Creation of Value in Management Consulting: A Resources and Dynamic Capabilities Perspective

2015

Enrique Alfonso Paez

A thesis submitted to the University of Manchester, for the degree of Doctor of Business Administration in the Faculty of Humanities

Manchester Business School, Management Sciences and Marketing

Contents

Contents 2

List of Figures 11

List of Tables 13

Abstract 15

Acknowledgements 17

About the Author 18

Chapter One: Introduction 19

1. Introduction 19

1.1 A summary of key concepts from extant literature 20

1.1.1. Value 20

1.1.2. Co-creation, Service Dominant Logic (S-DL) and Service Systems; Service Logic (SL) 21

1.1.3. Relationship Theory in Value Creation 22

1.1.4. Dynamic Capabilities and Competencies 23

1.1.5. Theoretical Framework 24

1.2 Research aim 24

1.3 The research question 25

1.4 Justification for topic choice 26

1.4.1 Academic justification 26

1.4.2 Personal justification 27

1.4.3 Business justification 27

1.5 Methodology 28

1.6 Thesis outline 28

Chapter Two: Research Context: Industry Background 30

2. Research Context: Industry background 30

2.1. Introduction to the management consulting industry 30

2.1.1. How consulting emerged as a new profession 31

2.1.2. Industry definition and specificity of scope 33

2.1.3. Consultant's customer equity 37

2.2. Diversity of consulting services 37

2.3. Characteristics of the profession 39

2.3.1. Knowledge intensity 39

2.3.2. Innovation 42

2.3.3. Relationship in management consulting 42

2.3.4. A peculiar consulting style and culture 45

2.3.5. Professional staff management 46

2.3.6. Public corporations versus private partnerships 46

Chapter Three: A Review of the Literature 48

3. A Review of the Literature 48

3.1. Value definitions and a historic perspective 48

3.1.1. Value 48

3.1.1.1. Ontological perspective of Value 51

3.1.2. Perceived customer value 52

3.2. Brief historic synthesis; early value studies 54

3.2.1. Early marketing studies – value embedded in goods 54

3.2.2. Value and strategy 55

3.2.3. Value and *solutions* 56

3.3. Relationship theory in value creation 57

3.3.1. Determination of value in business relationships 58

3.3.2. B-2-B relationships and service networks 63

3.3.3. Trust 65

3.4. Resource-Based View as predecessor of capabilities 66

3.4.1. Critique to RBV 68

3.5. Dynamic capabilities and competencies 69

3.5.1. Dynamic capabilities in value creation models 77

3.5.2. Strategic learning dynamic capability 78

3.5.3. A strategic learning dynamic capability model for further consideration ..80

3.5.4. Causal ambiguity of resources 82

3.6. Value-in-Use, Service Dominant Logic and recent research 83

3.6.1. Co-creation, Service Dominant Logic (S-DL) and service systems 83

3.6.2. A capabilities-based value creation model 89

3.6.3. Critique of Service Dominant Logic 90

3.7. The gap - why research the role of dynamic capabilities in value creation? ... 92

3.8. Literature-based preliminary responses to sub-research questions 94

3.8.1. Sub-research question 1 94

3.8.2. Sub-research question 2 95

3.8.3. Sub-research question 3 96

3.8.4. Sub-research question 4 98

3.9. The Integration of two value co-creation perspectives - a framework to guide the research 99

Chapter Four: Meta-theory and methodology 104

4. Meta-theory and methodology 104

4.1. Critical Realist (CR) paradigm 105

4.1.1. Causality in critical realism 110

4.1.2. Hermeneutics in Critical Realism 111

4.1.3. Critical Realism epistemology 112

4.1.4. Differentiation from similar paradigms 114

4.2. Methodology 116

4.3. Qualitative abductive research design 117

4.4. Validity 119

4.5. Limitations of the research method chosen 121

Chapter Five: Research Design and Methods 123

5. Research Design and Methods 123

5.1. Research Design 123

5.1.1. Unit of analysis 124

5.1.2. Elite-interviews as primary data source 125

5.1.3. Systematic combining research method 126

5.1.4. Reliability and Validity in the specific research design 128

5.2. Target Population – acquisition of data 129

5.2.1. Sample size and its validity 130

5.2.2. Potential limitations of the sample selected 132

5.2.3. Criteria and demography of the sample 133

5.3. Ethical issues 136

5.4. Time frame for the research 136

5.4.1. Implications of the effect of time on the research 137

Chapter Six: Data collection and data analysis 138

6. Data collection and data analysis 138

6.1. Operationalising the interviews 138

6.2. Method of analysis 142

6.2.1. Deep interpretation method 144

6.2.2. Data coding 144

6.2.3. Template analysis 147

6.2.4. Emergence of main threads or constructs 151

6.2.5. Abductive iteration 152

6.2.6. Second iteration – additional questions to deepen discussion; interview guide 153

6.2.7. Key constructs that emerged after the second interpretation of interviews 157

6.2.8. Synthesis of the model emerged from the second iteration of interviews 158

6.2.9. Evolved and refined research question 164

Chapter Seven: Data Findings 166

7. Data Findings 166

7.1. Developed insights and methods, structure to tackle problems / problem solving (Solutions) 169

7.2. Effective communication (persuasion) of ideas 172

7.3. Consultant needs to understand client's needs and value creation logic..... 174

7.4. The consultant should provide leading practices from the industry & external logic. …….177

7.5. The client is required to collaborate in the solution 178

7.6. Value initiatives imply successful change and collective agreement..... 181

7.7. Manage the deployment of value proposition in real context and aligned to customer's expectations 182

7.8. Co-creation happens iteratively; learn and improve..... 183

7.9. Value is created and captured by the client with its operant resources..... 184

7.10. Manage the consulting firm towards clients' results (real interest for the client) …….187

7.11. Relationship is a critical part of the context for value creation; it depends on people ……189

7.12. Relationship grows by meeting promises and commitments; trust is then developed and the likelihood of repeated sales increases 192

7.13. Elicit customer's trust; then client may follow the consultant co-creation initiatives 195

7.14. Dynamic capabilities involve to learn and to adapt - be reflective 197

7.15. Consulting capabilities that become part of corporate consulting culture..... 201

Chapter Eight: Discussion..... 205

8. Discussion 205

8.1. Introduction..... 207

8.1.1. Preliminary observations 208

8.1.2. Structure of the discussion..... 209

8.2. A co-creation model of customer value assisted by consulting services..... 211

8.3. Key constructs 212

8.3.1. A consultant is hired by a customer to solve complex business problems 212

8.3.2. Effective and persuasive communication of ideas by the consultant… (And also by the customer) 216

8.3.3. The consultant must understand the customer's needs and value creation logic ……...218

8.3.4. The consultant should provide to the customer external logic practices, in order to improve the customer's business sensing capabilities 220

8.3.5. Customer participation is critical in the implementation of the solution .. 222

8.3.6. Value creation initiative requires change management and collective agreement 230

8.3.7. Perform up to or above to customer's expectations; walk the talk of value with the customer in his or her context 233

8.3.8. Co-creation happens iteratively; it is a process of learning and improving …… 236

8.3.9. The consultant has to prioritise his or her activities looking forward to customers' results 237

8.3.10. Relationship; it is the continuum where value happens, and a critical contextual component of value creation 241

8.3.11. Capabilities, organisational learning and dynamic capabilities 254

8.3.12. Capabilities that become a standard of expected behaviours, and therefore a culture 266

8.4. Preliminary Conclusions 269

8.4.1. Value co-creation 270

8.4.2. Organisational learning to build value facilitation capabilities 272

8.5. Synthesis 273

8.5.1. Response to the Research Question 274
8.5.2. Creation of value in management consulting 274
8.5.3. Relationship 277
8.5.4. Capabilities 279
Chapter Nine: Conclusion 284
9. Conclusion 284
9.1. Theoretical contributions 286
9.1.1. Theoretical contributions from salient constructs 287
9.1.2. A brief discussion on nature of value and how theory might develop 290
9.2. Limitations 291
9.3. Managerial implications 292
9.3.1. Creation of value by the customer; the consultant only facilitates value . 292
9.3.2. Dynamic capabilities and value co-creation 293
9.3.3. Relational capabilities are inextricably related to the value co-creation process; the consultant leads the relational agenda 295
9.3.4. Knowledge as resource for co-creation 298
9.4. Suggestions for further research 299
10. References 300
11. Annex 316
11.1. *Key Journals reviewed* 316
11.2. *Foundational premises and conceptual transitions of S-DL* 317
11.3. Value construct definitions identified 318
11.4. Pilot project report: node structure 323

Total thesis word count: 98186; less 1,299 (introduction) and less 1,827 (Annexes) equal to = 95,060 words of main text

List of Figures

Figure 2-1 - Management consulting industry competitive environment..... 31
Figure 2-2 Largest consulting firms (Hill, 2014), published on-line by FT, taken from Kennedy Consulting Research & Advisory..... 37
Figure 2-3- Asset intensity vs. service customisation. Adapted from (Anhalt et al., 2010:29)..... 38
Figure 3-1 - Roots of business marketing and relationship networks. Taken from Möller (2013: 326)..... 64
Figure 3-2 - Core Competences, taken from Bogner and Thomas (1994:114)..... 70
Figure 3-3 - Foundations of dynamic capabilities and business performance. Taken from Teece, (2009: 49)..... 73
Figure 3-4 - Different resource types and their interrelationships, taken from (Zubac et al., 2010: 518)..... 75
Figure 3-5. Integration of capabilities, competencies and knowledge 76
Figure 3-6 - Strategic learning dynamic capability..... 82
Figure 3-7- Value co-creation among service-systems, taken from Vargo et al., (2008: 149). Value co-creation is driven by value-in-use but mediated by value-in-exchange .. 86
Figure 3-8 - "Value Box - Value creation business model", taken from Ngo and O'Cass, (2010: 499)..... 90
Figure 3-9. Theoretically integrated model; starting point for research abductive iterations..... 100
Figure 4-1. The structure of causal explanation, taken from Easton, 2002: 105, adapted from Sayer (1992)..... 111
Figure 4-2 - Ontological and epistemological relative alignment of research paradigms. Taken from Järvensivu and Törnroos, (2010: 102)..... 115
Figure 4-3 – Steps in the Research or 'funnelling'. Adapted from Danermark (2002: 4) 116
Figure 5-1. Abductive research process, adapted from Järvenitsu and Törnroos, (2010: 103)..... 127
Figure 6-1. Research steps that conducted to the development of the interview guide 139
Figure 6-2. Overview of the coding and analysis process followed..... 142
Figure 6-3- Sample page of coding format used..... 146

Figure 6-4. Customer value co-creation with the assistance of a consultancy process. Intermediate Work-in-Progress 161
Figure 6-5 - Relationship in consulting services is context dependent on several variables. Intermediate Work-in-Progress..... 163
Figure 8-1 - Evolution from template codes to discussion subjects 205
Figure 8-2. Co-creation of customer value process. Model emerged from analysis of empirical data 212
Figure 8-3 - Underlying relationship model..... 254
Figure 8-4 - Co-creation model involving organisational learning. Taken from Payne et al. (2008:86)..... 257
Figure 8-5 - Schematic summarising key concepts of co-creation in a consulting-assisted initiative..... 270
Figure 8-6. Suggested evolution of “value box” by Ngo and O’Cass, (2010) into a Strategic Learning Dynamic Capability..... 272
Figure 8-7. Synthesis. Response to the research question: "What arrays of capabilities and interaction are required for management consulting sustained value-facilitation?” 274

List of Tables

Table 2-1. Largest management consulting firms; data taken from (Pitkaeniemi et al., 2011: 109) 36
Table 2-2 - A summary of models of client-consulting relationship. Adapted from Nikolova (2006:157) 44
Table 3-1- Synthesis of value research approaches. Adapted from Ng and Smith (2012) 51
Table 3-2. Ontological perspectives of value 52
Table 3-3 -Relationship value drivers, adapted from Ulaga (2003:682), from a study of automobile manufacturers 60
Table 3-4 - Dimensions of relationship value in high credence relationships; developed from Howden and Pressey (2008: 792) 61
Table 3-5 - Key similarities and differences between S-DL and Sl. Developed from Grönroos & Gumerus, (2014) 84
Table 3-6 - Co-creation of value in knowledge intensive services. Taken from Aarika-Stenroos 103
Table 4-1. Ontological assumptions. Adapted from (Morgan and Smircich, 1980: 492) 104
Table 4-2 - Stratified Ontology; three domains of reality. Source: (Bhaskar, 2008: 47) 107
Table 4-3 - The eight signposts of Critical Realism. Adapted from (Sayer, 1992: 5).... 108
Table 4-4. Deduction, induction and abduction. Source: Peirce (1932) cited in Danermark et al., (2002: 90) 119
Table 5-1. Experienced Deloitte management consultants interviewed 135
Table 5-2- Executive professionals interviewed that have purchased and contributed to management consulting projects 136
Table 6-1 - Main themes emerged from the analysis of the first round of interviews ... 152
Table 6-2 - Main themes emerged (and evolved) from the second round of interviews. 158
Table 7-1. Second cycle codes evolved from first cycle codes 168
Table 8-1 - Correspondence of emerged constructs from analysis to discussion rearranged themes 207
Table 8-2. Stages of relationship and co-creation 247
Table 8-3 - Capabilities expected in consultants looking to value facilitation 266
Table 11-1- Key journals reviewed for literature review 316

Table 11-2. Ten Foundational Premises of Service Dominant Logic, taken verbatim from Vargo and Lusch (2008b:7). 317
Table 11-3. Conceptual Transitions of S-DL, taken from Lusch and Vargo (2006: 286) 318
Table 11-4- Relevant value definitions found in the literature; list is not exhaustive 322
Table 11-5 - Report of nodes identified in the Pilot Project using nVivo 323
Table 11-6. Pilot project; four interviews discussion guide 328

Abstract

"Creation of Value in Management Consulting: A Resources and Dynamic Capabilities Perspective"- Enrique Alfonso Paez, Candidate to Doctor of Business Administration (DBA), University of Manchester, Manchester Business School, July 2015

A definition of value, a higher order construct, how it is created and its constituents remains elusive. This research aims to explain value co-creation and its key enablers in the management consulting industry.

Service Dominant Logic (S-DL) first published by Vargo & Lusch (2004) has fostered extensive debate ever since, and with the Service Logic theory of the so-called Nordic School of Marketing (Grönroos, 2011b) they have encouraged research on subjects under the optic of value co-creation (S-DL), value facilitation (SL) and *exchange of service*, arguing that value is only phenomenologically assessed by the customer (S-DL) and that the only real *value* is customer's value-in-use (SL).

The understanding of how value is co-created has been scarcely researched empirically as, for instance, Aarikka-Stenroos & Jaakkola (2012) have. Capabilities management has been related to a firm's resources and the Resource-Based View (RBV); however, empirical research relating capabilities to the process of value co-creation in b2b context has also been discussed as sparse (Lindgreen, Hingley, Grant and Morgan, 2012).

This research explores interconnectedness of value, relationship-interaction and dynamic capabilities in management consultancy, and responds to the following research question: *What arrays of capabilities and interaction are required for management consulting sustained value-facilitation?* The subjects of relationship and interaction are discussed as core to value co-creation while investigating the intervening role of dynamic capabilities.

A qualitative abductive methodology is applied, founded on a critical realist philosophical argumentation. The iterative deductive-inductive methods involved in the abductive process ideally approach the open ended questions that emerge researching social phenomena.

The data is obtained by elite interviews with executive consultants and CXO level customers, who have had profound experience of consulting assisted co-creation initiatives. Four abductive iterations of data collection and analysis are applied, departing from a theoretical framework that emerges from the review of extant literature and that is informed by the research question. The salient constructs from contextually complex discussions are analysed and lastly synthesized in an overarching model.

This research contributes mainly in two areas:

(1) The identification of relationship / interaction in consulting at the core of value co-creation, and its key characteristics as a dynamic context. Co-creation is proposed as an evolving-adaptive process dependent on relationship through interaction.
(2) The identification of capabilities that allow relationship and co-creation and higher order capabilities that develop capabilities, which emerge from deliberate reflection of the consultant's strategy. Such dynamic capabilities develop and orchestrate capabilities for value facilitation and customer value creation.

Declaration

No portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning.

Copyright Statement

The author of this thesis (including any appendices and/or schedules to this thesis) owns certain copyright or related rights in it (the “Copyright”) and he has given The University of Manchester certain rights to use such Copyright, including for administrative purposes.

Copies of this thesis, either in full or in extracts and whether in hard or electronic copy, may be made only in accordance with the Copyright, Designs and Patents Act 1988 (as amended) and regulations issued under it or, where appropriate, in accordance with licensing agreements which the University has from time to time. This page must form part of any such copies made.

The ownership of certain Copyright, patents, designs, trademarks and other intellectual property (the “Intellectual Property”) and any reproductions of copyright works in the thesis, for example graphs and tables (“Reproductions”), which may be described in this thesis, may not be owned by the author and may be owned by third parties. Such Intellectual Property and Reproductions cannot and must not be made available for use without the prior written permission of the owner(s) of the relevant Intellectual Property and/or Reproductions.

Further information on the conditions under which disclosure, publication and commercialisation of this thesis, the Copyright and any Intellectual Property and/or Reproductions described in it may take place is available in the University IP Policy (see http://www.campus.manchester.ac.uk/medialibrary/policies/intellectual-property.pdf), in any relevant Thesis restriction declarations deposited in the University Library, The University Library’s regulations (see http://www.manchester.ac.uk/library/aboutus/regulations) and in The University’s policy on presentation of Thesis.

Acknowledgements

I want to acknowledge my appreciation for the advice, follow up and encouragement of my main supervisor, Dr Judy Zolkiewsky, who has been a true coach, providing guidance and direction through the *long,* however, rewarding years of the DBA journey. Three years of monthly tutoring sessions Sundays 7:00 AM; I may miss them.

A word of appreciation too, to Dr. Jamie Burton, co-reviewer in my second, third and fourth year end reviews, and to my second supervisor Dr. Ebi Marandi, who showed wisdom by listening first and then advising, providing valuable insights.

I would like to recognize the patience, support and closely sharing the development of my studies of my wife Adriana, my career lifetime companion. Also a recognition to my 3 sons, Enrique, Diego and Andres who followed with interest all the steps of my DBA journey.

Finally, my deepest gratitude to the professionals and executives who willingly agreed to be interviewed for this research, generously providing deep insights of the trade of management consulting.

About the Author

Enrique Alfonso Páez

MBA - High Studies Technology Institute of Monterrey, EGADE Mexico City

B. Sc. E. - La Salle University, Mexico City, Best Student Award

Mr Páez currently holds the position of *Chief Human Resources Officer* , Partner at Deloitte Mexico, tenure of 5 years leading people matters; he is a member of the Americas Talent Council and the (global) Digital Learning Council.

Before that role, Mr Páez accrued 26 years of experience performing management consultancy transformation projects in large local and multinational customers, with both Deloitte and formerly with Andersen Consulting (today Accenture).

The LinkedIn profile of the author shows the following spontaneous endorsements from his business relationships,

111 endorsements in management consulting

89 endorsements in business transformation and business improvements

78 endorsements in business strategy and organisational design

Chapter One: Introduction

1. Introduction

The consistent growth of the management consulting industry demonstrates on average a sustained perceived value from consulting services (Pitkaeniemi, Burchfield, Gronwall, Jankowski, Layton, Anhalt and Pramuk, 2011), an industry that according to Heng (2013) was valued at US$ 89.5 billion globally as of year-end 2012. Management consulting has evolved as a profession during the last 100 years from diverse, sometimes amateurish practices, into sophisticated services delivered by multinational professionally organised consulting firms. However, there has been substantial debate and unresolved questions about how consultants specifically create value.

To pursue this reflection, a definition of value and its underpinnings appears critical. Vargo, Maglio and Akaka (2008) discussed value as "the improvement of a service system well-being" (Vargo et al., 2008: 149) which conceptually fits well with the reason for the existence of consulting work. However valid, it surfaces as too generic to be useful.

Consulting has been discussed as a pre-eminent knowledge intensive business; see section 2 for multiple citations. When knowledge is discussed, it has the immediate precedent of learning. Organisational learning is forged into, and structured from the scaffolding of organisational capabilities. There are several levels of capabilities, where higher order capabilities (or capabilities that develop capabilities) command the organisation of lower levels of capabilities (Zubac, Hubbard and Johnson, 2010; Helfat, Finkelstein, Mitchell, Peteraf, Singh, Teece and Winter, 2007).

This research aims to find if there is a connection between higher order dynamic capabilities and value creation capabilities within management consulting, and if so, contextually explain its key components and their combination.

Value is not created in a void but through interaction and relationship (Möller, 2013) and a product or a service unconsumed is without value (Priem, 2007). The subject of relationship and the role of the customer in value co-creation are inescapable, in order to respond to the question "how does knowledge create value?"

Finally, to the knowledge of the researcher there has not been empiric research that weaves all the aforementioned constructs together in what has been managed today as learned tradition at the level of an art, or as the secret recipe of each consultant.

This research explores by means of elite interviews with executive consultants and consulting customers how value is created and how its components may be reconfigured, trying to shed light on deliberately improving consulting customer value co-creation in a virtuous cycle.

1.1 A summary of key concepts from extant literature

1.1.1. Value

Normann and Ramírez (1993: 65) contend that "strategy is the art of creating value". The creation of value is the core purpose and central process of economic exchange (Spiteri and Dion, 2004).

However, value appears to be one of the most elusive constructs in management and marketing literature (Carù and Cova, 2003), and has evolved from benefit to the firm (give versus get), to *means-end* models (Woodruff, 1997; Zeithaml, 1988), to value as value-in-use by the customer and only phenomenologically determined by the customer (Vargo and Lusch, 2008a). The field of research is crowded with seldom consistent definitions and interpretations, which thus lead to confusion (Khalifa, 2004; Sánchez-Fernández and Iniesta-Bonillo, 2007; Grönroos and Voima, 2013) . There is general recognition of the complexity and subjectivity of the meaning of value (Hilton, Hughes and Chalcraft, 2012).

An article by Ng and Smith (2012) is helpful in classifying the prolific value literature in five different views. The authors cited below by the researcher are only intended as an illustrative, not an exhaustive list:

(1) Economic Worth of the Customer (customer lifetime value). This current represents the classic marketing goods dominant logic, where value is embedded in the price of product paid (Zeithaml, Bitner and Gremler, 2000; Rust, Zeithaml and Lemon, 2000; Kotler and Keller, 2012).

(2) Perceived satisfaction of firm's offering (assessed by the firm). Studies of perceived customer value from the perspective of what was delivered (Parasuraman, 1997; Ravald and Grönroos, 1996; Eggert and Ulaga, 2002; Ulaga and Chacour, 2001).

(3) Net difference of benefits against costs (give versus get) (Zeithaml, 1988; Bowman and Ambrosini, 2000).

(4) Means-Ends i.e. customer's evaluation of attribute offerings as means towards a goal (Woodruff, 1997; Flint, Woodruff and Gardial, 2002; Bowman and Ambrosini, 2007).

(5) Value can be phenomenologically determined only by the customer (Vargo and Lusch, 2004), value-in-use (Grönroos and Gummerus, 2014) value as an experience (Helkkula, Kelleher and Pihlström, 2012), and value only determined in a context[1] (Edvardsson, Tronvoll and Gruber, 2011).

Helkkula, Kelleher and Pihlström's (2012) research characterises customer's phenomenologically determined value as value-in-experience, and argue that the value experience does not necessarily follow a linear sequential timeline, e.g. pre-assessment, consumption and post-assessment, but progresses in an iterative hermeneutic spiral of individual and collective sense.

1.1.2. Co-creation, Service Dominant Logic (S-DL) and Service Systems; Service Logic (SL)

The concept of S-DL was first published in 2004, reviewed in 2008 and has stimulated extensive debate ever since (Vargo et al., 2008; Vargo and Lusch, 2004; Vargo and

[1] Added by the researcher

Lusch, 2008a; Vargo and Lusch, 2008b; Vargo and Lusch, 2008c; Vargo and Lusch, 2006; Vargo and Lusch, 2011; Edvardsson et al., 2011; Hunt and Madhavaram, 2006; Lusch, Vargo and Tanniru, 2010; Sheth, 2011). Service Logic (SL) is an alternative approach developed by the so-called Nordic School of Marketing, and SL is not so distant from S-DL but focuses on the provider not as co-creator but as value facilitator and on co-creation through interaction (Grönroos, 2008; Grönroos, 2011b; Grönroos, 2011a; Grönroos, 2006; Grönroos and Gummerus, 2014; Gummesson, 2011; Payne, Storbacka and Frow, 2008).

Two key tenets of S-DL are: (1) value as phenomenologically determined by the customer, and (2) service as the fundamental basis of exchange, i.e. service is exchanged for service (Vargo and Lusch, 2004).

1.1.3. Relationship Theory in Value Creation

Relationships have been extensively studied as a fundamental component in the value creation process. The role of value in a dyadic relationship has been studied from two perspectives: (1) as the resulting value of a buyer-seller relationship (Möller, 2006), and (2) creation of value through or in the relationship (Lindgreen and Wynstra, 2005), and recently as value from interaction in a B2B relationship (Möller, 2013).

It has been suggested that the relationship between buyer and seller has a critical role in value creation, and is as important to marketing management as the marketing mix (Zolkiewski and Turnbull, 2002). Relationship value emerges from the process of exchange that involves every intangible attribute that a supplier and a buyer offer collaterally to an exchange of goods or services, before, during and after the exchange (Ulaga and Eggert, 2006; Möller, 2006), e.g. knowledge sharing, reputation and long term productivity gains from mutual learning.

A perspective of value through interaction, relationship and networks of relationship has brought substantial new contributions to B2B marketing. Håkansson and Snehota's (1995) research is cited as a ground breaking study in that regard. Möller (2013) proposes a model with both relationship marketing (RM) and business networks (BN) at the core of a model or marketing map, explaining a perspective of customer – supplier interaction and relationship formation, further illustrated in Chapter 3.

1.1.4. Dynamic Capabilities and Competencies

Several researchers, directly or indirectly have proposed that organisations create value not just by understanding the needs of their customers, but by deeply understanding the nature of their own capabilities, competencies and resources (O'Cass and Ngo, 2012; Möller, 2006). Clulow, Barry and Gerstman (2007) concurrently posit that the most important source of value is derived from intellectual-based assets and capabilities.

This research explores the difference between capabilities and competencies, which have been found used indistinctively in the literature, as a few researchers have also noted (Marr, 2006; Möller, 2006). Core competencies have been argued as unique market-oriented, collective learning of an organisation such that integrates multiple streams of technologies aimed to the delivery of value (Prahalad and Hamel, 1990).

At a more granular level, capabilities, being intangible [2] or intellectual resources, are abilities to perform a task or an activity. They are information-based processes or business routines (Amit and Schoemaker, 1993; Winter, 2003) or "complex bundles of skills and accumulated knowledge, exercised through organisational processes that enable firms to coordinate activities and make use of their assets" (Day, 1994: 38).

Capabilities are classified into: (1) *operational* e.g. repetitive processes at a functional level, and (2) *dynamic*, which are processes that allow the firm to change its resource base and look forward to meet different strategic and competitive challenges (Helfat et al., 2007; Zubac et al., 2010), however in real life there is not a clear cut frontier between both types (Helfat and Winter, 2011). In this research the term *higher order* capabilities will be used equivalently to dynamic capabilities, i.e. capabilities that build capabilities, as will be further discussed.

The creation of customer-value has been discussed as depending on a firm's capabilities, e.g. the possession, application and utilization of knowledge and skills for the benefit of the receiver (Ngo and O'Cass, 2009). A dynamic capability is then argued as a capacity

[2] Intangible assets have been also identified as "knowledge that can be converted into profit" (Sullivan, 1998: 4)

of an organisation to create, extend or modify its resource base deliberately (Helfat et al., 2007; Winter, 2003). Teece (2009: 3) posits that dynamic capabilities enable an organisation to "create, deploy and protect the intangible assets that support superior long-run business performance".

According to Grant (1996a), knowledge has emerged as the most strategically-significant resource of the firm particularly in dynamic market conditions. Dynamic capabilities and knowledge management are said to have an area of strong relationship and overlap (Easterby-Smith and Prieto, 2008), mostly related to tacit knowledge, hence learning can be a dynamic capability itself (Ambrosini, Bowman and Collier, 2009; Hubbard, Zubac and Johnson, 2008). Strategic learning capability (Thomas, Sussman and Henderson, 2001) is an organisation's dynamic capabilitiy that implies learning from a firm's customers in order to improve the provider firm's value facilitation capabilities (Hubbard et al., 2008).

1.1.5. Theoretical Framework

As a result of the merging of two value creation models, (Ngo and O'Cass, 2010) and (Vargo et al., 2008), this research proposes an emerged theoretical framework (described in section 3.9) to advance the first step of the qualitative, abductive method followed in this research.

1.2 Research aim

This research aims to explain several variables critical to value co-creation processes in the context of management consultancy, based on empirical data obtained from experienced consultants and customers of consulting services. Those said variables, namely capabilities and relationship have been formerly researched under diverse contexts, involving high complexity with nested variables dynamically combining.

Lindgreen et al. (2012) identified a research gap concerning capabilities management related to a firm's abilities to create value. This value creation happening in interaction with a business partner (be it supplier or buyer) either in a dyadic relationship or immersed in a network.

This thesis aims to contribute by shedding light in the closing of that gap, by describing the interaction of factors that contribute to value co-creation within management consulting assisted initiatives.

1.3 The research question

A pilot project formerly conducted with the objective of exploring the mechanisms that contribute to developing customer equity for a management consulting firm, identified several constructs and produced a first rough approximation to their inter-relationship and causation. The *value* construct emerged from this project as a core, a gravitational centre of the rest of the inter-related constructs discussed, closely related and embedded in a relational continuum.

This knowledge acquired during this pilot prepared the basis for the research question (RQ) that has guided the present thesis. The literature review was useful in finding relevant and updated academic research on each one of the topics involved in the construction of the RQ.

Henceforth an initial, preliminary research question was determined to guide the research:

> R.Q. - How do capabilities and dynamic capabilities as resources of a management consulting organisation enable interaction to co-create value to clients and to the consulting firm?

Being such a broad question with several concepts involved, it needed to be broken down into several subsidiary questions:

> S.r.q.1- What is value, how and by whom is it construed in the service of management consulting?
>
> S.r.q.2- What is the role of relationship and interaction in value creation of management consulting?
>
> S.r.q.3 - Which operational capabilities intervene in value creation in management consulting?

S.r.q.4- What roles do higher order or dynamic capabilities have in value co-creation through relationship and interaction in a consulting service system?

The *preliminary main* research question that guided this research was refined after several abductive research iterations, as will be explained in Chapter 6, and the RQ was finally reduced to:

What arrays of capabilities and interaction are required for management consulting sustained value-facilitation?

1.4 Justification for topic choice

1.4.1 Academic justification

This research intends to advance our knowledge about value facilitation by management consulting and how any such firm's dynamic capabilities may be structured to enable value facilitation and co-creation, within a complex relational process as the service of consulting.

This research may be seen as an empirical test of Service-Dominant Logic and Service Logic in association with *dynamic capabilities*, under the context of value co-creation processes of a management consulting firm. This thesis embraces the definition of "operant resources" of S-DL (see Table 11-2) under the capabilities hierarchy in interaction with co-creation processes. The link between capabilities as bundles of resources and value creation in the literature has been sparse (Gruber, Heinemann, Brettel and Hungeling, 2010; Sirmon, Hitt and Ireland, 2007) i.e. no clear cut replies were found to the following questions: How should a firm configure their capabilities aimed at customer value-in-use?, In what circumstances?, In what context?, What resource configuration and competence combination contribute more to value and to superior performance?, What is the role of co-creation?

The former discussion emerging from both the literature review and the empirical data researched, cannot be explained without taking into consideration the causal effect of relationship through interaction. The role of relationship in a management consulting

service system is also explored, taking a small step further into the empiric explanation of its role, having found for instance, that relationship is contextually dynamic throughout the three stages of the consulting service cycle.

1.4.2 Personal justification

This research started from the researcher's personal quest to explain how knowledge can be converted into cash, after 23 years of direct participation with the management consulting industry, where the researcher has practiced consulting assisting in enterprise transformation through turbulent contexts like the *Internet bubble,* financial markets crisis, the development of knowledge economies and the shift towards a service economy.

It may also be fair to assume that the peculiar cultures and styles of consulting firms have something to do with their success. However, what is their contribution to the subject of the research question?

1.4.3 Business justification

Understanding the mechanisms that create value in consulting assisted endeavours may help:

(1) Advancing the understanding of the consulting profession and its value creation mechanisms,

(2) Consultants reflecting on their value facilitation capabilities to be more successful by making their customers more valuable, and therefore increasing the consultant's long term customer equity, and

(3) Consulting customers may obtain a few concepts indicating how to extract better value from a consultant.

1.5 Methodology

This research aims to look deep into the structure of the combination of higher-order capabilities that command capabilities, moving from superficial description into detailed explanation (Pentland, 1999). Therefore, a critical-realist ontology stance was thought appropriate for uncovering unseen mechanisms of the open ended questions of the nature of society (Bhaskar, 2008). These phenomena(Rouse and Daellenbach, 1999; Zubac et al., 2010) are best studied using qualitative methods.

The research design follows a systematic combining abductive method (Dubois and Gadde, 2014), which moves back and forth between empirical research and theory; such a method relies on a tight and emerging framework and advocates a non-positivistic and non-linear research.

The data for this research is collected conducting in-depth, semi-structured elite interviews. Deep interpretation is applied as the recognition of common threads among meanings, where the researcher extracts constructs interpreted from interviewee's experiences (Spiggle, 1994). McCraken (1988:18) refers to the researcher as "the investigator as instrument", meaning the relevance of using the researcher's background, position and experience to extract the required data from the interviews.

Finally the interpreted data is coded using a template (Miles and Huberman, 1994) extracting findings to arrive at a discussion of findings and managerial implications.

1.6 Thesis outline

In Chapter 2 the researcher introduces the reader to a quick overview of the management consultancy industry and its key characteristics, in order to start providing context for the rest of the thesis.

In Chapter 3 a comprehensive literature review is covered. The reason for such varied topics at first sight is due to the complexities in discovering the underpinnings of the value construct and the potential connections that the research question intends to establish. The chapter ends with a perspective view of a merged model of value creation to jump- start the abductive research process.

In Chapter 4 the meta-theory and philosophical foundation of the research are discussed.

In Chapter 5 a further step into the funnelling of the research process is advanced, by discussing the research design and methods selected.

In Chapter 6 a discussion in detail of the application of methods used to collect and analyse data is introduced.

In Chapter 7 groups of findings directly correlated to the data are introduced, extracted and arranged by key constructs, which emerged contrastingly between consultants and customers interviewed.

Chapter 8 presents findings by discussing firstly all the emerging constructs following the order of the analysis template and arranged in a coherent model, and contrasted also with key extant literature concepts. The three salient constructs are then synthesised in a model and described accordingly. Underlying models or relationship and strategic learning dynamic capabilities are developed in parallel latter to be articulated into the final synthesized overarching model.

In Chapter 9 several managerial implications emerging from the research overall are discussed, as well as limitations and further research.

Chapter Two: Research Context: Industry Background

2. Research Context: Industry background

2.1. Introduction to the management consulting industry

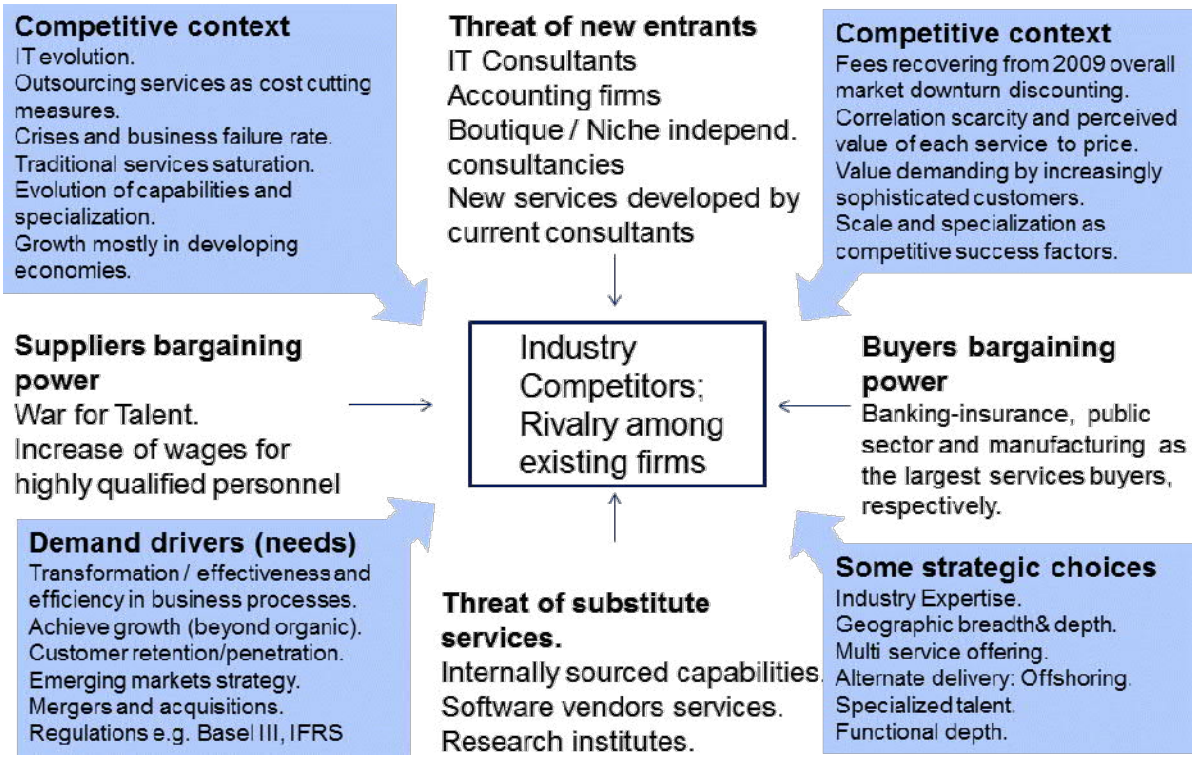
The management consulting industry presents value propositions as value-in-offering to the business community, emanating from their abilities to collect, organise and transfer the best of the collective knowledge (also named 'best practices') about specific industries (Anhalt, Jankowski, Lohse, Newton, Schneider and Smith, 2010). Management consultants are expected to provide methods for improving management and business practices by *providing advice,* which was unstructured and sparsely practiced during the first half of the 20th century. Management consulting has matured and flourished through the advent of the knowledge economy and had evolved into a normed profession (Kubr, 2002).

Glückler and Armbrüster (2003:271) allude to management consulting as an "unbounded profession", with not-infrequent entrants and exits mainly of small competitors, given the low barriers of industry entry (see Figure 2-1). The range of services under the generic *management consulting* term is wide and difficult to sort out as will be addressed in Section 2.2.

The management consulting organisation's profile may also vary from very small firms, e.g. an expert working from a home-office to large multinational structured firms, given the low capital intensity required. This research has focused in the latter segment, which has grown exceptionally over the last 50 years in size and sophistication in accordance with the take-off of the knowledge economy.

The competitive context of the management consulting market and its competitive forces are depicted in Figure 2-1, which describes the nature of a highly specialised management consulting business and its competitive environment. The figure was synthesised by the researcher with information from two market analysts and using the five forces of competition framework by Porter (1980). Figure 2-1 is introduced to show the most relevant variables that have an involvement in today's competitive context of

any large[3] institutionalised management consulting firm and as reference for some concepts that will be further discussed.



Management Consulting - Forces Driving Industry competition – Adapted from Porter (1980), adapted with data from IBISWorld (2012) and Kennedy Research report data - Pitkaeniemi et al. (2011)

Figure 2-1 - Management consulting industry competitive environment

The management consulting market has become very competitive, as it has evolved into a mature business, and consulting clients are becoming more demanding… "clients are expected to demand increasing value for funds spent on consultancies" (IBISWorld, 2012: 8).

2.1.1. How consulting emerged as a new profession

Consulting emerged and flourished and was consolidated as a profession in the 20 th century, mostly in the US. It developed because of the anti-monopoly laws that inhibited

[3] E.g see Table 2-1. List is illustrative and not exhaustive.

sharing know-how among same-industry competitors "as an unintended consequence of American legislation of the 1930's aimed to restrict the flow of collusive information between firms" … "anti-trust regulation not only institutionalized management consulting during the 1930's, it also shaped the development of computer consulting during the 1950s" (McKenna, 2006: 20). However, Kubr (2002) sees a different driver for the growth of the consulting profession, as the natural and organised evolution of the advent of *scientific management* during the first half of the 20th century, (Kubr, 2002)with a steep maturing and consolidation in the second half.

As a profession, management consulting evidenced an inflection point after the 2 nd World War with the professionalisation of business management counselling (Kubr, 2002) since as McKenna (2006:67) argues "The wartime economy of the *1940's* created new opportunities for consultants". The war had imposed complex management challenges that were frequently solved by heuristic methods. Several of these methods became organised into regimented disciplines, as for example, operations research, statistical process management or industrial engineering.

Those disciplines gained their way into business problem solving and were frequently adopted as tools by specialised consultants (Kubr, 2002). In the 19 *50's-1960's*, management consulting exploded, capitalized by firms like Arthur Andersen that diversified and professionalized electronic systems implementation. The other large multinational accounting firms also followed suit (McKenna, 2006).

McKenna (2006) argues that three relevant events gave form to the current management consulting industry:

> (1) During the late *fifties*, large accounting firms entered management consulting by implementing computerised accounting systems, Arthur Andersen being the first firm leading such service offering,
>
> (2) In the last two decades of the twentieth century, the management consulting profession experienced new participants from the computer manufacturing industry, i.e. IBM, Cap Gemini, EDS, Hewlett Packard, CSC, Tata Consulting Services (Delong, Gabarro and Lees, 2007: 44), resulting from a very large complementary strain of services that were developed with the advent of computer systems design and implementation,

(3) Large multi-service consulting firms emerged, growing into high specialization and diversity. The specialization occurred from service offering, regional and industrial, developing a complex multi-faceted industry mosaic.

The growth of the consulting industry from 1980 to 2000 can be attributed to the changing economic factors and the advent of the knowledge economy (Glückler and Armbrüster, 2003; Maister, 1993). The emergence of Internet and electronic business giving way to an explosive boom and afterwards to the rupture of the Internet bubble e.g. the Dotcom crash in early 2000's (Beattie, 2003), as well as a relentless innovation in information technology are also factors that have renewed and consolidated current consulting service offerings.

2.1.2. Industry definition and specificity of scope

The word consulting is applied in colloquial business discourse as *advice* to diverse business situations, professional practices and service areas, (legal, tax, finance, real estate, art, engineering … and almost any other knowledge related discipline), so the definition is first narrowed by always using the two words, *management consulting*. Even within this range, the definition of *management consulting* becomes challenging, given the wide range of modes, service areas of professional practice, styles and structure of firms that can be encompassed under the colloquial *management consulting* umbrella.

IBISWorld (2012) industry analyst, for instance defines the industry in terms of its service areas:

> "Management consultants provide advice and assistance to organisations on strategic and organisational planning; financial planning and budgeting; marketing objectives and policies; human resource policies, practices and planning; production scheduling; and control planning. It is important to note that while this industry does not incorporate information technology (IT) or computer consulting services, any revenue generated by IT strategy services are included" (IBISWorld, 2012: 2).

DataMonitor (2010) industry analyst acknowledges the following services as the most relevant offerings in management consulting: (1) corporate strategy services, (2) operations management services, (3) information technology solutions and human resources (e.g. organisation design) management services, and (4) outsourcing services (DataMonitor, 2010: 7). The IBISworld (2012) criterion for analysis is roughly similar,

simply adding financial advisory services, and actuarial and benefits consulting. Kennedy Consulting market research firm adds *risk management* to the services involved, but excludes both outsourcing and actuarial services from the management consulting umbrella (Anhalt et al., 2010).

The criterion of classifying and comparing consulting firms by services and revenues among analysts varies. The management consulting industry comprises a few public and some quite large private organisations that are not liable to disclose data. The use of different classifications of service lines produces data inconsistency when the intention is market analysis and comparability (Glückler and Armbrüster, 2003). Each market analyst claims validity of his own estimated figures based on his own methodology, which is mostly composed of interviews and proprietary databases (Anhalt et al., 2010; DataMonitor, 2010).

A disparity worth mentioning for the sake of illustrating the complexity involved in the comparison of figures is the reporting of Accenture's management consulting data. IBISWorld analysts (IBISWorld, 2011: 32) include their outsourcing business, so they report a management consulting revenue figure of US$11.1b for the year 2010. However, Kennedy Information analysts exclude outsourcing services as management consulting, and so a figure under the same heading is reported as $3.5b for 2010. Equivalent data labels from different analysts may represent different things.

According to IBISWorld (2014) the global management consulting market in 2013 is estimated at USD $343.5 billion, averaging a 2% compounded annual growth in the last 8 years and in 2013 slightly surpasses the level revenue achieved in 2008, signalling the recovery from the financial crisis of 2009. This industry, with 2.7 million professionals (IBISWorld, 2014) is also now facing consolidation and intense competition, with new entrants from the IT industry having an impact.

The growth is geographically uneven, depending on each particular area's economic growth or degree of impact of financial crises; so for instance, emerging economies like China, India and South Korea have shown a higher steady demand growth. The geographical market share of consulting markets based on revenue is: North America with a 37% share, Europe with 44%, Asia-Pacific with 16% and Latin America with 3% (Pitkaeniemi, 2014:4).

IBISWorld (2012) analysts project a CAGR [4] global industry growth of 4.6% in the next five years, to USD$390.8b market value in 2017. Latin American market's CAGR is expected at 5.7% for the period 2013-2017 (Pitkaeniemi, 2014).

The Industry Value Added [5] (IVA) offered by the industry is estimated as a ratio of 54% of its revenue for 2012 (IBISWorld, 2012).

Demand for consulting services is closely linked to the economic cycles of a region or country; demand is particularly sensitive to business and government spending (IBISWorld, 2012). From 2006 to 2010 the growth (or decrease) of the management consulting industry experienced a correlation to the growth of the economy however, amplified by a factor (Pitkaeniemi et al., 2011: 21).

Table 2-1, adapted from Pitkaeniemi et al. (2011: 109) introduces the 20 largest management consulting firms and their ownership status. Ten out of those 20 corporations are private partnerships. From the remaining public 10, only one, i.e. Booz, Allen and Hamilton is a pure core business management consulting firm, and is not part of a large corporation like IBM or a large division of an Information Technology or HR diversified corporation that may have interaction or synergy with their management consulting division (e.g. Accenture, Cap Gemini, CSC, Towers-Watson, AON, Hay, Marsh-Mac or Atos-Origin).

It should be noted that Booz & Co. was acquired by PwC, also a private partnership, in October 2013 and re-named *Strategy&* (Marcinek and Farrell, 2013). Figure 2-2 shows an update of revenue for the 5 largest firms for 2013.

So, merely from simple observation it is clear that that the private partnership model is still valid and effective for firms whose *raison-d'être* is to provide management consulting advice, as will be discussed in section 2.3.6.

[4] Compound average rate of growth

[5] Computed as the market value of goods and services produced by an industry minus the cost of goods and services used in the production process, which leaves the gross product of the industry

Management Consultant	Rank	Ownership	Revenue 2010 – Mill USD
Deloitte	1	Private partnership	$6,724
McKinsey	2	Private partnership	$4,492
Accenture	3	Public (NYSE:ACN)	$3,474
Marsh McLennan Companies	4	Public (NYSE: MMC)	$3,325
PWC	5	Private partnership	$2,910
The Boston Consulting Group	6	Private partnership	$2,515
Towers Watson	7	Public (NYSE:TW)	$2,379
IBM	8	Public (NYSE:IBM)	$2,074
Ernst & Young	9	Private partnership	$2,036
Bain & Co.	10	Private partnership	$1,763
Booz Allen & Hamilton	11	Public (NYSE:BAH)	$1,669
AON Corp.	12	Public (NYSE: AON)	$1,320
KPMG	13	Private partnership	$865
Booz and Co.	14	Private partnership	$855
A.T. Kearney	15	Private partnership	$827
Roland Berger Strategy Consultants	16	Private partnership	$760
Cap Gemini	17	Public (Euronext: CAP)	$545
CSC	18	Public (NYSE: CSC)	$479
Hay Group	19	Private corporation	$450
Atos Origin	20	Public	$446

Table 2-1. Largest management consulting firms; data taken from (Pitkaeniemi et al., 2011: 109)

A more recent study published by Kennedy Consulting Research & Advisory, presents an update of consulting firms ranked by revenue. The figures however, show: (1) perceptible large differences against Table 2-1 and, (2) by the profile of firms listed it may be fair to assume that chart on Figure 2-2 shows *all* consulting and not just management consulting. This argument aims to illustrate the complexity to consistently compare, describe and report figures of the consulting industry.

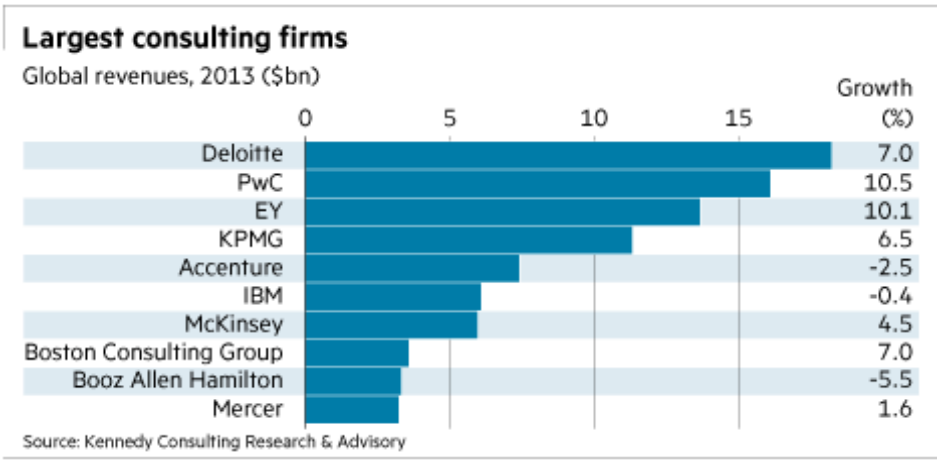


Figure 2-2 Largest consulting firms (Hill, 2014), published on-line by FT, taken from Kennedy Consulting Research & Advisory

2.1.3. Consultant's customer equity

Obtaining repetitive sales from the leading organisations in a chosen industry or market segment is a critical step for consultants in building customer equity[6] (Rust et al., 2004; Rust et al., 2000).

Repetitive sales are achieved from relationships with customers, reputation, brand and image and references from former services, all of which may eventually be transformed into cash (IBISWorld, 2011). However, there has been a constant pressure from clients to get a tangible confirmation of consulting value delivery, and they have sought for value-based-billing approaches to manage consultants, which are assumed to correlate the client value-in-use (or at least a tangible part of it) to the value in exchange agreed with the consultant. Value-based-billing has been more evident in services intended to achieve cost reduction (Pitkaeniemi et al., 2011).

2.2. Diversity of consulting services

The nature of the services offered by a management consulting firm can be very wide ranging, according to the solutions crafted for specific customers and customers' needs.

[6] Rust, Lemon & Zeithaml (2004: 110) define Customer Equity as "the total discounted lifetime values summed over all the firm's current and potential customers".

Two non-mutually exclusive perspectives are reviewed below. As can be inferred no consulting firm is equal to another, given accumulated experience from services and cultures; co-creation and relational processes are fine-tuned to each combination.

Another capability dimension to analyse will be technical versus relational (or both) according to the nature of the service. Specific arrays of competences start to appear complex. Capabilities are embodied in the consultants as a vehicle of the delivery of a solution (Nordin and Kowalkowski, 2010), so differentiated capabilities acquisition programs may become part of any such culture of a firm.

A generic mapping of consulting firms according to their asset intensity versus repetitiveness of the service provides a basic understanding of the value creation capabilities and style of service developed by each firm. The services offered in each of the quadrants of Figure 2-3 correlate to different requirements of internal capabilities' development, some very relevant to diverse fields of knowledge and skills, and another group of capabilities oriented to the efficiency and effectiveness of the service rendered.

It may be fair to assume that a firm that attempts to manage a large portfolio of diverse services will confront the challenge of effectively managing several formats of capabilities' development. It would follow that disciplined focus and specialisation are a competitive strategy of differentiation.

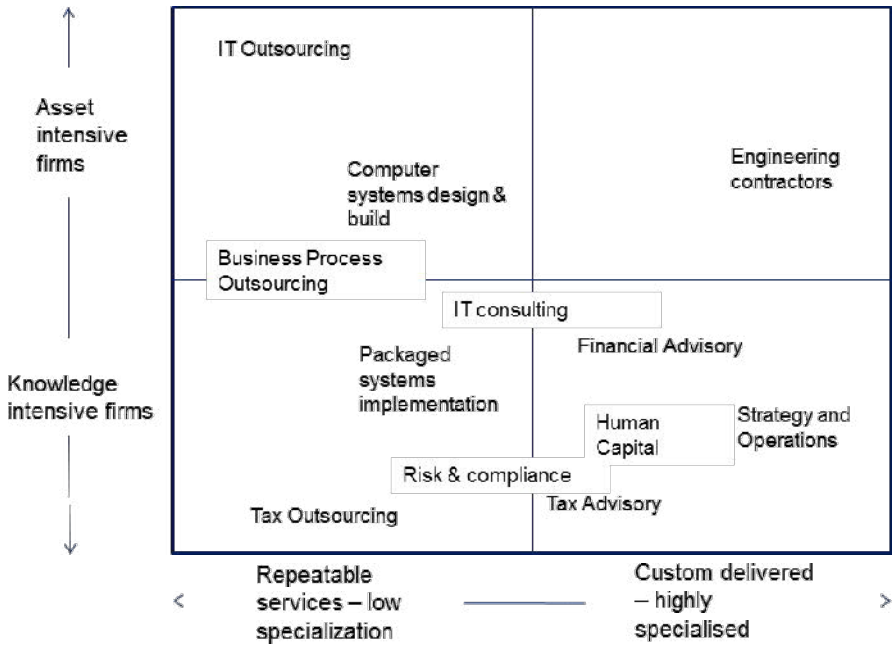


Figure 2-3- Asset intensity vs. service customisation. Adapted from (Anhalt et al., 2010:29)

2.3. Characteristics of the profession

Six characteristic traits of management consulting will be described in the following section; these are common denominators found in the literature: (1) Knowledge Intensity, (2) Innovation, (3) Relationship is at the core of consulting business, (4) A peculiar consulting style and culture, (5) Talent and HR practices, and (6) Ownership and governance: public corporations versus private partnerships.

2.3.1. Knowledge intensity

Management consulting has been regarded as a pre-eminently knowledge intensive business (KIBS) (Aarikka-Stenroos and Jaakkola, 2012; Lowendahl, Revang and Fosstenlokken, 2001; Fosstenløkken, Løwendahl and Revang, 2003; Werr and Stjernberg, 2003; Greenwood, Suddaby and McDonald, 2006; Howden and Pressey, 2008). A clear relationship has also been established between knowledge-creation, knowledge-management, and knowledge-transformation as components of valuable consulting services.

Management consulting regarded as KIBS belongs to third order service networks (Henneberg, Gruber and Naudé, 2013), under the marketing nomenclature of service systems, which will be discussed in section 3.6.1. Intangible assets and knowledge are at the core of KIBS, where the consulting professionals take on the role of knowledge brokers both in know-what and know-how sources of knowledge (Werr and Stjernberg, 2003; Ambos and Schlegelmilch, 2009; Sarvary, 1999).

Consulting firms have to engage actively in building processes that make a difference: (1) they must decide by whom and how the service is delivered, (Lindsay, Chadee, Mattsson, Johnston and Millett, 2003), embedded in a style reflective of their own corporate culture, and (2) they must develop the richness of their knowledge and the effectiveness of their knowledge transfer process to their clients (Smedlund, 2008; Lindsay et al., 2003).

The knowledge brokerage achieved by the consulting firms is only valuable if the knowledge involved is scarce or unique (both know-how and know-what). As knowledge

becomes publicly available, the perceived value of knowledge acquisition is decreased and the value propositions of the consultant become much more price-sensitive i.e. lowly differentiated or *commoditized* (Anand, Gardner and Morris, 2007; Anand, Ward, Tatikonda and Schilling, 2009; Delong et al., 2007).

A perspective from *dynamic capabilities* theory is that the existence of business processes, procedures or systems (know-how) which are the source of competitive advantage will be eventually replicated by the competition if they remain static and therefore their power will be eroded (Teece, 2009).

Knowledge management emerges as a core process of the consulting profession. Consultants have learned in different ways to manage their knowledge transfer from explicit to tacit and vice versa in several interactions and feedback loops (Nonaka, 1995) … "knowledge management is key in international consulting firms, as their product is knowledge" (Ambos and Schlegelmilch, 2009: 491). DeLong et al. (2007: 48) also argue that "creating knowledge is one of the most critical challenges facing Professional Services Firms", along with McKenna (2006) who argues that "management theorists have hailed consultancies as the ultimate institutions in the evolving knowledge economy" (McKenna, 2006: 15). Consulting firms have been identified as 'role models' in knowledge development coupled to value creation for the firm and for the customer (Lowendahl et al., 2001: 913).

Von Nordenflycht (2010) conducted an extensive analysis of 52 articles and books that studied professional services; in 86% of these sources, *knowledge intensive* was cited as a characteristic of the trade. Von Nordenflycht (2010) recognizes knowledge as such that is embodied in the minds of the professionals associated or employed with each firm, similarly to Sveiby (1997). However, Werr and Sternjberg (2003) argue in favour of the benefits to institutionalise knowledge systems, especially in large management consulting firms which happen to require intense developments of structural capital, but without disregarding the importance of the human capital.

Werr and Stjernberg (2003) conducted a study in five large global management consultancy firms; their findings reflect that the simultaneous existence and complementary use of implicit and explicit knowledge is a core organisational competence in management consulting. This concurs with the classic study of Nonaka

and Takeuchi (1995) i.e. an efficient structure to the transformation of tacit knowledge to explicit and then again to tacit knowledge is provided.

Consulting firm's professionals acquire most of their knowledge[7] on the job and during their client engagements (Sarvary, 1999). Institutionalised consultants thus have developed methods effectively to transfer the know-what and are expected to be the agents of the know-how. All the large *big-four* accounting firms and the large global management consulting firms (McKinsey, Bain, Booz Allen, BCG to illustrate the point) have identified knowledge activities embedded into their business processes and repositories in three identified states: (1) cases, (2) experiences and (3) methods and tools (Werr and Stjernberg, 2003). Explicit knowledge is found in the firms' databases and learning systems and is put into practice by well-designed training methods and facilities (Ambos and Schlegelmilch, 2009).

The type of clients a firm retains feeds back into the specialization and depth of learning its staff obtain, since most of learning is done in the delivery of the client engagement and collaboratively with the client personnel (Sarvary, 1999; Kubr, 2002). Fosstenlokken et al. (2003) argue accordingly for a model of "learning through client interaction" (Fosstenløkken et al., 2003: 863), or as Kubr (2002:5) posits, "experience and know-how concerning management and business practices come mainly from working with clients". The development of knowledge and innovation happens in a collaborative, co-creating process with the consulting clients through the delivery of the services (Sarvary, 1999; Von Nordenflycht, 2010).

Management consulting firms are knowledge-intensive, and their knowledge is primarily co-created with the clients. This discussion is relevant to the research because dynamic capabilities are composed of knowledge, which needs to be managed by the consulting firms either formally or informally, implying a continuous investment to maintain an 'inventory' of intangible assets of both tacit and explicit knowledge.

[7] Deloitte Consulting proprietary study reflects it is up to 70%, based on field observations.

2.3.2. Innovation

Innovation has been regarded as critical to consulting firms as an engine for growth, in order to maintain their profit margin by creating scarce 'objects of desire' or distinct value generation capabilities, and by improving their competitive edge on services, "consulting firms have an inherent imperative for both organic growth and diversification in the context of innovation" (Anand et al., 2007:407).

Reid's (2008) research goes further in describing the challenge of innovation in professional services firms imposed by force of competition and resulting in reduced payback periods on return on innovation. Smedlund (2008) notes however, that in professional services, services are innovated in close collaboration with the client, finding a connection in the strength of the customer relationship and the type of services innovated.

Innovation is also related to the efficiency and effectiveness of delivery of services. Assuming that all consulting firms in the same market have approximately similar costs, any such firm that achieves a better profit margin will have a wider allowance to re-invest in innovation, resulting in differentiated services, which may determine long term competitiveness. Anand et al. (2007) typify this innovation as channelled through the development of new service areas of practice. "Consulting firms must continually create new knowledge-based structures to remain innovative" (Anand et al., 2007: 407).

Real life examples of the struggle of consulting firms continuously to place new services on the market can be found in analysts' reports, e.g. (Pitkaeniemi et al., 2011; DataMonitor, 2010). Concurrently, another well-known analyst introduces his discovery that "generally [consulting customer] enterprises are disappointed with the consulting provider's ability to deliver on value-creating innovation and to provide industry insights" (Anderson, 2014: 2).

2.3.3. Relationship in management consulting

The customer-consultant relationship has been cited as central to the nature of the service and to the attempt to create value creation objectives assisted by consultants

(Edvardsson, 1990). Fincham (1999) argued that, at best, the client-consultant relationship is regarded as an overarching managerial structure and a contingent exchange assuming a huge diversity of forms.

Werr and Styhre (2002) noted thereafter that the extant literature had depicted two types of images from the discursive and constructivist nature of the consultant-customer relationship, varying considerably, depending on the situation and approach adopted. A distribution of power occurs in these images, sometimes controlled by the consultant's objectives and at other times by the customer's, resulting either in a functionalist or in a critical role. Werr and Styhre (2002) conclude that a change of perspective is needed given that consultant and customer forge the relationship in their course of action.

Nikolova (2006) typified the relationship between customer and consultant in four archetypes or models: (1) consultant as an expert, (2) the reflective practitioner model, (3) the critical model, and (4) the interpretive model. A summary of Nikolova's (2006) research is referred in Table 2-2. However comprehensive in its sociological roots, it could be suggested that successful co-creation consulting models are missing from being portrayed in Nikolova's (2006) research.

	The Expert Model	The Reflective practitioner Model	The Critical Model	The Interpretive Model
Key works	(Aharoni, 1993; Aharoni and Aharoni, 1993; Aharoni, 1997), (Gallessich, 1982), (Kubr, 2002), (Løwendahl, 2005), (Sadler-Smith, 2004), (Schein, 1999), (Sibson, 1971).	(Schön, 1987; Schön, 1983)	(Alvesson, 1995; Alvesson, 2001; Alvesson, 2004), (Clark, 1995), (Clark and Salaman, 1996; Clark and Salaman, 1998b; Clark and Salaman, 1998a), (Kieser, 1997), (Jackson, 2001).	(Boland Jr and Tenkasi, 1995), (Brown and Duguid, 1991), (Fish, 1980), (Fox, 2000),(Loasby, 1983; Loasby, 2001a; Loasby, 2001b; Loasby, 2002), (Tsoukas and Vladimirou, 2005)
Metaphors	The consultant as: "helper" (Schein, 1987, 2002;); "seller of expertise" (Aharoni 1997); "doctor" (Gallessich, 1982), (Rassam, 1998), (Schein, 1988).	The consultant as: "reflective practitioner" (Schön, 1983).	The consultant as: provider of institutionalised myths and rhetorician (Alvesson, 1993; Alvesson, 1995), 1995); "impression manager" / "storyteller" (Clark, 1995); (Clark & Salaman, 1996); creator of management fads (Jackson, 2001), (Kieser, 1997; Kieser, 2002)	The consultant as: *obligatory passage point*, reflective practitioner, interpreter, translator, and storyteller

	The Expert Model	The Reflective practitioner Model	The Critical Model	The Interpretive Model
Sub-forms	The "expert consultant" applies predetermined solutions to problems, almost irrespective of the contexts in which s/he finds them. The main task of this kind of consulting is the solution of practical problems and its value lies in its functionality and usefulness. The "pure researcher" studies social issues and problems, independent of a particular problem and client. This is the case when, for example, university professors work as consultants. The goal of the researcher-consultant is to bring scientific expertise into the companies. Examples are Fayoul, Taylor, Hammer and Champy, Porter.	The "reflective practitioner" solves only cases when the client's problem is of sufficient importance because the establishment of this relationship is difficult and time consuming. In emergent or routine situations when clients usually want a fast and efficient solution, rather than a long and risky conversation process, the expert type of consultant is more appropriate.	There are two sub forms: management gurus and management consultants. Management consultants rely less on charisma than management gurus. While management gurus create a universal appeal, consultants address individual client's needs. These rely less on charisma than management gurus. While management gurus create a universal appeal, consultants address individual client's needs. These differences are, however, a matter of emphasis rather than category distinctions (Fincham, 2002)Also, some management gurus establish their own consultancies so that guru and consulting activities overlap.	Consultants, who offer legitimized, fixed through previous discourses problem solutions, act as experts or *obligatory passage points* for such problems. On the other hand, there are consultants who engage in disturbing and bringing *noise* in fixed interpretations. and, as such, act more as reflective practitioners
Nature of Knowledge	Knowledge is a decontextualized, objectively definable asset or a resource; it is independent of its carriers and their interpretations. Consulting knowledge is based partly on an abstract body of knowledge and partly on consulting methods.	Consulting expertise is embedded in the professional body of knowledge. It is only partly based on technical expertise (abstract body of knowledge). An important part of it embedded in a skillful practice and is constructed in a process of *reflection-in-action*.	Knowledge is a social product. Consulting knowledge is developed in interaction with the client and is ambiguous and idiosyncratic. Images, stories and symbols serve as *rationality-surrogates* and constitute consultant's real expertise.	Knowledge is created and shared within socio-culturally constituted discursive practices. Consulting knowledge is based on abstract concepts and experience developed, transmitted, and maintained in shared interpretive communities.
Knowledge asymmetry	Consultants as experts have the capacity to solve clients' problems; the client is a lay person and is more or less excluded from the problem-solving process. There is a unidirectional knowledge asymmetry.	Client and consultant both possess knowledge important for the problem solution; there is a mutual knowledge asymmetry.	Because of the intangible and interactive character of the consulting service, clients have difficulties in evaluating the consultant's knowledge and the provided service before and after it has been delivered. There is unidirectional knowledge asymmetry.	Knowledge necessary to solve routine problems is more common and shared across different interpretive communities. There is no substantial knowledge asymmetry. When clients and consultants face a novel and complex problem, they will have different perspectives on the problem and the right solution. There is a mutual knowledge asymmetry.
Communication and knowledge transfer	Communication is a process of information transfer between client and consultant. Important aspects of the communication process are the communications channels, the characteristics of messages and the motivation and absorptive capacity of the involved individuals.	Communication is a process of reflecting on one's own understanding and sharing it with others. This requires intensive interaction between the involved individuals.	Communication is a process of creating impressions, images, and stories. In this way, consultants try to impress the clients and convince them that they have something valuable to offer. Rhetorical skills and acts are important aspects of the communication process.	Communication is a process of translation and of creating alignment between interpretive communities. Only when some conceptual frameworks are shared is translation, new meanings emerge and new knowledge is created
Power aspects	Because consultants possess a unique scientific body of knowledge, it is the right of the consultant to determine the problem solution on the basis of professional judgment. The client does not participate in the problem-solving process and is dependent on the knowledge of the expert (consulting-centric view).	Both consultant and client are powerful and interdependent because both parties possess relevant knowledge and make important contributions to the problem-solving process. Because power is balanced, it does not influence the knowledge transfer process.	Consultants are powerful and persuasive figures; they use rhetoric, stories, and symbols to impress clients and sell management fads. The client is passive and dependent on consultants and the management fads they create (consulting-centric view).	Client and consultant are mutually dependent. Power is constructed through discourse; it is dependent on knowledge and vice versa. Power is the *interpretive dominance* over other interpretive communities.

Table 2-2 - A summary of models of client-consulting relationship. Adapted from Nikolova (2006:157)

2.3.4. A peculiar consulting style and culture

The management consulting profession has developed over years of practice peculiar organisational cultures and methods of delivery of the services and the relationship styles, which (see Table 2-2) each consulting firm develops with its clients.

Firms as adaptive or *mutable* organisms have been anticipating industry needs; they frequently innovate their trade by developing and *coining* major new ideas which become *items of desire* developed by management professionals (McKenna, 2006). Day (2002) contends that an innovative, proactive and risk taking organisational culture facilitates the absorptive capability needed to generate and sustain market-driving value creation.

Two examples are cited to illustrate the point.

A first case of a noticeably distinctive culture is McKinsey, whose consultants have been occasionally nicknamed "the Jesuits of Capitalism" [8] (Rasiel, 1999: xii). In fact, the *corporate culture* concept was coined in three very influential articles by McKinsey professionals; this later became a product, and became a generic term currently used in business and academic papers. According to McKenna (2006: 192), McKinsey thus achieved a "codifying and *commodifying* of professionalism".

The second case is the former Arthur Andersen /Andersen Consulting (now Accenture) firm where its partners referred to their Saint Charles, Illinois training facility as their own competitive tool for accelerating their professionals' knowledge acquisition and immersion into their culture; that facility was colloquially known among outside practitioners as the *factory of clones* because of the strong impact it achieved in ingraining Andersen's culture into their professionals (Squires, Smith, McDougall and Yeack, 2003).

[8] Additional supporting references:
http://www.procurement-iu.com/blog/2011/3/mckinsey_-_the_jesuits_of_capitalism_fall_from_grace
http://gaianeconomics.blogspot.mx/2011/11/mckinsey-jesuits-of-capitalism.html

2.3.5. Professional staff management

A firm's talent is the embodiment of tacit knowledge and delivery of services and is thus a critical component of a definite differentiation from the competition (Becker, Huselid and Beatty, 2009). Heskett et al. (1997) discuss the critical development of a *cycle of capability* i.e. having an engaged and highly committed service delivery workforce of front-line employees.
The significant challenge resulting from the knowledge-intense nature of the business is attracting and retaining a highly qualified workforce, a process colloquially depicted as "cat herding" (Von Nordenflycht, 2010: 160). High-performance professional services firms require the best talent they can get, since the professional workforce becomes the embodiment of knowledge and the delivery of the customer experience (Von Nordenflycht, 2010; Smedlund, 2008).

Notwithstanding the knowledge intensity discussed, management consulting organisations face intensive human resources requirements because they have to manage intense, challenge-driven personalities, rather than purely knowledge-intense ones (Delong et al., 2007). Good consultants constantly have the option of moving outside their respective consulting firms (Chambers, Foulton, Handfield-Jones, Hankin and Michaels Ill, 1998) and consequently performance management needs to be performed to high standards of discipline, care and attention to each case, so as to identify the following generations of leaders and instil corporate desired behaviours and values i.e. *what it takes to belong here* (Delong et al., 2007).

2.3.6. Public corporations versus private partnerships

Private partnerships have been identified as efficient mechanisms to manage professionals with high expectations of freedom and autonomy. Professional partnerships: (1) minimise costs associated with agency involved in a corporation and (2) are unusually suited to accommodate the requirements of knowledge workers. [Private partnerships]… "are suitable vehicles for managing professionals because they use collegial rather than hierarchical controls"…"they optimize the probability of job

satisfaction, retention and effort for professional workers" (Greenwood and Empson, 2003: 916).

Private firms have ideal settings to forge very strong corporate cultures with high loyalty and incentives for long term allegiance: "Partners are the culture in a professional service firm. What they do and how they do it sets the tone of what gets done and how" (Delong et al., 2007: 145). Greenwood and Empson (2003) note that internally owned professional service firms will outperform publicly traded firms, under specific circumstances, and Guzak and Rasheed (2014) also discuss issues of governability and collegiality required under the *clan* control style of professional services firms enabled by the private partnership mechanism. The clan style promotes motivation, retention and trust (Guzak and Rasheed, 2014).

Von Nordenflycht (2008) argues to the contrary that the proliferation of private partnerships originated in regulations that impeded regulated professions from having outside ownership, in order to avoid conflicts of interest rather than an "optimal adaptation to human capital intensity" (Von Nordenflycht, 2008: 1). Von Nordenflycht (2008) posits that the common benefits obtained from private partnerships can be replicated by public corporations under the correct conditions.

Conversely, Guzak and Rasheed (2014) argue that partnerships are the optimal governance structure for professional service firms based on their need for collegial controls, the use of tacit knowledge, and efficiency and effectiveness from their agency model, however, with the downsides of growth potential and options for diversification, particularly because of the involvement required from the customer in the service process.

Two rather recent cases can be offered as examples favouring private partnerships: (1) The demise of Bearing Point as a public corporation and its assimilation into extant private partnerships and, (2) the management buy-back by private partners of A.T. Kearney from the corporation EDS. As was also discussed as per figures of the current market in Section 2.1.2, Table 2-1 and Figure 2-2, the 4 largest consulting firms in the world are private partnerships and thus it may be fair to state that the private partnership is valid and effective.

Chapter Three: A Review of the Literature

3. A Review of the Literature

This research has drawn on value creation literature, Service Dominant Logic (S-DL) and co-creation of value, knowledge-intensive business and related competencies and /or dynamic capabilities as a further extension of resource-based view (RBV). The corresponding literature review has focused on dyadic *B2B* relationships in the process of value creation.

3.1. Value definitions and a historic perspective

3.1.1. Value

Tzokas and Saren (1999) argued that a commonly agreed *raison d'être* of marketing is to assist organisations to create value for their customers that is superior to that of their competitors, and in the same line, Normann and Ramírez (1993: 65) cite that "strategy is the art of creating value". However, it is difficult to find in (non-academic) business literature a term used as superficially as value …

> "Nowadays the virtues of value are extolled by many; consultancies peddle their value solutions, normative advice is offered by academicians, … managerial prescriptions are conveyed by thought leaders,… airport bookstores carry treatises from value creators… advice is seemingly ubiquitous. … however, managers seek this advice despite their appetite being rarely nourished" (Lindgreen et al., 2012: 211).

The value construct has hence been approached from many angles in business literature in diverse contexts, with ambiguous meaning (Parasuraman, 1997) and little consensus, as Graf and Maas (2008:2) illustrate: "There is remarkably little consensus in the literature regarding notation and conception in this research field". Concurrently, there is, in general recognition of the complexity and subjectivity of the meaning of value (Hilton et al., 2012), however little agreement of a unified definition of value can be found in the extant literature (Howden and Pressey, 2008). For instance, Khalifa (2004: 646) argues

that the concept of value is one of the most over-used and miss-used in the Social Sciences.

Nevertheless, the interest and importance related to the value construct keep attracting the attention of researchers and scholars as a critical importance factor in strategic management (Spiteri and Dion, 2004) given that the creation of value is the core purpose and central process of economic exchange (Vargo et al., 2008).

Sánchez-Fernández and Iniesta-Bonillo (2007) conducted an exhaustive literature review of the value construct. The authors concur in the lack of agreement among researchers about value, and attribute the disagreement to the complexity of context and objective of the definition of the value construct. Sánchez-Fernández and Iniesta-Bonillo (2007) classify value models and definitions as:

> (1) One-dimensional, where value has an utilitarian perspective and with an economic-cognitive perspective, very much "give versus get" (e.g. Zeithaml (1988)[9]), and
>
> (2) Multi-dimensional, where research has taken several directions like the 'means-ends' theory, which is judged by the attainment of the customer's goals (e.g. Woodruff's (1997) customer value hierarchy) or the 'utilitarian and hedonic value' (e.g. Holbrook's (1994, 2006)) typology of perceived value, which in the opinion of Sánchez-Fernández and Iniesta-Bonillo (2007: 439) "is one of the approaches that has contributed more to the study of the nature of perceived value".

Ulaga and Eggert (2005) acknowledge four characteristics of value: (1) customer value is a subjective concept (Kortge and Okonkwo, 1993), (2) value is conceptualized as a trade-off between benefits and sacrifices (Zeithaml, 1988), (3) benefits and sacrifices can be multi-faceted (Grisaffe and Kumar, 1998) and (4) value perceptions are relative to competition (Anderson and Narus, 1999). Conversely, Holbrook (2006) makes clear

---

[9] Zeithaml (1988) provided four definitions of value to illustrate the diversity in meanings and the difficulty in conceptualizing and measuring the value construct: "(1) value is low price, (2) value is whatever I want in a product, (3) value is the quality I get for the price I pay, and (4) value is what I get for what I give" (Zeithaml, 1988: 13).

what his understanding of customer value is not: (1) it is not economic value to the customer (equivalent to value in exchange) and, (2) it is not customer-lifetime-value (CLV) or the value of the customer to the supplier, and refers to value as the epitome of all Service Dominant Logic foundational premises (see Annex Table 11-4 for definitions of identified relevant value definitions and value construct derivatives).

Value connotations and meanings are provided depending on context (Priem, 2007) and have therefore been explored from different perspectives. Such complexity is summarised by Lepak et al. (2007) with the following statement issued in their Special 'Value Creation and Capture' topic forum discussion:

> "while one would be hard pressed to find a management scholar who would disagree that value creation is important, one also would find it equally difficult to find agreement among such scholars regarding (1) what value creation is, (2) the process by which value is created, and (3) the mechanisms that allow the creator of value to capture the value" (Lepak, Smith and Taylor, 2007: 180).

The term value may be found in contexts of 'superior customer value', 'high value customers', and 'value of an organisation' among others (Woodruff, 1997); service firms are required to deliver superior value in order to gain competitive advantage (Flint et al., 2002; Woodruff, 1997; Hamel and Prahalad, 1994) and in close relationship with customer-satisfaction and loyalty (Lam, Shankar, Erramilli and Murthy, 2004).

The definition of value is gaining complexity as new research comes to light, and the difficulty in arriving at a unified definition may lie in a dynamic and evolutionary value argumentation foundation. After performing an exhaustive review of value approaches in literature, the following Table 3-1 adapted by Ng and Smith (2012) synthesise the approaches in five categories:

Firm centric; value is 'created'	(1) Economic Worth of the Customer (customer lifetime value). (2) Perceived satisfaction of firm's offering (assessed by the firm).
Preferential judgement of the customer, based on potential use or experience	(3) Net difference of benefits against costs (give versus get) (4) Means-Ends (customer's evaluation of attribute offerings as means towards a goal).
Service dominant logic and Service Logic	(5) Value can only be phenomenologically determined by the customer (Vargo and Lusch, 2004), value-in-use (Grönroos and Gummerus, 2014), value as an experience (Helkkula et al., 2012), and value in context (Edvardsson et al., 2011)

Table 3-1- Synthesis of value research approaches. Adapted from Ng and Smith (2012)

O'Cass and Ngo (2012) have produced influential articles pertaining to the recent trend of co-creation of value. The authors contend that value needs to be studied by considering three perspectives: (1) performance or the resulting delivery of the goods or services, (2) value created by the relationship, and (3) value jointly produced between buyer and seller or value co-creation. This will be further analysed in section 3.6.1.

Value is regularly studied in connection with other theories; four relevant perspectives are discussed in this chapter with key concepts: (1) value and buyer-supplier relationships in Section 3.3, (2) value and Resources-Based-View (RBV) in Section 3.4, (3) value and competences and dynamic capabilities in Section 3.5, and (4) Service-Dominant-Logic (S-DL) and holistic value models in Sections 3.6.1 and 3.6.2. These topics are all closely related and can only be isolated figuratively for study purposes.

3.1.1.1. Ontological perspective of Value

The elusive definition of the 'value' may also have its cause in the ontological position of each researcher, as illustrated in the following Table 3-2.

Positivistic ontology	*Critical-Realist Ontological foundation of value*	*Constructionist ontological foundation of value*
Traditional Goods Dominant Logic. Classic Marketing Approach with 'value' embedded and packaged in the product or service, and produced and delivered by the provider.	Service-Dominant Logic. (Vargo and Lusch, 2004) (detail explained in Section 3.6). Value is phenomenologically determined by the customer, based on operant resources and is co-created in a process, from the exchange of Service (Vargo & Lusch, 2004).	Customer-Dominant value (Heinonen, Strandvik and Voima, 2013; Edvardsson et al., 2011) . Value is determined by client's context and reality; value as product of human experience is society-formed, as reality is socially constructed, not created.

Table 3-2. Ontological perspectives of value

3.1.2. Perceived customer value

Lapierre (2000: 123) defined perceived customer value as the difference between benefits and sacrifices perceived by the customers in terms of their expectations, i.e. needs versus wants, aligned with Ravald and Grönroos (1996). However, 11 years later Grönross & Ravald (2011: 6) argued that value creation seems to be used without nuances independently of context and perspective … "despite the emerged research there is little consensus in regards to the definition and concept of perceived value". A similar perspective is evidenced from Boksberger and Melsen's (2011) research on perceived value, where they contend: (1) little consensus in definition of perceived value, (2) a lack of agreement among academics results in inconsistent empirical measures and, (3) the interdependence of perceived value with customer service and quality, which has been discussed controversially.

Trends in the literature have demonstrated an interest in differentiating customer-satisfaction and value-in-use from customer-value, which has been documented in models explaining the interactions among its constituent constructs. Eggert & Ulaga are frequently cited by academics exploring constructs and their connections and effects in value exchange relationships and studying also the difference between customer-perceived-value (cognitive construct) as a precursor of customer-satisfaction resulting in positive behavioural intentions, and customer-satisfaction itself, an affective-cognitive

construct (Eggert and Ulaga, 2002; Ulaga and Eggert, 2005; Eggert, Ulaga and Schultz, 2006; La, Patterson and Styles, 2008).

Graf & Mass (2008) also note that perceived quality is an antecedent to, and an important component of how customers perceive customer-value (CV), and also that CV is a subjective judgement and is always assessed in relation to a competing offer and/or former experience. Customer value has therefore been described as a dynamic higher-order construct (La et al., 2008; Graf and Maas, 2008; Ulaga and Chacour, 2001).

Exploring the concept further, differences are found between desired-customer-value which focuses on the customer's needs and desires, and perceived-customer-value as observed benefits and sacrifices (Flint et al., 2002; Woodruff, 1997). Conversely, there is broad agreement in the literature on the relationships between CV, quality, and customer-satisfaction (La et al., 2008). Patterson, Johnson and Spreng (1997) also claim that the key intangible resources of a firm (framed by Resource-Based View or RBV) are the precursor of perceived performance and thus of perceived value and customer satisfaction.

Ulaga and Chacour (2001) researched customer perceived value (CPV) from the perspective of the supplier and identified three characteristics: (1) CPV is a trade-off between benefits and sacrifices perceived by the customer, (2) customers are heterogeneous and perceive value differently, so value may be different for each market segment, and (3) competition makes value relative in comparison to other offerings. Flint, Woodruff and Gardial (2002) increase the scope and complexity of customer value by analysing the desired customer value change and present two perspectives: (1) CV is composed by judgements of what a customer perceives he or she has received before, during and after consumption and (2) what customers want to have happen when interacting with the suppliers. What customers desire as value changes constantly so CV is a moving target and suppliers need to anticipate or to predict it, hence the concept of customer desired value change (Flint et al., 2002).

In the complex value ecosystem formerly described, La et al. (2008: 275) highlight the added difficulty of defining value in professional services, "which are complex, highly intangible, highly customised and high in credence properties". CPV in professional services has been generally linked to the perceived performance confirmation/

disconfirmation of expectations and satisfaction paradigm (La et al., 2008; Patterson, 2000; Patterson et al., 1997; Zeithaml and Parasuraman, 2004).

Customer value assessment according to Keränen and Jalkala (2013b) occurs alongside the relationship. They identify 4 stages: (1) value potential identification, (2) baseline assessment, (3) long-term value realization, and (4) systematic data management. It is also the supplier's responsibility to assist the customer in the understanding of the full value potential possibilities (Keränen and Jalkala, 2013a).

Notwithstanding the abundance of research, the lack of consistency in the interpretation of constructs appears challenging, hence the absence of common construct definitions suggests the need of definitions on a contextual case by case basis. Lepak et al. (2007: 183), for instance, propose at least "two ways to conceptualize the process of value creation: (1) a single universal conceptualization, and (2) a contingency perspective that explains how value is created from the vantage point or perspective of a particular source".

From the relationship perspective, the scope of the research question (see Section 6.2.9) is focused to relationships in a dyadic buyer-seller interaction which are immersed in a network. Notwithstanding the relevance that the network has in mediation of the value co-creation process (Akaka, Vargo and Lusch, 2012; Håkansson and Snehota, 1995), the boundaries of this research have been deliberately set to the immediate transaction actors in the dyad of a relationship i.e. buyer and seller in a similar perspective to Möller (2006), because their self-interest and objectives (however immersed in a network context) are the ones that drive immediate value co-creation.

3.2. Brief historic synthesis; early value studies

3.2.1. Early marketing studies – value embedded in goods

Lindgreen and Wynstra (2005) summarize value from the extant literature in the 1950's and 1960's as an attribute of a core product and an augmented product, as a psychosocial attribute of consumers and as an economic attribute of customers in relation to their economic potential to the supplier i.e. "One of the earliest and most popular works on

product and customer value is that by Lawrence D. Miles, Techniques of Value Analysis and Engineering, from 1961. Miles contends that in a free enterprise system, with competition at full play, success in the business world over the long-term hinges on continually offering the customer the best value for the price asked " (Lindgreen and Wynstra, 2005:734).

3.2.2. Value and strategy

Value evolved as a fundamental construct of analysis for marketing and competitive advantage. Many of the works developed in the 1980's and 1990's reflect a firm's inward-looking reaction to customer's needs, mostly aimed to optimize the supplier's profit and responding to consumer perceived value predominantly in B2C exchanges (Kotler and Keller, 2012)[10]. The role of marketing was discussed as "to assist the firm to create value for its customers that is superior to the competition" (Tzokas and Saren, 1999: 53) and value is argued as: (1) a higher-order[11] construct that should not be reduced to operational measurement, (2) hence consumers and firms can create value through collaboration and competition, and (3) relationship between consumers and firms is the only way to achieve their interests, by means of dialogue (Tzokas and Saren, 1999), so the firm can be in a better position to offer superior value to its shareholders (Rust et al., 2000).

Porter (1985) contends that competitive advantage is achieved either by differentiation or by cost, and introduces the *value chain* model to decompose the steps of value creation inside the firm, embedding value in each step of the chain and judging value by the firm's output (Porter and Millar, 1985; Porter, 1991; Lee and Yang, 2000).

It is at this stage that the initial Resource Based View (RBV) theory was developed, and primarily identified as a theory of competitive advantage through the marshalling of bundles of resources that meet the characteristics of (1) valuable, (2) rareness, (3)

---

[10] Refer to preliminary editions of this classic book

[11] Higher-order is interpreted as a construct that has multiple dimensions and several levels of abstraction.

inimitability and (4) non-substitutability, and coined as the 'VRIN' acronym (Barney, 1991; Porter, 1991), which afterwards evolved into 'VRIO' i.e. Valuable, Rare, Inimitable, and Organisation (Barney, 1995; Barney and Wright, 1997; Barney and Hesterly, 2012).

Woodruff's (1997) well-known article has been frequently cited [12] by value researching scholars as being possibly the first and one of the few that defines value satisfactorily from a multi-dimensional perspective (Zubac et al., 2010) and has been identified as influential from a 15 year perspective (Lindgreen et al., 2012). Woodruff (1997) developed CV research from the angle of competitive advantage and a CV hierarchy model based on desired-customer-value (DCV) and the evolution it takes towards customer satisfaction. Woodruff (1997) identifies areas of consensus and divergence among researchers who had addressed the customer-value construct, positing that (1) there is no uniform and consistent definition of CV, (2) CV is perceived by the customers, not determined by the provider and (3) CV definitions diverge while relying in different terms to define it, e.g. utility, worth, benefits, etc. Woodruff's (1997) CV hierarchy considers: (1) product attained attributes and performance, (2) desired consequences, and (3) customer's goals, with their corresponding customer satisfaction. However, it is a framework primarily oriented to B2C instances and the organisational learning involved in a firm's strategies.

3.2.3. Value and solutions

Before moving forward, it is important to briefly provide background and definitions about *solutions* and value, found in the literature.

Tuli, Kohli and Bharadwaj (2007) are frequently cited as providing a comprehensive definition of *solution* which from a customer's perspective is "a set of customer–supplier relational processes comprising (1) customer requirements definition, (2) customization and integration of goods and/or services and (3) their deployment, and (4) post-deployment customer support, all of which are aimed at meeting customers' business

[12] 3471 citations in Google Scholar as of Oct 2014

needs" Tuli, Kohli and Bharadwaj (2007:1). Nordin and Kowalkowski (2010) have afterwards undertaken a comprehensive review of *solutions*, highlighting: (1) individuals as primary vehicles of delivery, and (2) utilisation of skills and knowledge to enable key delivery processes.

Moeller, Ciuchita, Mahr, Odekerken-Schröder and Fassnacht (2013) relate solutions to customer value creation in the roles that customers take and identify a solution as the response to a customer's problem, between an identified existing state and a desired state of affairs. They typify five roles in CV creation patterns, where the co-creation in consulting assisted initiatives may be situated between characteristics of Cluster #2 (comprehensive help seeker) and ideally Cluster #3 (engaged problem solver), which are the customer high learning-high acting two profiles.

3.3. Relationship theory in value creation

Gummesson (1998: 247) has noted "an unsold product has no value, and a service provider without customers cannot produce anything" so value is not produced in a void, but through interaction in a relationship with customers. A product or service unconsumed is without value (Priem, 2007).

The role of customer-supplier relationship in value creation has therefore been studied as a fundamental component in the value creation process, as will be discussed following in this section and relationship is central to the nature of management consulting work (Werr and Styhre, 2002).

Value derived from relationships is an evolving construct with differing points of view and many nuances modifying its definition. Three classic illustrative definitions worth citing are:

(1) the simple relationship benefits less corresponding relationship costs (Zeithaml, 1988; Desarbo, Jedidi and Sinha, 2001),

(2) the perceived benefits plus relationship benefits divided by the sum of perceived sacrifice plus relationship sacrifices (Ravald and Grönroos, 1996) and

(3) the expected relationship value (ERV) i.e. “the perceived net worth of the tangible benefits to be derived over the life of the relationship” (Hogan, 2001: 340).

The relationship between buyer and seller has a critical role in value creation, and is one of the most important variables studied by marketing management (Zolkiewski and Turnbull, 2002). Relationship value emerges from the process of exchange that involves every intangible attribute that a supplier and a buyer offer collaterally to an exchange of goods or services, before, during and after the exchange, e.g. knowledge sharing, reputation, long term productivity gains from mutual learning … “the secret of value creation is building a better and better fit between relationships and knowledge“ (Normann and Ramírez, 1993: 65). Relationship is hence repeatedly cited as a key element to allow progress to be made in the co-creation of value where large information asymmetries are present, and trust is identified as a key antecedent of building relational capital with suppliers (Barney and Hansen, 1994).

3.3.1. Determination of value in business relationships

Wilson and Jantrania (1994) are frequently cited among the ground-breaking scholars having researched value creation in relationships. In the said article, Wilson and Jantrania (1994) posited connotations and context of relationship value (implicitly dyadic) as (1) economic, in the form of cost reduction, value engineering, investments quality and concurrent engineering, (2) strategic, i.e.: goals compatibility, time-to-market, strategic fit and core competencies and (3) behavioural; value is discussed as applicable to any given context of social bonding, trust and culture.

Several academics embarked thereafter in research of measurements and constructs to capture the value derived from relationship, as will be discussed in the following paragraphs. Lindgreen and Wynstra (2005) conducted a comprehensive literature review of value, and discussed value in its role of a dyadic relationship from two perspectives: (1) as the resulting value of a buyer-seller relationship, and (2) creation of value through or in the relationship; value and relationship start to be described inextricably linked from each other.

Grönroos (1997:412) defined perceived customer value equal to core value plus (or less) added value, where added value is implicitly referred to as the benefits and costs of the relationship. However, tangibly grasping or measuring the added value is problematic, since very few companies have systems and processes to measure it (Zolkiewski and Turnbull, 2002).

Tzokas and Saren (1999) confirmed and expanded the concept of value, which occurs through the collaborative acts of the consumers and is transformed by the relationships between firm and consumers (Tzokas and Saren, 1999). Lapierre (2000: 133) later posited that "value drivers are product, service and relationship related". Walter, Ritter and Gemünden (2001) proposed a model of functions of customer relationships which has: (1) direct value creating functions related to the firm's immediate performance: profit, volume and safeguard and (2) indirect functions, namely innovation, market, scout and access (Walter, Ritter and Gemünden, 2001).

Ulaga (2003) argued "the measurement of value creation in value-seller relationships is in its infancy" (Ulaga, 2003: 677) and then identified 8 drivers in buyer-supplier manufacturer relationships intended to assist suppliers to improve value in their relationships, as per Table 3-3. Ulaga's (2003) model was later enhanced by Eggert, Ulaga and Schultz (2006) considering a few new variables: core offering, sourcing process, customer operations and relationship life cycle (moderator).

The enhanced model demonstrates the dynamic nature of value creation in business relationships ... "offering superior value through personal interaction and service, access to know-how and increased time-to-market appear as promising avenues for differentiation" (Eggert et al., 2006: 25).

Product Quality	Product performance Product reliability Product consistency
Delivery	On-time delivery Delivery Flexibility Accuracy of delivery
Time-to-market	Design tasks Prototype development Product testing and validation
Direct Product Costs	Price, above, below, at competition Annual price decreases Cost reduction programs
Service Support	Product related services Customer information Outsourcing of activities
Supplier know-how	Knowledge of supply market Improvement of existing products Development of new products
Personal interaction	Communication Problem solving Mutual goals
Process Costs	Inventory management Order-handling Incoming inspections Manufacturing

Table 3-3 -Relationship value drivers, adapted from Ulaga (2003:682), from a study of automobile manufacturers

Howden and Pressey (2008) compiled key value dimensions from several authors in seller-buyer contexts. Their findings are focused on high credence relationships where buyers find it difficult to evaluate the purchase even after consumption (ref: Table 3-4). The findings evidence the potential of the *value dimensions* to reduce the information asymmetry disequilibrium and reduce perceived risk. Table 3-4 has been augmented to consider the research of Aarikka-Stenroos and Jaakkola (2012) related to co-creation in Knowledge Intensive Businesses (KIBS).

Author(s)	Approach	Value dimensions – High Credence relationships
(Aarikka-Stenroos and Jaakkola, 2012)	Value Co-creation in Knowledge Intensive Businesses	(1) Expert knowledge (Specialised skills, project management, and Understanding the customer). (2) Diagnosis skills (Proactive attitude, Willingness, Confidence, Risk prevention) (3) Facilities and professional equipment (4) Experience (Accumulated knowledge, Ability to detect patterns, Ability to structure the process. (5) Objectivity, integrity and work ethics. (6) Relational capital as complementary skills.
(Howden and Pressey, 2008)	Empirical – Professional Services managers' perceptions of competencies that create CV. The case study from an insurance brokerage in the UK.	From the customer point of view: (1) the agent's know how, (2) trust, (3) personal interaction, (4) service fulfilment, (5) location and (6) direct / indirect costs. From the perspective of front-line staff: (1) trust, (2) personal interaction, (3) service fulfilment, (4) location and, (5) direct / indirect cost.
(Harmsen and Jensen, 2004)	Empirical – Marketing managers perceptions of competencies that create CV.	Identified 28 competencies which create CV. The 5 most highly rated were: (1) product development, (2) customer relations, (3) ability to adapt / flexibility, (4) strategy, and (5) market analysis competence.
(Baxter and Matear, 2004)	Empirical – CV dimensions as perceived by suppliers b-2-b buyer-seller relationships.	CV dimensions: (1) competence, (2) attitude, (3) intellectual agility, (3) relationships, (4) organisation and renewal, and (5) development.
(Möller and Törrönen, 2003)	Conceptual – Supplier's capability profiles which produce value.	CV creation viewed as a spectrum ranging from core-value production based on 8 capabilities: (1) production, (2) delivery, (3) process improvement capacity, (4) incremental innovation, (5) relational, (6) networking, (7) radical innovation and, (8) mastering the customer's business.
(Ulaga, 2003)	Empirical – Purchasing behaviour of mfg. companies in the USA. Buyer value dimensions in b-2-b buyer-seller relationships.	CV creation dimensions: (1) product quality, (2) service support, (3) delivery, (4) supplier know how, (5) time-to-market, (6) personal interaction, (7) direct product costs, and (8) process costs.
(Walter et al., 2001)	Empirical – Supplier's perspectives of customer value.	CV creation as the result of 'direct-value functions' or 'indirect-value-functions'. Direct: (1) profit function, (2) volume function, (3) safeguard function (directly related to company performance). Indirect: (1) innovation function, (2) market function, (3) scout function, (4) access function (indirectly related to company performance).
(Lapierre, 2000)	Empirical – Industrial customers of IT.	CV dimensions: (1) alternative solutions, (2) product quality, (3) product customisation, (4) responsiveness, (5) flexibility, (6) reliability, (7) technical competence (8) supplier's image, (9) trust, and (10) supplier's solidarity with customers.
(Lapierre, 1997)	Empirical – Professional services.	CV dimensions in 2 areas: Value Exchange: (1) technical quality, (2) functional quality, (3) relational variables, and (4) image. Value-in-use: (1) financial, (2) social, (3) operational, and (4) strategic.

Table 3-4 - Dimensions of relationship value in high credence relationships; developed from Howden and Pressey (2008: 792)

It has been also argued that value creation occurs as a function of power relationships between buyers and seller, and requires the competences of both parties (Håkansson and Snehota, 1995; Möller, 2006); hence Möller (2006) proposed a continuum with three basic modes of value production: (1) core value production in stable exchange markets, (2) value added value exchanges and (3) future value creation via radical innovation. A resulting 3 by 3 matrix-model is proposed to explain conceptually the value creation processes depending on the strength of the value creation drive, dominated either by the buyer or the supplier or in equilibrium. The model allows the identification of dynamic capabilities required from the buyer and the supplier for each one of those combinations (Möller, 2006). All in all, the impact of a relationship in B-2-B vendor differentiation has greater impact than cost considerations (Ulaga and Eggert, 2006).

Value appropriation, or the value that each party derives from an exchange depends on the degree of creation by each party but also depends on market forces and negotiation skills (Pardo, Henneberg, Mouzas and Naudè, 2006; Corsaro, 2014). The parties involved in an exchange may consider other factors as value besides the pure monetary reward, like acquisition of knowledge, experience and reputation i.e. intangible assets as knowledge stocks, potential generators of future earnings (Mouritsen, 1998; Gu and Lev, 2001; Eisenhardt and Martin, 2000).

A per former Table 3-3 and Table 3-4, quality in the service is inextricably related to relationship and customer value; quality is closely related to customer-satisfaction and is argued to be the foundation for a continued and profitable relationship and therefore, to contribute to increased shareholder value (Storbacka, Strandvik and Grönroos, 1994; La et al., 2008).

Whittaker, Ledden and Kalafatis' (2007) empiric research with a population of UK consulting firms posits a functional relationship between value and relationship, however with moderate future re-purchase intentions. Schertzer, Schertzer and Dwyer (2013) argue that quality in professional services has a strong causation in the degree of relationship (i.e., transactional, emergent or mature) between customer and provider; a more mature relationship favours much deeper interaction and better co-creation.

3.3.2. B-2-B relationships and service networks

The basis for B-2-B relationships emanates from a firm's basic purchasing and selling activities, which occurs by virtue of repeated interaction in the context of a relationship. This approach has been the focus of study of the IMP Group through cooperative research in business-to-business marketing; i.e. “the interaction approach takes relationship as its unit of analysis” (Turnbull, Ford and Cunningham, 1996:46).

In the same vein, Håkansson and Snehota (1995) researched relationship from the perspective of a network; this seminal research was the first to apply the network analysis to business relationships in a global context. The said research departs from a distinctive description of relationships, analysing their structural, procedural and roles in the enterprise. Håkansson and Snehota’s (1995) study highlights the interdependency and connectedness of the corresponding business actors, and thereafter explores relationships in business networks in order to arrive at the substance i.e. matter of business relationships and their activities, links and patterns, resource ties, actor bonds and their interplay. It is the basic interconnectedness of value creation.

Håkansson and Snehota (1995) describe business relationships between a dyad and then between networks, mapping empirically in several cases how the relationships and their formerly researched structures and related constructs get developed. This discussion is taken by Zolkiewski & Turnbull (2002) to a higher order with the relationship portfolio of a firm. Not all relationships are equally important to each actor of any said network, so a firm’s investment of resources in relationships is highlighted as a key business marketing activity (Zolkiewski and Turnbull, 2002).

Ford, Gadde, Håkansson and Snehota (2011) argue about the criticality of relationship management in business-to-business situations, involving the interaction of all the incumbents of any participating network, not just one party e.g. the seller itself, as per the traditional marketing approach i.e. (Kotler and Keller, 2012).

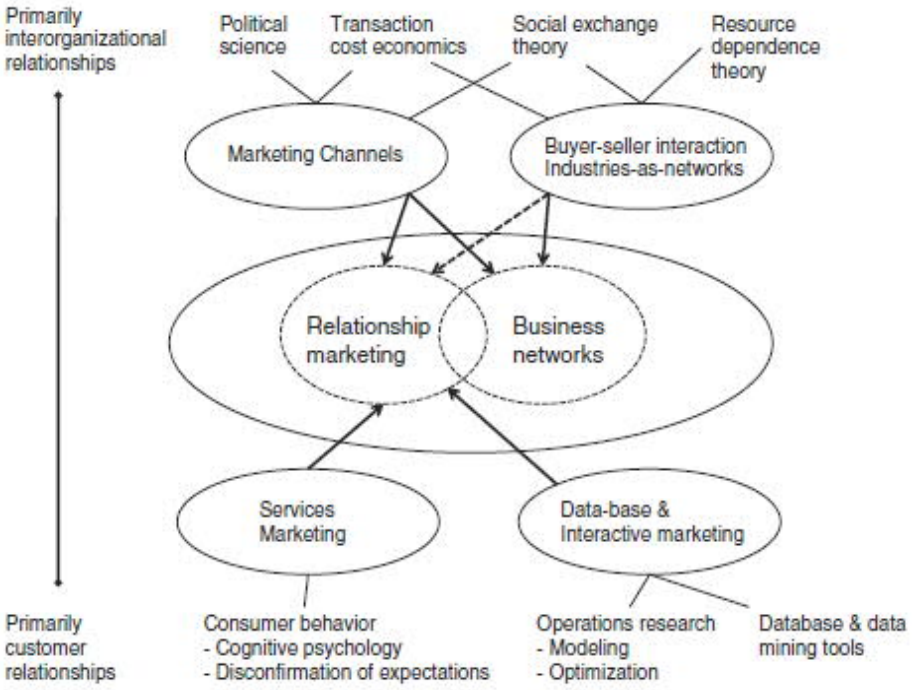


Figure 3-1 - Roots of business marketing and relationship networks. Taken from Möller (2013: 326)

Håkansson & Waluszeuski (2013) argue that interaction is the basis for every industrial marketing and purchasing process, hence of any value co-creation [13]. Common scientific knowledge of interaction is also argued as "quite limited" by Håkansson & Waluszeuski (2013:452). Möller (2013) centres both relationship marketing (RM) and business networks (BN) at the core of a model or marketing map (Figure 3-1) predominantly from a perspective of marketing studies. The model explains Möller's (2013) perspective to customer – supplier interaction and relationship formation (Lindgreen and Wynstra, 2005; Ulaga, 2003).

Möller (2013), sees both RM and BN as interacting but not unified; his model is useful to describe the complexity of modern marketing from its diverse, multi-layered and dynamic character as depicted in Figure 3-1, but possibly not integrating RM and BN in a unified theory because of ontological assumptions, as Gummesson & Mele (2010) argue. Möller´s (2013) map (Figure 3-1) explains the complex and multi-layered value co-creation of diverse network actors integrating, exchanging and co-creating resources.

[13] For further definition see Annex Table 11.3.
"Value of Problem Coping" from Ford and Mouzas (2013)

In comparison, the ecosystems and service systems research developed by Vargo & Lusch (2011) propose Service Dominant logic as a unified theory of everything [14], and which aligns better to the business network (BN) approach rather than the one from relationship marketing (RM) studies.

3.3.3. Trust

Trust has been argued to be a key variable that mediates a b-2-b relationship (Morgan and Hunt, 1994). A full review of the definitions, causes and effects of the trust construct would merit a thesis in itself, and its influence to and from relationship has also been deeply analysed resulting in a complex interaction. Corazzini (1977) noted that trust is a complex cognitive and multi-faceted construct.

A comprehensive review of the trust construct is beyond the scope of this research [15] however, given the connection of trust with relationship in the literature, this research does require a definition to anchor further discussions. Henceforth this research will approach trust as per the consensus synthesised by Day, Fawcett, Fawcett and Magnan (2013:153),

> "trust is the confidence that each party in a relationship will perform as promised and genuinely take each other's welfare into consideration as each makes decisions. Trust is promoted by strategic orientation, and inculcated via day-to-day behaviour" - definition partly based on the research of (Doney and Cannon, 1997).

The definition of trust by Day et al. (2013) is likewise aligned with discussions of trust in service exchanges literature, frequently citing Morgan & Hunt (1994) as for example, when one party has confidence in an exchange partner's reliability and integrity, or when there exists the ability to predict the actions of the other party in the relationship and the

[14] Further discussed in section 3.6.1

[15] For further discussion see (Day, Fawcett, Fawcett and Magnan, 2013), (Blois, 1999), (Morgan and Hunt, 1994)

belief that one party will not take advantage of the other party if given the chance to do so (Anderson and Narus, 1999; Lee, Han, Nam and Rho, 2013).

Nevertheless, Day et al. (2013) posit a model where increased trust does not strictly correlate to increased relationship; they note the possibility of a curvilinear negative correlation between relational capital and trust when other variables like skills enhancement, information sharing, empathy and dependability are not involved, and can be manifested in the form of relational inertia and resource misallocation, illustrating the complexity and nuances of trust and relational capital constructs.

Olaru, Purchase and Peterson (2008) argue that most conceptualisations of relationship benefits involve constructs of communication, trust, conflict and commitment, and Howden & Pressey (2008) cite trust as a key value dimension.

3.4. Resource-Based View as predecessor of capabilities

The Resource-Based View (RBV) theory (Barney, 2001; Priem and Butler, 2001) was developed under the premises that: (1) the firm is a collection of resources, meaning assets and capabilities and (2) that the possession of simultaneously valuable, rare, inimitable and non-substitutable resources can be a source of superior performance and may enable an organisation to achieve competitive advantage (Barney, 1991; Barney, 2001). Zubac et al. (2010: 515) claim current validity for RBV suggesting it is “currently the dominant theoretical framework for understanding heterogeneous firm performance”, and Kozlenkova (2014) notes in her historic compilation of RBV theories that the use of resource-based-theory in marketing research has increased by more than 500% in the last decade, suggesting the relevance and validity of RBV.

Further to the early proponents of RBV, researchers have explored the effect of key resources as both core sources of sustained value and as the main source for competitive advantage (Barney, 1991; Bowman and Toms, 2010; Bowman and Ambrosini, 2007; Bowman and Ambrosini, 2000). The availability to the firm and the firm's development of key resources foster the implementation of value-creating strategies that competitors cannot easily imitate (Varadarajan and Jayachandran, 1999; Barney, 2001; Barney and Hesterly, 2012; Teece, 2009).

Knowledge Based View (KBV), which gained momentum in the nineties can be viewed as a subcategory of RBV and posits knowledge in the form of non-observed managerial practices and routines as the main factor contributing to a firm's success and to the sustainability of the competitive advantage (Grant, 1996b). Organisational learning is associated with superior performance of a firm (Senge, 1990a) and higher order learning will be later argued as a dynamic capability (further discussed in 3.5.1) (Hubbard et al., 2008) such that it influences positively the formation of core competences of a firm (Wang and Lo, 2004).

Key resources are frequently identified with intangible assets (such as client trust and relationships) and capabilities (such as skills and knowledge) which are particularly inimitable. Clulow, Barry and Gerstman (2007) found that the most important source of value is derived from intellectual-based assets and capabilities; they argue that value flows from resources with specific attributes that are transformed into a sustainable competitive advantage and thus into customer value, assuming that the deployment of key resources concurs with a customer assessment of value…"the question of interest here is whether key resources that hold value for the firm also hold value for the customer" (Clulow et al., 2007: 22) and highlight the importance of industry context, e.g. the need to study different firms operating within an industry and the need to consider firms in different industry contexts.

Bowman & Ambrosini (2000) are noted for discussing the sequential steps of how value is created by the firm and is later realized or captured by the client. In a later article Bowman & Ambrosini (2007) relate value creation to five value creating activities, those being (1) product creation activities, (2) value realisation activities, (3) input procurement activities, (4) capital stock creating activities and (5) firm maintenance activities, hence proposing a resources perspective to firm value creation and to firm strategy management and competitive strategy. Another staging value creation model based on resources is offered by Lindgreen et al. (2012) who propose a model in three stages of resources: (1) analysis and further resources bundling activities, (2) creation and further resource leveraging activities, and (3) delivery and further resources structuring activities.

3.4.1. Critique to RBV

Salunke (2011) contends that RBV is a predecessor of the dynamic capability based-view, which studies the development of dynamic capabilities critical to the value generation process, as an evolution and/or extension from RBV (Ambrosini et al., 2009; Easterby-Smith and Prieto, 2008). Having said that, several authors have found weaknesses in the RBV model as a unique self-standing theory of competitive advantage.

Customer value or value-in-use[16] is not considered in the Bowman & Ambrosini (2007) model, nor in RBV, in which value is related to the wealth of the firm, i.e. RBV lacks a theory of customer value creation (La et al., 2008; Flint et al., 2002; Priem, 2007; Sirmon et al., 2007; Makadok, Piga, McWilliams and Siegel, 2002), "[RBV] does not address the process of transforming resources and capabilities into customer value" (Möller, 2006: 913). In the same vein, Sirmon et al. (2007) posit that it is not sufficient to have resources to achieve competitive advantage; resources need to be accumulated, used and combined in order to create value (Sirmon et al., 2007).

RBV has also been questioned for having a firm-inwards looking focus and so RBV disregards the relational perspective of joint exploitation between buyer and seller in value production (Möller, 2006; Möller and Törrönen, 2003; Ulaga and Eggert, 2005). Day (2014) goes further, arguing that resource based approaches run the danger of falling into an inside-out myopia, because the analysis always starts with the firm's internal paradigms filtering the signals of the market. Wang and Ahmed's views (2007) coincide in that they argue that RBV is not responding sufficiently well to the dynamism of markets and its impact on evolution of firms, however that can be solved by dynamic capabilities the attention of which is focused on market dynamics.

Notwithstanding the above, Wang and Lo (2004: 48) respond to the issue of "insufficient explanation about the process of transformation of key resources into customer value" by presenting a customer-focused performance theoretical model that links customer perceived quality together with customer-perceived sacrifices, i.e. price paid and their mutual effect to customer value, moderated by customer-satisfaction. Also Zubac et al.

[16] Priem (2007) uses the term "value creation" as an equivalent

(2010) argue that RBV is currently the dominant theoretical model to explain profitability and competitive advantage differences among competing firms.

Most interestingly for this research, some researchers posit that client-perceived performance is impacted by a professional services firm´s internal resources evidencing a pivotal role of human resources (technical skills, relationship, innovation, etc.), while client-perceived value is moderated by the customer's experience of buying services [17], and a strong link is identified between perceived performance in professional services and value (La et al., 2008).

3.5. Dynamic capabilities and competencies

This section will begin by considering definitions of core competences and dynamic capabilities. This discussion is relevant because of the diverse understanding of the terms found in the literature and the ambivalent use of competences and capabilities, and clarification is needed in order to decide to embrace the use of one of the constructs and not the other further-on in this research.

According to Marr (2006), organisations create value not just by understanding the needs of their customers, but by profoundly understanding the nature of their capabilities, competencies and resources. In fact, a strategy trap occurs when a firm does not connect their value propositions and customer needs with their own core competences (Marr, 2006).

Core competencies have been argued as "…the collective learning in the organisation, especially to coordinate production skills and integrate multiple streams of technologies… organisation of work and delivery of value" (Prahalad and Hamel, 1990: 82), and more specifically as "firm-specific skills and cognitive traits directed towards attainment of the highest possible levels of customer satisfaction vis-à-vis competitors" (Bogner and Thomas, 1994:113). Being cognitive implies that such traits are acquired by

[17] With country of origin and international firm´s experience moderators also considered

learning, like a unique corporate culture [18] or unique relationship development skills. Senge (1990a) argues that learning is the core to an organisation's competitive success.

A core competence must make a disproportionate contribution to customer perceived value, and it has to be distinctively unique among the firm's competitors, so that "core competences are the skills which enable a firm to deliver a fundamental customer benefit" (Hamel, 1994: 13). This is explained conceptually in Figure 3-2

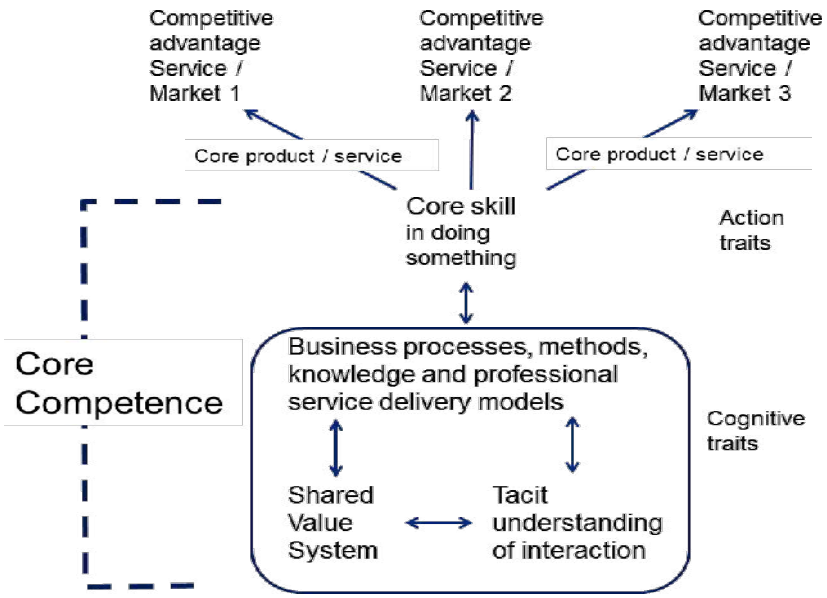


Figure 3-2 - Core Competences, taken from Bogner and Thomas (1994:114)

It may be assumed that core competences are hard to imitate, they enable an organisation to build assets that are slow and costly for competitors to copy and, are market focused, and e.g. it is the market that determines whether a provider's asset is offering a distinctive value compared with alternative offerings. The responsiveness of the market to the core competences is a propelling force for their update and evolution (Verdin and Williamson, 1994; Helleloid and Simonin, 1994). Core competences appear therefore as a set of capabilities linked to the strategic value proposition of an organisation (Marr, 2006) and they come in a higher hierarchy than dynamic capabilities since they allow the firm to recombine a firm's dynamic capabilities (Zubac et al., 2010) with a market

[18] Bogner and Thomas (1994:113) offer the example of shared value systems that may direct action in specific situations.

orientation, and are key determinants of customer-focused performance (Wang and Lo, 2004; Lee et al., 2013).

Capabilities, a fundamental intangible or intellectual resource, are argued as abilities to perform a task or an activity; they have been also discussed as information based processes e.g. business routines (Amit and Schoemaker, 1993; Winter, 2003) as "bundles of brilliance or centres of excellence" (Marr, 2006: 47), and also as "complex bundles of skills and accumulated knowledge, exercised through organisational processes that enable firms to coordinate activities and make use of their assets" (Day, 1994: 38).

A few researchers explain capabilities becoming competencies [19] when they are valuable, rare, inimitable and non-substitutable (VRIN) (Barney, 1991; Prahalad and Hamel, 1990), and capabilities acquiring significance in the context of value creation (Ngo and O'Cass, 2009). The creation of customer-value thus depends on a firm's capabilities, e.g. the possession, application and utilization of knowledge and skills for the benefit of the receiver (Ngo and O'Cass, 2009), or as Hubbard et al. (2008) argue, to meet customer expectations and add value to targeted customers.

There is some agreement in literature in classifying capabilities as: (1) *operational* e.g. repetitive processes at a functional level or (2) *dynamic,* which are processes that allow the firm to change its resource base and look forward to meet different strategic and competitive challenges (Helfat et al., 2007; Zubac et al., 2010). Capabilities are built by the bundling of resources (Sirmon et al., 2007), and in real life there is a blurred line between operational and dynamic capabilities given that change is always present [20] (Helfat and Winter, 2011).

Operational capabilities are also referred to as *ordinary capabilities*, being those that get tasks done proficiently (Winter, 2003; Teece, 2009).

---

[19] A nomenclature inconsistency is found among those authors who use competencies and capabilities interchangeably like (Zerbini, Golfetto and Gibbert, 2007: 785; Day, 1994). The difference, if any is a subtle one depending on intention or interpretation of use. However, authors like Zollo and Winter (2002) do differentiate capabilities as operational routines and competences more generically as abilities, "the object on which dynamic capabilities operate" (Zollo and Winter, 2002: 340).

[20] For example, from a high level perspective a manufacturing capability might seem purely operational, but technology self-innovations may happen over time, while keeping a low profile and a dynamic capability hidden.

The concept of *dynamic capabilities* is not easy to grasp in all its nuances and has been defined by researchers with some variations, however, maintaining a common base of understanding. Relevant dynamic capabilities definitions are offered here looking for a rounded, however, non-exhaustive perspective.

Helfat et al.'s (2007: 4) research argues that dynamic capabilities are "the capacity of an organisation to purposefully create, extend or modify its resource base", and Eisenhardt and Martin (2000: 1105) contends... "[Dynamic capabilities] are detailed, analytic, stable processes with predictable outcomes… [that] resemble the traditional conception of routines [or colloquially named *best practices*]… [and] create value for firms within dynamic markets by manipulating resources into value-creating strategies".

Dynamic capabilities have also been discussed as:

> resident in a firm's tacit knowledge and its organisational processes and in the leadership skills of its top management (Teece, Pisano and Shuen, 1997). They are not only tacit but inextricably linked to an organisation's experience, learning and practices, as in the case of relationship management (Teece, 2000).
>
> such that they (1) describe how ordinary capabilities are developed and resources re-arranged (Möller, 2006) and (2) enable an organisation to "create, deploy and protect the intangible assets[21] that support superior long-run business performance" (Teece, 2009: 3).

Zollo and Winter's (2002: 340) argue "a dynamic capability is a learned and stable pattern of collective activity through which the organisation systematically generates and modifies its operating routines in pursuit of improved effectiveness". This differs slightly from Helfat et al. (2007) and Teece (2009) in that: (1) Zollo and Winter (2002) emphasise the role of learning and, (2) a dynamic and rapidly changing environment is not cited as pre-requisite. Zollo and Winter (2002) claim dynamic capabilities apply to stable markets as well.

---

[21] Intangible assets have been also identified as "knowledge that can be converted into profit" (Sullivan, 1998: 4)

Teece's (2009) theory of *dynamic capabilities* is focused towards the competitive transformation of the firm such that it will be in a position eventually to return profits above its cost of capital. Henceforth he identifies three classes of *dynamic capabilities*: (1) those that allow a firm to identify, innovate or develop an opportunity in the market, (2) those that allow the firm to seize it and (3) those that allow for the 'orchestration of the resources', reconfiguring capabilities and resources. Figure 3-3 shows the composition of each of the elements formerly discussed.

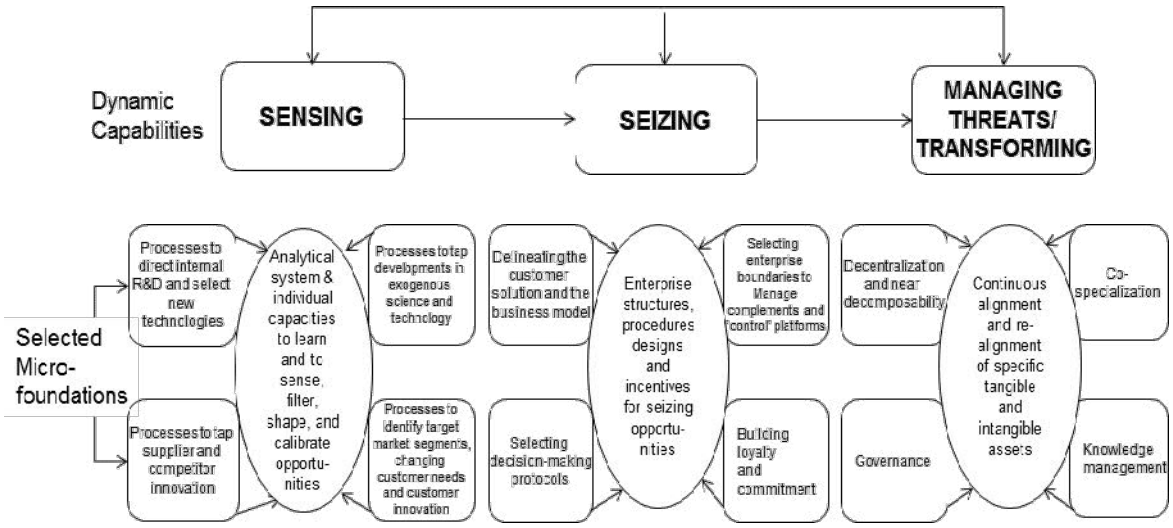


Figure 3-3 - Foundations of dynamic capabilities and business performance. Taken from Teece, (2009: 49)

It has been suggested that dynamic capabilities are nested primarily among an organisation's top management. Entrepreneurship and leadership with agency capability are traits mainly evidenced while attracting innovation and performing 'asset orchestration' (Teece, 2009). However, being intangible and context-specific and residing mostly in tacit knowledge, dynamic capabilities are difficult to manage, observe and develop (Maklan and Knox, 2009).

Dynamic capabilities are poorly documented, difficult to transmit and to copy and cannot be bought from elsewhere (Maklan and Knox, 2009). Organisational business processes are the mechanisms through which *dynamic capabilities* (1) can be developed and (2) are put to use or deployed within the organisation. It is essential to understand these processes, in order to understand the operation of the *dynamic capabilities* (Helfat et al., 2007).

Dynamic capabilities are those that an organisation uses to shape the environment in its favour and are particularly important in rapidly changing environments and in *thin*[22] markets (Helfat et al., 2007). A sustainable advantage requires more than difficult-to-imitate resources, it requires difficult-to-imitate *dynamic capabilities* (Teece, 2009). Such ability embedded in productive activities should be able to create value for customers (Teece et al., 1997), but any company's growth is bounded by its current capabilities and the rate at which those capabilities are developed, which is partly determined by the company industry context (Maklan and Knox, 2009). *Dynamic capabilities*, as intangible assets developed for the creation of future resources, are capital stock enhancement activities (Teece et al., 1997; Eisenhardt and Martin, 2000) and typically vulnerable to short-term cost cutting measures (Ambrosini and Bowman, 2010).

Wang and Ahmed's (2007:35) definition of *dynamic capabilities* posits they are "a firm's behavioural orientation constantly to integrate, reconfigure, renew and recreate its resources and capabilities, and most importantly, upgrade and reconstruct its core capabilities in response to a changing environment".

Wang and Ahmed (2007) instead of adopting *sensing, seizing and orchestrating* from Teece's (2009) model, posit a similar model of (1) *adaptive capability* which captures emerging opportunities, (2) *absorptive capability*, recognising and applying external information and (3) *innovative capability*, as ability to develop new markets or products. These three operate on top of underlying firm-specific processes: integration, reconfiguration, renewal and re-creation.

This is the definition that this research will adopt to allude to *dynamic capabilities*, i.e. higher order capabilities that are able to develop other capabilities. A close parallelism exists with single-loop learning and double-loop learning (Argyris, 1976) where the double-loop learning is the one that upon learner reflection, enables him or her to effect a change to the system.

---

[22] Thin markets are those where there is a scarce number of buyers and sellers of a service or product, and therefore inequalities of a non-perfect competition allow for some firms to reap higher than normal returns on investment; prices are volatile and assets tend to be less liquid. An example of a thin market is that of know-how and acquisition of intangible assets, generally speaking. (Teece, 2009; Rostek and Weretka, 2008)

Figure 3-4, taken from Zubac et al. (2010) describes the interrelationships of resources, offering a perspective relating both *core competences* and *dynamic capabilities*, which sometimes have been mistakenly used with the same meaning [23]. There are several incongruent views in the literature about their classification (Möller, 2006), a perspective confirmed by Marr (2006: 46) "little consensus exists about what exactly constitutes a capability or a core competence" and later El-Shafeey and Trott (2014:123) also noted that the "field of research on resource-based competition is full of nuanced terminology and misunderstandings".

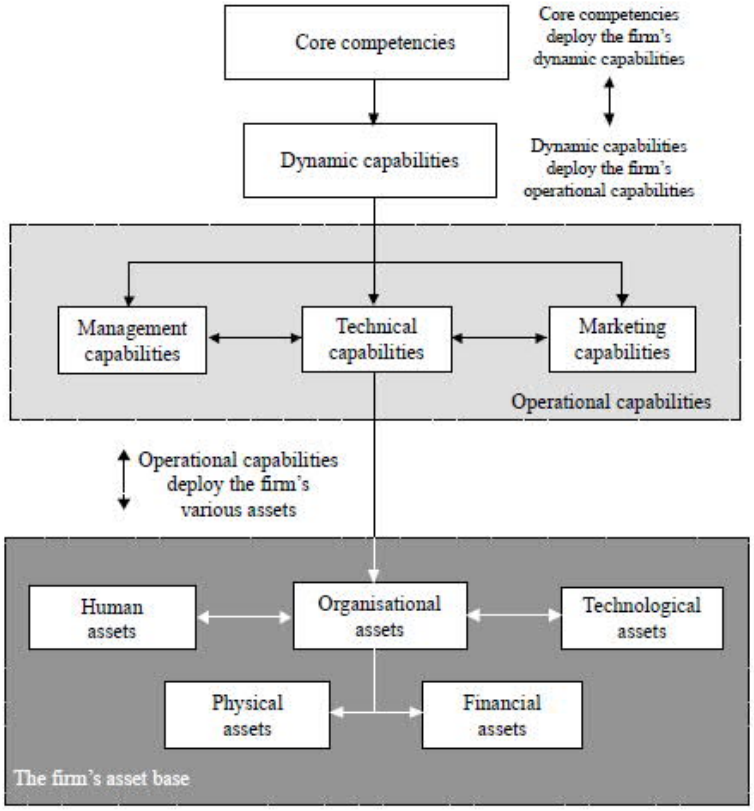


Figure 3-4 - Different resource types and their interrelationships, taken from (Zubac et al., 2010: 518).

[23] To illustrate the point, Zerbini et al. (2007: 785) use the term 'competences' while citing the definition of 'capabilities' by Day (1994: 38). They explicitly argue an innocuous interchangeable use of terms.

The integration of knowledge, learning capabilities and competencies as defined in the literature reviewed have been synthesised by the researcher and introduced in the diagram in Figure 3-5 with two objectives: (1) a unification of constructs in order to avoid the ambiguity found in the literature as formerly discussed and (2) attempt an initial understanding of the value creation basic components with finer granularity than just "operant resources" (Vargo and Lusch, 2008b:7) referred in the Annex Table 11-2, a term used analogously to organisational knowledge in Service Dominant Logic. It is suggested that operant resources need to be decomposed into finer detail for research and analysis purposes.

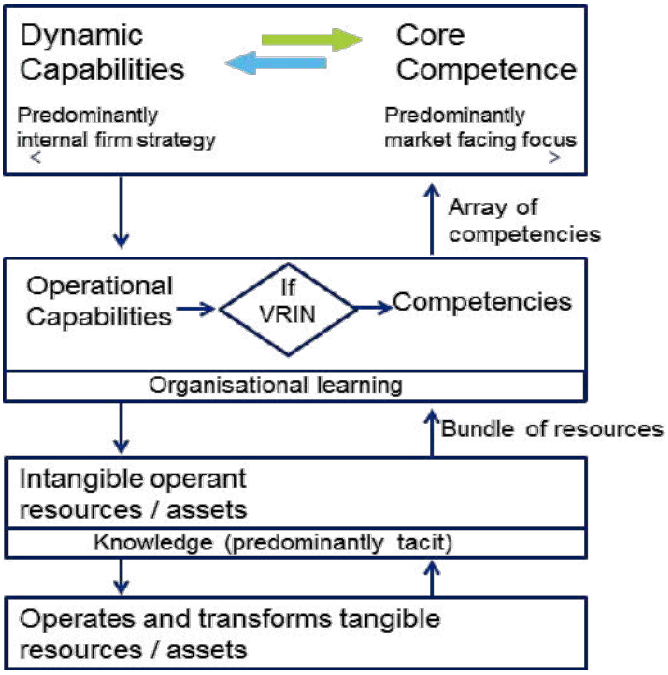


Figure 3-5. Integration of capabilities, competencies and knowledge

Dynamic capabilities are qualified in Figure 3-5 as *predominantly dealing with internal firm strategy*, marshalling resources towards a sustained performance for the following reasons: (1) a core competence needs to be market tested i.e. acknowledged by the customers (Prahalad and Hamel, 1990), (2) a core competence may exist both in a stable or in a dynamic market, whereas (3) a dynamic capability might change the resource base adversely by not being in line with the environment. *Dynamic capabilities* per se, i.e. not in context with market dynamics (Easterby-Smith and Prieto, 2008) do not guarantee success and (4) *dynamic capabilities* depend on managerial perceptions (Ambrosini et al., 2009).

Knowledge has emerged as the most strategically-significant resource of the firm, particularly in dynamic market conditions (Grant, 1996a) and in the form of operant resources, which are posited as "the fundamental source of competitive advantage" (Vargo and Lusch, 2008b: 7). *Dynamic capabilities* and knowledge management do have an area of strong relationship or overlap (Easterby-Smith and Prieto, 2008), which is mostly related to tacit knowledge.

Given the discussion in this section, this research will base its research question and further elaborations on a capabilities and *dynamic capabilities* based-view, which is one of the three schools of thought on RBV with a behavioural-evolutionary approach, compared with the pure RBV (rational economic equilibrium) and the social constructionist approach of Core-competence Based View or CBV (El-Shafeey and Trott, 2014).

3.5.1. Dynamic capabilities in value creation models

O'Cass & Ngo (2012) identify in B-2-B markets the market orientation (MO) capability [24] as initiator-dynamic-capability which provides (1) a knowledge base to develop the value creation processes and deploy specific capabilities selectively to create value, and (2) a precursor and activator of key market-relating mechanisms i.e. combining distinctively with innovation capabilities and marketing capabilities in order to create superior value. Innovation and marketing can be interpreted aligned with *seizing* in Teece's (2009) model in Figure 3-3.

Market orientation is directly linked with performance in terms of return on assets (Neill, McKee and Rose, 2007; Morgan, Slotegraaf and Vorhies, 2009a; Morgan et al., 2009b). Vesalainen and Hakala (2014) contend likewise that higher order organisational learning dynamics i.e. dynamic capabilities contribute and play a role in the value creating strategic logic of the firm, derived from market requirements.

---

[24] "[MO ...] "the extent to which a firm engages in the generation, dissemination, and response to market intelligence pertaining to current and future customer needs, competitor strategies and actions, channel requirements and abilities, and the broader business environment" (Morgan, Vorhies and Mason, 2009b:910)

Berghman, Matthyssens and Vandenbempt (2006) make reference to Day (2002) to highlight the importance of market sensing as the initiator of value creation. They contend *sensing* is not sufficient; information needs to be assimilated and transformed, thus building a market orientation dynamic capability rooted in a need for strategic [market] learning to take place, in order for the firm to generate market driving value creation. Berghman et al.'s (2006) article shows consistency with Teece's (2009) model in Figure 3-3, while Berghman et al. (2006) argue that the successful absorption of knowledge requires marketing areas focused on three areas (1) market and customers knowledge recognition i.e. sense, (2) sense making of the information, i.e. seize and (3) implementation of knowledge into new processes, i.e. transformation.

Flint (2011) researched customer value anticipation (CVA), another dynamic capability, positing that by anticipating what customers will really perceive (and expect) as value, a service provider may positively impact customer satisfaction and improve customer loyalty.

3.5.2. Strategic learning dynamic capability

Zollo and Winter (2002:340) argued that "dynamic capabilities arise from learning" by means of (1) experience accumulation enacted by organisational routines, (2) articulation and dissemination of knowledge and (3) knowledge codification. Organisational learning facilitates the creation of dynamic capabilities (Winter, 2003).

Easterby-Smith and Prieto (2008), contend a consensus in the literature about learning capabilities acting as the source of dynamic capabilities, which in turn have their perceptible outcome through operational capabilities. They "conclude that organisational learning thus represents an opportunity to unify the insights from both dynamic capabilities and knowledge management" (Easterby-Smith and Prieto, 2008: 242).

Learning has been proposed as a dynamic capability itself (Ambrosini et al., 2009; Hubbard et al., 2008). Organisational higher-order learning is described as the leader of both dynamic capabilities and knowledge, which interact under specific market, social and technical contexts to reconfigure operational capabilities and resources and finally achieve sustained performance. Learning does play a major role in the creation and development of dynamic capabilities (Zollo and Winter, 2002; Ambrosini et al., 2009).

Two samples of recent research of higher order capabilities and their relation to firm performance and value co-creation follow:

> Lee et al., (2013) performed empirical research where they propose a model of a *capability of building capabilities (CBC).* Their research demonstrates that so called CBC moderates the effect of *commitment and trust* as constituents of relationship. Therefore CBC may have an effect in firm improved performance i.e. market performance. A critical finding of this research is that pure relationship improvement is not enough to drive market performance if it is not deliberately guided by a higher order capability, in this case CBC.
>
> Most recently Vesalainen and Hakala (2014) researched the role of network-relational development capabilities in industrial manufacturing firms, within the overall strategic capability architecture of a firm. Hence the authors introduced a framework for strategic capability architecture explained from empiric case based research. Vesalainen and Hakala (2014) conclude that such network capabilities were used to coordinate the value creation strategy of the firms analysed, with a clear emphasis on co-creation.

Ambrosini et al. (2009) identified several orders of dynamic capabilities: (1) incremental dynamic capabilities used to adapt the resource stock in external conditions under a stable environment, (2) renewing dynamic capabilities, being those more commonly described in the literature (e.g. sense, seize and orchestrate) that are used to renew the nature of the stock of resources under turbulent and changing environments and (3) regenerative dynamic capabilities, being those which effect upon the extant set of currently embedded dynamic capabilities, thus allowing a firm to change its resource base in new ways.

Strategic learning capability (Thomas et al., 2001) is an organisation's dynamic capability that learns from its customers in order to improve the customer's value creation capabilities (Hubbard et al., 2008), considering that (1) the ultimate judge of value is the customer (Vargo and Lusch, 2004) and (2) "a superior learning capability is an important contributor to competitive advantage" (Slater, 1997: 165). The strategic learning dynamic capability should take place in a cyclic, self-refining mode: (1)

recomposing the firm's resources and (2) converting its business processes into a VRIO [25] meta-capability that eventually endows a competitive advantage (Ambrosini et al., 2009).

The strategic learning dynamic capability can be identified with organisational second loop learning, following (Argyris, 1976), given that it is a dynamic capability that modifies dynamic capabilities.

McGrath (2013:151) also discusses the role of strategic learning as the ability of a firm to learn new skills, build and reconfigure capabilities. However, McGrath (2013) uses the term *learnability*, which has a key role in the evolution of successful organisations, i.e. those being capable of capturing transient market advantages and especially during volatile market conditions.

The strategic learning dynamic capability ultimately commands the resource investments that the firm should make in order to acquire, manage and develop the required skills or operational capabilities under the firm's managers' understanding of how it can create value for its customers (Hubbard et al., 2008), and can be identified with the characteristics of a regenerative dynamic capability (Ambrosini et al., 2009).

3.5.3. A strategic learning dynamic capability model for further consideration

La et al. (2008) developed a model (see Figure 3-6) of five core skills or operational capabilities that determine perceived performance (which is argued as the precursor of perceived value) in a B2B professional services environment: (1) Interpersonal skills, (2) Technical skills, (3) Customer orientation, (4) Innovation and (5) Reputation [26]. The combinations of those skills determine the qualities of the delivery of the service, which is experienced, perceived and assessed by the customer and results in a satisfaction

[25] Valuable, Rare, In-imitable, Organisation (capability to implement)

[26] In 3.6.2 a model from Ngo and O'Cass (2010) will be described where they use (1) Marketing capabilities, (2) Production Capabilities and (3) Innovation Capabilities in a similar analysis

continuum (expectations confirmation or disconfirmation). Only the solid line boxes and arrows correspond to La et al. (2008: 286) model in Figure 3-6.

It can be suggested that the model by La et al. (2008) is a partial perspective, because La et al.'s (2008) model fails to include dynamic capabilities, i.e. how are the aforementioned five operational capabilities developed. This complement could be achieved by superposing Woodruff's (1997: 147) model "Transforming customer value learning into action", represented by dotted line boxes and arrows in Figure 3-6.

Four of the steps of this framework can be identified with a Strategic learning dynamic capability (Hubbard et al., 2008). Learning is henceforth captured from the perceived value and satisfaction/dissatisfaction of the client, and then elevated into double loop [27] learning.

The double loop learning provides input to create or modify the customer value delivery strategy which is thereafter interiorised in the firm's processes and implemented in a continuous feedback self-correcting loop.

La et al.'s (2008) model does not refer explicitly to the importance of the relationship, although it may be implicitly and/or partially covered by skill #3 - customer orientation. The relationship between supplier and customer has a major influence on the perceived value, and more value accrues through repeated exchanges than occasional transactions (Ravald and Grönroos, 1996), rather than merely a customer orientation.

[27] Managers adopt new mental models to represent and solve problems (Argyris and Schon, 1978)

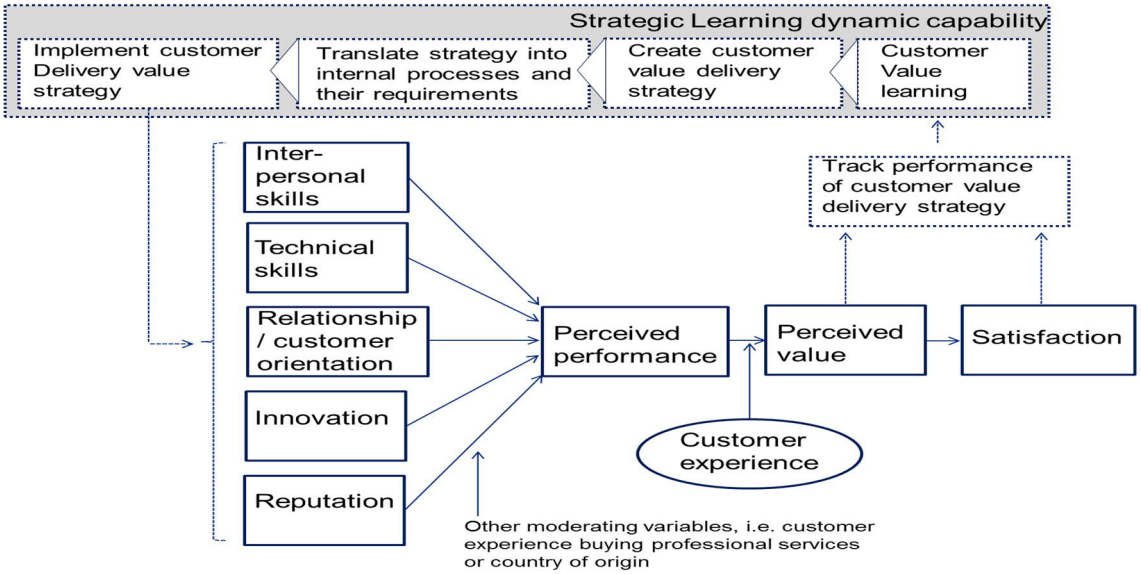


Figure 3-6 - Strategic learning dynamic capability

This is a preliminary emerged model for discussion and contrast of constructs. Adapted from combining models "Conceptual Model of client perceived value and satisfaction" by La et al. (2008: 286) and "Transforming customer value learning into action" by Woodruff (1997: 147)

In a reference to Figure 3-4, the steps related to strategic learning correspond to a higher order[28] dynamic capability, whereas the skills as per La et al. (2008) model depicted in solid line in Figure 3-6 correspond to operational capabilities.

3.5.4. Causal ambiguity of resources

Several authors have discussed the relevance of *causal ambiguity* in RBV theories, which means it is normally difficult or impossible to identify how individual resources, independently of each other, contribute to specific results (Marr, 2006; Ambrosini and Bowman, 2010) and particularly in the case of intangible assets, which do not produce immediate wealth by themselves but in combination with each other resources and in a future moment (Andriessen, 2004).

[28] Meaning a dynamic capability that can modify a dynamic capability

Nevertheless, causal ambiguity limits competitive imitation, because competitors do not know how to replicate specific capabilities (Ambrosini and Bowman, 2010). Zollo and Winter (2002) argue that the higher the causal ambiguity between actions, the higher the return on investment in the form of generation of dynamic capabilities derived from explicit articulation and codification of knowledge.

3.6. Value-in-Use, Service Dominant Logic and recent research

3.6.1. Co-creation, Service Dominant Logic (S-DL) and service systems

S-DL was first published by Vargo and Lusch in 2004, reviewed in 2008 and further commented upon (Vargo and Lusch, 2004; Vargo and Lusch, 2008a; Vargo and Lusch, 2008b; Vargo and Lusch, 2008c; Vargo and Lusch, 2011; Vargo and Lusch, 2006; Vargo et al., 2008; Edvardsson et al., 2011; Hunt and Madhavaram, 2006; Lusch et al., 2010; Sheth, 2011; Gummesson and Mele, 2010).
Recent research however, has focused on a service perspective (Grönroos, 2008; Grönroos, 2011b; Grönroos, 2011a; Grönroos, 2006; Gummesson, 2011; Payne et al., 2008). Grönroos' research has evolved into a Service Logic theory (SL) which aims to differentiate from S-DL (Grönroos and Gummerus, 2014; Grönroos and Voima, 2013).

SL is a newer, more analytical and less metaphorical approach, whose key differences and similarities are presented in Table 3-5. Notwithstanding the refinements of SL, the pragmatic approach adopted in this research follows an eclectic perspective of both theories, approach is to be further confirmed by the empiric data and analysis of the research itself. This research tactic has been selected to avoid becoming trapped in rhetoric and philosophical discussions, which could result in difficult practical use.

S-DL and SL foundational similarities	S-DL and SL main differences
Meaning of service (and implicitly, of "operant resources"). Concept of usage of resources. Value phenomenologically determined by the customer, notwithstanding that SL uses different wording.	SL focuses on value creation rather than service. The locus of co-creation is more refined and practical in SL, with the provider's service as value facilitator. SL proposes 'value spheres' for the provider, the customer and their joint juxtaposed sphere for co-creation. Explicit interaction as co-creation enabler

Table 3-5 - Key similarities and differences between S-DL and Sl. Developed from Grönroos & Gumerus, (2014)

A key tenet of S-DL is that service is the fundamental basis of exchange i.e. service is exchanged for service; S-DL focuses on service as the basis for value creation, exchange, and marketing diverging from a traditional goods dominant logic (G-DL) perspective of value creation. "Service is a perspective on value creation rather than a category of market offerings" (Edvardsson, Gustafsson and Roos, 2005: 118). Resource integration is a common attribute of all service systems (Lusch, Vargo and Wessels, 2008) and value creation occurs "when potential resource is turned into a specific benefit" (Lusch et al., 2008:8), depending on the interaction of actors.

Two perspectives of value can be offered from S-DL at the outset: (1) value is only "phenomenologically defined" (e.g. perceived) by the client as value-in-use (Vargo and Lusch, 2008b: 7) and (2) the way to assess a valuable service is that such service has provided means to improve the value creation capabilities of the consulting clients or customer centricity performance (O'Cass and Ngo, 2011; Grönroos, 2008).

S-DL posits that value is not embedded into the goods or services by the factory or by the distribution process (Vargo and Lusch, 2008a); value is co-created with customers, when customers and providers engage in dialogue and interaction during product design, production, delivery, and consumption. S-DL emphasises a resource-based view perspective which focuses on value creation as a process (Heinonen et al., 2013). The salient differences between G-DL and S-DL perspectives can be summarized in their views about the meanings and implications of relationship.

More detail about S-DL is provided in the Annex, in Table 11-2 for a listing of S-DL Foundational Premises and in Table 11-3. Conceptual Transitions of S-DL, taken from Lusch and Vargo (2006: 286).

S-DL and SL provide influential foundations to this research for the purposes of explaining value creation in the management consulting industry, as dynamic networks of relationship and interaction, namely *Service Systems* (Jaakkola and Hakanen, 2013; Edvardsson et al., 2011; Vargo and Lusch, 2011), defined as:

> "Service systems are value-co-creation configurations of people, technology, value propositions connecting internal and external service systems, and shared information … S-DL provides just the right perspective, vocabulary and assumptions on which to build a theory of service-systems, their configuration and their modes of interaction … S-DL may be the philosophical foundation of service science" (Maglio and Spohrer, 2008: 18).

Gummeson & Mele (2010) argue that value co-creation is achieved through integration of resources. A service-system is posited as the adequate unit of analysis to study co-creation of value, i.e. service-systems co-create value depending on the resources of self and others to sustain the exchange of service for service (Vargo et al., 2008). For example, the value that any consulting services may create varies, depending on the integration of customer and seller resources and the context of the society and the business community where the service takes place.

Resources, i.e. service-system actors are connected to each other and to other service systems through value propositions, driving service-for-service exchanges (Vargo et al., 2008; Spohrer, Vargo, Caswell and Maglio, 2008). "The process of value co-creation is driven by-value in-use, but mediated and monitored by value-in-exchange " (Vargo et al., 2008: 150), and all social and economic actors are resource integrators (See Annex Table 11-2).

Vargo, Maglio and Akaka (2008) introduced the model in Figure 3-7 to explain the diverse constructs of value and value co-creation within a service system. It is worth noticing: (1) the value-in-use in both sides of the relationship with a value-in-exchange as the tangible transactional exchange piece, (2) information-sharing flow dominates in management consulting services whereas, for instance, work-sharing dominates in

outsourcing services and (3) service systems engage in knowledge-based interactions to co-create value (Maglio and Spohrer, 2008). This model helps to understand the evolution from traditional services marketing which might have looked only at customer-lifetime-value (Rust et al., 2004) or customer-equity (Zeithaml et al., 2000) as the accumulated value-in-exchange that the supplier may receive in a life-time relationship with a customer.

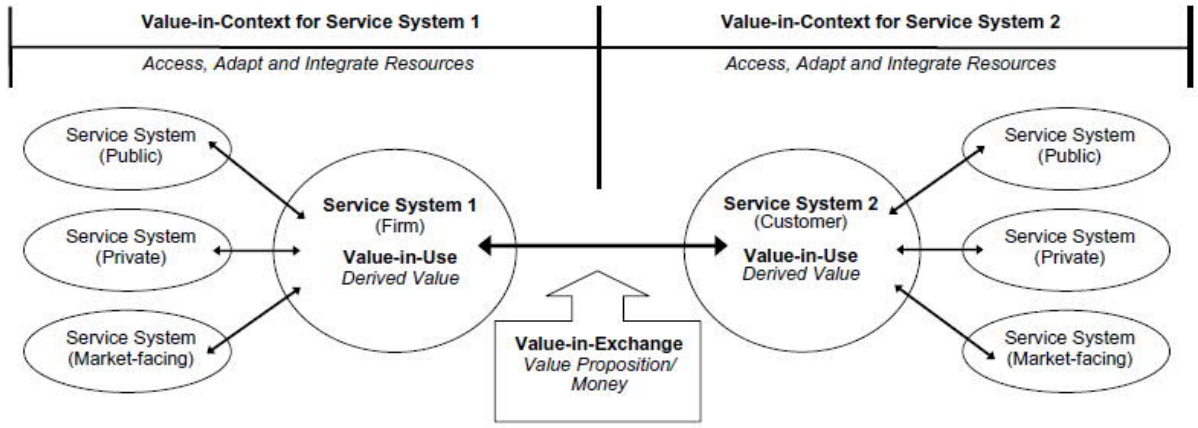


Figure 3-7- Value co-creation among service-systems, taken from Vargo et al., (2008: 149). Value co-creation is driven by value-in-use but mediated by value-in-exchange

Grönroos (2008) identifies the differences and relationship between value-in-use, converted into value by means of the customer value generating processes and resources, and value-in-exchange as the classic concept found in business economics literature that assumes value embedded in goods or services, which will be exchanged for money. Co-creation occurs during client-customer interactions; under the provider firm perspective, the firm adjusts its marketing to customers' consumption which is intended for self-value creation. The providers are not creators of value but of a *value facilitation* process … "the value created when products [and services] are used is more important for both the customer and the firm, than the value that is exchanged between them" (Grönroos, 2008: 303).

Value-in-exchange is tangible and easy to measure; value-in-use at the outset before consumption is intangible, and needs a process and operant resources on the customer side to bring into being its life-value potential. Value in exchange has been discussed as a

function of value-in-use. If it is the customer who creates value, value in exchange is rather the economic manifestation of a value facilitation resource; the supplier only provides a value proposition or value foundation to be used by the customer (Vargo and Lusch, 2008b).

Grönroos (2008) contends that providers should not be focused on goods or services but on attending to customers' needs for value generation purposes, even beyond the point of exchange. A possible example is the Japanese automotive service concept, which promotes future value creation interactions from the moment of the car acquisition. Likewise, value can only be created for customers through the firm's dynamic capabilities, if the supplier has been able to identify successfully the customers' value proposition and thus to invest resources to attempt to create customer value (Ngo and O'Cass, 2009; Zubac et al., 2010).

Edvardsson, Tronvoll and Gruber (2011) contend that service exchanges and value co-creation are complex interactions that depend on social forces, given that value is a social construct, which can be asymmetric for the parties involved, so that value appropriation by the consultant and by the customer is determined by diverse variables of the relationship, such as bargaining power and negotiation skills (Pardo et al., 2006).

Management consulting is a particularly *high credence* service[29], i.e. large asymmetries of information and risk exist and frequently the seller determines the customer's requirements, and the buyer is often compelled to trust the supplier (Howden and Pressey, 2008). Asymmetries in value appropriated may negatively affect the relationship by a sense of inequality (Corsaro, 2014). Notwithstanding, the greater the information asymmetry, the larger the mutual dependence between supplier and buyer for creating value (Möller and Törrönen, 2003).

Value creation is argued by Grönroos and Ravald (2011) in a logic of service. When a customer uses its own resources to create value-in-use from the vendor's service offering or *value facilitation*; the customer assumes a role of co-creator of value in a mutual reciprocal action through the interactions (Grönroos & Ravald, 2011). Payne et al (2008)

[29] Credence services mean they are sold on a promise basis

developed a framework based on business processes to conceptualize value co-creation; both the customer and the provider engage in a learning process based on the experiences produced by the diverse encounters as relationship creating events and experience-designed processes on the provider side.

Hilton et al. (2012) argue that as per S-DL, if value is phenomenologically determined by the client, i.e. a personal evaluative judgement, value cannot be created. Hilton et al. (2012) define service co-creation instead, as a "process of resource integration undertaken by two or actors with the intention of each realising a value proposition" (Hilton et al., 2012: 1504). Concurrently, Helkkula, Kelleher and Pihlström's (2012) research characterises customer's phenomenologically determined value as value-in-experience, and thus they argue that value in experience: (1) is individually intra subjective and socially inter-subjective, (2) can be both lived and imaginary (e.g. by recommendations or expectations), (3) is constructed based on previous, current and imaginary future experiences so it is temporal in nature, and (4) emerges from individually determined social contexts.

Moeller, Ciuchita, Mahr, Odekerken-Schröder and Fassnacht (2013:472) define customer-value-collaboration as "a process through which customers perform roles to derive benefits by either jointly with the service provider or independently leveraging their own and the service provider's resources."

An example of successful value co-creation can be illustrated taken from IBM. When IBM increased their mainframe computer business in the 60's, the company distinguished itself by providing collateral services like education, programming, and consulting to help the customers achieve the best value from their computer acquisition. IBM's focus was not on making those services independently profitable but as a contribution to the mainframe computer's success. This incipient collateral services practice became the IBM Services Division, with all other mainframe manufacturers following the example, as documented in (Ostrom, Bitner, Brown, Burkhard, Goul, Smith-Daniels, Demirkan and Rabinovich, 2010) however, not always with the same success. IBM clearly led the competition and eventually made Services IBM's its largest revenue generation unit.

3.6.2. A capabilities-based value creation model

Ngo and O'Cass (2010) developed a value creation business model from the perspective of a buyer-seller dyad so as to explain both parties' perspectives of value creation. Those perspectives relate to *value-in-use* (client) and *value-in-offering (provider),* which occur during a market exchange … "knowing what value is to be created for the client helps to explain what value the firm will be rewarded for creating" (Ngo and O'Cass, 2010: 498). This model can be interpreted as a capabilities based perspective of Vargo et al.'s, (2008: 149) model in Figure 3-7 and it considers co-creation of value explicitly .

Ngo and O'Cass (2010) argue the creation of value for customers founded on capabilities, meaning the possession, application and use of specialised knowledge for the benefit of the customer. Ngo and O'Cass's (2010) *value-box* model in Figure 3-8 explains how value is created in three steps: (1) developing the value strategy or 'architecture', (2) executing the value creation through operant-resources or capabilities (innovation, marketing and production capabilities) or 'value creation engineering' where business culture and its manifest behaviours are discussed as allowing the establishment of the architectural infrastructure for the value creation process and (3) a 'value box' that explains the harvesting of value outcomes, from the customer and from the provider perspective.

The first step or 'value creation architecture' has a strong correspondence with the strategic learning dynamic capability (see Section 3.5.3), i.e. how organisations learn from their clients to improve their value creation capabilities and then generate that strategic orientation, which commands the arrangement development and nurturing of other capabilities as per enunciate number (2) in the former paragraph. The marketing [dynamic] capability has been researched by Maklan and Knox (2009) in the form of a combination of the following key marketing dynamic capabilities: (1) demand management, (2) creating market knowledge, (3) building brands and (4) customer relationship management. These capabilities are dynamic, interdependent on each other and are customer relationship context based.

The 'value creation engineering' second step offers a value creation perspective, which confirms the 'service profit chain' concept by Heskett, Sasser and Schlesinger (1997), where these authors posit a direct relationship between customer loyalty, customer

satisfaction, value of goods or services service quality and productivity. The 'value creation engineering' is also a capabilities-based abstraction of the *value creation logic* by Stabell and Fjeldstad (1998).

The third step or *value box* of Ngo and O´Cass (2010: 504) in Figure 3-8 is composed of four constructs: (1) value-in-offering or value built into the products where customer co-creation is essential, (2) customer-value as value perceived by the customer more precisely defined as "perceived values that facilitate achieving customer's goals", (3) value of brands to the customer and (4) Customer equity or value of customers to the firm, as per (Rust et al., 2000; Rust et al., 2004; Zeithaml et al., 2000) composed of retention (relationship) equity, brand equity (owned and retained by the supplier) and value equity.

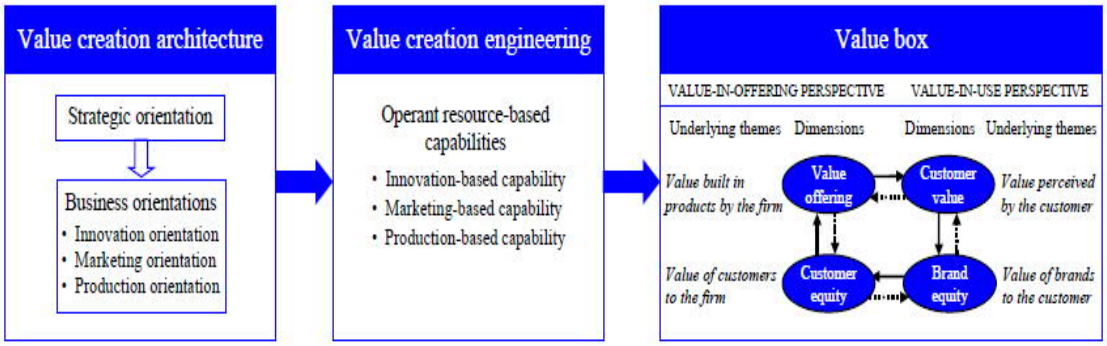


Figure 3-8 - "Value Box - Value creation business model", taken from Ngo and O'Cass, (2010: 499)

O'Cass and Ngo (2011) later proposed a refinement to their theory by considering the timing perspective at which actors consider value, mainly (1) when use value is created, (2) when it is exchanged, (3) when the service is consumed or used, and (4) post-use, when the service is evaluated, and focusing in on value offering effectiveness (O'Cass and Ngo, 2011).

3.6.3. Critique of Service Dominant Logic

The discussion so far has referred the tenets of S-DL and its ten foundational premises and nomenclature (Ref: Annex Table 11-2), for having proven to be an adequate support

framework of ideas under the objective of this research and its field of investigation related to management consulting services.

However, S-DL theory and argumentation have been also researched with the contention of diverse limitations. Some well-known researchers from the tradition of the Nordic School of Marketing, who notwithstanding their affinity with S-DL have taken their own route into a recent Service Logic (SL) theory (Grönroos and Gummerus, 2014) which claims that S-DL has kept *value* and *co-creation* at metaphorical levels, and therefore, the proponents of SL are looking to take distance from S-DL notwithstanding that S-DL and SL share key foundational similarities (e.g. interpretation of resources and service).

S-DL is a conceptual framework which in ten years has seen comparatively little empiric research compared to classic marketing studies. The difficulty may be due to: (1) the radical argumentation of S-DL's premises, for example, in the lack of differentiation and oversimplification of tangibility versus intangibility in product or service delivery, related to customer experience (Hellén and Gummerus, 2013), and (2) in the aggregate, societal level of its postulates rather than its real life applicability (Grönroos and Gummerus, 2014).

O'Shaughnessy and O'Shaughnessy (2011; 2009) fervent detractors of S-DL argue that S-DL's tenets and meanings have been taken too far and are at such a conceptual level that are of little practical use for explaining, for instance a traditional goods supply chain - a theory of everything is useful for nothing.

Ford (2011) argues affinities and also divergences of S-DL's theory with IMP's business network and relationship management views, which posit interaction as the core process of business. Ford (2011) hints at some bridge argumentation to the S-DL radical concept of service, but his main contribution rests on being specific about interaction, e.g. purchasing, selling, planning, etc. and not at the conceptual and generalist level of S-DL …"Before you use the words "service" and "value", please think extremely carefully about the precise context to which you refer; about exactly who is your customer or supplier; which of their problems or uncertainties you are addressing…" (Ford, 2011:238)

A last note about S-DL limitations: (1) it does not deal with effects in value co-production resulting from asymmetry of information and capabilities between customer

and consultant (Aarikka-Stenroos and Jaakkola, 2012) and (2) S-DL does not explicitly address the relationship among value creation processes (i.e. capabilities) and outcomes (i.e. value-in-use) (Gummerus, 2013).

3.7. The gap - why research the role of dynamic capabilities in value creation?

Vargo and Lusch (2004) identified knowledge as the fundamental source of competitive advantage, emphasizing the role of agency of intellectual capital in order to co-create differentiated value. Based on a study in five large global management consulting firms, Werr and Stjernberg (2003) analogously contend that the simultaneous existence and complementary use of tacit and explicit knowledge, represent the core organisational competence in management consulting. Marshalling distinctive knowledge capabilities may be assumed to promote the creation of customer perceived value or customer experience, i.e. value-in-use (Grönroos and Gummerus, 2014).

This research harnesses the foundational research of capabilities and dynamic capabilities, and specifically on *strategic learning dynamic capability* which has a direct effect upon value creation (see section 3.5.2), in line with Ngo and O'Cass (2010) who argue that value creation depends on firm capabilities. However the link between capabilities as bundles of resources and value creation in the literature has been sparse (Gruber et al., 2010; Sirmon et al., 2007) i.e. no clear cut replies were found to the following questions: How should a firm configure their capabilities aimed at customer value-in-use?, In what circumstances?, In what context?, What resource configuration and competence combination contribute more to value and to superior performance?, What is the role of co-creation? How do higher order capabilities reorganise relationship capabilities towards value creation, and under which context? [30]

[30] The list is not exhaustive, but for it is meant for discussion purposes only

Ngo and O'Cass (2010: 498) argue that "there remains a lack of understanding on how the value creation process should function with respect to potential firm characteristics, especially in the context of operant-resources".

Srivastava, Fahey and Christensen (2001: 796) noted that "both RBV and marketing researchers must commit to carefully and systematically identifying and documenting how particular market-based assets and capabilities contribute to generating and sustaining specific forms of customer value". Wang and Lo (2004) also argue that there is an insufficient explanation of the process used to convert key resources into perceived customer value. They report having found only a few studies that analysed the impact of core competencies or dynamic capabilities on firm performance and value (Wang and Lo, 2004).

Other authors have noted a similar gap …"very little research has been undertaken to explain how investments in resources create customer value" (Zubac et al., 2010: 531). Similarly, Hubbard et al. (2008: 14) noted that "the strategy field lacks a generally accepted framework for systematically identifying a hierarchy of customer values and clarifying the direct and/or indirect effects of a firm resources and capabilities on its ability to create customer value".

Lindgreen et al. (2012) propose as an avenue for value research that capabilities management is concerned with a firm's abilities to create value in interaction with a business partner (be it supplier or buyer) in a dyadic relationship immersed in a network. Lindgreeen et al. (2012) documented that the business interaction partner with greater capabilities may have more power, concurrently with Ngo and O'Cass' (2010) research, who argue "… despite an increasing awareness of the significance of value creation there remains a lack of understanding on how the value creation should function or be operated with respect to potential firm characteristics" (Ngo and O'Cass, 2010: 498).

O´Cass and Ngo (2012) researched capabilities and value, reporting that market orientation capabilities are a precursor of value creation … "capabilities perform a vital role in influencing firm's ability to create value" and …"one essential contribution to existing knowledge would be to investigate the causal relationship between market orientation and capabilities" (O'Cass and Ngo, 2012: 133).

Besides the aforementioned gap, there is little empiric evidence in the extant literature that may explain how diverse arrays of capabilities in a management consulting firm create customer value. However, it has been highlighted that knowledge capabilities (the-what) for a consulting firm are mission critical to their business. Aarikka-Stenroos and Jaakkola (2012) undertook research, making salient 5 stages or components of the value co-creation process, nevertheless; their research does not involve a detailed analysis of the role, effect or mediation of capabilities [31].

3.8. Literature-based preliminary responses to sub-research questions

3.8.1. Sub-research question 1

As formerly discussed, (1) there is no general consensus on a definition of value (Khalifa, 2004; Graf and Maas, 2008; Hilton et al., 2012), and (2) co-creation of value in management consultancy hasn't been empirically explained under the optics of S-DL and SL as described in Table 3-1, thus being a gap in knowledge. This sub-question seeks to empirically contribute to close this gap in a management consulting context.

The quest introduced by the former discussion about value research in extant literature is addressed by the following sub-research question for the objective of this research:

> S.r.q.1- What is value in, how and by whom is it construed by the service of management consulting?

Management consulting's output is a service and as such, the tenets of both S-DL and SL offer appealing responses to what value is (see tables 3.1-1 and 3.1-2), however, at a generic and conceptual level. The contextual inter-connectedness with other constructs critical to co-creation, under a holistic approach was not evidenced in the literature review.

[31] Aarikka-Stenroos and Jakkola (2012) use capabilities, but cite competencies, while referencing former studies

Value under S-DL and SL is described in extant literature as co-created or customer-created (see section 3.6) and provider (i.e. consultant) facilitated (Grönroos and Ravald, 2011). Nevertheless, a more granular explanation of the unseen mechanisms (Bhaskar, 2008) that make co-creation happen could not be evidenced in the literature.

The answer to the implicit question "why using consultants" is conceptually responded by the value capture expectations (Priem, 2007) at each interaction, in order to provide solutions (Tuli et al., 2007) to customers which do not have the required resources internally to develop and/or to implement them. Going deep into the answer to that question shall allow this research to get closer to what value is, and how it is co-created.

A theoretical response to "by whom value is created" is provided by Service Science (Maglio and Spohrer, 2008; Spohrer et al., 2008) and by Vargo et al. (2008) in the way of two service systems co-creating based on capabilities, where it is also argued that value co-creation is driven by value-in-use but mediated by value-in-exchange (see Figure 3-7).

It should be noted that value can also be destroyed if the combination of interaction, technical solution, timing and capabilities is inadequate, as has been theoretically argued (Plé and Chumpitaz-Cáceres, 2010; Bowman and Ambrosini, 2010). This research will explore value destruction in a consulting assisted context as a contrast to the answer to "how value is construed".

This research aims to explore and confirm S-DL and SL's value concepts in an empirical context, and to provide value explanation and critical intervening variables. Value cannot be explained separated of a context (Heinonen et al., 2013), however, that does not mean this research endorses that value is totally experiential and socially construed, as Heinonen et al. (2013) suggest, however, the answer will be explored under a critical realism argumentation.

3.8.2. Sub-research question 2

The discussion of relationship interacting with value per previous research in extant literature is addressed by the following sub-research question:

> S.r.q.2- What is the role of relationship and interaction in value creation of management consulting?

The role of relationship in value co-creation has been profusely researched , i.e. (Eggert et al., 2006; Ulaga and Eggert, 2005; Ford and Mouzas, 2013), and relationship has also been researched as core to management consulting services (Edvardsson, 1990; Werr and Styhre, 2002; Nikolova, 2006). Möller's (2013) research describes an overlap but not a unification of relationship marketing and business networks, providing a perspective of interaction and relationship formation.

However, relationship emerges from the literature as quite complex, involving power buyer-seller situations (Möller, 2006), depending on social forces (Edvardsson et al., 2011) and customer-consultant power plays (Nikolova, 2006) under information asymmetry (Howden and Pressey, 2008) so that the outcome obtained by each party or value appropriation could not result equitable (Corsaro, 2014).

The response to this sub-research question aims to contribute closing a gap in extant research by empirically explaining the role of relationship into co-creation in a dynamic management consulting context by: (1) analysing relationship at each one of the consulting stages, i.e. pre-exchange, exchange and post-exchange (Helkkula et al., 2012), and (2) relationship related to specific sets of capabilities that enable interaction needed for value facilitation in a consulting assisted initiative.

To the knowledge of the researcher, no such explanation is found in extant literature.

3.8.3. Sub-research question 3

Capabilities have been discussed as "complex bundles of skills and accumulated knowledge, exercised through organisational processes that enable firms to coordinate activities and make use of their assets" (Day, 1994: 38). The classification of capabilities most commonly found in literature is in operational and dynamic capabilities, e.g. (Helfat et al., 2007; Zubac et al., 2010; Teece, 2007), so each classification will be addressed by a separate sub-research question.

Exploring operational capabilities related to value in extant literature can be summarised in the following sub-research question, aiming to the objective of this research:

> S.r.q.3 - Which operational capabilities intervene in value creation in management consulting?

The role of resources as predecessor of capabilities aligns with a relevant and actual (Zubac et al., 2010) theory of business strategy and value creation, namely *Resource-Based View* (Barney and Hesterly, 2012), which is argued as based on the acquisition and retention of VRIO[32] resources.

It has been also argued that value creation occurs as a function of power relationships between buyers and seller, and requires the capabilities [33] of both parties (Håkansson and Snehota, 1995; Möller, 2006). Zubac et al., (2010) classify operational capabilities into (1) management, (2) technical, and (3) marketing capabilities, however, relational capabilities themselves are not explicit in this classification and have to be assumed as embedded into the sections of the said classification.

Möller (2006) researched the combination of buyer-seller relationships based on capabilities present and dominant at each one of the parties involved in a business exchange. Thereafter Ngo and O'Cass (2010) developed a value creation business model from the perspective of a buyer-seller dyad so as to explain both parties' perspectives of value creation. They argue the creation of value for customers founded on capabilities, meaning the possession, application and use of specialised knowledge for the benefit of the customer.

Gruber et al. (2010:1337) note that "efforts to specify the crucial link between resources and value creation have been sparse". This thesis aims to be more specific, aiming to shed light in closing a gap in current research by empirically determining which operational and relational capabilities are required and under which context, to enable value facilitation and co-creation at the side of the consultant, while interacting with the alleged creator of value, i.e. the customer.

[32] VRIO – Valuable, Rare, In-imitable, Organization (Barney & Hesterly, 2012)

[33] This is another instance where Möller (2006) uses the term competences but their role and meaning can be implicitly assumed as capabilities

3.8.4. Sub-research question 4

Wang and Ahmed's (2007:35) definition of dynamic capabilities [34] is "a firm's behavioural orientation constantly to integrate, reconfigure, renew and recreate its resources and capabilities, and most importantly, upgrade and reconstruct its core capabilities in response to a changing environment". In other words, dynamic capabilities are capabilities that develop capabilities.

A gap has been identified in extant literature regarding the explanation of higher-order (i.e. dynamic) capabilities and their development of specific capabilities (S.r.q.3) that intervene in value co-creation in consulting assisted initiatives. The following sub-research question aims to be answered as part of the objective of this research:

> S.r.q.4- What roles do higher order or dynamic capabilities have in value co-creation through relationship and interaction in a consulting service system?

Ngo and O'Cas (2010) argue a guiding *strategic orientation capability* as the initiator of the value creation cycle. The explanation of this capability is suggested to be conceptual and generic, lacking specificity of context to identify the development process of diverse capabilities required for value facilitation by management consultants. A *strategic learning dynamic capability* (Hubbard et al., 2008) is proposed instead as the overarching customer value architecture process formerly argued by (Ngo and O'Cass, 2010).

In order to fill the aforementioned gap, this thesis takes from research of organisational-learning and strategic dynamic capabilities (Thomas et al., 2001; Petersen, 2010; McGrath, 2013; Heinonen et al., 2013).

No empiric confirmation has been found in the literature connecting capabilities that develop capabilities in consulting assisted co-creation processes. This research looks to find which dynamic capabilities are crucial for co-creation of customer value in management consulting. Evidently this S.r.q.4 is dependent on the response to S.r.q.3.in order to know which capabilities are critical for co-creation, and then identify capabilities that develop those value co-creation capabilities.

---

[34] Definition adopted for dynamic capabilities in this research

3.9. The Integration of two value co-creation perspectives - a framework to guide the research

This section advances the synthesis from the Literature Review, which has been guided by the integration of the four sub-research questions into an overall initial research question: "How do capabilities and dynamic capabilities as resources of a management consulting organisation enable interaction to co-create value to clients and to the consulting firm?"

The following value co-creation perspective in Figure 3-9 draws primarily from the integration of concepts depicted in models of Figure 3-7 and Figure 3-8, and aims to offer a theoretical view to take a first step into the research abductive method, looking to respond to the subsidiary research questions within an integrated framework.

Value is created by the interaction of a supplier trying to sell and a customer interested in buying with a value objective in mind, or as Gummesson (1995) has noted, consumers do not buy goods or services but offerings that render services, which create value. Value under S-DL can be defined as being as simple as "the improvement of a service system well-being" (Vargo et al., 2008: 149).

Nevertheless value is a complex higher order construct because its comprehensive assessment is subjective (cognitive and affective, see section 3.1.2) and is context dependent and time dependent. The value creation process depends on capabilities both on the part of the supplier and of the customer.

The value co-creation perspective in Figure 3-9 proposes that an exchange happens when the client (Service System 2) needs not-possessed capabilities for its own value creation purposes, as Turnbull et al. (1996:47) argue - "the interdependence of companies in business relationships is the resources which they possess". A knowledge-intensive supplier (Service System 1) may offer a value proposition by supplying those capabilities for a purpose or expected client value-in-use; such value-in-offering is developed from a deliberate market offering strategy of the supplier. When such market offering is co-developed to anticipate the needs of the customer, it responds to a proactive market shaping capability, which not just addresses customers' needs but shapes a market solution with the customer (Spencer and Cova, 2012; Zerbini et al., 2007).

Interactions between service System1 and Service System 2 occur in a complex staged process where the vendor needs to communicate an attractive value-in-offering to the customer after understanding the customer's value creation opportunities, and under an asymmetry of information among parties.

This *leap-of-faith* or credence from one party into the offerings of the other (Howden and Pressey, 2008), may be compensated by trust, the reputation of a firm or a particular consultant (Möller and Törrönen, 2003) and/or by an existing relationship established. The value-in-offering-leverages on past knowledge and existing relationships (Zerbini et al., 2007).

Value-in-offering as the content of a value proposition emerges from the value creation potential inherent in the resources possessed by actors (Hilton et al., 2012). Then, a perceived customer value is generated. Lusch and Vargo (2006) identified co-production as a precursor of co-creation of value; co-production is more related to the value-in-offering Stage (see Annex, Table 11-3).

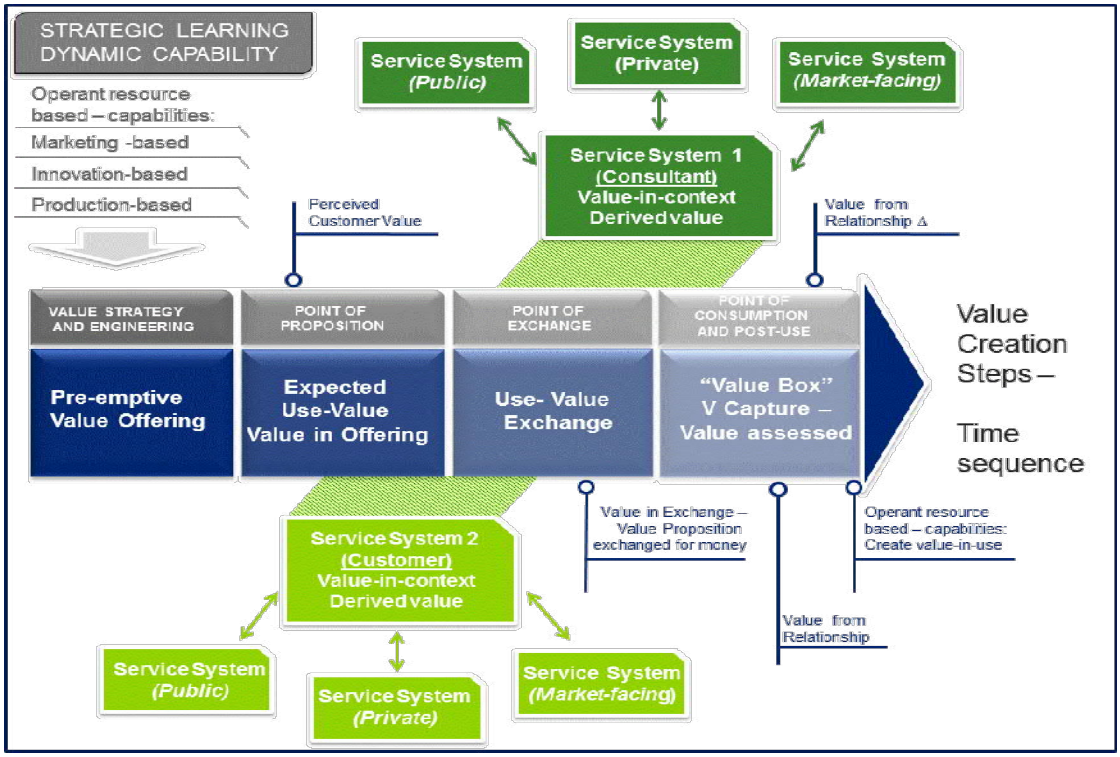


Figure 3-9. Theoretically integrated model; starting point for research abductive iterations

Developed from models in Figure 3-7- Value co-creation among service-systems, taken from Vargo et al., (2008: 149). Value co-creation is driven by value-in-use but mediated by value-in-exchangeand Figure 3-8 - "Value Box - Value creation business model", taken from Ngo and O'Cass, (2010: 499)

The knowledge intensive provider i.e. Service System 1, needs profoundly to understand the value creation strategy[35] and requirements of the client (Howden and Pressey, 2008; Möller, 2006); the client needs to understand the capabilities and value creation strategy that the vendor will bring and acknowledge its internal operant resources needs so that it can capture value (profit) by co-producing value.

Möller's (2006) matrix framework distinguishes the managerial capabilities required and resulting profiles for value, depending on the value creation strategy combination of buyer and seller, if the relationship is balanced or else distinguishes which party drives value creation.

In order for the vendor (in our case, a consulting firm) to initiate the cycle, it should have previously configured its value-in-offering as the result of a dynamic capability commanding a strategic orientation (Ngo and O'Cass, 2010) and configuring the firm's dynamic capabilities to seize a market opportunity. In other words, in order to seize a market opportunity the consulting firm has to dynamically configure its resources to (1) apply its operant resource based capabilities to produce the value-in-offering, (2) ensure that the firm has the knowledge capabilities to respond to the delivery of the value-in offering and the co-production of value delivery capabilities that will result in the expected (or higher) customer results, and (3) to manage the relational capital and/or reputation of the firm (Möller, 2006; Ulaga and Eggert, 2006). The supplier needs to reflect and reconfigure its competencies not internally focused but in terms of customer benefits (Golfetto and Gibbert, 2006).

Ngo and O'Cass (2009: 501) propose three value creation business orientations that have their corresponding capabilities or operant resources, those being (1) marketing-based, (2) innovation-based, and (3) production-based capabilities (see Figure 3-8). The authors define strategic orientation as governing construct following Miles, Snow, Meyer and

[35] According to Möller & Törrönen (2003) the value production types or 'strategies' can be in a continuum from (1) Short term-transactional, exchange focused, (2) Value adding –relational, to (3) Future oriented, highly relational

Coleman's (1978) organisational strategy theory that uses "prospector, analyser, defender and reactor" symbolic archetypes.

The *strategic learning dynamic capability* construct (see Section 3.5.2) could be a more comprehensive and operant resource oriented theory to explain the configuration of the operant resources adding to the Ngo and O'Cass (2009) model.

Prahalad and Ramaswamy (2004) argued that co-creation of value occurs through interaction, and provide a model under the acronym of DART (dialogue, access, risk-management and transparency) as a building block of such interactions, and "interaction makes value co-creation a dialogical process" (Grönroos and Voima, 2013:141).

Once the exchange happens, the consumption of the service takes place. Economic-value[36] is captured by the supplier (System Service 1) which obtains profits (Möller, 2006; Ulaga and Eggert, 2006), experience and knowledge (Fosstenløkken et al., 2003) that become capabilities and intangible assets[37]. It has been argued the supplier can only assist the customer in creating its own customer value (Grönroos and Ravald, 2011).

Value creation, under S-DL tenets, occurs only on the part of the client (System Service 2) who embarks on the process of creating value with its own operant resources (Bowman and Ambrosini, 2000; Makadok et al., 2002; Lepak et al., 2007). Value-in-use is finally phenomenologically assessed by the client (Vargo and Lusch, 2004), hence Vargo and Lusch (2011) describe exchanges as bounded relationships, i.e. "temporary moments (sometimes made tangible through goods) in intersecting value co-creation processes and relationships" (Akaka et al., 2012); "essentially, value is a personal judgement of worth by a beneficiary" (Hilton et al., 2012:1508).

Helkkula et al. (2012) also contend that the phenomenological value experience does not necessarily follow a linear sequential timeline e.g. pre-assessment, consumption and post-assessment, but progresses in an iterative "hermeneutic spiral of sense making" (Helkkula et al., 2012:61) of individual and collective value from the experience. These

---

[36] Word "economic" added to distinguish value from S DL definition

[37] A Consultant or service provider might even offer a service for free just to acquire the skills and the experience credentials, as an investment to acquire the said capabilities as future earnings generation potential (Mouritsen, 1998; Gu and Lev, 2001).

findings offer alternative perspectives to interpret timeline implications in value creation, depicted in the theoretical framework in Figure 3-9.

Value offering capabilities exist as an intangible inventory of value-in-offering potential, knowledge stores (Yang and Lai, 2012) or inventory of intellectual capital. Those capabilities in the form of intangible assets generated (hopefully not depleted), can be classified as relational capital, structural capital, and human capital (or organisational learning), knowledge and reputation (Marr, 2006).

Aarikka-Stenroos and Jaakkola (2012) advanced the analysis of co-creation of value from the model of Vargo et al. (2008) in Figure 3-7, into the context of knowledge intensive businesses. Aarikka-Stenroos and Jaakkola (2012) argue co-creation of value happens in different modes before, during and after the exchange, in five key activities: "[1] diagnosing needs, [2] designing and producing the solution, [3] organising the process and resources, [4] managing value conflicts and [5] implementing the solution" (Aarikka-Stenroos and Jaakkola, 2012: 23). Those activities should be interpreted as interaction cases and are not necessarily sequential; they can occur iteratively, in parallel or in a different order, shown in the following Table 3-6.

Value creation roles played by the supplier	**Supplier Resources**	**Value creation roles played by the customer**	**Customer Resources**
Value option advisor	Expert knowledge	Co-diagnoser	Information on needs
Value process organiser	Diagnosis skills	Co-designer	Information on context
Value amplifier	Facilities and professional equipment	Co-producer	Industry expertise
Value experience supporter	Experience	Co-implementor	Production material
	Objectivity and integrity	Co-marketer	Effort and time
	Relational Capital	Co-developer	Financial resources

Table 3-6 - Co-creation of value in knowledge intensive services. Taken from Aarika-Stenroos and Jaakkola (20912:22)

4. Meta-theory and methodology

Any research work that aspires to scientific validity requires a solid philosophical foundation in order to provide the basis for the coherent adoption of a methodology, selection of methods and further backing to the arguments on which the findings, propositions and conclusions will be sustained; such philosophical foundation has also been called meta-theory (Danermark, Ekström, Jacobsen and Karlsson, 2002).

The overarching philosophical foundation or meta-theory of research is primarily grounded in an ontological perspective. Ontology is the branch of philosophy that studies the reality about the world and its objects or "the inquiry into the nature of being and existence" (Potter, 2000: 242). In Social Sciences there has been a continuous debate between the extreme positions that can be assumed about reality, from on one extreme conceptualizing the world as a purely objective and concrete structure independent of any observer (Naïve Realism), to the other extreme of the subjective ontology, i.e. that assumes reality is nothing but a projection of human thinking (Idealism) and individual consciousness (Järvensivu and Törnroos, 2010).

These extreme positions placed in a continuum can also be discussed in several intermediate not so radical Stages, as described in Table 4-1.

Ontological Assumptions **Continuum from Objective to Subjective Ontology perspectives**
Reality as a Concrete Structure (Naïve realism)
Reality as a concrete process
Reality as a contextual field of information (Critical Realism)
Reality as a symbolic discourse (Moderate Constructionism)
Reality as a social construction
Reality as a projection of human imagination (Idealism and naïve relativism)

Table 4-1. Ontological assumptions. Adapted from (Morgan and Smircich, 1980: 492)

Each assumption adopted in ontology about the world and corresponding human nature, poses different challenges to the argumentation required to sustain our philosophical

definition and its possibilities of acquisition of knowledge or *epistemology* (Morgan and Smircich, 1980).

The term epistemology has its roots in two Greek words (1) *episteme* meaning *'knowledge or understanding'* and (2) *logos* meaning ' *the study of*' and is therefore the name given to the theory of knowledge which involves notions of truth, justification and rationality (Pritchard, 2006). Epistemology has also been defined as the "study of knowledge and justified true belief" (Steup, 2012: 1) , and as such, it studies what knowledge is, its sources, how it is acquired and under which conditions we can be sure that we have knowledge.

This chapter introduces basic principles of ontology and epistemology, which shall provide the foundational structure to the critical realist paradigm that guides the methodology of this research and helps answer the research question outlined in Chapter 3 and introduced in Chapter 1. As discussed, any research design, methodology, methods and research tools have to be identified and anchored in the corresponding philosophical framework (Danermark et al., 2002). Those will be addressed in further detail in the sections below.

4.1. Critical Realist (CR) paradigm

Early[38] marketing studies were a rough amalgamation of logistics, distribution and the maximisation of profit that an organisation may have obtained from serving a specific market (Anderson, 1983). The research methods of such practices aligned nicely to the positivistic methods of sciences. However, as the concept of marketing evolved, it started examining marketing facets that evolved from a socially constructed enterprise, i.e. requiring a humanistic inquiry approach where the researcher interacts with the research subjects and not only observes them, and thus research becomes value laden (Hirschman, 1986).

Hirschman (1986) argued that the choice between the positivistic and humanistic perspectives is mutually exclusive … "although attempts have been made to merge or at

[38] Circa early 1980's and before, i.e. the classical McCarthy's concept of the 4-P's of marketing (Waterschoot and Bulte, 1992)

least seek a compromise between these two viewpoints it appears neither possible nor appropriate to do so. Because each is based on an essentially dialectic set of fundamental beliefs…" (Hirschman, 1986: 239). She posits a parallel, non-integrated path for positivistic and humanistic marketing research. The challenge to solve in the real world is that we have *material world* – positivistic subjects to deal with, which interact with human constructions.

The position adopted in this thesis is that real life presents complex challenges that require the integrated comprehension of both perspectives, and the solution to this challenge was initially provided by Roy Bhaskar in 1975 with his *transcendental realism*, as will be discussed in the next sections.

The following definitions are far from being an exhaustive description of *critical realism*, but just to highlight relevant characteristics that have moulded the design of this research. The critical realism philosophical paradigm was introduced by the British philosopher Roy Bhaskar, founder of the critical realism movement (Sayer, 2000; Danermark et al., 2002).

Critical Realism arises from the recognition that there is a world independent of the thoughts of its observers and in which predetermined laws or 'laws of nature' have allowed an effective development of scientific empiricist methods. Nevertheless, these scientific methods should be regarded only as reductions of the reality, that are well suited to describe and predict such reality composed by the matter, energy and space we perceive, also alluded to as *the world out there*. However, these empiricist methods have proven to be insufficient to describe and predict human constructs and realities emanated from social human interaction (Danermark et al., 2002).

Critical realists argue that there is a real world out there, which is full of human activity and science is seen as required partially to encompass human activity. Critical realism hence posits a need for a sociology of science (Potter, 2000), and argues that the world is characterized by *emergence*, that is situations in which the conjunction of two or more features produces a new phenomenon, which has properties that are irreducible to those of its constituents, even though the latter are necessary for its existence, e.g. social systems (Sayer, 2000).

Bhaskar (2008) in his *A Realist Theory of Science* treaty first published in 1975, where he initially referred to his philosophical argumentation as 'transcendental realism', resolves the ontological paradox of reconciling human activity with empiricist science by stratifying the reality in three domains, which become the core of the critical realism, as shown in Table 4-2.

	Domain of Real	*Domain of Actual*	*Domain of Empirical*
Mechanisms	√		
Events	√	√	
Experiences	√	√	√

Table 4-2 - Stratified Ontology; three domains of reality. Source: (Bhaskar, 2008: 47)

The term 'mechanisms' in Table 4-2 is referred as the generative mechanisms of nature, or, as Bhaskar (2008: 3) alluded to them as "nothing other but the ways of acting of things"; 'events' can be interpreted as human construed structures, heavily based on knowledge.

According to Bashar (2008), the domain of empirical is the reality of *closed systems* where experiences and causal laws are observed consistently and can be taken to universal generalizations; knowledge is there to be discovered and its truth exists independently of the observer.

In the *Domain of Actual* events occur independently of any empirical observation, but not independently of human activity. This allows the demonstration of the existence and causality of unobservable entities by anything different from the reference to the observable effects, which can be explained only as the products of such entities which are knowledge of models, ideals of natural order, etc. (Sayer, 2000). Knowledge is seen as a structure and the natural world as a construction of human reasoning.

In the *Domain of the Real* the activity of unpredictable sequence and combinations of generative mechanisms and structures are characteristic of *open systems* that occur independently of human deliberate action, and therefore the absent regularity of the empirical reductionist method is unable to confirm the unfolding of events. Science only has meaning as an on-going social activity; the domain of real regards the "objects of

knowledge as structures and mechanisms that generate phenomena" (Bhaskar, 2008: 15). For instance, we can predict the precise time and place where a rocket to the moon will land (mostly under the domain of the empirical) but we can't predict the next economic crises (domain of real).

In the case of society, its open system nature makes impossible to develop any precise predictions about it, however a good informed discussion can be held about its causal mechanisms (Danermark et al., 2002).

Sayer (1992:5) offers eight "signposts" to characterize Critical Realism, as per the following Table 4-3

1	The world exists independently of our knowledge of it
2	Our knowledge of the world is fallible and theory-laden. Concepts of truth and falsity fail to provide a coherent view of the relationship between knowledge and its object
3	Knowledge develops neither wholly continuously as the steady accumulation of facts within a stable conceptual framework, nor discontinuously, through simultaneous and universal changes in concepts
4	There is necessity in the world; natural and social objects have particular powers or ways of acting and particular susceptibilities
5	The world is differentiated and stratified, consisting not only of events, but of objects, including structures, which have powers and liabilities capable of generating events
6	Social phenomena such as actions, texts and institutions are concept-dependant. We therefore not only have to explain their production and material effects but to understand, read and interpret what they mean.
7	Science or the production of any kind of knowledge is a social practice…. the conditions and social relations of the production of knowledge influence its content … knowledge is largely linguistic, and the nature of language and the way we communicate are not incidental to what is known and communicated.
8	Social science must be critical of its object.

Table 4-3 - The eight signposts of Critical Realism. Adapted from (Sayer, 1992: 5)

The strategy of this research is akin and affiliated to the discussed *critical realist* meta theory foundation, i.e. there is a real world out there independent of our observations, but it is a world filled with humans interacting amongst themselves. The construction of human interaction is produced by language and human discourse, but language is nothing but an elaborate reduction of human thoughts.

Humans have words in every language for objects that align to objective naïve reality, e.g. when we speak of a *tree*, any listener will concur in the understanding of what we mean with the word *tree* corresponding to the domain of the *empiric*. However, when we speak about complex human constructs it becomes difficult to guarantee the same understanding in different languages, in both the sending and receiving parties of a conversation. In fact, understanding can never be identical because of the experiences, emotions, context, values and culture of the listener, which will never be 100% equal to those of the speaker.

There are words in several languages that lose meaning when they are translated. Even in critical realism documents the German word *verstehen* is seldom translated because of the meaning that is conveyed by the word in its original language. The meaning that is lost in translation is a minor example of the domain of the actual. When applying that to the dimensions of a society in its full complexity, it emerges that there are innumerable mechanisms, structures and events that are intangible, a behind the scenes reality to observable results without neglecting the existence and interaction with the world of the real and its objects that follow the laws of nature, whose reality is independent of what we humans think of them.

In summary, the critical realist meta-theory provides unequivocal philosophical argumentation for the scientific foundation and study of socially constructed complex occurrences. As Ehret (2013) argues about the three tenets of critical realism: (1) is an approach that subsides the limitations of empirical observation in unobservable causal mechanisms shaping business markets, (2) allows revealing of causation in interaction from unseen structures of social nature, and (3) allows revealing properties of business events in their context, which cannot be studied in isolation.

In this thesis it is suggested that the critical realist meta-theory provides the correct ontological approach to respond to unobservable constructs like dynamic capabilities and relationships that are factors in the facilitation of value by management consulting. The deliverables of a consultant are most of the time intangible, based on knowledge e.g. What is then a strategy or a corporate culture? Why do most companies regard them so valuable? How can a consultant assist in transforming the investment of a customer into knowledge and its operant resources (Vargo and Lusch, 2008b) and recombine them with

customer's tangible assets in different formats and structures to deliver better perceived customer value?

4.1.1. Causality in critical realism

Causality in critical realism provides an important foundation to this research since it has aimed to understand the role of capabilities in the co-creation of value at different stages in the interaction between buyer and seller of management consulting services, identifying the objects and their mechanisms involved in their exchange, its causality and subsequent creation of value (Easton, 2002).

In the domain of the empirical, the occurrence of events is described by the combination of structures under certain *closed systems* mechanisms, and is therefore completely[39] predictive. The explanation is obtained by deduction and hypothesis testing of universal laws of nature and, the basis of causal laws are provided by the generative mechanisms of nature (Bhaskar, 2008). However, in the domain of the real and in the case of open systems, the occurrence of events is affected and mediated by a context of human activity which introduces different and frequently unexpected conditions so that a high degree of unpredictability is present. Events happen on contingent conditions as the future is open (Sayer, 2000), "powers and mechanisms may be present and working without us being able to immediately perceive any connection between them and the effects they may produce" (Danermark et al., 2002: 57).

Sayer (1992) had also argued that "causality concerns not a relationship between discrete events ('Cause and Effect') but the 'causal powers' or 'liabilities' of objects and relations, or more generally, their ways of acting or mechanisms"(Sayer, 1992: 104), which can be better illustrated in Figure 4-1.

[39] Even physical systems may be nearly, but not completely closed. However such level of finesse is beyond the scope of our discussion.

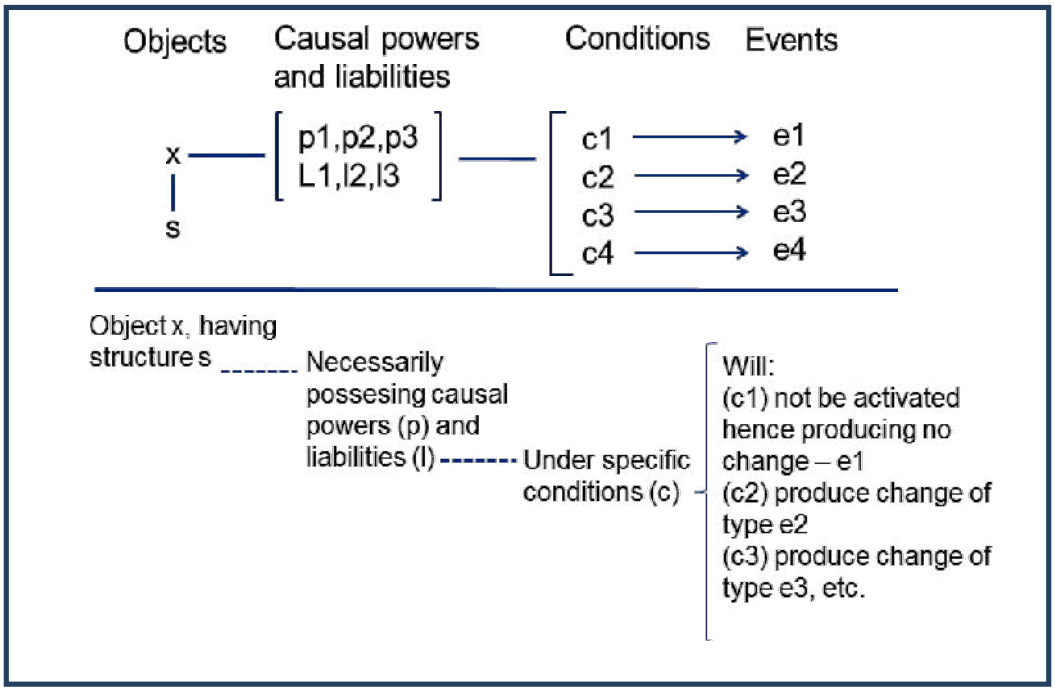


Figure 4-1. The structure of causal explanation, taken from Easton, 2002: 105, adapted from Sayer (1992).

Observable effects are produced by frequently intangible structures that are in turn based on, and interact with mechanisms. The scientific method based on deduction and hypothesis testing to discover a cause-effect does not work because of the multiple unexpected mechanisms that emerge in between any observable effect and its hypothesized causes. Critical realists have founded their research by first observing the domain of the real, developing theoretical abstractions of the phenomena and then disentangling the structures and mechanisms that caused the observed effects (Danermark et al., 2002); those structures are context bound and the generalization and predictability capabilities of the empiric science are not replicable. However, a powerful explanatory capability can be acquired which may have a solid transportability of argumentation under equivalent conditions and context, recognising that no two social contexts are ever identical (Hirschman, 1986).

4.1.2. Hermeneutics in Critical Realism

Critical realists assume that social phenomena are intrinsically meaningful, so that meaning is not only externally descriptive of them but constitutive of them as well as material constituents too. Meaning cannot be measured or counted; it has to be

understood, hence there is always an interpretive or hermeneutic element in social science and explanation is given through interpretive understanding (Sayer, 2000). Henceforth the language is the instrument through which all meaning is transmitted and conceptualisation processes take place (Danermark et al., 2002).

Social systems are about discovering variables, their causation network and their meaning. Sayer (2000) also discusses the complexity of dealing with an existing double hermeneutic cycle in social sciences: (1) one related to the understanding perspective of the researcher and his or her scientific community and (2) another from the researched environment with its respective irreducible social environment (language, actors, culture, structures and meanings).

4.1.3. Critical Realism epistemology

Bhaskar (2008) takes a first step by identifying the properties of societies, people and their interaction with a material world that make them subjects of knowledge. As per Bhaskar's (2008) stratification of reality in three domains, critical realists posit that there are unobservable events which cause the observable ones. The social world can be understood only by understanding the structures that generate such unobservable events.

Bhaskar (2008) defines two types of objects of knowledge: (1) intransitive, which are those that exist in the material world and are independent of any human action or observation (i.e. the law of gravity…), and (2) transitive, derived from human activity and consisting of facts, paradigms, models, theories, and so on. This stratification of objects of knowledge is a key argument for supporting scientific knowledge according to critical realists. Sayer (2000) provides the following example: when the discovery of the earth as a spherical planet was made, the shape of the earth itself, previously believed to be flat, was not changed (intransitive knowledge) however the 'flat earth' theory did change (transitive knowledge). This transitive knowledge gave way to enormous societal changes and further transitive knowledge, and the case exemplifies how our socially constructed reality happens to be fallible and perfectible.

According to Bhaskar (2008: 5), the "epistemic fallacy" consists in answering a question about ontology as if someone may be responding to an answer about his or her

knowledge of it. For example, the fallacy could be evidenced by the incongruence of first asking about the existence of a being, and afterwards asking whether our knowledge of that being is justified, expecting the same answer. Hence ontology must not be reduced to epistemological argumentation, and research meta-theory needs to rely more in ontological than epistemological argumentation. As formerly discussed, critical realists believe that the scientific examination of social phenomena is feasible and valid, but the foundations are in the stratified ontology discussed, and not in a single dimensional epistemic perspective (Danermark et al., 2002).

If we admit that reality is socially constructed, we do not trust our individual senses in their consistent objectivity in the assessment of the *domain of the real* and then knowledge has to be based on commonly agreed interpretations of the researchers. Under the critical realism ontological perspective formerly discussed, the epistemology adopted by most critical researchers is open or 'permissive' (Sayer, 2000). In fact, critical realists coincide in the stance that (1) knowledge is fallible, because observations are fallible and (2) observations are also theory and culture laden. It follows that knowledge can always be improved and sometimes can even be unintentionally false (Potter, 2000), but this should not lead to the stance of the relativists that truth does not exist at all, with the risk of e.g. negating the impact of different decisions about social events through their intangible structures and their outcomes in our lives. Knowledge, as per critical realism is always subject to improvement by revision or corroboration e.g. by triangulation (Patton, 1999).

In fact, our knowledge is fallible because the world is not just a construction of the individuals, where, if it were, reality would be perfectly aligned and knowledge would be infallible. Objectivity then becomes a social phenomenon (Trochim and Donnelly, 2006) and it is verified by practical activity rather than pure theory or experimentation.

The quest to describe and guarantee knowledge under critical realism is related to the interpretation or meaning given to social constructs in a double hermeneutic cycle so that their meaning is understood but whose constructs quite often are non-quantifiable (Sayer, 2000). However, Danermark et al. (2002) argue that interpretations of meaning are not everything that is needed to provide explanations of *phenomena*, but also to achieve conciliation with the domain of the real (see Table 4-2).

From an epistemological perspective, critical realism sees knowledge as a socially "produced means of production" (Bhaskar, 2008: 6), alluding to the development of science which becomes a social activity independent of *the existing world out there*.

The researcher has hence selected a critical realist ontological perspective for the intricate and dynamic analysis of value creation in management consulting. If we look to the evolution of the research of into the *value* construct, value was historically defined at the outset by a positivist definition (economic value paid less costs) and then evolved to the extreme of S-DL's constructivist position i.e. value only phenomenologically determined by the customer (Vargo & Lusch, 2008b).

The researcher acknowledges and endorses both perspectives, however, only a critical realist ontology is able to reconcile them; the constructivist position is insufficient to explain the building blocks required to arrive at such phenomenologically perceived customer value, and which management consulting manoeuvres in assisting a customer to achieve, and customers are willing to pay for such service accordingly.

4.1.4. Differentiation from similar paradigms

Järvensivu and Törnroos (2010) note a difference between *moderate constructionism* and *critical realism*; they highlight the similarity of both paradigms but also note their difference which relies in the mind-set of the researcher; critical realism is aligned towards empirical evidence and moderate constructionism is aligned to community-bounded accounts of knowledge. Both paradigms are subject to empirical evidence and community bounded knowledge generation, but emphasis varies.

This research is sustained under a critical realist paradigm, which can be identified in a middle ground position between pure or naïve realism and pure or naïve relativism, as per Figure 4-2. As discussed critical realism differs from moderate constructionism in that moderate constructionism relies more on community construed knowledge, whereas critical realism tends to privilege the search for a universal truth.

Moderate constructionism and critical realism are almost alike in terms of epistemology but differ in the degree of subjectivity of conception of the reality. The researcher endorses for this thesis a critical realist research paradigm anchored in an objective

reality with an eclectic epistemology that ranges between a moderate subjectivity (hermeneutics based) and a moderate objectivity (empiricist based).

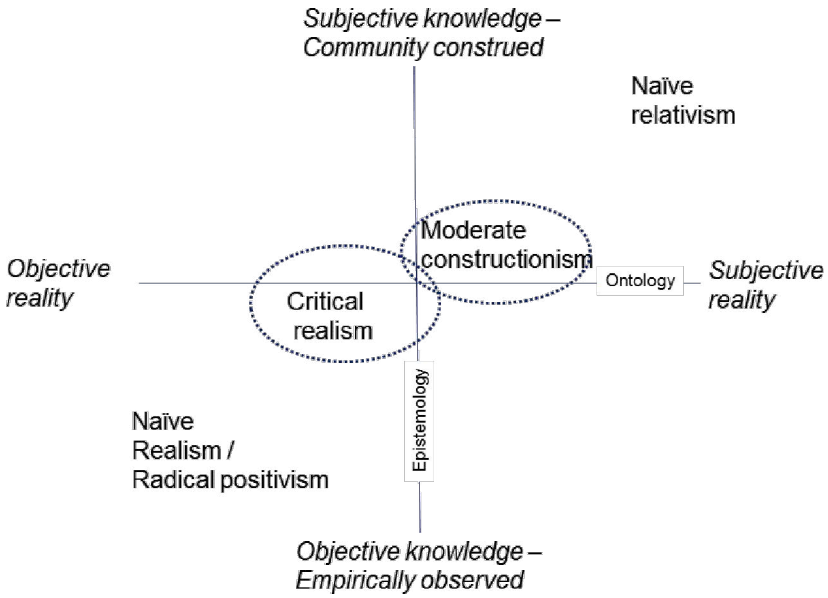


Figure 4-2 - Ontological and epistemological relative alignment of research paradigms. Taken from Järvensivu and Törnroos, (2010: 102)

An example of the critical realist paradigm may be illustrated in terms of the *value* construct. A pure analysis of the value-in-exchange of a transaction (of a tangible nature) as discussed in the early marketing studies is well supported by positivistic methods. Nevertheless, for the purposes of the research question in this thesis, which triggers questioning beyond observed value in exchange, such as: What elements beyond the tangible evident events cause the occurrence of an exchange between a buyer and a seller in a specific context? (Easton, 2002), or the causation of value-in-use which is phenomenologically defined by the customer? (Vargo and Lusch, 2008b), or value defined emerging from customer experience? (Helkkula et al., 2012).

The methods selected for research depend very much on the nature of our abstractions and the conceptualizations (or in other words, interpretations) of the social systems that become objects of our study (Sayer, 2000) and are further discussed below.

4.2. Methodology

The terms *methodology* and *methods* are frequently used synonymously in the literature. Methodology nonetheless, has been defined as "A way of thinking about and studying social phenomena", and methods have been defined as "Techniques and procedures for gathering and analysing data" (Corbin and Strauss, 2008: 1). These procedures, conventions and rules give researchers a logical structure of inquiry and a set of inference rules which help them draw conclusions from the data (Silverman, 2001).

The methodology focuses on the process of the research; it analyses under a scientific pursuit of the truth the research potentialities, resources, limitations and consequences, grounded on the epistemological stance, so as to sustain the acquisition of knowledge. "The nature of the object of study determines what research methods are suitable" (Danermark et al., 2002: 41).

Methods are the collection of techniques tools and resources that enable the operation of the research, most predominantly for data collection and data analysis (Trochim and Donnelly, 2006; Saunders, Lewis and Thornhill, 2009). The methods selected have to respond to the methodology that has been selected, which in turn derives from the meta-theory foundation, as per Figure 4-3. The methods and tools focus in the activities that will produce the tangible results of the research.



Figure 4-3 – Steps in the Research or 'funnelling'. Adapted from Danermark (2002: 4)

Meta-theory as central piece in designing a research in social sciences

Critical realism has a wide spectrum to accommodate in an eclectic perspective either qualitative or quantitative methods or an interaction of both. Science has always had the debate of whether to focus on theoretical or empirical approaches, making it difficult to harmonize both, which is something the approach of this research aspires to achieve.

Theory and empirical knowledge should not be analysed independently for social sciences research. (Danermark et al., 2002).

Henceforth, given the nature of this research, a qualitative methodology has been selected. More specifically, this research has been founded on a qualitative-abductive method, which has the characteristic of departing from existing theoretical frameworks, and then iteratively "going back and forth between framework, data sources and analysis" (Dubois and Gadde, 2002: 555).

On the one hand, a qualitative stance is prescribed when the researcher is aiming to discover variables, rather than to test them, to conceptualise how meanings are formed into variables and to develop analysis involving a complex context (Corbin and Strauss, 2008) so that it encompasses techniques of data collection and analysis that generate or use non-numerical data (Saunders et al., 2009). On the other, the iterative deductive-inductive iterative methods that define the abductive process have been designed and applied to deal with the open ended questions on the nature of society, in order to uncover structures that have to be interpreted, verified and compared to extant frameworks and fine-tuned into testable propositions. Those propositions must also be compared, confirmed and iteratively improved in order to provide explanation (Yazdanparast, Manuj and Swartz, 2010).

When dealing with social studies research design, we need to identify the methods that will endow the research with a capability of abstraction, i.e. to be able to study in isolation the combinations of variables and constructs (i.e. events and mechanisms, see Table 4-2) that most likely have causality on the observable or empiric reality case, in the corresponding context. The capability of abstraction endowed by qualitative methods (Corbin and Strauss, 2008) is particularly needed because (1) of the complexity of the context and (2) the unlikely possibility of producing a laboratory environment to replicate the mechanisms and events in a closed controlled environment in social sciences as would be possible in positivistic science. (Danermark et al., 2002).

4.3. Qualitative abductive research design

"Abduction refers to an inferential process of producing new hypotheses and theories based on surprising research evidence" (Timmermans and Tavory, 2012:170).

Timmermans and Tavory (2012) and Danemark (2002) cite the well-known pragmatist philosopher Charles S. Pierce as a reference for the philosophical foundations for the scientific method where discovery (i.e. deduction) and justification (i.e. induction) are inseparable moments, and thus position inference within the act of interpretation; henceforth logic is inseparable from semiotics.

Abduction reconciles both inductive and deductive perspectives (Järvensivu and Törnroos, 2010), and discovers on the basis of interpreted data combinations for which there is no knowledge developed so far; it is a mind process that couples arguments which one had never associated with one other (Reicheretz, 2004). Abduction "… allows us to assess prior theories and generate new knowledge through constant dialogue between theoretical concepts and empirical investigation" (Järvensivu and Törnroos, 2010: 107).

Danermark et al (2002) argue a distinction between individual concrete observable phenomena and structures in social sciences, which are non-directly observable and thus require concepts and theories to be explained. Both deduction and induction are on their own unfit to bring to light discoveries about the mechanisms and events underlying the non-directly observable structures which are context dependent.

Dubois and Gadde (2002; 2014) propose a version of the abduction process which they name *systematic combining*, being a process where theoretical framework, empirical fieldwork and case analysis evolve simultaneously, and is useful for development of new theories. Instead of following a straight sequence of events, abduction evolves, adapts, goes back and forth and modifies theoretical foundations as empirical research progresses. Findings likewise may eventually have to be confronted and modified. Systematic combining thus advocates non-positivistic and non-linear research, and is particularly apt for single-case studies where the research question demands interpretation of a rich context in detail, rather than just discovering stronger constructs (Dubois and Gadde, 2014; Dyer and Wilkins, 1991).

Abduction is a mode of formalized inference which allows for a further re-contextualization or giving meaning, so that new connections and relations non-directly observable are conceptualized. The following Table 4-4 provides an informative example of the abduction logic:

Deduction	*Induction*	*Abduction*
Rule: All beans from this sack are white	Case: These beans are from this sack.	Rule: All beans from this sack are white
Case: The beans are from this sack.	Result: These beans are white	Result: These beans are white
Result: These beans are white	Rule: All beans from this sack are white.	Case: These beans are from the sack.

Table 4-4. Deduction, induction and abduction. Source: Peirce (1932) cited in Danermark et al., (2002: 90)

As per the example shown, abduction is a process of creative inferencing, moving back and forth between data and theory through which we perceive the phenomenon as related to other observations either assuming a hidden cause-effect where former explanations may shed light or by documenting new observations (Timmermans and Tavory, 2012).

Hence, an abductive method is a hybrid-eclectic method that calls selectively for both deduction and induction; it proceeds from a single or a few observed phenomena to the best explanation of those phenomena so "it is sometimes called inference to the best explanation" (Pritchard, 2006: 108).

4.4. Validity

The validity of research is a hallmark of a true scientific method (Kvale, 1995); valid knowledge is about what truth is. A key first step is to judge validity departing from the research ontological perspective, usually between two extremes: (1) a pure realist perspective, where there is one reality independent of the observer and therefore only one truth independent of who describes it, and (2) the ontological radical relativist extreme, where the truth is dependent on an ideological framework, the reality is construed by its actors and culture or contexts require a commonly agreed discursive interpretation of the reality. The position adopted in this thesis assumes there is a real world independent of the observer nevertheless, there are truth claims to be made contingent on context and on construed mechanisms of knowledge.

To illustrate this latter discussion,

(1) from a constructivist perspective "in postmodern philosophy, the concept of an objective reality to validate knowledge against has been discarded" (Kvale, 1995: 19) in social practices, where reality is constructed linguistically, knowledge is validated through practice (Kvale, 1995) hence he downgrades the 'holy trinity' of validation, reliability and generalisation from the positivistic search for a universal truth, replacing them by the linguistic construction of the reality, which does not conflict and assists support for the pragmatic stance of critical realism;

(2) for a pragmatist "knowledge is action, not observation" meaning that justification is replaced by application i.e. whatever assist us to achieve results (Kvale, 1995:32).

In our case, "Validity can be determined by whether:

(1) Its truth claims are supported by data

(2) The claims, the data and chain of arguments linking them are acceptable to the scientific community in light of critical reasoning

(3) And the community that determines its validity is characterized by observance of the norms of criticism, the uptake of criticism, public standards and the equality of community participants" (Järvensivu and Törnroos, 2010: 103).

A major difference between qualitative and quantitative research and pertaining to in-depth interviews is the role of the instrument, e.g. the human interviewer (Seidman, 2006). In the case of this research, the 22 years of experience in management consulting of the researcher are brought forward to make relevant Kvale's (1995:19) argument about validity: "validity is treated as an expression of craftsmanship, with emphasis of quality of research by checking, questioning and theorizing on the nature of the phenomena investigated". In this research, this type of validity is suggested by contrasting interviewees' responses, sometimes from different perspectives, i.e. consultant and customer discussing their perspectives of the same experience, as will be further evidenced in the *Findings from Data* - Chapter 7.

4.5. Limitations of the research method chosen

The process of researching involves the painful discovery of partial perspectives of very complex reality and therefore, no method is perfect and the researcher needs to opt for benefits and downsides of each method (Corbin and Strauss, 2008).

The benefits of qualitative non-positivistic studies, by acquiring context-rich, value-laden contextual and sometimes un-observable mechanisms have been criticized for not having enough hard evidence (Eisenhardt, 1991). Here follow some possible, although debatable limitations of the applied research methodology.

Given that the researcher is actively involved in the setting and the market arena of the subject of research, there may be a risk that he could be emotionally involved about the phenomena under study introducing bias, i.e. risks of a narrow and idiosyncratic study (Eisenhardt, 1989) and possibly an inability to detect non-evident mechanisms and constitutive structures (Krantz, 1995). Concurrently, it has also been discussed that qualitative researchers might express personal opinion rather than reporting accurate findings and might be inadvertently selective in what they report as results (Tashakkori and Teddlie, 1998).

The nature of qualitative research tends to focus in-depth, in a smaller number of cases that quantitative methods. Qualitative research tends to be criticised for a lack of *analytical power*, particularly by positivistic researchers (Eisenhardt and Graebner, 2007; Eisenhardt, 1991).

Given that qualitative research tends to use smaller samples, another potential challenge identified is about representativeness and generalisation, presenting solid empirical evidence looking to development of new theory (Eisenhardt and Graebner, 2007); they argue (alluding to this and the former point) “The challenge of interview data is best mitigated by data collection approaches that limit bias. A key approach is using numerous and highly knowledgeable informants who view the focal phenomena from diverse perspectives” (Eisenhardt and Graebner, 2007:28).

Accuracy in interpretation is critical in qualitative studies, however, misinterpretations and faulty perceptions may introduce error very difficult to detect. The use of language is

always subject to further interpretations of meanings, so data gathering can be more vulnerable to faults than quantitative methods (Gall, Gall and Borg, 2003).

The evolution of value creation processes take a long time because collective organisational learning processes span several years; the inclusion of time in the context of qualitative research tends to be complicated (Halinen and Törnroos, 2005). Undertaking qualitative-longitudinal research may possibly be seen to provide a more accurate perspective of the historic evolution of constructs analysed. However, given practical time-span limitations, companies context changes and people mobility, other mechanisms are used by qualitative research to contemplate the effect of time (Woodside and Wilson, 2003). The accuracy of non-longitudinal research methods may be challenged when time-contrasting constructs are a critical variable to consider.

Knowing the limitations of the chosen research method prepares a good researcher to avoid sharing those shortcomings. Adopting adequate safeguards and preventative measures and controls will assist the researcher to circumvent the aforementioned risks (Eisenhardt and Graebner, 2007).

5. Research Design and Methods

The previous chapter introduced the way in which this research's methodology is grounded on a meta-theory, i.e. the ontology and epistemology perspectives that have been regarded to guarantee the foundations of this research. The researcher has proposed responding to the research questions under the umbrella of a critical realist paradigm as foundation for a qualitative abductive research methodology (Dubois and Gadde, 2002). The *funnelling* process of the research design leads our discussion to address now the research design and its associated tools and methods.

5.1. Research Design

Research strategy is the argument for the logical steps which will be taken to link the research question(s) with the empirical data and issues to data collection, analysis and interpretation accordingly (Hartley, 2004; Yin, 2009; Creswell, 2007).
The initial research question assembled in Chapter 3 and introduced in section 1.3 is:
How do capabilities and dynamic capabilities as resources of a management consulting organisation enable interaction to co-create value to clients and to the consulting firm?
The research design should then elaborate on the required data collection, analysis and interpretation to be able to respond to the question.

This research aims to look deep into the structure of the combination of capabilities, and higher-order capabilities that command capabilities, moving from surface structure to deep structure, steering the research from superficial description into deep explanation (Pentland, 1999). These phenomena are best studied using qualitative methods (Rouse and Daellenbach, 1999; Zubac et al., 2010).

The critical realist paradigm adopted for this research provides the ontological foundation to the quest to explain unseen mechanisms that may respond to the research question. Those mechanisms are in the minds of the executive consultants and customers of consulting services that have master-minded value creation initiatives assisted by consultants.

The empirical data for this research was designed to be obtained by means of in-depth, semi-structured elite interviews, to be further discussed in Section 5.1.2. Four preliminary interviews in a pilot project that preceded this research design provided the foundation for the research question and its sub-questions. The RQ in turn informed the literature review and therefore the theoretical framework (Figure 3-9) that emerged and oriented the guide to conduct the semi-structured elite interviews.

An abductive *systematic combining* (Dubois and Gadde, 2002) research method was adopted in order to iterate between data emerged, the theoretical framework and further data to be obtained, refinement of the research question and analysis. This method will be further discussed in Section 5.1.3.

Having obtained the data as interview transcriptions, three cycles of interpretation following systematic combining were conducted: (1) interpretation of basic messages *(e.g. what does he or she really mean and why? under what context?),* (2) translation of those basic messages into codes, making annotations and memos to the researcher (letting variables emerge) and (3) mapping the codes to an emerging template (Miles and Huberman, 1994), extracting common key factors linked to the research question.

The analysis of the data required a trace-back to the sources, in order to eliminate the introduction of any researcher-induced biases to the analysis and discussion. Then a comparison of common replies between consultants and customers were contrasted; constructs were related leading to the final analysis and discussion.

5.1.1. Unit of analysis

A commercial exchange occurs when each of the constituents of or parties to an exchange expects to come out of the exchange better than on entering it. The intentionality that guides the execution of the exchange is the attainment of value. In a dyadic exchange, there are at least two key perceptions of value, the one from the buyer and the other from the seller, developing a service system. It is useful to remember that the concept of value is not sustainable without someone giving meaning to it (Edvardsson et al., 2005).

The uniqueness of a service system and the resources it brings to bear is possibly what gives them a competitive advantage (Rouse and Daellenbach, 1999). Such a context can

only be explored by means of cases that allow the researcher to perceive and interpret the complexity of the relationships, variables and constructs involved.

The unit of analysis basis of this thesis is value co-creation in a management consulting service system. The common threads to follow in order to reflect on those co-creation processes are the consulting firm's dynamic capabilities, then enabling value facilitation, relational capabilities and organisational learning.

The unit of observation is interaction of consulting services, observed contrastingly from the customer and from the consultant perspectives.

5.1.2. Elite-interviews as primary data source

An interview is a discussion between two people with a purpose (Saunders et al., 2009). Kvale (1983:11) defines the qualitative research interview as "an interview, whose purpose is to gather descriptions of the life and the world of the interviewee with respect to interpretation of the meaning of the described phenomena". In a similar vein, McCracken (1988) argued about the long interview as one of the most powerful weapons in the qualitative armoury, where hardly any other instrument can reveal as much. Interviews are characterized by a low degree of structure imposed by the interviewer, favouring open questions with a focus on specific situations and action sequences in the world of the interviewee.

Thereafter, researchers represent the meanings of interviewees by forming coherent patterns, aggregating them in larger wholes, and identifying unified themes. Interpretation is the recognition of common threads among meanings, where as a result the researcher develops synthetic constructs as representation of interviewee's experiences (Spiggle, 1994).

Three premises supported the selection of in-depth elite-interviews as the data collection method:

(1) Privileging the richness of context and the difficulty of trying to capture its nuances and variations by any other means,

(2) The fact that the information required is not explicit, but hosted in the minds of elite professionals related to the field of the research, emphasised by the difficulty of access to such data by the *consultancy-layman,* and

(3) The ease of access to the required level of interviewees by the researcher. Otherwise, elites are by their very nature difficult to penetrate (Hertz and Imber, 1995), and this applies particularly to private partnerships.

The lack of availability of detailed public information consistently reported for management consulting companies, as well as inconsistencies between market analysts' perspectives (See Chapter 2) also supports the chosen data collection method.

The interview is treated as a social encounter in which knowledge is jointly constructed by the interviewer and the interviewee, meaning both parties are active (Holstein and Gubrium, 2004). The selection of in-depth interviews, requires an involvement from the researcher in order to give meaning to the participant's contributions (King, 2004a). Interpretation by the researcher will also be discussed further as a key component in the process, to capture information conveyed by metaphors and anecdotes related during the interviews.

5.1.3. Systematic combining research method

The abductive *systematic combining* technique (Dubois and Gadde, 2002; Dubois and Gadde, 2014) was selected for this research. The analysis of data collected took place as the interviews were conducted in three hermeneutic cycles combining data collection, interpretation analysis and reflection.

Systematic combining is appropriate when the research aims to explain the interaction of a number of interdependent variables in complex studies, where the richness of context is also an important factor, all with the intention to go deeper into one case rather than a positivistic large-sample stance that may look for better *analytical power* (Dubois and Gadde, 2002). On the same lines, Gummesson (2007:230) wrote: "is it not better to understand a phenomenon in-depth than to know how often the not understood phenomenon occurs?".

The abductive research method, besides moving back and forth between empirical research and theory, also relies on a tight and emerging framework (Dubois and Gadde, 2002). Hence, this research began with: (1) a broad research question which was narrowed down after the empirical findings emerged, and (2) a comprehensive theoretical framework at the outset of the research, emerged from the literature review (see Figure 3-9). Danermark et al. (2002) also highlight the input of a good theory into critical realist research design; theory should guide the methodological choices, however ample and vague at the outset (Timmermans and Tavory, 2012).

The following Figure 5-1 depicts the five, non-linear stages and four iterations undertaken by the abductive method of this thesis' research. It is important to highlight the departure from the testing of a preliminary theoretical framework hypothesis in Stage 1 into further iterative-deductive cycles.

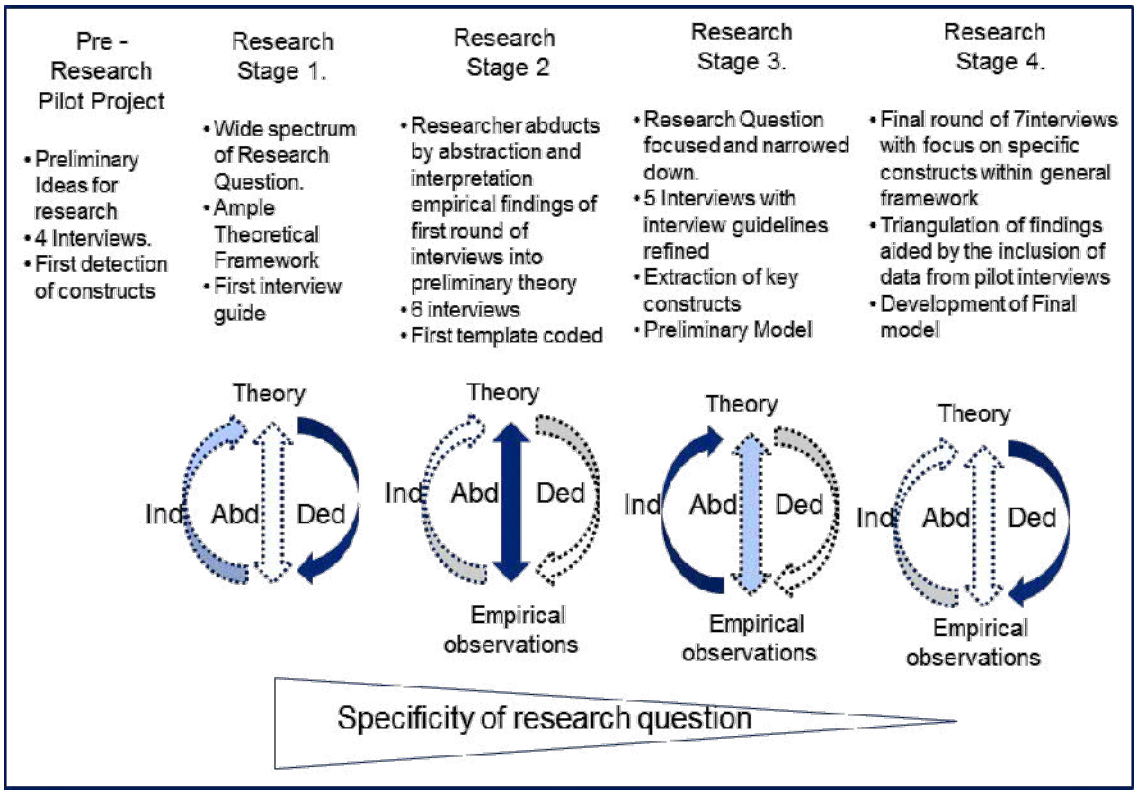


Figure 5-1. Abductive research process, adapted from Järvenitsu and Törnroos, (2010: 103)

In Stage 2, the first round of interviews was conducted and analysed (Figure 5-1). The research analysis took an abstraction of events and mechanisms through interpretation, so

as to selectively *abduct* and start inferring new theory that intends to explain connections and interactions of mechanisms in specific context.

The research then moved to a more inductive process in Stage 3 (Figure 5-1) in order to ground emerging themes, and in our case constructs of value co-creation, relationship and capabilities in management consultancy, and to adapt the frameworks to evolving new theory. Finally that theory was tested in Stage 4 (Figure 5-1) in order to consolidate the findings and the knowledge acquired.

These steps of this research will be further discussed in more specificity in Chapter 6, making references to Figure 5-1.

5.1.4. Reliability and Validity in the specific research design

Validity is about adherence to truth (Kvale, 1995) and can be described as ensuring the correctness and precision of research findings, by means of representation, understanding and interpretation of the qualitative evidence (Lewis and Ritchie, 2003).

Reliability means replicability of research findings. However, in qualitative studies where constructs become so context-dependent, the research looks more for transportability of the conclusions, which will evidently depend on the soundness of the evidence (Lewis and Ritchie, 2003). Given the nature of qualitative research, reliability can be equalled to the ability to confirm the findings (Gerdes and Conn, 2001)

The following tactics were involved into the Research Design to ensure adequate levels of validity and reliability.

1. During interviews, the same concept questions were asked from different angle. For instance, the question “What elements were present when you assessed value in a consulting intervention” can also be complemented and contrasted with “What elements were present when a consulting intervention failed to achieve its objectives”.

2. The same method was designed to be applied within abduction iterations, aiming to deepen the concepts responded or to triangulate in following iterations.

3. Contrast responses between clients and customers in the same or analogous situations.

4. Finally, the position of the researcher was leveraged in conversations among experienced professionals to confront and validate the ideas emerged in order to obtain clarity in the constructs explored, similarly to the interviews of anchor-men/women in incisive media interviews (Thomas, 2009; Useem, 2009).

5.2. Target Population – acquisition of data

The proposed research design considers that relevant behaviours of the subjects of our study cannot be manipulated in an experimental way, and would require the examination of contemporary real-life events with unclear boundaries and interrelated resources (Dubois and Gadde, 2002; Yin, 2009). A plan to interview consulting executives and executive customers (i.e. CXO's) was established by discussions with executives in connection with the Mexican subsidiary of the largest multinational management consulting organisation (IBISWorld, 2012) [40]. The chosen consulting operation is a representative mid-size country-business unit, which operates regionally through the Americas with a deeper focus in Mexico and North America; the subsidiary unit comprises 900 professionals, out of a worldwide headcount of 26,400 [41].

The thirteen consulting firm's experienced practitioners and nine consulting customers interviewed were selected following the research design, by their seniority, capabilities and decision making experiences with the researched phenomena (Creswell, 2007). The focus of this research is not the consulting organisation, but the co-creation phenomena. According to Hartley (2004) a case study focuses on a phenomenon (not necessarily an organisation), within its context.

All of the interviews were conducted in Spanish and then transcribed verbatim. The first pass of analysis, synthesising their meaning (e.g. from metaphorical discussions) was

[40] Deloitte

[41] Approximate figures, 2013

registered in English; an external translator was hired for a blind-back translation verification to avoid any bias or imprecision that could have been introduced by the researcher. Then the second analysis and interpretation pass was undertaken and coded.

5.2.1. Sample size and its validity

A total of 22 interviews were conducted for this research in four stages of four, six, five and seven interviews, according to the four cycles of iterations determined as the research design using abductive method (see Figure 5-1)..

McCraken (1988) argues a difference between the quantitative and the qualitative world of research methods, particularly while using interviews as a data collection method. While quantitative studies need a sample size that guarantees validity of the conclusions within statistical accepted parameters in order to generalise the results of the sample to any given population, qualitative research looks for profound and complex data… "the issue is not one of generalizability. It is that of access" … "to gain access to the cultural categories and assumptions according to which one culture construes the world" …"it is much more intensive than extensive in its objectives" so as to understand the logic of a culture (McCraken, 1988:17).

Likewise, (Ghiglione and Matalon, 1978) argue that, based on their experience, twenty in-depth interviews are generally sufficient in the use of qualitative non-directive (i.e. non-positivistic) methods of research; after 20 interviews the data tends only to reaffirm what was collected in the former interviews. This coincides with Creswell's (2007:121) perspective, recommending from 5 to 25 interviews on phenomenological research and from 20 to 30 on grounded theory research. Boyd (2001) even suggests saturation can be reached from 2 to 10 interviews in phenomenological studies.

McCraken (1988) posits that depth is more important, working longer and with greater care with a few people rather than working superficially with many of them; "less is more… it is more important to work longer and with greater care with a few people than superficially with many of them… For many research projects eight respondents will be perfectly sufficient" (McCraken, 1988:17).

Systematic combining abductive method (See 5.1.3) coined by Dubois & Gadde (2014) is appropriate when the analysis tries to explore complex structures with interdependent

variables related to a specific context, privileging going deep in few interviews rather than being superficial in many.

> Firstly, this research design is based upon in-depth discussions within a reduced number of interviews intended to access experiences of savvy consultants and customers of the consulting industry. The demographic sample evidences professionals: who have achieved (1) director or CXO level, (2) all except 2 consultants are educated to master degree level and (3) all have had several years' experience servicing and/or hiring, facilitating and extracting value out of consulting services.
>
> Secondly, the in-depth interpretation process followed to analyse and code the interview with the aim of: (1) discovering what is beyond the obvious discussion, (2) understanding metaphors frequently used and the interaction of construct with respective constructs, (3) discovering the situational context of each case discussed, particularly in terms of time during the consulting Stages, as will be further discussed and (4) making contrasting connections between customers' and consultants' perspectives of the same construct.
>
> Thirdly, the deep-elite interviews were taken to the point of saturation of the concept. As we attend a phenomenon over time, the experience and perception is revisited and therefore re-experienced in different ways therefore enriching the knowledge (Timmermans and Tavory, 2012).

The number of interviews was determined by a saturation point as criteria for ending data collection (Hood, 2007; Saunders et al., 2009). As is evidenced in the interviews coding template, saturation with the consulting interviewees started to emerge after the second iteration of interviews. Saturation with customer interviewee was not fully evident until the third round (Stage 4 of Figure 5-1).

The researcher used his experience to probe and explore in depth constructs and their connections, nonetheless carefully avoiding influence or bias towards any of the responses, and orienting the interviews as conversations between experienced professionals, in order to benefit from the richness of context of the examples and cases discussed, allowing for freedom of interviewee emphasis and discussion.

5.2.2. Potential limitations of the sample selected

The following limitations regarding the characteristics of the sample could be debated:

Market and/or cultural potential biases, originated by the characteristics of the consulting subsidiary analysed (i.e. Mexican subsidiary). For instance, the propensity to use consulting services[42] of any given market might be argued to introduce biases into value creation processes in relation to size and proportion of spending.

However, Latin America's consulting market had the highest growth in the world in 2010, and this market is expected to grow at a 5.7% CAGR [43] in the next four years (See Section 2.1.2)…"what it [the market] lacks in size, it makes up in a high growth rate that is forecast to be more stable than recent experience suggests" (Anhalt et al., 2010: 64). No major bias is expected from culturally influenced practices because of the international nature of the firm discussed and the multinational experiences of the interviewees. Refer also to Section 5.2.3 demography of the sample.

The relationship of the researcher with the interviewees could be debated as having induced some bias in the interviews. The method chosen to trace back the words of the interviewees and to reflect them as the data from which the discussion took place minimises such potential bias, as well as the triangulation of concepts sought in the last two rounds.

Likewise, the seniority and executive levels of the interviewees suggest that their opinions are not easy to influence or to manipulate.

Overall, data collection has been carefully managed, based on the experience of the researcher, to avoid the introduction of any minor biases that might affect the scope and potential to represent required.

---

[42] Comparison of the ratio of market overall consulting fees by country relative to GNP

[43] Compound average rate of growth

5.2.3. Criteria and demography of the sample

The research design made evident the need of a purposive sampling tactic, also called judgement sampling. This technique implies a deliberate selection of informants due to the qualities possessed by the informants, and focuses on selecting information-rich cases that will most likely provide information to respond to the research question (Patton, 2005; Schrire, 2006). "Simply put, the researcher decides what needs to be known and sets out to find people who can and are willing to provide the information by virtue of knowledge and experience" (Tongco, 2007:147)

This research thus aimed at accessing high level professionals who would have had direct experience managing consulting initiatives aimed at value creation, both from the consultant and the customer sides, and their capability to reflect on their understanding of the process and intervening variables of value creation.

A more delicate issue was also considering the possibility of discussing consulting initiatives where value was not materialised or value may have even been destroyed. Interviewing consultants and customers was a critical part of the design in order to be able to contrast responses and to achieve an understanding from both perspectives about value co-creation.

Just to illustrate the point and as will be further discussed, consultants were much more reflective than customers in the importance of managing a relationship in co-creation, and experienced clients did discover value destruction when they spared assigning the adequate capabilities to the interaction.

The thirteen consultants interviewed, all either working with, or having recently collaborated with Deloitte (four in a pilot project, three in the first, three in the second and three in the third iteration) were selected using the following criteria:

(1) Highly experienced successful senior managers i.e. with 10 – 15 years of management consulting experience and 3-5 years in their current role,

(2) Have managed multi-year, mission critical consulting projects and important customer account relationships. Their careers have allowed them to participate both in purely technical projects (i.e. *doing*) and also in advisory consulting,

(3) The consultants have served both local and multinational customers, integrating multinational teams in customers both in Mexico and several countries in the Americas,

(4) Their seniority has required them to manage other managers, and being seasoned practitioners, they have had the capability to reflect and to elaborate about value creation role of consultancy.

Six out of the thirteen consultants interviewed have worked with Deloitte in the United States parent company, in multi-year exchange programs, so their background and experience is not limited to the Mexican environment.

Nine of the senior consultants interviewed also have had executive roles in the industry, having been customers of consulting services with experience of at least 2 years of being directly responsible for purchasing and managing consultancy services.

The following table provides a summary of demographic data for the consultants interviewed:

Consultant code	Highest level of studies	Professional current role	Industry experience	Approximate years of experience	Abductive Research iteration
CONS-P1	MBA – Carnegie Mellon	Executive Director – Accenture MX– Formerly Deloitte Partner MX.	No	20	Pilot
CONS-P2	MBA – ITESM-Mexico	CIO – Multinational food and snacks producer. Formerly Deloitte Partner	Yes	17 yrs. in consulting	Pilot
CONS-P3	MBA ITAM-MEXICO	Partner Deloitte Consulting MX-IT Services	No	15	Pilot
CONS-P4	MBA – Finance – Tulane USA	Director –Deloitte Consulting USA, NY	Yes- Banking	25	Pilot
CONS1	M.Sc.- Stanford, USA	Director - consulting	YES – Computer Industry manufacturer	22	First
CONS2	M. Sc. McGill, Canada	Director- Business processes consulting	YES – Manufacturing conglomerate	23	First
CONS3	MBA – North Western Univ. - Kellogg, USA	Senior Partner - Strategy	Yes – Stock brokerage	30	Second
CONS4	MBA - ITESM - Mex.	Senior Manager – Risk and Quality	No	30	Second
CONS5	MBA - ITESM – Mex.	Partner. Deloitte Consulting Dallas,USA. Large technology implementations, focusing on Customer Relationship Management processes	Yes – Food manufacturer	23	Second
CONS6	MBA – University	Senior Partner – Leader of	Yes – United	18	Third

Consultant code	Highest level of studies	Professional current role	Industry experience	Approximate years of experience	Abductive Research iteration
	of the West of England	Corporate Governance Services	Nations – Due Diligence Officer		
CONS7	Accountant – Universidad La Salle, MX	Senior Partner – leader of Finance Transformation Initiative	NO- Life time career as consultant	30	Third
CONS8	MBA - ITESM – MX.	Commercial Director- Leader for consulting services	6 – consulting YES – Marketing at telecomm and consumer goods industries	21	Third
CONS9	Accountant – National Polytechnic Inst..Mex. CIA, CISM, CCSA	Partner – leader of Risk advisory services. Member of the Editorial Advisory Board of the Internal Auditor Magazine	NO- Life time career as consultant	20	Third

Table 5-1. Experienced Deloitte management consultants interviewed

The nine consulting customers interviewed (three in the first, two in second iteration and four in the third iteration) were selected using the following criteria:

(1) Key executive sponsor of consultancy-assisted initiatives to improve their businesses,

(2) Has worked for large local and international corporations,

(3) Has been successful in capturing value with the use of consulting services,

(4) Has had experience of using more than one large consulting firm.

Details of client interviewee's demographics are provided in the following table:

Customer code	Highest level of studies	Roles		Approximate years of experience	Abductive Research iteration
CUST1	MBA- IPADE, Mex	Former CEO – French auto-parts manufacturer - subsidiary in Mexico		35	First
CUST2	MBA – University of Warwick, UK	IRS-Mex – Internal consultant Senior Development Specialist at Development Bank, USA		18	First
CUST3	MBA – London Business School	Director- Human Capital consulting	- Chief Strategy Officer – Large Microfinance bank (current job)	20	First
CUST4	MBA-ITESM, Mex	CHRO – Bank in Mexico and HR Director – Mexican subsidiary of a		33	Second

Customer code	Highest level of studies	Roles	Approximate years of experience	Abductive Research iteration
		large multinational consumer goods corporation.		
CUST5	MSc- Carnegie Mellon, USA	CIO – US Based Latin American Region – large manufacturing company; global scale	30	Second
CUST6	PhD – Cornell, Ithaca, USA	CIO – Large multi-product insurance company	30	Third
CUST7	MBA - ITAM, Mex	Director of Internal Audit of a large mining corporation	35	Third
CUST8	MBA	Director of B2B marketing of a large regional mobile telephony corporation	30	Third
CUST9	MBA	CFO of a large department stores chain in Mexico	22	Third

Table 5-2- Executive professionals interviewed that have purchased and contributed to management consulting projects

5.3. Ethical issues

Informed consent was discussed and obtained from each interviewee in advance of any discussion, ensuring anonymity; the study and its purposes were disclosed in detail before proceeding to any discussion.

Given real life situations were discussed and under client-consultant confidentiality requirements, an explicit discussion took place up front about the option of each interviewee to deny the interview and/or to delete any undesired part of the interview if requested.

The informed consent letters have been retained in confidential storage by the researcher and all interviews are stored in the researcher's computer with due security access measures.

5.4. Time frame for the research

The complete research programme has been scheduled at 34 months, beginning in February 2012. The interviews were conducted between February 2012 and October 2013; pilot interviews were conducted outside this range, between October and December of 2011.

5.4.1. Implications of the effect of time on the research

The *context of the in-depth interviews* has involved situations where value is acknowledged retrospectively at different moments during the interaction of the consulting service. The research considers the effect of time based only on the memories of the interviewees and the events described.

A longitudinal case approach was discarded for not having been practically feasible for following the context of diverse highly experienced interviewees in a long term setting, as well as for an efficient extraction of constructs contrasting customers and consultants.

Nevertheless, the interviewees were able to transmit their knowledge and lessons learned from several years of value creation, completing several project cycles of service either assisted by consultants or assisting customers to create value, and related constructs.

A partial history reconstruction tactic, using the three stages of a consulting cycle: (1) value in offering, (2) service consumption and (3) post-service (Helkkula et al., 2012; Aarikka-Stenroos and Jaakkola, 2012) was used to interpret differences throughout the sequence of the value creation intervention. For that matter, the interview guide designed for data collection (ref. Section 6.1) was prepared with a perspective in mind in order to obtain an understanding over time (Woodside and Wilson, 2003; Halinen and Törnroos, 2005), in this case of consulting cycles.

6. Data collection and data analysis

Timmermans and Tavory (2012:175) note that "the acts of gathering data and primary analysis become sites for fostering abductive reasoning" and "as investigators, we attempt to understand our informants by grasping a concept, an idea or experience in their terms" (Spiggle, 1994:499). Meanings and experiences are translated between the interviewee and the researcher's experience by applying metaphorical references, through a retrieval of knowledge that allows context and experience of both experiences to be retained (Spiggle, 1994).

The report which included the results from the analysis of the key constructs from the preliminary 4 interviews in the Pilot Project provided the key input to prepare the first interview guide. The node report from nVivo pilot project analysis can be found in Annex Table 11-5.

The Pilot Project Stage was identified as Pre-Research Stage in Figure 5.1.

6.1. Operationalising the interviews

The elite interviews discussed in section 5.1.2, were conducted in 3 rounds or iterations; each interview took from 45 to 60 minutes in length. The interviews were planned to be in depth, by following a semi-structured guide designed to explore the subjects of interest of the research.

The stated objective of the discussions aimed at exploring concepts in depth rather than covering all items of the guide in each meeting, i.e. "the study of elites [also] throws light on the inner working of societies" (Moyser and Wagstaffe, 1987:2). Moyser and Wagstaffe (1987) discuss that the study of elites is relevant in the concrete and immediate issues of social engineering, and thus elites are contacted for information only they are able to provide.

Therefore the discussions conducted with this research's interviewees adopted a flexible approach regarding the interview guide, privileging depth rather than breadth of

coverage, aligned with the semi-structured method for elite interviews suggested by Moyser and Wagstaffe (1987). If for instance, an interviewee took a long time to go deep into a specific topic, the tactic used was to leverage that discussion, challenging and confirming ideas rather than interrupting to cover all the questions.

Interview discussions departed from the generic concept of value created at consulting assisted initiatives and then moved on exploring emerged subjects in further depth. If, for instance an interview left a few items un-explored or with not sufficient detail, notes were made to cover those weak spots in following interviews, in-depth. Notes were also made to further explore connections and interdependencies among constructs in subsequent discussions.

The following Figure 6-1 depicts the steps for the preparation of the first interview guide, and further evolved iteration guides, as will be further discussed:

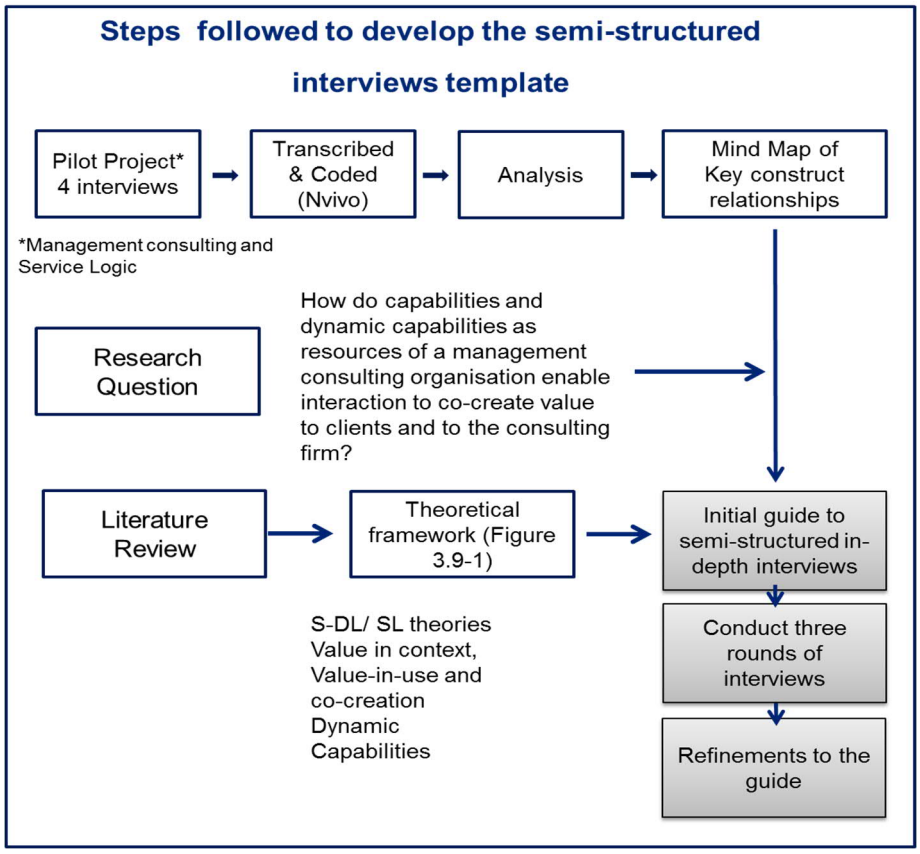


Figure 6-1. Research steps that conducted to the development of the interview guide

The initial interview guide is introduced in the following paragraphs. This guide was evolved and fine-tuned for renewed interview iterations. The second iteration of five interviews were conducted after a first interpretation and reflection on the data from the first iteration, seeking to enhance understanding and to find connections of non-explicit processes that explain the *mechanics* of co-creation (Dubois and Gadde, 2002).

The adjustment and enhancement of interview guides was a product of analysis coding and interpretation of data previously captured. For instance, the third round of interviews had an intention of specific confirmation of constructs, further exploration and triangulation of data.

Observations while performing the interviews or reflections while listening to the audio recordings of the interviews were logged as memos to the researcher and further documented as footnotes in the *Findings from Data* chapter 7.

Interview guide for discussions with consultants

1. Value
   - 1.1. Perceived Customer Value
   - 1.2. Understand how the client will value the services (its needs)
   - 1.3. Value from Relationship
     - 1.3.1. Investment in client's relationship
   - 1.4. Problem solving of complex problems
   - 1.5. Selling versus value in offering co-development
   - 1.6. Context required (value-in context)
   - 1.7. Capabilities which the client does not have internally
   - 1.8. Pricing as function of perceived value?
   - 1.9. Evolution /assessment of value-in-offering pre-during-post exchange
   - 1.10. Client internal capability and resources to seize the value
   - 1.11. Experiences in co-creation of value
     - 1.11.1. Value facilitation; teamwork with client.
     - 1.11.2. Integration of both consultant and client resources
     - 1.11.3. At Stage of value in offering
     - 1.11.4. At Stage of exchange – delivery
     - 1.11.5. At Stage post – delivery; assess value capture?

2. Service Exchange
   - 2.1. Information Asymmetry
   - 2.2. Communication with the client
   - 2.3. Reputation
   - 2.4. Demonstrated experience
   - 2.5. Commitment to client results
   - 2.6. Repeated sales
   - 2.7. Integrity and objectivity

3. Firm strategic management
   - 3.1. Managing the firm to achieve customer's expected value (value engineering)
     - 3.1.1. Market orientation
     - 3.1.2. What are you famous for

3.2. Building capabilities from resources
  3.2.1. Innovation based
  3.2.2. Marketing based
  3.2.3. Production based
3.3. Translate strategy into processes for internal capabilities development
  3.3.1. Identification of skills sought by the market (scarce)
  3.3.2. Develop distinctive and not easily replicable market / industry solutions
  3.3.3. Investments to build market guided capabilities
3.4. Differentiation with competition in terms of value
3.5. Learning and preparation of market offerings
  3.5.1. Customer value learning
3.6. Market recognised consultant Core competence

4. Firm value delivery capability
  4.1. Technical competence of the consultants; how does the firm maintain that information / knowledge asymmetry
  4.2. Practical, applicable knowledge
  4.3. Style of delivering the services
  4.4. Skills to achieve transformation and services delivery
  4.5. Firm value creation capability (increase)

Discussions with consulting customers

1. Value-in-use
  1.1. Key criteria for picking a consultant
  1.2. Expected - internal business case
  1.3. Price paid – value in exchange assessed.
  1.4. Context required (value in context)
  1.5. Collaboration with consultant in the design of the value proposition
  1.6. Perceived value from relationship
  1.7. Operant resources to capture value
    1.7.1. Experience using consultants
    1.7.2. Internal resources dedicated to learning
  1.8. Internal obstacles to capture value

2. Service exchange
  2.1. Information Asymmetry – expectations. Abuse of misinformation or mutual co-discovery
    2.1.1. Co-developing of consultant's value proposition
  2.2. Communication with the consultant
    2.2.1. Discovery of the "does not know that does not know"
  2.3. Reputation and references
  2.4. Commitment to client results
  2.5. Former experience with the Firm and with the Firm professionals

3. Consultant delivery capability to co-create expected value… at different Stages
  3.1. Expected technical competence of the consultants
  3.2. Alternative sources for the acquisition of knowledge
  3.3. Practical, applicable knowledge – teach or do the job
  3.4. Skills to achieve transformation and services delivery
  3.5. Integration of both consultant and client resources to co-create value

4. Value in context
  4.1. Company politics
  4.2. Issue a failed (no value) project requisition

Methodology Marker –Research Stage 1 finishes here, with the preparation of the initial interview guide, and Stage 2 begins below as per Figure 5-1.

6.2. Method of analysis

The following Figure 6-2 presents a graphical synthesis of the complete process of analysis followed, and which will be discussed hereafter.

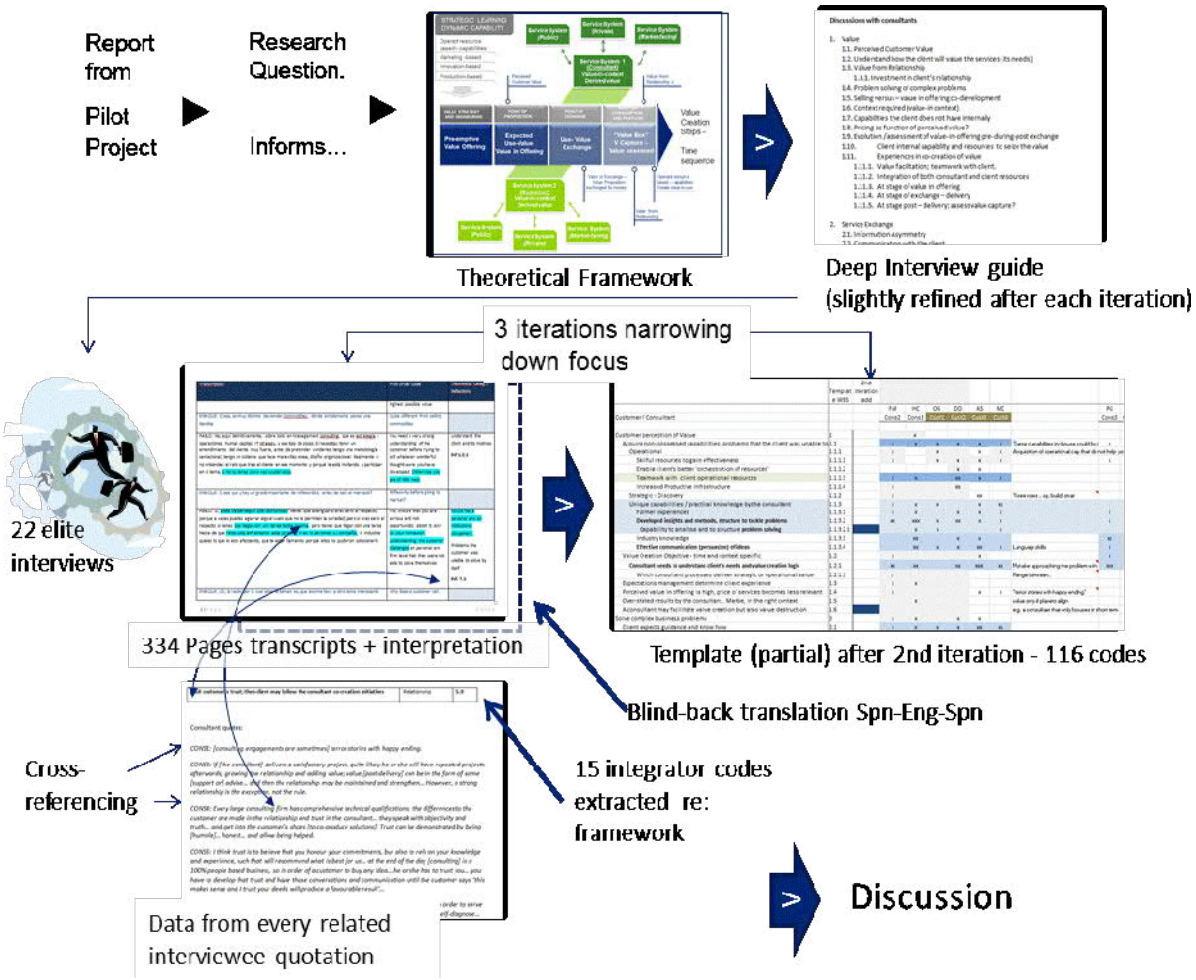


Figure 6-2. Overview of the coding and analysis process followed[44]

[44] The text inside the diagrams in this figure is not practically readable. Those sample pages snapshots are meant only to illustrate the research process. A readable figure of the contents is included in detail in the corresponding chapters of this thesis.

As discussed, an initial pilot project was undertaken between September and December 2011. The objective was to explore the mechanisms that contribute to the development of customer equity for a management consulting firm. The result of such a project, which had a very wide spectrum, was the identification of several key constructs and a first rough approximation to their inter-relationship and causation. The value construct emerged from this project as a core, gravitational centre of the rest of the inter-related constructs discussed. This knowledge prepared the basis to the initial research question and its sub-questions (see Section 3.8). A list of the report of nodes from the analysis of this pilot project using *nVivo* can be found in the Annex Table 11-5.

This first stage of the analysis was thus launched taking an initial deductive step, by proposing a theoretical framework (Figure 3-9). One of the intentions of the first round of interviews was to confirm the key tenets of the framework.

Then an inductive stage took place after reading in detail the verbatim transcription of the initially audio-recorded interviews. A first discovery was that the richness of the discussion, involved several important data which passed unnoticed by the researcher during the live discussion, or which were initially regarded as irrelevant (e.g. anecdotes or metaphors). However, those *small-talk* background conversations (that would have been missed without the transcribed audio recordings), involved very important pieces of information about the context, sense and meaning conveyed by the experienced interviewees.

Notwithstanding, the said background data was not explicit; that *small-talk* required to be interpreted during a second, detailed reading of each paragraph and within the context of the discussion; then a full richness of meaning started to appear. A third detailed reading involved a reflection Stage, to translate those raw pieces of interpretation into merged research codes of a template.

The template (see section 6.2.3) was therefore a growing and evolving tool rather than a fixed format spread sheet. A fourth selective reading of the interviews was performed to review that newly discovered codes were coherent with former data from interviews and for connections with formerly analysed codes.

Having achieved a certain degree of saturation among the key constructs, which will be addressed in the *Discussion* chapter, a third iteration of interviews was undertaken with

the intentions of (1) refinement and enrichment of ideas, and (2) triangulation and confirmation. Therefore, the interview guide was planned with the same ideas but with differently formulated questions, for example, instead of asking for capabilities present in successful projects, the refined interview guide proposed to ask what capabilities were missing in failed initiatives. An additionally lesson learned was that it is discussion itself that allows in-depth probing into the details, rather than a detailed long list of questions.

6.2.1. Deep interpretation method

Spiggle (1994) discusses interpretation as assessing intentions, giving meaning and making inferences. Concurrently the ontology supported by critical realism encompasses the challenge to deepen and explore into the domain of the real, where "powers and mechanisms may be present and working without us being able to immediately perceive any connection between them and the effects they may produce" (Danermark et al., 2002: 57).

McCraken (1988:18) alludes the researcher as "the investigator as instrument", meaning the relevance of using the researcher's intelligence, context, cultivated position and experience to extract the required data from the interview, which usually delves into unexpected and unpredictable paths of unorganised data. Likewise, Timmermans and Tavory (2012) argue that socially cultivated reasoning in substitution of *a truth instinct* and ways of seeing, become the preconditions for abductive reasoning which is proposed to be the case in this research by "positional knowledge that can be deepened and marshalled for theory construction" (Timmermans and Tavory, 2012:172), e.g. the researcher being part of this business field with access to the level of elite interviewees chosen to inform this research.

6.2.2. Data coding

A code is a label attached to a piece of data meaningful to the research (King, 2012). The process of coding creates the *pieces* that will build-up to develop the template. Some *a priori* codes (King, 2004b) were taken from the interview guide developed from the theoretical framework (Figure 3-9) and the former pilot project nodes report (see Table 11-5).

Coding is the activity where *data* from the interview transcripts is tagged, classified and interpreted according to guidelines implicitly mandated by the research design in order to extract meaning and explanation. Henceforth coding is not a mechanical-clerical act but requires researcher interpretation (Saldaña, 2009); "coding is analysis" (Miles and Huberman, 1994: 56), and a careful coding implies not imposing theory on data. In fact field notes and coding are processes that prepare a sound abductive analysis (Timmermans and Tavory, 2012).

Following Saldaña's (2009) description, the coding approach in this research took the following sequential steps:

1. Theoretical framework. This research's approach involves a preliminary design of an interview guide and a catalogue of generic themes to be transferred to a template format (King, 2004b). Braun and Clarke (2006) identify thematic analysis by its coding as either (1) induction oriented, or as (2) theoretically oriented, which is driven by the theoretical analysis of the researcher, rather than developing codes bottom up as the themes arise from the data as would be the approach in the inductive method.

2. Exploratory provisional coding. Start-list of researcher generated codes (Miles and Huberman, 1994: 58). See Figure 6-3

3. Synthetic translation and pre-coding cycle – Extraction of key ideas and contextual meaning and translation into English. See Table 6-1 and Figure 6-3.

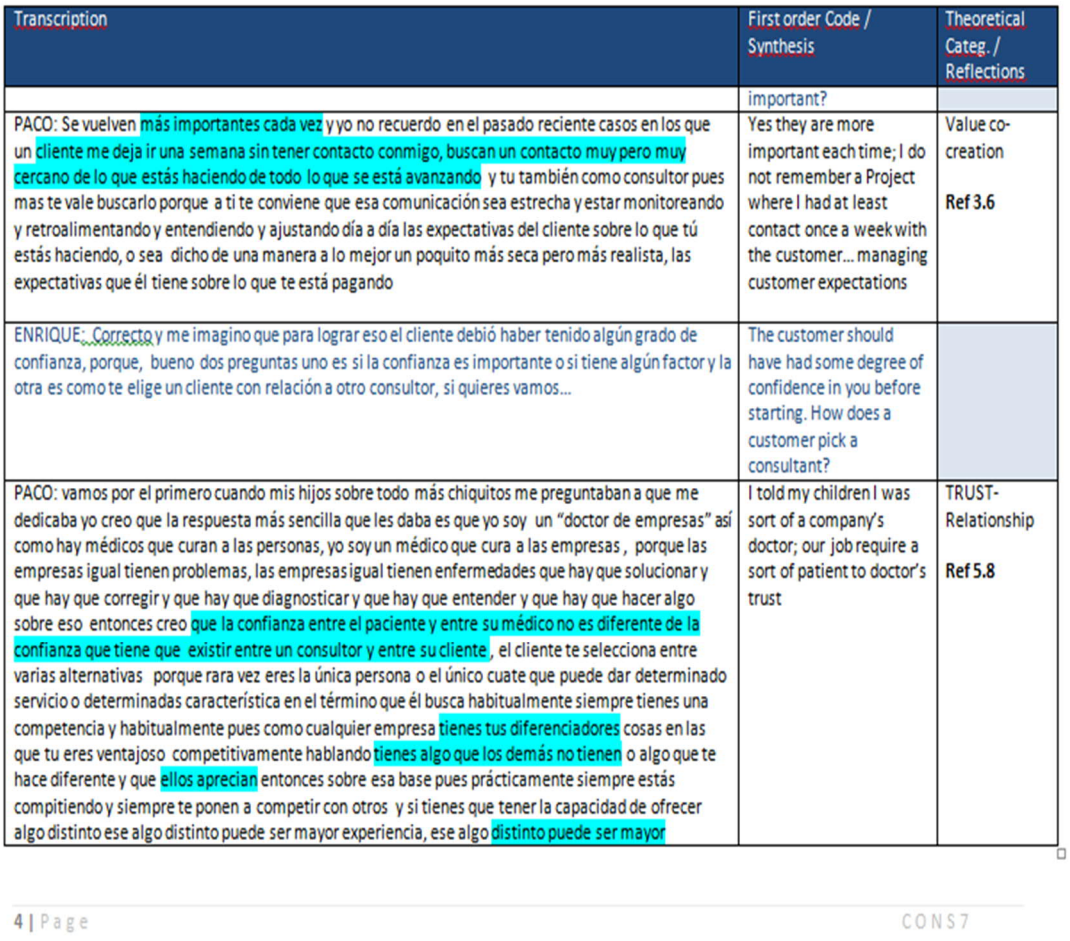
4. Second cycle coding evolving the codes into more interpretive and contextual sentences. See Table 6-2.

5. Third cycle – group codes according to the commonality of emerged constructs or themes) and their inter-relationship. See Table 7-1.

The codes used in this research were: (1) theoretically emerged and a-priori data coding for the first-cycle, and (2) pattern codes for second-cycle coding where causal relationships and context were embedded in the codes, developed as sentences preparing for the analysis (Miles and Huberman, 1994) with the additional intention of avoiding loss of contextual meaning.

The results from the interviews were coded in detail with attention to completeness of constructs or ideas contained in the discourse. However, emerging patterns allowed the evolution of a template structure as the coding evolved (Trochim and Donnelly, 2006; Trochim, 1989). *Memos to the researcher* were annotated as footnotes in the data coding format (Figure 6-3) and further into the coding template as the review of the interview transcripts suggested newly data relationships.

The in-depth interviews were conducted in Spanish, and thereafter transcribed verbatim and coded following the said template that emerged from the answers received to the interview guide. The following Figure 6-3 shows a one page sample of the coding format utilised.



Transcription	First order Code / Synthesis	Theoretical Categ. / Reflections
	important?	
PACO: Se vuelven más importantes cada vez y yo no recuerdo en el pasado reciente casos en los que un cliente me deja ir una semana sin tener contacto conmigo, buscan un contacto muy pero muy cercano de lo que estás haciendo de todo lo que se está avanzando y tu también como consultor pues mas te vale buscarlo porque a ti te conviene que esa comunicación sea estrecha y estar monitoreando y retroalimentando y entendiendo y ajustando día a día las expectativas del cliente sobre lo que tú estás haciendo, o sea dicho de una manera a lo mejor un poquito más seca pero más realista, las expectativas que él tiene sobre lo que te está pagando	Yes they are more important each time; I do not remember a Project where I had at least contact once a week with the customer... managing customer expectations	Value co-creation **Ref 3.6**
ENRIQUE: Correcto y me imagino que para lograr eso el cliente debió haber tenido algún grado de confianza, porque, bueno dos preguntas uno es si la confianza es importante o si tiene algún factor y la otra es como te elige un cliente con relación a otro consultor, si quieres vamos...	The customer should have had some degree of confidence in you before starting. How does a customer pick a consultant?	
PACO: vamos por el primero cuando mis hijos sobre todo más chiquitos me preguntaban a que me dedicaba yo creo que la respuesta más sencilla que les daba es que yo soy un "doctor de empresas" así como hay médicos que curan a las personas, yo soy un médico que cura a las empresas, porque las empresas igual tienen problemas, las empresas igual tienen enfermedades que hay que solucionar y que hay que corregir y que hay que diagnosticar y que hay que entender y que hay que hacer algo sobre eso entonces creo que la confianza entre el paciente y entre su médico no es diferente de la confianza que tiene que existir entre un consultor y entre su cliente, el cliente te selecciona entre varias alternativas porque rara vez eres la única persona o el único cuate que puede dar determinado servicio o determinadas característica en el término que él busca habitualmente siempre tienes una competencia y habitualmente pues como cualquier empresa tienes tus diferenciadores cosas en las que tu eres ventajoso competitivamente hablando tienes algo que los demás no tienen o algo que te hace diferente y que ellos aprecian entonces sobre esa base pues prácticamente siempre estás compitiendo y siempre te ponen a competir con otros y si tienes que tener la capacidad de ofrecer algo distinto ese algo distinto puede ser mayor experiencia, ese algo distinto puede ser mayor	I told my children I was sort of a company's doctor; our job require a sort of patient to doctor's trust	TRUST-Relationship **Ref 5.8**

4 | Page CONS7

Figure 6-3- Sample page of coding format used

The result of the transcribed and interpreted interviews produced 334 pages of interviews coded in detail using format as per sample in Figure 6-3, with a word-count of 141,037

characters including synthesised English translation, and coding after first analysis and interpretation. These data sources are kept in the researcher' personal records deposit, and can be made available on request.

In order to avoid inaccuracies in the translation or any introduction of personal bias by the researcher, the said second column was thereafter blind back-translated into Spanish by an external professional translator (18,868 word-count) and added as a fourth column for verification (Cascio, 2012). However, all the data that will be discussed in the following Data Findings in Chapter 7 and used for the final analysis has been taken directly from the words of the interviewees, translated into English, while trying to keep the meaning of the interviewee[45].

The use of CAQDAS software was thus declined in this research, a decision based on experience gained during the pilot project. The decision was in favour of deep-interpretation of meaning and context of the data emerging from the interviews. This task demanded intense consideration by the researcher of the interviewees' intended meaning in sentences and overall context, including from conversations, which were sometimes colloquial.

This choice was made after reviewing the comments and noticing the rich experiences acquired after years of practice and the depth of meaning of the interviewees' responses.

6.2.3. Template analysis

King (2012) describes template analysis as a group of techniques for organising and analysing textual data, the essence of which lies in the creation of codes that represent relevant themes which have emerged from the data. Codes are then grouped hierarchically in trees and nodes (Miles and Huberman, 1994), which may allow also the identification of relationships among those codes; templates are designed to be flexible as the research evolves.

[45] For instance, jargon, colloquial expressions and metaphors were used as data by means of the interpretation of the researcher. In case of doubt the original data can be made available upon request.

King (2004) recommends an audit trail so that the reader can ensure the validity of the analysis steps taken to transform the data received into new knowledge. The following paragraphs aim to describe this trail.

The following two pages show the analysis template after the first iteration, which served primarily to analyse and extract the key constructs for discussion. Codes were grouped initially around eight major themes, each theme branching into several levels of contributing themes at up to four levels of detail. The template used was adapted from Miles and Huberman (1994: 211) “Case-Ordered Effect Matrix”.

6.2.3.1. Template after first iteration

Template after first iteration – part 1 of 2

Customer / Consultant	Template WBS	FM Cons	HC Cons	OG Cust	DD Cust	AS Cust	MC Cust	Memo to Researcher
			x R63					
Customer perception of Value	1							
Acquire non-possessed capabilities	1.1	x	x	x	x	x	x	These capabilities in-house would be inefective and too high a fixed cos
Operational	1.1.1	x		x		x	x	Acquisition of operational cap.that do not help your client to produce va
Skilful resources to gain effectiveness	1.1.1.1	x		x	x	x	x	
Enable client's better 'orchestration of resources'	1.1.1.2				x	x		
Teamwork with client operational resources	1.1.1.3	x	x		xx	x	x	
Increased Productive infrastructure	1.1.1.4	x			xx			
Strategic - Discovery	1.1.2	x				xx		Three roles ... op, build, strat
Unique capabilites / practical knowlege by the consultant	1.1.3	x	x	x		x	xx	
Former experiences	1.1.3.1	x	x		x	x	x	
Developed insights and methods, structure to tackle problems	1.1.3.2	x	xxx	x	xx	x	x	
Industry knowledge	1.1.3.3		xx		x	x		
Effective communication of ideas	1.1.3.4		xx	x	x	xx	x	Languaje skills
Value Creation Objective - time and context specific	1.2	x				x		
Consultant needs to understand client's needs and value creation logic	1.2.1	x	xx		xx	xxx	x	Mistake approaching the problem with preconceived solutions
Which consultant processes deliver strategic or operational value	1.2.1.1	x						Range between...
Expectations management determine client experience	1.3	x	x					
Perceived value in offering is high, price of services becomes less relevant	1.4	x				x	x	"terror stories with happy ending"
Over-stated results by the consultant.. Maybe, in the right context	1.5		x					"value only if planets align"
Solve complex business problems	2	x	x		x	x		
Client expects guidance and know how	2.1	x	x	x	x	xx	xx	
Prevent risks and anticipate problems -reduce uncertainty	2.1.1	xx	x	x	x	x	x	
Awful to hire a consultant without having the problem defined	2.1.2					x		
Developed specific solutions methodology	2.2	x	x	x	x	x	x	
Requires the right non-common talent with the right Knowledge (VRIN)	2.3	x	xx	xx	x	x		
Consultant impeccable execution and project mangement	2.3.1		x	x				
Co-creation of value	3	x						
Co-developing a solution, starting from the value proposition	3.1	x				xx		Role- builder - tools and solutions designed with the consultant"
A value-prop responds to an RFP... that is a value dialog or interaction	3.1.1					x		
Client is required to collaborate in the solution	3.2	x	xxx	x	impl xx	x	xxx	Unethical or selfish attitudes from the consultant build client resistance
Consultant needs to understand client's limitations	3.2.1					x	x	
Relationship is the media where co-creation happens	3.3	x	x	x		x		
The "service" is a continuum - continuous negotiation	3.3.1	x						
Value Initiatives imply successful change and collective agreement	3.4	x	xxx		xxxx	x	x	
Value takes time to sink-in and cristallyse	3.4.1		x					
Consultant needs to educate the client and asume learning times	3.4.2					x	x	
Personal agendas and political goals have to be aligned	3.4.3		x		xx	x		Power in Govt
Leadership role of unification of wills and criteria of value / corp cult	3.4.4					x	x	
Happens iteratively - learn and improve	3.5	xx		x	x	x		
Consultant has to influence client's operant resources	3.6	x	x		x	xx	xx	

Template after first iteration – part 2 of 2

Consultant has to influence client's operant resources	3.6	x	x		x	xx	xx	
Clients' needs evolve with the market	3.7	x						
Context is dynamic - perception of value is time-bound	3.8	x				x		
Consulting process happens in cycles, not linearly	3.8.1		x		x			
Development of client's value creation capabilities is the ultimate value	3.9	x				x	x	
Credence confirmed or exceeded	3.10	x	x					
Expected Customer Value - objective	4	xx				x		
Complex business models - difficult to see causation of value	4.1	x						
Give versus get is easy to quantify	4.1.1	x						
Value is both tangible and intangible	4.1.2	x						
Direct contribution of knowledge to value is challenging	4.1.3	x						
Value propositions have to be well communicated -persuasive	4.1.4	x	xxx		x	x		
Value is created (captured) by the client with its operant resources	4.2	x	xx	x	x	xx	xx	The hardest part for the client is not hiring the consultant but executing t
Value proposition should show improved kpi's	4.3	x						
Value expectations management	4.4	x	x			x		
Values is bigger when the consultant develops client's Dyn capabilities	4.5	x				xx	x	Role of strategist
Value is bigger when client knows how to use consultants, and learn	4.6		x		x	xx	xxx	Some clients use better consulting services than others "my best project
Manage firm towards clients' results (real interest for the client)	4.7	x	x	x	x	xx	xxx	
Relationship	5	x	xx	x	xx	x	xxx	
Animated by Specific objectives	5.1	x	x	x	x	x		
value-in-context developed	5.2	x			xx	xx		political context
Developed through Teamwork	5.3	x	x			x		
evolves; is dynamic	5.4	x	x					
has to be managed for value co-production	5.5	x	x		x	x	xx	
allow the consultant to move from opn work to strategy	5.6	xxx	x					Different types..BCG CXO relationship vs. Deloitte oACN-- transactional
Depends on people, so it varies in each case	5.7	x	x		x	x		
Grows by meeting promises and commitments	5.8	x	x		x	x	x	
Credence	6	x			x		x	
Consulting is a high credence profession	6.1	x	x		x		x	
Technical credence	6.1.1	x	x		x			
Buying consulting is a leap of faith	6.1.2	x	x		x			
Reliability	6.1.3		x					
Former experiences with the consultant	6.2	x	x					
Former perceived value is foundational to repeated sells	6.2.1		x R4		x			
Information Asymmetry	6.3	x	xx	x	x			
Reputation	7	x	x			x		
Ethics; share of the value pie	7.1	x R26						
Transparency and objectivity at every step	7.2	x				x	x	
Consistently meeting commitments and fulfilling promises	7.3	x	x					
Organisational Learning	8		xx		x	xx	xxx	
Client has to devote resources to learn	8.1	x	xx	x	x	x	xx	
Consultants and clients learn from doing projects	8.2	x	x	x	x		x	Consultants do large investment in acquiring VRIN capabilities
Dynamic capabilities involve to learn, to evolve and to adapt	8.3	x				x	xx	Too difficult and/or to slow to acquire them without external help
Consultancy process is valuable when client absorbs and applied knowledge	8.4					xx	xx	Too much knowledge can be overwhelming (AS)

6.2.4. Emergence of main threads or constructs

As each interview analysis progressed, commonly cited codes were marked in the template. The frequency and emphasis that each interviewee attached to each code was marked with an "X" in order to mark threads for commonality and triangulation of concepts (Waring and Wainwright, 2008). This emphasis marking should not be confused with the word counting technique used in content analysis; in this research, the frequency of reiterative interpreted codes is being considered, not the frequency of interview words.

The template quickly evolved into a new hierarchy of *structural codes* (MacQueen, McLellan-Lemal, Bartholow and Milstein, 2008) and re-definition of them into themes as interpretation started to develop.

The template includes a field for *Memo to the Researcher*, those being notes issued by the researcher containing observations and reflections as the analysis an interviews took place, to be further used during the analysis (Miles and Huberman, 1994; Corbin and Strauss, 2008).

The number of marks attached at each interviewee and construct do not correspond to plain citations of the construct but to rounded contextual sentences related. Therefore, some patterns appear visible around relevancy of ideas and constructs discussed around value creation in management consulting.

6.2.4.1. Main themes that emerged from the first iteration/round of interviews:

Interpreted First Cycle Code	Theme from the template	WBS nbr.
Acquisition of non-possessed capabilities	Customer perceived value	1.1
Teamwork with client operational resources	Customer perceived value	1.1.1.3
Unique Capabilities and practical knowledge by the consultant	Customer perceived value	1.1.3 [46]

[46] and subsidiary code-branches

Interpreted First Cycle Code	Theme from the template	WBS nbr.
Consultant needs to understand client's needs and value creation logic	Customer perceived value	1.2.1
Solve complex business problems	Solve complex business problems	2
Prevent risks and anticipate problems -reduce uncertainty	Solve complex business problems	2.1.1
Developed specific solutions methodology	Solve complex business problems	2.2
Requires the right non-common talent with the right Knowledge (VRIO)	Solve complex business problems	2.3
Client is required to collaborate in the solution	Co-creation of value	3.2
Value Initiatives imply successful change and collective agreement	Co-creation of value	3.4
Consultant has to influence client's operant resources	Co-creation of value	3.6
Value is created (captured) by the client with its operant resources	Expected Customer Value - objective	4.2
Value is greater when client knows how to use consultants, and learn	Expected Customer Value - objective	4.6
Manage firm towards clients' results (real interest for the client)	Expected Customer Value - objective	4.7
Relationship is animated by specific objectives	Relationship	5.1
Relationship has to be managed for value co-production	Relationship	5.5
Relationship depends on people, so it varies in each case	Relationship	5.7
Relationship grows by meeting promises and commitments	Relationship	5.8
Consulting is a high credence profession	Credence	6.1
Information asymmetry (characteristic of consulting service)	Credence	6.3
Client has to devote resources to learn	Organisational learning	8.1
Consultants and clients learn from doing projects	Organisational learning	8.2

Table 6-1 - Main themes emerged from the analysis of the first round of interviews

Methodology Marker – End of Research Stage 2, and beginning of Stage 3 as per Figure 5-1.

6.2.5. Abductive iteration

As discussed in the previous chapter, the abductive method iterates between deductive hypothesis and inductive emerged data. The initially, purposefully wide research

question informed the crafting of an equally wide, nevertheless tight theoretical framework, which in turn oriented the interview guide for the first round of 6 interviews and referenced the following rounds. “Researchers should enter the field with the deepest and broadest theoretical base possible” (Timmermans and Tavory, 2012: 180).

The subsequent second round of five interviews was guided by a derivative, more focused interview guide, which was arrived at from the analysis of key themes emerging from the first six interviews, and aiming to narrow down the scope of constructs intervening in the research question.

6.2.6. Second iteration – additional questions to deepen discussion; interview guide

1. Which specific skills of a consultant are most important to add value to your objectives?
   1.1. Differentiate consultancy from manpower
   1.2. During offer preparation, during consumption of service and after service is finished (implies relationship).
2. How has a consulting process added value in former experiences; examples of value destruction
3. Organisational learning
   3.1. Do you have processes to capture the knowledge (reflectivity on learning): who and how?
   3.2. Technical skills and learning is self-evident… what is there beyond this *entrance ticket?*
   3.3. Value captured by the client’s operant resources.
4. Methods
   4.1. An effective way to make use of former experiences and achieve efficient/effective know how
   4.2. Requires somebody to achieve value; understanding the client value-in-use objectives and the context.
   4.3. Both former points reduce uncertainty
5. Achieve Change
6. Value Relationship
   6.1. Managed deliberately
   6.2. Keeping promises

6.2.6.1. Template after the second iteration

Interestingly, the first order codes used as questions for the second round of interviews were the seed for discussion that frequently led to addressing many of the formerly discussed codes, demonstrating the relatedness and interrelationship among constructs, as well as new constructs nested into formerly discussed ones.

Once the second round interviews were interpreted, coded and reflected into the template, several new codes emerged; most of them as subsidiary branches of main themes already addressed, deepening and clarifying specific themes and subjects. Then a

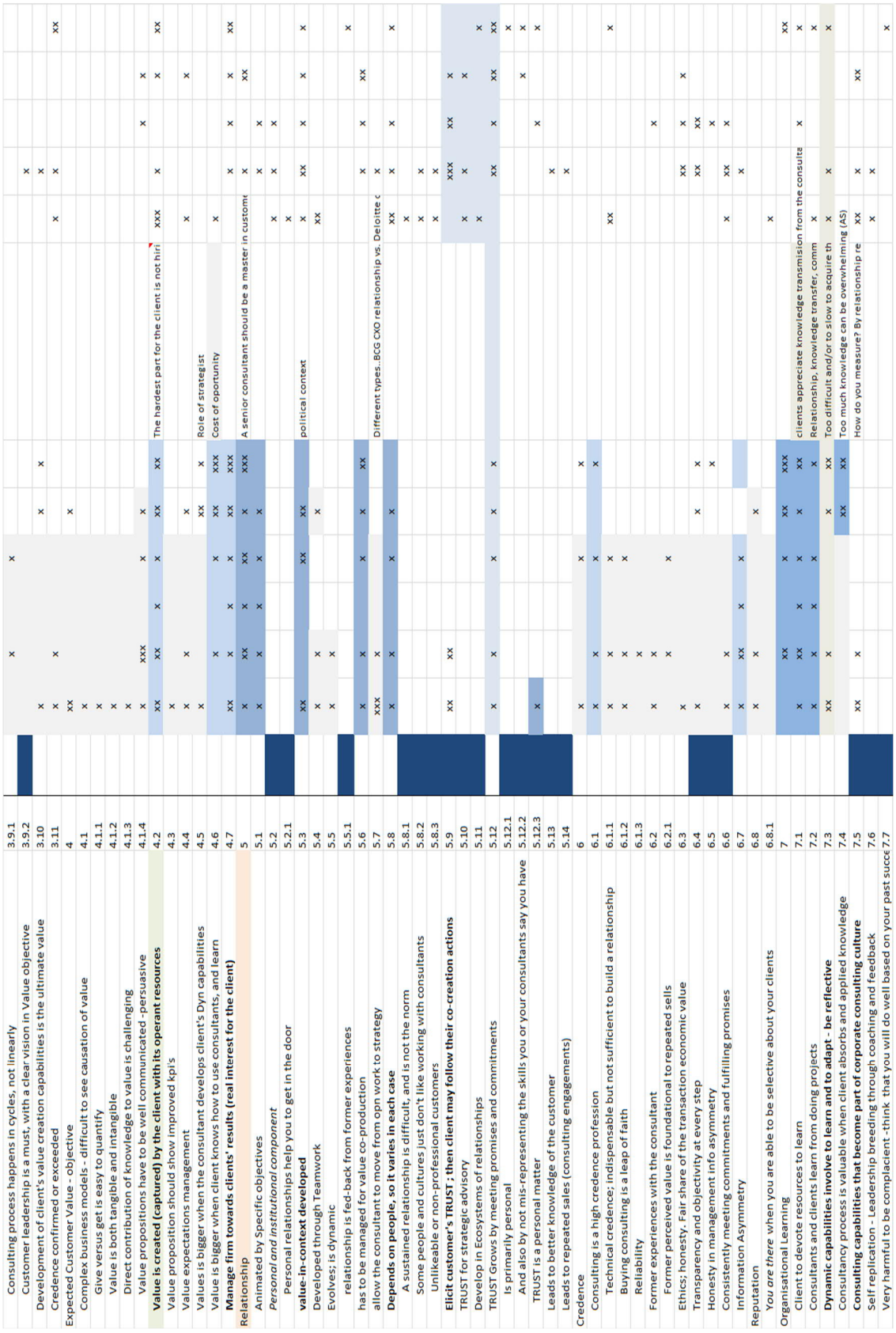
second pass was taken to mark the first round codes from convergence with second round new themes.

The following 2 pages shows the template evolved after the second round of 5 interviews. A total of 116 codes arranged in hierarchical trees around the same eight main themes initially emerged were captured. Those added codes are marked with a dark box after the template *work breakdown structure* or WBS numbering.

Template after second iteration – part 1 of 2

Customer / Consultant	Template WBS	2nd iteration add	FM Cons2	HC Cons1	OG Cust1	DD Cust2	AS Cust3	MC Cust4		PG Cons3	IH Cons4	JCG Cust5	JB Cons5	CZ Cust6
Customer perception of Value	1			x										
Acquire non-possessed capabilities; problems that the client was unable to solve	1.1		x	x	x	x	x	x	These capabilities in-house would be ir	x		x	x	
Operational	1.1.1		x		x		x	x	Acquisition of operational cap.that do not help		your client to produce value			
Skilful resources to gain effectiveness	1.1.1.1		x		x	x	x	x		x		x		
Enable client's better 'orchestration of resources'	1.1.1.2					x	x							
Teamwork with client operational resources	1.1.1.3		x	x		xx	x	x						
Increased Productive infrastructure	1.1.1.4		x			xx			Three roles ... op, build, strat					
Strategic - Discovery	1.1.2		x				xx	xx						
Unique capabilities / practical knowledge by the consultant	1.1.3		x	x	x		x	x		x				x
Former experiences	1.1.3.1		x	x		x	x	x		x	x		x	
Developed insights and methods, structure to tackle problems	1.1.3.2		xx	xxx	x	xx	x	x						x
Capability to analyse and to structure **problem solving**	1.1.3.2.1			x	x			x		xx			x	x
Industry knowledge	1.1.3.3			xx		x	x			x	x		x	x
Effective communication (persuasion) of ideas	1.1.3.4			xx	x	x	xx	x	Language skills	x	xxx		x	
Value Creation Objective - time and context specific	1.2		x				x			x				xx
Consultant needs to understand client's needs and value creation logic	1.2.1		xx	xx		xx	xxx	xx	Mistake approaching the problem with p	xxx	x		x	xx
Which consultant processes deliver strategic or operational value	1.2.1.1		x						Range between...					
Expectations management determine client experience	1.3		x	x										
Perceived value in offering is high, price of services becomes less relevant	1.4		x				x	x	"terror stories with happy ending"					
Over-stated results by the consultant.. Maybe, in the right context	1.5			x					value only if planets align					x
A consultant may facilitate value creation but also value destruction	1.6								e.g. a consultant that only focuses in short term	x				
Solve complex business problems	2		x	x		x	x							
Client expects guidance and know how	2.1		x	x	x	x	xx	xx						x
Prevent risks and anticipate problems - reduce uncertainty	2.1.1		xx	x	x	x	x	x						
Awful to hire a consultant without having the problem defined (hungry consultan	2.1.2						x						x	
Developed specific solutions methodology	2.2		x	x	x	x	x	x					x	
Requires the right non-common talent with the right Knowledge (VRIN)	2.3		x	xx	x	x	x							x
Consultant impeccable execution and project management	2.3.1			x	x									
The consultant should provide Leading practices from the industry & external logic	2.4		x	x	x							x	xx	xx
awaken market SENSING capabilities to the customer	2.4.1											x	xx	xx
Co-creation of value	3		x											
Co-developing a solution, starting from the value proposition	3.1		x				xx		Role- builder - tools and solutions desig	x	x		x	
A value-prop responds to an RFP... that is a value dialog or interaction	3.1.1						x			x				
Experience using consultants facilitates value co-creation	3.1.2										x			
Client is required to collaborate in the solution	3.2		xx	xxx	x	xx	x	xxx	Unethical or selfish attitudes from the c	xxx	xx	x	xxx	
Consultant needs to understand client's limitations; challenge customer's capabili	3.2.1						x	x		x	x		xx	xx
Consultant may need to induce or lead the client to develop a solution in client's	3.2.2										x		xx	
Relationship is the media where co-creation happens	3.3		x	x	x		x			x				
The "service" is a continuum - continuous negotiation and dialog; conflict mgmt.	3.3.1		x							x				
Can be strengthened as co-creation media after delivery	3.3.2									x				
Relationship varies depending on job's nature - from doing to advisory	3.3.3													x
Navigate through the relationship to the level who is orchestrating value	3.3.4										x			
Value initiatives imply successful change and collective agreement	3.4		xx	xxx		xxxx	x	x		xx	xx	x	x	xx
Implement a change to improve customer's capabilities	3.4.1												x	
Manage the deployment of value proposition in real context	3.5		x	x							x			
Not useful unless operationalized - implemented	3.5.1					x				x	xx		x	x
Value takes time to sink-in and crystallise	3.5.2			x										
Consultant needs to educate the client and assume learning times	3.5.3						x	x			x			
Personal agendas and political goals have to be aligned	3.5.4			x		xx	x		Power in Govt	xx		x	x	
Consultant hired for political reasons-entangled in politics usually destroys va	3.5.4.1										x			
Leadership role of unification of wills and criteria of value / corp cult	3.5.5						x	x		x	x	x		
Happens iteratively - learn and improve	3.6		xx	x	x	x	x			x	x			
Consultant has to influence client's best operant resources	3.7		x	x		x	xx	xx		xx	x	x		x
Clients' needs evolve with the market	3.8		x											
Context is dynamic - perception of value is time-bound	3.9		x				x							

Template after second iteration – part 2 of 2



6.2.7. Key constructs that emerged after the second interpretation of interviews

The text of codes (interpreted concepts) marked in bold in Table 6-2 emerged from the analysis after the second round of interviews. These emerged codes became *first cycle extracted codes* (Saldaña, 2009).

The criteria for selecting and extracting codes referred in bold font in Table 6-2 made use of a content-based or conceptual phrase representing a topic to a segment of data, which is correlated to a specific research question. Then similarly coded segments are further collected together for refined coding and analysis. In our case these criteria were:

> High commonality and emphasis of citations from the interviews and their depth of discussion; confirmation of previous discussions,
> Provided clues or threads for response to sub-research questions and/or confirmation of theoretical framework (Figure 3-9),
> Connectedness with several others constructs.

Interpreted First Cycle Code – Extracted Codes in Bold	Theme from the template	WBS nbr.
Acquisition of non-possessed capabilities	Customer perceived value	1.1
Teamwork with client operational resources	Customer perceived value	1.1.1.3
Unique Capabilities and practical knowledge by the consultant	Customer perceived value	1.1.3 [47]
Developed insights and methods, structure to tackle problems / problem solving (SOLUTIONS)	Customer perceived value	**1.1.3.2**
Effective communication (persuasion) of ideas	Customer perceived value	**1.1.3.4**
Consultant needs to understand client's needs and value creation logic	Customer perceived value	**1.2.1**
Solve complex business problems	Solve complex business problems	2
Prevent risks and anticipate problems -reduce uncertainty	Solve complex business problems	2.1.1
Developed specific solutions methodology	Solve complex business problems	2.2
Requires the right non-common talent with the right Knowledge (VRIO)	Solve complex business problems	2.3
The consultant should provide Leading practices from the industry & external logic. Awaken market SENSING capabilities to the customer	Solve complex business problems	**2.4**
Client is required to collaborate in the solution	Co-creation of value	**3.2**
Value Initiatives imply successful change and collective agreement	Co-creation of value	**3.4**
Manage the deployment of value proposition in real context. Value prop is not useful unless operationalized - implemented**. Manage Customer expectations**	Co-creation of value	**3.5** **3.5.1**
(Co-creation) happens iteratively; learn and improve	Co-creation of value	**3.6**
Consultant has to influence client's operant resources	Co-creation of value	3.7
Value is created (captured) by the client with its operant resources	Expected Customer Value - objective	**4.2**

[47] ... and subsidiary code-branches

Interpreted First Cycle Code – Extracted Codes in Bold	Theme from the template	WBS nbr.
Value is bigger when client knows how to use consultants, and learn	Expected Customer Value - objective	4.6
Manage firm towards clients' results (real interest for the client)	Expected Customer Value - objective	**4.7**
Relationship is animated by Specific objectives	Relationship	5.1
Relationship is critical part of the context for value creation; depends on people (5.8)	Relationship	**5.3**
Relationship has to be managed for value co-production	Relationship	5.5
Relationship depends on people, so it varies in each case	Relationship	5.7
Relationship grows by meeting promises and commitments – gains **TRUST 5.12**	Relationship	**5.8**
Elicit customer's TRUST; then client may follow their co-creation actions	Relationship	**5.9**
Consulting is a high credence profession	Credence	6.1
Information asymmetry (characteristic of consulting service)	Credence	6.3
Client has to devote resources to learn	Organisational learning	8.1
Consultants and clients learn from doing projects	Organisational learning	7.2
Dynamic capabilities involve to learn and to adapt - be reflective	Organisational learning	**7.3**
Consulting capabilities that become part of corporate consulting culture	Organisational learning	**7.5**

Table 6-2 - Main themes emerged (and evolved) from the second round of interviews.

6.2.8. Synthesis of the model emerged from the second iteration of interviews

The following diagrams (Figure 6-4 and Figure 6-5) were developed after the data emerged from the second iteration of interviews and the data codes contrasted with first iteration were reviewed. The following diagrams are henceforth intended to be a confirmation, evolution and refinement i.e. a further, deeper explanation on a subset of variables from the theoretical framework emerged from literature review, Figure 3-9.

This synthesis and the following description was work-in-progress towards the final findings and conclusions of the research, which will be discussed in the next chapters. However, these preliminary findings were developed before the third iteration of interviews, so they guided and informed the design of the third round interview guide.

6.2.8.1. Co-creation and the customer-consultant relationship

Value co-creation facilitated by a consultancy process is time dependent, and immersed in a complex relationship that varies depending on several variables as further explained

in Figure 6-5. The value co-creation process involves three major stages, as depicted in Figure 6-4. These stages have been formerly described or characterised in the literature (Helkkula et al., 2012; Bowman and Ambrosini, 2000) adopted and preliminarily confirmed at this stage of the research. However, a new element is added which is not visible in the theoretical framework (see Figure 3-9), this being the reflection upon organisational learning or the strategic learning that takes place inside of the consultancy walls, in order to command and develop capabilities and resources to value co-creation. This element has been added in right utmost box of Figure 6-4.

During the interviews the term *solution* was consistently cited as a blueprint to the customer's desired state of affairs. Solution becomes then the expected outcome of the *value strategy and engineering* stage described in Figure 3-8.

Henceforth the consultant responds by assembling a proposed solution (Tuli et al., 2007) and introducing a value proposition prospectus. The customer may collaborate in the co-creation of the visualised desired state depending on the relationship with the consultant, which may fluctuate between an impersonal bid among competing consultants (buyer-seller *contractual mode* (Cannon and Perreault, 1999)) with low customer co-creation participation, to a trusted advisor role (*mutually adaptive relationship* (Cannon and Perreault, 1999)) where trust derived from pre-existing cases has been developed nurturing a stronger co-development expected customer value charter (Ref: Figure 6-4).

When the consultant's value proposition is accepted an exchange point [48] is identified (Ref: Figure 3-9); the process moves to the following stage where the co-development of a complex business solution takes place. The relationship context will dictate the level of co-development or co-production of the visualised solution; as will be further discussed, one of the most cited issues in the interviews was that the direct impact of the involvement and collaboration of qualified customer operational resources as a key determinant of value creation.

The capability of the consultant to guide the client through the value co-creation engagement was consistently implicitly and explicitly cited, providing insight into the required change process. The consultant can facilitate value by helping the client in

[48] Mutual agreement of exchange usually formalised by means of a contract.

overcoming the consequences of what the customer *does not know that he does not know* . The process involves mutual learning from the customer and the consultant.

Finally, the solution is constructed and the value is assessed by the customer. This evaluation can be assisted by tools like score-cards and business case results, but in the end the value of the overall consultancy process is phenomenologically assessed by the customer. The capture of the value is performed by the customer; the value is of contextual nature, i.e., the product of the consultancy service will most likely not have the same value outside the time and situational space of the customer.

As a result of business interaction throughout each of these stages, changes [49] occur in the relationship between the consulting firm and the customer, but, most importantly, between the people enacting roles as both parties within the said activities.

There is an important process that needs to occur on the part of the consultant, and it pertains to the reflection of the service relationship and value co-creation resulting from a consultancy process in relation to its firm strategy and vision. This reflection is the raw material for developing dynamic capabilities in the consultant in order to improve his or her value facilitation capabilities that are VRIO [50].

Such discussion should move the consultant organisation into the development of differentiated VRIO operational, relational and technical capabilities in its professional staff and which can be institutionalised and sustained by means of amalgamating them in a corporate culture or its own particular way to serve the clients.

[49] Favourable or unfavourable, e.g. increase or decrease of mutual trust

[50] VRIO – Valuable, Rare, In-imitable, Organization (Barney & Hesterly, 2012)

6.2.8.2. Preliminary consulting co-creation model

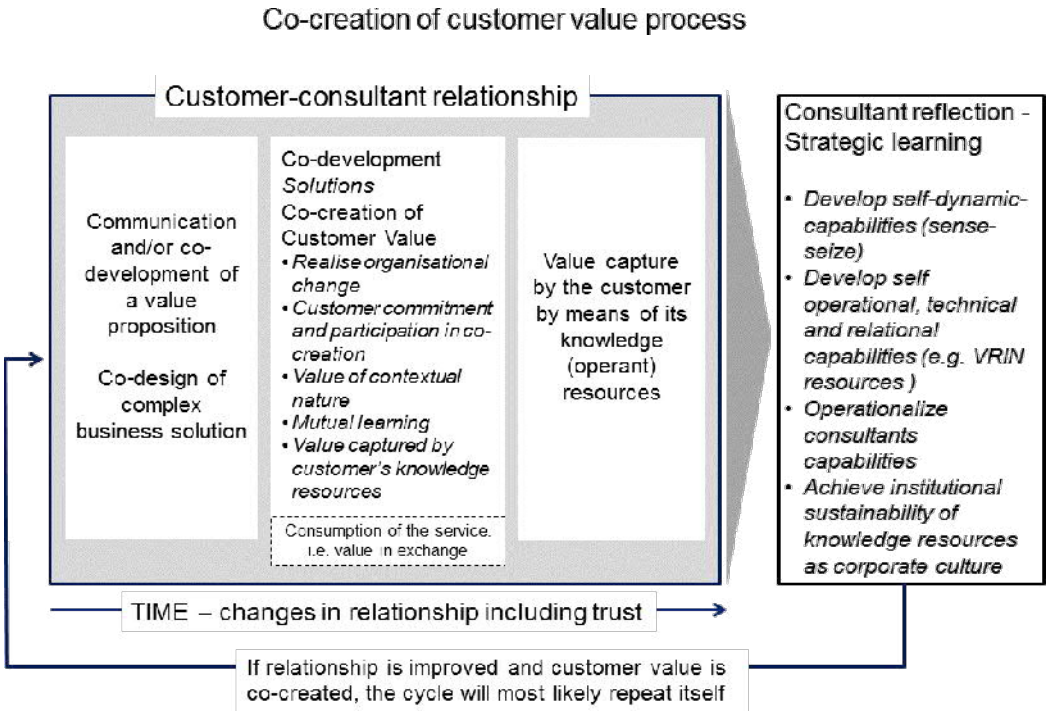


Figure 6-4. Customer value co-creation with the assistance of a consultancy process. Intermediate Work-in-Progress

6.2.8.3. Relationship as the continuum where value co-creation happens; preliminary interpretation

The relationship as determinant of value co-creation context fluctuates according to several identified variables from the research data. The interaction of the consultant with the customer has a lifecycle in which diverse people are involved from each party, as discussed in the previous paragraphs.

The nature of each interaction (as value co-creation engagement), may fluctuate depending on the essence of the task ultimately mandated by the customer, which can naturally be influenced by the consultant depending on their relationship. The contents of the external assistance can vary from: (i) pure doing, e.g. an exchange that is merely product oriented, providing technical skills not possessed by the customer and the relationship tends to be almost of transactional nature, compared to: (ii) advisory, which depends on a deep understanding of customer's needs, sometimes assisting with delicate

matters and/or involving product-oriented technical skills, or a combination of both extremes.

The level of the relationship required is different in each of the two aforementioned extremes discussed. A large number of consultants aspire to be in the advisory high-relationship side; however, the investment and capabilities required to operate at this level are scarce and expensive.

A dissociation of discourse and action would occur if a consultant has an overly optimistic self-assessment of its real value facilitation and relational capabilities, i.e. a firm may aspire to be trusted advisors but end up doing just transactional work selling manpower. The level of relational work can be measured (approximated) by the percentage of repetitive versus new sales of a consultant's portfolio.

The other side of the coin is the consultant that gets away with selling work without having internal capabilities as represented in the value proposition, facilitated by information asymmetry. The life of such consulting endeavour will most likely be ephemeral and repeated sales will be compromised, while the consultant's reputation ends up damaged.

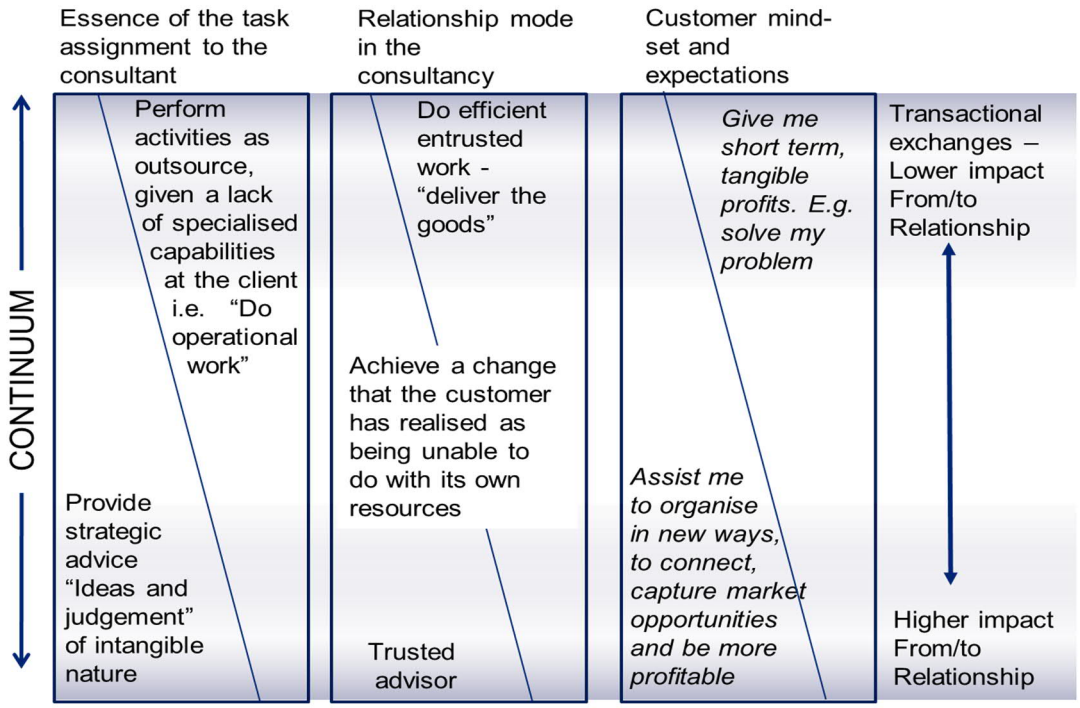


Figure 6-5 - Relationship in consulting services is context dependent on several variables. Intermediate Work-in-Progress

Methodology Marker – End of Research Stage 3, and beginning of Stage 4 as per Figure 5-1.

6.2.8.4. Interview-guide delta for the third iteration of interviews

A third round of in-depth interviews was undertaken after the preliminary analysis following the abductive method, with the following intentions in mind: (1) triangulation and confirmation of findings – sample size effect, (2) fine tuning of the model and data identified so far, and (3) verification of saturation of constructs.

The following questions or discussion topics were added (i.e. a delta) to the interview guide already available in previous Sections 6.1 and *6.2.6 Second iteration – additional questions to deepen discussion; interview* guide, in order to probe into more detail specific issues of the formerly explained models.

2. What are the ingredients that are present when a consultancy process has assisted in the construction of outstanding value?
3. How do you know when a consultant has really facilitated value?

4. How do you differentiate between consultants? … and the benefits that you may receive from each?
5. Relate a bad experience using a consultant / relate a bad experience of a failed consultancy project. What emergent characteristics caused the failure?
6. How would you define a bad consultant? / (customer?)
7. How do you capture the learning from a consulting engagement?
8. How does a consulting engagement makes you as a consultant change your strategy
9. How do consultants build on the skills they acquire in different consultancy projects; do they see themselves as developing value creating skills

The overall data compiled and interpreted, the final analysis and the corresponding discussion follow in the next two chapters.

6.2.8.5. Final iteration with pilot project data

A fourth and final iteration of analysis was performed with data from the 4 interviews of the pilot project, once more looking for saturation, confirmation and triangulation of constructs. The interview guide used can be found in the Annex Table 11-6. Pilot project; four interviews discussion guide.

The pilot project had used a different guide for the interviews, however, many of the questions and discussions overlapped with customer value, relationship co-creation and competencies. Interestingly, the conversations had brought forward concepts like trust, solutions and relational capabilities. The inclusion of relevant discussions was incorporated also into the *Findings from Data* and the *Discussion*, both to follow in the next two chapters.

6.2.9. Evolved and refined research question

As discussed, in section 1.3, section 3.9 and section 5.1, the initial research question (RQ) was:

> *How do capabilities and dynamic capabilities as resources of a management consulting organisation enable interaction to co-create value to clients and to the consulting firm?*

After the third iteration of interviews and having analysed data from the first two iterations, the research process produced a set of emerging constructs which allowed a refinement by narrowing down the scope, i.e. a more accurate research question:

What arrays of capabilities and interaction are required for management consulting sustained value-facilitation?

The following reasons support the refinement of the research question:

The initial RQ implied that capabilities enabled interaction to co-create value, and asked how this happened. A quest for a better explanation, emerging from the literature and the data from the interviews, was that both interaction and capabilities were key, symbiotic components contributing to *consulting value facilitation* . Then a better question is: what combinations of which capabilities and interactions would produce the said consulting value facilitation?

The initial RQ included the word *resources*, which could either (1) expand the scope of the research debating which type of resources, or (2) have some redundancy with capabilities, since capabilities are bundles of knowledge resources (Day, 1994).

Finally, the initial RQ asked about *value creation for the consulting firm* . Given the knowledge acquired both theoretically and empirically about the customer as the only creator of value (at least in the scope of the commercial exchange studied), this section of the RQ was replaced by *consulting sustained value-facilitation.* The word *sustained* emerged from reflecting about the discussions with the interviewees and it is meant to support long term relationships and to disregard opportunistic stand-alone transactions.

Chapter Seven: Data Findings

7. Data Findings

This chapter presents the data obtained from the semi-structured, in depth interviews formerly discussed. The organisation and presentation of the data follows one of the two suggested methods by Burnard, Gill, Stewart, Treasure and Chadwick (2008) which "is to simply report key findings under each main theme or category, using appropriate verbatim quotes to illustrate those findings. This is then accompanied by a linking, separate discussion chapter in which the findings are discussed in relation to existing research" (Burnard et al., 2008:432).

The data is organised by key extracted variable from the template, showing relevant data from interviews with consultants in the left column of the following tables and the discussions with customers in the right column of the tables, in order to highlight similitudes and difference of perspectives.

References following are cited as "ref: CONS#@" and "ref: CUST#@" having direct correlation with data extracted from the interviews and the corresponding interviewee, following the thread of the notation of the template shown in section 6.2.7.

References cited as CONS-P#@ allude to the interviews conducted for the preliminary pilot-project exploration (interview guide shown in Annex Table 11-6). These data has been useful to confirm saturation and to enrich the detail of some of the constructs.

The letter following the interviewee number (prefix) has the objective of keeping a direct relationship of discussion Chapter 8 sentences to the source. Take as example letter "a" in CONS1a. Also see Table 7-1

The extracted variables are those that factor-in the discussed themes and / or synthesize the key meanings discussed. The quotes have been chosen privileging their richness of their contribution to the interpretation and association of findings to this research (Spiggle, 1994).

The reasons behind the selection of this presentation method are:

To contrast the consultants and the customer's opinions related to the same emerged construct.

To show evidence of saturation of data pertaining to constructs

To maintain a thread to former conclusions, so the reader may go back to the source and understand where the conclusions were drawn from, avoiding introduction of bias by the researcher.

To be able to weave the following discussion into a continuous story; the story is referenced to the data sources.

Words between brackets i.e. [ ] have been added by the researcher to facilitate context meaning and therefore better understanding of the quotes; frequently they allude to key words of the question issued to the reply documented. This can also be verified in the interviews audit trail document kept separately to the body of this thesis.

The following data inserts offer a synthesis of key concepts discussed by the interviewee. The corresponding quoted data has been highlighted at the source interview transcripts for audit trail purposes.

A synthesis of thoughts that led to a brief code description is included in the first row of the data columns for each theme with the intention to enrich the understanding of the emerged construct and qualify the input of sentences of the interviews. These evolution of coding names follow Saldaña's (2009:149) "second cycle coding methods", where for instance, some codes may be merged together and infrequent codes will be assessed for their utility. The goal of *second cycle coding* is to develop a sense of thematic, conceptual and/or rhetorical improved organisation of codes (Saldaña, 2009).

Each extracted construct will be further discussed trying to make sense, interacting among themselves in a model in the following chapter.

Findings section	***Second Cycle Code used as Findings Section Heading***	***First Cycle extracted codes***	***Prefix***
7.1	Developed insights and methods, structure to tackle problems / problem solving (Solutions)	Customer perceived value - Code #. 1.1.3.2	a
7.2	Effective communication (persuasion) of ideas	Customer perceived value. Code # 1.1.3.4	b

Findings section	*Second Cycle Code used as Findings Section Heading*	*First Cycle extracted codes*	*Prefix*
7.3.	Consultant needs to understand client's needs and value creation logic	Customer Perceived Value. Code # 1.2.1	c
7.4	The consultant should provide leading practices from the industry & external log	Provide leading practices from the industry. Code # 2.4	d
7.5	The client is required to collaborate in the solution	Co-creation of value - Code # 3.2	e
7.6	Value initiatives imply successful change and collective agreement	Successful change and collective agreement to Co-creation of value - Code # 3.4	f
7.7	Manage the deployment of value proposition in real context and aligned to customer's expectations	Co-creation of value - Codes # 3.5 and #3.5.1	g
7.8	Co-creation happens iteratively; learn and improve	Co-creation of value - Code #3.6	h
7.9	Value is created and captured by the client with its operant resources	Expected Customer Value – objective; Code #4.2	i
7.10	Manage the consulting firm towards clients' results (real interest for the client)	Expected Customer Value – objective; Code # 4.7	k
7.11	Relationship is a critical part of the context for value creation; it depends on people	Relationship - Code #5.3	l
7.12	Relationship grows by meeting promises and commitments; trust is then developed and the likelihood of repeated sales increases	Relationship - Code # 5.8	m
7.13	Elicit customer's trust; then client may follow the consultant co-creation initiatives	Relationship - Code # 5.9	n
7.14	Dynamic capabilities involve to learn and to adapt - be reflective	Organisational Learning - Code # 7.3	o
7.15	Consulting capabilities that become part of corporate consulting culture	Organisational Learning - Code # 7.5	p

Table 7-1. Second cycle codes evolved from first cycle codes

7.1. Developed insights and methods, structure to tackle problems / problem solving (Solutions)

Customer perceived value - Code #. 1.1.3.2

What rationale of expected value is followed to hire a consulting firm? Frequently it is the solution of complex business problems which require capabilities not possessed by the customer.	
Consultant quotes:	Customer quotes:
CONS1a: the client perceives as value from a consulting firm mostly the applied knowledge [consultants bring to bear] by means of methodologies, [experience] and industry knowledge to add value; the client's executives put their neck on the line with strategic projects they rely on consultants to execute; [knowledge] the client does not have[51]. [If the consulting] team does not have the capabilities required, [probabilities of failure will be high]. Our knowledge has to be practical. CONS1a: Consultants are also used to validate other party´s findings, to do politically difficult work like cost cutting, or just as temporary added capacity. CONS2a: [consultants are hired] to do something I [customer] can't, [so as to] extend my capabilities… either just to do something (operational) or to assist me in a transformational endeavour, [bringing] specialised capabilities to address complex business solutions. CONS3a: [the customers call you when they face] problems they are unable to solve by themselves… either because of internal lack of capacity or lack of capabilities. CONS3a: In pure-strategy projects the customer frequently knows the end result, but he or she may need [a consultant to assist on] how to structure the result, and sell it to the organisation… In technical issues the client expects high [non- possessed] expertise.	CUST2a: [My] experience with consultants can be related in diverse branches, from business strategy and internal business processes, too much specialised services like special [government resource planning] projects, involving conceptual design, integration of a project team and due diligence. [Consultants] have helped me when they contribute with specific technical knowledge I do not have. CUST3a: [Consultants should] build capabilities in the customer …. and are able to export to [the customer] a model of reflection and decision making. [The consultant] should understand [the customer's] needs very quickly… [A valuable consultant] translates knowledge to solve our needs… making us owning that process of though. CUST3a: … [sometimes] consultants are just brought to rent for a period of need specialised capabilities CUST3a: [A bad consultant] makes [the client] waste a very scarce resource, that being the time of their executives in [futile] esoteric discussions. CUST4a: Consultants may be valuable in providing certainty in the way of industry and practices information sourced from a recognised international and well reputed firm.

[51] MEMO TO THE RESEARCHER: Enable client's better orchestration of resources

CONS4a: … consulting knowledge, experience and methods [only create value] under the right customer context. CONS5a: [A consultant, in order to create value] needs to bring everything to manage a project, and to provide an ordered and structured way of executing projects, and also to plan to have all required steps and components… [as well as] knowledge of the customer and its industry in order to provide that value component … and many times you deliver value to the customer taking the role of a 'resonance chamber' hearing what he or she is saying and to present alternatives, or just listening to their internal dialog assessing alternatives and giving your opinion… but above all you have to have a technical capability of specific know-how… These capabilities are not possessed by the customer CONS5a: sometimes value to the customer comes in the form of technical integration; quite often the different departments of a same customer do not talk to each other and the consultant's work is of value when he or she achieves that integration. CONS6a: technical projects demand technical methods and certifications… our people have never been questioned on their technical capabilities… eventually maybe about their youth, but doubts disappear when they start interacting CONS7a: Evidently when a client hires you is because he or she wants to get a benefit… and either (1) does not have time [or resources] to do it, or (2) wants something he or she does not know how-to and you do, or (3) wants to avoid political implications, or (4) he or she want an independent, objective opinion on matters… maybe thinking they have workshop blindness, or (5) he or she wants to change a process and to obtain a better return on their resources … so I think there are several and varied motives of why a customer may hire a consultant; therefore there are many indicators of what value can mean to the customer … How [a customer] measures value, is the great question, and whether [the consultant] delivers value or not depends on who hires him or her and why [his or her motives]; the next question is how you	CUST4a: [I] learned change management from Deloitte [consultants]… [and practiced] in close collaboration… my team received knowledge in an accelerated way, that we would have taken much longer to assimilate from several sources… which produced a very effective conduction of the project. CUST4a: [I would pick a consultant looking for value creation] based on the following: (1) deep expert technical knowledge… (2) relationship of honesty and transparency … no hidden agendas, (3) full commitment to the agreements… and to customer's objectives. [However] it is also valuable to have someone able to speak objectively to your top executives as no internal employee would… When picking consultants, cheap turns- out expensive [i.e. Good consultants are picked on value, not on price] … good consultants have frequently exceeded my expectations… [the opposite would be], consultants that develop a tense working relationship, just looking to increase their billable hours or that have lost focus on the customer's objectives. CUST5a: The fundamental value [of bringing a consultant] may be rooted on (1) [to remedy] the lack of knowledge of something totally new that we do not know nor have skills, (2) time pressure, (3) accept I have a problem and need help, (4) prepare for a strategic change and do not have all the knowledge… or a combination of them… the experience you had [with us] was a complex mix of strategy from the top with the need to move the organisation at country level. CUST6a: I liked the value based framework methods of your firm to create value, which were industry specific… and IBM has a component based model which takes strategy to down to earth

measure it… the monetary component is the easiest to measure…. The subjective [component] is always complicated. CONS7a: [The customer] pays you [the consultant] to bring objectivity he or she does not have… and the tone of the communication [to raise the importance] is critical. CONS7a: [If you] analyse the consulting value chain, you can spot bad consultants types easily: (1) the one who does not understand the customer's needs, (2) the one who makes a wrong value proposition, (3) the one that scopes badly the work to be done, (4) the one which does not deliver well because possibly accepted an engagement where he or she did not have all the [technical and relational] capabilities to deliver … it happens frequently, where we think we [consultants] can do anything and suddenly we are in trouble for having gone beyond of our specialty area, … you have to be honest and decline work you do not have the skills to deliver. CONS-P1a: The majority of cases of why a customer hires a consultant… is to solve a problem… that has a direct or indirect economic benefit attached… Consultants have been rigorous to develop tools and methods, like project management… disciplines not usually found in customers. CONS-P1a: Consultants also become experts from repetitiveness in specific subjects or techniques …capabilities not possessed by the customers. CONS-P2a: We go to customers with a distinctive approach to their problems … trained to structure projects … and we can be entirely focused and objective to their problems, which they usually can't… with skills they do not have. CONS-P2a: A consultant should have the right experience, right methodology and right people to do the job. CONS-P3a: Solve complex problems the customer can't solve themselves as a team… We provide	actions[52]… however, the strategy has to be owned by the client… you cannot delegate it to a consultant. CUST6a: [A large consulting firm] brought a lot of value by bringing a few experts of the insurance heavyweight companies in the world to come and challenge our strategy… look at our external logic and look our success formula from the outside… however the most important criteria is that the consultant understands our company, even where we are being arrogant. CUST7a: We use consultants when either the initiative involves a new subject, or we lack the expertise, time or resources to do it on our own … we select our consultants based on experience, knowledge, firm worldwide support… rather than price; we look for results, i.e. a return on investment. However, a failed consulting project besides time wasted, wears-off your credibility as sponsor with any further project with the company. CUST8a: [Consultants that add no value] leave as deliverable information and knowledge already available on the market…for instance, [we had a case with a consultant that] told us all that we were missing, but then our question was "We know what we have and what we don't, and market best practices… now help me to implement [the business solution]"… in fact, our commercial agreement with consultants is "I pay a little bit for [innovative] knowledge, but the big compensation will come with the implementation of that best practice or new business model" CUST8a: Besides clear rules and roles, [Successful consulting projects have in common] a deep knowledge of the subject by the consultant, individually or as a group… know what and know how.

[52] Knowledge and methods brought by the consultant to facilitate value

[groups of] scarce talent that know to work as a team… value offered collectively is greater than individually… e.g. Multidisciplinary approach. CONS-P4a: A consultants needs to evidence experience and knowledge. However, technical competence is just a given. [A consultant] needs to ensure and to evidence quality and reliability to the customer.	Consultants with talent and attitude can obtain the knowledge from someone else within their group, and that also work. CUST9a: Hiring consultants is always difficult; a critical ingredient is to agree and formalise the scope since the beginning; successful projects have a clearly defined scope, time and deliverables. When you do not have those clearly defined, the aftertaste of the project is "was it really worth it?"…comparing between two consultants to hire, involves personal feeling.

7.2. Effective communication (persuasion) of ideas [53]

Customer perceived value. Code # 1.1.3.4

The communication of the value proposition (VP); engaging the customer to commit with the VP's tenets and further dedication of resources to the endeavour. A baseline of expected value is developed in customer's minds and physical records.	
<u>Consultant quotes:</u>	<u>Customer quotes:</u>
CONS1b: consultants [tend to develop] persuasive communication and selling capabilities… [a few occasions] value [to the client] involves [just]facilitation of a common language and clearer vision of ideas… [however, over-selling can have disastrous results]. CONS2b: Current business models are very complex and involve many variables so that it is difficult to argue value causation on a specific system or solution [e.g. justification of perceived-value cause-effect can be challenging for a consultant]…trust and credence in the consultant matters, particularly during value proposition Stage… there are customers that have said	CUST1b: Communication with the consultants is required to be on an equal to equal basis. CUST2b: There is nothing that could change to make a good impression … [the consultant] as enabler of an organisational change [requires] the sensibility to sell his or her project into [a government client's] context… [we had a case where that initial consultant communication was not perceived well,] and all following meetings were always labelled as waste of time.

[53] MEMO TO THE RESEARCHER: Strongly related with relational skills. Communicate Value representation (Corsaro, 2014)

to me 'I want to talk with former clients of yours in order to tell me how good you are'... references[54] CONS4b: In my success story, [during co-creation], leadership communication [involved all constituents and transmitted clear vision and leadership]. CONS5b: -note it is concatenated with 1.1.3.2- [a consultant brings non possessed capabilities to the customer], from details to big picture which involve hard and soft skills to communicate and sell your ideas considering client context. CONS5b: every consultant needs to know how to sell ideas, from the first interaction until the job is finalised, and to convince a customer of what is relevant... [and also] to be able to manage conflict, negotiate... and to persuade. CONS5b: [value proposition interaction] is an exercise of intense conversation, sometimes daydreaming and sometimes helping the customer to put their feet on the ground in order to formulate a value expectation that should be materialised with a project, and evidently in the value proposition you want a match between the expected customer value and the cost of the project; if the customer has a small value capture in mind, he or she will never pay for the project... You [the consultant] are trying [at this Stage] to tell the customer how much time and how many people will be needed from both sides, and what kind of results they should be expecting...partially it is an educational process for the customer. CONS6b: [The implementation of corporate governance implies] dealing with the CEO and the Board's conflicting interests, notwithstanding who hired us. It requires dialog with all of them and a clear understanding of who is our customer and assist in negotiating impacts... frequently even dealing with lawyers making them the understand of differences between compliance and best practices. CONS6b: We frequently get to a needs discussion meeting with the customer with a pre-cooked pitch of whom we are and what we do, instead of sit and listen;	CUST2b: [The consultant must] show how we can be successful by collaboration; the consultant provides technical tools and the client provides the knowledge contents. CUST9b: [When consultants present their value propositions], to me [their selection] depends on how the person in charge transmits what they will do, and also that he or she will be personally involved, and not that when the contract is granted, then will send a bunch of fresh out of college kids... the engagement of the partner is critical.

[54] MEMO TO THE RESEARCHER: Reputation and honesty are factors for developing trust...and trust is a factor to overcome information asymmetry].

understand what the customer's needs are … [only then], configure a value proposition. CONS7b: [In every successful project] there is a clear definition of what the customer expects at the end of the project… we have learned to describe it in great detail… so, a successful project implies the consultant has met the customer expectations defined, … so that the perception of value to the customer has a clear relationship between what the customer is paying versus what is perceived being received[55]. CONS9b: I think [we all] consultants do [professionally] somehow the same, and that is what customers put us to bid and compete. I have seen proposals where, under the same conditions the outcome is that we Deloitte get selected, more on the ability to show [credible] value creation capabilities, and particularly when the [customer requested]presentation structure is inflexible. Also replying to questions [eloquently] responding to their interest but avoiding arrogance is part of a communication relational skill… and sharing knowledge and lessons learned unselfishly… [Customers] appreciate [your caring]. CONS-P1b: Commercial skills are very important [for a consultant]… offer the value you can add with your solutions. CONS-P4b: [I had an experience where the pressure] to extend my services [e.g. to sell more at a customer], changed the way the customer perceived us… [the customer once told] "you were a person who I could discuss my problems with … now you are here only to sell me stuff"… we were perceived [downgraded] from trusted advisors to just sells agents.	

7.3. Consultant needs to understand client's needs and value creation logic

Customer Perceived Value. Code # 1.2.1

[55] MEMO TO THE RESEARCHER: Basic give-versus-get value definition depends on expectations management, clear communication, mutual agreements and finally perception of value received.

The consultant facilitates value when he or she assists customers to improve their value facilitation processes or business model logic.	
Consultant quotes:	Customer quotes:
CONS1c: We are said to be customer centric; we have to analyse what we can sell to the customers according to their needs and our capabilities. CONS2c: [the consultant needs to have] knowledge of customer value creation logic, [colloquially expressed as] knowing the customer business and industry, [in order to better focus resources towards customer value co-creation]. CONS3c: [the skills required for the consultant to deliver differentiated value are[56]] understanding of the customers problems, understanding of customer's environment and industry issues, and the moment [context] of the customer [organisation], and who is asking [for advisory] and what he or she asking is for… otherwise you will be of little help. Unexpected value can be found when the consultant assists his or her client to elevate the technical solutions into the strategic objectives CONS4c: [nature of consulting projects range] from doing to advisory… understand your customer and how he or she aims to create value. CONS8c: [In order to differentiate from the rest of consultants] you need the right mix [of technical and business people] with a deep [customer] business knowledge, so that at the moment of implementation it	CUST1c: Make yourself valuable; interest in your client needs is what brings business to you. CUST2c: [A project failed because] the concepts [brought by the consultant] had no applicability to our context as a municipality. CUST3c: … I would start to deeply listen and understand what VALUE means for the client as an organisation and its people … [and then communicate] what you [consultant], aim to achieve with an intervention beyond responding to a 'request for proposal'. CUST3c: When I review [consultants'] response to our RFP's, I first look at their understanding of our needs compared to their credentials show-off… I immediately detect what is important for the consultant. CUST4c: We can produce a lot of quick value being accompanied by the right expert that knows our business. CUST6c: When I have hired consultants, [the component] that has contributed more to value has been their understanding of our problem and what we want to achieve… some have not understood the complexity of our organisation[57]… each consultant has its own set of competencies… if I do not see that clear understanding, I start becoming concerned that you may be just trying to push a [packaged product] that will not fit[58]… [The

[56] Words taken from the interview -question asked

[57] MEMO TO THE RESEARCHER: Understanding of value-in-context …. When the problem is well defined, all I need is a specialised doer.

[58] MEMO TO THE RESEARCHER: The more ad-hoc the service is, the stronger the required relationship

really makes a good fit with customer's needs CONS8c: We have the practice to produce project on-boarding documents, to ramp up new consultants' learning about customer, former projects and industry knowledge. CONS-P2c: You can share your knowledge … and market leading practices all due confidentiality of what others in the industry are doing… however, those practices may work well in a context, but there is no assurance they will work equally well in others' context… customers and products are different… you need to be clever as to recognize the effect in the culture and value in offering of your customer's organisation. CONS-P4c: You [consultant] can only charge premium rates being different; [you] can only transform the customer's business model … [by] deeply understanding it and working with your customer to propose the initiatives as a team. CONS-P4c: [a core] self-value development activity is the understanding of customer logic, activity or industry	consultant should be able] to understand where all pieces fit in. CUST6c: I become really annoyed…when [a consulting firm] does not do knowledge transfer among the consultants that are serving our company [i.e. customer knowledge is not captured or wasted] (also related to 7.3) … when I perceive a consultant's lack of knowledge I become really uneasy. CUST6c: [talking from the consultant perspective…] I [consultant] help you [customer] to create value, I assist you avoiding bad decisions, but in order to assist and to teach you adequately, first I need to be in your shoes and understand perfectly [your business] drivers. CUST7c: It is difficult sometimes to find a good consultant, but it is critical to become aware that he or she has the skills and knowledge that will provide the solution. Or at least be clear that we both will be learning… Sometimes it is difficult to find a consultant that knows everything and that also knows our company's problems, so there is always a knowledge process in order to know the customer's needs. CUST8c: [Talking about bad consulting experiences,]… happened when [the consultants] tried to implement business models that were not fitted to our culture or market situation resulting in an inapplicable traumatic experience that added almost nothing… [However,] there have been other cases where [a consultant] makes a proposition that changes radically our business or operational model and in a very short time substantial changes are achieved that bring great value… we have not had middle ground [consulting] experiences.

7.4. The consultant should provide leading practices from the industry & external logic.

Provide leading practices from the industry. Code # 2.4

Customers expect to acquire external best practices from the consultant, mostly around innovative business models that may exploit and potentiate customer's strengths and resources.

Awaken market SENSING capabilities to the customer.

Consultant quotes:	Customer quotes:
CONS1d: [value] should be focused in customer's needs and real situations i.e. "a proposal challenge of your key challenges".... [the consultant] first has to understand [the customer´s] industry, and then understand how [its firm´s] offer moves the [customer´s] industry relevant value levers. CONS2d: Client's [are not static]; their operation changes constantly to respond to their markets and you as their consultant need to understand, adapt and evolve quickly... dynamic capabilities are critical to learn and adapt during the service delivery ... [perceived customer value also evolves]. CONS4d: ... a consultant may assist the customer... in seeing what a 'workshop blindness' effect may be preventing him or her to see different alternatives. CONS5d: I think one of the important [capabilities of a consultant] has to deal with bringing information to the customer, both internal and external, and be able to synthesise [make sense] that information. Many times you give value to the customer by bringing information from the outside, like their competition, or many times from their own company; I have an example of a customer that used to sell to a famous retailer, and [our customer] was not aware of the amount of resources they had to devote to sell to that one client, so that from every peso that they sold, they really lost a few cents. CONS8d: ... it is the deep industry insight that [the consultant] eventually gets to demonstrate to the customer that sometimes surprises the customer about matters he or she is an expert on, and which bring value to his or her business... or competition [practices] or in other countries.	CUST1d: A Consultant brings you knowledge. However I would expect them more in the role of brokers between market needs and new available technologies to assist in the development of new business opportunities. This is how they can really add value to a population segment / market and to themselves. CUST1d: As a client we were at a disadvantage with you [consultant] because you were supposed to bring the knowledge; I expected and received a non-arrogant attitude of "how can we help"? And I expected that because I knew nothing of the service you were providing. So, we really needed detailed guidance; I learned a lot from your firm and felt confident to open my company doors and let you perform CUST6d: one of the things we companies lack is having a good sensor of what is happening in the world; then this is one of the great values [that can bring a consultant]... IBM did brought value to us because they brought [experts] that challenged our car insurance strategy. The main concern of our CEO is that having been market leaders for so many years, with the best talent in the industry, having been breeder of many other firms and always an industry icon, the danger is that we look too much at 'our own navel' [i.e. inwards looking] because our sensing capabilities may be

CONS-P1d: [The consultant's] perspective [may] assist the customer in detecting future knowledge [in terms of opportunities] CONS-P3d: The challenges to which our customers are facing are each time more complex and multifactorial… hard to diagnose. Consultants [shall] have the tools and experience to offer solutions a customer by itself can't manage	dormant in regards of what is trending in the industry in the world of potential disrupting trends and how business models are converging.

7.5. The client is required to collaborate in the solution

Co-creation of value - Code # 3.2

Who creates value, the consultant or the customer, or both? Why is co-creation critical to consulting services customer value? What role does learning and knowledge transfer play in co-creation? As per S-DL, value is created by operational e.g. knowledgeable resources. This simple conceptual statement becomes much more complex in large organisations that have individuals with many personal motives to collaborate or-not.	
<u>Consultant quotes:</u>	<u>Customer quotes:</u>
CONS1e: Co-production frequently needs to be induced by the consultant… [Underestimating] the importance of people issues and change management needs [is a recipe for failure]. CONS3e: The more involvement you get from your client, the higher possibilities of success; otherwise your project is at risk… the way to deliver value is to ensure the [project] conclusions are progressively delivered in order to [break little by little the inertia] to change. CONS4e: [Co-creation requires determination and leadership][59]. CONS5e: I cannot remember any experience where we might have been able to create value without customer's participation; [the consultant] brings a few choices, a few alternatives, new activities, but in the end, the customer is foundational to value	CUST2e: [We had a case where] a project became a big failure because [the client's] IT personnel blocked [the consultants'] access to procedures, codes and blocks of information… there were no proper communication channels in order for [customer's] IT personnel working with the consultants, were able to trust and to challenge requesting directly the consultant, who had been hired [and forced] by a separate [government] organisation. CUST2e: If you do not have a [customer] buy-in since the first meetings, I dare say the consulting project has a high risk of staying as a paper [concept], which equals to

[59] Source: Synthesis from researcher´s reflection from the interview

creation; you [consultant] are only a facilitator. Those exercises where the customer is very little involved tend to become 'shelf-ware'. CONS6e: Our differentiation [as corporate governance consultants] is that we move from theory to practice, not just delivering neat 'to-be' documents but walking along with the customer in their implementation, and making constant contact with the client with something that makes sense to him or to her. I am a true believer of building a relationship and trust [for the said co-creation], and I am also here to transmit capabilities. CONS7e: [Purely strategic, cabinet work] does not appear to me to add value until someone uses them to change the organisation, the process, the system… but meanwhile there is no value created… we have had customers where we have spent a lot of time working with them, maybe on more mundane matters [but that co-production] produces more results than the sky high strategy on paper non-connected with the client, which frequently ends as daydreaming. CONS7e: There may be many reasons why customers often fail to implement, like lack of leadership or company politics… and [frequently] the lack of self-capabilities or in-house capacity to implement, which we [consultants] tend to over-estimate… In those cases the customer tends to expect the consultant to fill in for them and that often leads to …. big delays and complex negotiations [damaged relationship]. CONS8e: You [the consultant] make value to happen, right? … [meaning] you bring to existence the value creation process, i.e. you facilitate that value creation … [value is] co-developed but value stays with the customer and [the consultant] receives a monetary reward. CONS8e: [If the customer] assigned 3 non-capable guys to the project, you have to quickly communicate with upper management to ask for replacement, and [one way or another] solve the issue. [And there is also the issue that] the customer [eventually] will need to fly solo. CONS-P1e: It is important for sure to work with the customer… no one knows their problems and	wasted money and not a value added [endeavour]. CUST3e: [In order to effectively use a consultant, as a] customer, you [the client] have to prepare to do the right questions, define the success standards … [request] what the knowledge transfer from a strategy process will be. … [The customer may assume the following roles] : as strategist, with deep reflection and introspection, as the builder of processes, systems, structures, etc., and/or as operator doing things efficiently and effectively, where mostly skilled executioners are required CUST3e: [a consultant should be] prudent not to overwhelm the client with initiatives that [its organisation] is not prepared to assimilate… i.e. like selling a Ferrari in a town with unsuitable bad roads. Such [ethical behaviour] contributes to the relationship… sustained through consistent behaviour in continued events towards a habit of [customer] value creation. CUST4e: The consultants became our guide, walking with us helping to gain effectiveness [in a co-production case]. CUST4e: I had an experience with a consultant with whom our company had had bad experiences by different users; I decided to hire this consultant anyhow to do the same project however, this time the results were very good. The difference was in the customer…after a [retrospection] discussion, we found it had to do with the understanding and clarity of deliverables expected, and also with an open discussion about pathways and priorities commonly agreed… and allowing we [the customer] to be

business better than themselves… the consultant only brings a fresh perspective. CONS-P2e: When the consultant achieves that collaboration coupled with the customer, it works very well… technical problems are more or less easily to solve [However,] human problems are the hardest…for instance, blocking your initiative if it is not aligned with their personal interests. CONS-P3e: Customer collaboration is critical to solve modern life complex problems. The issue is also of a [long term] relationship; If a consultant provides a quick-fix on an antagonistically-wise mode, the customer will soon hate the consultants and find ways to end the relationship.[60] CONS-P3e: If I [consultant] have a genuine concern for my customer, once into the project, I have to start to think how he or she will capture the value once we [the consultants] leave. CONS-P4e: Best projects are co-designed with the customer.	guided[61]. … [Contrastingly], the former occasions the same consultants had only been asked to do 'a job'; the last [good] experience was a clear example [of co-creation] after many hours working closely together… and the result was outstanding… as one of our external board members said "this is so good, you have to make sure the knowledge is not lost". CUST4e: [I would expect] a consultant to walk with us through the implementation, with a generous knowledge-sharing behaviour. CUST9e: A mistake that we recently experienced with an e-commerce strategy project was that we did not assign anybody shadowing the consultant's people. The consultants left very nice presentations but when we reviewed them, they were at a very high, conceptual level. It was the very hard to reconstruct the deliverables. I think it often happens that companies start projects assuming the consultant will do the work but the company does not dedicate time to absorb the knowledge… [Contrastingly, co-creation] is the ideal way for the customer to absorb the consultant's knowledge and the end result is much richer.

[60] MEMO TO THE RESEARCHER: A to manage the process connection surfaces between technical quality (the what), functional quality (the how) and the relationship.

[61] MEMO TO THE RESEARCHER: These cited activities are based on communication, whose quality and effectiveness (e.g. openness as discussed by the interviewee) is a function of the relationship; co-creation is deeply linked with relationship.

7.6. Value initiatives imply successful change and collective agreement

Successful change and collective agreement to Co-creation of value - Code # 3.4

Is customer collaboration a de-facto component in consulting assisted endeavours? Is the consultant expected to provide advice, or to enable change?

Value is not materialised until the changes to the customer's processes are implemented. However achieving change is painful and is often underestimated.

Consultant quotes:	Customer quotes:
CONS1f: Little commitment from the client side, unspoken political forces and scapegoat management style [are samples of poor co-creation outcomes … with very little probability of further services re-sell caused by] a loss of trust CONS5f: I have had some recent CRM projects where the leader asks for the sales-force participation in the project. However, when you ask the salesmen 'this is the moment to meet and work together for 3 weeks' they just send you to hell… they reply: 'do you want me to sell? or to do the project'… and then we are in a quagmire because the sales people are the ones that have the knowledge we need. CONS5f: [during a consulting intervention] you modify the customer's processes or their strategy or their structure or their people capabilities, right? One ends up with a transformation, initiating the foreseen value generation, for instance with a redesigned sales function. CONS6f: [Relationship is needed] when you request information, demanding extra-time from busy people… [The customer] needs to trust that you are acting on his or her behalf to improve his or her decision making… [In my experience] consulting managers with high relationship capabilities and average technical skills, tend to be more liked by customers than great technically capable managers with average relationship skills … [not just for being nice]. Honesty… e.g. recognising when you [consultant] have committed a mistake. CONS7f: Consulting projects often fail because the scope dimension was wrongly defined, and/or [customer] expectations were misunderstood, and/or dependencies were not clearly defined,	CUST2f: [In a cited case, the consultant's] value added was the structuring and enabling the teams with specific re-engineering project objectives and getting agreements … the consultants were facilitators and communication brokers. CUST6f: The good consultants that I have hired, worked hard, are smart people that know how to listen, gets their hands dirty into the details, double checks things and questions everything, such that he or she becomes like the devil's advocate and is assertive when has to be… [The consultant's] objectivity should avoid "just to please the customer"… value [is achieved only] when implemented. CUST8f: A consultant should be cruelly sincere; I value that immensely… speaking openly and objectively… "Don´t stop telling me the obvious, but focus in things that I do not know". CUST9f: [Projects involve change processes] and we tend to underestimate how to internalize the change. The company keeps moving… If you are not careful, suddenly you realize that what was suggested was never accepted and the company´s inertia returns to the old habits.

and/or [customer] resources bottleneck were not timely addressed and/or a customer resource did not perform at the required level…. but most frequently [the consultant] missed to address personal, political and/or emotional factors; the consultant has to "read" people and understand what grounds he or she is stepping on… [The consultant] needs [also] to 'have a sixth sense' and understand internal politics, and sponsorship level. CONS-P1f: A consultant for large customers takes a role of knowledge-broker; and change catalyser as well …you transmit knowledge to effect a change. CONS-P2f: You need to have the adequate sponsorship level to execute the project and prepare the organisation to absorb the changes implicated.	

7.7. Manage the deployment of value proposition in real context and aligned to customer's expectations

Co-creation of value - Codes # 3.5 and #3.5.1

The baseline for the phenomenological assessment of value is customer's expectations at every step of the consulting service, starting with the value proposition. Relationship plays an important role in expectations negotiation.	
<u>Consultant quotes:</u>	<u>Customer quotes:</u>
CONS1g: … consultants should focus in delivering value, even exceeding agreed commitments… while precisely managing value proposition expectations. CONS2g: customer expectations management is critical [to perceived-value]… and may vary widely depending on the maturity and experience using consultants of the customer…honesty and transparency are very important, [particularly during value proposition].	CUST3g: There are some sophisticated clients that [developed an insight such that they] know how to articulate exactly what they need for the advance of their strategy… developing a [good] RFP means [as customer] you have done your planning and articulate what you need[62]. CUST8g: We have had projects… where a consultant proposed a subject

[62] MEMO TO THE RESEARCHER: The contrary means hiring a consultant without knowing what the customer wants may be problematic; this was exemplified in the case described afterwards by the same interviewee. It may be fair to assume that the level of experience and professional quality of the value creation initiative developed either by the customer or in a co-participated way, are critical to further value co-creation and value capture. The customer interviewed manifested a big risk in projects that involve buying resources without a clear value plan.

CONS4g: [the consultant] has to assess … the customer's maturity level in order to adopt any proposed solution [or value facilitation proposal… otherwise instead of co-creating value]… you could co-destroy value. CONS5g: the challenge in the execution is that the consultant should be able to contribute with value, e.g. bringing experiences and a know-how, that he or she can transmit and generate alternatives for the customer, and that [the consultant] may be able to extract from the customer all the information required for value creation, at every organisational level. CONS9g: As consultants, we pre-define deliverables and expected value, but one does not see a consultant coming back after the project finishes and its value objective is running… however it is then that you [the customer] can ad- scribe value to that value added effort. CONS-P4g: Customers give value grades according to their baseline expectations…expectations management has therefore a role in perceived value, for example differences in perceived value with two customers that may have received the same quality product.	of great interest and at the end, [the result] is delivered as a bunch of binders [with theory] and not having generated big deal [of value]… frequently those binders happen to be a collection of knowledge and information already available.

7.8. Co-creation happens iteratively; learn and improve

Co-creation of value - Code #3.6

Value co-creation happens during mutual interaction and learning, in iterative cycles	
Consultant quotes:	Customer quotes:
CONS1h: incremental innovation [and learning] always happens in [consulting] projects … [The consultant relies on its experience of having done it many times and re-using it]; the client learns from consultants' capabilities. Value [co-creation] is also providing assuredness and guidance through our methodology of the best way to assemble partial deliverables [step-by-step].	CUST1h: At a certain point my people and I knew more than your consultants did, but the consultants certainly helped me to structure the solution. CUST4h: [I] learned change management from Deloitte's [consultants]… [and practiced] in close collaboration… My team received an accelerated knowledge that we would have taken much longer to

CONS2h: [Value in exchange in consulting] consists of series of interactions; it is not a point in time… Value co-creation happens in iterative cycles [starting with the value proposition], because client's context[63] continuously evolves. CONS6h: At the beginning the consultant does most of the work… The 'why they should be doing these' or that new processes has to make sense to the customer … and in order to train the customer personnel … then progressively evidencing how the work will benefit their business and their jobs… Learning [to create value] takes time. CONS7h: [Customer participation and Interaction] becomes more important each time; I do not remember a project where I had contact with the customer less than once a week… and it is also a process of expectations management[64]. CONS-P1h: Experienced consultants obtain most of their learning during projects	assimilate from several sources… which produced a very effective conduction of the project… The consultants became our guide, walking with us helping to gain effectiveness [in a co-production case]… [We also] learned a more professional way to organise and to prepare deliverables. CUST7h: [The value co-creation] result comes out of teamwork [between customer and consultant]. The solution] needs to be tailored to our needs, no more and no less. CUST8h: [Whether co-creation happens since the value proposition or later,] can have variants but it is during execution [Stage] that co-creation is basic and unavoidable.

7.9. Value is created and captured by the client with its operant resources

Expected Customer Value – objective; Code #4.2

The only existing value is customer value, and it is the customer who assesses and creates value using its knowledge resources, however assisted and/or facilitated by a consultant. Customer value cannot be built without deep customer involvement in interaction, comparing value proposition blueprints with expected customer value, learning adjusting and improving.	
<u>Consultant quotes:</u>	<u>Customer quotes:</u>
CONS1i: Value [is captured by client's execution] … [and takes time to crystallise]… The risk with	CUST5i: Customer's involvement is modified by personal wins and personal

[63] MEMO TO THE RESEARCHER: Perception of value is connected to a time and a context

[64] MEMO TO THE RESEARCHER: Expectations management has a clear connection with value perception by the customer (phenomenologically determined by the customer)

accelerated growth is the capability of the customer's personnel to digest the knowledge, adapt and evolve. CONS1i: I have sometimes heard 'my best project, my worst client', [meaning] to deliver a Rolls Royce to a customer that does not even know how to ride a bike[65]... the client has to have to technical competences and the attitude and commitment to make it work. CONS2i: There are thousands of cases where the client fails to contribute to the solution and then, projects fail... The customer has to have capable resources to receive and maintain the solution implemented; [however, the consultant needs to understand this and prepare and persuade the client of this necessity]... Another customer once told me that he would hire a consulting project only when that project produced a visible increase of the balance in his check account... that was his definition of value. CONS3i: [It is easier to produce good results] with customers experienced in using consultants. CONS3i: [lack of customer´s resources and capabilities to co-create value] happens more often than we would like to... [The consultant] acquires the challenge to make them perform... [Or to] manoeuvre around them invoking top management's authority ... and interest [in the project's value creation potential]. CONS3i: If the client does not have knowledge to adopt the project results, [the consulting intervention] is wasted money... however, that is not as evident in 'pure strategy' [projects, where] your product is of intellectual nature [expecting the client to implement]. CONS4i: It is always the customer who decides [to change], but the consultant has to advise [about alternatives and consequences]. CONS5i: Once a project is finished, real life begins [with the transformed organisation], and then	agendas at diverse [organisational] levels... The success of a [consultant-customer] relationship depends on how prepared the organisation is, and the internal power plays that need to be considered even from the inception-preparation of the RFP. CUST5i: [The interviewee related metaphorically a long anecdote when he consulted a physician about a broken knee. This anecdote was intended to illustrate the proceedings of a good consultant. Key messages were: (1) communicate with objective truth, (2) inspire trust and a very professional attitude in what he would be doing, (3) communicate a clear message of the dependency that the overall result would have on the patient's dedication to physical therapy rather than just the operation itself, and (4) the great outcome experienced by the interviewee after having followed the physician's advice] ... it is the same with a consultant. You have to say 'we will come and have that yard clean in three weeks, but afterwards it is your job to keep it clean'... it is very important your objectivity to tell the customer that his project may not have the conditions required to be successful, and even reject to render a service proposal. CUST7i: ... as customer we should not leave everything to the consultant; we know our business and we both share responsibilities [to the value creation initiatives]. CUST7i: [Value co-creation] implies to find [and assign] the customer´s people that will participate closely with the consultants. [The customer's delegates]

[65] MEMO TO THE RESEARCHER: This consultant discussed colloquially after the interview his experience in more detail with this customer. He recalled the unpaid extended work, extra-hours and working week-ends that accrued as added discount conceded by the consultant to the customer's mid-level project management as a concession for committing the right customer's professionals

the challenge is to sustain it… because of the natural tendency to fall back and resiliency of past behaviours; then surfaces the need to measure the new value resulted however, only few customers have the discipline to measure it[66]. CONS5i. [In technology projects] where the customer asks just for the replacement of an old system [with little customer involvement], business processes are left equal with a substitute of what [the customer] had, [with minimum value]… where you [consultant] might as well have done nothing. CONS6i: My jobs are to set-up the platform for a Board of Directors so that they can make the best decisions and then create value; my [consulting] project does not create value itself, but it is an enabler for the Board to make the best organisation value creation decisions. CONS8i: [it may happen on a consulting work] that I [consultant] left you [customer,] a spectacular idea about where and how you should advance, but if [you] the customer was only left with a binder on his desk, [i.e. the idea is not implemented] then everybody losses; the customer has wasted his or her money, but even if the consultant may have won that job, he or she will never do more work [at that customer]. It is then when the customer really implements the suggested actions and sees results being a witness of that change. CONS8i: [Value capture] happens during our project but eventually the consultants will leave, and the customer remains [with the value creation task]. CONS9i: You [consultant] may build a …best practice… deliverable, however the success is not in our hands, but in how the customer implemented them… The person assigned from the customer may not have followed up … [and failed to create value]. Co-participation is important as well as alignment of objectives.	should have communication and leadership skills in order to coordinate all internal and external efforts, so that the consultant realizes that such customer delegate knows [what he or she is doing]… that has worked very well for us. CUST8i: When we identify [a company initiative] that will demand a high degree of [external] consulting, we try to arrive to a mode like "walk along my side to implement it and produce results"… "do not just tell me what to do but build it with me"… this mode [of approaching external consulting] has proven successful to us. CUST8i: We made monumental mistakes … [for instance when] we had to change the operational model of the company and thus we hired [a consultant] in terms of "come and change the operating model… do it and let me know when you finish" … [value] is absolutely [co-created]; it does not work when the consultant gives us the recipe and leaves, neither when I leave the consultant on his or her own [to do the job]. For us the co-creation model has really worked out. CUST9i: At customer's companies, often you do not have people with the quality and sophistication of consultants. You may think the consultant will solve your problems while you do not have clarity of what you want the consultant for. In these cases it is very difficult to [objectively] assess [service] satisfaction.

[66] MEMO TO THE RESEARCHER: Relationship influences between attitudes of 'you paid me, I'm done, good bye' and I am interested to walk you to the value capture.

CONS9i: … you may have [an identical project in different customers] with the same conditions, same product, same team same deliverables, same price, same time and same everything but in one customer you may have customer's commitment and in the other one the customer was imposed to do the project… The level of co-participation will be very different… perception of value will be totally different…even satisfaction assessment ranks will be different even under exact same delivery.	

7.10. Manage the consulting firm towards clients' results (real interest for the client)

Expected Customer Value – objective; Code # 4.7

The justification of the existence of a consultant in any market is to assist his or her customers to create value, so the top priority in a consultant's agenda should be to make their customers successful, all the time. Managing customers' expectations and final comparison with expected value are mechanisms to gauge progress and eventually to assess value.	
<u>Consultant quotes:</u>	<u>Customer quotes:</u>
CONS1k: My job is that the customer becomes successful, plain and simple… in a way that the customer values. CONS3k: If you [consultant] are aware that the value expected by the client is not being met, you are destroying value; [when it happens, it is often] because of consultant's lack of industry and customer knowledge. CONS6k: The client has to perceive that the consultant is genuinely acting in the customer's best interest. CONS6k: [When the customer is satisfied], he or she may afterwards look for your advice with another matter; this places us in a very different	CUST3k: [A valuable consultant] demonstrates real interest for the client, understands the customer's business and guides the customer through his or her needs, not necessarily what he or she plainly asks for… mi experience has been we sometimes do not know what we need… [so], an ethical consultant that assists us developing a request for proposal [is part of being valuable]. CUST5k: [The qualities I vale most of a consultant:] mostly of all honesty, then avoid a game of power, show commitment, two way communication. Those are more important than technical capabilities. CUST6k: [we had a problem in a case where] the strategy was not well

level of conversation[67]… [in a real life case], a customer told us 'you are in our next year's budget', meaning 'we are happy, don't screw it and you'll keep getting our business'. CONS7k: my worst problems with customers have occurred because I did not raise a warning with sufficient strength or forcefulness in order for that message to be credible … independently of the difficulties such action might bring in the short term for the consultant[68]… however, you [the consultant] are paid for being objective. CONS7k: The customer expects to be successful [in an endeavour that has involved consultancy], and the customer does not care if you met the agreement but you did not warn him or her of something that prevented a successful [endeavour]… [i.e.] you [consultant] need to ensure the needed resources [from the customer]. CONS8k: the worst thing that can be experienced by a consulting service is that he or she only does what you strictly asked for…"you [customer] told me to move this pencil from A to B , and I did it, so pay me"…[the customer may then ask] "ok, but what value does that bring to my company?"… it may even appear as a trick you [consultant] used to take advantage of a customer´s [i.e. in case of need]. CONS8k: I often tell my consultants: what is it that your customer is expecting? It is not only your "job description" or the "contract scope" … what else can you do today to add value [to the customer]?. You have to know your customer, have strong communication, and if necessary, to load the customer on your back and get him to the finish-line… never blaming others for not solving the customer´s problem. CONS-P1k: A relationship is progressively built when the consultant has assisted in value	defined, and the consultant did what he could … but he was not self-critical and did not mark a halt on time nor demanded us to do our part… these situations turn out to be 'like the emperor's suit'[69]. CUST7k: [To be successful] pick a consultant that is committed to your company. [Commitment means being present], that the partner is there leading, and not leaving the work to younger consultants … as with a physician that could not be able to make a diagnostic over the telephone. CUST7k: [Two cases of bad consulting experiences:] (1) There was a case where we were among the first companies to implement people-soft software; we realised both our personnel and the consultants were attending the same vendor training; the consultant brought good kids but lacking the experience of the product. This was a dishonest [misrepresentation of skills]. (2) We had another case implementing anti-money laundering, where [the consultants] told us they had the experience, and that proved to be false; the consultant had to bring people from London to remediate the situation, but it is frustrating to see the consultant being unaware of his or her limitations. CUST9k: [The fact that a consultant might return after a few months after the project was finished to follow up on value added progress]… for instance after 6 months …"hey, I will do a check-up or a control visit to see if you are

[67] MEMO TO THE RESEARCHER: Customer perceived-value that has been captured is a very good foundation for repeated sales

[68] MEMO TO THE RESEARCHER: This implies managing the reaction of big customer egos; again, the best safeguard would be a relational capital with that customer.

[69] The interviewee's reference alludes to Hans C. Andersen´s tale.

creation… and price charged is commensurable to value created. CONS-P2k: relationship is not about friendship but about making the decisions in your customer's best interest.	being able to implement what we suggested" would be quite useful.

7.11. Relationship is a critical part of the context for value creation; it depends on people

Relationship - Code #5.3

Relationship in co-creation, notwithstanding is central role to co-creation is challenging to define given the multiple understandings and variations of the meaning of the construct, and under varying context. Relationship has been described as core to the consulting services and as such was enthusiastically addressed during the interviews, having several facets discussed which are documented in separate codes for purpose of clarity.	
<u>Consultant quotes:</u>	<u>Customer quotes:</u>
CONS1I: [relationship] is very important because the consultant needs to create a [sustained] environment of trust… it changes with time and needs to be proactively managed. CONS2I: If the consultant is allowed to assist with managing business uncertainties, the value co-created may be high … you created value at other level; [however, that depends on a high level of relationship developed] … built upon delivering results. CONS2I: [however,] there is always a distance kept in the [consultant-client] relationship… it takes a lot of consultant´s energy and experience (1) to maintain a working relationship, and (2) to think "how can I improve my client's success" … the client needs to shine and we [consultants] are just the facilitators. CONS2I: A consistently high level of customer-consultant relationship is rare and difficult to attain CONS3I: I would really like to be in a position to pick the customer's … that I want to serve and that I know will be able to help succeed [to co-create]…	CUST1I: We developed a close working relationship based on mutual interests. CUST2I: [there was a case where] the consultant´s lack of customer empathy and adapting to the customer´s … context [gave way to]… a project with no value added. [In contrast, in a project with the Mexican IRS] the value added … emerged from the identification of those power nodes which used rudimentary and risk-vulnerable tools [and processes] … risks that the organisation had not detected, and then showing opportunities from technology to replace them, improving efficiency, transparency and removing [discretional] power from individualities. CUST2I: [The consultant evolves into a customer environment]… in an ascending cycle in terms of communication and rapport… from being an outsider into becoming an

[Eventually, relationship with customers forms a web or an ecosystem. CONS4I: Relationship should go beyond doing the job …. towards opening door to business discussions…where the customer trusts you as a person that trusts your honesty and objectivity… be with your customer and grow a relationship [and only then you may become] a trusted advisor; … what you [as consultant] really sell is the working relationship … [however,] not every customer values a relationship. CONS6I: when the customers perceive you are trying to sell them something all the time, the customers loose trust in you… particularly when you do not have the skills to deliver what they are requesting. CONS6I: All our work depends on the relationship we are able to build… in our [corporate governance] services, we are in the middle between the shareholders and the management, [both with different interests]… trust is critical to have them deliver the data and every now and then deliver unpleasant information [for one of the parties]. When the consultant has worn-out his trust 'assets', his success possibilities are quite limited. CONS6I: An event we [consultants] are frequently exposed to fail is expectations management, miscommunicating, over-selling or not effectively [managing the difficult discussions]. CONS6I: [Once we have finished our services contract], we follow up with customers to learn how they have made progress; that way we keep relationships… the customer may not need our services, but the relationships are also useful for other firm service-lines [cross-selling from the relationship]. CONS7I: considering [that the consultant] has had a good capability to communicate, and as well as [the customer] may also have a good communication to know, understand and iron-out any issue that [the customer] may have disliked, … I think the relationship improves… That is very important because it is very rare to find a project where the customer ends with the same expectations he [or	insider… even as 'part of the family'… enabling further exchanges. CUST4I: [Consulting] is a relational industry. Each person develops a relationship with the customer CUST4I: In a case the consultant tried to impose ideas. I felt receiving orders from the consultant which immediately caused my reaction against any collaboration. CUST4I: … there was another case where I felt left out of a project decision, and I therefore detached from the project… however, the consultant found cleverly ways to involve me little by little and to bring me back into the events, building a relationship where at least I felt I am not just being told what to do. CUST5I: …there will be many adjustments during your project lifetime; a good organisational readiness gives you a great first step; however, organisations are dynamic and structures change, and such preparation will have continuous updates[70] CUST6I: Service is people dependant… I need to feel comfortable that I can talk with all freedom and the person in the other side is not playing a hidden agenda; talk frankly if they are here just to try to sell me something… I do believe in face to face relationship and not on remote calls… relationship is critical in order to be receptive of the challenges and changes proposed by the consultant. CUST6I: … if the consultant does not understand the basics [of the customer's business], and the customer does not understand the basics of [the value creation initiative]

[70] MEMO TO THE RESEARCHER: Co-creation is an on-going adaptive process (relationship is dynamic)

she] started,... so definitely a professional relationship of ample communication, honesty and mutual feedback always gets better results. CONS-P1I: Selling strategy work requires relationship at CEO level. CONS-P2I: Human problems are much more complicated than technical problems. CONS-P3I: [A consultant should have the] capability to establish relationships in order to solve complex problems ... talks with the truth and produces results... [relationship] makes the difference between a successful firm and others. CONS-P3I: [relationship] provides the customer the confidence of being backed, protected, that the consultant cares for customer's success; ... pure effectiveness is not sustainable over the long term without a relationship. CONS-P3I: Relationship is built step by step, listening to the customer, being respectful, transparent and talking the truth... A good consultant collects money as consequence of a good relationship that has promoted the solving of problems. CONS-P4I: [A consultant] that does not establish a value-creation pursuant relationship with his or her customers, will not be able to position in the perception of customers as someone worthy ... [the consultant has to] work continuously to develop trust and only then be endowed with important customer undertakings. CONS-P4I: Relationship with customers and customer knowledge are very important intangible assets [of a consultant]. CONS-P4I: The mode of relationship changes between a strategy [consulting service] and a doer [e.g. operations].	... or the consultant does not know how to handle a relationship and to escalate issues objectively[71], [we may have a recipe] for value destruction... not only because of wasted money, but because of cost of opportunity [for value creation]. CUST7I: I think [relationship] does [matter], because you seek for a consultant's affinity and commitment when there is a good relationship; if there is trust you can have open conversations about what's wrong. If there is a good chemistry, the project will be successful. As opposite, I have had consultants that do not listen. CUST9I: [Importance of relationship] depends on the type of the [consulting] job. In jobs where their nature involves working elbow to elbow with the consultant, having a consultant with capability of developing relationships that promote feeling comfortable and developing trust on the job, relationship is very important.

[71] MEMO TO THE RESEARCHER: The context was given in a situation where a difficult conversation might endanger the consultant´s business

7.12. Relationship grows by meeting promises and commitments; trust is then developed and the likelihood of repeated sales increases

Relationship - Code # 5.8

The most critical aspects of building a solid relationship were discussed as honouring commitments, and meeting or exceeding expectations. Trust is metaphorically an *emotional account asset* that the consultant needs on a sustained basis to gain customers' willingness to accept recommendations and collaborate in co-creation consultant led initiatives.	
Consultant quotes:	Customer quotes:
CONS1m: …degree of trust that [the consultant] transmits, how many times he or she has done it, what they have faced, how they have solved problems, how they respond to difficulties and former bad experiences, [however] trust is dynamic – it changes… trust equals to deliver exactly what you promised. CONS2m: You [consultant] have to be credible at something [with the customer], either a former experience, reputation, or capable of bringing special insights. CONS3m: When you have co-produced the project with the client there is no need for final presentation… Value POST is when you keep dialogue interested in the evolution of client's affairs… If [the consultant] delivers a satisfactory project, quite likely he or she will have repeated projects afterwards, growing the relationship and adding value; value [post-delivery] can be in the form of some [support or] advise… and then the relationship may be maintained and strengthened … However, a strong relationship is the exception, not the rule. CONS4m: [Repeated sales] mean trust in you and your firm from having delivered perceptible results. I witnessed a client case where the customer had the best relationship I have seen with our firm, do a gigantic advance in their organisational development… an unprecedented trust from the client within a difficult project… [Huge win-win for both parties]… the client will for sure invite your firm	CUST2m: [There was this case] of a consultant that tried to sell to us, [a government institution] software that had been evidently designed for private companies operations … and was far away from the institution's needs; the consultant insisted that such was our best alternative… communication barriers were risen … [that caused a quick demise of their proposition]. CUST4m: Relationship between consultant and client… is quite interesting and can become endearing, in many ways like teacher – pupil… in any case it is a gift of mutual learning CUST4m: Public credence and reputation have more value to our [organisation] bank than any immediate gain. CUST5m: if you establish a honest professional relationship, you are building the foundation of a very long term personal and professional relationship; otherwise you will have a relationship based on balance of powers… when you say 'there will be difficult times but I will be here to sort them out as a team' makes a big difference… you then need a good two way communication to make that happen.

to present a value proposition in any future opportunity. CONS5m: in the case of outsourcing [or 'doing'] the customer just wants the job repeatedly well done; in the case of strategic consulting a deeper trust is required because you [the consultant] are supposed to change matters in the customer´s organisation and such involves a little bit of a leap of faith… a [bad recommendation] can have a dramatic negative effect to the customer… and the impact to the relationship could be substantial. CONS6m: I think the key common denominator of successful projects is trust… The client really developed a sense of trust in our team, which allowed us to learn many more aspects… when working with the board of directors at family ownership level, developing that trust makes a huge difference in terms of how far the scope of a project may reach… quality is just assumed, [but it is critical because] otherwise trust will suffer. CONS6m: Former experiences in the way of credentials help us establishing a trust baseline… but word of mouth from customers' CEO's is our best door opener. CONS7m: I think the trust between a patient and her doctor is not different from the trust between a customer and her consultant; the customer picks the consultant among several choices, which means [the chosen consultant] has his or her differentiators… i.e. something [valued] that the other consultants do not have… which can be as simple as better rapport or mutual understanding. CONS7m: [In regards to relationship and the 3 consulting stages when you are competing, relationship is always challenging because you have to do a double effort to demonstrate you have the capabilities required to offer the best solution… and other consultants do not…the relationship is then quite impersonal… [Then the client hires your firm] and he or she starts knowing and testing you… [the customer] wants to ascertain he or she did the best decision on hiring you… then things start to come out right and the customer starts trusting you until that becomes repeated and the trust grows… so definitely, relationship changes depending on which consulting cycle Stage you are…. After you have delivered, the consultant tends to be selective depending on customers that may be targets for	CUST6m: [Customer and consultant have to develop] a mutual base of knowledge and credibility. We have frequently had the experience of consultants that intend to 'take us to Disneyland', where that consultant does not know our context … and then, you may only have a good time [visiting consultants showcases] … [However,] in order to [deliver results] you need your consultant by your side, who is not the one that was sent to do the pre-sale, but the one that is delivering results, who gets your trust… the relationship is fact based. CUST7m: [If the] consultant knows the customer, [He or she] has better knowledge to be successful, then builds trust and gets repeated sales… and also gives to the customer easier access to discuss bad performance. CUST7m: Trust is critical [because, as an example] the team of consultants assigned has to meet our expectations. I could accept an un-experienced consultant with good intention to learn if there is a mutual investment, but that needs to be discussed openly and beforehand to build a better relationship. Otherwise it would be dishonest just to try the customer to pay for the un-experienced professional that will come to learn from the project. CUST7m: Unfortunately, when the consultant introduces his/her firm, they show their best face, so it is difficult to differentiate [among them] and will change when they are delivering the job; you trust the person and the institution … but it is difficult. CUST8m: it is very important first [in a customer-consultant relationship]…and since the beginning to have clarity about scope, objectives and contribution [of the customer and of the consultant] and afterwards the commitment, involvement and

follow on services, and therefore certain dedication of scarce resources to maintain the relationship. CONS9m: [Perception of value generated conduces to] repetitiveness in sales and/or a recognition to the consultant's service. Such appreciation of value… is demonstrated by the [consulting] partner and the manager being present and taking care of customer's needs [i.e. not just sending young professionals to do the job]… that care develops trust. [However], if for any reason I [the partner] was not able to show at a [key] meeting, the customer may not hire our firm again… [Somehow equals to] having betrayed the customer´s trust … which is deposited on a person. [I had an experience] with the Japanese companies Service Group; the key account [usually Japanese] partner did not know everything of every subject, but was expected as committed single [services] firm contact-responsible executive, … bringing all necessary resources to solve customer's needs. That is why when a partner leaves the firm his or her customer´s may follow him or her… because of gained trust. CONS-P1m: To be successful, you have to dig stone for many years, until you have the proven expertise of having successfully delivered value. CONS-P2m: Reliability and assigning the right people are the cornerstones of a professional relationship based on trust CONS-P3m: [Consultants] solve complex business problems customers are not able to solve by themselves …problem solved as a team … in a repetitive, sustainable manner… such is when conditions have been developed [in a mutual developing interaction] which is subjective and [is about] trust. CONS-P4m. There are many charlatan-like consultants on the market… that sell by promising very high hopes and expectations which can't really be met[72] … and/or in the delivery the [consultants cut corners to] keep their cost down… so the first reaction of many new customers is of keeping distance.	attitude of project team-members; one cannot happen without the other. This develops a deep relationship and a high degree of trust among team members. CUST9m: If you [a costumer], have worked with a consultant before, be it a firm or a specific partner that you feel comfortable with but mostly, if you are satisfied with past deliveries the relationship for repeated sales makes it always easier, as in any other [service] where satisfaction of the customer is of utmost importance…and seeing the consultant engaged [in your case], assuming the problem as his own… is very important… and it also opens opportunities for the consultant … beyond project scope.

[72] Abuse of asymmetry of information

7.13. Elicit customer's trust; then client may follow the consultant co-creation initiatives

Relationship - Code # 5.9

<table>
<tr><td colspan="2">Trust emerged frequently in the discussions with consultants and customers; trust has been regarded for this code under the umbrella of relationship, but in the context of co-creation, as per the Research Sub-question 2.

The concept of trust is easy to grasp however, complex to define related to other constructs; trust also depends on dynamic context.</td></tr>
<tr><td><u>Consultant quotes:</u></td><td><u>Customer quotes:</u></td></tr>
<tr><td>CONS1n: [consulting engagements are sometimes] terror stories with happy ending.

CONS4n: Every large consulting firm has comprehensive technical qualifications; the differences to the customer are made in the relationship and trust in the consultant … They speak with objectivity and truth… and get into the customer's shoes [to co-produce solutions]. Trust can be demonstrated by being [humble]… honest… and [to obtain customer's implicit permission] to let be helped.

CONS5n: I think trust is to believe that you honour your commitments, but also to rely on your knowledge and experience, such that will recommend what is best for us… at the end of the day [consulting] is a 100% people based business, so in order of a customer to buy any idea… he or she has to trust you… you have to develop that trust and have those conversations and communication until the customer says 'this makes sense and I trust your deeds will produce a favourable result'.

CONS7n: [Consulting firms] have learned to accumulate a gigantic toolbox of capabilities in order to serve their customers' needs, some of those needs the client has not even been able to detect or self-diagnose… that building of capacities is part of a normal [evolutionary] process, because you may see there is a market consolidation process where in a few years only 3 consulting behemoths may survive… what you are looking for is to have</td><td>CUST6n: I [customer] will not change if the consultant has not won my credibility… not until I can feel that we are communicating and the consultant has understood me, and he or she has given me a couple of ideas that have challenged my way of thinking, and then … I can see you are adding, that is, you [consultant] are helping me to create more value.

CUST7n: the relationship to influence customer's leadership is important [to achieve customer's change]; the sponsor [or customer´s leader] has to be convinced and committed to the initiative.</td></tr>
</table>

competitive advantages[73], just like any other company in the industry. CONS8n: ...[the consultant proposes an improvement;, it is achieved and the client perceives results... and the customer suddenly asks you 'what's next?', meaning you have achieved such level of trust ... that you will be able to have follow on services with the customer, staying and adding value. CONS8n: [The relevance of professional relationship] is very, very high. After a successful project I think the customer does not hire firms but persons; trust matters. I had a case with a customer where we had to rotate one of the key consultants because of an assignment in Germany; I [had the trust relationship] to talk beforehand to the customer promising I would send someone equally good. Initially the customer did not like the idea, but after working with the new resource the customer was equally happy. CONS8n: Yes, trust is everything; if you lose it, it is very hard to recover. CONS-P2n: Value propositions of consulting firms are mainly differentiated by their people... customers hire me and my people based on trust; the firm's name is only an insurance policy... The market has to know you and you have to know the industry and the competitors ... when partners change firms, they take their relationships with him or her. CONS-P4n: One of the key attributes on which customers base the decision of hiring a determined consultant is trust; you can have the credentials and the knowledge but if you do not inspire trust... ensuring the delivery of quality work, ... you will not be retained... it does matter having the right people and the right references.	

[73] MEMO TO THE RESEARCHER: These advantages are indirectly referred by the interviewee to the theory of Resource Based-View Barney (Barney, 2001),arguing that the competitor who is able to have VRIO resources has a competitive advantage

7.14. Dynamic capabilities involve to learn and to adapt - be reflective

Organisational Learning - Code # 7.3

Customers bring consultants expecting to use and-or to acquire not currently possessed capabilities that they need for their value creation initiatives. There are several types of capabilities, being at the higher level those that enable organisational learning, i.e. capabilities that build capabilities. Dynamic capabilities are explored for its role on value creation - consulting assisted initiatives.	
Consultant quotes:	Customer quotes:
CONS1o: [we consultants] manage to have a distinct combination of capabilities that makes the [customer] select us in spite of commercial conditions... [Never stop learning and self-reflective, interpretation of facts in order to 'see' beyond the obvious]. [Organisational] learning takes time. CONS2o: When you start up a consulting firm, your only asset is the knowledge of the consultants and partners... aligned to a market opportunity... and adapting to the market's needs. CONS3o: Before chasing an opportunity ... you have to do your homework about the challenges of your potential customer, as a person and as a company... and validate [how achievable it is] the customer´s value idea [or expectation] against the same customer's team capabilities. CONS3o: [the skills required for the consultant to deliver differentiated value are:[74]] understanding of the customers problems, understanding of customer's environment and industry issues, and the moment [context] of the customer [organisation], and who is asking [for advisory] and what he or she asking is for... otherwise you will be of little help. CONS4o: [A consultant should] reflect on customer's needs before [issuing a] value proposition.	CUST3o: Use [the knowledge of] the consultants to build future organisation's capacity ... and relationships outside the company's boundaries. CUST3o: Someone at the top of the organisation should be managing the alignment of capabilities of individuals towards common [strategic] objectives... until 'futures of language' are built about what is acceptable and what is not ... what is required from you [as collaborator of an organisation] in order to grow it, ... and then [behaviours] become consolidated in a culture. The bank is nothing but a collectively of people in time and space[76]. CUST3o: One needs to be able to read the environment and what the organisation is ready for [adoption]. CUST4o: One of our external board members asked us to dedicate [resources] and a formal structure to ensure that the learning from [a consulting project] stayed ... is

[74] Words taken from the interview -question asked

[3] MEMO TO THE RESEARCHER: i.e. Value is created in a relationship and a context.

CONS4o: [The opportunity for learning and] growth in the best – co-creation project I know, was outstanding. CONS5o: [the consultant´s acquisition of capabilities] towards building trust and a consistent reputation of reliability are key… as well as capabilities to transmit knowledge to the client and train their personnel… sell ideas convincingly… Interpersonal skills and relationship management is also critical…the best consultant who does not listen to the customer is worthless… conflict and negotiation management … [and] to persuade… We just did an internal capabilities survey where negotiation skills emerged as a key capability requirement for consulting managers. CONS6o: [In my corporate governance projects], you [customer] need to tell me who I have to train and enable in order to take my role … avoiding dependency on the consultant. CONS6o: we have customers that have quickly owned [the new] concepts and have been leveraging them on their own; [contrastingly] there are customers where maybe it was not their right timing and took it lightly, and have not matured in the use of the [knowledge from the consultancy]… it depends on each company learning capability[75]… [and] learning has to happen hierarchically top-down in order to exert change. CONS8o: [bad habits for consultants]: (a) the do-it-all consultant [says yes to anything because of hunger or meeting quota, lacking specialised skills], (b) metrics to determine performance of consulting Directors, where [personal goals stand in front of] customer's needs, (c) staffing people because they are available, not because they are the experts for the customer needs … the consultant may end up learning but at the customer's cost. For instance, I witnessed a case of a project for a customer looking for [assistance with plans of] commercial growth; the customer needed to sell more of some items and develop structures to know whether he would be using reseller or distributors; a strategy and ops partner took the case, but he was unprepared for that matter; the customer complained and instead of bringing an	consolidated… and knowledge transfer to the institution remained, notwithstanding the project participants may have left CUST4o: a key characteristic of our [bank's] culture [and leadership] is the capacity to learn and adapt, which has enabled big growth… what you would think it may take years to learn, [our bank] does it in months. CUST6o: I become really annoyed… when [a consulting firm] does not do knowledge transfer among the consultants that are serving our company [i.e. customer knowledge is not captured or wasted] (also see ref to 1.2.1) CUST6o: Organisational learning is critical. The worst that can happen to an organisation is to believe that since we have been doing well, we will keep doing well in the future… [The consultant should] confront me so as to modify my mind-set and challenge my mental models, and then I [the organisation] can learn, as Senge suggested… We are modifying our performance evaluation system, so as… to change our organisational culture and become a learning culture, and an organisation that challenges itself. CUST7o: In our former projects we first sent people to training in order to make best use of consultant's knowledge and to be able to challenge them; this improves consultant's preparedness in front of a more demanding customer. CUST8o: … a big part of the knowledge [involved in a consultant assisted project] remains with the

[75] MEMO TO THE RESEARCHER: Organisational learning potentiates value creation capability of knowledge.

expert, the consulting partner brought somebody else from his own team who started asking again the same questions… the customer kicked us out of the project. CONS8o: A consultant can screw an outcome, and therefore customer´s trust by: (a) not being a team player, assuming he or she knows it all; consulting is not an individualistic job. If there is a problem the customer does not care if it is solved by an individual or by a team… knowledge becomes collective, and (b) not working harder than the customer… … you consultant are mistaken if you think you will leave work at the same time the customer does … workaholic is our trademark. CONS8o: Documentation of the experience is critical as a project closing procedure [in order to make knowledge explicit] to become collective knowledge… requires discipline we do not consistently have… but could become an invaluable source of learning. CONS8o: I get the impression the consulting managers are just waiting to [accumulate capabilities] by the day-to-day practice of consultancy. Our talent processes should take care of that, but [as it is not happening that way], I see uneven effect at 'field-level', e.g. It is just difficult to detect if those skills are really being improved… having the adequate processes, and following them with discipline. CONS9o: [A consultant is promoted to] new manager; suddenly he [or she] needs to learn certain new behaviours because now has access to higher levels at [the customer´s] organisation… but we [the consulting firm] do not [offer] that preparation; from how to dress, how to have a conversation, how to select a place for a breakfast meeting… so [at the outset, of his or her role], the new [consulting] manager has only a limited set of options to behave [or relational capabilities to pick from], and guess for the best… [Those new behaviours] will provide moments to have conversations of matters beyond work and technical stuff…. [The customer] may exclude you from those conversations [otherwise]. Those [relationship skills] are needed [for instance], for the customer to [feel comfortable] in order to open doors with other customers. The new manager starts changing his [or her] conduct even with the staff… because he [or she] now has new [relational] responsibilities.	execution of the project itself; the most operational or tangible knowledge [happens and] stays at the moments of interaction… we have not found a way to provide further positive feedback to that execution. Consulting has helped us providing value [resources] to change a practice, but has not left a model that allows for further interactions as a spiral of improvements and value creation; we have used consultants [to solve immediate business problems], as something very concrete and operational [however], we would really like to see it as a self-improvement model CUST9o: [Consultants should bring] people of excellence on their field of their technical specialty … other part relates to interpersonal relationship… a really good consultant should have the capability to develop empathy, trust, develop lots of trust with the customer; particularly among the top tier consulting firms, you are usually dealing with CEO´s, CFO's, etc. so that if you are not able to develop a trusting atmosphere, the customer will not relate his or her pain points. A consultant should be curious, proactive and demonstrate leadership. On the other hand, the capability to verbally express his or her ideas is critical; to be able to step in front of an experienced group to tell them things that maybe the company does not want to listen is very important… the ability to transmit your ideas is very important, as bright as that person may or may not be.

CONS9o: [A consulting firm] usually shows several partner types; there is the super-salesman, or the technical champion, but people development is critical. Human and soft skills development are frequently given a low priority, thinking those skills grow naturally, but they do not. CONS9o: [The importance of the leaders in advancing people´s skills and careers] is demonstrated at performance management round-tables. Mentors have key roles discussing [firm's consultants] cases at those meetings and one can quickly see who prepared and who did not, and [the career of the consultants, i.e.] of people who may make a difference in the future is decided at those meetings... Having good people or average people is partially determined by the involvement and dedication of their mentors. CONS-P1o: The core competences of a consulting partner are (1) technical skills, (2) delivery skills, and (3) selling skills ... not disregarding relational skills, people development and practice management. CONS-P1o: You play to your proven expertise of having delivered projects. CONS-P3o: technical and relational capabilities [are at the core]... analytical skills to tackle multifactorial problems, soft skills like emotional intelligence, communication and teamwork... complex problems demand a mix of skills ... those complex problems are not solved by technical proficiency alone... we need to involve team leadership, customer business understanding, project management, conflict resolution [among other sets of skills]. CONS-P3o: I agree that 70% of the learning of consultants occur at the projects ... [consulting firms] are fast learning organizations ... [consultants] learn compounding the experiences upon the use of their tools and methods. CONS-P4o. Technical skills [are the essence], however, soft-skills [are very important], like communication, transparency, and communication of ideas ... [their combination is required to] create any strategic vision beyond customer expectations, challenge the customer´s vision, issue innovative perspectives, etc. CONS-P4o: Consulting is a people based business ... and its success is based on how fast the collectivity may absorb individual knowledge... and the difference should be made by a process.... where your	

organization may quickly extract or synthesise individual knowledge into value creation knowledge, and then make that replicable to the community. CONS-P4o: The traditional way is the master-apprentice method…. It can be potentiated by ascribing three or four young high potential professionals to the master. CONS-P4o: The more demanding and difficult customers are the ones that offer the best learning experiences [for our consultants]. CONS-P4o: Development of our human resources… [is a core] self-value [generation potential] development.	

7.15. Consulting capabilities that become part of corporate consulting culture

Organisational Learning - Code # 7.5

The sustainability of dynamic capabilities or capabilities that build capabilities for customer value is explored by the ingraining of dynamic capabilities and associated behaviours in the culture of the consulting firm.	
<u>Consultant quotes:</u>	<u>Customer quotes:</u>
CONS1p: … my job is that the customer becomes successful, plain and simple. The problem we have is that the project manager and the rest [of the consultants] have to assimilate that … from the team and from the partner and assimilate [the message] into consultant's veins. CONS2p: [A consulting firm should then] identify which business processes are delivering value or operational capabilities services, which are also profitable by improving customer's efficiency [and which ones build customer's dynamic capabilities, like strategy[77]]… [These consulting capabilities] depend on the people you manage to have in the firm and the	CUST4p: Consulting is built from [building] the consultant. The consultant has to enact the complete declaration of what the consulting firm is, so a careful [and well-rounded] recruiting and development [is critical]… both technical and in principles and values… and start preparing them now for the needs that the industry will demand in 3 to 5 years. CUST8p: [I would look in a consulting professional] an attitude to constantly learn and a capacity to

[77] MEMO TO THE RESEARCHER: Operational repetitive services delivery depends less on relationship

firm's culture... which is built by mentoring younger professionals. CONS3p: the best [work] is done by the [consulting] mangers by themselves ... [and becomes] part of a culture which leads to self-management. CONS3p: [organisational learning] ... becomes part of mechanisms to do things better every time... [One is] performance management which is institutionally conducted, and adds value to correct and improve. When that is not enough, we also have coaching ... by experienced senior professionals. CONS5p: [talking about differentiation of consultants,] corporate cultures bring different approaches ... and collaboration and relationship development are essential traits that mark a difference. As customer, I want a consultant that [collaboratively] does the job with me ... [so that] interpersonal skills and capability to negotiate and propose new ideas [are part of it] listening to the customer before proposing a strategy ... in order to generate and implement value with me [the customer] and put it in practice. CONS6p: I think we have to focus our learning much more on soft-skills, in relationship development and listening. We have contrastingly developed so much our people technically wise.... I would focus on listening skills, leadership, empathy, which are not easy to teach and are not concepts but conducts. CONS6p: Regarding the skills that our firm should be strategically developing, we need to balance the following levers which we use in our strategy: people, quality, market focus and efficiency. The way I perceive those levers are the right ones, however we are missing to take that step back to reflect what we are doing for each one; we need to challenge our people and ourselves to break traditional schemes and teach to think, to learn and to function, and not just follow the usual way ... just because that's the way it has been done... and teach the consultants to think [not as technical experts but] as business advisors. We do it mechanically and we should be focusing on customer value without losing our full menu of [technical capabilities]. CONS7p: as long as [your firm] captures the knowledge of the individuals and all the experiences, and then are able to replicate it [to leverage] ... and potentiate the next opportunity... experiences from	immediately apply the knowledge consistently; many people with high learning disposition keeps at theoretical academic level or on the other hand you find prone to action professionals with low learning attitude. That mix of execution capability and continuous learning is the one I would seek to identify and retain.

the past from former colleagues… you have the chance to offer something different, more effective and efficient than your competitors. It becomes a snow-balling effect of knowledge…. However, it needs to be managed. CONS9p: I will share a coaching experience; I consider the professionals on my team as my coachees, and work with them correspondingly … I do care about our firm's [institutional learning curricula], but I also try that my professionals become integrated at different levels. Higher levels [of experience] have to share their knowledge with lower levels… we share a lot of common information… we created a sorts of facebook… to share [knowledge and personal, not only work experiences], fears and expectations; we meet and analyse them and people start sharing.[78] They [consultants] start sharing knowledge; when someone is at a project that he or she has never done before, he or she then asks to his more experienced colleagues in our closed circle. Our aim is that upper levels way of growing is only by pulling their less experienced colleagues … sharing in a closed circle… [and the same happens with] soft-skills and experiences not available in books but by coaching… and/or mentoring. CONS9p: When I was a young auditor, my partner and or manager gave me ample responsibility and freedom for decision making "do it and then ask in case of doubt" however, I was evidently being supervised by the partner… that gave me the security I could do it…. [The partner] also provided guidance and limits, like in 'I have to personally attend to that meeting'. .. [Now, I have seen that] some partners have a difficult time understanding not to issue directive orders but get things done by the [convincement of the] professionals and obtaining their collaboration. Highly qualified professionals do not just [tolerate] receiving orders as in a military regime…. They now just quit. We focus too much in development of skills of our consultants but sometimes forget the development and generational change with our senior partners.	

[78] MEMO TO THE RESEARCHER: Observation: This endeavor requires profound and consistent leadership

CONS-P1p: I think [a consulting firm´s] culture requires some understated values… like the aspiration to become a partner… and always raising the ribbon. CONS-P3p: [The capabilities of consultants] get assimilates by knowledge transfer, a perceived attitude, role modelling, culture and leadership. CONS-P4p: [Our service] is delivered packaged in a culture.	

8. Discussion

This chapter interprets and discusses the data findings introduced in Chapter 7. The names of the theoretical codes in the template analysis have been replaced by more suitable descriptions of the interpretation of the constructs or themes introduced in the findings Chapter 7. Table 7-1 may be consulted for interview citation codes, and for a correspondence of Findings chapter constructs with this discussion chapter headings.

In order to be able to maintain a methodological coherence, a schematic of the evolution of codes from the steps of analysis is presented in the following Figure 8-1.

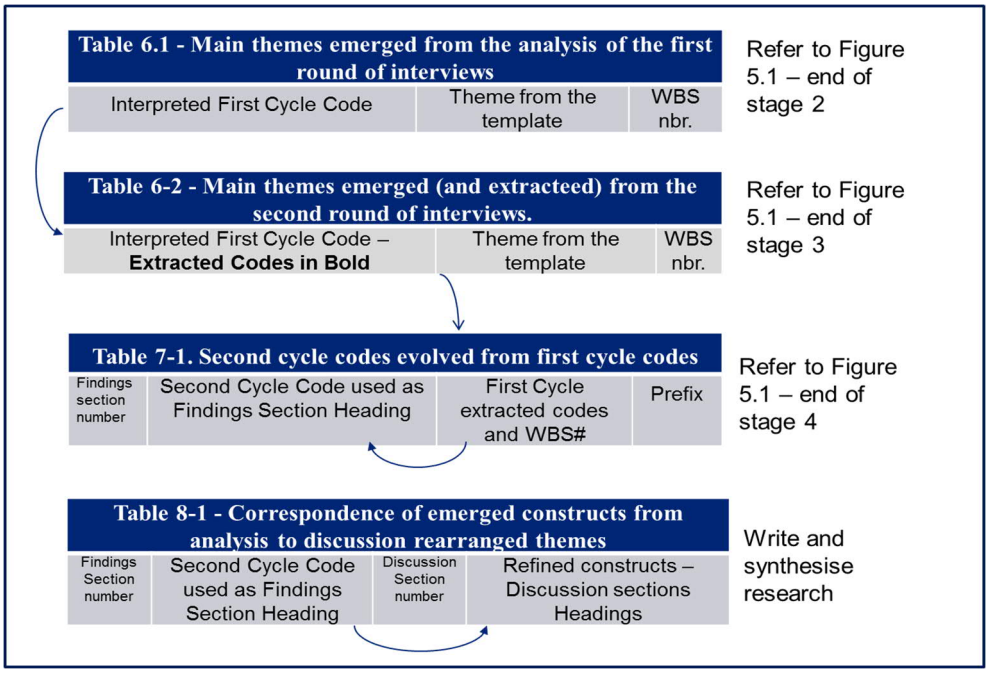


Figure 8-1 - Evolution from template codes to discussion subjects

Please note that the code citation is not exclusive of (i.e. does not have a bi-univocal relationship with) each section. For instance *CONS-P3a* may be cited in several sections as needed, stemming from the answers of the interviewees and the closed interrelatedness of constructs. An example is *knowledge* which was discussed in connection with several topics.

The following Table 8-1 provides a correspondence of constructs extracted from the analysis template and to the final constructs that will be discussed in this Discussion chapter. The change of the code and section heading names are (1) intended to provide a more refined description of the contents of the construct after analysis, from the somehow arbitrary description provided *a priori* by the researcher form initial template analysis, and (2) rearranged to provide a more orderly, logic flow to the discussion and later synthesis.

Findings Section number	***Second Cycle Code used as Findings Section Heading***	***Discussion Section number***	***Refined constructs – Discussion sections headings***
7.1	Developed insights and methods, structure to tackle problems / problem solving (Solutions)	8.3.1	A consultant is hired by a customer to solve complex business problems
7.2	Effective communication (persuasion) of ideas	8.3.2	Effective and persuasive communication of ideas by the consultant… (And also by the customer)
7.3.	Consultant needs to understand client's needs and value creation logic	8.3.3	The consultant must understand the customer's needs and value creation logic
7.4	The consultant should provide leading practices from the industry & external log	8.3.4	The consultant should provide to the customer external logic practices, in order to improve the customer's business sensing capabilities
7.5	The client is required to collaborate in the solution	8.3.5	Customer participation is critical in the implementation of the solution
7.6	Value initiatives imply successful change and collective agreement	8.3.6	Value creation initiative requires change management and collective agreement
7.7	Manage the deployment of value proposition in real context and aligned to customer's expectations	8.3.7	Perform up to or above to customer's expectations; walk the talk of value with the customer in his or her context
7.8	Co-creation happens iteratively; learn and improve	8.3.8	Co-creation happens iteratively; it is a process of learning and improving
7.9	Value is created and captured by the client with its operant resources	8.3.5	Customer participation is critical in the implementation of the solution
7.10	Manage the consulting firm towards clients' results (real interest for the client)	8.3.7 8.3.9	Perform up to or above to customer's expectations; walk the talk of value with the customer in his or her context The consultant has to prioritise his or her activities looking forward to customers' results

Findings Section number	*Second Cycle Code used as Findings Section Heading*	*Discussion Section number*	*Refined constructs – Discussion sections headings*
7.11	Relationship is a critical part of the context for value creation; it depends on people	8.3.10, 8.3.10.1, 8.3.10.3 8.3.11.3	Relationship; it is the continuum where value happens, and a critical contextual component of value creation Relationship and co-creation stages Underlying relationship model Relational capabilities
7.12	Relationship grows by meeting promises and commitments; trust is then developed and the likelihood of repeated sales increases	8.3.10, 8.3.10.2	Relationship; it is the continuum where value happens, and a critical contextual component of value creation Relationship and trust
7.13	Elicit customer's trust; then client may follow the consultant co-creation initiatives	8.3.10.2	Relationship and trust
7.14	Dynamic capabilities involve to learn and to adapt - be reflective	8.3.11	Capabilities, organisational learning and dynamic capabilities
7.15	Consulting capabilities that become part of corporate consulting culture	8.3.12	Capabilities that become a standard of expected behaviours, and therefore a culture

Table 8-1 - Correspondence of emerged constructs from analysis to discussion rearranged themes

8.1. Introduction

The consistent annual growth of the consulting industry evidences a high, sustained perceived value from consulting services (Pitkaeniemi et al., 2011) becoming a global market that according to Heng (2013) was valued in US$ 89.5 billion by the end of 2012. Nevertheless, every industry is plagued with professionals trying to sell professional advice in the form of attractive ideas related to business improvement, using catchy buzzwords and frequently under the gloss of a big brand name.

A colourful approach to promoting professional advice has been occasionally used by non-professional consultants to get a first access to a potential client's door. However, these movie-like showcases (e.g. CUST6m alluded to these consulting showcases of solutions as "*taking me to Disneyland*") have little to do with the hard professional work

and complex mix of capabilities required to accomplish customer expected or promised value-in-use, assisted by consulting services.

Management consulting has evolved and matured as a profession during the last 100 years from very diverse and sometimes amateurish practices into sophisticated services delivered by multinational professionally organised consulting firms. The creation of value of consulting services fits with value creation definition as "the improvement of a service system *well-being"* (Vargo et al., 2008: 149).

However, this *value* definition appears too generic to be useful. While the understanding of how value is created is still an academic field with many unresolved questions (ref: section 3.1.1), the context of where and when value is assisted by consulting services requires a deep understanding (Priem, 2007) in order to approach to an explanation of its intervening constructs, how it occurs and how it could be improved.

The dynamic capability (i.e. higher order knowledge) of the consultant that captures the learning, such that reconfigures the consulting practice for better customer value facilitation has had little empiric research, leaving it to the level of an art or *secret recipe* of the consultant. This research has explored how value is co-created in consulting assisted initiatives and how its components may be reconfigured, trying to shed light on deliberately improving customer value creation in a virtuous cycle.

The difficulty in arriving at a unified definition of value has been confirmed in this research. To illustrate it, a consultant interviewed said "*there are many motives why a customer hires a consultant… and there are also many indicators of what value may mean to a customer … it depends who hires the consultant and why… and then how you measure the monetary, and subjective components of value"* (ref: CONS7a). Value-in-use has been interpreted from the data collected as of contextual nature.

8.1.1. Preliminary observations

It is worth noticing a consistency in all of the interviews to consultants in regards to the depth of their reflectivity and elaboration about value creation, being more abundant and detailed than in interviews with customers. Consulting customers were much more direct in explaining their experience with no further elaboration; it might appear that the clients

primarily want merely to have their problems quickly and easily solved and then move on.

However, consulting customers do see the value of having a trusted business partner to guide them, and providing and managing expert resources through value creation initiatives, while minimizing the cost and effort associated. Consultants have possibly reflected more on the subjects because such an environment is the nature of their profession, and how they earn their living.

All the consultants in some way or another transmitted a consistent message in regard to the success of a consulting project depending radically on the level of involvement of a client´s resources, which would be able to assimilate knowledge, both know-how and know-what and to implement it within their context. The client operant resources are the ones that build the solution and capture the value, even after the consultant has finished the commitment, confirming empirically in this context Vargo & Lusch's (2008b) 4 th foundational premise (see Table 11-2).

8.1.2. Structure of the discussion

The structure followed in this chapter is:

(1) Analysis, (sections 8.1.1 to 8.3.12)

Each one of the emerged constructs is discussed and analysed, providing a linkage to sub-research questions that will be partially responded in the corresponding section. The complete response to sub-research questions is accomplished by the integration of the discussion of several complementing constructs below. The response to the research question is documented in Section Synthesis 8.5.

It should be noted that in several cases the discussion aids in responding to two sub-research questions, evidencing the strong inter-connectedness in real life of the theoretical concepts emerged from literature and the theoretical framework discussed in section 3.9.

A deeper analysis of mechanisms and context of constructs and their inter-connectedness, is performed following the same order, pre-defined by the

analysis template (ref section 6.2.7). Afterwards, the co-creation and relationship concepts, which emerged after the second abductive iteration, and that were organised in preliminary models (Figure 6-4 and Figure 6-5) are taken to an in-depth analysis, resulting in the refinement of the preliminary models.

Therefore, a contrasting and triangulation of the constructs organised in these models is applied to make sense of the unseen mechanisms (Bhaskar, 2008) that produce the effects described by the interviewees, all of them with the objective of understanding value co-creation and its sources. A deeper discussion was then documented, where relevant patterns among constructs were detected and taken to explanatory diagrams of salient themes (Figure 8-2 and Figure 8-3).

(2) Synthesis (section 8.5)

A synthesis of the constructs was performed afterwards, of the three salient themes described by assembling them into a high-level coherent model (Figure 8-7). Nevertheless, this apparently simplistic model cannot be understood or justified without the detailed explanation of its components, and the steps taken to arrive to it. An overarching synthesis of salient constructs from the interpretation and analysis of data is thereafter arranged around the following three salient themes, being the key contributions of this research (further described in section 8.5):

> Co-creation of value, in the form of value facilitation by the consultant and creation of value-in-use by the customer, happens by interaction, evolution, combination and adaptation of each parties' capabilities.
>
> Relationship has a core role is in co-creation, being dynamic and contextual. Relational capabilities are thus the enabling base of co-creation.
>
> The reflection (i.e. set of evolving dynamic capabilities) by the consultant on *which capabilities are involved in co-creation* guides customer value. These dynamic capabilities thereafter orchestrate capabilities involved in co-creation.

The intervening constructs cannot exist as described without each other, e.g. they cannot be reduced to *chemically pure* stances. Constructs operate in a complex service system web within each consulting and customer's service-system value-context.

Table 8.1 and Table 8-3 have been included to identify components and their characteristics of relationship and capabilities that were salient during the interviews and their interpretation.

The customer consultant cycle has been divided in three Stages: (I) development of value proposition, (II) consumption of the service, i.e. the consulting project, and (III) value capture after the consultant leaves i.e. post-project support, aligned with Helkkula et al. (2012). Data from the interviewees confirms differences in the characteristics of relationship between Stage I, II and III, for instance in discussion with CONS3m, mostly related to post-delivery transition.

8.2. A co-creation model of customer value assisted by consulting services

The following model in Figure 8-2 may be used as a roadmap intended to provide a general assembly of the key constructs of this *Discussion* chapter. This final co-creation model evolved from the initial theoretical framework developed (Figure 3-9) , to a model emerged from the first analysis iteration (Figure 6-4), which was progressively and finally refined by iterative analysis into Figure 8-2.

The following themes are the key constructs that emerged from the analysis of data from the interviews. The model is a schematic for explanation purposes and it should not be assumed in strict sequential order. Phases sometimes overlap, events occur iteratively in synergistic occurrences and transition lines between Stages become blurred. Interaction of constructs varies in different contexts.

A contribution of this research is to provide a view of the interaction of the variables among themselves and with their context, considering the dynamics of customer-consultant relationship. The explanation of each construct is referred to in parenthesis as the corresponding chapter section number.

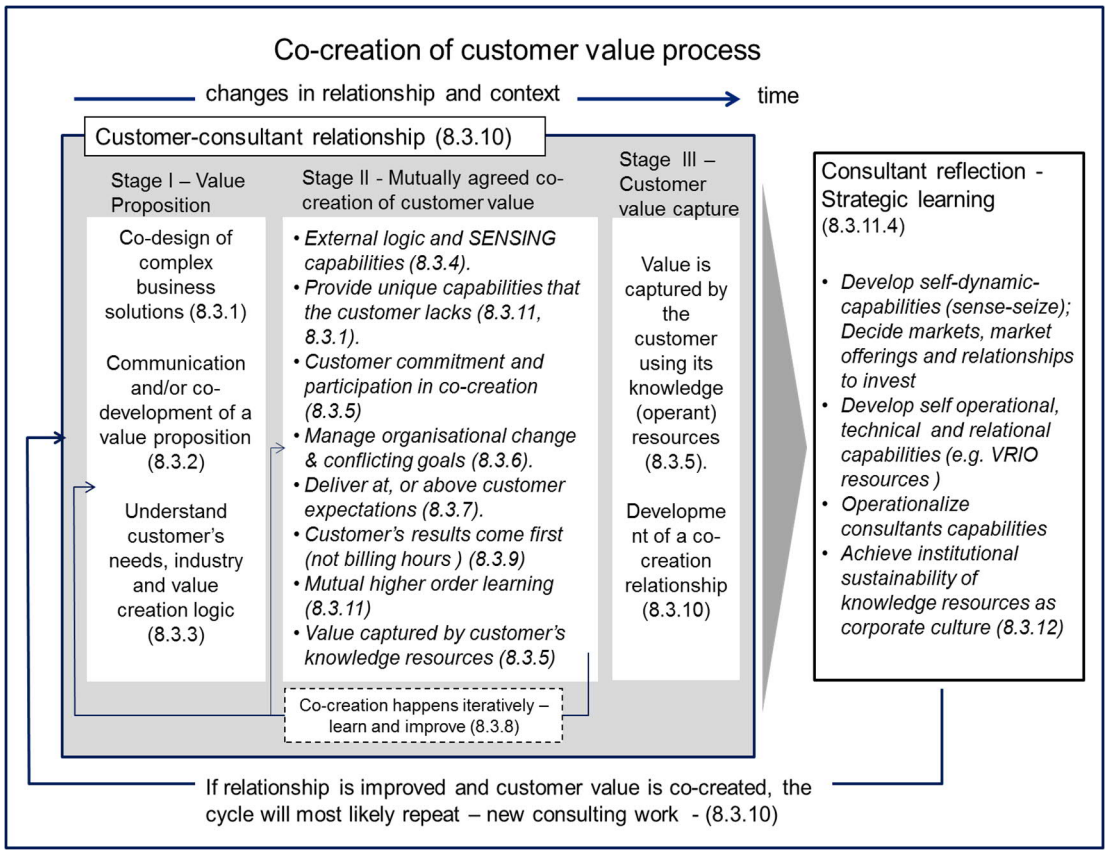


Figure 8-2. Co-creation of customer value process. Model emerged from analysis of empirical data

8.3. Key constructs

8.3.1. A consultant is hired by a customer to solve complex business problems

This construct and its discussion will assist in the response to: S.r.q.1- What is value, how and by whom is it construed in the service of management consulting? by trying to understand what value means for customers in consulting assisted initiatives.

Management consultants are hired for diverse reasons ranging from strategic, political causes and the nature of solutions integration. In particular Moeller et al. (2013) relate solutions to customer value creation and customer roles.

This research explored why customers hire consultants as a step to understand value. For example, CUST5a discussed having had cases with diverse change ends-means in mind, ranging from a strategic to an operational nature. CONS2a, CONS-P1a and CUST6d argued that they have hired consultants because they have knowledge and/or skills the customer lacks, some of which are described as industry leading practices of business models (ref: CONS-P1a, CONS-P2a).

There are other simpler cases as CUST3a cited. The customer may just be renting highly specialised skills otherwise unaffordable to permanently own.

The information asymmetry between customer and consultant is mutually expected, in line with research that has introduced consultancy as a high credence business (Howden and Pressey, 2008; La et al., 2008). A consulting firm is expected to manage information asymmetry in a professional, honest and transparent manner as well as to facilitate knowledge transfer (ref: CONS6o) and to have a disseminative capability (Mu, 2010) transferring knowledge and thus building customers' resources capabilities (Werr and Stjernberg, 2003) to bridge the said asymmetry (ref: CUST3e).

Complex business problems are usually addressed by integrating *solutions* (Tuli et al., 2007; Nordin and Kowalkowski, 2010) (see Section 3.2.3 for definitions of *solution*).

The better the understanding of customer's needs and value creation objectives, the sooner and better value may be attained as CUST6c argued. The consultant is frequently asked to perform some kind of diagnostics or requirements definition (Tuli et al., 2007) at value proposition stage collaboratively with the customer, in fact CONS-P4e noted that his best projects have been co-designed with the customer. CUST7a articulated that consultants are brought-in when initiatives emerge involving unknown or new subjects to the customer.

The knowledge brought by the consultant was discussed as needing to be leading-edge, practical and applicable, in order to facilitate customer value (ref: CONS1a, CONS2a, CONS8i, CUST8p). Werr & Stjernberg (2003) had noted that consultants' knowledge has a close connection between practice and the formalized representations of knowledge, those being methods, tools and cases. CONS1a, CONS2a, and CUST2[a+c] all noted in different ways that consultant's knowledge has to be practical, so it is not valuable until the customer uses it to change his or her organisation. It may be assumed

that a mundane strategy that gets applied is more valuable than a sophisticated theory on paper.

A critical component of the service provided is the capability to co-produce value, based on advanced knowledge, structuring a how-to action plan (ref: CONS2a, CONS4a) in a suitable customer context. Customers expect a consultant to bring technical capabilities that are clearly above market-average to the exchange:

(1) Knowledge, applied through methodologies and industry knowledge as referred to by CONS1a, CONS5a, CONS-P2c, CONS-P3d

(2) Proven methods from former experiences (ref: CONS1a, CONS2m), and the skills from having done it several times (CONS-P1o, CONS-P2a),

(3) Experienced people who can lead diverse project teams and who can work as a team with multi-disciplinary skills (CONS-P3a).

(4) Be completely focused in the solution-in-context (i.e. value-in-offering) leading towards a planned change and communicating to a large extent (CONS-P2c),

(5) To secure the required resources from the customer (ref: CONS7k, CONS3i), and

(6) To evidence quality and reliability to the customer (CONS-P4a).

The intervention of consultants provides the capability to structure projects with project management skills, in line with the findings of Aarikka-Stenroos & Jaakkola (2012:21) “Organizing the process and resources” and knowledge non-existent with, or unavailable to the client (ref: CONS1a, CONS3a, CUST4h, CONS-P1a, CONS-P3a). Those skills build the foundation for solving complex business problems and then assist the client to negotiate that new path i.e. facilitating the co-creating of value with customer’s resources.

The understanding of the customer has been consistently referred to as a critical element for the effectiveness of the consultant’s work, as argued for instance by CUST6c. Hence, as CONS5a and CONS1d noted, listening to the customer and interpreting its needs are necessary basic consulting skills. Consultants are also expected to bring profound

emotional intelligence skills as an integral characteristic of their service as CONS7f discussed: (a) deep technical knowledge regarded only as a given to participate in the consulting arena, (b) full commitment to customer's results, (c) a capability to implement the changes with the customer, and most importantly (d) all of the former evidenced by a relationship of trust based on honesty and transparent behaviour (issues to be further discussed in Sections 8.3.10 and 8.3.11).

The consultant's capability to issue objective and unbiased judgements about a customer's situation tends to be valued by the customers. However, these conversations frequently become challenging, implying discomfort, exposure and/or the need for change in the customer's organisation. A consultant is thus expected to manage change wisely as cited by CONS1e, navigating through customer's institutional and internal networks of personal agendas with the adequate tone [79] and timing (ref: CUST4h, CONS5f, CUST5i, CONS7a), a subject to be further addressed in section 8.3.6.

CUST4a, a bank executive, discussed what she would judge poorly in a consultant: (a) untruthfulness e.g. hidden agendas, less than impeccable ethics, a tense working relationship e.g., day to day negotiation of agreements, (b) a covert intention to increase their billable hours as priority instead of committing to client results, and (c) when the consultant has *lost his or her bearings*, in other words, he or she is unable to lead a solution for the value objective the customer may be pursuing.

In contrast CONS7a noted that a consultant that does not have the skills, the availability of resources, the understanding of the customer or any of the aforementioned capabilities, and consciously accepts a customer's assignment, unethically endangers the customer's value creation process and may contribute to the customer's loss of a window of opportunity and waste of resources (or even value co-destruction, further discussed in Section 8.3.9.1).

A group of consulting professionals consistently performing in the customer's best interest will eventually be identified with an image, a brand name and a style of delivering their service; these characteristics accrue little by little into a firm's reputation

[79] Tone was discussed by CONS7 as a discourse at the right level such that commits the customer to change.

in any particular market (Doney and Cannon, 1997), and will be further discussed in Section 8.3.9.

Finally, CUST9a noted that hiring consultants is difficult and involves personal feelings and perceptions. A bad consultant decision ending in a failed consulting project, besides wasting resources, effaces the decision maker's personal credibility as sponsor for any further project with the company, as CUST7a also noted.

8.3.2. Effective and persuasive communication of ideas by the consultant… (And also by the customer)

This construct and its discussion will assist in the response to: S.r.q.1- What is value, how and by whom is it construed in the service of management consulting? by reflecting on, and communicating the representation of value, which is made explicit in value propositions.

Fincham (1999:335) argued that the influential body of knowledge of consultants is the "symbolic nature of consultant strategies and consultancy as a powerful system of persuasion". The persuasive communication of ideas was much discussed by consultants interviewed but not as much by customers. However, customers did agree in the importance of effective communication relative to the understanding the detail of the consulting scope. Communication of ideas is interpreted as a critical consulting capability that customers assume as a de-facto professional characteristic.

An effective and persuasive communication of a value proposition to a customer was cited as a critical skill by almost every consultant (ref: CONS1b, CONS5b), who consider that no business exchange happens for a consultant before a customer has accepted his or her value proposition as CONS2b argued. Well-structured ideas must also be packaged in an environment of trust backed by reputation (See Section 8.3.10), and with high sensitivity by the consultant of whom he or she is communicating with, as in protocols with Government officials, as suggested by CUST2b.

Corsaro (2014) researched the power to communicate a representation of value as a moderating factor in business relationships; the effective communication of value thus plays a key role throughout the diverse steps of the value creation cycle. This research highlights the effective communication of value as a required capability of the value

facilitator, however, adapting dynamically to the context of the Stage of value co-creation (see Figure 8-2) because as CONS7l said, projects almost never end exactly as they were envisaged, and so mutual discovery is part of co-creation.

CONS-P1o argued that commercial or selling skills are among the most important ones for a consultant, only leading to the value he or she can add through the delivery of solutions. Nevertheless CONS-P4b related a sour experience when having been too *selly*, the customer discussed having changed his perception of him from trusted advisor to salesperson.

CUST9b confirmed that his selection of consultant was strongly influenced by how the consultant transmits the value proposition and noted that the personal commitment of the consultant's leader or partner to participate in the solution was a key decision factor, to avoid future disappointments in discovering later a bunch of kids fresh out of college doing the consulting job.

Payne et al. (2008) argued in theoretical research under the S-DL umbrella, the relevance of dialogue and interaction to the development of customer-supplier relationships. Communication is evidently a required skill in developing a relationship and in achieving co-creation by interaction at this Stage I. CUST6c emphasised that co-creation involves profound understanding of a customer's needs, as will be further discussed in Section 8.3.3; it is suggested that through mutual communication and interaction, value perceptions emerge. CONS9b noted on the same lines that achieving differentiation in the perception of the customer between consultants' competing value propositions is often difficult. The consultant selected has the task to communicate clearly and persuasively unique value creation (facilitation) strengths and genuine interest to solve the customer's needs.

Prahalad and Ramaswamy (2004) had discussed *dialog* theoretically as one of the building blocks of interaction, altogether with access, risk-benefits, and transparency. Aligned with this theory, the dialogue required for co-creation at the value proposition Stage I may be intense, as discussed by CUST5l.

CUST1b favoured business discussions with consultants on an equal to equal basis; an adverse reaction to classic sales pitches from consultants was observed. CONS6b argued concurrently that he had had several experiences of consultants approaching the customer

stating how great they were (i.e. augmenting their capabilities), with pre-conceived ideas of the solution, while hardly listening to the customer's needs. This discussion aligns to research by Harris (2007) who notes the influence that may have executive compensation and performance metrics to financial misrepresentation, potentially causing misrepresentation while trying to sell new [consulting] businesses.

Likewise CUST7l discussed that during sales meetings consultants show *their best face*, making it difficult to differentiate among competing offers. This is mitigated by trust and successful former interactions, confirming research by Gefen (2000:726), who argued that trust is "the confidence a person has in his or her favorable expectations of what other people will do, based, in many cases, on previous interactions".

Overall, a very clear discussion and detailed clarification of expectations is critical to customer value perception, which in the customer's mind keeps a balance relative to what he or she is paying for, as discussed by CONS7b and CONS-P4b. Constant dialogue is required among parties involved in the exchange (Payne et al., 2008).

8.3.3. The consultant must understand the customer's needs and value creation logic

This construct and its discussion will assist in the response to: S.r.q.1- What is value, how and by whom is it construed in the service of management consulting? by exploring the understanding of customers' business and needs by the consultant.

For a consultant, knowing the consulting customers' business logic, or firm's *business model logic* (Stabell and Fjeldstad, 1998) for value creation following Teece's (2010) nomenclature, would appear plain common sense, however, in reality this appears not to be the norm.

CUST3c mentioned that the first and only chapter he read of a consultant's proposal was the understanding of their needs, and that he almost never looked at all the qualifications and wonderful things the consultants say of themselves. Concurrently, CUST6c stated that each consulting firm is invested in its own set of developed capabilities and that is what they often try to sell. CUST6c articulated that it is the deep understanding of the

customer's value creation processes that allows the consultant to respond with precision to a request for a proposal, and not by offering *pre-cooked* products.

CUST4c noted that a consultant should first put himself in the customer's shoes to understand his business drivers, and then the customer could construct much quick value, with the support of the right expert, who knows his business. CUST8c commented that he had had positive experiences with really knowledgeable consultants, who with a brief, but insightful proposition radically changed the customer's business model, thus driving substantial value. Conversely, CUST2[c+m] related the case of a Government customer undertaking a large technology project. The consultant intended to sell and tweak a solution that had been developed in the private sector; he intended to make this fit a municipality, which ended in the consultant being fired.

The former consulting examples align to Flint's (2011) research of customer value anticipation (CVA), which he defines under the optic of S-DL as the dynamic capability that tries to look ahead at what the customer will value from a supplier relationship including products, service and benefits.

A few of the consultants interviewed discussed the subject (a part of CVA from the consultant perspective) from the position of knowing the customer's business and its industry, translating that knowledge into a value-in-offering, from which the customer then manages to create value assisted by the consultant (ref: CONS3c, CONS4o, CUST9c). The consultant's specialisation by industry and by key customer business are capabilities that positively point to value facilitation because of a rapid understanding of the customer's problems and industry issues within its context and environment (re: CONS-P3e), while having on board an adequate mix of technical and business professionals.

CONS-P4c noted that a consultant can only charge premium rates by being different. He continued by saying that a consultant can only transform the customer's business model by deeply understanding it and working with the customer to propose the initiatives as a team. Therefore, a very important development activity for the consultants is the understanding of customer logic, activity or industry. These comments align with Grönroos' (2004:102) research, in which he noted: "… To be successful, the supplier or service provider has to align its resources, competencies and processes with the

customer's value-generating processes", and this can also be a tactic to differentiate one capable consultant from another (ref: CONS3o, CONS8d).

Conversely, CUST8c cited bad consulting experiences of consultants that tried to implement business models which did not fit the company culture or market situation resulting in traumatic experiences, similarly to former CUST2c's bad experience. CUST7c commented on the same lines that it is difficult to find a good consultant and it is critical that he or she knows the customer well; however, this customer argued a lesser evil as to have at least a good consultant willing to learn.

The understanding of customers' needs and value creation logic, discussed with the right customer focus and right attitude is a CVA practice. Such was discussed as a good way to predict that a consultant will be valuable, combined with showing a genuine interest by the consultant in his or her clients' business, as articulated by CUST1c and CUST8c.

8.3.4. The consultant should provide to the customer external logic practices, in order to improve the customer's business sensing capabilities

This construct and its discussion will assist in the response to: S.r.q.1- What is value, how and by whom is it construed in the service of management consulting? Concatenated with section 8.3.3, this discussion will focus on interviewed executives' expectations of how the consultant facilitates value by providing insights of their specific market and competitors.

This particular construct refers to the quick absorption by the customer of industry and competition operating models which are ideally brought by the consultant. It keeps the expectation that compelled the growth of consultancy as a profession, at least in the US as McKenna (2006:16) argues "as an unintended consequence of American legislation in the 1930's aimed at restricting the flow of collusive information among firms" which led to a reliance in management consultants to acquire leading industry practices.

The legislation has evidently evolved, but the underlying market reasons and particularly the speed at which markets nowadays evolve and innovate, keep pressure on firms to rapidly acquire and apply that knowledge. The dynamic capabilities theory argues the importance of the market sensing, seizing and orchestrating capabilities of firms in

rapidly changing economic environments (Teece, 2009). A few examples, which emerged from the interviews are discussed below citing two important dynamic capabilities: sensing and brokerage (refer also to Table 8-3).

Companies often lack a good sense of what is happening in the world, and as CUST6d expressed, that is one of the great values that a consultant brings in order to make sense of the customer's context (ref. also: CONS5d). This is also cited as an absorptive [dynamic] capability by Wang and Ahmed (2007). CUST6d introduced a case where a consultant brought leading practices of other countries in car insurance, challenging the current client's strategy. CONS-P1d also remarked that the consultant's perspective may assist the customer in detecting future opportunities.

Companies tend to be inwardly focused; one of the causes may be attributed to the personal interests of companies' executives in keeping practices and trends that have made them successful so far (ref: CUST6). CUST1d noted that a consultant should bring knowledge to the customer in a role similar to that of a broker [80] between the needs of the customer and new available technologies and market opportunities. CONS-P3d stated that the external challenges companies face are becoming each time more complex, multifactorial and hard to diagnose. From the perspective of consultants interviewed, most of them appeared to be well aware that clients and markets are dynamic, that they evolve responding to value creation opportunities.

Developing dynamic capabilities becomes critical to learning and to adapting, to which the consultant can contribute by preventing *workplace blindness* effects (ref: CONS2d, CONS4d). CONS5d argued that a consultant should not only bring new information to the customer but should assist in making sense of it, using industry benchmarks for comparison. CONS8d mentioned that deep industry insights and potentially valuable data from the field that a good consultant may bring, sometimes surprise even customers' experts.

[80] Brokerage discussed as dynamic capability. Table 8.2

This theme overall suggests the need of absorptive capabilities at the customer side in order to assimilate the learning from the consultant, thus being critical to achieve the Teece's (2009) seize and orchestrating steps of dynamic capabilities.

8.3.5. Customer participation is critical in the implementation of the solution

> This construct and its discussion will assist in the response to: S.r.q.2- What is the role of relationship and interaction in value creation of management consulting? This discussion will focus on the underpinnings of interaction and the critically important active role required by the customer in consulting assisted initiatives.

Template codes 3.2 and 4.2 that are documented separately in the *Findings* chapter sections 7.5 and 7.9, have been consolidated in this one single theme for discussion. This was one of the topics with more abundant discussions and real life anecdotes in the interviews.

This construct alludes to the basics of co-creation. The conversations from almost all of the interviewees strongly suggest that the only value existent is customer value-in-use, and the consultant is only the facilitator of value i.e. the substance of what a consultant does is to assist the customer to create value, aligned with (Grönroos and Gummerus, 2014; Grönroos and Ravald, 2011). Customer value creation, notwithstanding being assisted by a consultant, demands relevant sets of capabilities and resources at the customer side.

The awareness of this construct was noticeably evident in consultants, with 23 relevant comments compared with 19 of the customers. The level of consciousness of consultants about the criticality of having relevant customer resources to implement the projects was evidently higher. It might appear that some customers just expect the consultants to take over and to produce the results of value creation initiatives themselves with little disturbance of customer resources. Nevertheless, the opposite is true. E.g.:

> CUST8i highlighted that some consulting customers, particularly with little experience of using consultants, would expect that once the consulting engagement has been contracted, a big share of the workload will be placed on

the consultants similarly to external manpower; in fact this customer stated *"we made monumental mistakes"* alluding to not assigning the right internal personnel to a project.

CUST9e also referred to a failed project where they recently embarked on an e-commerce initiative and they failed to assign their key professionals to *shadow* the consultant's personnel. The result was a purely conceptual-theoretical output with little practical use. This customer also argued that assuming that the consultant will do all the work is a mistake, and co-creation is the ideal way for the customer to absorb the consultant's knowledge.

CONS7e argued about the importance of customer's resources deployment in the implementation, when the customer expects the consultant's capabilities to *roll-up their sleeves* and fill-in. For instance, there are operational tasks (i.e. configuring an ERP system) that may fall in a grey area of responsibility between the consultant and the customer; usually the customer cedes personnel under the consultant's supervision to do the task and learn. These comments are in line with Aarikka- Stenroos & Jaakkola's (2012:21) view: "managing customer resources alongside their own is an important part of the problem solving process".

Similarly CONS5e discussed not having a single successful case where the customer had not been deeply involved in the solution; the consultant was said to bring structure, options and facilitation and the cases where the customer failed to be involved remained as sterile theoretical exercises. The secret of success appears to be moving from theory to practice, walking along with the customer in the implementation in constant interaction, building a relationship and trust and transmitting capabilities, as per discussion with CONS6e.

The committed involvement of the customers in co-creation stances, i.e. customer engagement, and how these behaviours affect the provider has been researched under the varying roles and effectiveness which the customer may assume (Jaakkola and Alexander, 2014; Moeller et al., 2013). For instance, discussion with CONS-P1e confirms Moeller et al. (2013) research, which indicates that the roles of a customer in a consulting type of service must contain a higher degree of learning, and of acting

(involvement) compared to any other type of services purchased in B2B, relative to value creation.

Consulting customers need to dedicate time and mind-share of their experienced resources to value creation initiatives facilitated by a consultant in order to capture value-in-use. The logic is simple, as CONS-P1e argued: no one knows their business better than customers' professionals themselves; nevertheless, customers-*key-resources'* time is always competed-for, by the necessity of running the business.

Co-creation assisted by a consultant, from the customer side requires assigning not just any, but frequently the best customer internal talent; once the value co-creation consulting engagement is running, and the consultant has accepted the moral and/or contractual responsibility to achieve certain results, the assignment of the customer's critical and scarce knowledge resources may be challenging so, the customer may be unintentionally compelled to avoid it (ref; CONS3i, CONS8e).

CONS8e articulated that the value facilitation is provided by the consultant. The consultant receives a monetary reward increasing the worth of the firm and acquiring knowledge as "[t]he appropriation and retention by the firm of payments made by consumers in expectation of future value from consumption" (Priem, 2007:220), but value is created by the customer, is captured and stays with the customer (Bowman and Ambrosini, 2000). However, recent studies of value and interaction discuss *value and reciprocity* which posits that "[e]ach interacting actor is likely to make their own assessment of the problem - specific value to themselves and to their counterparts of a service that they seek to provide" (Ford and Mouzas, 2013:12), influencing interactions and relationship as a whole.

Two variables were identified as moderating the expected benefits and the share of the profits a consultant and a customer may keep from a transaction:

> (1) Asymmetry of information puts the consultant on a first advantage ground, as CUST1h discussed and aligned with Howden & Pressey (2008) but only the adequate management of the asymmetry may lead to effective co-creation (Möller & Törrönen, 2003). Trust is a mitigating variable of asymmetry of information, according to Lee et al. (2013) through the belief that one party will not take advantage of the other party if given the chance to do so.

(2) Bargaining power and competitive forces of the market strongly mediate the conditions of the deal or *value-in-exchange*, and the type of emerging and evolving relationship (Edvardsson et al., 2011; Möller, 2006). Werr and Styhre (2002) discussed the images of how a distribution of power occurs, sometimes controlled by the consultant's objectives and at others by the customer's (see section 2.3.3). For more detail also see Table 2-2.

The customer is in any case the ultimate judge of value creation; CONS7k and CONS8e argued that if the consulting engagement fails because of the lack of capabilities from the client, the consultant will likely be badly perceived for not having given timely warning with the right tone or emphasis, or managed and/or negotiated the assignment of required client's capable resources.

Adding to the aforementioned conversations, CUST3e discussed that the customer's role should not be passive; the customer needs to ask the right questions, set the standards and make clear what the knowledge transfer should be. CUST3e then referred to knowledge resources that usually are required to contribute at three levels and roles: (1) as strategist, with deep reflection and introspection, (2) as the builder of processes, systems, structures, etc. and (3) as operator doing things efficiently and effectively, where mostly skilled operators are required.

When CUST5i was asked about the importance of customer resources to an initiative, he related metaphorically an anecdote about when he consulted a highly reputed physician about a broken knee. The conversation was intended to illustrate the proceedings of a good consultant. The interpreted messages were: (1) communicate with objective truth, (2) inspire trust and a very professional attitude in what he (the doctor or in this case, a consultant) would be doing, (3) communicate a clear message of the dependency that the overall result would have on the patient's dedication to physical therapy rather than just the operation itself, and (4) the beneficial outcome experienced by the interviewee after having followed the physician's advice[81].

The applicability to a consulting customer experience may be illustrated citing CUST5i:

[81] Please note the close inter-relatedness to 'Relationship' construct

> "*you have to say 'we will come and have that yard cleaned in three weeks, but afterwards it will be your job to keep it clean'… it is very important to your objectivity to tell the customer that his project may not have the conditions required to be successful, and even reject to render a service proposal".*

The lesson learned in the discussion was that a good preparation of the organisation prior to a major initiative requiring change may save difficulties and blockages down the road, even before issuing the *request for a consulting proposal.* However, this preparation passes unnoticed because companies' metrics are not usually geared to reward such readiness. The organisation readiness (i.e. resources and capabilities needed from the customer) in the case discussed by CUST5l was underestimated with regard to its impact and importance to success in value creation.

Organisational readiness for change has been defined as "organizational members' beliefs, attitudes and intentions regarding the extent to which changes are needed and the organization's capacity to successfully make those changes" (Armenakis, Harris and Mossholder, 1993:681), i.e. as a pre-emptive state against resistance to change. CONS3i noted that the lack of customer's organisational readiness is frequent and so the consultant needs to understand the situation of the customer, prepare and agree the requirements, communicate and manage expectations accordingly, communicating at the right time and with the right tone as CONS7a also emphasised.

Implementation and real context action imply change which is compromised when lack of leadership involvement and company politics occur, or there is an over-estimation of the customer's self-capabilities to implement. The skill to read the political context of the organisation of the customer emerges as critical, and is an emotional intelligence capability (Mayer and Salovey, 1993).

CONS3i and CONS4g coincided to comment that it was easier to co-create value with customers who were experienced in using consultants, with a high level of maturity. This situation was explained with caveats for *pure strategy* projects where the customer may decide to implement the recommendation on its own. However, the decision to change is owned by the customer. For instance, CUST8i recognised mistakes at his company by not having involved knowledgeable executives in a consultant assisted solution. He argued that his corporation now has a co-creation model that has proven successful, and since Stage-I (see Figure 8-2) they clearly transmit to the consultants their style, e.g.

'walk beside me to implement the changes'… and the consultants' recompense is also based on implementation success.

CONS-P3e also discussed the need for customer collaboration to solve complex real life business problems. However, this consultant emphasised relationship management to achieve enduring collaboration. If results were achieved in an antagonistic mode, i.e. in autocratic cost cutting, the relationship with the consultant may be short lived and the customer's personnel will not be motivated to hire the consultant again.

Customers, with the right assistance from expert consultants, can produce remarkable value very quickly, as referred to by CUST4c and CONS8d. CUST4e brought forward an example, relating a former failed consulting project at a bank which was re-undertaken a year later with higher dedication of customer resources, and this second time the same project was very successful. The same consultant and context with a high customer involvement and the client managed a relationship of open interaction with the consultant, all of which turned around the former unsuccessful experience.

CONS9i related a similar experience of success with customer's collaboration. Nevertheless, CUST9i mentioned that a challenge for companies is that they do not have on average the same level of professional sophistication in their employees as consultants do, and advised not to expect that the consultant will solve all your problems when you - the customer- only have ill-defined problem statements. CUST9i continued by advising to be prepared to be precise and blunt about customer's expectations with the consultant in order to avoid unpleasant surprises, because it is otherwise very difficult to assess customer satisfaction[82]. This point leads to an important discussion which may be an area of further research, namely the specific capabilities required at the customer side (Håkansson and Snehota, 1995; Möller, 2006) for consulting assisted co-creation.

Causal ambiguity derived from the participation of customer and consultant's resources in value co-creation, makes it difficult to ascertain the precise contribution of consulting service to value creation (Ambrosini and Bowman, 2010), so that computing a precise payback from consulting services tends to be challenging. An extreme example came

[82] Observation of the researcher: please note links to phenomenological assessment of value

from CONS2i who cited a discussion he had with a potential client that said he would hire a consulting project *"only when that project produced a visible increase of the balance in his check account"*. Customer's cash in banks evidently depends on many more variables and not just the consultant's job, but the sentence was meant to express this person's reluctance to use consultants. Selling a consulting project does require credence by the customer that the consultant's intervention will leave his business better-off than the state in which the consultants originally found it.

Personal agendas and the acquisition of power eventually get in the way of institutionally blueprinted projects. Those frequently non-evident roadblocks are variables for the consultant to factor into the change management plan for value creation. Relationships at the customer's organisational higher levels, good communication and transparency at every step were cited as mitigating factors to be carefully considered by the consultant; these thoughts were expressed and emphasised by CUST5i, CUST6l and CONS1f. CONS4e expressed with the passion of lived experience that co-creation requires prominent determination and leadership, confirmed by CONS7e. Henceforth, the consultant's relationship to influence the customer's leadership to a visible and committed sponsorship to change is very important, as also alleged by CUST7i.

During Stage-III (see Figure 8-2), being the last part of the consulting cycle i.e. when the consultant leaves, the customer fully owns the responsibility for developing and sustaining the consulting-assisted-initiative performance value capture. CONS-P3l discussed the importance of caring for the customer's success by leaving a value-capture action plan for the customer to follow. CONS5i argued that there is a natural tendency for the customer to fall back into old habits and more so, if the adequate customer resources were not deeply involved in any said initiative.

Measuring value captured at Stage-III is desired but not frequently done. CONS8i provided a perspective from his experience at Stage-III which coincides with former discussions about leaving the customer only with a bunch of binders on his or her desk and an ill-implemented idea, as being of no value at all; the consultant leaves but the customer remains with the task of value capture.

It is the researcher's observation that the consultant-customer interactions described in the interviews happened iteratively, or in a "hermeneutic spiral of individual and

collective making sense" (Helkkula et al., 2012: 61). Their advancement turns out to be a function of the relationship among value co-creation parties, as will be further discussed in 8.3.10, i.e. when a customer and consultant have developed a relationship that facilitates a co-participative method of developing the value in offering and assurance step by step, so that they are both on a path to value creation by the customer.

8.3.5.1. Co-creation does not imply an equitable win-win outcome for both parties

A case that sheds light on the difficulties in real life, emerged from pairing the experiences of a consultant (CONS1) and a customer (CUST5), an executive from a large multinational manufacturing company;

> The customer recalled a project as successful, while the corresponding consultant in a parallel interview related for the same case a harsh experience. The consultant recalled the unpaid extended work, extra-hours and working week-ends that accrued as added discount conceded by the consultant to the customer's mid-level project management as a concession for committing the right customer's professionals, needed to deliver the project as planned (ref:CONS1i).
>
> The pain on the customer side was discussed on other lines, e.g. around political changes, lines of power and interests internally negotiated and reconciled to achieve the change required by the company's project, as the enabler of the value creation objective.
>
> CUST5i cited a few of the multiple forces that need to be internally arranged to achieve change in one transformational initiative. In the case described during the interview, the corporation had launched a regional initiative rooted on a strategic imperative; however, country managers looked at it from their personal agendas and interests predominantly, affecting the provision of the required knowledge-resources to support the project.

Notwithstanding, and not related to the former case disclosed , CONS1i also cited having eventually heard among consultants the sentence ' *my best project, my worst custome* r',

meaning having had to '*deliver a Rolls Royce*[83] *where the customer professionals have not yet learned to ride a bicycle',* implying the need to have the technical competences, attitude and commitment to make that project so labelled and/or envisioned as a ' *Rolls Royce'* to perform as expected. Another consultant CONS2l said that customers value a relationship in some ways with the consultant, but this relationship is usually mediated by buyer-seller context (Cannon and Perreault, 1999), i.e. *close, but not too close for comfort*.

Co-creation does not imply an equitable win-win for both parties, as emerged from the documented discussions. Buyer-seller stances, investment in long term relationships and market forces determine the share of benefits in each customer- consultant transaction, as also discussed in (Edvardsson et al., 2011; Möller, 2006).

8.3.6. Value creation initiative requires change management and collective agreement

This construct and its discussion will assist in the response to: S.r.q.2- What is the role of relationship and interaction in value creation of management consulting? and to S.r.q.3 - Which operational capabilities intervene in value creation in management consulting?

The following discussion will address those questions in connection with the former construct 8.3.5. Hence, construct 8.3.6 will focus on the operational capabilities that the consultant requires to prepare the customer to change. In other words to ensure an adequate customer involvement and commitment in

[83] Metaphorical example discussed by the interviewee

order to achieve the expected customer value, enabled by the consulting assisted initiative.

The data collected confirms that transformational initiatives require successful change and collective agreement while facing complex social problems to enact the required solutions, consistent with Aladwani's (2001) research.

The conversations from the interviews with customers show an implicit expectation about the consultant's guidance in their walkthrough to customer-value capture. CONS-P2f discussed the fact that value initiatives require an adequate sponsorship level to execute the value proposition and to prepare the organisation to the changes required.

The customer frequently expects the consultant to prepare the customer's team in anticipation of the requirements and risks involved in these endeavours (ref:CUST4h), particularly: (1) when the customer is inexperienced in transformational projects, and (2) in view of the fact that complex endeavours involve many parties and their success depends on diverse groups of people. Projects need these constituents' willingness to collaborate e.g., aligning personal wins and stakes into the project, and most importantly to avoid unspoken, passive resistance (Marakas and Hornik, 1996).

CONS1f described his understanding of a *perfect storm* in a consulting value creation initiative as: *little commitment from the customer organisation, unspoken political forces, scapegoat style of management and underestimating the importance of change management*. In practice, it is always challenging for an organisation to devote resources to change and to disregard the old ways of doing things. CONS1n referred to some of his successful consulting projects as *terror movies with a happy ending* alluding to the general difficulty of achieving change in customer engagements.

Change management in a broad sense tends to be underestimated by customers, because their key expectation from a consultant is to provide a *solution* (ref: Section 8.3.1) to a business problem, and what appears most tangible are the technical components and the project activities. However, change management is a set of activities that makes the customer to *do-differently* and change, so it is a critical piece of the interaction (see Figure 8-5**Error! Reference source not found.**). The following paragraphs in the rest of

this section relate discussions from the interviews, as snapshots to support and to illustrate the relevance of change management to co-creation.

CONS5f related a case of a customer relationship management project where the change required of the sales force resulted in strong resistance to change. The salespersons' argument was … *do you want me to sell? Or do you want me to dedicate time to the project* (… and miss sales targets, was the implication).

One way or another the transformation project ends, and the customer is left with the task of creating value, so a customer's preparation will reduce pain on the adoption of change. CONS-P1k alluded to the role of a consultant as catalyser for change using knowledge.

CUST9f said that projects usually involve changing hard wired business processes where the customer tends to underestimate the effort of the organisation to adopt the change. Conversely, in the blink of an eye the company may return to old habits and processes, consistent with research by Marakas and Hornik (1996). CONS4b also advised that during Stage II of co-creation, while the service of the consultant is rendered, the communication of a customer's leader of his or her vision to all value creation related stakeholders becomes a key element in achieving successful behaviour change in the direction desired by the organisation.

CUST2e and CONS7f shared their perspective of the causes of failure in consulting assisted initiatives. They mentioned that projects fail because scope may have been ill defined, customer expectations may have been misunderstood, mismanaged politics, dependences not clearly defined, bottlenecks of resources not neatly addressed or lack of adequate customer resources assigned at required level. However, the most frequent and potentially dangerous cause is poor leadership, failing to perceive personal wins, political and emotional factors, internal politics and lack of adequate sponsorship.

CUST2f expressed the view that the customer appreciates structuring teams and getting agreements as a consultant's contribution, i.e. conflict management and teamwork (Amason, Thompson, Hochwarter and Harrison, 1995). CONS5a reinforced the concept, stating that sometimes customer departments do not talk

to each other, and achieving collaboration among them by the consultant is valuable by itself. The consultants usually adopt the role of facilitators and communication brokers, as noted by CUST2f and CUST1d.

CONS6f noted however, that in order to perform an organisational change, the customer needs to trust that the consultant is behaving in the customer's best interest. Relational capabilities emerged critical, i.e. a consultant with good customer relationships will most likely obtain better results than a purely brilliant technician.

CUST6f shared his experiences with good consultants as characterised by smart professionals that listen and learn, and that assume a devil's advocate role, questioning everything and who look for the right moment to speak up objectively thus avoiding just pleasing the customer. CONS-P1f also stated that consultants assume the role of knowledge brokers and of change catalysers; they transmit knowledge to effect a change.

CUST8f argued that a consultant should be cruelly sincere, valuing immensely an open and objective discussion. Nevertheless, difficult conversations with customers need to be empathic and tactfully prepared, in the right context and have to be perceived in the customer´s best interest, all of which may be challenging for novice consultants (See Relational capabilities section 8.3.11.3).

8.3.7. Perform up to or above to customer's expectations; walk the talk of value with the customer in his or her context

This construct and its discussion will complement the response to: S.r.q.1- What is value, how and by whom is it construed in the service of management consulting? This construct is concatenated with construct 8.3.1.

If the customer is the only creator of value as value-in-use, as proposed by Grönroos and Gummerus (2014), understanding what value means specifically for a customer should become the *guiding star* for a consultant's course of action. It also highlights that value expectations management and thus exceeding

customer expectations becomes an important component for achieving customer value.

Flint, Blocker and Boutin Jr (2011) argued that suppliers that perform well by anticipating what customers will value, achieve higher customer satisfaction and loyalty . When a customer-consultant agreement has been mutually reached about a value proposition, expectations are developed in the customers' minds which will provide a customer value baseline or customer-value-anticipation (Flint et al., 2011) to later phenomenologically assess value created (Vargo and Lusch, 2008a).

The subject of *gap-analysis* as a method for assessing customer satisfaction has been confirmed by Brown & Swartz (1989) in professional services and Zeithaml & Parasuraman (2004) in services. The following discussions should be referred to the said framework of value assessment, i.e. phenomenologically assessing value but with an expected baseline of value capture.

It all starts with the value proposition at Stage-I (see Figure 8-2); some experienced customers know very well what to ask and how to measure it. A customer may have started preparing well by articulating a clear expectation of value capture by means of having developed a good request for proposal (RFP), as CUST3c noted.

CONS-P4g stated that customers rank satisfaction according to potential gaps against their baseline expectations. Expectations management has therefore a role in perceived value (Hubbard et al., 2008); for example, differences in perceived value will surface with any two customers that may have received the same quality service, but who had different sets of expectations.

CONS6b provided an example in cases of corporate-governance services, which require a balance of potentially conflicting needs between the CEO and the Board of Directors. Thereafter continuous management of expectations during the delivery of the service plays a critical role in the perception of value, as noted by CONS-P4g.

CONS7h said he could not remember a project where his interaction with the customer during a project took longer intervals than once a week. Forming and modifying customers' expectations takes place in those interactions; the

consultant needs proactively to prepare for communication and expectations management.

Exceeding agreed commitments will favour value perceived from the consultant and most likely improve the relationship, but it may often conflict with the consultant's budget. Customer expectations need to be managed with all due honesty and transparency (ref: CONS1g, CONS2g, CONS7f, CUST4a). CONS6l suggested that expectations management is a process where consultants are frequently exposed, and leads to failure if mismanaged either by over-selling, not having the difficult conversations in a timely manner, or miscommunication.

The consultant also needs to pre-assess the customer's organisation maturity level in order to implement an initiative and must assess the rate of difficulty of initiative adoption. The assessment of potential of further value capture should provide another input to expectations management, as related by CONS4g and CONS2g.

Expectations management was discussed by CONS5b as a complex art that depends on context and on consultant and customer experience and relationship, where honesty and transparency are critical for both parties in congruency to value proposition. For instance, CUST8g discussed his bad experience of unmet expectations when initially consultants sold a breakthrough idea and the deliverable afterwards just happened to be a combination of available off-the-shelf knowledge.

Referring to Stage-III (see Figure 8-2) it is rare to see a consultant coming back after the project finishes to check if the expected value capture objective has been materialised, as CONS9g argued. Consultants usually plan for deliverables and expected value at the outset; however, it is normally during Stage-III that the customer judges value from his or her experience to the consulting assisted endeavour.

8.3.8. Co-creation happens iteratively; it is a process of learning and improving

This discussion will assist in responding to: S.r.q.1- What is value, how and by whom is it construed in the service of management consulting?, in connection with the response to S.r.q.4- What roles do higher order or dynamic capabilities have in value co-creation through relationship and interaction in a consulting service system? The reply will necessarily relate to the process of learning, which involves both operational and dynamic capabilities.

Learning is a critical component to reflecting and re-directing co-creation in cycles of improvement. Learning has therefore a major role in the creation and development of dynamic capabilities (Ambrosini et al., 2009; Zollo and Winter, 2002).

Value creation assisted by consultants happens in a series of interactions of iterative cycles which start at value proposition. Value creation has been addressed under diverse angles of mostly theoretical perspectives in the literature, e.g. [84]

Hermeneutic spiral of organisational learning (Helkkula et al. 2012)

Created by bargaining relationships among actors, and basically the only source of value is human capital (Bowman and Ambrosini, 2010)

Cycles of value strategy, value architecture and operationalization of value in offering (Ngo and O'Cass, 2010)

A solution delivery cycle of co-creation, resulting from an empiric research in KIBS (Aarikka-Stenroos and Jaakkola, 2012)

Customer-value-collaboration (Moeller et al., 2013).

CONS2[b+d +h] emphasised that customer's context is dynamic and complex, involving many variables, i.e. no case is 100% repeatable. If the consultant is allowed to address customer's business uncertainties, the value co-created may be high (re: CONS2l).

[84] List is illustrative, not exhaustive

Value creation demands a learning process and thus takes time. In consulting processes at the beginning the consultant leads the path by drawing the lie of the land. Then the consultant's assisted initiative progresses demonstrating to the customer how their jobs and their company will benefit with the initiatives, transmitting the consultant's knowledge which customer´s professionals have to understand and apply to their jobs; this is a learning process that takes time (ref: CONS6h).

Consultants argued that incremental innovation always happens in consulting projects. On one hand the consultant relies on his or her experience of having done the project many times as noted by CONS1h and CONS-P1m, and the customer learns from the capabilities of the consultants (ref: CONS1h, CON6h) while co-developing the project. CUST1h provided evidence in a different perspective by mentioning that at a certain point in his project, his own company's professionals had more knowledge than the consultants, however, the consultants were valuable in the method of structuring the solution.

CUST5l articulated that adjustments can be expected through a consulting life cycle just because elements like people, interactions and structure change, so deliberate organisation readiness (Armenakis et al., 1993) by the customer provides a very good first step for the use of consulting services and further development of co-creation.

Co-creation is an on-going adaptive process, contributing to Service Logic theory (Grönroos, 2011b; Grönroos and Gummerus, 2014); CUST7h noted that value co-creation emerges from teamwork between customer and consultant. With regard to consulting Stages (see Figure 8-2), CUST8h argued that co-creation may have varying degrees of intensity during Stage-I *value proposition*, but co-creation is indispensable and intense during Stage-II or *execution*. It may be fair to say that no co-creation equals to no value.

8.3.9. The consultant has to prioritise his or her activities looking forward to customers' results

This construct and its discussion will complement the response to: S.r.q.1- What is value, how and by whom is it construed in the service of management

consulting? This construct is concatenated with construct 8.3.1 and construct 8.3.9.

It emphasizes that value is co-created by a relentless focus on customers' objectives, and considering that value can even be co-destroyed.

Building on the consultant role of value facilitator depicted in Figure 8-5, and discussed conceptually by Grönroos and Ravald (2011), everything related to the success of the consultant depends on making his or her customers successful in creating value.

Every new project is mined with difficulties, conflicting criteria, personal interests and obstacles. Final project results tend to vary from adaptation, from what was strictly written on the services agreement (ref: CONS2d, CONS7l, CONS8k), and so the consultant needs to lead the customer by discussing objectively those obstacles and not avoiding the difficult conversations; a classical example discussed is a not-uncommon budget over-run that may be needed to fulfil an initiative and to manage customer's value expectations.

It is through these interactions[85] (further discussed in Section 8.3.10) that the objectivity and relationship management of an experienced consultant makes a big difference compared with a plain technical expert. The main objective of the customers is not to retain the consultants but to be successful in their endeavour; once successfully accomplished, the customer will retain the experience of who collaborated with their success, as CONS-P1e noted.

Doney and Cannon (1997) argued *benevolence* as a dimension of trust, meaning the extent to which one partner is genuinely interested in the other partner's welfare and motivated to seek joint gain, relevant in an industrial buying context. Customers value the genuine interest of the consultants in improving the customer's business, demonstrating their interest, understanding the customer and showing commitment and unbiased guidance to the customer through the series of choices. The customers' success focus has to start from value proposition Stage-I, as discussed by CUST3k.

[85] Note relatedness with Relationship

CUST5k valued honesty, avoiding power games and good communication even more than technical skills, and CUST6l cited that during consulting interaction he needed to be aware that he could discuss matters openly, with no concerns that the consultant might be playing a hidden agenda e.g. only looking to sell more work. CONS-P2k said that relationship is not about friendship but about making the right decisions in your customer's best interest.

CUST7 discussed that consultant's commitment to customer's matters is a key variable for success, having the experts, either leaders or partners continuously showing a presence from Stage-I of value proposition and having those experts' commitment to participate in the delivery. From the consulting perspective, CONS1k expressed … *my job is that the customer becomes successful, plain and simple.*

If value is achieved as expected, the consultant has increased possibilities of retaining the customer with the prospect of further work opportunities (ref: CONS8n, CONS6k, CONS4m, CONS3m), also confirmed in the literature as per Olaru et al.'s (2008), research that analyses repurchase intentions. Olaru et al. (2008) argue that customer retention involves several variables like relationship, sacrifice and service benefits, so a direct repurchase is not ensured, as is also confirmed by Whittaker et al. (2007), who posit that even with a very strong moderation of relationship satisfaction to value-creation, repurchase intentions between relationship and re-purchase intentions emerge as moderate, at best. This may also explain why consultants discussed selling skills as critical for a consultant's success (ref: CONS-P1o and CONS-P4b). However, Whittaker et al. (2007) do argue a very strong influence from value-creation into re-purchase intentions.

Finally, with regard to Stage-III, CUST9k argued that it would be beneficial to have consultants returning months after the closing of Stage-II to evaluate success or to have a check point to assess if customer value is occurring as planned. CONS3m named this co-creation Stage as *value-post*, by keeping open a dialogue concerned with the evolution of the client's business after the consulting service.

8.3.9.1. Value co-destruction

If the consultant is aware that the customer's expected value is not being met, in fact *value destruction* may be the case, as discussed by CONS3k, because of the customer's wasted window of opportunity for value creation. The destruction of a customer window of opportunity coincides with one of the value destruction activities generically described in the conceptual paper of Bowman and Ambrosini (2010).

CONS8o related a case of a consulting executive who attended to a customer's request for a project value proposition that the consultant did not have proficiency to perform. The customer complained and instead of bringing in another expert, this consulting executive brought someone else from his own team. They were both fired from the project bid and the customer relationship was obviously damaged.

Some consultants noted that nonetheless, a firm's performance metrics may tempt consultants in a direction not necessarily in the customer's best interests. Instances include just doing a job commissioned which might not be connected to the customer's results, assigning junior consultants to do the job, pursuing individualistic goals or *cutting corners* in project delivery (ref: CONS8[k+o], CONS3[k+o]).

CUST7m also related bad experiences with consultants (Stage-I), who exaggerated or even misrepresented their capabilities and experience, for instance stating that they had the experience in order to get the consulting job, but e.g. concealing the fact that *the firm only has one person with that level and he or she is fully booked* .

CUST2e related a case of project failure because a Government customer's IT personnel blocked the consultant's access to the customer's procedures codes and blocks of information. The project, contracted by a different department, had been set up without the proper communication channels between the consultant and the customer's IT professionals; on the contrary, the project needed every party's buy-in aimed at co-production.

Plé & Chumpitaz-Cáceres (2010) also argue in a conceptual paper about the possibility of value co-destruction by interaction, founded on S-DL principles. They describe value destruction as the decrease in any of the intervening service systems' well-being (see Figure 3-7).

A summary of case-examples discussed during the interviews that imply value destruction are:

Assigning young inexperienced professionals to the consulting job (ref: CONS9m, CUST7k),

Overselling by the consultant misrepresenting skills (ref: CUST2m, CUST7m),

Customer that fails to assign the right personnel, in terms of time and capabilities to co-create (ref: CUST9e, CONS8e),

Customer lacking the political power to execute required organisational changes,

Pursuit of individualistic goals instead of value co-creation, or *cutting corners* (i.e. sacrificing quality in the delivery of the service) in project delivery (ref: CONS8[k+o], CONS3[k+o]).

8.3.10. Relationship; it is the continuum where value happens, and a critical contextual component of value creation

This discussion will assist in responding to: S.r.q.4- What roles do higher order or dynamic capabilities have in value co-creation through relationship and interaction in a consulting service system? The discussion will inevitably lead us to also discuss S.r.q.3 - Which operational capabilities intervene in value creation in management consulting? in as much as operational capabilities become an over-arching classification where relational capabilities are involved.

Consulting is a relational industry, dependent on professional people (ref: CUST4l, CUST6l). Academics have likewise typified the relationship between customer and consultant as central to the value creation process (Werr and Styhre, 2002; Edvardsson et al., 2011; Tuli et al., 2007). An exhaustive definition of all the facets involved in a relationship between a consultant and its customer is a comprehensive endeavour in itself; many of its constituent variables are nested and interact dynamically among themselves, depending on context and persons involved.

Relationship was described by a few interviewees as when the customer trusts a consultant's honesty, based on experience of having accomplished his or her commitments (analogously to Doney & Cannon (1997)) in the customer's best interest and objectivity such that may evolve that relationship into a trusted advisor mode

(CONS4l, CONS-P3l, CONS-P2m, CONS-P4l), aligned with research that posits trust as a requirement for value co-creation in relationship exchanges (Day et al., 2013; Schertzer et al., 2013). Relationship occurs on a person to person basis, as articulated by CONS4l, CONS-P2l, CONS8n and CONS7l, having emotional intelligence, honesty and good communication skills as foundation.

Notwithstanding the above, relationship did not emerge in the interviews as a critical top of mindshare construct in customers, as strongly as it emerged in conversations with consultants. It might appear that as long as clients have good options from which to pick professional advice, and while somehow deferring to the consultant the initiative in the relational agenda, most customers tend to feel comfortable maintaining a safe distance from the consultant in a *contractual mode* of buyer-seller relationship (Cannon and Perreault, 1999), i.e. close but not too close (ref: CONS2l, CONS3m, CONS7m). The customer frequently is just interested in the achievement of their expected results which are often short to mid-term goals, pay the consultant and move on, as CONS2l noted.

The following CONS2l comment further illustrates the point: a trusted advisor mode occurs when a customer asks the consultant for advice on business uncertainties, i.e. impacts to mission-critical business model caused by a changing environment. This trusted-advisor relationship style is not easily nor frequently achieved. As CONS2l, CONS3m and as CONS4l articulated in several manners, not every customer values a long term consultant's relationship. A long-term, trusted advisor relationship mode meets the characteristics of what Cannon and Perreault (1999) describe as a *mutually adaptive relationship*, where operational linkages and information exchange are at their highest level.

Relationship was consistently discussed by consultants and customers as the most critical element leading to the development of co-creation of value. CONS-P2l also remarked that human problems are by far, more complicated than technical problems.

CUST7l argued that for him, relationship with consultants does matter ... *"because you seek affinity in a consultant, and commitment develops when there is a good relationship; if there is trust you can have open conversations about what's wrong"*. Nevertheless, this customer also experienced an adverse reaction to consultants that have their own ideas of the solution and do not listen. It can be assumed that empathy is a basic component for the development of a relationship.

CONS-P3l argued that a consultant should have the capability to establish relationships in order to solve complex problems; by relationships he meant talking truthfully and producing results. CUST1l said '*we developed a close working relationship based on mutual interests'*, and CUST4m referred to the relationship developed with her consultant as endearing as the one between a teacher and a pupil, based on the gift of mutual learning. CUST6m agreed on the development of a mutual base of learning and credibility; however this customer also said "*it is the [consultant] that is delivering results that gets your trust … relationship is fact based*". As CONS-P3l articulated, the professional relationship is built step by step, listening to the customer, being respectful, transparent and talking truthfully… good consultants earn their money as a consequence of a good relationship that has promoted the solving of a customer's problems.

CUST5m suggested that if someone is able to establish an honest professional relationship, then he or she is building the foundation for a very long term personal and professional relationship that could aspire to resemble the trust that a patient grants to a physician before a complex surgical intervention (the same analogy was used by CONS7m); then CUST5k continued "… *show commitment, two way communication; those two factors are more valuable to me than the technical capability of a consultant*" . Empathy and mutual understanding play a critical part.

In contrast a short-term, transactional-exchange mode of consulting may have lesser possibilities for customer value facilitation, assuming that the interactions with customers will be opportunistic, shallow and sporadic, as per discussions with CONS8o. This is a *contractual transaction* relationship mode as per Cannon & Perreault (1999).

The interviewees provided examples where the importance of relationship in consultant-customer projects was neglected:

> CUST2l a former Government Officer cited a case where the consultant disregarded empathy and adapting to customer context, failed to detect customer power nodes and personal implications, and to make things worse did not develop the relationship to get internal customer allies to guide them. The result was a big project failure, with the consultant being fired and barred from any future opportunities.

> CUST4l related a case of a consultant who imposed his ideas and gave orders with an arrogant demeanour; such behaviour only caused unspoken rejection and low collaboration from his customer counterparts.

As the positive opposite, CUST4l related another case where at the inception of a project she had been left out of the decisions so she instinctively detached herself from the project, but the consultant found clever ways to involve her little by little and at the end a very strong and productive relationship had been developed, where the customer felt part of the solution and not just someone who was told what to do. CONS-P3l said that a good relationship should provide the customer with the confidence of being backed; pure consultant technical effectiveness is not sustainable without a relationship.

CONS7m and CONS-P3l provided a perspective that consultants invest many hours, energy and resources in growing long lasting relationships intended to make customers successful and looking to further business interactions … *' the client needs to shine; we are only facilitators'*, accordingly to Schertzer et al.'s (2013) research, who posit professional services depend on client-provider cooperation for co-creation of value. The consultant needs to assemble several complex capabilities and enact them concurrently, in order to provide to the customer a customised, successful and simple experience, like a one-function interactive theatrical play. CUST6l suggested that the interpretation of a consultant's motives beyond agreed scope should be carefully co-managed with the customer.

CONS6l discussed when customers perceive that the consultant: (a) displays an overly bold behaviour and is trying to sell something all the time or (b) does not have the in-depth skills required for his objectives. Then the consultant loses trust quickly and the relationship is damaged. CUST-P4l reminded us that damaged relationships are costly, since customer relationships are one of the key intangible assets of a consultant.

Finally, relationship is the continuum for co-creation. Describing relationship as "relational capital" (Aarikka-Stenroos and Jaakkola, 2012: 22) is insufficient to describe its importance to value co-creation. Relationship: (1) is complex and multi-factorial. It is how co-creation evolves and produces customer value (see Figure 8-5) and (2) is never chemically pure but always contextually intertwined with sets of complex relational capabilities and behaviours like trust, former experiences, meeting commitments, technical and interpersonal skills, empathy and reputation.

8.3.10.1. Relationship and co-creation Stages

Relationship emerged as dynamic throughout the consulting Stages (see Figure 8-2) and if true, it needs to be proactively managed as argued by CONS1l. According to CONS7m, relationship at the value proposition Stage-I tends to be marked by buyer-seller competitive stances, making the customer keep a safe distance of independence while the consultant makes outstanding efforts to demonstrate differentiated capabilities in order to be selected, i.e. *contractual mode* (Cannon and Perreault, 1999). CONS-P2n and CONS8n argued that at this Stage, the customers buy trusted people more than they buy firms. Viio and Grönroos (2014) have noted accordingly that firms need to adapt their sales process to the type of service offered in a value-based, relationship and value co-creation oriented sales process.

According to CUST7m and CUST9m if the consultant knows the customer's business model from past positive interactions, the consultant has better chances of value facilitation (Grönroos and Ravald, 2011), further leading to a spiral of repeated sales (Whittaker et al., 2007) and also by virtue of having demonstrated genuine interest to solve the customer´s problems.

As the co-creation process progresses, the experience of the customer with the consultant starts growing and the relationship based on trust by meeting commitments (Doney and Cannon, 1997) is developed. The professionally managed relationship may ideally move in an ascending cycle favoured by communication and rapport, alongside the normal ups and downs of any co-creation initiative. The relationship will eventually grow stronger and give way to greater chances of further interactions (ref: CUST2l, CONS3m, CONS8n), in line with Olaru et al. (2008).

Just as co-creation is an on-going adaptive process, the dynamic relationship between customer and consultant may enable a productive and fast adaptation to changes in context; on those lines, CONS6l alleged that relationship is also critical in order for the customer to be receptive to changes proposed by the consultant.

In a further post-delivery Stage-III (see Figure 8-2), once the consulting service is finished and having met customer expectations, a follow-up call from the consultant should help to sustain the relationship, providing a *front seat* for chances of follow-on

work and/or cross-selling opportunities (ref: CONS6l, CONS7m). Nevertheless, CONS7m stated that dedicating scarce resources in the hope of future relationship deals imposes a heavy toll for the consultant.

In summary, relationship is dynamic by cycle Stage, as noted by CONS7m, and multi-factorial. The following Table 8-2 provides a summary of key concepts discussed. The analysis and interpretation of data from interviewees provided specific empiric context and detail for management consulting co-creation.

	Stage I -During value Proposition	Stage II - During Service delivery	Stage III - After Service is Delivered
Relationship - the most critical element leading to the development of co-creation of value - Relationship is dynamic through the consulting cycles and needs to be proactively managed	Initially, buyer-seller competitive stances; keeping distance. (Cannon and Perreault, 1999; Möller, 2006) Deep understanding of customers' needs and value creation logic. (Marr, 2006) Mutual trust leads to credence and information asymmetry management. (Howden & Pressey, 2008) Consultant's honesty avoids misrepresentation of skills or overselling Customer's buy trusted people's offerings rather than firm's value propositions. (Gefen, 2000) Dialogue is necessary for co-creation to begin and create interaction experience at this Stage. (Payne et al., 2008) Communicating value; value representation (Corsaro, 2014)	The consultant should have a relentless pursuit of customer expected value; nothing builds trust as much as honesty and meeting commitments (Doney and Cannon, 1997). Consultant confirms credence and increases trust by meeting or exceeding expectations; Good technical skills are the minimum needed to compete; however, they are no differentiator when those skills can be bought in the labour market. The customer in most cases is just interested in the achievement of their short term value capture goals, pay the consultant and move on. However, experienced customers do realise the criticality of relationship to value co-creation; frequently the buyer-seller relationship (Cannon and Perreault, 1999; Möller, 2006) is still present… *close, but not too close* . Clients value honesty, transparency, commitment and objectivity. Empathy is required for productive relationship; empathy relies primarily on the consultant. Continued trust contributes to an organisation's reputational capital (La et al., 2008, Marr, 2006). Relationship is required to implement the changes proposed by the consultant. Dialogue and interaction are critical processes of co-creation (Payne et al., 2008)	Follow-up with the customer on customer's needs, e.g. assess value captured. Bowman & Ambrosini (2007) generically allude to this Stage as firm maintenance activities, proposing a resources strategic preparation for next cycle of firm value creation. Bring leading practices and industry knowledge to challenge the customer on an on-going basis.
Co-creation	Collaborate with consultant in the	Technical quality is expected as a given (Zeithaml and Parasuraman, 2004) Active involvement of customer operant resources is critical; they should do the	Follow-up with the customer and the fulfilment of

	Stage I -During value Proposition	Stage II - During Service delivery	Stage III - After Service is Delivered
	development of the value proposition. Develop a solution-value proposition by the consultant.	value creation and learn, and the consultant needs to guide the customer to assign them Consultant provides objective guidance – value facilitation. Co-creation often requires customer to change, whose implications and effort happen to be overlooked and underestimated. If expectations and commitments are met, the customer most surely will invite your firm to further value creation opportunities (Olaru et al., 2008)	intended value capture. Measure value capture. Knowing the customer increases possibilities of successful co-creation and then of repeated sales.

Table 8-2. Stages of relationship and co-creation

8.3.10.2. Relationship and trust

Consulting is a high credence business where information asymmetry is a constant (Howden and Pressey, 2008; La et al., 2008). Trust is the key ingredient to bridge the expected information asymmetry when a consultant is hired as discussed by CUST1d, in accordance that trust is a key antecedent to building relational capital with commercial partners (Barney and Hansen, 1994).

Not surprisingly *trust* emerged in all but two of the interviews as a foundational component of relationship, as Howden & Pressey (2008) argued of trust as a key value dimension. Trust was often defined as honesty, consistently meeting promises and commitments, in alignment with Doney and Cannon (1997) who posited that nothing builds trust as much as honesty and meeting commitments. In the case of management consultancy it equals *say what you will do, and do what you said* , e.g. pristine determination of project scope and objectives and execution accordingly (ref: CONS1l, CONS2b, CONS4l, CONS5n, CUST5i, CONS6l, CONS8n, CUST8m, CONS-P1, CONS-P2n, CONS-P4n).

However, trust is a complex cognitive and multifaceted construct (Corazzini, 1977) that requires context to be able to define it, as Bigley and Pierce (1998:406) note on requesting not to ask “what is trust”, but “which trust and when”. In fact, Singh and Sirdeshmukh (2000) discuss 3 sources of specification of trust in commercial transactions:

(1) High trust exchanges occur in cases of: (a) significant consequences of value expected, (b) high level of performance ambiguity and, (c) significant interdependence of the customer in the exchange. These conditions coincide with management consulting.

(2) Conceptualisation of the trust construct by the customer, requiring specification of attributes at a reasonable level of precision (neither vague nor too detailed) allowing for meaningfulness of *trus*t.

(3) Trust as having a very wide bandwidth (from distrust to fully trusting) in terms of the valence of held expectations. This will be further commented on below.

CONS6l and CUST8m noted that during value proposition Stage-I, trust is transmitted by the consultant by a mix of attributes illustrated by the following (not exhaustive) list:

Transparency and communication clarity,

The understanding of the customer situation and solution,

Customer's references of former experiences (ref: CONS5m),

Word of mouth from peer's CXO's,

Bringing real experts to the case,

Attesting as to how the consultants may have managed difficult situations (e.g. mistakes).

Differentiation in consulting firms' value-propositions is achieved by their people; "*customers hire me and my people based on trust* ", said CONS-P2n and the firm's brand name is only an insurance policy. "*The market has to know you and you have to know the industry and the competitors … when partners change firms, they take their relationships with them*".

So in fact, management consulting implies a mix of interpersonal with inter-organisational trust, much weighted towards the former. Inter-organisational trust has been described having a more direct effect on performance at commercial exchanges (Zaheer, McEvily and Perrone, 1998), while interpersonal trust having cognitive and affective dimensions anticipating outcome of future interactions with credence qualities

(Johnson and Grayson, 2005) and with a positive association to collaborative performance (Paul and McDaniel, 2004).

CUST8m argued that if expectations and commitments are met, the relationship grows and the customer most surely will summon the consultant to bid for further value creation opportunities (ref: CONS4m, CONS3m, CONS8n, CUST7m). CONS7l noted that expectations evolve with time i.e. are dynamic. Creating an environment of frequent mutual honest feed-back contributes substantially to expectations management.

Technical quality was discussed by CONS6m as an expected given among reputed consulting firms; relationship and trust make the difference to how far the relationship can grow. However, as CONS2l remarked, consultants should not disregard that they participate among the evolving competitive forces of a market, which is also a modifier of relationship, in line with (Gruber et al., 2010).

Trust serves also to bridge agreements by otherwise incompatible asymmetries of knowledge between customer and consultant (ref: CONS1h). Trust was also cited by some interviewees as implying the same meaning for confidence and reliability, as CUST1d mentioned:

> *As a client we were at a disadvantage with you [consultant] because you were supposed to bring the knowledge; I expected and received a non-arrogant attitude of "how can we help"? And I expected that because I knew nothing of the service you were providing. So, we really needed detailed guidance; I learned a lot from your firm and felt confident to open my company doors and let you perform.*

CONS9m discussed how the customer perception of value generally conduces to future business with the consultant, in line with Olaru et el. (2008); however, that perception of value is influenced by showing genuine care for the customer, manifested by the presence of the consulting partner or lead executive taking personal care of customer's needs, hence enhancing customer's trust. In contrast, this consultant went on to say that, if for any reason the partner that sold the project is not able visibly to collaborate by providing his or her able and unique capabilities and resources, the customer may be disappointed up to the extreme of feeling his or her trust in the firm has been betrayed.

Comparatively, CUST7m cited that for him trust is critical; this customer said that if the relationship is good, he could even accept an inexperienced but smart consultant to be assigned, provided this fact was openly discussed and negotiated beforehand by the consulting manager. Otherwise he would feel surprised and regard that inexperienced assignment as a lack of honesty.

This trust can be demonstrated by listening to the customer and being humble and honest in order to achieve customer's willingness to co-participate in the construction of the solution as referred by CONS4i and also CONS-P3l.

Singh and Sirdeshmukh (2000) noted that trust can also be eroded or destroyed, in the negative side of the continuum. Distrust has been described as "lack of confidence in the other, a concern that the other may act so as to harm one, that he does not care about one's welfare or intends to act harmfully, or is hostile" (Govier, 1993:240), so there is a doubt about the genuine intention of the other party. Unmet expectations do contribute to erosion of trust (Kramer, 1999). Some customers exemplified several behaviours that undermine or destroy trust in the consultant:

(a) Consistent blatant efforts to sell more consulting work (ref: CUST6m),

(b) Force-fit a service as value proposition that is not the best interest or solution to the customer, but it may be what the consultant *has in store,* or by showcasing fantastic non-applicable solutions which do not relate to customer context (ref: CONS8c). The first situation was exemplified by a case related by CUST2m when a consultant tried forcefully to sell to a Government agency a solution used for the private sector and the relationship was quickly damaged,

(c) Unfulfilled customer expectations, as per comments by CUST9b in a case where a persuasive consulting partner over-promised results and then later, junior consultants were assigned to do the job with less skills and experience than the challenge demanded, and

(d) Not having been explicit about the effort that the customer was required to dedicate to the initiative (ref: CONS1i, CONS8e).

CONS7m noted that once the consultant decision is made, the customer is stuck with the selection of consultant and then the customer has an implicit pressure to make the selected consultant look good so as to justify the customer's choice of external advisor.

Credibility has been argued as "a product of long-term evidence and commonly shared experience that a source is competent, fair, flexible to new demands, and consistent in its task performance and communication efforts" (Renn and Levine, 1991:180), and thus it involves performing effectively and reliably (Doney and Cannon, 1997). CUST6n noted that he would not implement any change proposed by a consultant unless the consultant (i.e. a person) had won his credibility, by having:

(a) Demonstrated he or she had understood the customer (company) and its context,

(b) Challenged the customer´s (person) self-ideas, and

(c) Inspired and engage the customer's commitment towards a value creation idea.

Consulting is 100% a people based business, so as a consultant argued 'trust is everything'; if you lose it, it is almost impossible to recover (ref: CONS5n, CONS8n). Customers hire professional persons first, and then their firms.

8.3.10.3. Underlying relationship model

This thesis proposes that value from relationships in management consultancy not only is phenomenologically determined by the customer but it is interdependent with interaction and fluctuates with the stages and context of each co-creation endeavour, being therefore dynamic. This concept adds to research by Werr and Styhre (2002) who argued that extant literature depicts images from the discursive and constructivist nature or consultant-customer relationship, varying considerably depending on the situation and approach adopted. Werr and Styhre's (2002) research concludes that a change of perspective was needed given that both parties forge the relationship in their course of action.

Value from relationships in management consulting is formed by people's consistently repeated behaviours under varying contexts. On the side of the consultant these behaviours and actions are accomplished under an expectation of customer's results and a mutual trust relationship, as formerly discussed. These sets of behaviours could be typified by relational roles according to domains of Figure 8-3.

Relationship is hence a contextual continuum that fluctuates among several variables, as shown in Figure 8-3. Three key environment variables are identified:

(1) Essence of the task assignment, varying from:

   a. high-level advisory, e.g. corporate governance or strategy advisory, where relationship is critical because there will always a leap of faith required from the customer; also a mistaken recommendation could have major adverse effects on the customer's business (ref: CONS3i, CONS5m, CONS6b, CONS-P4l). For instance, CONS-P1l, and CONS3i discussed that selling strategy work requires being credible and managing a professional relationship at CEO level, to

   b. performing a mandated operational work, i.e. '*doing-things*', for instance outsourcing of technology projects where relationship is of less importance (ref: CONS5m, CONS-P4l).

(2) Degree and mode of relationship, varying from transactional, contractual execution and pay, up to trusted advisor, aligned with (Möller, 2006; Cannon and Perreault, 1999) and also as discussed by CONS3a.

(3) Customer mind-set and expectations, fluctuating between *"solve my problem and leave"* to assisting the customer in capturing new market opportunities. For instance, a consultant discussed having had projects where the customer only wants a specific technical solution or added external technical capacity. In these cases, nevertheless, unexpected added value can be sporadically found when the consultant assists his or her client to elevate the technical solutions into the strategic objectives that gave inception to any such initiative (re: CONS3c).

A characteristic that adds complexity is that relationship is dynamic alongside Stages I, II and III as also represented on Figure 8-2. For instance, during Stage I the relationship tends to be guided by buyer-seller behaviours (Cannon and Perreault, 1999) and as cited by CONS2l, CONS3m, CONS7m, whereas in Stage II the customer is stuck with the consultant picked (ref: CONS7m) and the sponsoring customer becomes politically committed to achieve results. Stage III may also be marked by what CONS3m discussed as *value-post* in order to maintain the relationship assisting the customer in the consolidation of value capture. However, it also may turn into customers' keeping a safe distance e.g. *"I will call you when I need you"* if the customer perceives the consultant is keeping contact only to sell more work, as CUST6l noted.

Relationship is heavily determined by trust (Doney and Cannon, 1997) and by former experiences with the same consultant, as discussed by ref: CONS8n, CONS6k, CONS4m, CONS3m. Naturally the customer value and satisfaction generated by former experiences also have very strong influence to improvement of buyer-seller relationship in professional services (Whittaker et al., 2007; Schertzer et al., 2013).

The two models discussed so far (Co-creation - Figure 8-2 and Relationship – Figure 8-3) contribute by confirming empirically in a management consulting service system, the research from Möller's (2013) conceptual marketing map in which correspondingly, Business Networks and Relationship Management are discussed (Figure 3-1).

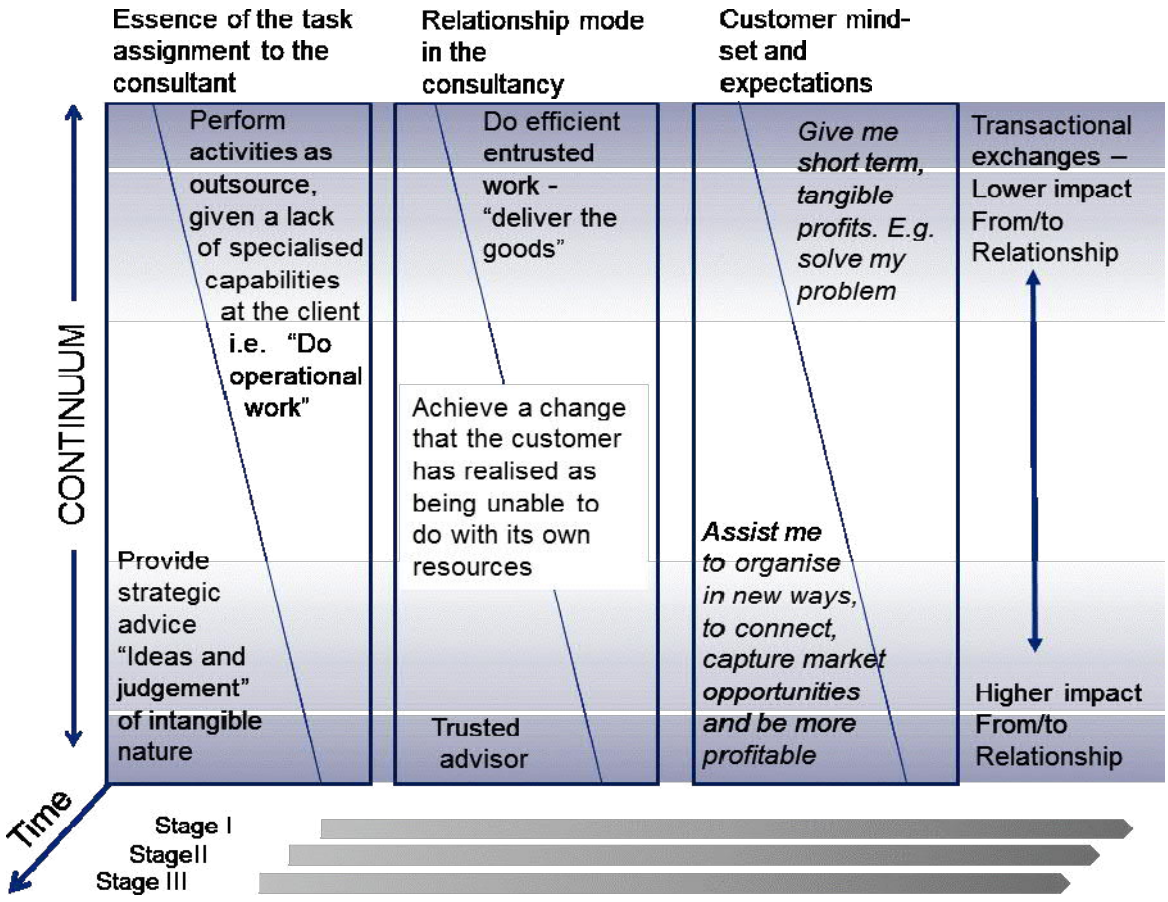


Figure 8-3 - Underlying relationship model

8.3.11. Capabilities, organisational learning and dynamic capabilities

The discussion will lead to responding to S.r.q.3 - Which operational capabilities intervene in value creation in management consulting? and also to: S.r.q.4- What roles do higher order or dynamic capabilities have in value co-creation through relationship and interaction in a consulting service system?

It helps to explain the mechanisms of value co-creation, interaction and capabilities involved is the crux of this thesis.

Hilton et al. (2012) argue that value propositions emerge from the value creation potential in the resources possessed by actors. In the business consulting market it is all

about capabilities (i.e. relationships, skills and knowledge, as discussed in section 3.4; see also Figure 3-5).

Vargo & Lusch (2008b:7) stated as one of S-DL foundational premises that knowledge is the fundamental source of competitive advantage. Knowledge is also the *atomic* level of capabilities, following from Day's (1994) definition: capabilities are "complex bundles of skills and accumulated knowledge, exercised through organisational processes that enable firms to coordinate activities and make use of their assets" (Day, 1994: 38).

CONS-P1o suggested that the three capabilities any consulting partner should master are: (1) Technical (content matters), (2) Sales (relational) and (3) Delivery (project execution - part relational, part technical). However, several questions remain to be answered, i.e. What is the right capabilities balance? How and by who are they developed? Where does firm management fit? How is customer value creation designed and taken to practice? And so forth.

This thesis proposes an alternative, non-exclusive perspective for classification of dynamic and operational capabilities for research purposes, as follows:

(1) Technical capabilities (of operational nature),

(2) Relational capabilities (of operational nature), and

(3) Capabilities that build capabilities, i.e. dynamic capabilities.

This classification will aid the research in responding with better clarity to S.R.Q 3 and S.R.Q 4 (See Page 96).

The classification of operational capabilities by Zubac et al. (2010) into (1) management, (2) technical, and (3) marketing capabilities is oriented to functionally describe the nature of the capability, however not so much regarding its knowledge –value creation purposes. Relationship has been described a key ingredient to co-creation, so this research has aimed to *dissect* and study relational capabilities related to co-creation and not as embedded in their functional application.

Möller & Torrönen (2003) provided a ground-breaking research with a generic perspective of types of capabilities and categories of value (e.g. effectiveness, efficiency

or future – relational), however, the concept of customer value has now been refined and recently explored more from the customer experience perspective (Helkkula et al., 2012). The customer perceives a value experience (Sandström, Edvardsson, Kristensson and Magnusson, 2008) based on an overall-contextual mix of perceived capabilities brought to the service by the consultant.

As CONS5o described, the customer receives a contextual experience based on the capabilities of the consultants addressing customers' perceived-value creation needs; the customers expect behaviours of trust and reliability. For example, as per CONS8o and CONS9m discussions, customers' trust receives a negative impact when the customer perceives the consulting firm is assigning mostly young professionals to learn, using the customer's value creation initiative as a sort of capabilities acquisition laboratory.

8.3.11.1. Capabilities and learning

As formerly discussed, organisational higher-order learning is described as the leader of both dynamic capabilities and knowledge, which interact under specific market, social and technical contexts to reconfigure operational capabilities and resources and finally achieve sustained performance. Learning does play a major role in the creation and development of dynamic capabilities (Ambrosini et al., 2009; Zollo and Winter, 2002).

Consulting firms are knowledge intensive (Von Nordenflycht, 2010; Aarikka-Stenroos and Jaakkola, 2012). CONS-P1h noted that consultants obtain most of their learning during customer's projects, confirming research from Sarvary's (1999) and Kubr (2002). The consultants thus become the embodiment of the consulting firm's value promise aligned to the concept of the individual as vehicle of delivery (Nordin and Kowalkowski, 2010). It can be suggested that the focus of the consultant's learning should specialise in VRIO knowledge to build distinctive firm's capabilities. CONS-P4o and CONS9o remarked about the importance of such people-related business processes, taking individual learning into collective knowledge, e.g. a disseminative capability.

CUST4p discussed that consultant's capabilities acquisition and retention is performed in several large firms by selective recruiting, strong values and ethics

enforcement, leading-edge technical training and education, and role modelling by senior partners or executives, which are the foundation of the public credence of the firm, and therefore their value experience.

In general, customers interviewed claimed that they had also substantial learning experiences when they have participated in consulting engagements (i.e.: CUST1d, CUST3o, CUST4o); this learning in action, induced by the consultant's method, led to co-creation. The relevance of organisational learning in consulting projects confirms the research by Payne et al. (2008) where they argue that the consultant may develop processes that support customer learning considering customer's capabilities to learn, in order to improve the application of the model shown in Figure 8-4 **Error! Reference source not found.** .

In contrast, it can be suggested that a client that hires a consultant, without the capabilities to learn from the consulting experience, wastes opportunities for value creation and may also be wasting the customer's firm's money. Grönroos (2008) also noted that a customer that does not have the capabilities to use the services or resources provided by the supplier might end up with a value-in-use of zero, or lower than would be expected (adding to Section 8.3.9.1 Value co-destruction).

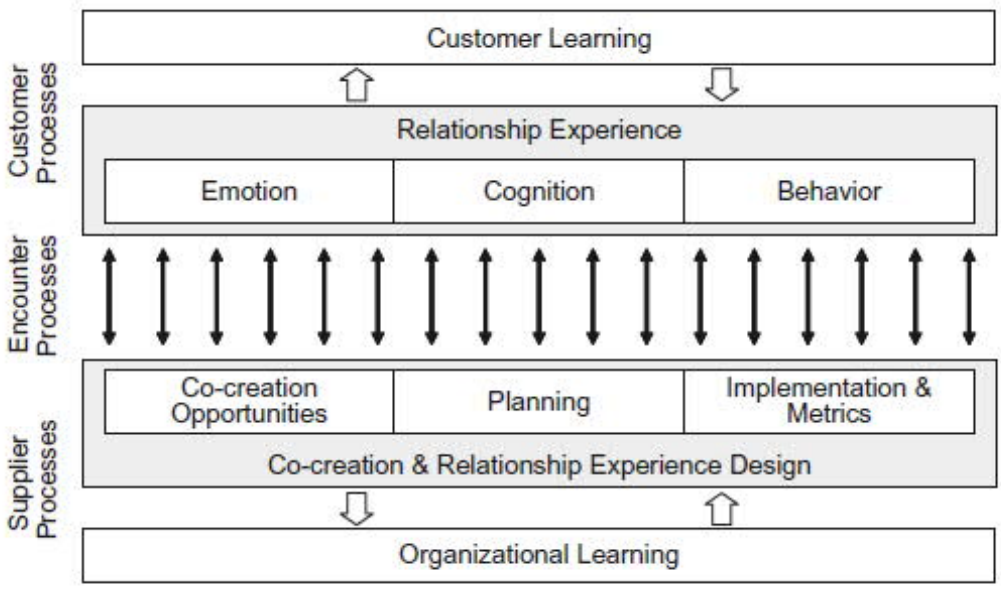


Figure 8-4 - Co-creation model involving organisational learning. Taken from Payne et al. (2008:86)

8.3.11.2. Technical capabilities

Technical capabilities are evidently all the know-what and know-how involved in the profession of being a consultant, in all the 3 Stages of the consulting cycle. The technical capabilities relate to the steps that Aarikka-Stenroos and Jaakkola (2012:22) posit as the "solution delivery cycle ", and most specifically to "expert knowledge" and to "diagnosis skills" resources (or for that matter, capabilities) which also follow steps proposed by Tuli, Kohli and Bharadwaj's (2007) empirically based research about *solutions* delivery.

Nearly all of the consulting interviewees emphasised the need to master a technical competency, which may involve matters of technical contents, firm's experts insights, implementation methods, knowledge of the customer, practical experiences and ways to structure complex business problems solutions with limited resources and under conditions of uncertainty (ref: CONS1i, CONS2m, CONS-P1o, CONS-P2a, CONS-P3o, CONS-P4a). Consultant's knowledge is arranged around cases, experiences and methods (Werr and Stjernberg, 2003), and kept in explicit-implicit cycles (Nonaka, 1995).

The acquisition of technical capabilities by the consultants is expected while executing consulting engagements (Sarvary, 1999) as referred by CONS7n, CUST2a, CUST4a, CONS-P3o, and CONS-P4o. Industry knowledge and customer value creation logic (Stabell and Fjeldstad, 1998) were also frequently brought into the conversation (ref: CONS1c, CONS2c, CONS3c, CONS8d, CUST6a) as required knowledge in the consultant intellectual capital to be effective and solve customers' problems expeditiously.

CONS-P1m discussed that consultants have to be really good at a technique or field of practical knowledge…"*you play to your proven expertise of having delivered projects*".

Turnover of consultants is disliked by customers because of the uncertainty of the replacement of formerly acquired capabilities. CUST6o discussed as *unforgivable* a lack of knowledge-of-the-customer transfer among rotating members of the same

consultant, being a disseminative capability as discussed by Mu (2010). CONS8n related how his relationship with the customer helped him to prevent a perceived problem due to rotation of consultants in a similar circumstance.

In general terms, all customers and consultants interviewed in the first round of interviews[86] agreed that the technical capability and experience of a consultant with similar projects is expected by the client to reduce risk and uncertainty, and to maximise the investment of the customer in time and resources by avoiding trial and error. Mastering a solution may contribute more effectively to value creation and therefore improve customer re-purchase intentions (Schertzer et al., 2013; Whittaker et al., 2007).

8.3.11.3. Relational capabilities

The impact of relationship management to value creation has been researched extensively (Grönroos, 1997; Zolkiewski and Turnbull, 2002; Heinonen et al., 2013; Corsaro and Snehota, 2010; Grönroos, 2011a; Eggert et al., 2006; Ulaga and Eggert, 2006). Relational capabilities were unsurprisingly, unanimously addressed by the interviewees as a very important factor in value co-creation by both customers and consultants interviewed. However, little was found in extant literature describing them as a bundle of skills aimed to consulting value facilitation.

Yang and Lai (2012) researched relationship learning from a perspective of organisational knowledge *stores*, where they use the term *stores* as reservoirs of knowledge. Recalling the definition of capabilities by Day (1994:38) as "complex bundles of skills and accumulated knowledge, exercised through organisational processes that enable firms to coordinate activities and make use of their assets", it can be assumed those reservoirs of knowledge equal to capabilities ready to be applied.

Yang and Lai (2012) posit that an organisation relational-stores (or capabilities) are developed from relationship-learning. Relational-learning in turn is argued to be

[86] The concept of technical capabilities was not explored in further iterations of interviews as not being a key construct in the research question.

composed by: (1) Interactional capabilities, (2) Functional capabilities (3) Environmental capabilities, and (4) Interpersonal capabilities. These capabilities have been mapped with those emerged from the analysis of the interviews and reflected in Table 8-3**Error! Reference source not found.**.

Relational skills have been discussed as a mix of communication capabilities, negotiation capabilities, ability to engender trust, conflict management skills, emotional intelligence empathy and a sense of honesty and justice. These traits can be interpreted as attributes from behaviours embedded in business processes or even in a firm culture (Vesalainen and Hakala, 2014). Being such a critical part of co-development of value, it is suggested that the development of relational capabilities, colloquially known as *soft-skills* by the consultants interviewed, should be deliberately addressed with a value co-creation perspective in mind (ref: CONS3o, CONS5[b+o], CONS6p, CONS8o, CONS9o).

Customers value the transfer of capabilities from the consultants to their resources, so that the solution implemented can be sustainable. However, CONS6[h+o] discussed that each customer and company has a learning absorption capacity of their own, which is primarily determined by leadership vision and intentionality. In fact customers could benefit most from elevating those acquired capabilities into dynamic capabilities (i.e. capabilities that develop those learned capabilities).

CUST9e confirmed the discussion, noting that companies tend to underestimate the required time for the absorption of consultant's knowledge. The customer's knowledge or operant resources involved in co-creation do have an exposure to learning while collaborating with consulting services. The effectiveness of knowledge transmission to, and the learning receptiveness of the customer team, affect the overall consulting service attainment of value proposition goals (ref: CUST3a, CUST4h). This will be further discussed in Section 8.3.11.4.1.

Absorptive and disseminative capabilities in the role of knowledge management in co-creation will be further discussed in the next section as dynamic capabilities. However they have a deep interaction with relational capabilities in order to be effective.

Two discussed examples of unmet customer expectations of consultant's capabilities:

CUST6o explained that he became quite concerned when a consulting firm had failed to share prior customer's knowledge among the newly professionals assigned,

CUST7o discussed having sent their employees to training before a project started, aiming further to obtain the best knowledge from the consultant and to be able to challenge the consultant as a more demanding customer. CUST7o later related his annoyance when he discovered that the consultants that were assigned had been attending the same external training as his own professionals.

Conversely, CUST4e related a case where a Board member asked her to retain the consultants for additional time, so that the knowledge from the project could be assimilated into the bank's culture. She suggested that an organisation's leadership should model learning behaviours on willingness to learn, lack of arrogance and a spirit of re-inventing itself. In contrast to the aforementioned positive attitudes, arrogance and self-sufficient traits in the corporate culture are to be avoided, as learned from CUST4l's consulting usage experience.

CONS9o was also very specific about consultants' training in relational capabilities when the consultant is promoted in the consulting managerial ladder and his or her new responsibilities grow, in order properly to cater for customers' change needs. Altogether, the relationships of the newly promoted manager with his staff also pose new challenges to the new consulting manager.

Relational skills require deliberate training in order to become effective quickly and to avoid possibly costly mistakes. As McCallum & O'Connell (2009) cite, *building and mending relationships* are among the competencies most often sought for in leadership development.

CONS9o noted that frequently those skills depend on the style of the new manager's leader, but not every leader is naturally inclined to invest time in developing relational capabilities. On the contrary, the leader may just assume that the new capabilities required by a manager are intuitively developed [87]; CONS9o argued that

[87] A related theme not directly aligned with the research, however discussed by a few interviewees is that a selective recruiting will provide better soil where to seed and grow the right discussed capabilities.

[the difference between] "having good people or average people is partially determined by the involvement and dedication of their mentors ".

In summary, relational capabilities are a key component of value facilitation in the role of enablers of effective interaction. Through interaction, a *value base* is transferred to and co-created with customers. However, the ultimate perceived value for the customers emerges in their own processes. Thus, if the consultant manages successfully to align its resources and capabilities with its customers' internal processes, the discussed *value base* is turned into customer perceived value, within customer's own processes (Grönroos, 2004).

8.3.11.4. Capabilities that build capabilities

Capabilities that build capabilities correspond to the category of dynamic capabilities (Teece, 2009; Helfat et al., 2007; Zollo and Winter, 2002), being those that allow an organisation to orchestrate its operational capabilities to create value, and are also the umbrella under which the strategic learning process occurs (Senge, 1990b; Petersen, 2010). For instance, following CONS2l's discussion, a consultant should be able to assist his or her customer in understanding the implications of a changing business environment, e.g. providing for the development of market sensing and/or market seizing dynamic capabilities (re:CONS2d).

Each consulting firm commands arrays of capabilities to serve their customers that ideally differentiate them from other consulting firms (re: CONS3o, CONS8c, CONS-P3o, CONS-P4c). Capability development is the outcome of a firm's dynamic capabilities over time, in line with Wang and Ahmed (2007). It can be suggested that two key assets of a consulting firm are: (1) its consultants and the social contract the firm holds with them[88], i.e. the firm's explicit and implicit knowledge, and (2) the firm's relationships with customers, i.e. its relational capital (ref: 8.3.11.3).

Several interviewees' experience is that: (a) learning takes time, and (b) a firm's community can never stop learning and self-reflecting on strategic capabilities

[88] i.e. the keeper of stash of knowledge and capabilities

requires looking beyond the obvious to serve their customers (e.g. CONS1i, CONS2d).

The need for technical capabilities is self-evident, however, a *sixth-sense* developed to issue a value proposition, having reflected on customer's needs and on how the consulting firm capabilities can provide differentiated value, as discussed by CONS4[c+o], should not be a *sixth-sense* but a learned dynamic capability of the consulting firm. Such dynamic capability should be the governing process of organisational learning at the supplier (consultant) as shown in Figure 8-4 **Error! Reference source not found.** .

An example of capabilities that build capabilities was set forth by CUST6o, highlighting the critical importance of organisational learning (a dynamic capability) for the future of their company … [*a critical error*] *would be to think we will be keep doing well in the future* [*looking at our past success*]*... the consultant should confront me so as to change my mental models … thus, we should then become a learning culture, that challenges itself* .

Bowman & Ambrosini (2007) hinted a *reflection stage* as a maintenance activity, being the last step of firm's activities to value creation with a resources view of the firm. Such a stage deals with firm strategy management and competitive strategy, which has been depicted as *consultant reflection*, i.e. the last box of co-creation model in Figure 8-2, as well as the value box stage from the following model taken from Ngo and O'Cass (2010).

8.3.11.4.1. Absorptive and disseminative higher order capabilities

"The competitive weapons of firms essentially lie in their capacity to acquire information and create knowledge" (Mu et al., 2010). Customers hire consultants because they bring knowledge, know-how and know-what to the exchange (see Section 8.3.1).

Knowledge for the consultant implies learning, processing and re-combining with current firm's knowledge and transferring the knowledge. Absorptive capability is a dynamic capability that allows firms to successfully generate innovations and increase performance. It has been suggested as a critical capability that must be

present at customer side for customer value creation (Ferreras-Méndez, Newell, Fernández-Mesa and Alegre, 2015).

Absorptive and disseminative capabilities are packaged into a consulting relationship and become a component of interaction (Figure 8-5), aligned with the objectives of co-creation, both at the customer and at the consultant. The creation of capabilities by sharing, combining and creating knowledge is a source of competitive advantage, particularly when that knowledge is difficult to imitate (Vargo and Lusch, 2004; Grant, 1996b; Zahra and George, 2002; Grant, 1996a). Based on analysis from the interviews, capabilities, both operational and dynamic, are developed and intervene at the molecular level of interaction and co-creation.

Several of the interviewees emphasised that knowledge for the consultant is only useful when it is practical (ref: CONS-P1m, CONS1a, and CONS2a; see also section 8.3.1). That can be translated into a higher order or dynamic capability because reflection is required to discriminate and rule absorption, sharing and usage processes of information in order to be practical. Practical knowledge means knowledge useful for an objective, which in our case is co-creation of value. Likewise, Zahra and George (2002) argue that firms must establish routines and processes to acquire, assimilate, transform, and exploit knowledge and produce a dynamic organizational capability.

Lastly, all three categories, technical, relational and dynamic capabilities (Sections 8.3.11.2, 8.3.11.3 and 8.3.11.4) interrelate and are difficult to isolate one from the other from the context of a consulting assisted endeavour. CUST9o discussed that consultants should bring people of excellence in their field of their technical specialty, while another facet should be a consultant proficiently managing interpersonal relationships, developing empathy, trust - plenty of trust at CXO level or the customer will not disclose his or her real pain points.

CUST9o added that a consultant should be curious, proactive and demonstrate leadership, and on the other hand, have a capability to verbally express his or her ideas on matters of possible uncomfortable nature for the customer to hear.

The following Table 8-3**Error! Reference source not found.** summarises capabilities discussed by both customers and consultants as foundational to the role of value facilitation by the consultant and value creation by the customer in a consultant-assisted initiative. Capabilities overlap with other capabilities interacting in a dynamic context, or in other words, they are not intended to be described as identifiable separable parts of machinery.

Capabilities expected to be possessed by the consultants, discussed by customers and consultants as argument to support the hiring and retention of consultants, which are aimed at solving complex business problems	
Type of capability	Capabilities
Technical / Operational	Technical subject competences and specialisation (e.g. information technology, finance, strategic transformation, human capital, etc.), derived from experience and formal learning / Functional capabilities (Yang and Lai , 2012; Aarikka-Stenroos and Jaakkola, 2012) Methods in the way of practical instructives, based on former experiences or know-how (Aarikka-Stenroos and Jaakkola, 2012) High ethical standards, including quality and reliability. Agree and document scope of work … say what you will do and do what you said Project management and initiative leadership (Aarikka-Stenroos and Jaakkola, 2012) Understanding of the customer; customer business logic or industry knowledge (Aarikka-Stenroos and Jaakkola, 2012; Flint, 2011) Industry knowledge and understanding of customer value creation logic (Grönroos, 2004) Knowledge transfer (Aarikka-Stenroos and Jaakkola , 2012) with the customer and among consulting team-members / Disseminative capacity (Mu et al., 2010)
Relational / Operational	Trust. Honour commitments. Keep promises. Communicate accordingly (Doney and Cannon, 1997; Renn & Levine, 1991) Emotional intelligence (Mayer and Salovey, 1993) / Empathy / Interpersonal capabilities (Yang and Lai , 2012; Aarikka-Stenroos and Jaakkola, 2012) Manage difficult conversations and issue objective and unbiased judgements (Renn & Levine, 1991). Manage customer expectations (La et al., 2008; Patterson, 2000; Patterson et al., 1997; Zeithaml and Parasuraman, 2004). Manage change considering context and customer's political implications and personal agendas (Aladwani, 2001) Transparency and honesty (e.g. with billable hours, or with experience of the team) (Doney and Cannon, 1997)

Capabilities expected to be possessed by the consultants, discussed by customers and consultants as argument to support the hiring and retention of consultants, which are aimed at solving complex business problems	
Type of capability	Capabilities
	Professionalism: act in customer's best interest (Doney and Cannon, 1997) Conflict management, teamwork, negotiation and managing difficult conversations (Amason et al., 1995) Communication of ideas, from value proposition to solution progress; objectiveness, persuasiveness. Interactional capabilities (Yang and Lai , 2012; Corsaro 2014) Active listening / Interactional capabilities (Yang and Lai , 2012)
Dynamic capabilities	Reflectiveness about the co-creation process. (Bowman and Ambrosini, 2007). Reflectiveness about capabilities needed for co-creation (Möller, 2006) Customer value anticipation (Flint et al., 2011) Brokerage. Capability to match customer needs with firm's capabilities (Grönroos, 2004) Sensing for market opportunities. Absorptive capability (Wang & Ahmed, 2007) / Environmental capabilities (Yang and Lai , 2012) Practical knowledge. Reflection of theoretical knowledge and experiences towards customer value creation Knowledge management as absorptive and disseminative capacities of co-creation (Mu et al., 2010) Value creation strategic learning (Thomas et al., 2001; Petersen, 2010)

Table 8-3 - Capabilities expected in consultants looking to value facilitation

8.3.12. Capabilities that become a standard of expected behaviours, and therefore a culture

This discussion will assist in responding to a seemingly not so relevant word that was included in the final research question. This concept that emerged after the research iterations and data analysis: What arrays of capabilities and interaction are required for management consulting sustained value-facilitation?

Alvesson (2002) discusses *organisational culture* as the importance for people of symbolism - of rituals, myths, stories and legends – and about the interpretation of events, ideas, experiences, meanings, values and understandings which inform people and which are expressed, reproduced and communicated in a partly symbolic form.

Given that the subject of corporate culture was explored mainly within the context of the observable perspective of the consultant, only two customers provided insightful and enlightening responses.

The construct of capabilities becoming an extricable part of the culture of an organisation aligns with Vesalainen and Hakala's research (2014); they have discussed that it is possible to interpret relational skills of a firm as organisational attributes embedded in routines, processes and even as part of a firm's culture. Chirico & Nordqvist (2010) have also researched family businesses with strong organisational culture and entrepreneurship as a dynamic capability that recombines knowledge along generations towards value creation. Private consulting partnerships share some organisational culture traits of the family owned businesses, as discussed in sections 2.3.4 and 2.3.6.

This research contributes by additionally considering peculiar organisational attributes in the form of a firm's culture as a characteristic of a management consulting service system oriented to customer value co-creation. Similarly to the family business research discussed above, organisational culture allows for trans-generational business sustainability, recombining knowledge and adapting to new markets.

Several examples from the interviews are discussed below.

> CUST4p argued that the consultant has to enact a complete declaration of what the consulting firm is or intends to be. Therefore, talent processes, starting with recruiting and development should continuously prepare the generations of experts for the consulting organisation's forthcoming years.
>
> CONS1p has been quoted saying '*my job is that the customer becomes successful, plain and simple'*. He went on to say … [*and our management's job is that this mind-set becomes day to day behaviours, assimilated into our people's veins*][89]. Hence the self-replication of processes that enable the facilitation of perceived-customer-value should become a commonly accepted way of doing things for the consulting firm, as expressed by CONS2p.

[89] Summarized by the researcher

CONS2p and CONS9p suggested that the mentoring of young professionals about the said processes must be ingrained in talent and performance management processes, where organisational learning for the same matter is one of the mechanisms that help doing things better each time.

From the customer perspective, CUST8p said that in a consulting professional he would look for an attitude willing constantly to learn and a capacity immediately to apply the knowledge consistently. He discussed his experience of having found either: (1) many people with high learning disposition, but who keep their knowledge at a theoretical-academic level, or on the other hand (2) prone to action professionals with low learning attitude. That mix of execution capability and continuous learning should be a characteristic of a consulting firm according to CUST8p.

CONS1p and CONS6p alleged that consulting firms' leadership have an aspiration that their particular corporate culture will be absorbed in professional's veins. Such culture would imply essential interpersonal skills like listening to the customer, relationship skills and collaboration traits of a particular style identified with their brand name. CONS5p added that such traits may eventually be distinctively perceived by customers as a unique print of the value facilitation capability of a specific firm.

Nevertheless, it appears difficult to verify the immediate return on investment of teaching and learning those *soft-skills*, as CONS6p and CONS9o discussed, skills which are demonstrated as behaviours[90]. CONS6p and CONS9o emphasised that these are skills that a consulting firm should strategically develop and evolve into the strategic imperatives for developing a consulting firm's progress, challenging traditional learning schemes. Both consultants argued that this effort should be intimately related to the intangible characteristics of the professionals capable to facilitate value, beyond purely technical skills.

[90] One interviewee said hearing an executive ask…"how do you compute the payback of behaviours?"

CONS9p expressed a firm idea about the benefit of building a firm's culture, and how more experienced consultants have the duty of coaching and mentoring younger generations inspiring the enthusiasm into everyone to share their knowledge, fears and expectations beyond purely mandatory firms' learning. CONS9p shared his experience of having put these ideas into practice. He related having developed closed circles of learning and improvement, particularly about non-statutory *soft-skills* learning. CONS9p continued by citing an example of former days when he was a young auditor, with a supervisor that was a good hands-on mentor. The mentor compelled the then young auditor to act, try and practice … 'do but ask in case of doubt', compared with leaders that just issue directive orders and neglect the time to teach and guide.

New generations of highly qualified professionals do not tolerate that *do-as-I-say* old style as described by CONS9p. If young bright professionals are only *bossed* around, they may soon quit the firm. The experience transmitted emphasised the importance to maintain leader's interest and abilities to mentor and coach younger generations of consultants, motivating the skills and behaviours that enable a value facilitation learning culture.

8.4. Preliminary Conclusions

This section aims to separate and make explicit a difference between the data, analysis and discussion of the constructs identified, and the data and discussion that supports the synthesised frameworks emerging as preliminary conclusions of the research and which will give way to a final syntheses in the following section.

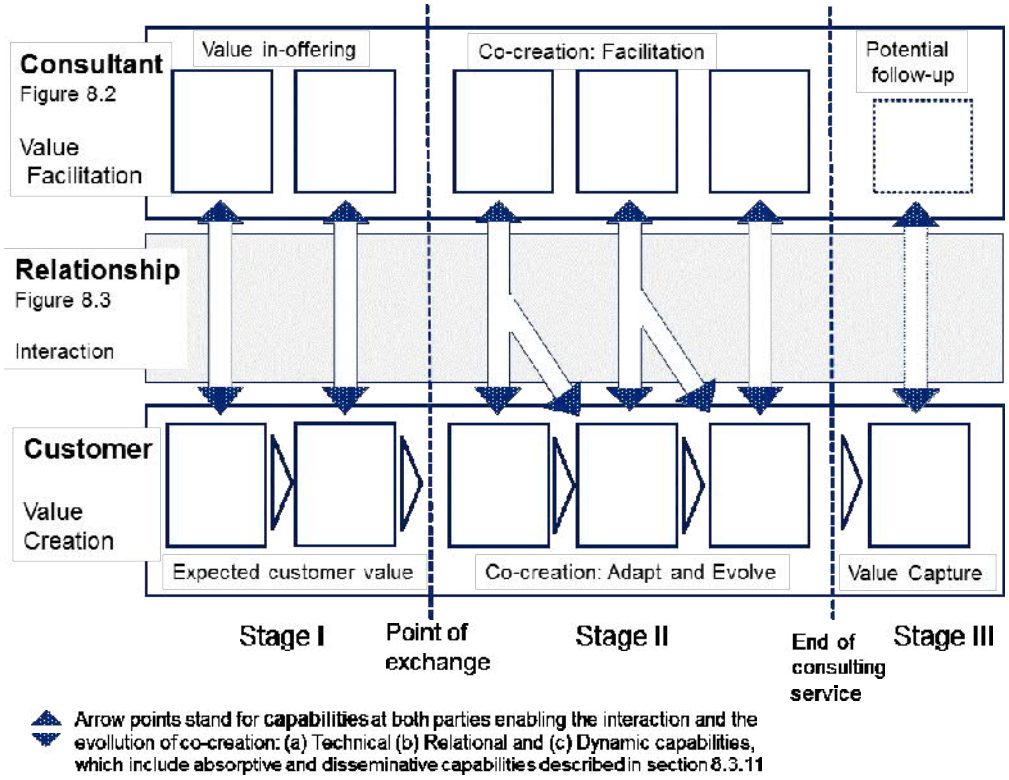


Figure 8-5 - Schematic summarising key concepts of co-creation in a consulting-assisted initiative

8.4.1. Value co-creation

The Figure 8-5 is intended to explain the integration of several concepts discussed in isolation in extant literature. The three theoretical foundations of the diagram in Figure 8-5 are:

- Value is only created by the customer; the consultant acts as facilitator (Grönroos and Ravald, 2011).
- Relationship is foundational to the co-creation process because it is also the basis that allows adaptation, change and evolution which happen through interaction (Moeller et al., 2013).
- Both customer and consultant engage in a mutual learning spiral, or as Helkkula et al. (2012:61) describe it, a "hermeneutic spiral of individual and collective making sense" which cradles acquisition, development and sharing of all types of capabilities (discussed in Section 8.3.11). Co-creation requires absorptive and disseminative capabilities of knowledge transfer (described in Section 8.3.11.4.1).

It may be fair to suggest that value is co-created through the facilitation of the consultant, who in interaction with the customer assists the innovation, evolution and adaptation of customer's capabilities, dynamic capabilities and business processes. This argument is in line with Grönroos and Ravald (2011) who posit that the supplier and the customer co-produce value through interaction and that suppliers produce value propositions and may potentially collaborate in further value fulfilment. Value has been argued as co-created by interaction (Grönroos, 2008) but to the knowledge of the researcher, no further detail has been discussed about the role of specific capabilities enabling such interaction.

Interaction is a dialogical process (Grönroos and Voima, 2013) and implies a relationship, particularly in a person to person, high credence business such as consulting (see section 8.3.10.2). Such relationship implies relational (operational) capabilities both at the customer and at the consultant, however, as emerged from the interviews, the relational agenda tends to be led by the consultant (see section 8.3.10). These relational capabilities need to adapt according to the stage of interaction.

Vargo and Lusch (2008b:7) argued that "operant resources are the fundamental source of competitive advantage", which may be interpreted as developing VRIO knowledge resources i.e., S-DL has been discussed as being too generic to be useful. In order to avoid this inconvenience, this research has chosen to deepen into the subject of capabilities to be able to explore and shed light into the role of knowledge in value creation.

The absorption of knowledge and capabilities from the interaction is enabled by disseminative (usually by the consultant) and absorptive (usually by the customer) dynamical capabilities; for co-creation to happen, complex arrays of capabilities are needed by both parties, the consultant and the customer. For instance, a willingness and decisiveness to change and to be changed, needs to be embraced by the customer as discussed in section 8.3.6. Contrastingly, Grönroos (2008) had noted that a customer that does not have the capabilities to use the services or resources provided by the supplier might end up with a null value-in-use.

The bifurcation of the arrows to the right in Figure 8-5 imply that a building block of value co-creation has been achieved.

At the end of Stage III the customer should end up accomplishing all or some of his or her expected value capture, which may be validated and followed up by the consultant, once more in a different relational context. This value captured should have left the customer in much better position than he or she was before engaging the consultant as per value defined "the improvement of a service system *well-being"* (Vargo et al., 2008: 149).

The consultant benefits from the exchange mostly in terms of: (1) an economic payment, which may be used to create value for the consulting firm, (2) improvement of the consultant's knowledge stores (capabilities) i.e. value facilitation potential (Lowendahl et al., 2001; Fosstenløkken et al., 2003), and (3) increased reputation.

8.4.2. Organisational learning to build value facilitation capabilities

How does a consultant learn to facilitate value? Professional Services firms have been discussed as legacies of master-apprentice practice development (Maister, 1993). Why is that so? Is there a way to make that said knowledge transmission into a deliberate business process?

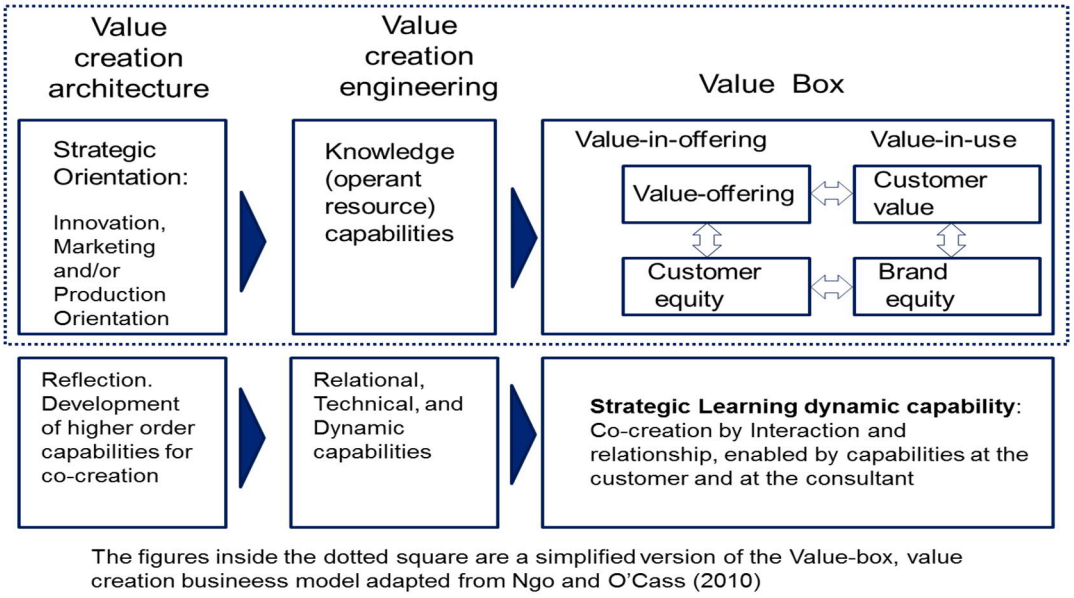


Figure 8-6. Suggested evolution of "value box" by Ngo and O'Cass, (2010) into a Strategic Learning Dynamic Capability

A strategic learning dynamic capability (SLDC) is proposed in order to take one step deeper into the *value creation architecture* argued by Ngo and O'Cass (2010) (Figure 3-8), elevating it to a dynamically connected higher-order capability, with a deep interaction with customer relationship, as shown in Figure 8-6. This proposed enhanced approach involves SLDC as a formal step of reflection of development of capabilities for customer value creation.

Relationships have been persistently introduced as a foundational element in the co-creation of value (Lindgreen and Wynstra, 2005), which is supported by this research. The suggested evolution of value box in Figure 8-6 makes explicit the relational and technical capabilities involved into the crafting of the *value creation engineering* following the schematic order of Ngo and O'Cass (2010), and following the proposed classification of operational capabilities in Section 8.3.11.

It appears fair to suggest the reflection stage i.e. the final stage of the Model in Figure 8-2, as the engine that deliberately, in the role of SLDC enables evolution and adaptation emerged from interaction, towards value co-creation (See Figure 8-5, Figure 8-4 and Figure 8-6). If this is true, then SLDC may be proposed as a key dynamic capability in the development of the strategy of a consultant.

8.5. Synthesis

So far in this chapter, we have undertaken a detailed analysis of the constructs that emerged from the data.

In retrospective, those constructs were extracted by pattern identification from the analysis template that was used to compile the pieces of data interpreted and analysed from the interview's transcripts. The following and final process of the research aims to synthesise the key mainstreams that will respond at a high, integrative level to the research question, which will be discussed in the rest of this section.

8.5.1. Response to the Research Question

This section is introduced as an overall response to the main Research Question:

> *What capabilities context is required for management consulting sustained value-facilitation?*

The response is complex and cannot be provided just by listing the capabilities. The context has to be described to show how capabilities, both at the consultant and at the customer interact and combine enabled by a relationship through which customer value facilitation takes place.

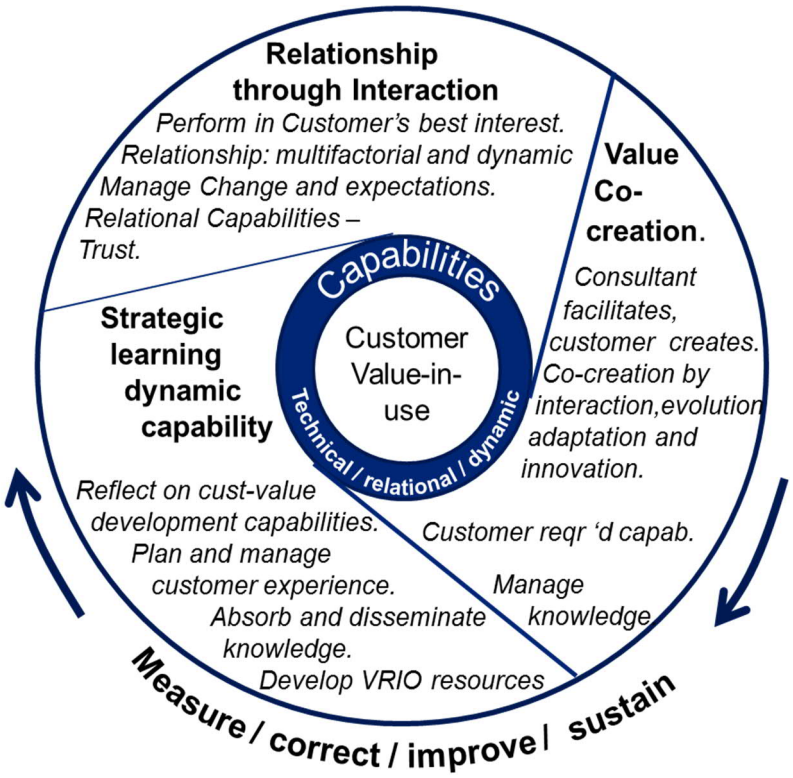


Figure 8-7. Synthesis. Response to the research question: "What arrays of capabilities and interaction are required for management consulting sustained value-facilitation?"

8.5.2. Creation of value in management consulting

The objective of any consulting assisted initiative is to accomplish the mutually agreed result, which is something the customer wants, for his or her own purposes and implies

value creation, i.e. “the improvement of a service system well-being” (Vargo et al., 2008:149). Usually the said objective is related to a solution (Tuli et al., 2007) to a complex business problem, that the customer does not have the resources or capabilities to address on his or her own.

Both Service Logic (Grönroos & Gummerus, 2014) and Service Dominant Logic (Vargo & Lusch, 2008b) provide intellectually powerful concepts explaining co-creation and service. However, the volume of empiric research in management consulting and Service Logic has been scarce.

Value co-creation is not achieved only by fulfilling roles and having the resources but by the right relationship and interaction of parties with diverse capabilities (listing in Table 8-3), and behaviours on both sides, e.g. customer engagement (Jaakkola and Alexander, 2014). Consultants cited frequently the lack of customer knowledgeable resources involved in the project as a cause leading to failure in the achievement of customer value.

This research attempts to increase the understanding of the concepts of SL and SDL by exploring an empiric consulting context, and to shed light in the interconnectedness of co-creation with relationship and capabilities/dynamic capabilities. This research suggests that co-creation is achieved by a re-combination of the capabilities of the consultant and the customer, by means of adaptation, innovation, change and evolution. The consultant indeed can be a catalyser of change and evolution, as CUST4c said “ *We can produce a lot of quick value being accompanied by the right expert that knows our business*”.

Discussions with interviewees confirm that the only value created is customer value-in-use, notwithstanding consultants marketing slogans about delivering performance and value; (they possibly mean to say that they are competent in facilitating customer performance and value). The customer is the ultimate judge of value creation, in line with S-DL tenth foundational premise … “Value is always uniquely and phenomenologically determined by the beneficiary… Value is idiosyncratic, experiential, contextual, and meaning laden” (Vargo & Lusch, 2008b:7). However, this does not imply the consultant leaves the exchange with no benefits. The consultant receives an economic reward and increases the firm’s value facilitation potential by knowledge acquisition (Lowendahl et al., 2001; Fosstenløkken et al., 2003), firm’s reputation and brand name enhancement.

If the above is true, then two conditions and two caveats follow from the research:

(1) The *holy-grail* of consulting should be making the customers successful, working in the customer's best interest and developing long lasting relationships and reputation (see Section 8.3.9).

(2) The customer has to create value, so he or she needs to assign knowledgeable resources to the endeavour (see Section 8.3.5). The consultants cannot build value without the customer.

Four characteristics of co-creation are highlighted:

(1) Co-creation is not linear; it develops iteratively (see section 8.3.8). Co-creation evolves by learning, adapting and improving, and is frequently compelled by a *sensing* dynamic capability in order to adapt to, and/or capture a market opportunity (see Section 8.3.4).

(2) Co-creation does not imply an equitable win-win outcome for both customer and consultant, because value-in-exchange (i.e. money billed and paid for service) depends on other variables related to market forces and buyer-seller bargaining context (see Section 8.3.5.1).

(3) Value can not only be created, it can also be destroyed, for instance if either the consultant or the customer does not bring the right capabilities to the exchange (see Section 8.3.9.1).

(4) The need to manage absorption and transfer of knowledge, requires absorptive and disseminative capabilities. These capabilities can also take a major role in the form of higher-order dynamic capabilities (see section 8.3.11.4.1). Two customers CUST2f and CUSt1d discussed one of the consultants' roles as *knowledge brokers* so, needs-solutions brokering is another expected capability. See Table 8-3.

Co-creation profile and intensity varies at each one of the stages of the consulting cycle (see Section 8.3.8). From assisting in building a value-in-offering and communicating it (Stage I), to facilitating value construction and providing the adequate capabilities and

knowledge transfer (Stage II), and lastly confirming value-capture and sustaining the relationship (value-post- Stage III). Refer to model in Figure 8-2.

8.5.3. Relationship

Consulting is: (1) a high credence business, where information asymmetry is the constant (Howden and Pressey, 2008), and (2) a relational industry, dependent on people (ref: section 8.3.10).

Gummesson (1998:247) had noted that "an unsold product has no value, and a service provider without customers cannot produce anything" so value is not produced in a void, but through interaction in a relationship with customers, and likewise a product or service unconsumed is without value (Priem, 2007). Relationship and therefore relational capabilities like trust (and all behaviours it involves) are at the core of the value co-creation process (see Figure 8-3).

Relationship was described by the majority of the interviewees as developed by trust, honesty and honouring commitments, and relationship is strongly moderated by prior successful value-creation interactions (Schertzer et al., 2013; Whittaker et al., 2007); so that the relational capital (Marr, 2006) of a consulting firm may be one of its greatest assets.

One of the reasons that may support private partnerships (ref: Section 2.3.6 and Table 2-1) as the preferred governing mode among consulting firms is that giving firm ownership to the owners of key customer relationships is a powerful relationship-retention mechanism (i.e. otherwise partners take their relationships with them when they leave, as CONS-P2n noted).

Communication is a foundational relational capability, as well as interpersonal skills (see Table 8-3 and section 8.3.10) like empathy and listening to the customer, which are basic capabilities for every consultant. As CONS-P2l notes, human related problems are more complicated than technical ones. Nevertheless, interactions, in order to flow in the desired direction, do require specific relational capabilities to be effective, like negotiation, conflict management and team-work (Amason et al., 1995). It is suggested that value perceptions are developed through mutual communication and interaction.

Relationship is contextual and dynamic through the stages of a consulting relationship and is different in every customer, depending on person to person interaction (ref: Figure 8-3 and Table 8-2). Interactions happen in a hermeneutic spiral of making sense, confirming research by (Helkkula et al., 2012); as CONS7l commented, projects always evolve and almost never finish as they were exactly envisioned.

Consultants appeared more conscious of the importance of relationship than customers did (see Section 8.3.10); whereas the customers generally speaking, tend to fall more into buyer-seller stances, preserving their bargaining power (Cannon and Perreault, 1999; Möller, 2006), particularly during Stage I. However, when the consultant understands that only the customer creates value, it may become evident to the consultant always to act in the customer's best interest and to manage his or her firm's performance metrics accordingly (ref Section 8.3.9).

Two situations were discussed within day-to-day life of consulting life and relationships: (1) Change management, and (2) Customer expectations management, briefly described as follows:

> Management of change emerged a necessity in every implementation project (see Section 8.3.6). Notwithstanding, its complexities are seldom expressed in work-plans or business-cases. Personal wins, human aspirations, power lines, resistance to change (and/or resilience of old organisational habits) and perceptions of intentions are examples of complex social problems (Aladwani, 2001), and may easily and inadvertently block co-creation initiatives if not timely addressed.
>
> Management of change involves relational capabilities almost always non-existent or latent at best in customer's *stores* of knowledge (Yang and Lai, 2012), and are therefore expected to be provided by the consultant. However, their need tends to be underestimated by the customer when the value idea is conceived (see section 8.3.6).
>
> Honest management of customer expectations forms the baseline for further phenomenological assessment of value and customer experience, in connection with meeting commitments which as described, accrue to trust (Doney & Cannon, 1997). Expectations management has to be a constant through all consulting cycles, with all due context situation (see Section 8.3.7).

Relationship is dynamic, complex and multi-factorial (see Section 8.3.10).

If customer value is achieved as expected, most likely the customer-consultant relationship improves, and the possibilities for the consultant to be retained by the customer for further opportunities increase (Whittaker et al., 2007; Schertzer et al., 2013). Also refer to Section 8.3.9.

8.5.4. Capabilities

Capabilities, formed by bundles of specialised knowledge (Day, 1994) have emerged as the basic level of co-creation and interaction. Vargo & Lusch (2004) noted that value is created by customer's (knowledge) operant resources. However, a consultant fills-in for capabilities that the customer lacks contributing to specific, time-bound customer value creation initiatives.

The literature tends to classify capabilities into operational (managerial, technical and marketing) and dynamic (Zubac et al., 2010). For the purposes of this research and its pursuit of explaining value co-creation, based on data from the interviews (e.g. CONS-P1o), this thesis proposes to classify operational capabilities into technical and relational (see Table 8-3) as a more adequate classification in the context researched.

Technical capabilities are important because they involve the contents of the integration of resources that provide a solution (Tuli et al., 2007; Aarikka-Stenroos and Jaakkola, 2012). Several consultants emphasised the need to master a technique (see Section 8.3.11.2), and industry knowledge and customer value creation logic were also discussed as key technical capabilities (see Section 8.3.3).

If technical capabilities are delivered below expectations the customer experience may be compromised by broken expectations in technical quality (Grönroos, 1984). Mastering a solution may contribute to value creation and therefore to customers' re-purchase intentions (Schertzer et al., 2013; Whittaker et al., 2007).

Customer value has been argued to depend on customer experience (Helkkula, 2012). However, the customer experience is observed from a complex mix of capabilities of the consultants, so the consulting professional workforce becomes the embodiment of knowledge and of the delivery of the contextually dependent customer experience (Von Nordenflycht, 2010; Smedlund, 2008).

Relational capabilities are a key component of value facilitation as enablers of the interaction with varying degrees of effectiveness. Through interaction, a *value base* is transferred to and co-created with customers; however, the ultimate perceived value captured (Priem, 2007) for the customers emerges from their own processes. Thus, if the consultant manages to successfully engage its resources and capabilities with its customers' internal processes, the discussed *value base* is evolved into customer perceived value, staying within self-customer's processes (Grönroos, 2004).

The term *relational capabilities* is a grouping term that encompasses several specific capabilities. Those emerged during the interviews are described in Table 8-3. Relationship is learned as well as many other capabilities (Yang and Lai, 2012), both individually and collectively. The relational capabilities of the customer-facing professionals are resources that support those consultants in the responsibility of performing a major part of the overall customer experience, and therefore of the assessment of value.

It is fair to assume that the development of relational capabilities, colloquially referred to as *soft-skills* by the consultants interviewed, should be deliberately addressed with a value co-creation perspective in mind (ref: CONS3o, CONS5[b+o], CONS6p, CONS8o, CONS9o), in accordance with McCallum & O'Connell (2009).

When specific sets of relational skills are continuously repeated and reinforced, they start becoming ingrained into a firm's culture as the way of doing things. These get emulated and disseminated from older partners or executives to younger ones by mentoring (see Section 8.3.12) in a similar way as described by (Chirico and Nordqvist, 2010).

8.5.4.1. Strategic learning dynamic capability

Dynamic capabilities are capabilities that develop capabilities (Teece, 2009; Helfat et al., 2007; Zollo and Winter, 2002; Wang & Ahmed, 2007). "[D]ynamic capabilities arise from learning" (Zollo and Winter, 2002: 340) by means of (1) experience accumulation enacted by organisational routines, (2) articulation and dissemination of knowledge and (3) knowledge codification.

There are several orders or levels or dynamic capabilities (Ambrosini et al., 2009), which explains why the classification between *relational capabilities* and dynamic capabilities

is merely conceptual, since in reality there are overlaps. Two examples were provided by the extant literature:

(1) Absorptive and disseminative capabilities have dual roles in terms of operating knowledge and in terms of developing knowledge capabilities. However in the literature they have been described as dynamic capability (Mu et al., 2010).

(2) Möller (2006:921) proposes a buyer-seller collaborative orientation construct as a "generative or second-order learning capability".

Organisational higher-order learning is described as the leader of both dynamic capabilities and knowledge, which interact under specific market, social and technical contexts to reconfigure operational capabilities and resources and finally achieve sustained performance; learning plays a major role in the creation and development of dynamic capabilities (Ambrosini et al., 2009; Zollo and Winter, 2002). Strategic learning dynamic capability is proposed, aligned with Hubbard et al. (2008) as a consultant's higher-order capability that learns from its customers in order to improve its capabilities that enable customer's value creation.

Two of the consultants interviewed discussed that: (a) learning takes time, and (b) a firm's community can never stop learning and self-reflecting on strategic capabilities required, looking beyond the obvious to serve their customers (ref: CONS1i, CONS2d).

This research suggests that the strategic learning dynamic capability occurs in several cycles, following these steps:

(1) Organisational learning (Senge, 1990a). Establishing the processes to capture experience from past value co-creation. As Easterby-Smith and Prieto (2008) noted, learning capabilities act as the source of dynamic capabilities, which in turn have their perceptible outcome through operational capabilities i.e. orchestration item #4 below.

A good example of applying the learning from former co-creation experiences may come in the form of consultant's brokerage of customers' needs, new knowledge and market opportunities (see section 8.3.4).

(2) Reflection. As a deliberate process of the strategy of the consulting firm (Petersen, 2010) . As a result of this reflection the firm should be able to respond:

   a. Which customers should be subject to invest in the development of a relationship; as CON4l discussed… *not every customer values a relationship [with a consulting firm]* .

   b. Which VRIO capabilities and resources the firm should have (Barney and Hesterly, 2012) in the form of knowledge stores, and particularly relational learning (Yang and Lai, 2012). Differentiated resources may translate into competitive advantages or differentiators (ref: CONS3o, CONS8c, CONS-P3o, CONS-P4c).

   c. However, a consulting firm is differentiated by its people (ref: CONS-P2n), who are the embodiment of the capabilities (Nordin and Kowalkowski, 2010; Von Nordenflycht, 2010) and the providers of the customer experience upon which value is assessed (Helkkula, 2012).

   d. Knowledge absorption / dissemination as dynamic and operational capabilities (Mu et al., 2010).

(3) Orchestration of capabilities and resources. Following from reflection, this may imply deliberate investments, and closes the dynamic capabilities' cycle as per Teece, (2009).

(4) Sustainability of the model. Instilling a particular culture and values may allow a consulting firm to be independent from its founders, so that the organisation may be able to repeat co-creation conducing behaviours by itself, independent of its leaders' supervision. An example was provided by CONS9p in the form of mentoring new generations of consultants.

   a. The strategic learning dynamic capability should measure impact of the aforementioned expenses to customer value creation and return to the

firm's partners an estimation of the firm's market value in order to correct and repeat the cycle.

Finally, it may be fair to assume that the model resulting from complementing La et al.'s (2008) with Woodruff's (1997) described in Figure 3-6 may be confirmed as per this Section 8.5.4.1. La et al.'s (2008) model shows 2 operational capabilities which are implicit in our discussion:

Reputation, which is resulting from continued value-creation track record in any said market, as discussed in Section 8.3.9 and per comments of CONS5o, CUST4m and CONS2m.

Innovation, which is involved as part of co-creation in the process of learn, adapt and evolve, since most of the consultant's learning is derived from doing projects (Sarvary, 1999). Consultants argued that incremental innovation always happens in consulting projects. On one hand the consultant relies on his or her experience of having done the project many times as noted by CONS1h and CONS-P1m, and the customer learns from the capabilities of the consultants (ref: CONS1h, CON6h) while co-developing the project, as discussed in Section 8.3.8.

Chapter Nine: Conclusion

9. Conclusion

> "Value is a function of human experiences. Experiences come from interactions"
>
> (Ramaswamy, 2011: 2)

Everything for a consulting firm stems from facilitating value creation for its customers; so, that is what a firm's strategy should be based on, by developing dynamic capabilities that build VRIO resources in the form of differentiated relational and customer value co-creation capabilities. Value from consulting services is achieved by means of complex arrays of contextual constructs and capabilities, on the part of both customer and consultant. A working relationship developed among the parties enables the combination and operationalization of the capabilities by interaction and provides the continuum for their realisation.

The distinctive capabilities required in consulting and the relationships developed by the consultant during his or her professional tenure, all emanate from sets of dynamic capabilities. These dynamic capabilities are usually developed and replicated, either by imitation, or by trial and error.

This research proposes that such capabilities should be strategically designed to be developed by the consultants, both proactively and routinely. A consulting firm should then seek to *hard-wire*[91] the business processes to integrate, reconfigure, renew and re-create the business processes derived from the aforementioned dynamic capabilities as an option for long term sustainability (Wang and Ahmed, 2007).

Bowman & Ambrosini (2009) argued that dynamic capabilities are a mechanism by which a firm regenerates its resource base. Hence a consulting firm's leadership would benefit from reflecting on its development of capabilities looking to the selective development of professional relationships aimed towards customer value facilitation, and embed that process in its culture.

---

[91] Another colloquial term also frequently used is … "to embed into their DNA"

The core development of key consulting capabilities should then focus around: (1) customer value, and (2) recruiting and developing capable professional staff able to deliver the firm's customer value experience as CONS1 discussed, and sustain and develop the firm's relationships.

CUST3, a bank executive interviewee and former consultant commented on these lines:

> *"[the consultants] should have the [proven, leading edge] knowledge and adequate business models that can be transported to a process of reflection and decision by the customer's team… getting them to own the thinking and decision making".*

Conversely, there have been notorious cases of consultants that opportunistically try to force-fit potential customer's needs into their particular self-capabilities, and by witty selling have had occasional success, a practice which will not make any firm sustainable[92]. Or consultants that are so focused on their revenue that they forget to build what in the long run will sustain the provision of perceived customer value (O'Shea and Madigan, 1997).

This research proposes the strategic learning of a consulting firm to be organised around a firm's dynamic capabilities (intangible knowledge assets (Clulow et al., 2007)) that strongly contribute to perceived customer value. Only then the consultant may regard a solid foundation for a premium exchange value that clients may be willing to pay.

Management consulting is based on providing adequate services and solutions which involve specialised and scarce knowledge and capabilities, in the right context and timing. However, the said service has to be co-created with the customer, i.e. where the consultant facilitates value and the customer creates it, in a way such that it can be perceived and regarded as being of high value by the consulting customer. The mix has many ingredients in context, requiring the right relationship continuum (deliberately managed as a continuum where all co-creation happens), the right dedication of customer's operant resources, and the leadership to mobilise them all.

---

[92] Repeated sales would be questionable; refer to Figure 8-2

On the other hand, consulting customers do need to learn to team up with a consultant, when looking to implement complex business solutions that require transformational capabilities. The customer shall then seek to capture the learning and operationalize the consultant's advice and skills, but most importantly the transformation needs to be led and managed by the customer's top level executives that know the business logic intimately.

This implies that the customer needs capabilities to co-create and to capture the value.

Hiring consultants and expecting that they will do most of the work and by obscure mystical abilities they will be able to create value, was discussed as wasted money because the customer will not retain the learning, but, most importantly the value capture will most likely not be achieved. Unfortunately some flashy marketing advertisements from consultants and technology firms implicitly promise those seemingly effortless immediate results.

The management consulting market has been under constant consolidation in the last five years, particularly in strategy firms. This may be exemplified by the bankruptcy of Monitor, acquired by Deloitte, the *implosion* of BearingPoint (formerly KPMG consulting) and the acquisition of Booz Allen by PwC. CONS8 mentioned that in the long term only a few consulting behemoths may survive. It may assumed that the size and financial muscle of large firms allows them to make the right investments for the future, developing the capabilities and relationship skills that will enable distinctive value facilitation services.

9.1. Theoretical contributions

This thesis has aimed to empirically confirm recent conceptual research about value co-creation and B2B services in the context of management consultancy, exploring the role of dynamic capabilities in value co-creation. Two theoretical frameworks derived from merging concepts in extant literature served as departing point to launch the initial deductive step of the research:

1. Value co-creation model in Figure 3-9, developed from the conjunction of models in Figure 3-7 "value co-creation among service systems " (Vargo et al., 2008: 149) and Figure 3-8 "value-box" by (Ngo and O'Cass, 2010: 499).

2. Strategic learning dynamic capability model in Figure 3-6, developed from the conjunction of models by La et al. (2008) and Woodruf's (1997).

As result of a final synthesis from data analysed and discussed in Chapter 8, an overarching model is introduced in Figure 8-7.

9.1.1. Theoretical contributions from salient constructs

(1) Co-creation

Co-creation in a management consulting service system was explored, confirming alignment to Service Logic (Grönroos and Gummerus, 2014) and Service Dominant Logic (Vargo and Lusch, 2008b). Some concepts are better explained by S-DL and some other by SL, however, being conceptual theories empiric applications should determine which concepts are applicable under any specific context. Two diagrams are introduced to synthesise the explanation of a consulting context of interaction and capabilities leading to customer value co-creation (Figure 8-2 and Figure 8-3).

Literature about S-L and S-DL in the last 10 years has been prolific; however, the empirical, applicative research has been scarce. Four contributions related to co-creation:

A. Empirical confirmation that the customer is the only creator of value-in-use by means of its knowledge resources (Ngo and O'Cass, 2009). The consultant only facilitates value, confirming SL (Grönroos, 2008) and S-DL (Vargo and Lusch, 2008b) tenets. It is not possible to create value without the customer (Gummesson, 1998), however, the degree of availability and involvement of customer's capabilities and resources is paramount mediating the effectiveness of value-creation consulting assisted initiatives. See sections 8.3.1 to 8.3.10

B. Empirical confirmation that co-creation does not imply an equitable win-win for both parties involved (Corsaro, 2014); market forces, bargaining power, (Pardo et al., 2006) expectations of value and asymmetry of information, influence the share of costs and benefits derived to and from the consultant and to

and from the customer. The rules of asymmetry of power apply (Cowan, Paswan and Van Steenburg, 2015). See section 8.3.9.1.

C. Co-creation happens iteratively (Aarikka-Stenroos and Jaakkola, 2012), as an adaptive, evolving process as described by and that is why relationship is a core part of co-creation: relationship through interaction enables the adaptive process. Co-creation is achieved by an exchange of knowledge and capabilities allowing adaptation, innovation, change and evolution, which are characteristics emerging from dynamic capabilities (Wang and Ahmed, 2007). Co-creation is immersed in a complex dynamic relational context. See section 8.3.8

D. Co-creation involves the use of knowledge absorptive (Ferreras-Méndez et al., 2015) and disseminative capabilities (Mu et al., 2010; Wang and Ahmed, 2007), both with the customer and with the consultant, however, as a higher order or dynamic capability that contributes to innovation and quick acquisition and combination of capabilities. See section 8.3.11.4.1.

(2) Relationship

Relationship is central to value co-creation process because as discussed, it is by interaction that adaptation, change, innovation and evolutions happen by combining both parties' capabilities, and reflecting to improve the process (See Figure 8-3). There is no co-creation possible without interaction. The relationship profile changes dynamically during the consulting stages.

A. Relationship as interaction is central to co-creation (Möller, 2013). Furthermore, relationship has emerged as complex and contextually dynamic, with a web of relational capabilities involved, these being trust (Doney and Cannon, 1997), meeting commitments, honesty, interpersonal skills (i.e. emotional intelligence) and communication amongst the ones most discussed. Such attributes are learned (Yang and Lai, 2012) and become behaviours embedded in business processes or even in a firm culture (Vesalainen and Hakala, 2014). See Figure 8-3 and Table 8-2, and sections 8.3.10 to 8.3.10.3 and 8.3.11.3

B. Relationship is the mechanism through which other parties' capabilities are absorbed and disseminated, allowing co-creation by learning, evolution and innovation. See Table 8-3**Error! Reference source not found.**.

C. Managing change (Aladwani, 2001), i.e. achieving the willingness of the organisation to move into the co-creation initiative and managing customer expectations are key activities that involve intense relational roles and capabilities. See sections 8.3.6 and 8.3.7

(3) Strategic learning dynamic capability

A. A strategic learning dynamic capability (SLDC) [93] is proposed as the higher order capability that, originating from organisational learning and reflection, *senses* customer value creation opportunities, identifies resources to *seize* those opportunities and then *orchestrates*[94] the firm's technical, relational and self-regenerative (higher order capabilities i.e. absorptive and disseminative capabilities) to strategically develop and deploy the required firm's VRIO resources[95] for a differentiated service. SLDC plans and orchestrates customer experience, from the perspective of the delivery of the experience by the firms' professionals. See section 8.3.11.4

As a by-product of this research, it is suggested not to use interchangeably 'competences' and 'capabilities', as some authors have used in a few academic papers, since that leads

[93] Some former configurations of SLDC were found in (Petersen, 2010), (McGrath, 2013), (Thomas et al., 2001)

[94] Following Teece's (2009) model sense, seize, orchestrate. Se also Section 3.5.1

[95] VRIO – Valuable, Rare, In-imitable, Organization (Barney & Hesterly, 2012)

to inaccuracies and confusion (See Section 3.5). Competences have rather been proposed as "the object on which dynamic capabilities operate" (Zollo and Winter, 2002: 340).

9.1.2. A brief discussion on nature of value and how theory might develop

A theoretical contribution of this research is suggested from the understanding of the nature of value, which has emerged from the context researched.

In chapter 3 the nuances and complexities to arrive at a unified definition of value and how it is created, were discussed. This research proposes that value is co-created in an evolving interaction of system services, dependent on capabilities. Dynamic capabilities are suggested as the *master-mind* for the improvement and sustainment of value facilitation and co-creation.

Making reference to Figure 8-5, value is suggested as co-created in a series of iterative (i.e. co-creation it is not strictly sequential as usually depicted in extant literature) and evolving steps, where a varying interaction occurs between the service provider and the customer. The interaction is dialogical (Grönroos and Voima, 2013) and implies complex person-to-person relationships, which are also evolving and dynamic.

This research suggests that value is of contextual order requiring a case by case definition, aligned with Edvardsson et al. (2011), however, the findings of this research do not support value being just a social construction, since the value co-creation process may be determined by sets of contextual governing rules. In this thesis those governing rules are the constructs described in the model in Figure 8-2, which describe interaction archetypes enacted by professionals at both service systems in the exchange. Such professionals are enabled by capabilities on the side of the service and on the side of the recipient of the service.

The combination of capabilities from both parties foster innovation, adaptation and evolution of business processes and the use of resources to improve, i.e. to co-create value, leaving both service systems better off than when they entered the exchange (Vargo et al., 2008). Nevertheless, the evidence from this research suggests that the creation of value from the service systems' exchange, occurs inside the customer's value

chain aligned with both Service Logic (Grönroos and Gummerus, 2014) and Service Dominant Logic (Vargo and Lusch, 2008b).

9.2. Limitations

Given the qualitative contextual nature of this research, a lack of generalisation power should be adverted; however, a basis for transportability to similar settings can be claimed.

It can be suggested because of the specificity of the consulting firm related to all discussions in the interviews conducted, i.e. specificity of context, some limitations of generalisability may be inferred, notwithstanding some of the interviewed executives may also have brought experiences from other consulting projects to bear. We cannot guarantee the same discussions around other consulting firms would have produced the exact same responses. Only a principle of transportability with adjustment of context can be offered.

Some limitations could exist related to potential bias inadvertently introduced by the researcher's background position and experience. What is described as an asset, i.e. the ability of access to the elite interviewees related to a specific consulting private partnership, should also be regarded as a potential limitation in terms of the responses that interviewees might have provided for instance, to an unbiased and completely neutral researcher. However, it may be fair to suggest that the benefits of richness of context exceed any potential downside, and the methodological cautions used to set off or to minimise the said bias.

Given the broad nature of the definition of management consulting, there may be specialised market offerings whose fit to the findings of this research might go beyond the universe described in the Relational Model of Figure 8-2. Examples could be consulting for engineering services and pure IT outsourcing services (ref: Figure 2-3).

Frontier or extreme case situations may not have a good fit to the model discussed by this research (Figure 8-2). Let us suppose a case for instance, where one of the parties (customer or consultant) is substantially more powerful than the other (Werr and Styhre,

2002); the relational discussion may lose relevance and therefore this model cannot claim universal application. Value is of contextual nature.

This research would also have strong limitations beyond free market norms and regulations, where management consulting has thrived.

9.3. Managerial implications

The following managerial implications emerge from the data collected and analysis of this research. The following statements should not be regarded as absolute statements but in light of the findings and the analysis, with inherent virtues and limitations of this thesis.

9.3.1. Creation of value by the customer; the consultant only facilitates value

The construction of value by customer's own resources came across as the most cited and emphatically discussed issue, and conversely it was discussed as a difficult action for the consulting services customer, because new value initiatives are usually demanded in top of current business responsibilities plus company's internal turfs, political struggles and personal wins. Nevertheless, a consulting process with little or no customer participation in co-creation was implicitly discussed as wasted time and money, aligned with Grönroos' (2008) research.

In summary, customer and consultant's capabilities interact through a relationship in a co-creation process, each time in specific context and with a phenomenological vision of customer value interacting with finite resources, knowledge included. All of these will finally result in value that will be phenomenological assessed by the customer in lie with the generic foundational premise of Vargo and Lusch's (2008b) well-known article. This research suggests that the higher order learning by the consultant in the form of dynamic capability deliberately designs and manages the relational cycle, improving the customer´s assessment of value.

> **Managerial Implication**: *Only the customer creates value from consulting advice, and as emerged from the interviews, everything for the consultant*

emanates from customer value creation. Consultants need to manage their business aiming to customers' success, by facilitating customer value creation and then, everything else.

9.3.2. Dynamic capabilities and value co-creation

Management consulting firms would benefit from reflecting and investing in its own dynamic capabilities in order to reconfigure their capabilities or unique resources that facilitate customer value better than their competitors. In this research such reflection is typified as strategic learning, which is proposed as a key driver of a firm's economic value or revenues, and a source of consultant's competitive advantage achieved by the reconfiguration of the consultant's capabilities, particularly when that knowledge is difficult to imitate (Grant, 1996a; Vargo and Lusch, 2004; Zahra, Neubaum and Larrañeta, 2007; Zahra and George, 2002).

A contrasting example is offered by the formerly reputed consulting firm Monitor [96] which came to the brink of bankruptcy (Hong, 2012); an in-depth analysis of the causes of how they progressively got to that situation may provide further valuable insights.

In this case, according to Hong (2012), Monitor's financial situation went to the extreme of not having cash to pay the rent of their offices. Monitor's customers progressively ceased using their professional advice, and the firm even had Libya's former dictator Moammar Gadaffi as one of its more important customers, whose value creation actions as public servant for Libyan society were dubious, at best.

One piece of the puzzle is the acquisition, development and retention of VRIO knowledge resources and their combination, in particular formulas that are replicable by means of a corporate culture in order to facilitate customer value. This customer-value created should, by definition exceed substantially the market average rate of return or *Ricardian* rents (Barney and Hesterly, 2012), by combining scarce knowledge resources with a company's already VRIO resources and therefore delivering a higher rate of return than the self-firm's cost of capital. It may be fair to suggest from an economic

[96] Firm founded by Harvard's professor Michael Porter

perspective that a consulting firm is in the business of monopolising and developing scarce skills, and selling them at premium margins when a client needs them [97].

A large part of value co-created in complex industrial solutions is intangible (Prior, 2013); knowledge is an intangible asset, and is the building block of every organisation's intellectual capital stock. However, knowledge stores (Yang and Lai, 2012) from a consulting firm only have value-potential properties. Knowledge is not capable of co-creation and of providing monetary and worth benefits for the consulting firm in itself, unless operationalized or taken into practice. Nevertheless knowledge is perishable, subject to obsolescence, and is highly volatile, which can be demonstrated by employee turnover.

Some consulting clients are better skilled than others in developing an effective value-relationship with their consultant; in some other cases the customer's personnel may be adverse to consultants for several reasons, be it bad past experiences, professional jealousy, etc. It can be assumed that a consulting firm will benefit from managing a customer portfolio to direct their relational investments with a perspective of teaming-up customers with best value co-creation potential (Turnbull et al., 1996).

Andersen Consulting's (now Accenture) vision in 1997 was to focus on such special clients willing to co-create; their motto was "to be one global firm committed to quality by having the best people with knowledge capital *partnering with the best clients* to deliver value" (The-Nation, 1997).

The growth capability of a consulting firm is directly linked to its capability of breeding senior executives or partners capable of sustaining advisory relationships or its ability to attract senior executives from other firms that can be assimilated into *hard-coded* cultures; if we accept the colloquial definition of culture as "the way we do business here"… which, as CUST4 said also sets standards of behaviour, then the culture is a very effective way to replicate the complex set of attributes that a consultant may have found to facilitate and co-create value.

[97] Evidently this is a simplistic statement because several other variables may be into play, but may this statement serve to illustrate the spirit of the discussion.

Managerial Implication: *It is suggested that management consulting firms will benefit from instilling dynamic capabilities aimed to develop VRIO capabilities, in order to enable distinctive facilitation of customer value. This development of capabilities should be mandated and executed with minimal distraction by firm's management, after deeply reflecting in their customer value strategy (see 9.3.1), reconfiguring those capabilities and consciously crafting a self-reflection-action cycle as a dynamic capability as well.*

The discussed sets of specific dynamic capabilities can be replicated and sustained by embedding them into the firm's culture, with unique customer value facilitation and key relationships growth.

9.3.3. Relational capabilities are inextricably related to the value co-creation process; the consultant leads the relational agenda

The client-consultant relationship is unquestionably central to the process of co-creating value and the perceived value of management consultancy is to a large extent produced in the client-consultant interaction and relationship context.

However, little has been said of how to develop and manage such relational capabilities in the consultants geared towards maximising long term value-in-context facilitation, or in other words aligning the acquisition of relational capabilities suited to the customer-value consultant strategy. Consideration of context demands a foundation to deeply understand the customers' value creation logic (Stabell and Fjeldstad, 1998).

The above implies an in-depth specialisation so that a consultant may strategically pick its relationships. It requires focusing on groups of select customers and investing in win-win long term relationships in accordance with the portfolio relationship theory (Turnbull et al., 1996). Relationship is built through interaction of people, meeting commitments and developing trust, and the relationship forces and structure are dynamic, changing through the three consulting stages.

A deliberate relational capability acquisition according to a long term market plan and orchestrating differentiating capabilities to capture envisioned market opportunities is suggested to take place as a managed strategic process, where professionals are coached to develop skills to manage and grow value co-creation relationships [98]. Some consulting professionals will intuitively or by mentoring acquire that skill, but given its relevance to the nature of a consulting firm, it is assumed that specific relational capabilities need to be learned, practiced and taken to a mastery level and then evolved accordingly to particular context demands.

In a related matter, clear communication and value representation emerged as important capabilities to develop, both for the customer but particularly for the consultant during co-creation, echoing the research by Corsaro (2014) where value representation is discussed as a key component to manage every step toward value creation. The communication of the path to expected value is the compass that will guide an initiative co-creation team through value facilitation.

Consulting-assisted co-creation initiatives imply change on the part of the customer in order to be implemented. Change is always difficult. However, the success of the consultant's ideas and advice depends more on their correct implementation than on how bright those ideas might have been. Notwithstanding the tools and methods that the consultant may bring along, change depends on trust, credibility and a strong professional relationship with the consultant, as CONS5 made clear, drawing an analogy with the relationship with a physician who might recommend a painful physical therapy after an operation.

9.3.3.1. Relationship emerged as contextually dynamic

Following Figure 8-2 and Table 8-3, it appears logical that relationship needs to be managed explicitly and proactively for co-creation, nevertheless, in the *right context* and step of the co-creation process i.e. delivery of the solution. The *right context* will be most surely different among different customers. Relationship achieving interaction could be

[98] The opposite would be an opportunistic mode as in '... shoot to anything that moves', that foretells shallow capabilities and therefore little or no customer value.

like the director of the orchestra that makes consulting knowledge, physical resources, customer operant resources and customer leadership move in synchrony to achieve co-creation of customer value.

A management consultant and his or her consulting firm have developed professional relationships when they have a demonstrable trajectory facilitating customer-value repetitively to, and in collaboration with, communities of customers.

A management consultant-customer relationship is achieved by a contextual combination of the following behaviours by the consultant:

Communicating clearly a value proposition

Developing empathy and listening

Providing uniquely qualified resources and knowledge to solve customer's complex business problems

Achieving a collaborative co-production with the customer that ensures value is created by the customer

Facilitating customer's change processes

Acting professionally, with honesty, transparency and ethics

Working in customer's best interest, while, managing his or her expectations

Being reliable, meeting promises and delivering as promised, therefore building trust

Ensuring the knowledge is transferred by the moment the consultant leaves

As discussed, the aforementioned variables are context dependent, according to the model in Figure 8-3. The discussed behaviours shall evidently elicit an attuned response by the customer, then will evolve a spiral of interaction towards co-creation.

Managerial Implication: *Relationship is core to customer value creation, and is integrated by complex sets of relational capabilities whose effectiveness also depend on adapting to the right context. It is suggested that the customer relational agenda should not be left to each consultant's self-common sense but undertaken from an orchestrated customer value facilitation perspective.*

9.3.4. Knowledge as resource for co-creation

The knowledge retained by the consultant is proposed to be a VRIO resource, integrated as part of an attractive value in offering and therefore of sustained competitive advantage for the consulting firm. Knowledge has no value until it is applied to a solution and valued by the user of the solution. The consultants acquire knowledge throughout the development of customer engagements (Fosstenløkken et al., 2003; Lowendahl et al., 2001).

This knowledge is ideally kept in the form of value facilitation potential for the consulting firm, i.e. improving the firm´s stores or reservoirs of mainly distinctive operational capabilities (Yang and Lai, 2012). Such knowledge in the classic tacit-explicit cycle (Nonaka, 1995) becomes volatile if not explicitly managed and maintained by business process.
However, Ellis (2013) in a study, where, by means of more than 300 interviews, attempted to isolate the key constructs that achieve greatness in professional services firms, argues that

> "One of the most valuable qualities of a great firm is a superior capacity to see itself objectively and to learn and to change on multiple levels and thus to continuously improve. Most organisations resist this; that is why organisational learning is so rare" (Ellis, 2013: xiv).

Managerial Implication: *The knowledge acquired by a consulting firm through their professional practice becomes an asset that improves the firm's value facilitation potential. It appears fair to suggest that an adequate management of firms' stores of implicit and explicit knowledge supports directly the firms' value facilitation capabilities.*

9.4. Suggestions for further research

This research has explored value co-creation by means of in-depth interviews with informed consulting executives and customers, all of them related to the value co-creation processes of a single large consulting firm.

1. Further confirmation and enhancement of the Model of customer value co-creation in consulting assisted stances shown in Figure 8-2 could be achieved by analysing several other consulting firms' context and performing contrasting analysis, which would then provide a stronger basis for generalisation of findings.

2. As per conversations during interviews with CONS1, CONS8, CONS9, CONS-P2 and CONS-P4, it may be fair to suggest that the professional relationship that a consulting firm sustains with its own professional staff (also cited as the social contract of the firm), is also a critical variable in the development and retaining of VRIO capabilities, which happen to be embodied in the firm's professionals. The relationship with the professional consulting staff appears also to be complex and its exploration would be a complementary avenue of research further to this thesis.

10. References

Aarikka-Stenroos, L. & Jaakkola, E. 2012. Value Co-creation in Knowledge Intensive Business Services: A Dyadic Perspective on the Joint Problem Solving Process. *Industrial Marketing Management, 41 (1): 15-26*.

Aharoni, Y. 1993. Ownerships, networks and coalitions. *Transnational Corporations in Services, 12 (204*.

Aharoni, Y. 1997. Management consulting. *Changing roles of state intervention in services in an era of open international markets.-New York* .

Aharoni, Y. & Aharoni, Y. 1993. Globalization of professional business services. *Coalitions and competition: The globalization of professional business senices, 1-1*.

Akaka, M. A., Vargo, S. L. & Lusch, R. F. 2012. An Exploration of Networks in Value Cocreation: A Service-Ecosystems View. *In:* STEPHEN L. VARGO, R. F. L. (ed.) *Special Issue - Toward a Better Understanding of the Role of Value in Markets and Marketing (Review of Marketing Research, Vol 9)*. Emerald Group Publishing Limited.p.p. 13 - 50.

Aladwani, A. M. 2001. Change management strategies for successful ERP implementation. *Business Process management Journal, 7 (3): 266-275*.

Alvesson, M. 1993. Organizations as rhetoric: knowledge -intensive firms and the struggle with ambiguity. *Journal of Management Studies, 30 (6): 997-1015*.

Alvesson, M. 1995. *Management of knowledge-intensive companies* , Walter de Gruyter.

Alvesson, M. 2001. Knowledge work: Ambiguity, image and identity. *Human Relations, 54 (7): 863-886*.

Alvesson, M. 2002. *Understanding Organizational Culture,* London, UK, SAGE Publications Ltd.

Alvesson, M. 2004. *Knowledge Work and Knowledge-intensive firms,* New York, NY, Oxford University Press.

Amason, A. C., Thompson, K. R., Hochwarter, W. A. & Harrison, A. W. 1995. Conflict: An important dimension in successful management teams. *Organizational Dynamics, 24 (2): 20-35*.

Ambos, T. C. & Schlegelmilch, B. B. 2009. Managing Knowledge in International Consulting Firms. *Journal of Knowledge Management, 13 (6): 491-491-508*.

Ambrosini, V. & Bowman, C. 2010. The Impact of Causal Ambiguity on Competitive Advantage and Rent Appropriation. *British Journal of Management, 21 (4): 939-953*.

Ambrosini, V., Bowman, C. & Collier, N. 2009. Dynamic Capabilities: An Exploration of How Firms Renew their Resource Base. *British Journal of Management, 20 (S9-S24*.

Amit, R. & Schoemaker, P. J. H. 1993. Strategic assets and organizational rent. *Strategic Management Journal, 14 (1): 33-46*.

Anand, G., Ward, P. T., Tatikonda, M. V. & Schilling, D. A. 2009. Dynamic capabilities through continuous improvement infrastructure. *Journal of Operations Management, 27 (6): 444-461*.

Anand, N., Gardner, H. K. & Morris, T. I. M. 2007. Knowledge-Based Innovation: Emergence and Embedding of New practice Areas in Management Consulting Firms. *Academy of Management Journal, 50 (2): 406-428*.

Anderson, C. 2014. IDC MarketScape Excerpt: Worldwide Business Consulting Services. *IDC MarketScape*. Framingham, MA: IDC.

Anderson, J. C. & Narus, J. A. 1999. *Business Market Management: Understanding, Creating, and Delivering Value,* Upper Saddle River, N.J., Prentice Hall.

Anderson, P. F. 1983. Marketing, Scientific Progress, and Scientific Method. *Journal of Marketing, 47 (4): 18-31*.

Andriessen, D. 2004. *Making Sense of Intellectual Capital,* Oxford, UK, Elsevier Butterworth-Heinemann.

Anhalt, K. N., Jankowski, T. E., Lohse, S., Newton, A. M., Schneider, L. & Smith, D. 2010. Global Consulting Marketplace 2010-2013 Key Trends, Profiles and Forecasts. *In:* ADVISORY, K. C. R. A. (ed.) *Consulting Service Line Research.* Peterborough, NH: BNA Subsidiaries, LLC.

Argyris, C. 1976. Single-Loop and Double-Loop Models in Research on Decision Making. *Administrative Science Quarterly, Johnson Graduate School of Management, Cornell University, 21 (3): 363-375*.

Argyris, C. & Schon, D. 1978. *Organizational Learning: A theory of action perspective,* Reading, Ma., Addison-Wesley.

Armenakis, A. A., Harris, S. G. & Mossholder, K. W. 1993. Creating Readiness for Organizational Change. *Human Relations, 46 (6): 681-703*.

Ballantyne, D. & Varey, R. J. 2006. Creating value-in-use through marketing interaction: the exchange logic of relating, communicating and knowing. *Marketing Theory, 6 (3): 335-348*.

Barney, J. 1991. Firm Resources and Sustained Competitive Advantage. *Journal of Management, 17 (1): 99-120*.

Barney, J. B. 1995. Looking inside for competitive advantage. *The Academy of Management Executive, 9 (4): 49-61*.

Barney, J. B. 2001. Resource-based theories of competitive advantage: A ten-year retrospective on the resource-based view. *Journal of Management, 27 (6): 643-650*.

Barney, J. B. & Hansen, M. H. 1994. Trustworthiness as a Source of Competitive Advantage. *Strategic Management Journal, 15 (S1): 175-190*.

Barney, J. B. & Hesterly, W. S. 2012. *Strategic Management and Competitive Advantage,* Upper Saddle River, NJ, Pearson Education Inc. / Prentice Hall.

Barney, J. B. & Wright, P. M. 1997. On becoming a strategic partner: The role of human resources in gaining competitive advantage. *CAHRS Working Paper* [Online], *97-09 (*Available: http://digitalcommons.ilr.cornell.edu/cahrswp/150 [Accessed Oct 16, 2014].

Beattie, A. 2003. Market Crashes: The Dotcom Crash. *Investopedia* [Online]. Available: http://www.investopedia.com/features/crashes/crashes8.asp .

Becker, B., Huselid, M. & Beatty, R. 2009. *The Differentiated Workforce,* Boston, Ma., Harvard Business Press.

Berghman, L., Matthyssens, P. & Vandenbempt, K. 2006. Building competences for new customer value creation: An exploratory study. *Industrial Marketing Management, 35 (8): 961-973*.

Bhaskar, R. 2008. A Realist Theory of Science (e-book ed.; first published 1978). Oxon, UK: Routledge.

Bigley, G. A. & Pearce, J. L. 1998. Straining for Shared Meaning in Organization Science: Problems of Trust and Distrust. *Academy of Management Review, 23 (3): 405-421*.

Blois, K. J. 1999. TRUST IN BUSINESS TO BUSINESS RELATIONSHIPS: AN EVALUATION OF ITS STATUS. *Journal of Management Studies, 36 (2): 197-215*.

Bogner, W. C. & Thomas, H. 1994. Core Competence and Competitive Advantage: A Model and Illustrative Evidence from the Pharmaceutical Industry. *In:* HAMEL, G. & HEENE, A. (eds.) *Competence-Based Competition.* New York, NY: John Wiley and Sons.p.p.

Boksberger, P. E. & Melsen, L. 2011. Perceived Value: a Critical Examination of Definitions, Concepts and Measures for the Service Industry. *Journal of Services Marketing, 25 (3): 229-240*.

Boland Jr, R. J. & Tenkasi, R. V. 1995. Perspective making and perspective taking in communities of knowing. *Organization Science, 6 (4): 350-372*.

Bowman, C. & Ambrosini, V. 2000. Value Creation Versus Value Capture: Towards a Coherent Definition of Value in Strategy. *British Journal of Management, 11 (1): 1-15.*

Bowman, C. & Ambrosini, V. 2007. Firm Value Creation and Levels of Strategy. *Management Decision, 45 (3): 360-371*.

Bowman, C. & Ambrosini, V. 2010. How value is created, captured and destroyed. *European Business Review, 22 (5): 479-495*.

Bowman, C. & Toms, S. 2010. Accounting for competitive advantage: The resource-based view of the firm and the labour theory of value. *Critical Perspectives on Accounting, 21 (3): 183-194*.
Boyd, C. O. (ed.) 2001. *Phenomenology the method. In (Ed.), (3rd. ed., pp. 93-122),* Sudbury, MA: Jones and Bartlett.
Braun, V. & Clarke, V. 2006. Using thematic analysis in psychology. *Qualitative Research in Psychology, 3 (2): 77-101*.
Brown, J. S. & Duguid, P. 1991. Organizational learning and communities-of-practice: Toward a unified view of working, learning, and innovation. *Organization Science, 2 (1): 40-57*.
Brown, S. W. & Swartz, T. A. 1989. A Gap Analysis of Professional Service Quality. *Journal of Marketing, 53 (2): 92-98*.
Burnard, P., Gill, P., Stewart, K., Treasure, E. & Chadwick, B. 2008. Analysing and presenting qualitative data. *BRITISH DENTAL JOURNAL, 204 (8): 429-432*.
Cannon, J. P. & Perreault, W. D. 1999. Buyer-Seller Relationships in Business Markets. *Journal of Marketing Research, 36 (4): 439-460*.
Carù, A. & Cova, B. 2003. Revisiting Consumption Experience: A More Humble but Complete View of the Concept. *Marketing Theory, 3 (2): 267-286*.
Cascio, W. F. 2012. Methodological issues in international HR management research. *The International Journal of Human Resource Management, 23 (12): 2532-2545*.
Clark, T. 1995. *Managing consultants: Consultancy as the management of impressions* , McGraw-Hill Education (UK).
Clark, T. & Salaman, G. 1998a. Creating the 'right'impression: towards a dramaturgy of management consultancy. *Service Industries Journal, 18 (1): 18-38*.
Clark, T. & Salaman, G. 1998b. Telling tales: Management gurus' narratives and the construction of managerial identity. *Journal of Management Studies, 35 (2): 137-161*.
Clark, T. A. & Salaman, G. 1996. *The use of metaphor in the client-consultant relationship: A study of management consultants* , Open University, Open Business School.
Clulow, V., Barry, C. & Gerstman, J. 2007. The Resource-Based View and Value: the Customer-Based View of the Firm. *Journal of European Industrial Training, 31 (1): 19 - 35*.
Corazzini, J. G. 1977. Trust as a complex multi-dimensional construct. *Psychological Reports, 40 (1): 75-80*.
Corbin, J. & Strauss, A. 2008. *Basics of Qualitative Research - 3e,* Thousand Oaks, Ca., Sage Publications, Inc.
Corsaro, D. 2014. The emergent role of value representation in managing business relationships. *Industrial Marketing Management, 43 (6): 985-995*.
Corsaro, D. & Snehota, I. 2010. Searching for Relationship Value in Business Markets: Are We Missing Something? *Industrial Marketing Management, 39 (6): 986-995*.
Cowan, K., Paswan, A. K. & Van Steenburg, E. 2015. When inter-firm relationship benefits mitigate power asymmetry. *Industrial Marketing Management, 48 (140-148*.
Creswell, J. W. 2007. *Qualitative Inquiry & Research Design,* Thousand Oaks, Ca., SAGE Publications.
Chambers, E. G., Foulton, M., Handfield-Jones, H., Hankin, S. M. & Michaels Ill, E. G. 1998. The war for talent. *McKinsey Quarterly, 3): 44-57*.
Chirico, F. & Nordqvist, M. 2010. Dynamic capabilities and trans-generational value creation in family firms: The role of organizational culture. *International Small Business Journal, 28 (5): 487-504*.
Danermark, B., Ekström, M., Jacobsen, L. & Karlsson, J. C. 2002. *Explaining Society: Critical realism in the Social Sciences,* Oxon, Uk, Routledge.
DataMonitor 2010. Global Management & Marketing Consultancy. *Industry Profile*. New York, NY.
Day, G. S. 1994. The Capabilities of Market-Driven Organizations. *Journal of Marketing, 58 (4): 37-52*.
Day, G. S. 2002. Managing the market learning process. *Journal of Business & Industrial Marketing, 17 (4): 240 - 252*.

Day, G. S. 2014. An outside-in approach to resource-based theories. *Journal of the Academy of Marketing Science, 42 (27-28*.
Day, M., Fawcett, S. E., Fawcett, A. M. & Magnan, G. M. 2013. Trust and relational embeddedness: Exploring a paradox of trust pattern development in key supplier relationships. *Industrial Marketing Management, 42 (2): 152-165*.
Delong, T. J., Gabarro, J. J. & Lees, R. J. 2007. *When Professionals Have to Lead: a New Model for High Performance,* Boston, Ma, Harvard Business School Press.
Desarbo, W. S., Jedidi, K. & Sinha, I. 2001. Customer Value Analysis in a Heterogeneous Market. *Strategic Management Journal, 22 (9): 845-857*.
Doney, P. M. & Cannon, J. P. 1997. An Examination of the Nature of Trust in Buyer-Seller Relationships. *Journal of Marketing, 61 (2): 35-51*.
Dubois, A. & Gadde, L.-E. 2002. Systematic Combining: an abductive apoproach to case research. *Journal of Business Research, 55 (7): 553-560*.
Dubois, A. & Gadde, L.-E. 2014. "Systematic combining"—A decade later. *Journal of Business Research, 67 (6): 1277-1284*.
Dyer, W. G. & Wilkins, A. L. 1991. Better Stories, Not Better Constructs, To Generate Better Theory: A Rejoinder to Eisenhardt. *Academy of Management Review, 16 (3): 613-619*.
Easterby-Smith, M. & Prieto, I. M. 2008. Dynamic Capabilities and Knowledge Management: an Integrative Role for Learning? *British Journal of Management, 19 (3): 235-249*.
Easton, G. 2002. Marketing: a critical realist approach. *Journal of Business Research, 55 (2): 103-109*.
Edvardsson, B. 1990. Management Consulting: Towards a Successful Relationship. *International Journal of Service Industry Management, 1 (3): 4-19*.
Edvardsson, B., Gustafsson, A. & Roos, I. 2005. Service Portraits in Service Research: a Critical Review. *International Journal of Service Industry Management, 16 (1): 107-121*.
Edvardsson, B., Tronvoll, B. & Gruber, T. 2011. Expanding Understanding of Service Exchange and Value Co-Creation: a Social Construction Approach. *Journal of the Academy of Marketing Science, 39 (2): 327-339*.
Eggert, A. & Ulaga, W. 2002. Customer Perceived Value: a Substitute for Satisfaction in Business Markets? *Journal of Business & Industrial Marketing, 17 (2/3): 107-118*.
Eggert, A., Ulaga, W. & Schultz, F. 2006. Value Creation in the Relationship Life Cycle: A Quasi-Longitudinal Analysis. *Industrial Marketing Management, 35 (1): 20-27*.
Ehret, M. 2013. Emergence of business markets — A critical realist foundation. *Industrial Marketing Management, 42 (3): 316-323*.
Eisenhardt, K. M. 1989. Building Theories From Case Study Research. *Academy of Management. The Academy of Management Review, 14 (4): 532-532*.
Eisenhardt, K. M. 1991. Better Stories and Better Constructs: The Case for Rigor and Comparative Logic. *The Academy of Management Review, 16 (3): 620-627*.
Eisenhardt, K. M. & Graebner, M. E. 2007. Theory Building From Cases: Opportunities And Challenges. *Academy of Management Journal, 50 (1): 25-32*.
Eisenhardt, K. M. & Martin, J. A. 2000. Dynamic Capabilities: What are they? *Strategic Management Journal, 21 (1105-1121*.
El-Shafeey, T. & Trott, P. 2014. Resource-based competition: three schools of thought and thirteen criticisms. *European Business Review, 26 (2): 122-148*.
Ellis, C. D. 2013. *What it Takes: Seven Secrets of Success from the World's Greatest Professional Firms,* Hoboken, N.J., John Wiley & Sonsa, Inc.
Ferreras-Méndez, J. L., Newell, S., Fernández-Mesa, A. & Alegre, J. 2015. Depth and breadth of external knowledge search and performance: The mediating role of absorptive capacity. *Industrial Marketing Management, 47 (86-97*.
Fincham, R. 1999. The Consultant–Client Relationship: Critical Perspectives on the Management of Organizational Change. *Journal of Management Studies, 36 (3): 335-351*.
Fincham, R. 2002. Charisma versus Technique: differentiating the expertise of Management Gurus and Management Consultants. *Critical Consulting: New Perspectives on the Management Advice Industry: Blackwell Business* .

Fish, S. E. 1980. *Is there a text in this class?: The authority of interpretive communities* , Harvard University Press.
Flint, D. J., Blocker, C. P. & Boutin Jr, P. J. 2011. Customer value anticipation, customer satisfaction and loyalty: An empirical examination. *Industrial Marketing Management, 40 (2): 219-230*.
Flint, D. J., Woodruff, R. B. & Gardial, S. F. 1997. Customer value change in industrial marketing relationships: A call for new strategies and research. *Industrial Marketing Management, 26 (2): 163-175*.
Flint, D. J., Woodruff, R. B. & Gardial, S. F. 2002. Exploring the Phenomenon of Customers' Desired Value Change in a Business-to-Business Context. *Journal of Marketing, 66 (4): 102-117*.
Ford, D. 2011. IMP and service-dominant logic: Divergence, convergence and development. *Industrial Marketing Management, 40 (2): 231-239*.
Ford, D., Gadde, L.-E., Hakansson, H. & Snehota, I. 2011 *Managing Business Relationships (1 st Ed. 1998),* West Sussex, UK, John Wiley & Sons, .
Ford, D. & Mouzas, S. 2013. Service and value in the interactive business landscape. *Industrial Marketing Management, 42 (1): 9-17*.
Fosstenløkken, S. M., Løwendahl, B. R. & Revang, Ø. 2003. Knowledge Development through Client Interaction: A Comparative Study. *Organization Studies, 24 (6): 859-879*.
Fox, S. 2000. Communities Of Practice, Foucault And Actor -Network Therory. *Journal of Management Studies, 37 (6): 853-868*.
Gall, M., Gall, J. & Borg, W. 2003. *Educational Research,* Boston, Ma., Pearson Education, Inc.
Gallessich, J. 1982. *The profession and practice of consultation* , Jossey-Bass San Francisco.
Gardial, S. F., Clemons, D. S., Woodruff, R. B., Schumann, D. W. & Burns, M. J. 1994. Comparing Consumers' Recall of Prepurchase and Postpurchase Product Evaluation Experiences. *Journal of Consumer Research, 20 (4): 548-560*.
Gefen, D. 2000. E-commerce: the role of familiarity and trust. *Omega, 28 (6): 725-737*.
Gerdes, D. A. & Conn, J. H. 2001. A user-friendly look at qualitative research methods. *Physical Educator, 58 (4): 183*.
Ghiglione, R. & Matalon, B. 1978. *Les enquêtes sociologiques, Théorie et Pratique,* Paris, Armand Colin.
Glückler, J. & Armbrüster, T. 2003. Bridging Uncertainty in Management Consulting: The Mechanisms of Trust and Networked Reputation. *Organization Studies, 24 (2): 269-297*.
Golfetto, F. & Gibbert, M. 2006. Marketing competencies and the sources of customer value in business markets. *Industrial Marketing Management, 35 (8): 904-912*.
Govier, T. 1993. An epistemology of trust. *International journal of moral and social studies, 8 (2): 155-174*.
Graf, A. & Maas, P. 2008. Customer Value from a Customer Perspective: a Comprehensive Review. *Journal für Betriebswirtschaft, 58 (1): 1-20*.
Grant, R. M. 1996a. Prospering in Dynamically-competitive Environments: Organizational Capability as Knowledge Integration. *Organization Science, 7 (4): 375-387*.
Grant, R. M. 1996b. Toward a Knowledge-Based Theory of the Firm. *Strategic Management Journal, 17 (ArticleType: research-article / Issue Title: Special Issue: Knowledge and the Firm / Full publication date: Winter, 1996 / Copyright © 1996 John Wiley & Sons): 109-122*.
Greenwood, R. & Empson, L. 2003. The Professional Partnership: Relic or Exemplary Form of Governance? *Organization Studies, 24 (6): 909-933*.
Greenwood, R., Suddaby, R. & McDonald, M. 2006. Introduction. *In:* GREENWOOD, R. & SUDDABY, R. (eds.) *Professional Service Firms: Research in the Sociology of Organizations.Vol. 24.* Oxford, UK: Elsevier, Jai.p.p. 1-16.
Grisaffe, D. B. & Kumar, A. 1998. Antecedents and Consequences of Customer Value: Testing an Expanded Framework. *MSI Working Paper, 98-107*.
Grönroos, C. 1984. A Service Quality Model and its Marketing Implications. *European Journal of Marketing, 18 (4): 36-44*.

Grönroos, C. 1997. Value-driven Relational Marketing: from Products to Resources and Competencies. *Journal of Marketing Management, 13 (5): 407-419*.
Grönroos, C. 2004. The relationship marketing process: communication, interaction, dialogue, value. *Journal of Business & Industrial Marketing, 19 (2): 99-113*.
Grönroos, C. 2006. Adopting a Service Logic for Marketing. *Marketing Theory, 6 (3): 317-333*.
Grönroos, C. 2008. Service Logic Revisited: who Creates Value? And who Co-Creates? *European Business Review, 20 (4): 298-314*.
Grönroos, C. 2011a. A Service Perspective on Business Relationships: The Value Creation, Interaction and Marketing Interface. *Industrial Marketing Management, 40 (2): 240-247*.
Grönroos, C. 2011b. Value Co-Creation in Service Logic: A Critical Analysis. *Marketing Theory, 11 (3): 279-301*.
Grönroos, C. & Gummerus, J. 2014. The service revolution and its marketing implications: service logic vs service-dominant logic *Managing Service Quality, 24 (3): 206-229*.
Grönroos, C. & Ravald, A. 2011. Service as Business Logic: Implications for Value Creation and Marketing. *Journal of Service Management, 22 (1): 5-22*.
Grönroos, C. & Voima, P. 2013. Critical service logic: making sense of value creation and co-creation. *Journal of the Academy of Marketing Science, 41 (133–150*.
Gruber, M., Heinemann, F., Brettel, M. & Hungeling, S. 2010. Configurations of resources and capabilities and their performance implications: an exploratory study on technology ventures. *Strategic Management Journal, 31 (12): 1337-1356*.
Gu, F. & Lev, B. 2001. Intangible Assets. Measurements, Drivers, Usefulness. Available: pages.stern.nyu.edu/~blev/intangible-assets.doc [Accessed July 8, 2011].
Gummerus, J. 2013. Vaue creation processes and value outcomes in marketing theory: Strangers or siblings? *Marketing Theory, 13 (1): 19-46*.
Gummesson, E. 1995. *Relationship Marketing: It's Role in the Service Economy,* New York, NY, John Wiley & Sons.
Gummesson, E. 1998. Implementation Requires a Relationship Marketing Paradigm. *Journal of the Academy of Marketing Science, 26 (3): 242-249*.
Gummesson, E. 2007. Case study research and network theory: birds of a feather. *Qualitative Research in Organizations and Management: An International Journal, 2 (3): 226-248*.
Gummesson, E. 2011. 2B or not 2B: That is the question. *Industrial Marketing Management, 40 (2): 190-192*.
Gummesson, E. & Mele, C. 2010. Marketing as Value Co-creation Through Network Interaction and Resource Integration. *Journal of Business Market Management, 4 (4): 181-198*.
Guzak, J. R. & Rasheed, A. A. 2014. Governance and growth of professional service firms. *The Service Industries Journal, 34 (4): 295-313*.
Håkansson, H. & Snehota, I. 1995. *Developing Relationships in Business Networks,* London, Routledge.
Håkansson, H. & Waluszewski, A. 2013. A never ending story — Interaction patterns and economic development. *Industrial Marketing Management, 42 (3): 443-454*.
Halinen, A. & Törnroos, J.-Å. 2005. Using case methods in the study of contemporary business networks. *Journal of Business Research, 58 (9): 1285-1297*.
Hamel, G. 1994. What is "Core Competence"? *In:* HAMEL, G. & HEENE, A. (eds.) *Competence Based Competition.* New York, NY: John WIley & Sons.p.p.
Hamel, G. & Prahalad, C. K. 1994. *Competing for the Future,* Boston, Ma, Harvard Business School Press.
Harris, J. & Bromiley, P. 2007. Incentives to Cheat: The Influence of Executive Compensation and Firm Performance on Financial Misrepresentation. *Organization Science, 18 (3): 350-367*.
Hartley, J. 2004. Case Study Research. *In:* CASELL, C. & SYMON, G. (eds.) *Essential Guide to Qualitative Methods in Organizational Research.* London: SAGE Publications Ltd.p.p. 323:333.
Heinonen, K., Strandvik, T. & Voima, P. 2013. Customer dominant value formation in service. *European Business Review, 25 (2): 104-123*.

Helfat, C., Finkelstein, S., Mitchell, W., Peteraf, M. A., Singh, H., Teece, D. J. & Winter, S. G. 2007. *Dynamic Capabilities: Understanding Strategic Change in Oranizations,* Oxford, UK, Blackwell Publishing.
Helfat, C. E. & Winter, S. G. 2011. Untangling Dynamic and Operational Capabilities: Strategy for the (N)ever-Changing World. *Strategic Management Journal, 32 (11): 1243-1250*.
Helkkula, A., Kelleher, C. & Pihlström, M. 2012. Characterizing Value as an Experience: Implications for Service Researchers and Managers. *Journal of Service Research : JSR, 15 (1): 59*.
Helleloid, D. & Simonin, B. 1994. Organizational learning and a Firm's Core Comoetence. *In:* HAMEL, G. & HEENE, A. (eds.) *Competence-Based Competition.* New York, NY: John Wiley & Sons.p.p.
Hellén, K. & Gummerus, J. 2013. Re-investigating the nature oftangibility/intangibility and its influence on customer experiences. *Journal of Service Management, 24 (2): 130-150*.
Heng, J. 2013. Market Share Analysis, Consulting Services Worldwide: 2012. Stamford, Ct. USA: Gartner, Inc.
Henneberg, S. C., Gruber, T. & Naudé, P. 2013. Services networks: Concept and research agenda. *Industrial Marketing Management, 42 (1): 3-8*.
Hertz, R. & Imber, J. B. (eds.) 1995. *Studying Elites Using Qualitative Methods,* Thousand Oaks, Ca.: SAGE Publications.
Heskett, J. L., Sasser, W. E. & Schlesinger, L. A. 1997. *The Service Profit Chain,* New York, NY, The Free Press.
Hilton, T., Hughes, T. & Chalcraft, D. 2012. Service co-creation and value realisation. *Journal of Marketing Management, 28 (13-14): 1504-1519*.
Hill, A. 2014. Dissolving of boundaries lets in more consultancy competitors. *Financial Times* [Online]. [Accessed November 10, 2014].
Hirschman, E. C. 1986. Humanistic Inquiry in Marketing Research: Philosophy, Method, and Criteria. *Journal of Marketing Research, 23 (3): 237-249*.
Hogan, J. E. 2001. Expected Relationship Value: A Construct, a Methodology for Measurement, and a Modelling Technique. *Industrial Marketing Management, 30 (4): 339-351*.
Holbrook, M. B. 1994. The nature of customer value: an axiology of services in the consumption experience. *Service quality: New directions in theory and practice, 21 (*
Holbrook, M. B. 2006. ROSEPEKICECIVECI versus CCV. *In:* LUSCH, R. F. & VARGO, S. (eds.) *The Service-Dominant Logic of Marketing.* Armonk Ny: M.E Sharpe.p.p.
Holstein, J. A. & Gubrium, J. F. 2004. The Active Interview. *In:* SILVERMAN, D. (ed.) *Qualitative Research: Theory, method and practice.* 2nd ed. London: Sage Publications.p.p. 140-161.
Hong, E. 2012. Consultant, consult thyself: Why Gaddafi's former spin doctor, the Monitor Group, filed for bankruptcy. *Quartz* [Online]. Available: http://qz.com/26285/once-prestigious-monitor-group-files-for-bankruptcy/ [Accessed 04-15-2014].
Hood, J. C. 2007. Orthodoxy vs. Power: The Defining Traits of Grounded Theory. *In:* BRYANT, A. & CHARMAZ, K. (eds.) *The SAGE Handbook of Grounded Theoiry.* 2nd ed. London, UK: SAGE Publications Ltd.p.p.
Howden, C. & Pressey, A. D. 2008. Customer Value Creation in Professional Service Relationships: the Case of Credence Goods. *The Service Industries Journal, 28 (6): 789-812*.
Hubbard, G., Zubac, A. & Johnson, L. 2008. Linking learning, customer value, and resource investment decisions: Developing dynamic capabilities. *In:* HEENE, A., MARTENS, R. & SANCHEZ, R. (eds.) *Advances in Applied Business Strategy.* Emerald Group Publishing Limited.
Hunt, S. D. & Madhavaram, S. 2006. The Service-Dominant Logic of Marketing: Theoretical Foundations, Pedagogy, and Resource-Advantage Theory. *In:* LUSCH, R. F. & VARGO, S. L. (eds.) *The Service-Dominant Logic of Marketing: Dialog, Debate and Directions.* Armonk, N.Y.: M.E.Sharpe.p.p. 67-84.
IBISWorld 2011. IBISWorld Industry Report: Global Management Consultants: L6712-GL. Santa Monica Ca.: IBISWorld Inc.

IBISWorld 2012. IBISWorld Industry Report L6712-GL: Global Management Consultants. *In:* IBISWORLD (ed.). Santa Monica Ca.
IBISWorld 2014. IBISWorld Industry Report: Global Management Consultants. Santa Monica, Ca.: IBISWorld Inc.
Jaakkola, E. & Alexander, M. 2014. The Role of Customer Engagement Behavior in Value Co-Creation: A Service System Perspective. *Journal of Service Research, 17 (3): 247-261*.
Jaakkola, E. & Hakanen, T. 2013. Value co-creation in solution networks. *Industrial Marketing Management, 42 (1): 47-58*.
Jackson, B. 2001. *Management gurus and management fashions: A dramatistic inquiry* , Psychology Press.
Järvensivu, T. & Törnroos, J.-Å. 2010. Case Study Research with Moderate Constructionism: Conceptualization and Practical Illustration. *Industrial Marketing Management, 39 (1): 100-108*.
Johnson, D. & Grayson, K. 2005. Cognitive and affective trust in service relationships. *Journal of Business Research, 58 (4): 500-507*.
Keränen, J. & Jalkala, A. Year. The Process of Customer Value Assessment in B2B Markets: Insights from Best Practices. In: IMP, ed. The 29th Annual IMP Conference, Aug30-Sept 2 2013a Atlanta, Ga.
Keränen, J. & Jalkala, A. 2013b. Towards a framework of customer value assessment in B2B markets: An exploratory study. *Industrial Marketing Management, 42 (8): 1307-1317*.
Khalifa, A. S. 2004. Customer value: a review of recent literature and an integrative configuration. *Management Decision, 42 (5): 645 - 666*.
Kieser, A. 1997. Rhetoric and myth in management fashion. *Organization, 4 (1): 49-74*.
Kieser, A. 2002. Managers as marionettes? Using fashion theories to explain the success of consultancies. *Management consulting: Emergence and dynamics of a knowledge industry, 167-183*.
King, N. 2004a. Using Interviews in Qualitative Research. *In:* CASELL, C. & SYMON, G. (eds.) *Essential Guide to Qualitatitative Methods in Organizational Research.* London UK: SAGE Publications Ltd.p.p. 11-22.
King, N. 2004b. Using Templates in the Thematic Analysis of Text. *In:* CASELL, C. & SYMON, G. (eds.) *Essential Guide to Qualitative Methods in Organizational Research.* London, UK: SAGE Publications Ltd.p.p. 256-270.
King, N. 2012. Doing Template Analysis. *In:* SYMON, G. & CASSELL, C. (eds.) *Qualitative Organizational Research. Core Methods and Current Challenges.* London, UK: Sage Publications Ltd.p.p. 426-449.
Kortge, G. D. & Okonkwo, P. A. 1993. Perceived Value Approach to Pricing. *Industrial Marketing Management, 22 (2): 133-140*.
Kotler, P. & Keller, K. L. 2012. *Marketing Management,* Upper Saddle River, NJ, Pearson-Prentice Hall.
Kozlenkova, I., Samaha, S. & Palmatier, R. 2014. Resource-based theory in marketing. *Journal of the Academy of Marketing Science, 42 (1): 1-21*.
Kramer, R. M. 1999. Trust and distrust in organizations: Emerging perspectives, enduring questions. *Annual Review of Psychology, 50 (1): 569*.
Krantz, D. L. 1995. Sustaining vs. resolving the quantitative-qualitative debate. *Evaluation and Program Planning, 18 (1): 89-96*.
Kubr, M. (ed.) 2002. *Management Consulting: a Guide to the Profession,* New Delhi, India: International Labour Office - Geneva / Bookwell.
Kvale, S. 1983. The Qualitative Research Interview: a Phenomenological and a Hermeneutical Model of Understanding. *Journal of Phenomenological Psychology, 14 (171-196*.
Kvale, S. 1995. The Social Construction of Validity. *Qualitative Inquiry, 1 (1): 19-40*.
La, V., Patterson, P. & Styles, C. 2008. Client-perceived performance and value in professional B2B services: An international perspective. *Journal of International Business Studies, 40 (2): 274-300*.

Lam, S. Y., Shankar, V., Erramilli, M. K. & Murthy, B. 2004. Customer Value, Satisfaction, Loyalty, and Switching Costs: An Illustration From a Business-to-Business Service Context. *Journal of the Academy of Marketing Science, 32 (3): 293-311*.
Lapierre, J. 1997. What does value mean in business-to-business professional services? *International Journal of Service Industry Management, 8 (5): 377-397*.
Lapierre, J. 2000. Customer-perceived value in industrial contexts. *Journal of Business & Industrial Marketing, 15 (2): 122-145*.
Lee, C. C. & Yang, J. 2000. Knowledge value chain. *Journal of Management Development, 19 (9): 783 - 794*.
Lee, E., Han, S., Nam, H. U. & Rho, J. J. 2013. Building capabilities via suppliers' effective management of relationships. *Industrial Marketing Management, 42 (5): 805-813*.
Lepak, D. P., Smith, K. G. & Taylor, M. S. 2007. Value Creation and Value Capture: A Multi-level Perspective. *Academy of Management Review, 32 (1): 180-194*.
Lewis, J. & Ritchie, J. 2003. Generalising from qualitative research. *Qualitative research practice: A guide for social science students and researchers, 263-286*.
Lindgreen, A., Hingley, M. K., Grant, D. B. & Morgan, R. E. 2012. Value in business and industrial marketing: Past, present, and future. *Industrial Marketing Management, 41 (1): 207-214*.
Lindgreen, A. & Wynstra, F. 2005. Value in business markets: What do we know? Where are we going? *Industrial Marketing Management, 34 (7): 732-748*.
Lindsay, V., Chadee, D., Mattsson, J., Johnston, R. & Millett, B. 2003. Relationships, the role of individuals and knowledge flows in the internationalisation of service firms. *International Journal of Service Industry Management,, 14 (1): 7-35*.
Loasby, B. J. 1983. Knowledge, learning and enterprise. *Beyond positive economics, 104-121*.
Loasby, B. J. 2001a. Organisation as Interpretative Systems. *Revue d'économie industrielle, 97 (1): 17-34*.
Loasby, B. J. 2001b. Time, knowledge and evolutionary dynamics: why connections matter. *Journal of Evolutionary Economics, 11 (4): 393-412*.
Loasby, B. J. 2002. The evolution of knowledge: beyond the biological model. *Research Policy, 31 (8): 1227-1239*.
Løwendahl, B. 2005. *Strategic management of professional service firms*, Copenhagen, Copenhagen Business School Press DK.
Lowendahl, B. R., Revang, O. & Fosstenlokken, S. M. 2001. Knowledge and value creation in professional service firms: A framework for analysis. *Human Relations, 54 (7): 911-911-931*.
Lusch, R., Vargo, S. & Tanniru, M. 2010. Service, value networks and learning. *Journal of the Academy of Marketing Science, 38 (1): 19-31*.
Lusch, R. F. & Vargo, S. L. 2006. Service-dominant logic: reactions, reflections and refinements. *Marketing Theory, 6 (3): 281-288*.
Lusch, R. F., Vargo, S. L. & Wessels, G. 2008. Toward a conceptual foundation for service science: Contributions from service-dominant logic. *IBM Systems Journal, 47 (1): 5-14*.
MacQueen, K. M., McLellan-Lemal, E., Bartholow, K. & Milstein, B. 2008. Team-based codebook development: structure, process, and agreement. *Handbook for team-based qualitative research, 119-135*.
Maglio, P. & Spohrer, J. 2008. Fundamentals of service science. *Journal of the Academy of Marketing Science, 36 (1): 18-20*.
Maister, D. H. 1993. *Managing the Professional Service Firm*, New York, NY, The Free Press.
Makadok, R., Piga, C., McWilliams, A. & Siegel, D. 2002. DIALOGUE - The Theiry of value and the Value of Theory. *Academy of Management Review, 27 (1): 10-16*.
Maklan, S. & Knox, S. 2009. Dynamic Capabilities: the missing link in CRM investments. *European Journal of Marketing, 43 (11/12): 1392-1410*.
Marakas, G. M. & Hornik, S. 1996. Passive resistance misuse: overt support and covert recalcitrance in IS implementation. *Eur J Inf Syst, 5 (3): 208-219*.

Marcinek, L. & Farrell, G. 2013. PwC Agrees to Purchase Booz to Expand Advisory Services. *Bloomberg (On Line)* [Online]. Available: http://www.bloomberg.com/news/2013-10-30/pricewaterhousecoopers-to-merge-with-booz.html [Accessed Oct 16, 2014].
Marr, B. 2006. *Strategic Performance management: Leveraging and measuring tour intangible value drivers,* Oxford, UK, Butterworth-Heinemann, an imprint of Elsevier Ltd.
Mayer, J. D. & Salovey, P. 1993. The intelligence of emotional intelligence. *Intelligence, 17 (4): 433-442*.
McCallum, S. & O'Connell, D. 2009. Social capital and leadership development. *Leadership & Organization Development Journal, 30 (2): 152-166*.
McCraken, G. 1988. The Long Interview. *Qualitative Research Methods Series.* Newbury Park, Ca.: Sage.p.p.
McGrath, R. G. 2013. *The End of Competitive Advantage,* Boston, Ma., Harvard Business Review Press.
McKenna, C. D. 2006. *The World's Newest Profession,* New York, NY, Cambridge University Press.
Miles, M. B. & Huberman, A. M. 1994. *Qualitative Data Analysis: An Expanded Sourcebook,* Thousand Oaks, Ca., Sage Publications.
Miles, R. E., Snow, C. C., Meyer, A. D. & Coleman, H. J., Jr. 1978. Organizational Strategy, Structure, and Process. *The Academy of Management Review, 3 (3): 546-562*.
Moeller, S., Ciuchita, R., Mahr, D., Odekerken-Schröder, G. & Fassnacht, M. 2013. Uncovering Collaborative Value Creation Patterns and Establishing Corresponding Customer Roles. *Journal of Service Research, 16 (4): 471-487*.
Möller, K. 2006. Role of Competences in Creating Customer Value: A Value-Creation Logic Approach. *Industrial Marketing Management, 35 (8): 913-924*.
Möller, K. 2013. Theory map of business marketing: Relationships and networks perspectives. *Industrial Marketing Management, 42 (3): 324-335*.
Möller, K. E. K. & Törrönen, P. 2003. Business Suppliers' Value Creation Potential: A Capability-Based Analysis. *Industrial Marketing Management, 32 (2): 109-118*.
Morgan, G. & Smircich, L. 1980. The Case for Qualitative Research. *The Academy of Management Review, 5 (4): 491-500*.
Morgan, N. A., Slotegraaf, R. J. & Vorhies, D. W. 2009a. Linking marketing capabilities with profit growth. *International Journal of Research in Marketing, 26 (4): 284-293*.
Morgan, N. A., Vorhies, D. W. & Mason, C. H. 2009b. Market orientation, marketing capabilities, and firm performance. *Strategic Management Journal, 30 (8): 909-920*.
Morgan, R. M. & Hunt, S. D. 1994. The Commitment-Trust Theory of Relationship Marketing. *The Journal of Marketing, 58 (3): 20-38*.
Mouritsen, J. 1998. Driving Growth: Economic Value Added versus Intellectual Capital. *Management Accounting Research, 9 (461-482*.
Moyser, G. & Wagstaffe, M. 1987. Studying elites: theoretical and methodological issues. *In:* BULMER, M. (ed.) *Research Methods for Elite Studies.* London, UK: Unwin Hyman Ltd.p.p.
Mu, J., Tang, F. & MacLachlan, D. L. 2010. Absorptive and disseminative capacity: Knowledge transfer in intra-organization networks. *Expert Systems with Applications, 37 (1): 31-38*.
Neill, S., McKee, D. & Rose, G. M. 2007. Developing the organization's sensemaking capability: Precursor to an adaptive strategic marketing response. *Industrial Marketing Management, 36 (6): 731-744*.
Ng, I. C. L. & Smith, L. A. 2012. An Integrative Framework of Value. *In:* VARGO, S. L. & LUSCH, R. F. (eds.) *Toward a Better Understanding of the Role of Value in Markets and Marketing (Review of Marketing Research).* Emerald Group Publishing Ltd.p.p. 207-243.
Ngo, L. V. & O'Cass, A. 2009. Creating value offerings via operant resource-based capabilities. *Industrial Marketing Management, 38 (1): 45-59*.
Ngo, L. V. & O'Cass, A. 2010. Value creation architecture and engineering: A business model encompassing the firm-customer dyad. *European Business Review, 22 (5): 496-514*.
Nikolova, N. 2006. The client-consultant relatinship in professional service firms. Ph.D., University of Cologne.

Nonaka, I. 1995. *The Knowledge-Creating Company.,* New York, NY, Oxford University Press.
Nordin, F. & Kowalkowski, C. 2010. Solutions offerings: A critical review and reconceptualisation. *Journal of Service Management, 21 (4): 441-459*.
Normann, R. & Ramírez, R. 1993. From value chain to value constellation: Designing interactive strategy. *Harvard Business Review, 71 (4): 65-77*.
O'Cass, A. & Ngo, L. V. 2012. Creating superior customer value for B2B firms through supplier firm capabilities. *Industrial Marketing Management, 41 (1): 125-135*.
O'Shaughnessy, J. & O'Shaughnessy, N. J. 2009. The Service-Dominant Perspective: a Backward Step? *European Journal of Marketing, 43 (5/6): 784-793*.
O'Shaughnessy, J. & O'Shaughnessy, N. J. 2011. Service-Dominant Logic: a Rejoinder to Lusch and Vargo's Reply. *European Journal of Marketing, 45 (7/8): 1310 - 1318*.
O'Shea, J. E. & Madigan, C. 1997. *Dangerous company: The consulting powerhouses and the businesses they save and ruin* , Times Business New York.
O'Cass, A. & Ngo, L. V. 2011. Examining the Firm's Value Creation Process: A Managerial Perspective of the Firm's Value Offering Strategy and Performance. *British Academy of Management, 22 (646-671*.
Olaru, D., Purchase, S. & Peterson, N. 2008. From Customer Value to Repurchase Intentions and Recommendations. *Journal of Business & Industrial Marketing, 23 (8): 554-565*.
Ostrom, A. L., Bitner, M. J., Brown, S. W., Burkhard, K. A., Goul, M., Smith-Daniels, V., Demirkan, H. & Rabinovich, E. 2010. Moving Forward and Making a Difference: Research Priorities for the Science of Service. *Journal of Service Research, 13 (1): 4-36*.
Parasuraman, A. 1997. Reflections on Gaining Competitive Advantage Through Customer Value. *Journal of the Academy of Marketing Science, 25 (2): 154*.
Pardo, C., Henneberg, S. C., Mouzas, S. & Naudè, P. 2006. Unpicking the meaning of value in key account management. *European Journal of Marketing, 40 (11/12): 1360 - 1374*.
Patterson, P. G. 2000. A Contingency Approach to Modeling Satisfaction with Management Consulting Services. *Journal of Service Research, 3 (2): 138-153*.
Patterson, P. G., Johnson, L. W. & Spreng, R. A. 1997. Modeling the Determinants of Customer Satisfaction for Business-to-Business Professional Services. *Journal of the Academy of Marketing Science, 25 (1): 4-17*.
Patton, M. Q. 1999. Enhancing the Quality and Credibility of Qualitative Analysis. *Health Services Research, 34 (5-II): 1189-1208*.
Patton, M. Q. 2005. *Qualitative research* , Wiley Online Library.
Paul, D. L. & McDaniel, R. R., Jr. 2004. A Field Study of the Effect of Interpersonal Trust on Virtual Collaborative Relationship Performance. *MIS Quarterly, 28 (2): 183-227*.
Payne, A. & Frow, P. 2005. A Strategic Framework for Customer Relationship Managemen. *Journal of Marketing / American Marketing Association, 69 (4): 167-176*.
Payne, A., Storbacka, K. & Frow, P. 2008. Managing the co-creation of value. *Journal of the Academy of Marketing Science, 36 (1): 83-96*.
Pentland, B. T. 1999. Building process theory with narrative: from description to explanation. *Academy of Management Review, 24 (4): 711-724*.
Petersen, W. 2010. *Strategic Learning: How to be Smarter than your competition and turn key insights into competitive advantage,* Hoboken, N.J., John Wiley & Sons.
Pitkaeniemi, L. 2014. Geographic Consulting Market Report: 2014 - Latin America. *In:* ALM MEDIA PROPERTIES, L. L. C. (ed.). New York, NY: Kennedy Consulting Research and Advisory.
Pitkaeniemi, L., Burchfield, E., Gronwall, P., Jankowski, Y., Layton, S., Anhalt, K. N. & Pramuk, M. 2011. Global Consulting Marketplace 2011-2014: Key Trends, Profiles and Forecasts. *In:* ADVISORY, K. C. R. (ed.) *Consulting Service Line Research.* Peterborough, NH: Kennedy Information, LLC.
Plé, L. & Chumpitaz-Cáceres, R. 2010. Not always co-creation: introducing interactional co-destruction of value in service-dominant logic. *Journal of Services Marketing, 24 (6): 430 - 437*.
Porter, M. 1980. *Competitive Strategy: Techniques for Analizing Industries and Competitors,* New York, NY, The Free Press -MacMillan.

Porter, M. 1985. *Competitive Advantage,* New York, N.Y., Free Press.
Porter, M. E. 1991. Towards a Dynamic View of Strategy. *Strategic Management Journal, 12 (Winter 1991; Special Issue): 95-117*.
Porter, M. E. & Millar, V. E. 1985. How Information Gives you Competitive Advantage. *Harvard Business Review, July-August 1985): 149-174*.
Potter, G. 2000. *The Philosophy of Social Science: New Perspectives,* London, UK, Prentice Hall - Pearson Education.
Prahalad, C. K. & Hamel, G. 1990. The Core Competence of the Corporation. *Harvard Business Review, 68 (3): 79-91*.
Prahalad, C. K. & Ramaswamy, V. 2004. Co-creating unique value with customers. *Strategy & Leadership, 32 (3): 4-9*.
Priem, R. L. 2007. A Consumer Perspective on Value Creation. *Academy of Management Review, 32 (1): 219-235*.
Priem, R. L. & Butler, J. E. 2001. Is the Resource-Based "View" a Useful Perspective for Strategic Management Research? *Academy of Management Review, 26 (1): 22-40*.
Prior, D. D. 2013. Supplier representative activities and customer perceived value in complex industrial solutions. *Industrial Marketing Management, 42 (8): 1192-1201*.
Pritchard, D. 2006. *What is this thing called knowledge?,* New York, NY, Routledge.
Ramaswamy, V. 2011. It's about human experiences… and beyond, to co-creation. *Industrial Marketing Management, 40 (2): 195-196*.
Rasiel, E. M. 1999. *The McKinsey Way,* New York, NY, Mc Graw-Hill.
Rassam, C. 1998. The management consultancy industry. *Management Consultancy-a handbook of best practice, hrsg. v. Sadler, P., London, 3-30*.
Ravald, A. & Grönroos, C. 1996. The value concept and relationship marketing. *European Journal of Marketing, 30 (2): 19-30*.
Reicheretz, J. 2004. Abduction, Deduction and Induction in Qualitative Research. *In:* FLICK, U., KARDORFF, E. V. & STEINKE, I. (eds.) *A Companion to Qualitative Research.* London: Sage Publishers.p.p. 299-310.
Reid, M. 2008. Contemporary marketing in professional services. *Journal of Services Marketing, 22 (5): 374 - 384*.
Renn, O. & Levine, D. 1991. *Credibility and trust in risk communication* , Springer.
Rostek, M. & Weretka, M. 2008. thin markets. *In:* DURLAUF, S. N. & BLUME, L. E. (eds.) *The New Palgrave Dictionary of Economics.* Basingstoke: Palgrave Macmillan.p.p.
Rouse, M. J. & Daellenbach, U. S. 1999. Rethinking Research Methods for the Resource-Based Perspective: Isolating Sources of Sustainable Competitive Advantage. *Strategic Management Journal, 20 (5): 487-487*.
Rust, R. T., Lemon, K. N. & Zeithaml, V. A. 2004. Return on Marketing: Using Customer Equity to Focus Marketing Strategy. *Journal of Marketing, 68 (1): 109-127*.
Rust, R. T., Zeithaml, V. A. & Lemon, K. N. 2000. *Driving Customer Equity,* New York, NY, The Free Press/SImon & Schuster.
Sadler-Smith, E. 2004. Cognitive style and the management of small and medium-sized enterprises. *Organization Studies, 25 (2): 155-181*.
Saldaña, J. 2009. *The Coding Manual for Qualitative Researchers,* London, UK, Sage Publications, Inc.
Salunke, S., Weerawardena, J. & McColl-Kennedy, J. R. 2011. Towards a model of dynamic capabilities in innovation-based competitive strategy: Insights from project-oriented service firms. *Industrial Marketing Management, 40 (8): 1251-1263*.
Sánchez-Fernández, R. & Iniesta-Bonillo, M. Á. 2007. The concept of perceived value: a systematic review of the research. *Marketing Theory, 7 (4): 427-451*.
Sandström, S., Edvardsson, B., Kristensson, P. & Magnusson, P. 2008. Value in use through service experience. *Managing Service Quality: An International Journal, 18 (2): 112-126*.
Sarvary, M. 1999. Knowledge Management and Competition in the Consulting Industry. *California Management Review, 41 (2): 95-107*.

Saunders, M., Lewis, P. & Thornhill, A. 2009. *Research Methods for Business Students,* Harlow, UK, Pearson Education Ltd.
Sayer, A. 1992. *Method in Social Science: A Realist Approach,* London, UK, Routledge.
Sayer, A. 2000. *Realism and the Social Science,* London, UK, Sage Publications.
Schein, E. H. 1999. *Process consultation revisited: Building the helping relationship* , Addison-Wesley Reading, MA.
Schertzer, S. M. B., Schertzer, C. B. & Dwyer, F. R. 2013. Value in professional service relationships. *Journal of Business & Industrial Marketing, 28 (8): 607-619*.
Schön, D. 1987. Educating the reflective practitioner.
Schön, D. A. 1983. *The reflective practitioner: How professionals think in action* , Basic books.
Schrire, S. 2006. Knowledge building in asynchronous discussion groups: Going beyond quantitative analysis. *Computers & Education, 46 (1): 49-70*.
Seidman, I. 2006. *Interviewing as Qualitative Research: A Guide for researchersin education and the social sciences,* New York, Teachers College Press, Columbia University.
Senge, P. M. 1990a. *The Fifth Discipline,* New York, NY, Doubleday / Bantam.
Senge, P. M. 1990b. The Leader's New Work: Building Learning Organizations. *MIT Sloan Management Review, 32 (1): 7-7*.
Sheth, J. N. 2011. Reflections on Vargo and Lusch's Systems Perspective. *Industrial Marketing Management, 40 (2): 197-198*.
Sibson, R. E. 1971. *Managing Professional Services Enterprises: The Neglected Business Frontier*, Pitman Publishing Corporation.
Silverman, D. 2001. *Interpreting Qualitative Data: A Guide to the principles of qualitative research,* London, Uk, SAGE Publications Ltd.
Singh, J. & Sirdeshmukh, D. 2000. Agency and Trust Mechanisms in Consumer Satisfaction and Loyalty Judgments. *Journal of the Academy of Marketing Science, 28 (1): 150-167*.
Sirmon, D. G., Hitt, M. A. & Ireland, R. D. 2007. Managing Firm Resources in Dynamic Environments to Create Value: Looking Inside the Black Box. *Academy of Management Review, 32 (1): 273-292*.
Slater, S. F. 1997. Developing a Customer Value-Based Theory of the Firm. *Journal of the Academy of Marketing Science, 25 (2): 162*.
Smedlund, A. 2008. Identification and Management of High-potential Professional Services. *Management Decision, 46 (6): 864-879*.
Spencer, R. & Cova, B. 2012. Market Solutions: Breaking free from dyad-centric logic and broadening the scope of S-DL. *Journal of Marketing Management, 28 (13-14): 1571-1587*.
Spiggle, S. 1994. Analysis and Interpretation of Qualitative Data in Consumer Research. *Journal of Consumer Research, 21 (December): 491-503*.
Spiteri, J. M. & Dion, P. A. 2004. Customer value, overall satisfaction, end-user loyalty, and market performance in detail intensive industries. *Industrial Marketing Management, 33 (8): 675-687*.
Spohrer, J., Vargo, S. L., Caswell, N. & Maglio, P. P. Year. The Service System Is the Basic Abstraction of Service Science. In: Hawaii International Conference on System Sciences, Proceedings of the 41st Annual, 7-10 Jan. 2008 2008. 104-104.
Squires, S. E., Smith, C. J., McDougall, L. & Yeack, W. R. 2003. *Inside Arthur Andersen,* Upper Saddle River, N.J., Financial Times prentice Hall.
Srivastava, R. K., Fahey, L. & Christensen, H. K. 2001. The resource-based view and marketing: The role of market-based assets in gaining competitive advantage. *Journal of Management, 27 (6): 777*.
Stabell, C. B. & Fjeldstad, Ø. D. 1998. Configuring value for competitive advantage: on chains, shops and networks. *Strategic Management Journal, 19 (413–437*.
Steup, M. 2012. *Epistemology, The Stanford Encyclopedia of Philosophy (Fall 2012 Edition)* [Online]. Stanford University. Available: forthcoming URL = <http://plato.stanford.edu/archives/fall2012/entries/epistemology/> . [Accessed July 19, 2012].

Storbacka, K., Strandvik, T. & Grönroos, C. 1994. Managing Customer Relationships for Profit: The Dynamics of Relationship Quality. *International Journal of Service Industry Management, 5 (5): 21-38*.
Sullivan, P. H. 1998. Introduction to Intellectual Capital Management. *In:* SULLIVAN, P. H. (ed.) *Profiting from Intellectual Capital: extracting value from innovation.* New York: John Wiley & sons.p.p.
Tashakkori, A. & Teddlie, C. (eds.) 1998. *Mixed methodology: Combining qualitative and quantitative approaches,* Thousand Oaks, CA: SAGE Publications.
Teece, D. J. 2000. Strategies for Managing Knowledge Assets: the Role of Firm Structure and Industrial Context. *Long Range Planning, 33 (1): 35-54*.
Teece, D. J. 2007. Explicating dynamic capabilities: the nature and microfoundations of (sustainable) enterprise performance. *Strategic Management Journal, 28 (13): 1319-1350*.
Teece, D. J. 2009. *Dynamic Capabilities & Strategic Management,* New York, N.Y., Oxford University Press.
Teece, D. J. 2010. Business Models, Business Strategy and Innovation. *Long Range Planning, 43 (2–3): 172-194*.
Teece, D. J., Pisano, G. & Shuen, A. 1997. Dynamic Capabilities and Strategic Management. *Strategic Management Journal, 18 (7): 509-533*.
The-Nation. 1997. Workplace. *The Nation* [Online]. Available: http://news.google.com/newspapers?nid=437&dat=19971114&id=qtQtAAAAIBAJ&sjid=_jEDAAAAIBAJ&pg=5857,4677565 .
Thomas, J. B., Sussman, S. W. & Henderson, J. C. 2001. Understanding "Strategic Learning": Linking Organizational Learning, Knowledge Management, and Sensemaking. *Organization Science, 12 (3): 331-345*.
Thomas, R. J. 2009. Interviewing Important peopls in Big Companies. *In:* HERTZ, R. & IMBER, J. B. (eds.) *Studying Elites Using Qualitative methods.* Thousand oaks, Ca.: SAGE Publications.p.p. 3-13.
Timmermans, S. & Tavory, I. 2012. Theory Construction in Qualitative Research: From Grounded Theory to Abductive Analysis. *Sociological Theory, 30 (3): 167-186*.
Tongco, M. D. C. 2007. Purposive sampling as a tool for informant selection.
Trochim, W. & Donnelly, J. P. 2006. *The Research Methods Knowledge Base,* Mason, Oh., Cengage Learning / Atomic Dog.
Trochim, W. M. K. 1989. Outcome pattern matching and program theory. *Evaluation and Program Planning, 12 (4): 355-366*.
Tsoukas, H. & Vladimirou, E. 2005. 'What is organizational knowledge? *Managing Knowledge: An Essential Reader, 85*.
Tuli, K., Kohli, A. & Bharadwaj, S. 2007. Rethinking Customer Solutions: From Product Bundles to Relational Processes. *Journal Of Marketing, 71 (3): 1-17*.
Turnbull, P., Ford, D. & Cunningham, M. 1996. Interaction, relationships and networks in business markets: an evolving perspective. *Journal of Business & Industrial Marketing, 11 (3/4): 44-62*.
Tzokas, N. & Saren, M. 1999. Value Transformation in Relationship Marketing. *Australasian Marketing Journal (AMJ), 7 (1): 52-62*.
Ulaga, W. 2003. Capturing value creation in business relationships: A customer perspective. *Industrial Marketing Management, 32 (8): 677-693*.
Ulaga, W. & Chacour, S. 2001. Measuring Customer-Perceived Value in Business Markets: A Prerequisite for Marketing Strategy Development and Implementation. *Industrial Marketing Management, 30 (6): 525-540*.
Ulaga, W. & Eggert, A. 2005. Relationship Value in Business Markets: The Construct and Its Dimensions. *Journal of Business-to-Business Marketing, 12 (1): 73-99*.
Ulaga, W. & Eggert, A. 2006. Value-Based Differentiation in Business Relationships: Gaining and Sustaining Key Supplier Status. *Journal of Marketing, 70 (1): 119-136*.

Useem, M. 2009. Reaching Corporate Executives. *In:* HERTZ, R. & IMBER, J. B. (eds.) *Studying Elites Using Qualitative Methods.* Thousand Oaks, Ca.: SAGE Publications.p.p. 18-39.
Varadarajan, P. R. & Jayachandran, S. 1999. Marketing Strategy: An Assessment of the State of the Field and Outlook. *Journal of the Academy of Marketing Science, 27 (2): 120-143*.
Vargo, S. L. & Lusch, R. F. 2004. Evolving to a New Dominant Logic for Marketing. *Journal of Marketing, 68 (1): 1-17*.
Vargo, S. L. & Lusch, R. F. 2006. Service-Dominant Logic: What It is, What It is not, What it Might Be. *In:* VARGO, S. L. & LUSCH, R. F. (eds.) *The Service Dominant Logic of Marketing: Dialog, Debate and Directions.* New York, NY: M.E. Sharpe Inc.p.p. 43-56.
Vargo, S. L. & Lusch, R. F. 2008a. From Goods to Service(s): Divergences and Convergences of Logics. *Industrial Marketing Management, 37 (3): 254-259*.
Vargo, S. L. & Lusch, R. F. 2008b. Service-Dominant Logic: Continuing the Evolution. *Journal of the Academy of Marketing Science, 36 (1): 1-10*.
Vargo, S. L. & Lusch, R. F. 2008c. Why "Service"? *Journal of the Academy of Marketing Science, 36 (1): 25-38*.
Vargo, S. L. & Lusch, R. F. 2011. It's all B2B…and Beyond: Toward a Systems Perspective of the Market. *Industrial Marketing Management, 40 (2): 181-187*.
Vargo, S. L., Maglio, P. P. & Akaka, M. A. 2008. On Value and Value Co-Creation: A Service Systems and Service Logic Perspective. *European Management Journal, 26 (3): 145-152*.
Verdin, P. J. & Williamson, P. J. 1994. Core Competences, Competitive Advantage and Market Analysis: Forging the Links. *In:* HAMEL, G. & HEENE, A. (eds.) *Competence-Based Competition.* New York, NY: John Wiley & Sons.p.p.
Vesalainen, J. & Hakala, H. 2014. Strategic capability architecture: The role of network capability. *Industrial Marketing Management, 43 (6): 938-950*.
Viio, P. & Grönroos, C. 2014. Value-based sales process adaptation in business relationships. *Industrial Marketing Management, 43 (1085-1095*.
Von Nordenflycht, A. 2008. The Demise of the Professional Partnership? The emergence and diffusion of publicly-traded professional service firms. *Working paper.* Burnaby, B.C.: Simon Fraser University.
Von Nordenflycht, A. 2010. What is a Professional Services Firm? Toward a Theory and Taxonomy of Knowledge-Intensive Firms. *Academy of Management Review, 35 (1): 155-174*.
Walter, A., Ritter, T. & Gemünden, H. G. 2001. Value Creation in Buyer–Seller Relationships: Theoretical Considerations and Empirical Results from a Supplier's Perspective. *Industrial Marketing Management, 30 (4): 365-377*.
Wang, C. L. & Ahmed, P. K. 2007. Dynamic capabilities: A review and research agenda. *International Journal of Management Reviews, 9 (1): 31-51*.
Wang, X., Tanaike, O., Kodama, M. & Hatori, H. 2007. High rate capability of the Mg-doped Li–Mn–O spinel prepared via coprecipitated precursor. *Journal of Power Sources, 168 (1): 282-287*.
Wang, Y. & Lo, H.-P. 2004. Customer-Focused performance and its Key Resource-Based Determinants: An Integrated Framework. *Competitiveness Review: An International Business Journal incorporating Journal of Global Competitiveness, 14 (1/2): 34 - 59*.
Waring, T. & Wainwright, D. 2008. Issues and Challenges in the Use of Template Analysis: Two Comparative Case Studies from the Field. *The Electronic Journal of Business Research Methods* [Online], *6 (1): 85-94*. Available: www.ejbrm.com [Accessed May 27, 2013].
Waterschoot, W. V. & Bulte, C. v. d. 1992. The 4P Classification of the Marketing Mix Revisited. *The Journal of Marketing, 56 (4): 83-93*.
Werr, A. & Stjernberg, T. 2003. Exploring Management Consulting Firms as Knowledge Systems. *Organization Studies, 24 (6): 881-908*.
Werr, A. & Styhre, A. 2002. Management Consultants--Friend or Foe? *International Studies of Management & Organization, 32 (4): 43-66*.

Whittaker, G., Ledden, L. & Kalafatis, S. P. 2007. A re -examination of the relationship between value, satisfaction and intention in business services. *Journal of Services Marketing, 21 (5): 345-357*.
Winter, S. G. 2003. Understanding Dynamic Capabilities. *Strategic Management Journal, 24 (10): 991-995*.
Woodruff, R. 1997. Customer Value: The Next Source for Competitive Advantage. *Journal of the Academy of Marketing Science, 25 (2): 139-153*.
Woodside, A. G. & Wilson, E. J. 2003. Case study research methods for theory building. *Journal of Business & Industrial Marketing, 18 (6/7): 493-508*.
Yang, C.-F. & Lai, C.-S. 2012. Relationship learning from organizational knowledge stores. *Journal of Business Research, 65 (3): 421-428*.
Yazdanparast, A., Manuj, I. & Swartz, S. M. 2010. Co-Creating Logistics Value: a Service-Dominant Logic Perspective. *International Journal of Logistics Management, 21 (3): 375-403*.
Yin, R. K. 2009. *Case Study Research: Design and Methods,* Thousand Oaks, Ca., SAGE Publishers.
Zaheer, A., McEvily, B. & Perrone, V. 1998. Does Trust Matter? Exploring the Effects of Interorganizational and Interpersonal Trust on Performance. *Organization Science, 9 (2): 141-159*.
Zahra, S. A. & George, G. 2002. Absorptive Capacity: A Review, Reconceptualization, and Extension. *Academy of Management Review, 27 (2): 185-203*.
Zahra, S. A., Neubaum, D. O. & Larrañeta, B. 2007. Knowledge sharing and technological capabilities: The moderating role of family involvement. *Journal of Business Research, 60 (10): 1070-1079*.
Zeithaml, V. A. 1988. Consumer Perceptions of Price, Quality, and Value: A Means-End Model and Synthesis of Evidence. *The Journal of Marketing, 52 (3): 2-22*.
Zeithaml, V. A., Bitner, M. J. & Gremler, D. D. 2000. *Services Marketing,* New York, NY, Mc Graw Hill/Irwin.
Zeithaml, V. A. & Parasuraman, A. 2004. *Service Quality,* Cambridge, Ma., Marketing Science Institute.
Zerbini, F., Golfetto, F. & Gibbert, M. 2007. Marketing of competence: Exploring the resource-based content of value-for-customers through a case study analysis. *Industrial Marketing Management, 36 (6): 784-798*.
Zolkiewski, J. & Turnbull, P. 2002. Do relationship portfolios and networks provide the key to successful relationship management? *Journal of Business & Industrial Marketing, 17 (7): 575-597*.
Zollo, M. & Winter, S. G. 2002. Deliberate Learning and the Evolution of Dynamic Capabilities. *Organization Science, 13 (3): 339-351*.
Zubac, A., Hubbard, G. & Johnson, L. W. 2010. The RBV and Value Creation: a Managerial Perspective. *European Business Review, 22 (5): 515 - 538*.

11. Annex

11.1. Key Journals reviewed

Journals reviewed	Issues reviewed
Services Marketing Quarterly	Jan 2008 to-July 2014 (Vol. 35-3)
Industrial Marketing Management	Jan 2004 to- Sept 2014 (Vol. 43-6)
European Journal of Marketing	Jan 2008 to-July 2014 (Vol. 48 Issue 9/10)
Journal of the Academy of Marketing Science	Jan 2008 to-Sept 2014 (Vol. 42 – 5)
European Business Review	Jan 2007 to- Jul 2014 (Vol. 26-5)
Journal of Service Management	Jan 2007 to- Jul 2014 (Vol. 25-4)
Journal of Services Marketing	Jan 2008 to- Jul 2014 (Vol. 28-4)
British Journal of Management	Jan 2007 to- Jul 2014 (Vol. 25-3)
The Academy of Management Review (theoretical papers)	Jan 2007 to- Jul 2014 (Vol. 39-3)
Strategic Management Journal	Jan 2007 to- Oct 2014 (Vol. 35-10)
Journal of Service Research	Jan 2007 to-Aug 2014 (Vol. 17-3)
Journal of Marketing	Jan 2008 to- July 2014 (Vol. 78)

Table 11-1- Key journals reviewed for literature review

11.2. Foundational premises and conceptual transitions of S-DL

1	Service is the fundamental basis of exchange. Explanation: The application of operant resources (knowledge and skills), "service," as defined in S-D logic, is the basis for all exchange. Service is exchanged for service.
2	Indirect exchange masks the fundamental basis of exchange. Explanation: Because service is provided through complex combinations of goods, money, and institutions, the service basis of exchange is not always apparent.
3	Goods are a distribution mechanism for service provision. Explanation: Goods (both durable and non-durable) derive their value through use – the service they provide.
4	Operant resources are the fundamental source of competitive advantage. Explanation: The comparative ability to cause desired change drives competition
5	All economies are service economies. Explanation: Service (singular) is only now becoming more apparent with increased specialization and outsourcing
6	The customer is always a co-producer. Explanation: Implies value creation is interactional.
7	The enterprise cannot deliver value, but only offer value propositions. Explanation: Enterprises can offer their applied resources for value creation and collaboratively (interactively) create value following acceptance of value propositions, but cannot create and/or deliver value independently.
8	A service-centred view is inherently customer oriented and relational. Explanation: Because service is defined in terms of customer-determined benefit and co-created it is inherently customer oriented and relational
9	All social and economic actors are resource integrators. Explanation: Implies the context of value creation is networks of networks (resource integrators)
10	Value is always uniquely and phenomenologically determined by the beneficiary. Explanation: Value is idiosyncratic, experiential, contextual, and meaning laden

Table 11-2. Ten Foundational Premises of Service Dominant Logic, taken verbatim from Vargo and Lusch (2008b:7).

Conceptual transitions

Goods-dominant logic concepts	Transitional concepts	Service-dominant logic concepts
Goods	Services	Service
Products	Offerings	Experiences
Feature/attribute	Benefit	Solution
Value-added	Co-production	Co-creation of value
Profit maximization	Financial engineering	Financial feedback/learning
Price	Value delivery	Value proposition
Equilibrium systems	Dynamic systems	Complex adaptive systems
Supply chain	Value-chain	Value-creation network/constellation
Promotion	Integrated marketing communications	Dialogue
To market	Market to	Market with
Product orientation	Market orientation	Service orientation

Table 11-3. Conceptual Transitions of S-DL, taken from Lusch and Vargo (2006: 286)

11.3. Value construct definitions identified

Construct	Definitions and characteristics
Use Value	Term used by Bowman and Ambrosini (2000; 2010) and Priem (2007) equivalent to *value creation* or to *value-in-use*. "Use Values are properties of products and services that produce utility" (Bowman and Ambrosini, 2010: 480).
Value in Use	"… the principle role of consumption … can be most effectively conceptualised as an expression of value creation" (Tzokas and Saren, 1999:57) According to S-DL, *value* is perceived and only phenomenologically determined by the user (Vargo and Lusch, 2004; Vargo and Lusch, 2008b). Value is contextual, idiosyncratic, experiential and meaning-laden (Vargo, 2009; Edvardsson et al., 2011; Vargo and Lusch, 2008a). "[E]ssentially, value is a personal judgement of worth by a beneficiary" (Hilton et al., 2012: 1508) The addition of *customer-perceived-value plus brand-equity* (i.e. value of brand to the customer) (Ngo and O'Cass, 2010). Equivalent to "consumer benefit experienced" or CBE. Value creation by offering benefits to the customer is a pre-condition for value capture. However, further definition of value in use and CBE and their components e.g. being both higher-order constructs, might result in interpretive differencing nuances of each (Priem, 2007).

Construct	Definitions and characteristics
	"Value is a social construction" (Edvardsson et al., 2011: 327), and as such, it is assessed as value-in-context. "Value always has an attitudinal component, such as trust, affection, comfort and easiness of use" (Grönroos, 2008: 303). Value in Use is created in the customer´s value-generating processes; customers are not interested in goods or services but in how these can be used for their own value creation (Grönroos, 2008). Value in Use is the only value concept used in Service Logic (SL). As per SL, value creation is the customer's process of creating value in use (Grönroos and Gummerus, 2014)
Customer Value	Old School – *Give versus get*, (Desarbo et al., 2001) e.g. "overall assessment of the utility of a product based on perceptions of what is received and what is given" (Zeithaml, 1988: 14) Is something perceived by the customer when using a product or a service, and not ascribed by the vendor; CV is formed by the perceived performance attributes and consequences derived from use that facilitate achieving the customer's objectives (Woodruff, 1997). Heskett, Sasser and Schlessinger (1997) contend that customers do not but products or services, they buy results, and thus define value for customer with the following formula: (Heskett et al., 1997) $$Value = \frac{Results\ produced\ for\ the\ customer + Process\ Quality}{Price\ to\ the\ Customer + Costs\ of\ acquiring\ the\ service}$$ Anderson and Narus (1999) regard Value as the perceived worth, often expressed in monetary terms of a set of diverse benefits received in exchange for price paid or sacrifices made, based on the recipients specific problems, as well as competing offerings and prices. Their definition take the approach of the marginal benefit compared against the next best alternative, as in $Value = (Value_f - Price_f) > (Value_a - Price_a)$ (Anderson and Narus, 1999: 6). It is a precursor for firm and shareholder value (La et al., 2008). Customer's perceived preference for and evaluation of those product attributes, attribute performance, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations (Woodruff, 1997: 142). (1) judgements of what a customer perceives he or she has received and, (2) what customers want to have happen when interacting with the suppliers or using the supplier's service (Flint et al., 2002). Hubbard, Zubac and Johnson (2008: 14) posit that: "customer value (1) is affected by time, (2) is influenced by an inexhaustible number of combinations of environmental contingencies, (3) can be difficult to measure consistently across firms, (4) may be viewed from both a firm's managers' perspective and from firm's customers' perspective (5) can potentially be created by many firms, (6) is realised as a

Construct	Definitions and characteristics
	multi-dimensional phenomenon through a firm's products and services, and (7) may be created through use of a firm's resources". "Customer's perception of the value offerings built in a product" (Ngo and O'Cass, 2010: 507)
Perceived Customer Value	"Customer's perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations" (Woodruff, 1997: 142). Cited in (Ngo and O'Cass, 2010: 506) and (Boksberger and Melsen, 2011: 231). PCV is sometimes cited (however misplaced) as *customer value* (CV) Trade off that customers make between what they get and what they give, with value-in-use in perspective (Eggert and Ulaga, 2002), also referred as perceived benefits less perceived sacrifices (Zeithaml, 1988; Boksberger and Melsen, 2011). Holbrook (1994: 22) defines PCV as an "interactive relativistic preference experience" and sustains the definition unchanged though his research time (Holbrook, 2006: 221). PCV is generally linked to customer satisfaction and perceived performance; its definition is context dependent (La et al., 2008). Perceived benefits involve both cognitive and affective elements which have a direct effect when measuring the service experience (Boksberger and Melsen, 2011). The differences between the prospective customer's evaluation of all the benefits and all the costs of an offering and all the perceived alternatives (Kotler and Keller, 2012). *Perceived customer value* is different at the time of purchase than that at time of consumption/use and after use (Gardial, Clemons, Woodruff, Schumann and Burns, 1994). Grönroos (1997: 412) defines Perceived Customer Value as : $PCV = \frac{Core\ Solution + Additional\ Services}{Price + relationship\ Costs}$ "Perceived value is multifaceted, individual and contextual"(Lapierre, 1997: 5)
Customer Satisfaction	Affective- cognitive construct; it has *customer perceived value* (cognitive construct) as precursor (Eggert and Ulaga, 2002; Ulaga and Eggert, 2005; Eggert et al., 2006)
Value in Exchange	Value proposition exchanged for Money… "Exchange Value is a monetary amount exchanged between the firm and its customers or suppliers when Use Value is traded" (Ambrosini and Bowman, 2010: 480). Specific qualities of the product perceived by the customers in relation to their needs, and the monetary amount realised at a single point in time when the exchange of the goods takes place e.g. the price the customers are willing to pay (Bowman and Ambrosini, 2000: 3).

Construct	Definitions and characteristics
	It has been used as equivalent to "use value", however under RBV use value is especially pertinent as "the intervention of people is necessary to create new use value from acquired resources (Bowman and Ambrosini, 2000: 5). RBV must interpret what "use value" is so that resources can be invested to attempt to create customer value (Zubac et al., 2010: 522)
Value Facilitation	The perspective that evolves *value creation by the supplier* under S-D Logic given the user is the one that phenomenologically determines value as value in use. The supplier and the customer co-produce value through interaction; suppliers produce value propositions and may collaborate in further value fulfilment. (Grönroos and Ravald, 2011).
Brands Equity	"Value of a brand name"…"additional value embedded in the brand as perceived by the customer" (Ngo and O'Cass, 2010: 507)
Value in Offering	What the firm builds in their product or services to create superior value offerings for their clients (in terms of performance, price, relationship and co-creation); such value is associated with benefits, not with tangible products. Client value co-creation is an essential part of building the value in offering (Ngo and O'Cass, 2010: 275). The moment that the value in offering is presented to the customer is discussed a "point of proposition" (O'Cass and Ngo, 2011: 647) It helps to explain what value the firm may be rewarded by creating (Payne and Frow, 2005); also conventionally labelled as "customer value".
Value Proposition	"reciprocal promises of value, operating to and from suppliers and customers seeking an equitable exchange" (Ballantyne and Varey, 2006: 334)
Value in Offering pre-emptive strategy	Design of value offering in advance to the point of proposition, such that will be perceived as to enhance the customer's customer-centricity performance; its components are (1) performance, (2) price, (3) relationship building, and (4) co-creation.
Value appropriation	Möller (2006) relates this term to the total value creation (exchange value and potential relationship value) and to the relative share that each party involved in value production for the final customer is able to capture-
Value Capture	"The appropriation and retention by the firm of payments made by consumers in expectation of future value from consumption (Priem, 2007:220) "… value capture involves the allocation of exchange value i.e. profit and is determined by the negotiation relationships between buyers and sellers (Bowman and Ambrosini, 2000). A confusion is occasionally found and a blurred distinction between value capture (profit) and value creation (value in use)mer value creation is closely linked to firm performance (Priem, 2007)
Value of Problem Coping	"If interaction is a problem-coping process then the value of each actor of a service is that actor's interpretation of the worth of the service's contribution towards coping with one or more specific problems of the actor, identified by that actor " (Ford and Mouzas, 2013)

Construct	Definitions and characteristics
Desired Customer Value	"What customers want to have happen when interacting with a supplier and/or using supplier´s product or service" (Flint, Woodruff and Gardial, 1997: 168). DCV is dynamic, it changes; it is a moving target (Flint et al., 2002)
Consumer Surplus	The difference of: Value in Use less Price paid (or exchange value) (Priem, 2007; Bowman and Ambrosini, 2000)
Customer Dominant Value	Given value is embedded and formed in the highly dynamic and multi-contextual reality and life of the customer, Heinonen, Strandvik and Voima (2013) propose a perspective beyond visible customer interactions, towards the invisible cognitive and experiential life of the customer, extending the temporal scope from exchange and use to accumulated experiences in the dynamic customer's life, context and ecosystem.
Relational Value	"value which is created through the interrelated activities of the buyer and the supplier"(Möller, 2006: 915). Relational value is another result from the co-creation of value between supplier and vendor (Ulaga and Eggert, 2006)

Table 11-4- Relevant value definitions found in the literature; list is not exhaustive

11.4. Pilot project report: node structure

Table 11-5 - Report of nodes identified in the Pilot Project using nVivo

Node Structure

Pilot Project

Hierarchical Name	Nickname	Aggregate	User Assigned Color
Node			
Nodes\\Free Nodes			
Nodes\\Free Nodes\\Business Development		No	None
Nodes\\Free Nodes\\Challenging work		No	None
Nodes\\Free Nodes\\Client Experience when using a consultant		No	None
Nodes\\Free Nodes\\Co-creation of knowledge	co-creation of kn	No	None
Nodes\\Free Nodes\\Communication with client	communication	No	None
Nodes\\Free Nodes\\Core competence	Core comp	No	None
Nodes\\Free Nodes\\corporate culture	corp culture	No	None
Nodes\\Free Nodes\\Differentiation from consulting competition	Differentiation	No	None
Nodes\\Free Nodes\\Focused attention to client problem		No	None
Nodes\\Free Nodes\\Industry knowledge	Ind K	No	None
Nodes\\Free Nodes\\Innovation of services or methods	innovation	No	None
Nodes\\Free Nodes\\Multi-disciplinary approach		No	None
Nodes\\Free Nodes\\Practical Knowledge - Applied to problem solving	practical KN	No	None
Nodes\\Free Nodes\\Price of consulting services	price of consult	No	None
Nodes\\Free Nodes\\Problem Solving - Complex problems	problem solv.	No	None
Nodes\\Free Nodes\\Target market or Groups of Interest	market	No	None
Nodes\\Free Nodes\\Understanding the client and its needs	Understand client needs	No	None
Nodes\\Free Nodes\\Value in Use perceived by the client		No	None
Nodes\\Free Nodes\\Value of services	Value delivered	No	None
Nodes\\Free Nodes\\Value of the Firm		No	None
Nodes\\Tree Nodes			
Nodes\\Tree Nodes\\Co-creation of value	co-create value	No	None
Nodes\\Tree Nodes\\Co-creation of value\co-analysing		No	None
Nodes\\Tree Nodes\\Co-creation of value\Collaboration		No	None
Nodes\\Tree Nodes\\Co-creation of value\Custom made solutions		No	None
Nodes\\Tree Nodes\\Co-creation of value\teamwork		No	None
Nodes\\Tree Nodes\\Competence of consultants i n the delivery	delivery	No	None

Hierarchical Name	Nickname	Aggregate	User Assigned Color
Nodes\\Tree Nodes\\Competence of consultants i n the delivery\knowledge broker- Change agent		No	None
Nodes\\Tree Nodes\\Competence of consultants i n the delivery\Leadership		No	None
Nodes\\Tree Nodes\\Competence of consultants i n the delivery\Management of the firm		No	None
Nodes\\Tree Nodes\\Competence of consultants i n the delivery\Process delivery competence know how		No	None
Nodes\\Tree Nodes\\Competence of consultants i n the delivery\Resourceful- multi discipline		No	None
Nodes\\Tree Nodes\\Competence of consultants i n the delivery\Soft skills and emotioinal intelligence		No	None
Nodes\\Tree Nodes\\Competence of consultants i n the delivery\Strategic vision		No	None
Nodes\\Tree Nodes\\Competence of consultants i n the delivery\Technical competence		No	None
Nodes\\Tree Nodes\\Management of Intangibles		No	None
Nodes\\Tree Nodes\\Management of Intangibles\Brand Name		No	None
Nodes\\Tree Nodes\\Management of Intangibles\HR and Talent strategy		No	None
Nodes\\Tree Nodes\\Management of Intangibles\HR and Talent strategy\Attraction and retention of Best talent		No	None
Nodes\\Tree Nodes\\Management of Intangibles\HR and Talent strategy\Consultants training and development	training and dev	No	None
Nodes\\Tree Nodes\\Management of Intangibles\HR and Talent strategy\Human Resources		No	None
Nodes\\Tree Nodes\\Management of Intangibles\HR and Talent strategy\Skills - differentiated highly competitive		No	None
Nodes\\Tree Nodes\\Management of Intangibles\HR and Talent strategy\Talent Growth and retention		No	None
Nodes\\Tree Nodes\\Management of Intangibles\Knowledge of Areas of practice		No	None
Nodes\\Tree Nodes\\Management of Intangibles\Knowledge of the Consulting Firm	knowledge of the firm	No	None
Nodes\\Tree Nodes\\Management of Intangibles\Knowledge of the Consulting Firm\Explicit knowledge -methodologies	Explicit knowledge	No	None
Nodes\\Tree Nodes\\Management of Intangibles\Knowledge of the Consulting Firm\Implicit knowledge	implicit kn	No	None
Nodes\\Tree Nodes\\Management of Intangibles\Knowledge of the Consulting Firm\Transmission - effective of knowledge		No	None
Nodes\\Tree Nodes\\Management of Intangibles\Learning		No	None
Nodes\\Tree Nodes\\Management of Intangibles\Learning\Apprenticeship and master	Apprentice	No	None
Nodes\\Tree Nodes\\Management of Intangibles\Learning\Learn by doing projects		No	None
Nodes\\Tree Nodes\\Management of Intangibles\Management framework		No	None
Nodes\\Tree Nodes\\Management of Intangibles\Relationship	relationship	No	None
Nodes\\Tree Nodes\\Management of Intangibles\Relationship\Credibility		No	None
Nodes\\Tree Nodes\\Management of Intangibles\Relationship\Knowledge of client		No	None
Nodes\\Tree Nodes\\Management of Intangibles\Value occurs in the right combination of them		No	None
Nodes\\Tree Nodes\\Quality in Services	Quality Svc	No	None
Nodes\\Tree Nodes\\Quality in Services\Avoid Overpromise	Overpromis	No	None
Nodes\\Tree Nodes\\Quality in Services\Communication with client	Comm w client	No	None
Nodes\\Tree Nodes\\Quality in Services\Expectations management	expectations	No	None
Nodes\\Tree Nodes\\Quality in Services\Overselling or not selling value		No	None
Nodes\\Tree Nodes\\TRUST	trust	No	None
Nodes\\Tree Nodes\\TRUST\Demonstrated committment	committment	No	None
Nodes\\Tree Nodes\\TRUST\Demonstrated Experience		No	None

Hierarchical Name	Nickname	Aggregate	User Assigned Color
Nodes\\Tree Nodes\\TRUST\Eminence		No	None
Nodes\\Tree Nodes\\TRUST\Objective truth	Objective truth	No	None
Nodes\\Tree Nodes\\TRUST\Reputation		No	None

Relationship

Relationships

Relationships\\Avoid Overpromise (is required to) Quality in Services	No	None
Relationships\\Brand Name (Associated) Credibility	No	None
Relationships\\Brand Name (focused in) Reputation	No	None
Relationships\\Brand Name (focused in) Target market or Groups of Interest	No	None
Relationships\\Business Development (is a) Core competence	No	None
Relationships\\Challenging work (Associated) Value of services	No	None
Relationships\\Client Experience when using a consultant (is required to) Value in Use perceived by the client	No	None
Relationships\\Client Experience when using a consultant (promotes or leads to) Relationship	No	None
Relationships\\Co-creation of knowledge (promotes or leads to) Value of services	No	None
Relationships\\Co-creation of knowledge (promotes or leads to) Value of the Firm	No	None
Relationships\\Co-creation of value (generates) TRUST	No	None
Relationships\\Co-creation of value (is required to) Value of the Firm	No	None
Relationships\\Co-creation of value (promotes or leads to) Value in Use perceived by the client	No	None
Relationships\\Competence of consultants i n the delivery (is a necessary component of) Co-creation of value	No	None
Relationships\\Competence of consultants i n the delivery (is a) Core competence	No	None
Relationships\\Competence of consultants i n the delivery (is required to) Differentiation from consulting competition	No	None
Relationships\\Competence of consultants i n the delivery (is required to) Problem Solving - Complex problems	No	None
Relationships\\Consultants training and development (is a necessary component of) Efficient delivery	No	None
Relationships\\Core competence (is a) Competence of consultants i n the delivery	No	None
Relationships\\corporate culture (Associated) Soft skills and emotioinal intelligence	No	None
Relationships\\corporate culture (is a) Core competence	No	None
Relationships\\Demonstrated committment (generates) Value of services	No	None
Relationships\\Demonstrated committment (is required to) Client Experience when using a consultant	No	None
Relationships\\Demonstrated Experience (is required to) Reputation	No	None
Relationships\\Demonstrated Experience (is required to) Value of services	No	None
Relationships\\Demonstrated Experience (promotes or leads to) TRUST	No	None
Relationships\\Differentiation from consulting competition (promotes or leads to) Value of the Firm	No	None
Relationships\\Differentiation from consulting competition (requires outstanding) Quality in Services	No	None
Relationships\\Efficient delivery (is required to) Problem Solving - Complex problems	No	None

Hierarchical Name	Nickname	Aggregate	User Assigned Color
Relationships\\Efficient delivery (is required to) Value of services		No	None
Relationships\\Eminence (Associated) Reputation		No	None
Relationships\\Ethical behaviour and transparency (Associated) Value of the Firm		No	None
Relationships\\Ethical behaviour and transparency (requires outstanding) Leadership		No	None
Relationships\\Expectations management (Associated) Communication with client		No	None
Relationships\\Expectations management (Associated) Value in Use perceived by the client		No	None
Relationships\\Focused attention to client problem (Associated) Problem Solving - Complex problems		No	None
Relationships\\HR and Talent strategy (Associated) Problem Solving - Complex problems		No	None
Relationships\\HR and Talent strategy (generates) Value of the Firm		No	None
Relationships\\HR and Talent strategy (is a necessary component of) Differentiation from consulting competition		No	None
Relationships\\Implicit knowledge (is a) Core competence		No	None
Relationships\\Industry knowledge (is a necessary component of) Value of services		No	None
Relationships\\Industry knowledge (is required to) Target market or Groups of Interest		No	None
Relationships\\Industry knowledge (is required to) Value of services		No	None
Relationships\\Industry knowledge (promotes or leads to) Value of the Firm		No	None
Relationships\\Innovation of services or methods (is a necessary component of) Efficient delivery		No	None
Relationships\\Innovation of services or methods (is required to) Industry knowledge		No	None
Relationships\\Innovation of services or methods (promotes or leads to) Value of services		No	None
Relationships\\Innovation of services or methods (promotes or leads to) Value of the Firm		No	None
Relationships\\Knowledge of client (promotes or leads to) Value in Use perceived by the client		No	None
Relationships\\Leadership (is a necessary component of) Competence of consultants i n the delivery		No	None
Relationships\\Leadership (is required to) Value of the Firm		No	None
Relationships\\Management of Intangibles (is required to) Value of the Firm		No	None
Relationships\\Management of the firm (is required to) corporate culture		No	None
Relationships\\Multi-disciplinary approach (generates) Differentiation from consulting competition		No	None
Relationships\\Multi-disciplinary approach (is required to) Problem Solving - Complex problems		No	None
Relationships\\Multi-disciplinary approach (promotes or leads to) Value of the Firm		No	None
Relationships\\Objective truth (Associated) Problem Solving - Complex problems		No	None
Relationships\\Overselling or not selling value (impacts negatively) Relationship		No	None
Relationships\\Overselling or not selling value (impacts negatively) Value in Use perceived by the client		No	None
Relationships\\Practical Knowledge - Applied to problem solving (is required to) Problem Solving - Complex problems		No	None
Relationships\\Price of consulting services (Associated) Brand Name		No	None
Relationships\\Price of consulting services (Associated) Credibility		No	None
Relationships\\Price of consulting services (Associated) Value in Use perceived by the client		No	None
Relationships\\Problem Solving - Complex problems (Associated) Innovation of services or methods		No	None
Relationships\\Problem Solving - Complex problems (is a necessary component of) Value in Use perceived by the client		No	None
Relationships\\Problem Solving - Complex problems (is required to) Knowledge of the Consulting Firm		No	None

Hierarchical Name	Nickname	Aggregate	User Assigned Color
Relationships\\Problem Solving - Complex problems (promotes or leads to) Learn by doing projects		No	None
Relationships\\Problem Solving - Complex problems (promotes or leads to) Value of the Firm		No	None
Relationships\\Process delivery competence (is required to) Problem Solving - Complex problems		No	None
Relationships\\Quality in Services (is a necessary component of) Value in Use perceived by the client		No	None
Relationships\\Quality in Services (is a necessary component of) Value of services		No	None
Relationships\\Quality in Services (is damaged if not adequate) Competence of consultants i n the delivery		No	None
Relationships\\Quality in Services (is damaged if not adequate) Demonstrated committment		No	None
Relationships\\Quality in Services (is damaged if not adequate) Efficient delivery		No	None
Relationships\\Quality in Services (promotes or leads to) Brand Name		No	None
Relationships\\Relationship (focused in) Target market or Groups of Interest		No	None
Relationships\\Relationship (generates) Problem Solving - Complex problems		No	None
Relationships\\Relationship (is a) Core competence		No	None
Relationships\\Relationship (promotes or leads to) Business Development		No	None
Relationships\\Relationship (promotes or leads to) Value of the Firm		No	None
Relationships\\Reputation (is a necessary component of) TRUST		No	None
Relationships\\Skills - differentiated highly competitive (is a) Core competence		No	None
Relationships\\Soft skills and emotioinal intelligence (is required to) Differentiation from consulting competition		No	None
Relationships\\Soft skills and emotioinal intelligence (is required to) Multi-disciplinary approach		No	None
Relationships\\Soft skills and emotioinal intelligence (is required to) Problem Solving - Complex problems		No	None
Relationships\\Target market or Groups of Interest (Associated) Reputation		No	None
Relationships\\Target market or Groups of Interest (is a necessary component of) Skills - differentiated highly competitive		No	None
Relationships\\Transmission - effective of knowledge (is required to) Differentiation from consulting competition		No	None
Relationships\\Transmission - effective of knowledge (is required to) Problem Solving - Complex problems		No	None
Relationships\\TRUST (impacts negatively) Overselling or not selling value		No	None
Relationships\\TRUST (is a necessary component of) Problem Solving - Complex problems		No	None
Relationships\\TRUST (is a necessary component of) Relationship		No	None
Relationships\\TRUST (promotes or leads to) Business Development		No	None
Relationships\\Understanding the client and its needs (Associated) Target market or Groups of Interest		No	None
Relationships\\Understanding the client and its needs (is a necessary component of) Value in Use perceived by the client		No	None
Relationships\\Understanding the client and its needs (is required to) Relationship		No	None
Relationships\\Understanding the client and its needs (is required to) Value of services		No	None
Relationships\\Value in Use perceived by the client (is a necessary component of) Relationship		No	None
Relationships\\Value in Use perceived by the client (promotes or leads to) Value of the Firm		No	None
Relationships\\Value occurs in the right combination of them (is a necessary component of) Value of the Firm		No	None

Table 11-6. Pilot project; four interviews discussion guide

How does a consulting organisation create value?; how do consulting firms differentiate among each other?.
How do you determine the profit margin or the price policy of your services?
Identify the Core Competencies of a consulting firm.
Client as co-creator of value
All consulting firms have the discourse of "value delivering" but the client is the ultimate judge of value according to his/her intended use of the service; is it true that we can only deliver value propositions.
Consultant as *knowledge broker*.
Marketing of a consulting firm oriented to service and value?
Relationship versus transactional marketing. .
Selling. Difference between pushing hours" and real commitment.
How do you achieve market reputation? Role of publicity. How a firm may improve the value they deliver to their customers. Innovation.
Role of knowledge
Management framework of a consulting firm. Role of classic accounting