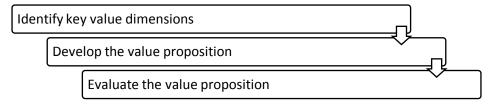


Figure 1: The value proposition development steps (Rintamäki & Kuusela, 2007)

Understanding key value dimensions is aimed at fully grasping the way in which a company operates and which dimensions provide value. An example could be an electricity producer

which finds its business model under pressure due to economic decline and decreasing revenues. One of the key value dimensions could then be the effect of the value proposition its operational efficiency. Challenges of companies and the need for improvement of certain business model elements may be the outcome of a key value dimension assessment (Payne, Storbacka, & Frow, 2008). The value proposition should be aligned with customer needs and practices, only then can value-in-use be realised.

Based on the key value dimensions the value proposition may be developed. According to Anderson, Narus & van Rossum (2006) there are three types of value propositions: (1) all benefits, (2) favourable points of difference, and (3) resonating focus. The most used type of value proposition is the *all benefits proposition*, in which the company generally lists all benefits that they believe the target customer receives from their offering. The longer the list, the stronger the all benefits type is considered to be (by companies using it). Because of the internal capability focus this type of value proposition is considered to require the least amount of knowledge about both the target customers and the competitive environment.

The second type of value propositions is *favourable points of difference*. Here it is recognised that a company should specifically consider which aspects of the offering are of key importance for the client and which aspects are of lower importance. Clients can choose between various offerings and it is left up to the companies to convince the client to choose their offerings instead of the competitors'. The focus therefore shifts towards the points of difference between the offerings and how these differences influence the perceived potential value for the client (Anderson, Narus, & van Rossum, 2006).

The third and final type of value propositions is *resonating focus*. Anderson, Narus and van Rossum (2006, p. 3) state that this type of value proposition should be the gold standard for companies. "*Purchasing managers want to do business with suppliers that fully grasp critical issues in their business and deliver a customer value proposition that's simple yet powerfully captivating*". Main difference with the *favourable points of difference* type of value propositions is that it focuses on one or two concrete differences with the offerings of competitors that will continuously deliver the greatest perceived value to the target client.

Value proposition development is closely related to the evaluation of the proposition. This evaluation should be conducted both in the field by talking to clients and can also be carried out using evaluation criteria that have been posited in scientific literature. Anderson, Narus and van Rossum (2006) argue that value propositions should be developed in such a way that they are (1) distinctive, thus superior to the competitors value propositions, (2) measurable, thus the points of difference with competing value propositions should be quantified in monetary terms and (3) sustainable, the company should be able to execute and exploit the value proposition for a significant amount of time. Additional criteria were proposed by Hughes & Chafin (1996) who present the following evaluation questions: does the customer care? does the company care? can the company beat the competition? and can the company do it?

2.3 Co-constructive consulting

The shift towards the service-dominant logic and the leading role of operant resources has led to the development of a different consulting approach, being co-constructive consulting, an approach that draws on the service-dominant logic as offered by Vargo & Lusch (2004). The strength of the approach lies not in the resources of the consultant (e.g. knowledge) but on the abilities and activities that the consultants applies using its resources (Hicks, 2010). In this section, first the traditional expert and process consultation approach will be described, followed by an elaborate discussion of the co-creative consulting approach as posited by Hicks.

2.3.1 The difference between expert and process consultation

Management consulting characterisation is often made possible by considering a continuum between the expert-approach (directive and prescriptive) at one end and the process-consultation (facilitative, non-directive) at the other (Hicks, 2010). Whilst management consulting companies often reposition themselves on this continuum it is argued that most mainstream management consulting firms (e.g. McKinsey, and Accenture) operate near the expert approach side of the scale (Hicks, 2010). Hicks argues that in the expert approach, "the expert claims exclusivity over both the ability to find and diagnose the problem, and also over the possession of the knowledge resources required to address it". In comparison, process consultants "strive for a more transparent 'process' of finding and diagnosing the problem together with their clients and then decide on how to acquire the required knowledge" (Hicks, 2010, p. 16).

Implications of expert vs process consultation on consultants and client

The expert and process consultation approach have different implications for both the consultant and the client. First of all learning is a one-way in expert consultation, were knowledge (as asset) is applied by the consultant for the client. Process consultation is aimed at mutual learning and knowing (an activity), the client learns from the interaction with the consultant but at the same time the consultant learns and increases his competence at problem solving. Second, the requirements for client participation are also different between the two approaches, were client participation is required in case of process consultation, expert consultation requires little to no involvement of the client. The only requirement for the client is hiring a consultant based on 'a feeling' that something is wrong, without knowing what it is or how to solve it (Hicks, 2010). Third, the consultants maintains a distant and independent position in expert consulting whilst close cooperation is the standard in process consultation. The independent and distant role is often chosen to maintain professionalism and to a critical view.

2.3.2 The processual approach of co-constructive consulting

Hicks (2010) builds upon the process approach of consulting and expands it into the coconstructive consulting approach. The most important difference between the processual approach and the traditional expert based approach is that it is centred on dynamism. Where the expert-based approach assumes a frozen state of reality, the processual approach assumes that everything is impermanent and continuously changing. Actions in an expert based approach are determined based on 'because of' and thus partially predictable outcomes, whilst action in a processual approach are determine more in context of 'in order to' and thus the construction of outcomes.

2.3.3 From organisation to organising

The processual approach moves away from the concept of organisation (static) and emphasises the importance of organising (the upstream activity leading to organisation). Traditional expert based consulting focuses on changing the organisation in its static state for example by implementing new organisational charts and other formal structures. The critique however is that these charts and static states are deemed to "bear little resemblance to how the work really gets done" (Hicks, 2010, p. 107).

The argumentation is strengthened by Hicks through stating that the low success rate for organisational change is in part a result of the overreliance on organisation instead of organising. Rather than being attributed to (1) the difficulty of organisational change, (2) lack of competence, (3) lack of useful methods, (4) not yet knowing key variables behind

organisational success or (5) personal failure Hicks argues that instead dynamic and unpredictable activities in organising make a low success rate less surprising.

Co-constructive consulting acknowledges not only the organisation as it is (being) but also and more importantly the dynamic and messy history that led to the current state (becoming). In turn the organisation is the starting point for further change through *organising* activities, whereby dynamism is no longer seen as instability but rather as continuous organisational change.

2.3.4 From relationships to relating

The processual approach also shifts the focus from relationships (as a state) to relating (as an ongoing activity which ultimately leads to relationships). Traditionally, consultants have maintained 'critical distance' between themselves and clients and the intermediary between consultant and client in that sense is the relationship. Hicks (2010) states that relationships are not considered as generative and collaborative but rather instrumental and exchange oriented.

In the co-constructive consulting concept the focus is on relating as an ongoing activity. Each project in unique and as a result of relating local language and understand develops. Furthermore successful relating can be energising and motivating, while unaligned relating can be de-motivating and exhausting. In this consulting approach it is not necessarily about the roles of each party as client and supplier, but rather about relating between people. Power in this context is not per definition predetermined, but also emerges during relating. This power is more easily accepted and can be viewed not as power over, but rather power to. The coconstructive approach also acknowledges that is no single-client and single-consultant but rather multiple people in various roles (directly and indirectly involved). For example, a company client may hire a consultant to solve a productivity problem. The company as such is however non-existent in the relating process, rather there may be multiple people involved from the client organisation, one can be a motivator whilst another may be an enabler. Consultants of the same company may also play different roles whilst relating (Alvesson et al. 2009). Finally, co-constructive consulting assumes that problems are joint problems and solutions are joint solutions, because of that there is no distinct difference between planning and implementation as often stated in expert based consultancy approaches.

2.3.5 From knowledge to knowing

Davenport & Prusak argue that knowledge is the fuel of consultancy (2005). Knowledge is this sense is a static resource. However, Hicks (2010) argues that knowledge as an asset is actually the outcome of dynamic knowing (an activity). This insight has an impact on the supposed knowledge transfer benefit of management consulting. Knowledge transfer through exchange is often found to be difficult, but can be explained by understanding that knowing is required.

An analogy that explains the difference between knowledge and knowing is the following. Riding a bicycle is something that will have to be learned. However parents providing children with knowledge about how to ride a bicycle does not mean that they instantly know how to. Learning by doing (and thus active knowing) is required for them to learn it properly. Knowledge is only potentially valuable if it is being used and applied, not just through the transfer (value-in-use, instead of value-in-exchange). The expert-approach is closely related to knowledge as the consultants can generally provide answers for their clients based on experience and skill (i.e. possessed knowledge). In comparison, the process consultation approach closely related to knowing. The consultant uses his experience and aids the client with its problem-solving ability (i.e. knowing how to solve a problem). In this case the service is not an answer but rather support in finding the answer together.

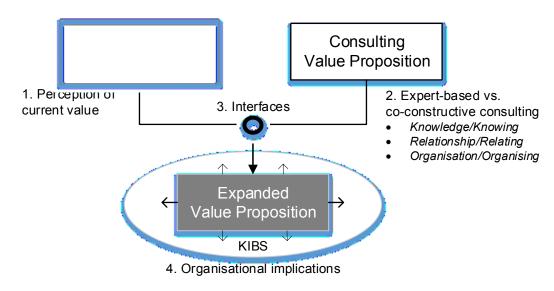
Disruption opportunities in management consulting

Christensen, Wang & van Bever (2013) argue that the consulting market is more and more likely to be disrupted by new entrants as the traditional factors that allow established firms to remain leading in industry, namely opacity and agility are disappearing. The opacity of consulting lies in the fact that it is very difficult for client firms to assess the added value of these services both beforehand (as the client hires consultants for the capabilities and experience that they themselves not have) and afterwards (as the value depends on many factors, including the client's capabilities and time frame of expected outcomes) despite the important of being able to assess the value of consultants (Kowalkowski, 2011). Furthermore, the agility of consulting firms lies in their ability to move from big topic to big topic without risking redundancy nor locked-in resources (as their primary asset is human capital). However, the client firms are found to be increasingly able to disaggregate third party services and reduce their reliance on established solution-shop providers. Specialised solutions provider will gain increasing market shares, whereby they are able to competitively price their narrow service portfolio. Herein lies the potential for engineering KIBS companies; a relatively narrow portfolio of consulting proposition that are linked with the existing engineering propositions.

2.4 Towards a framework for value proposition expansion

Based on the previous literature discussion, the following framework was derived (Figure 2). The potential for successful value proposition expansion depends on four categories of factors: (1) the nature of the existing proposition and the existing value that engineering KIBS companies provide for their clients (2) the demands and wishes for the new consulting proposition, which can be expert-based and/or co-constructive in nature (3) the interfaces between the existing and new value proposition and (4) the organisational implications of the expanded value proposition of the organisation. These three categories are represented visually in Figure 2.

Figure 2. Value proposition expansion through either expert-based or co-constructive consulting.



1. Perception of current value

The value (either in exchange or in-use) of the current value proposition of engineering KIBS companies and more importantly the client organisation's perception of this value. This can be either based on historical and current experience or based on image.

2. Expert-based vs. co-constructive consulting

The demands and wishes (i.e. key value dimensions) with regard to the new consulting value propositions, either shaped as expert-based or co-constructive consulting and the supposed importance of knowing, relating and organising compared to knowledge, relationship and organisation for maximising value-in-use for clients.

3. Interfaces

The possible interfaces between the existing and new value proposition. There may be factors related to the new proposition that influence the existing proposition and vice versa. The fact that value proposition expansion instead of replacement occurs may lead to certain risks (if the VPs negatively influence each other) or opportunities (if the VPs improve each other).

4. Organisational implications

The organisational implications of the expanded value proposition for the KIBS company. Based on the findings of abovementioned factors, there will be a number of organisational implications that come with value proposition expansion which will have to be taken into account in order to improvement the potential for successful implementation.

The framework displayed in Figure 2 is used a guiding framework in the remaining chapters of this thesis. The data collection and analysis followed the framework and the results, analysis, conclusion and discussion are presented systematically per framework element.

3 RESEARCH METHOD

In this chapter, a description is provided of the research method which is used to answer the research question. A multiple case study design was chosen in which the data collection method was the in-depth interview. The research design was developed according to the framework presented in the previous chapter and its underlying elements.

3.1 Context and cases

The focal firm of this research is Arcadis. Arcadis N.V. is from its origin a broad KIBS company. The company operates worldwide with its head office located in Amsterdam, the Netherlands. The company employs over 28,000 people and generated €3 billion revenue in 2013. Traditionally Arcadis was a broad engineering firm, having expertise in for example ecology, archaeology, hydrology, civil engineering, construction and electrical engineering. The company served mainly public organisations like Dutch Railways (later ProRail) and Rijkswaterstaat. Over time, the company expanded its value proposition and has developed into an engineering company that provides value for both public and private parties in various sectors through its business lines Infrastructure, Water, Environment and Buildings.

The research focuses on five clients of the KIBS Arcadis. The relation with these five clients varies from a strong relation for multiple years (with company A/C) to a very limited to non-existent relation (company E). The services provided also vary from broad (company A/C) to narrow (company B, D and E). Details of the relationship (including an indication of the strength of the relation on a scale of 1-5) are provided in the overview in Table 4.

3.2 Data collection

The data collection method chosen for the case studies is in-depth interviews. The biggest advantage of using semi-structured interviews is that they can be more in depth and directly targeted to the topic, however the potential disadvantages should be taken into account (Yin, 2013) aswell. The most important is that the interviewer should avoid introducing bias by (unintentionally) guiding the interviewee towards a certain answer (Yin, 2013). Furthermore it is important to carefully record the outcomes. Preferably audio recording is used as this will allow for the most precise registration of the interview. Writing down the interview is a second option if recording is not allowed. In this case the interview will be written down and sent to the interviewee for checking and adjusting. Furthermore the questions will be open and probing questions will be formulated neutrally to avoid biased answers (Yin, 2013)

Table 4 depicts an overview of the anonimised interviewees and their position in the electricity sector (segment, role and years of experience in the company). As can be seen in the table there are two interviewees from electricity producers and three interviewees from system operators (TSO or DSO). All interviewees have been employed for at least four years at the respective company.

Table 4. Overview off clients and interviewees

	1	2	3	4	5
Company	Company A	Company B	Company C	Company D	Company E
Date	30-01-2015	12-02-2015	12-02-2015	23-02-2015	16-03-2015
Length	45 minutes	1 hour	1,5 hours	1 hour	1 hour

Medium	Personal	Personal	Personal	Telephone	Personal
Segment	System operator	Producer	System operator	Producer	System operator
Role	Regional manager	Director Dutch Plants	Cluster manager	Head Business office	Director Operations
Years employed	4 years +	17 years +	5 years +	6 years +	5 years +
Relation with Arcadis [1-5]	4	2	4	3	1

The unit of analysis is the Arcadis client. Considering the specific nature of relationships between companies this relationship is the crucial element and determines whether there is space for value proposition expansion and specifically co-constructive consulting. Considering the required management level of interviewees (in order to be able to provide insight into both service provision in projects and consulting) a choice was made to mainly approach existing contacts of the focal firm of this research. The scope was in this sense narrowed to 4 existing client and 1 new client of Arcadis. A total of six potential interviewees responded the request for an interview after which one respondent declined. This led to a total of five in-depth interviews for this research.

The unit of observation is the staff member of the Arcadis client. This staff member has a management level role in the client organisation and has knowledge of engineering KIBS company's involvement and consultant involvement. Despite the fact that is asked for personal opinion of these staff members the outcomes can be considered as indications of the client organisation's opinion on these issues.

A semi-structured approach of interviewing was chosen, which means that the course of the interview was not determined beforehand (Yin, 2013). Instead only the topics and initial questions on those topics were determined and shared with the interviewee before the interview. During the interview the answers of the interviewees were discussed as if a conversation took place. This allows the interviewee freedom to answer and elaborate upon the elements he/she finds important. This freedom for the interviewee acknowledges that certain topics may be of more importance for certain interviewees based on their background, knowledge and experiences.

Operationalization

As can be found in the theoretical framework of this research there are four main elements in which this research will provide insight: perception of current value, expert vs co-constructive consulting proposition, interfaces between existing and new value proposition and organisational implications. These four core elements are embedded in the interview as follows.

1. Perception of current value

Question 1

The perception of the current value is asked for directly. The aim is to find out whether the current image is coherent with engineering KIBS value propositions and also whether there may already be an image in which Arcadis is considered to be a consultant. The outcomes provide a baseline against which the other findings can be understood. The answers should be understood as the perception of that specific person regarding Arcadis, which does not necessarily reflect the perception of the client organisation as a whole. However, the interviewees do have key roles in the client organisation considering their involvement and role in hiring KIBS companies.

2. Expert-based vs. co-constructive consulting

Question 2-5

In order to come to conclusions regarding the shape of the new consulting proposition a number of questions are asked to gain insights into the interviewee's preference for either expert-based or co-constructive consulting propositions. Questions 2 until 5 directly ask for experience and insights into consulting experience and the way in which consulting should be shaped in order to be most valuable for these clients. Question 4 specifically asked for insights into the importance of knowledge, knowing and knowledge transfer, whilst question 5 goes into the importance of relating and relationships. The organising/organisation concept was not asked for directly but rather asked for during the conversations. This is further strengthened by the additional sub questions asked to gain insight into whether the interviewee recognise the difference between co-constructive and expert-based consulting and to what degrees these forms have been successful.

3. Interfaces Question 2

The interface between the current and new consulting proposition is derived from the questions asked earlier (2-5) However, the main source of data will be the answers to question 2 in which it is specifically asked what the interviewee would think about Arcadis expanding its value proposition and whether this would be valuable for clients. Interfaces may also come forth from other research questions where interviewees mention a specific difference between (coconstructive) consulting and the existing value propositions. Such findings are also collected.

4. Organisational implications

Organisational implications will be formulated based on the findings from all framework concepts and interview questions. They follow from the three main framework elements when translated into the implications of the findings for KIBS companies such as Arcadis. These implications will not be described and analysed in detail but rather mentioned and initial insights will be provided.

Interview questions

- 1. What is your current perception of Arcadis? What kind of value can Arcadis provide for the company?
- 2. Arcadis wants to expand its value proposition to include not only engineering and planning and permitting but also management consulting and business advisory services. Do you think this would be valuable and why?
- 3. Two very different approaches can be used to involve the market, either (1) requesting for answers and solutions or (2) actively engaging with market parties to find answer and develop solutions together (and thus mutual learning). To what extent does the company employ these approaches?
- 4. What are your experiences with consultants and their ability to transfer knowledge to the company?
- 5. How important do you consider that relationships are built between market parties and (staff within) the company to come to the desired outcomes? Is the current relationship between the company and the market sufficient?

3.3 Data analysis

The first part of the analysis consists of individual case analyses using the framework that was developed. The analysis consist of a summary of the findings per framework element, sometimes strengthened by a (non-literal) quote of the interviewee. Based on the summary an analysis is provided of what the statement of the interviewee means in terms of the framework. No conclusion will be drawn based on this analysis, this is saved for the second part. The second part of the analysis is a cross-case analysis. Here the findings from the individual cases are brought together per framework element. Referring back to the individual cases overarching conclusions are drawn regarding the framework. These conclusions are the basis for the overall conclusions that answers the central research question of this thesis.

4 Results and analysis

In this chapter the results of the interviews are presented. The results are split in four parts according to the framework of this research. First, section 4.1 concerns the perception of the current value of the relationship between Arcadis and its client. Second, section 4.2 is about the considerations regarding the potential value of co-constructive consulting propositions. Third, section 4.3 is about the interfaces between the existing and new consulting proposition and finally, section 4.4 goes into the organisational implications for the KIBS.

4.1 Case analysis

In this section, the findings from the interviews are presented using the framework as presented in section 2.4. Per case the findings will be described, backed by non-literal quotes from the interviews (first order data, as described by Visconti, 2010). Furthermore an analysis of these findings (second order analysis, as described by Visconti, 2010) is given per framework element.

4.1.1 Case 1

In Table 5 the findings from the first case are presented.

Table 5. Findings from case 1 (non-literal quotes)

Findings

Existin g value

According to the interviewee the value of existing 'engineering' KIBS companies lies in the role they can play in increasing the company's production volume (possibly on an international level). In order to meet the organisational goal involvement of KIBS companies is necessary. The interviewee sees Arcadis as a top and leading engineering company in the Netherlands, Europe and the United States. However recent events in projects have led to a current *mixed perception* of Arcadis due to project management issues.

In order to be more valuable for company A Arcadis should according to the interviewee improve its project management, more closely meet expectations regarding non-core disciplines of the company and improve visibility and experience in the sector. Furthermore:

"I do consider Arcadis to be a somewhat invisible party in the energy sector, especially because of its limited experience and recognition in the market."

New value

Knowledge and knowing

The interviewee finds that market parties have knowledge that company A does not, the challenge for these parties is to share this knowledge during collaboration.

The recent selection of preferred suppliers by

Analysis

The image of Arcadis is strong according the interviewee to based on its existing proposition (engineering related disciplines) despite current related issues to project management in disciplines of company A (in this case soil services).

The interviewee refers to Arcadis not meeting his expectations on services that are further away from the core-business of the system operator. Alignment of expectations and delivery is thus a point of improvement according to the interviewee.

Despite the strong general image and brand the visibility in the electricity sector should be improved.

The interviewee stresses the importance of the interaction in which knowledge is a resource. Furthermore it is found that the selection of long-term partners occurred not only because of their

company A was not only based on the knowledge of the suppliers but also on the processes surrounding the projects and the value these suppliers can bring during these interactions.

Relationship and relating

Relating is very important for the interviewee and company A. Especially considering the goal of long term collaboration with selected preferred suppliers (one of which is Arcadis). In case of consultancy propositions, the relating (e.g. in meetings regardless of ongoing projects) is even more important for company A as consultancy is much more than engineering about mutual trust.

A relationship can be valuable for company A but only if the relating that occurs is also transferred within both the KIBS and the client organisation.

Organisation and organising

The interviewee states that truly understanding company A and deriving and providing value from collaboration means understanding its shifting role and the learning that will have to take place. It is often difficult for an external party or person to truly understand how company A is internally organised. The organisational charts provide only part of the answer. Company A looks for solutions that can be applied across the range of suppliers that they work with. These solutions should be framed such that they can be embedded with all these suppliers.

Interfaces

In principal, the interviewee thinks Arcadis can manage the value proposition expansion, however there is a risk of conflict of interest problems. This will require careful planning by the KIBS. Situations in which a KIBS wants to be active both at the front (e.g. related to the tender strategy and assessments) and the end of a project (e.g. related to submitted a tender for service provision) may lead to conflicts of interest, especially in the context of tenders.

Another issue is that a KIBS that wants to adopt consulting practices should carefully consider its existing image and whether this matches with an image as a consultant.

Company A sees value in 'consulting' services that build upon existing engineering knowledge and experience. Having the technical background can help in order to come to higher value adding consulting services such as asset management consulting.

For example, Arcadis could focus on asset management, especially considering its experience at

knowledge (as asset) but also on the expected ability of the KIBS to use this knowledge and aid company A in its improvements (knowing).

Relating as an activity is very important according to the interviewee, especially in case of consulting propositions. Mutual trust and understanding should be built and maintained for successful service provision. The interviewee clearly describes that joint efforts will be required for company A to reach it organisational goals.

The embeddedness of solutions provided by market parties is important, but hampered by the difficulty that external parties have in understanding the way in which organises company Α itself. Furthermore integral solutions tailored to the environment of company A (i.e. in a landscape of stakeholders) enable company A to progress, more so than solutions individual between company A and single market parties.

The interviewee mentioned both potentially positive interfaces and a negative interface between the existing and the new consulting proposition. On the one hand there is a risk of overlap and conflict of interest but on the other hand the knowledge of both may lead to more embedded solutions.

An example is consulting services on more strategic level based on technical know-how and experience with other public asset managers in other sectors.

ProRail and Rijkswaterstaat. This is something that company A acknowledges with interest. However it should be noted that asset management practices at those organization cannot be copied one-on-one to our organization, especially because of the regulatory framework in which company A is active.

4.1.2 Case 2

In Table 6 the findings from the second case are presented.

Table 6. Findings from case 2 (non-literal quotes)

Findings

Existing value

The interviewee states that Arcadis has been of limited value of company B. What Arcadis considers to be engineering is not what company B considers to be engineering. Arcadis' added value lies more in what you could call technical consultancy and environmental services not related to our core business.

In the Netherlands Arcadis was valuable for secondary infrastructure. This is a core competence of company B in Germany but not as much in the Netherlands. Company B involves the market mainly in non-core non continuous activities were there are market parties that are much more experienced than company B is.

New value

Knowledge and knowing

According to the interviewee, having knowledge is not the same as sharing knowledge through interaction. Arcadis' understanding of certain concepts (e.g. engineering) is very different from company B's understanding of that concept.

Company B's suppliers should according to the interviewee be able to convincingly prove their added value, through both plans and proof points built while practising the knowledge.

"Consultants claim to have the knowledge required, but they fail to successfully use it in interaction with company B. The value of their knowledge is not as high as they think."

Relationship and relating

The interviewee states that relationships are built by company B with parties that provide value within their context and networks. This added value and the link with company B form the basis for developing relationships.

Relating between company B and suppliers that can be of value will be useful, for example in order to make sure that the supplier understands the importance of the factor time. As little time as possible should be spent talking without making concrete plans.

Analysis

The existing proposition of Arcadis has been of limited value for company B until now. The interviewee sees a role for a KIBS like Arcadis in only secondary disciplines, for example environmental services.

The interviewee recognises a clear difference between knowledge (as a resource) and the active sharing of that knowledge interaction. in Regardless the interviewee sees a limit role available for a KIBS like Arcadis because the ability to be valuable for company B in its corebusiness is limited. Despite the importance of interactions the usefulness for company B does depend on the knowledge base of the KIBS.

Relating is important for company B but only with parties that have a proven and clear added value, which the interviewee does not currently see for Arcadis. If such potential value exists the relating will help to create mutual understanding and better alignment.

Understanding the 'organising'

Organisation and organising

Truly understanding the way in which company B organises itself is about having a clear picture of for example its capabilities, in some areas company B can request aid, in some company B will not. Consultants have often been of little value because: "Consultants generally do not understand our business, they may read the formal documents but fail to truly understand what we do."

Interfaces

KIBS companies, such as Arcadis can be valuable if they have knowledge and experience that company B does not. This is for example in disciplines which company B does not require on a daily basis. The technical competence for such issues can be valuable, but the more strategic consultants on such matters have failed to deliver sufficient value-in-use.

Company B is actively looking for parties that have natural connection with for example a geographical area where company B is active in. Through its connections a KIBS can help to make plans with the connected parties in the network.

Company B is very interested in innovative (technological) concepts like smart houses or electric/smart cars networks near company B locations. Company B is growing in these business that lies beyond the traditional provisions and we can bring in our knowledge in these new broad concepts.

within company B has proven to be very difficult for consultants in the past. This has led to solutions that could not be embedded in the organisation. Because of that the interviewee finds that consultant involvement comes with high costs and very limited benefits.

The interviewee makes a very clear distinction between engineering companies (who can be valuable depending on their knowledge base) and consultants (who have been of limited value in the past). This is something that should be taken into account regarding the way in which Arcadis presents itself (which image to present).

Furthermore there is additional potential value from both local network connections (in certain geographical areas) and innovative concepts.

4.1.3 Case 3

In Table 7 the findings from the first case are presented, distributed over the first three elements of the framework: existing value, new value and interfaces.

Table 7. Findings from case 3 (non-literal quotes)

Findings

Existing value

The interviewee states that Arcadis is one of the preferred suppliers of company C and thus plays an important role in many projects through our framework agreement. Company C considers Arcadis to be more than a company that can offer technical services. Arcadis is also a preferred supplier because company C considers Arcadis to be one of the parties that can help company C reshape it processes (i.e. to match the new role as director/ supervisor).

An international market position of a service provider can be very valuable, especially if the provider's network consist of both market parties (also contractors) and governmental organisations. Knowledge of these elements of the market can be used to provide services that are integrated and alignment with the market environment in which company C is active.

Analysis

The interviewee sees a broad role for KIBS companies like Arcadis which is not limited to technical disciplines. The existing image of Arcadis is good considering the role as preferred supplier. Based on this historical image of a reliable supplier the company considers Arcadis to be able to become more valuable. This is strengthened when the KIBS company, such as Arcadis, is active in multiple home countries of its clients.

New value

Knowledge and knowing

Company C sees potential value in Arcadis' knowledge built up during collaboration with other asset managers that underwent a transition towards a more directive role. Arcadis has a direct understanding of what is important in order to maintain a productive principal-supplier relationship.

Mutual knowing in collaboration between company A and its suppliers remains important. This is why KIBS companies like Arcadis should understand that it is important that company A maintains sufficient competence to carry out its role.

Relationship and relating

Company C is actively engaging the market and assuming a more directive role. Respect is very important according to the interviewee in relating between market parties, especially considering their expertise and the need for involvement of all parties in order to meet the challenges.

To truly be of more value service providers should become more proactive in thinking along and with company C, also by building relationships on all levels of the organisation, within projects but also on senior management level. For example approaching company C when new developments influence its plans (e.g. aiding Belgium in case of power shortage periods and the effects on maintenance plans in the Netherlands)

Another example that the interviewee mentions is that service providers can assess the amount of work expected to be put on the market based on the quality and capacity documents of company C. The relating between provider and company C will allow for more transparency and understanding.

Organisation and organising

Company C has internally experienced that the formal organisation that used to work for all projects was insufficient for the new large projects. New tailored ways of organising had to be developed in order to manage these projects. The added value of a KIBS is found not only in the technical services but also in the way a KIBS can contribute to the new way in which company C has to organise itself (as a director/supervisor)

Interfaces

For a KIBS company such as Arcadis there should be no need to adopt new tricks, rather it should aid company C in making more efficient use of scarce resources. This is one of the reasons why Arcadis is a preferred supplier. It thus goes beyond the engineering proposition.

In order to be successful in becoming more valuable

According to the interviewee there is a difference between having knowledge and the experience in which knowledge is gained. For company C the learning that Arcadis has gone through with other clients has potential value if translated and applied within interaction between Arcadis and company C.

Company C is increasingly relating with market parties because their role and importance is growing. The relating activities (also on senior management level) are importance because of the need for joint effort. The crucial element relating to more value facilitation is a proactive approach towards company C. Consulting is more about thinking with the client along understanding the factors that influence company C and the effects on the organisation.

The associated relating will also help in understanding the long term trends and demands of company C which influence what actions a KIBS should take (e.g. what kind of disciplines to develop) in order to be more valuable in the market.

The difference between the formal (static) organisation and the actual organisation in the companies has in practice been found to differ in company C. Because of that it is important according to the interviewee to understand this informal organising on order to develop the best consulting solutions.

The interviewee does recognise a clear interface between the value propositions if it is expanded with consulting practices. Rather the new proposition should be shaped such that it is another route through the KIBS can help

for company C it is very important that service providers build more understand of company C and the way it operates.

To become more valuable, a KIBS should become less reactive and for example use its position in various institutional networks to build knowledge with regard to the factors (e.g. political) that influence company C and thus Arcadis (as service provider).

company C.

The crucial different between the two proposition however is that it requires a more proactive client based market approach in which the KIBS in its consulting role is not acting reactively to help company C.

4.1.4 Case 4

In Table 8 the findings from the fourth case are presented.

Table 8. Findings from case 4 (non-literal quotes)

Findings

Existing value

I currently see Arcadis more as an engineering company, mainly with high competence with regard to environmental services. I would currently not consider Arcadis as a being a consultancy company but rather as at most an advisor on certain issues.

In the past Arcadis provided value as a supporting advisory engineering company on various environmental topics. Arcadis helped company D to get an environmental permit and has advised company D on environmental compliance. Further added value may be found in services and products which decrease the effort required for company D to meet its environmental compliance goals.

New value

Knowledge and knowing

Additional value could be provided based on Arcadis involvement with many types of institutions. For example the combined understanding of both municipalities (e.g. department dealing with waste) and waste processing companies (e.g. company D) is a distinctive advantage that Arcadis has and through which it can improve the alignment between what the principal wants (e.g. municipalities) and what the market can provide (e.g. company D).

The Dutch company D plant is one of two subsidiaries of company D that is active outside of the home market Germany. Because of this environmental and safety related legislation require proper attention. In the Netherlands they cannot rely on the information provided by the German head office because it has not been tested for Dutch legislation. The knowledge from completing these regulatory requirements is something were Arcadis is strong in compared to company D.

Relationship and relating

It has occurred multiple times at company D that consultants did not fully grasp company D's business, which has led to outcomes that were of little practical use. Instead, consultants should be more closely involved, build understanding of company D and then

Analysis

The existing image of Arcadis at company D is that of an engineering company that has been valuable on various environmental issues. The image is positive and strong.

The interviewee sees potential value in the knowledge that a KIBS, such as Arcadis, has gained in its interactions with other public and private clients. The experience of an engineering company as a central node in the network is a potential source of value.

Furthermore knowing on behalf of the KIBS is important because this can be applied in the Dutch regulatory context of company D. This to the contrary of the knowledge provided from the German head office which is not applicable.

The interviewee mentions that company D is aiming for long term relationships with preferred suppliers. The value of relating (and better solutions) is

tackle the problems that occurred.

The importance of relating is clear for the interviewee. In relation with Arcadis company D was satisfied with the process and end product regarding a monitoring approach in 2010. Company D requested a clear report and guidelines with regard to compliance with law and Arcadis delivered. Arcadis took the lead and company D could focus on its core business.

Company D is looking for long term relationships with partners. The relating that occurs within these long term commitments will eventually lead to increasing efficiency because of the mutual understanding.

considered to be higher than the potential gains of competitive tendering between all market parties. What company D is looking for is partners that can aid company D in disciplines that are not its core business (such as safety and environment) but require attention.

Organisation and organising

An example of a negative experience that the interviewee had with consultants is that they wrongfully assumed a certain knowledge level at company D on non-core themes. These consultants were unaware that company D prefers to organise itself in such a way that it can focus on its core business and wanted solutions that would enable them to take issues such as environmental compliance without needing to build the knowledge necessary (but instead involve market parties to take care of this). The details of the solutions were not directly relevant as long as the outcome would provide clear and complete guidance as to what company D should do.

Understanding the organisation is very important, especially in case of consulting which often touches the core business of company D. Truly understanding the demands and wishes of the company has proven to be difficult for certain consultants. The organisational approach to involve market parties for certain non-core activities means that company D also wants to shifts the responsibility towards the consultant.

Interfaces

The interviewee does think companies can be both an engineering and consultancy company. Despite the differences both aim to be valuable for their clients. His experience with Arcadis has included advisory services that could be considered consultancy. The most important is that the service provider fully grasps the way in which company D works.

Company D sees that some municipal waste tenders (i.e. its resources) show high weight for selection criteria that could be considered less important (for minimizing environmental impact) compared to criteria that should be important but are not weighed as such. This hampers company D's competitive position. In this matter company D sees potential for a KIBS company such as Arcadis to make use of its local network with these municipalities to change this.

Interfaces between the existing and consulting proposition are not per definition acknowledged by the interviewee. Instead he argues that certain elements of the existing proposition can already be considered as consulting. From a client perspective the interface cannot clearly be delineated.

The one exception is the local network of a KIBS company such as Arcadis has and the potential high value-in-use that Arcadis could provide through consulting on this matter.

4.1.5 Case 5

In Table 9 the findings from the fifth case are presented.

Table 9. Findings from case 5 (non-literal quotes)

Findings

Existing value

"Arcadis has a good name in the sector but to me they are invisible. I have not been in contact with someone from Arcadis more than once in the last five years (as either director of Asset management or Operations at company E) despite the importance of regular relating"

Analysis

The interviewee's statement reveal that Arcadis has a good image in the section, but the direct involvement with company E did not occur. There is no current value of Arcadis at company E and there is no relating or relationship on this level.

New Knowledge and knowing value The interviewee under

The interviewee understands the critique on consultants that claim to know everything but lack the technical knowledge to come up with a solution that display that the core business has been understood. However he finds that technical knowledge is not per definition necessary in order to be valuable. The consultants that are hired are valuable because they can make a change happen.

Furthermore he states that consultants should always maintain the expert role, think further than the client, maintain momentum and think with and for the client. This expert role does not per definition require that they transfer their knowledge and learn the client organisation what they know. Sometimes a change needs to happen, in which case he states that this consulting solution is the measure and there is no discussed possible about it.

The risk of co-consulting is that the consultant leans back and that the client has to do 90% of the work. In that case the costs are high for a very low benefit. Co-constructive consulting can help to come to sustainable solutions if the organisation learns from the KIBS and adapt but this is not always the best outcome (compared to fast measures).

The distinction between knowledge and knowing is recognised, however the need for knowledge transfer in all collaboration is challenged. The nature of the request determines this need.

However it is important that the consultants uses his knowledge to guide the client (either through an expert-based or co-constructive approach) and the risk in co-constructive consulting of a consultant that leans back and lets the client do 90% of the work should be avoided.

Relationship and relating

For higher value delivery, for example through consulting, relating is crucial. A relationship must not only be built but also maintained through relating activities (such as meeting, lunches and dinners). Only then can mutual understanding arise.

This relating is very important for the interviewee because he has a lot of experience with new service providers and the time it takes for them to learn how company E operates and reach a suitable quality level (which can be very long).

The interviewee states that company E has a long term horizon and would prefer to build a long term relationship with its suppliers. This long term understanding is much more valuable than the potential small gains from for example annual

important. Relating is verv especially for higher value propositions such as consulting. The importance of the activity 'relating' is specifically mentioned. Relationships are not static and it requires effort to maintain and keep benefiting from the relating in the collaboration, for example in the form of sustainable solutions. Furthermore relating on a longterm perspective is considered as providing value-in-use, more so than short term value (mostly in the form of value-in-exchange, renegotiations of contract and hiring new suppliers that are slightly cheaper. This long term horizon should also allow these service providers to have a clear vision on which people to hire and thus be most valuable for its clients.

initial cost saving) from retendering.

Organisation and organising

The interviewee understands that certain consulting solutions, especially if developed rapidly and under pressure may not be fully adapted and aligned to the existing organisation and way of organising. However this is a choice, sometimes a quick solution is needed to solve a problem. Afterwards there is time to consider the durability of the solution and keeping the change.

When more time is available a more co-constructive approach can be suitable and a cultural change may be made before the actual change happens. In that case the solutions should be aligned with the way in which the organisation organises itself.

Understanding the organising by the organisation also means that the service provider or consultant understands why there is a role for him available. Many employees in company E are hesitant when it comes to change, developing an action plan and actually changing. In that case consultants take the responsibility and allow the employees to focus on what they are good at.

Interfaces Company E does see value in engineers from engineering firms in certain more technical

challenges compared to consultants without the technical baggage. Engineers from engineering firms can be valuable in all phases of projects. Furthermore there lies a role for program and project managers for technical projects. Capacity is scarce in our organisation for this and market involvement is

The value of expert-based and coconstructive consulting does also depend on the nature of the issue. Especially the pressure for change determines whether a quick solutions is preferred (with limited sustainable embeddedness) or whether a more long term change plan should be setup that secures a sustainable solution.

Understanding the underlying organising (behind the formal organisation) can be potentially valuable for a KIBS and indirectly the client. When the KIBS companies understand their strengths and weaknesses they can adjust their human resources to best match the current and future demand of the parties in the electricity sector.

Because of their technical baggage company E does see value in engineers from engineering firms in certain more technical challenges compared to consultants without the technical baggage. However, pure consultants are also hired for making changes and accelerating measures.

4.2 Cross-case analysis

open.

In this section a cross-case analysis is conducted in order to compare the findings across the different cases for each of the framework elements and find similarities and differences. These findings will be provided per framework element.

4.2.1 Value of existing propositions

The first element in the framework that influences value proposition expansion is the value of existing propositions for clients, which consists of the existing proposition of the focal KIBS company and the value of existing consulting propositions of other companies. Comparing the findings from all interviewees leads to the following insights.

Value of existing 'engineering' propositions

The value of Arcadis' existing propositions differs for each of the organisations. In case of company A, C and D Arcadis has proven its value with its existing services and has built a positive image with these clients. Despite seeing room for improvement the current image of Arcadis is strong and this has been one of the reasons why Arcadis is one of the preferred suppliers of company C. In addition both company C and D see room for further collaboration with Arcadis and for more value-in-use through additional propositions. Arcadis can make use of this existing image and the existing trust to introduce the new consulting proposition.

In comparison, the value-in-use that Arcadis could facilitate for company B and E has so far been limited. For these clients Arcadis cannot build on its existing image and there is little to no influence of past experience on the future collaboration. There is no existing basis to build on.

Value of existing consulting propositions

Experiences with existing consulting propositions have been mixed. A general finding is however that consultants often find it difficult to develop solutions that are sustainably embedded in the client organisation. The lack of in-depth knowledge is found to hamper this for existing consultants.

The most positive experience with consultants comes from company E, where consultants enable the organisations to make change happen. The rather conservative nature of the organisation make external involvement necessary, especially in cases where the pressure to change is high. However there are many topics in which in-depth knowledge is required for consultants to be able to come to sustainable outcomes. This has been lacking in past experience, which has led to minimisation of external consultant involvement. On the contrary, company B has gained very limited value-in-use from consulting involvement in the past. The result of this is that company no longer hires consultants but places the responsibility for improvement low in the organisation. This shift towards an internal focus has according to the interviewee led to better outcomes.

4.2.2 Expert-based vs. co-constructive consulting

The second element in the framework that influences value proposition expansion is the shape and content of the new consulting proposition, which can either be expert-based or co-constructive. Comparing the findings from all cases, using the elements (1) knowledge/knowing, (2) relationship/relating and (3) organisation/organising, leads to the following insights.

The importance of knowledge/knowing

The first element of co-constructive consulting is the shift of focus from knowledge to knowing. The findings reveal mixed perceptions of interviewees on this point. The desire for knowledge transfer through interaction (knowing) depends according to the interviewees on the issue that is to be solved and the way in which the company operates.

On the one hand, knowledge transfer from service provider to the principal through interaction (knowing) is considered valuable and important. Learning whilst interacting can be a secondary goal of collaboration next to the content of the collaboration. This knowing in interaction is believed to improve the efficiency of future collaboration and the improved ability of each party to maximise performance in its associated role (i.e. as principal and service provider). Along the reasoning of co-constructive consulting this is not about the transfer of knowledge from the organisation to company A but rather to work together through the ongoing agreement and learn whilst cooperating (knowing) how these processes should be shaped.

However other organisations do not per definition want to learn from their service providers but rather find it valuable that these parties bring in their knowledge and experience. Certain types

of organisations (such as company D) may prefer to shift the responsibilities of non-core business issues as much as possible to the market party (e.g. the consultant). Learning from the consultant is in that context not a goal and the co-constructive approach to consulting is not required. Knowledge (as a resource) of the service provider and the application of this knowledge (knowing) without involvement of the principal then provides most value-in-use. Similarly, collaboration may be desired not in order to learn from each other but rather to jointly find the basis for collaboration and come to joint successes (e.g. for company C). The goal of such partnerships is not to learn parse but rather to exploit synergies that exist because of the background of organisation (i.e. knowledge and experience).

A more nuanced stance was also provided. Company E selects consultants based on the nature of the problem. For certain types of issues no in-depth knowledge is required, whilst other issues do require a consultant that understands both the strategic and operational issues. If there is pressure for change knowledge exchange is not required, whilst co-constructive consulting is preferred in order to jointly come to sustainably embedded solutions.

The importance of relationship/relating

The second element of co-constructive consulting is the shift of focus from relationship to relating. The findings reveal that relating is indeed very important in both a consulting and engineering context. Factors that influence the value of relating are amongst others the degree to which clients aim for long term relationships (company A), the (potential) added value of the service provider for the client (company B) and the ability to relate on all levels of the organisation (company C).

The preference of long term relationships with a limited number of preferred suppliers reveals the importance of more structural collaboration in which both parties continuously improve the effectiveness and efficiency of the collaboration. It is found that despite the potential short term gains of for example annual renewal of tenders (i.e. cost savings) do not weigh up to a healthy long term relationship in which the organisation relate and understand each other. This focus shift towards win-win is something that can occur through the relating activities.

The notion that relating is not required for service providers that provide limited value was also mentioned. The example of company B is illustrative, because the valuation of relating depends on the service provider's potential added value which for company B depends on its network position and the question whether the KIBS is active in innovative concept development for the electricity sector.

Relating, especially in the context of consulting should occur on all levels in the organisations according to interviewee 3. This not only enhances the mutual understanding but also allows for escalation if issues happen. Solving these issues and minimising negative effects benefits from relationships and relating on all levels. It is also acknowledged that relationships can fade over time and thus that it is not a static state. Relating is, according to the interviewees an activity that should be carried out regularly, also because the organisations on both sides of the relationships are dynamic.

Consulting is more so than for example engineering based on trust (interviewee 1,3 and 5). The importance of relating is thus higher for the new value propositions that the KIBS wants to develop. One interviewee (5) argues that relating is often not a core competence of an engineer or engineering KIBS. He states that engineers and engineering companies can be timid in nature, which can limit their ability to build a relationship and being able to fully understand the client organisation through relating activities.

The importance of organisation/organising

The third element of co-constructive consulting is the shift of focus from organisation to organising. The findings reveal that organising is indeed important, especially in a consulting context. Also for this element of co-constructive consulting it is mentioned that the importance relies on the nature of the issue.

The difference between the formal (static) organisation and the organising (activities) behind it is recognised within all companies. External parties have struggled to understand the functioning of these companies and this has led to non-sustainable outcomes and limited value-in-use from external involvement. It was specifically mentioned that consultants often fail to recognise the network position of the company and that solutions provided should be applicable in this multi-actor environment.

Furthermore it is important that the consultant understands the context in which the client operates, for example which stakeholders the company serves (e.g. public or private organisations) and which regulatory framework is active for the client. These external parties determine to certain degrees the demand and wishes of these organisations and thus the requirement for consulting and engineering. The formal and informal connection are very important for the eventual value-in-use of KIBS propositions.

The final point made with regard to understanding the organising is that understanding the underlying organising (behind the formal organisation) can be potentially valuable for a KIBS and indirectly for the client. According to interviewee 1 and 3, when the KIBS company understands the strengths and weaknesses they can adjust their human resources to best match the current and future demand of the parties in the electricity sector, which goes for both the existing KIBS propositions and consulting propositions.

The potential value of co-constructive consulting

Considering the specifics of co-constructive consulting the findings indicate that the importance of relating (over relationships) and organizing (over organisation) is confirmed. The interviewees describe that relating as a continuous act is important, particularly in order to add more value for client companies. The true understanding of the client organisation and the way it organises itself internally (not as formally displayed and in organisational charts) enables KIBS companies to provide more value. However there are indications that knowledge can be more important than knowing in case of consultants. For example, company B and D (and E in certain cases) do not per definition want to learn from the consultants, but rather want the consultants to use their knowledge to help them. If afterwards the clients have not gained any new knowledge than this is not parse a problem. These companies prefer to keep the responsibilities for these issues with the market parties and in that sense not worry about especially non-core activities.

The preferences of clients regarding value-in-use compared to value-in-exchange

Based on Kowalkowsi (2011) it was expected that value-in-use would be appreciated by clients in case of (1) long-term orientation to partnership and associated contracts (2) established and effective collaboration, (3) openness to new ideas and value-creation opportunities and (4) a focus on strategic value facilitations in which price is only an order qualifier. The following statements can be made based on the statements of the interviewees:

- A long term orientation towards partnership and associated contracts is mentioned by multiple interviewees. They state that a long term understanding leads to higher quality work and mutually beneficial relationships. Furthermore clients find commitment and true understanding, and the required investment in relating activities increasingly important.
- The importance of the existing collaboration is also confirmed. The interviewees base their opinion of potential higher value facilitating services on both the potential value of

the consulting but also on their considerations regarding the current collaboration between the two companies.

- The openness to new ideas and other value-creation opportunities was confirmed by the interviewees not only in their participation in the interview but also by openly discussing the way in which they consider it possible for 'engineering' KIBS companies to offer higher value propositions such as consulting.
- The fourth and final element was not directly mentioned by interviews but it does stand
 out that none of the interviewees mentioned that costs and prices would be important
 factors. Naturally the price of the offering is important for clients but it was not
 mentioned as key element of importance in the development of consulting propositions.

4.2.3 Interfaces between the existing and new proposition

The third element in the framework that influences value proposition expansion is the interface between the existing proposition and the new consulting proposition. The interface elements that were brought up by the interviewees can be found in Table 10.

The interfaces found may not represent an exhaustive overview of interfaces between the existing and new proposition. Additional interviews may indeed lead to the indentification of additional interfaces. The interfaces presented here were actively mentioned by the interviewees within this research.

Table 10. Overview of factors mentioned per interviewee. Note that if a factor was not mentioned by an interviewee it cannot be concluded that the interviewee finds this factor unimportant, instead it was not actively mentioned.

Factor	1	2	3	4	5
Competence and experience	✓		✓		✓
Markets covered and networks		✓	✓	✓	
Innovation		✓			
Client and market knowledge	✓	✓	✓	✓	✓
Brand and image	✓	✓		✓	✓
Conflict of interest	✓		✓		

Competence and experience

The importance of using existing knowledge and experience for the development of the new consulting proposition comes forward with company A and D. KIBS companies can use their past experience as basis for related consulting propositions. An example is that system operators can learn from other semi-public organizations and the way in which they shaped the transition towards a directive and supervisory role. KIBS companies experienced how these clients changed over time and which lessons can be learned with regard to optimal principal-service provider relationships. An example mentioned by interviewee 3 is that Arcadis has experienced how the loss of manpower at Rijkswaterstaat (due to the dissolving of the Bouwdienst) has led to limited ability of Rijkswaterstaat to properly supervise and manage the service provision of market parties. This knowledge and experience can be valuable for consulting propositions for system operators in this transition.

Furthermore it was specifically mentioned that Arcadis could use its knowledge on asset management at Rijkswaterstaat and ProRail to aid company A and E in improving their asset management practices. Lessons learned could be easily spread and adopted among these large asset managers through a KIBS company that serves all these parties. Finally the market has to cope with scarce human resource availability. The value of KIBS companies is large because they are one of the remaining sources of this human capital required. The technical background enhanced with working experience is valuable for companies such as company C and E, both through secondment for staff and for consulting and engineering provision.

Markets and networks

It was also found that market parties see potential value in the presence of a KIBS company in multiple markets and in local networks. The former is about for example Arcadis' experience with other large semi-public asset managers (i.e. in road and rail networks). The knowledge that KIBS companies gain in such interactions can be valuable in the electricity sector as well. The technical projects which were carried out may provide sufficient basis for consulting on the more directive levels of a client and the way in which these companies should involve its service providers (i.e. the KIBS companies) in order to be most successful. The latter is about local network presence and the understanding of not only private companies but also the legislative bodies of government. Knowledge of the local issues and functionality of the legislative bodies may be very valuable (according to interviewee 2,3 and 4) in order to provide consulting services for electricity sector companies and their strategies (e.g. expansion of activities). For example the KIBS company may then be able to help to develop the best approach to gaining legislative approval based on their previous experience with these governments and understanding their stakes.

Innovative concepts

Innovative concepts can be a potential source of value facilitation. This was only mentioned by interviewee 2. Here the interface between existing and new value propositions lies in the transition from only offering the concept using the existing proposition (e.g. based on the technical application of the concept) to making it part of a consulting proposition with a potential for higher value facilitation, for example in a co-constructive consulting context in order to continuously improve the concept.

Client and market knowledge

The importance of client and market knowledge is clear in order to become more valuable in the future (mentioned by all interviewees), specifically for consultancy related propositions. This involves thinking proactively along and from the perspective of the clients. KIBS companies should understand the core competences of clients and determine for which topics there is room for market involvement. Whilst a proposition in country A may not be considered valuable, the same proposition in another country may actually be valuable. An example of the importance is that it is important for company D that its can keep its focus on its core business, and it expects market parties to take responsibility for certain non-core issues.

Understanding the context or framework in which a client operates can be a driver of higher potential value. The framework of system operators and producers is similar with regard to the importance of shareholder satisfaction. However system operators are generally owned by governmental bodies (and can thus be considered as semi-public organizations) whilst producers are privately owned. The difference is that private shareholders more-so than public shareholders demand sufficient return on investment. The pressure to perform is in that sense higher for private organisations (e.g. producers) compared to public organisations (e.g. system operators). However this does come with the increased importance for transparency and traceability of decision made for public organisation, considering the supervisory role of parties like ACM. For company A and E this need for transparency is a major challenge and is thus a very important element in value proposition assessment.

Increasing client and market knowledge can provide opportunities for new and more potential value for clients. An example was mentioned where a bottleneck exists in the progress of grid renewal and expansion caused by a lack of market parties that can construct the high voltage lines and equipment in the masts. True understanding of the market (also on a more technical level) from both an engineering and consulting standpoint will allow KIBS companies to proactively help the market avoid such bottlenecks.

Respect for client competence is also an important element. Third parties, such as KIBS companies should respect the existing competence and experience of clients regarding their business. For example interviewee 2 argues that no consultants should argue that it is more competent at optimizing the use of their asset portfolio. There may be added value on various elements but in general the client should always be respected. Related to this is that KIBS companies should be aware in their propositions that their understanding of certain concepts (e.g. what is engineering) may be different. Framing of proposition, especially higher value consulting proposition should always be client-driven.

Finally relationship management is important (in line with the importance of relating in the coconstructive consulting framework) in order to become more valuable for market parties and thus to successfully increase the facilitation of value-in-use. Despite the supposed timid nature of engineers (as mentioned by interviewee 5) it is required to fully understand the client organisation and build and maintain relationships within the client organisation.

Brand and image

One of the specifically mentioned aspects on the interface between the propositions is company brand and image orientation. This was mentioned by four of five interviewees. In case a KIBS company has an existing image it may be difficult to shift towards the new image as an 'engineering consultant'. With regard to Arcadis it was found that there is a general positive current perception for its existing proposition, despite the lack of visibility that was mentioned and a lack of awareness of the full value proposition that Arcadis offers (e.g. an image limited to environmental service offerings).

The distinction between existing and potential clients can be made, whereby the potential clients can be approached directly with the extended proposition (and thus start building the 'engineering consultant' image). Existing clients can be approached by communicating the value proposition expansion and using the existing image to increase the trust of these clients. Finally an important finding is that a KIBS company should not neglect the existing proposition but present it as part and strength of the new extended proposition. The advantage of combining both the more detailed engineering proposition and the consulting proposition is that it results in an integral extended proposition, which requires both underlying propositions to offer most potential value.

Conflict of interest

The potential for conflict of interest was also clearly mentioned as being a risk that comes with the interface between the existing proposition and the new consulting proposition. Conflict of interest may occur at clients where a KIBS company is already active through other propositions. The consulting provision may for example influence the likelihood that the KIBS company wins a tender for other service provisions. Such situations in which a company both influences the tendering process and submits an offer cannot co-exist by law. The consequence of this point of attention is that the KIBS company may have to choose for one proposition (e.g. engineering or consulting) and stop offering the other proposition in that situation. Other options, such as isolating the propositions may be possible, but this depends on the preferences of the clients.

4.3 Organisational implications of value proposition expansion

The organisational implications of value proposition are presented as part of chapter 6. The implications are non-exhaustive but provide initial clarity with regard to issues that should be taken into account when adopting new consulting practices.

5 CONCLUSION

This research aimed to provide an answer the research question:

How can an engineering KIBS company expand its value proposition by adopting coconstructive consultancy practises?

5.1 Key findings

- Value proposition expansion implies that an existing value proposition must exist. Understanding, exploiting and minding the perception of the current value of this existing proposition is important for the ability to be successful with the expanded value proposition. In addition a KIBS company should understand and act upon the perception that the client has of existing consulting proposition of other service providers.
- The consulting value proposition should be tailored to the client's demands and needs. It cannot be stated beforehand whether an expert-based or co-constructive approach to consulting is more suitable. There are clients that prefer an expert consultant that provide advice and guidance from a neutral standpoint. However the co-constructive approach, in which joint problem solving occurs through relating, knowing and organizing is indeed preferred by other clients because it provides them with opportunities to learn and develop their own competence by working with the consultant instead of having the consultant do the work autonomously.
- Extending an existing value proposition leads to a number of interfaces that are to be taken into account in order to be successful. Existing competence and experience is a valuable source of knowledge (and knowing) that should be exploited. Similarly, the competence built in other markets and existing network position that the KIBS can be a valuable source of value when it is used to gain a market position with the new proposition. Existing client and market knowledge is something that the existing proposition provides, this is also an added value of the integral proposition. However the KIBS company should carefully manage the existing brand and image it has and avoid representing a KIBS organization with an unclear market position. Additionally there is a risk of conflict of interest if the two propositions are involved in separate stages of projects, for example in case of procurement consulting and executing the work.
- Adopting an expanded value proposition will have a number of organizational implications on the KIBS company. Understanding and managing these implications is important for success. One of the implications that the organization will need to invest in relating and truly understanding the client organization. Furthermore this relating should be proactive and continuous, this enables the KIBS companies to tailor its value proposition is such a way that it enables maximal value facilitation for the client. Also external and internal conflict of interest should be prevented. Finally, being able to mobilize historical knowledge and competence within the organization is considered to be very valuable for successfully serving clients through the expanded value proposition.

6 DISCUSSION

6.1 Theoretical implications

Determining the best approach to value proposition expansion should be based on a total of four different factors. These factors are (1) the client's current perception of both the value provision of engineering KIBS company and the propositions of existing consultants, (2) the client's preferences regarding the shape and content of consulting propositions, i.e. an expert-based on co-constructive consulting approach, and (3) the interfaces between the existing 'engineering' proposition and new consulting proposition. The organisational implications of the value proposition expansion for the KIBS company and the degree to which these are taken into account are also part of the theoretical framework but these implications are presented in chapter 7.

1. Choosing the right approach based on the clients perception

In case of existing presence and service provision it is important that the existing perception of the added value of the KIBS company is taken into account. There may be clients in the sector that have been involved with the KIBS company for a long time period whilst other clinets have had limited to no involvement with the KIBS company This distinction should be made and the approach to value proposition expansion should be tailored to this.

- In case of an existing positive image and experience with the value facilitation of KIBS company's through their propositions the value proposition expansion approach should be based on making use of the existing trust and thus presenting the expanded proposition as a more complete proposition that can facilitate more value creation for the client. The challenge in this case is to convince clients that the KIBS company is able to facilitate more value creation through the new service provision. This closely resembles the fundamentals of the service-dominants logic where the focus lies on cultivation of relationships and meeting specific client needs through continuously developing tailored and compelling value propositions (Vargo & Lusch, 2004).
- In this research, no cases were found in which the focal KIBS company had a negative image at the client. Overcoming a negative image may or may not benefit from the value proposition expansion. The expanded proposition may be of potential value if this more closely matches the client's need, however an expanded proposition may also be considered negatively if low trust of existing propositions leads to a sceptic stance to expansion.
- In case of a limited past experience and a neutral image, the expanded value proposition can be presented as an integral proposition. In that case there is no need to overcome the barrier of the perception as engineering KIBS but at the same time there is no existing trust that can be exploited. The challenge for the KIBS in this case is to start building trust and proof point of competence, which closely follows the requirements for service providers to be able to successfully develop and exploit value-in-use propositions (Kowalkowski, 2011).

Next to existing perception of the KIBS company, a second important element to take into account is the client's existing perception value facilitation of consulting propositions. It is found that there can be clients that have an overall negative perception of consultants whilst others recognise their specific potential value depending on the topic. The approach to the

presentation of the value proposition should be diversified for these situations. In case of a positive image of consultants the proposition can be presented as a competitive offering next the established consultants in which the favourable point of difference is that the proposition is built upon a more technical in-depth knowledge of the 'engineering' proposition. In comparison, in case of a client's negative image of consultants, the proposition could be presented as an addition layer on top of the existing proposition that provides more value for the client, i.e. as a consulting engineering KIBS company. This relates to the requirement of being able to involve clients in co-creation and demonstrating value potential convincingly (Kowalkowski, 2011). The degree of mutual understanding between organisation that both understand the technical issues may be a factor that enlarges the potential for success.

2. Shaping the consulting proposition

The research specifically considered value proposition expansion through the adoption of coconstructive consulting practices, a distinct form of consulting. Based on initial findings from the interviews the following conclusions can be drawn with regard to the shape of the consulting proposition.

First of all, in line with Hicks (2010), Vargo & Lusch (2004) and Kowalkowski (2011) knowledge and specifically knowing are important for clients. Knowledge transfer either related to content or process is seen as valuable. However, not all clients expect service providers to transfer their knowledge to the client in a consulting context. These clients prefer to focus on core business and approach the market in order to 'buy' the knowledge required in a transaction. KIBS knowledge applied to a client's problem is then considered valuable but the goal of interaction is not that the organisation learns and adopts this knowledge over time. It is also recognised that past experience and knowledge gained at similar client organisation (during interaction i.e. knowing) has potential value. It is believed that this knowing can be translated into specific learnings for the organisation. A KIBS company's historical experience is thus a potential base of value that should be exploited.

Second, for successful adoption of consulting practices it is very important to not only to have relationships with client organisation but also to actively engage in relating activities that improve the understanding among client and suppliers, also when no projects are currently ongoing (in line with Hicks, 2010). Furthermore clients prefers a long term orientation for partnerships as it is believed that these long term relationships decrease the need for extensive alignment and improves the likelihood of quality delivery by the supplier. The relating between KIBS and its (potential) clients should cover all levels of the organisations, from clevel management to project level in order to maximise the value (in-use) of the relationship between the client and the consultants. For engineering KIBS companies, which generally operate on project-level, this means that efforts should be made to relate also on senior management level. Pro-active relating may not be a core-competence of engineers but in order to provide more value adding services (e.g. consulting) this is an important element.

Third, the consulting proposition should be shaped in such a way that the KIBS gains sufficient understanding of the client organisation that the solutions provided are aligned with the way in which the client organises itself. A co-constructive approach can be of value (in-use) considering the statements of interviewees that it is difficult to understand how the client organisation truly operates. Furthermore it is important to understand the institutional environment in which the client operates, for example the role of public and private shareholders and institutional agencies. These external stakeholders shape the demand and wishes of clients and determine how much value is actually generated in the interaction between client and supplier. However, it was found that the need for both relating activities and

true understanding of the client organisation is not parse necessary, this depends on the product or service provided. For certain types of offerings a traditional exchange (in terms as explained by Vargo & Lusch, 2004) is sufficient.

True understanding of the client will determine whether an expert-based or co-constructive approach is most suitable for providing maximal value for the client. While certain clients prefer to shift the responsibility for certain (often non-core) activities to the markets, and prefer an expert-based approach that requires minimal effort of the client whilst other clients prefer to maintain in control and involve markets parties to jointly come up with solutions to problems.

3. Managing the interfaces

The third element in the adoption of (co-constructive) consulting practices in the value proposition expansion process is understanding and managing the interfaces between the existing and new consulting proposition. It is found that a number of potential opportunities and risks should be taken into account with regard to these interfaces. These elements are as follows.

- Competence and experience
- Markets covered and network position
- Innovation
- Client and market knowledge
- Brand and image
- Conflict of interest

The first interface between the existing and new proposition is the element of brand and image of the KIBS company. In case of existing market presence it is likely that the KIBS company has already built an existing brand name and image with the clients. This brand and image can be both an advantage and disadvantage (as is the case with the client's existing perception of the KIBS company's propositions). The challenge to value proposition expansion is how to build the new brand and image with clients and become recognised as a KIBS company with an expanded value proposition that offers integral 'engineering' and consulting propositions based on value-in-use.

The second interface is conflict of interest between the two types of propositions. In the case of 'engineering' propositions in projects and consulting propositions at management level within the same client companies there is a risk of conflict of interest. The KIBS company should clearly delineated and examine the risks of conflict of interest and select an appropriate response. This may include choosing one of the propositions over the other for a particular situation.

The third interface is the role of existing competence and experience. This interface provides opportunities because clients value this existing competence and experience if it can be applied in a consulting proposition. It is found that clients prefer the involvement of a consultant that understands the background for certain types of consulting challenges, for example in case of the technical elements of the challenge. In that case the mobilisation of the knowledge from the 'engineering' proposition may provide a competitive advantage compared to competing consultants that do not have this source of knowledge and experience.

The fourth interface that should be taken into account is the markets covered and the network position that already exists through the 'engineering' proposition. It is found that clients value the position of a KIBS in multiple markets and an established network position. For example the existing position of the focal KIBS company with public and semi-public organisation that are directly and indirectly involved in the electricity sector is found to be of potential value as the KIBS company understands the interests of various stakeholders that shape the sector.

The fifth and final interface between the existing and new proposition is the importance of client and market knowledge. The existing knowledge of clients and knowledge is valuable but it should be taken into account that consulting propositions may affect other levels of the client organisation including senior management level. The challenges the clients face on these levels are different from more project-related challenges that the engineering proposition is related to. Because of this it is important that the KIBS build additional and more 'strategic' client and market knowledge in order to be of potential value.

All in all, interfaces are very important in the approach towards value proposition expansion. Taking the required action to mitigate the risk-related interfaces and actions to exploit the opportunity-related interfaces will lead to the higher chance of success for the value proposition expansion.

6.2 Critical reflection

The value and contribution lies a number of findings. First, the research considers a KIBS company with an existing and established value proposition. Value proposition development has been extensively studied for new companies but taking into an existing market position is the case in this research. This condition has led to the identification of not only factors of importance for a (co-constructive) consulting proposition but also on the interfaces between the two propositions. Second, the research provides detailed insights into the expansion from engineering to engineering and consulting. This combination of propositions is relevant in the market as both existing engineering companies and consulting companies are exploring this interface. Third, the research presents direct information from clients in the sector, leading to both theoretical and practical insights for KIBS companies. Fourth and final, the research considers both an expert-based and co-constructive consulting proposition and finds that they can co-exist in the same market. The choice for one of the approach depends on the client and as such the proposition should be tailored accordingly.

The narrow scope of this research limits the ability to generalize the outcomes. First of all the research is limited to KIBS companies that have been active within projects (e.g. in engineering) which plan to expand their value proposition. The findings cannot be directly translated into recommendations for consulting companies that want to expand their proposition with 'engineering' service provisions. This scenario can be the subject of a subsequent research project.

The findings should be considered as initial insights aimed at providing a broad overview of considerations on value proposition expansion and the potential value of co-constructive consulting. This choice, to keep the interview design constant and thus open meant that the findings are not exhaustive, i.e. the findings from the first interview have not been used or validated in the later interviews. Further research, also through quantitative data collection methods are recommended in order to come to more concrete generalizable cross-sector conclusions.

Furthermore it cannot be precluded that the findings are biased, because of for example recent events. It is possible that the way in which the interviewees responded reflected the current opinion at that point in time compared to the more long term 'stable' opinion. This potential weakness of conducting interviews cannot be fully prevented, however the interviewees are executives of their respective companies and it was in their interest to provide answers that would reflect the organisational opinion.

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Because of the limited time of this master thesis project only a limited number of interviews could be conducted. Furthermore the interviewees had to be senior managers of companies in the sector that have experience with KIBS companies in projects but also with consultant involvement. The fact that these managers have large responsibilities in their organisations also limited the researcher's ability to conduct a larger number of interviews. It was necessary to mention the focal company of the research on order to get sufficient priority and thus a positive response. It would have been difficult if not impossible to get this amount of interviews without a focal company. Disadvantage of the approach used is however that the findings may be specific for Arcadis as KIBS company, limiting the ability to generalize the outcomes to other KIBS companies.

Recommendations for further research

The research provided initial insights into the feasibility of value proposition expansion through adoption of co-constructive consulting by KIBS companies. It is recommended that the findings from this research are tested on a larger scale, for example through a survey with a large number of client organisation. This research serves as the basis for developing the survey whilst the results of the survey will allow for reaching broader and more generalizable conclusions on the matter of value proposition expansion.

Finally the research has led to a number of organisational implications that need to be taken into account. It would be beneficial to confront a KIBS company with these organisational implications and gain insight into the initial response to these implications in further research. Furthermore a study into market demand does not make sure that a KIBS company is sufficiently able to develop into the company that can successfully employ the expanded value proposition. A study into the required business development approach to value proposition expansion (e.g. is the organisation able to successfully develop the proposition) is recommended for the future.

7 MANAGERIAL IMPLICATIONS

The results of the research show that market parties see potential value in co-constructive consulting propositions from KIBS companies, specifically those that are linked to or require a certain level of technical know-how. Here the potential value of an (engineering) KIBS company, based on the expectation that the consultant can better take into account the technical basis behind a solution, is considered to be higher than of a management consultant that doesn't have the technical background.

However truly understanding the client by relating is crucial for management in order to come to the appropriate shape of the proposition. Illustrative is that certain clients may not require an interactive approach to problem solving but rather prefer to shift the responsibility for that specific issue to the KIBS company. Relating and understanding the way in which the organisation operates will allow KIBS companies for understanding the client's requirements for control over the outcome and the degree of involvement the client requires for maximal value-in-use. In accordance with this, knowledge-transfer towards the client should not be a goal unless specifically desired. Choosing an expert-based approach towards certain issues is thus also feasible.

A client-driven proactive approach is found to be another important requirement that management should realise in order to be potentially valuable for clients when employing an extended value proposition. Co-constructive consulting assumes that problems are joint problems and successes are joint successes. As such the value proposition expansion will require additional effort to think along with the client. Furthermore consulting, more so than engineering requires significant trust, relating and interaction and this can be enhanced when the KIBS company thinks along and with the client continuously. Reactively waiting for client requests does not show the commitment to make sure that the outcomes provided will be sustainable nor able to meet the underlying demands.

Value proposition expansion requires careful planning of the organisational change in order to increase the likelihood of success. The non exhaustive list of recommendations below follows from clients directly and are thus crucial in order to convince these clients that a KIBS company can be of potential value not only through the existing engineering proposition but also through new consulting practices.

- The organisation should be client driven and the client's problems should be considered as joint problems between the client and the KIBS company. Commitment to helping the client reach its goals (in-use) is, in line with Hicks (2010), eventually the key to mutually successful collaboration compared to distant transaction of products and services (inexchange).
- The organisation should be proactively engaged with its clients, not only in the context of projects but also on a more proactive relationship level (as was found by Vargo & Lusch (2004). Instead of waiting for projects to be put on the market by the purchasing departments of clients the KIBS company should be involved earlier and talk to clients about their problems and challenges and the potential value the KIBS company can bring to solve the clients problems.

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- Management will need to understand the client's current perception of value of the existing proposition and use this understanding to determine the best way to bring the expanded proposition to the client. For example, Arcadis management can build upon its existing positive image to introduce the expansion as an addition means of value provision for the client.
- Management should shape the organisation in such a way that there is room for investing (effort, time and the associated costs) in relating activities with the client and building sustainable relationships. The understanding of the client is crucial, as was also found by Kowalkowski (2011), even more so for consulting propositions than for engineering propositions.
- Management needs to tailor the consulting proposition to its specific clients and the strengths of the current existing image and brand name. An existing strong relationship can provide opportunities for a larger role with that client whilst a non-existing relationship can be built from the start using the expanded proposition. Also results show that certain clients prefer a co-constructive consulting in approach in which joint problem-solving occurs whilst other clients prefer and expert-based independent consulting approach. In case of Arcadis, both consulting approach can be integrated in the expanded proposition.
- Management needs to actively manage the interfaces between the existing proposition and the new consulting proposition. Securing the best use of existing competence and experience (also in other market sectors) is a key role for management in this regard. In case of Arcadis, its manager should for example attempt to mobilize and translate the knowledge from working for other infrastructure asset managers (i.e. rail and road) to the electricity infrastructure asset manager. Also management should develop a branding and image strategy whereby the KIBS company's brand should be clearly explained (avoiding a mixed or unclear brand in the market sector). Finally management is found to be required to actively prevent conflict of interest between the existing and new consulting proposition.
- Finally, the implication of the results for management is that the organizational implications of value proposition expansion need to be taken into account. The value proposition expansion requires commitment and investment into relating, knowing and organizing. Proactive and continuous relating is one of the ingredients for tailoring the value proposition to the demands and wishes of the client. Also management should facilitate the ability to transfer and bring historical knowledge and knowledge from other markets sector into the proposition.

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