Department of industrial engineering and management

Managing value-based exchange in industrial markets: An organizational capability perspective

Pekka Töytäri

Aalto University

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Managing value-based exchange in industrial markets: An organizational capability perspective

Pekka Töytäri

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Abstract

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Abstract

A capability to create value is the foundation of business relationships, and a pre-requisite for sustainable business performance. The value-based approach to industrial exchange is rapidly gaining ground in service-intensive industries. It has the potential to fundamentally transform exchange relationships and strategic networks.

Commoditization of offerings urges industrial companies to renew their business models for improved value creation and value capture. Customer value-focused business models call for a pro-active customer approach, which requires an explicit and convincing evaluation and communication of value to the customers, to create urgency and demand, and to understand and influence customers' value conceptions and value perceptions. To implement a successful value-based strategy, industrial companies must develop new capabilities and practices that enable value-focusing exchange. However, research-based advice to support companies in building these capabilities is scarce. Existing research has not paid sufficient attention to the essential topics of business opportunity selection, value-based selling, and value-based pricing.

To address the gaps in the existing knowledge, this dissertation investigates capabilities that are vital for value-based exchange in business-to-business relationships in industrial markets. It adopts a critical realist view to exploring industrial sales management in an abductive research process. The thesis contributes to the industrial sales management literature and improves the current understanding of the essential capabilities and managerial practices in value-focused business strategy implementation. The dissertation provides a novel conceptualization of customer value, and proposes several frameworks of capabilities and practices to guide planning and implementing value-based selling, business opportunity management, and value-based pricing.

The findings have important implications for sales management theory, research and practice. The improved understanding and adoption of the value-based exchange are likely to have fundamental consequences for industrial business ecosystems as the roles, responsibilities, organizing principles, and business models of the strategic networks are affected by their strive toward higher value creation.

Keywords Value-based exchange, value-based selling, value-based pricing, business opportunity validation, customer value

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Tiivistelmä

Kyky arvonluontiin on yritysten liikesuhteiden sekä kestävän menestyksen perusta. Arvoon perustuva vaihdanta yleistyy nopeasti palveluintensiivisessä teollisuudessa. Arvonluontiin perustuva liiketoiminta saattaa johtaa merkittäviin muutoksiin yritysten suhteissa ja yritysten muodostamissa verkostoissa.

Teollisuusyritysten nykyisten tarjoomien hyödykkeistyminen ja kilpailukyvyn heikkeneminen pakottavat yritykset uudistamaan tarjoomiaan ja liiketoimintamallejaan, tavoitteena korkeampi arvonluonti ja parantunut kannattavuus. Arvonluontiin keskittyvät liiketoimintamallit edellyttävät aloitteellisia asiakassuhteita, sekä uskottavaa ja konkreettista näyttöä uusien tarjoomien asiakkaille tuottamasta hyödystä. Aloitteellisen arvon tunnistamisen ja kommunikoinnin tavoitteena on synnyttää muutoshalukkuutta, sekä ymmärtää ja vaikuttaa asiakkaiden arvonäkemyksiin ja -kokemuksiin. Menestyksekäs arvoperustaisen strategian toteutus edellyttää uusien, vaikeasti hankittavien kyvykkyyksien ja prosessien kehittämistä. Nykyinen tutkimustieto on kuitenkin riittämätön näiden kriittisten kyvykkyyksien kehittämisessä. Erityisesti kannattavien asiakkuuksien tunnistamista, sekä asiakassuhteen rakentamista molemminpuolisen arvon perustalle myynnin ja hinnoittelun keinoin ei ole aikaisemmin juurikaan tutkittu.

Tämä väitöskirja tutkii teollisten yritysten muutosta kohti arvoperustaisia liikesuhteita. Tutkimus tarkastelee muutosta kriittisen realismin näkökulmasta, ja soveltaa useimmissa tutkimuksissa abduktiivista tutkimusotetta. Väitöskirja tuottaa uutta tietoa teollisen myyntijohtamisen oleellisista uusista kyvykkyyksistä ja prosesseista arvoperustaisen strategian toteutuksen osana. Väitöskirja tarjoaa uuden asiakasarvon määritelmän sekä useita viitekehyksiä tukemaan arvoperustaisen myynnin, hinnoittelun ja myyntimahdollisuuksien johtamisen suunnittelua ja toteutusta.

Väitöskirjan tuloksilla on merkittäviä vaikutuksia myynnin johtamisen tutkimukselle ja käytännön toteutukselle. Arvoperustaisen vaihdannan paremmalla ymmärryksellä ja omaksumisella on vaikutuksia yritysverkostojen sisäisiin rooleihin, vastuisiin, organisaatiorakenteisiin ja liiketoimintamalleihin yritysten kehittäessä toimintaansa kohti korkeampaa arvonluontia.

Avainsanat Asiakasarvo, arvoperustainen myynti, arvoperustainen hinnoittelu, asiakassuhteiden arvon validointi

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Espoo, April 2015

Pekka Töytäri

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List of Abbreviations

CPV	Customer-perceived value
CDV	Customer-desired value
VBP	Value-based pricing
VBS	Value-based selling
BOV	Business opportunity validation
RBV	Resource-based view of a firm
CLV	Customer lifetime value

List of publications

This doctoral dissertation consists of a summary and of the following publications.

1. Töytäri, P., Brashear Alejandro, T., Parvinen, P.;, Ollila, I., Rosendahl, N. (2014). bridging the theory to application gap in value-based selling. Emerald. *Journal of Business & Industrial Marketing*, *26*, 7, 493–502. Doi: http://doi.org/10.1108/08858621111162299

2. Pitkänen, I., Parvinen, P., & Töytäri, P. (2014). The significance of the new venture's first sale: the impact of founders' capabilities and proactive sales orientation. Wiley. *Journal of Product Innovation Management, 31,4, 680-694.* Doi: http://doi.org/10.1111/jpim.12160.

3. Töytäri, P., Rajala, R. (2015). Value-based selling: an organizational capability perspective. Elsevier. *Industrial Marketing Management*, 45, 101-112. Doi: http://doi.org/10.1016/j.indmarman.2015.02.009.

4. Töytäri, P., Rajala, R., Brashear Alejandro, T., (Forthcoming). Organizational and institutional barriers to value-based pricing in industrial relationships. Elsevier. *Industrial Marketing Management*. Doi:http://doi.org/10.1016/j.indmarman.2015.02.005

5. Töytäri, P. (2015). Assessing value co-creation and value capture potential in services: a management framework. Emerald. *Benchmarking: An International Journal*, 22(2), 254-274. Doi: http://doi.org/10.1108/BIJ-07-2013-0075.

Author's Contribution

Publication 1: Bridging the theory to application gap in value-based selling

The author of this dissertation was responsible for developing a version of the paper and presenting it in the CBIM 2010 conference, and for preparing the paper for publication, carrying out the data collection and managing the review process.

Publication 2: The significance of the new venture's first sale: Founder capabilities and proactive sales orientation

The authors collaborated on formulating the research questions, preparing questionnaire, conducting initial interviews and analyzing results. The author of the dissertation had a leading role in writing the introduction, the texts leading up to hypotheses, literature review and discussion parts, and in managing the review process.

Publication 3: Value-based selling: An organizational capability perspective.

The paper was initiated by the author of this dissertation, who had a leading role in the development of theoretical background, case study research, and reporting.

Publication 4: Organizational and institutional barriers to value-based pricing in industrial relationships.

The paper was initiated by the author of this dissertation, who had a leading role in the development of theory, case research, and reporting.

Publication 5: Assessing value co-creation and value capture potential in services: A management framework

Sole author.

1. INTRODUCTION

1.1 Background

Companies in business markets engage in value exchange with their customers. They exchange goods, services, and capital for mutual gain (Bowman & Ambrosini, 2000). Industrial suppliers participate in their customers' value-creation activities by applying their capabilities, transforming resources into outcomes, and capturing a part of the value created. Both parties to a business transaction are motivated to exchange if they perceive the benefits they receive to be greater than the sacrifices they make (Blois & Ramirez, 2006). The greater the perceived difference between benefits and sacrifices, the greater the perceived value. Creating superior value for customers is a key to a company's success, a prerequisite for capturing value, and for ensuring the company's success and long-term survival (Gosselin & Bauwen, 2006).

In their search for competitive advantage, companies develop their resources and capabilities by exploration and innovation. Traditionally, innovation activity produces better products and better processes. A recent view on innovations encompasses business models (Chesbrough, 2010; Zott & Amit, 2010). Industrial companies are undergoing a fundamental change from goods-dominated and transactional exchange toward relational, services and value-driven exchange. Industrial companies are transforming their way of doing business (Vandermerwe & Rada, 1988) to renew their business models, transform their offering portfolio, to find new sources of revenue, and differentiate themselves from cost-driven competition. The transformation is shifting focus from products to services and solutions (Wise & Baumgartner, 1999). This transformation is fundamentally changing the role of many business functions. Among the business functions affected are selling, sales management and pricing.

Exploration of the new sources of competitive advantage necessitates proactivity (March, 1991). Innovative new offerings require approaching customers to create and satisfy needs. However, industrial companies are not well prepared for the new demands (Gebauer, Fleisch, & Friedli, 2005). Industrial exchange has been characterized by buyer power, buyer-driven interactions, focus on goods and transactions, and suppliers' late entry into customers' renewal processes. Transformation requires renewal of capabilities, practices, and processes. There is a wide capability gap between the currently dominant reactive approaches and the needed proactive ones, which the existing research is not adequately addressing. This gap is illustrated in the chapter on theoretical foundations. However, there is a growing body of evidence suggesting that the companies that proactively offer their customers value-based offerings, are more successful than companies that rely on more established approaches (Aberdeen Group, 2011; Terho, Haas, Eggert, & Ulaga, 2012).

1.2 Research objectives

The key objective of the thesis is to provide new knowledge on how industrial and technology firms in business markets implement and manage value-based strategy. In particular, the dissertation investigates the organizational capabilities, which the industrial organizations need to develop and implement in their business functions to successfully exercise value-based business.

The following topics illustrate recent research and developments in the field, calling for more research on the topics.

1. Many industrial companies are trying to move away from the commoditized, low-profitability markets by renewing their offering portfolio (Carlborg, Kindström, & Kowalkowski, 2013), hoping to improve their profitability (Neely, 2009).

2. The new offerings require active generation of demand and the activation of latent needs, and lead to a proactive, supplier-driven value creating strategy (instead of reactive, customer-driven relationships and engagements) (Narver, Slater, & MacLachlan, 2004)

3. Proactive value creation necessitates early engagement with customers' value-creation processes (e.g., Adamson, Dixon, & Toman, 2012), and calls for compelling value propositions (Anderson, Narus, & van Rossum, 2006; Vargo & Lusch, 2004)

4. Developing, communicating, quantifying, and pricing the value propositions all require significant new capabilities, which the industrial companies presently lack, but are actively building.

5. Customer relationships and business opportunities are not equally valuable. Early engagement, increased complexity, and value co-creation increase the costs and risks of managing customer relationships, and require a careful selection of relationships and business opportunities if the value-focused approach is actually to result in improved profitability.

6. Sales, sales management, and pricing are among the business functions in which the essential new capabilities for value-focused strategy are developed.

The purpose of this thesis is to address the above identified needs for new knowledge by exploring the value-based exchange in buyer-seller relationships. The theoretical foundation part provides a more detailed motivation and development of the research gaps.

1.3 Dissertation structure

This thesis consists of seven parts. After the introduction, the existing research and relevant theories are discussed. The purpose of the discussion is to identify and illustrate the gaps in the research literature. Among the most relevant theories for this dissertation are customer value, value exchange in business markets, and organizational capabilities as a source of competitive advantage and change. The organizational context of the research, the business functions, is also presented and discussed.

The research questions are then formulated and presented to fill the research gaps identified in the theoretical foundations chapter.

The fourth part of the thesis describes and motivates the methodological choices, the research design and process, and the underlying philosophical assumptions.

The fifth part summarizes the findings of the research articles. Each article's contribution to the main research question is presented. Each article's contributions to the sub-research questions are explained.

The sixth part discusses the theoretical and managerial contributions of the thesis, the limitations of the research, and suggests directions for future research.

Finally, the seventh part consists in the original articles.

Please note that I present the theoretical foundation before the research questions. This unconventional sequence is motivated by my desire to identify and illustrate the research gaps before introducing the research questions to address those gaps.

2. THEORETICAL BACKGROUND

This dissertation investigates value exchange in the context of industrial selling, sales management, and pricing. The industrial change and renewal requires industrial companies to develop and implement significant new capabilities. *Capability* is defined here as the "ability of an organization to perform a coordinated set of tasks, utilizing organizational resources, for the purpose of achieving a particular end result" (Helfat & Peteraf, 2003, 999). Hence, a relevant theoretical ground for the study comprises customer value, value exchange in business markets, and organizational capabilities as a source of competitive advantage. The research on business functions studied also merits attention. In this chapter I review the relevant theories and illustrate the gap in research that this dissertation attempts to fill.

Business firms identify, create and leverage competitive advantage to achieve sustained superior performance (Barney, 1986, 2002; Porter, 1996, 2008a, 2008b; Powell, 2001). There are several theories about the sources of competitive advantage. Some theories explain the competitive advantage resulting from protected market positions (Porter, 1980), which can be achieved by building entry barriers and similar hedges against competition. Other theories focus on the internal characteristics of a business firm, and explain competitive advantage in terms of firm-specific resources and capabilities (Barney, 1991; Peteraf, 1993; Wernerfelt, 1984).

Whatever the explanation, business performance is almost exclusively based on the creation and capturing of customer value. Creating superior customer value is widely accepted strategic principle and a key to a firm's long-term survival and success (Eggert, Ulaga, & Schultz, 2006; Slater, 1997; Woodruff, 1997). Customer value is a cornerstone of business market management (Anderson, Narus, & Narayandas, 2009). Value is the incentive for a customer to buy a firm's offering. The creation of superior value makes a firm more attractive to customers than the competing alternatives. Even more importantly, creating value is a prerequisite for capturing value (Blois & Ramirez, 2006; Brandenburger & Stuart, 1996; Coff, 1999; Gosselin & Bauwen, 2006). Recent evidence from industrial companies (Aberdeen Group, 2011; Vitasek et al., 2012) suggests that companies that successfully leverage value in their customer approach are also more successful in capturing value and achieving superior performance. Value is also a driver of customer satisfaction, loyalty and retention (Khalifa, 2004) as well as long-term company survival and success (Eggert et al., 2006; Slater, 1997; Woodruff, 1997). Capturing enough value helps firms prosper, grow and survive. Creating and capturing superior value is the ultimate task and goal of business firms. Figure 1 illustrates the causality among value creation, value capture, and firm performance.

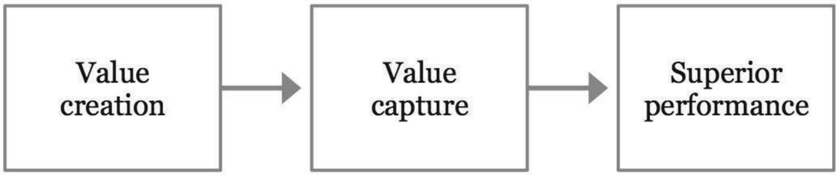

Figure 1. Value creation, value capture and superior performance.

Firms and their customers create value by transforming resources into outcomes. A traditional strategic task of business firms is to find the best fit between a firm's resources and prevailing business conditions (e.g., Sirmon, Hitt, & Ireland, 2007). Companies need to understand their internal strengths (capabilities) and identify opportunities in the markets around them. Competitive advantage results from the combination of unique internal capabilities with external opportunities. In order to survive and prosper, companies need to exploit resources efficiently and produce outcomes that the customers value higher than other alternatives (Brandenburger & Stuart, 1996; Slater, 1997). Firms need to innovate value, and then defend that value against competing alternatives. Building and maintaining competitive advantage is a formidable undertaking in the ever-changing business markets. Research has convincingly shown that business firms differ in their ability to generate wealth (e.g., Wernerfelt, 1984), and that those differences tend to persist over time. As capturing superior value leads to superior firm performance, most theories, whether market-focused or internally focused, are concerned about value capture. What value is, how value is innovated and created in the first place has received much less attention. I therefore review the definition, characteristics, evaluation, decision-making support, creation and capture of value in the upcoming chapters.

2.1 "Value is what I get for what I give"

In the marketing literature, Zeithaml (1988) conceptualizes customer value in terms of the difference between benefits received and sacrifices made:

> Value is what I get for what I give (Zeithaml, 1988, 13).

Value illustrates what something is worth to someone, subjectively evaluated by individual stakeholders (e.g., Ramirez, 1999). Value is also context-specific (e.g., Kowalkowski, 2011), and evaluated in specific business situations. Value is future-oriented, expected value and risky (Hinterhuber, 2008; Hogan, 2001). The perception of value is dynamic, and changes over time (Flint, Woodruff, & Gardial, 2002). Finally, value is multi-dimensional (Anderson, Jain, & Chintagunta, 1993; Ritter & Walter, 2012; Sanchez-Fernandez & Iniesta-Bonillo, 2007; Ulaga & Eggert, 2005; Wilson & Jantrania, 1994):

> More important, the literature generally agrees that the benefit side of value includes more than quality and the sacrifice side includes more than price (Flint, Woodruff, & Gardial, 2002, 103).

Despite the extensive literature on customer value, the conceptualization of value as a multi-dimensional difference between benefits and sacrifices requires attention. Especially value-based selling (VBS), value-based pricing (VBP), and business opportunity validation (BOV) require a more explicit conceptualization of customer value than the literature provides.

2.2 Application of value: value exchange and value creation

Business relationships are based on value exchange. In business markets, firms exchange value during relational processes by receiving benefits and making sacrifices. Khalifa (2004) describes value exchange as follows:

> The value exchange model is basically a give-and-take model or a benefits-costs model. The customer is willing to sacrifice certain amount of time, effort, money, and take certain risks in exchange of expected benefits that outweigh his/her total sacrifices. This difference between total benefits and total sacrifices results in net customer value that leads to a purchasing decision only if it is zero or above. The total benefits consist of utility value and psychic value. The total customer sacrifices, which we call here the total customer cost, consists of financial and non-financial customer costs, i.e. the total customer ownership cost (pre-use, at-use, and post-use costs) (Khalifa, 2004, 655)

For the value exchange to be attractive at all, both parties need to perceive the benefits received as exceeding the sacrifices made (Anderson, Kumar, & Narus, 2007). In the value-exchange business relationships influential stakeholders evaluate the attractiveness of the available value exchange opportunity, evaluating value creation and value capture potential in their specific context, and focusing on salient dimensions of value. The value assessment is affected by a number of cognitive, environmental and behavioral influences. Individual stakeholders' value assessment is guided by their absorptive capacity (Cohen & Levinthal, 1990) and cognition (Walsh, 1995), individual and organizational beliefs (Tripsas & Gavetti, 2000) and shared industry norms (Spender, 1989), institutional rules and normative pressures (Zucker, 1987), bounded rationality and behavioral biases (Cyert & March, 1992; Kahneman, Slovic, & Tversky, 1982), and the alignment between the value offered and their personal goals (Cyert & March, 1992).

When investigating business transactions and associated value exchanges, two facets of value emerge. The exchanges are frequently based on trading *use value* against *exchange value* (Bowman & Ambrosini, 2000).

> Use value refers to the specific qualities of the product perceived by customers in relation to their needs: e.g. the acceleration and styling of the car, the taste and texture of the apple, etc. Exchange value refers to price. It is the monetary amount realized at a single point in time when the exchange of the goods takes place (Bowman & Ambrosini, 2000, 2).

The concepts of use value[1] and exchange value are not new, having appeared in the eighteenth-century work of Adam Smith (A. Smith, 1776). In business exchanges, the benefits received are mostly evaluated through the use value perspective, as the buyer indeed intends to use the products and/or services acquired in its own value creation process. The customer receives benefits from the supplier and makes supplier-related sacrifices (including exchange value) during the relationship, both benefits and sacrifices consisting of different dimensions of value.

Firms create value by using their capabilities to transform resources into outcomes (Day, 1994). Bowman and Ambrosini (2000) discuss value creation from a goods-dominant perspective by focusing on the creation, exchange, and realization of use value. At different stages of a value chain, companies acquire use value in the form of goods from the upstream companies, apply their (and others') capabilities to create new use value, exchange the value created with companies downstream, and realize the exchange value. If the exchange value captured covers and exceeds the value-transformation costs, value is created for the supplier. If the benefits perceived by a customer exceed the perceived sacrifices, value is created for the customer (Slater & Narver, 2000).

The service-dominant logic (Vargo & Lusch, 2004) provides an alternative view on value creation. Value is created as the enactment of value propositions (Ballantyne, 2006), value is co-created, and customer alone (instead of supplier) determines whether value has been created. Therefore, the capabilities to craft and communicate value propositions and evaluate value co-creation potential of business relationships deserve attention. These capability gaps are discussed next.

2.2.1 Value proposition

Most of the theories on competitive advantage and business performance are focused on value capture (Adner & Zemsky, 2006; Bowman & Ambrosini, 2000). Value creation is less well understood. The notion of value proposition is a key concept in value-based exchange (Anderson et al., 2006; Ballantyne, Frow, Varey, & Payne, 2011; Kowalkowski, 2011; Terho et al., 2012). Value proposition captures the idea of how the parties involved could co-create value (Frow & Payne, 2011; Payne, Storbacka, & Frow, 2007; Vargo, Maglio, & Akaka, 2008). The subjective, context-specific, future-oriented, multi-faceted and evolving nature of the customer value only allows value propositions to be prepared for later communication, adaptation, quantification and verification at different stages of the relational buyer-seller process. Value proposition is a frequently used, but rather ambiguous concept. Frow and Payne (2008) investigated the use of value propositions in organizations and found that although the term was used by almost two-thirds of the investigated organizations, only 8% had developed and routinely communicate formal value propositions. Hence, the actual process and outcome of crafting value propositions deserve

[1] The concept of value-in-use is central in the service-dominant logic (Vargo & Lusch, 2004) and is attracting renewed attention in marketing research.

more attention, to deepen our understanding of how customer-desired value is identified, what value elements are included in the value proposition, how value proposition is formulated, and then communicated and quantified.

If a firm creates superior value, that firm is likely to capture value, and gain a competitive advantage. Ability to price and capture a fair share of the value created is imperative to the success of a value-focused strategy. Creating value does not, however, guarantee value capture. The literature investigating value based pricing (Hinterhuber & Bertini, 2011; Hinterhuber, 2004, 2008b; Liozu, Hinterhuber, Boland, & Perelli, 2012) provides insights into its application.

2.2.2 Value sharing by price

Mature industrial exchange is characterized by customer-driven procurement processes, high customer power, many available alternatives, and commoditized offerings. Commoditization of offerings, competition in mature markets and high customer power are incentives for competition- or market-based pricing and cost-based pricing. These approaches use either market competition or supplier's production costs as the pricing reference (Anderson & Narus, 1998; Ingenbleek, Debruyne, Frambach, & Verhallen, 2003). For a majority of companies, accepting market-based and cost-based pricing approaches often leads to below-target profitability (e.g., Nagle & Holden, 1995). Hence, many industrial firms strive to renew their business models by adding services to their offering portfolios, hoping to differentiate and increase their pricing power. The renewal also affects their customer approach and leads them to emphasize customer-perceived value as the basis of their business strategies. As discussed, while customer-perceived value is acknowledged as a basis of business strategy, it is not by itself sufficient for capturing value (Blois & Ramirez, 2006; Bowman & Ambrosini, 2000; Brandenburger & Stuart, 1996).

Value creation and value capture are based on value exchange in business relationships. The parties to the exchange receive benefits and make sacrifices, and both parties need to perceive the benefits received as greater than the sacrifices made. Price is a key value-sharing mechanism. Figure 2 illustrates factors affecting price setting. Price is relative to two reference points. For the supplier, the price needs to exceed value-production costs for long-term viability and success. For the customer, the price needs to be sufficiently low to make the exchange attractive. In other words, the perceived value (benefits received) must be higher than the cost (sacrifices made)[2]. The perceived value for both parties of the exchange is then the difference between benefits and sacrifices.

Anderson, Jain and Chintagunta (1993) define *customer value* as the difference between *net* benefits received and price paid. Net benefits subsume all other sacrifices than acquisition price from the benefits received.

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[2] The actual situation is slightly more complicated. The price is used only to share the value recognized by both parties, the value which is the explicit focus of the exchange. Both parties may perceive benefits and sacrifices outside of the recognized value. Examples of the other benefits include reference value, reputation, market access, and similar. The other sacrifices include change management costs, such as implementation and training. Price is only a part of the total sacrifice.

> We define value in business markets as the perceived worth in monetary units of the set of economic, technical, service and social benefits received by a customer firm in exchange for the price paid for a product offering, taking into consideration the available alternative suppliers' offerings and prices. In this definition, we regard benefits as "net" benefits that subsume costs other than acquisition price (e.g., life-cycle costs) and use "received" to reflect performance in a given usage application (Anderson et al., 1993, 5).

Separating the acquisition price from the other benefits and sacrifices allows for investigation of the role of price in value sharing. The available range to determine the price between the supplier cost and the buyer-perceived net benefits (Forbis & Mehta, 1981; Kortge & Okonkwo, 1993) is illustrated in Figure 2. For the customer, the perceived value is the difference between net benefits received and price paid. Similarly, assuming cost includes all the supplier sacrifices, the perceived value for the supplier is the difference between the price and the cost.

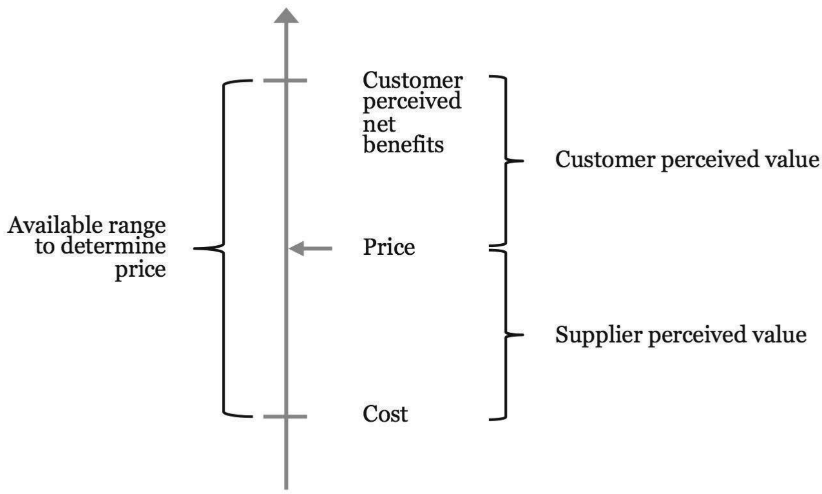

Figure 2. Price in relation with customer's net benefits and supplier cost.

Value-driven competition necessitates value-based pricing. However, Hinterhuber (2008) reports that in a large number of surveys of pricing approaches across industries, value-based pricing accounts on average for only 17% of the investigated pricing approaches. Clearly there are major obstacles to putting value-based pricing into action in business markets.

2.2.3 Assessing value creation and value capture potential

The capabilities to identify and communicate customer value by value propositions, to create value, and to capture value by value-based pricing create a platform for a value-focused strategy. However, the business opportunities in which these capabilities are exercised need to be carefully selected to maximize value creation and value capture. Being able to select, plan and validate the right business opportunities is an important sales management capability. First, business relationships have heterogeneous potential for value creation and value capture (e.g., Storbacka & Nenonen, 2009). Second, value-based selling often requires proactive, early engagement with customers, and is a risky, time- and resource-intensive activity. The cost of engaging in a relationship is rising. Value-based selling incurs significant opportunity and other costs, which likely have significant profitability consequences, if the business opportunities are not chosen carefully. From the sellers' perspective, a proactive engagement with customers increases up-front relationship selection and management costs, while the customer lifetime value remains uncertain (e.g., Hogan, 2001). Storbacka and Nenonen (2009) investigate the impact of customer relationship portfolio on a firm performance, and observe:

> The role of customers and customer relationships in value creation is accentuated as we move from a production- dominated, "inside-out," value chain paradigm towards a knowledge-intensive, collaborative value network paradigm. (Storbacka & Nenonen, 2009, 360)

In an organizational context, the capability to maximize value creation and value capture by selecting best relationships and business opportunities is clearly a sales management function. The maturity and professionalism of such a function varies greatly among industrial companies. The existing capabilities and practices for business opportunity validation reflect mature and commoditized exchange of goods and services, characterized by buyer power, comparable offerings, and reactive selling. In addition, while the industrial transformation is making the selection of right relationships and right business opportunities increasingly critical, scholarly research on business opportunity selection is practically non-existent. No literature specifically addressing this area of managerial activity has been found. In the marketing literature, the customer lifetime value (CLV) is often suggested as a measure of customer profitability over time (e.g., Venkatesan & Kumar, 2004). Literature on customer profitability analysis (e.g., Persson & Ryals, 2014) illustrates approaches to analyze CLV. However, CLV considers only the expected monetary value of the customer, and ignores the other value dimensions. Further, Storbacka and Nenonen (2009) suggest differentiated business models as a means of managing customer heterogeneity. Clearly there is a need to explore the logic and managerial practices of customer relationship and business opportunity selection.

2.3 Value and competitive advantage – the theory of the firm

The drivers of superior value creation and value capture, leading to sustainable competitive advantage, are of primary interest in strategy research. The dominant theories explain competitive advantage either in market-based terms, focusing on industry structure, industry selection and firm position within the industry and the associated value chain (McGahan & Porter, 1997; Porter, 1980, 1996, 2008b) or in firm-based terms, focusing on unique resources, capabilities and routines (Barney, 1991; Peteraf, 1993; Wernerfelt, 1984). The two main lines of explanation can be seen as either competing or complementary: "Our work suggests that market-based and resource-based theories of rivalry and performance are complementary rather than competing frames" (Peteraf & Bergen, 2003, 1028). Comparing the two explanations, Rumelt (1991) has found that internal, resource-based factors explain a significantly larger share of the observer variance in firm performance than market-based factors. Hunt and Morgan (1995) have found that industry differences have a negligible effect on performance compared to firm differences.

Much of the strategy research originates with Coase's (1937) essay "The Nature of the Firm." Several literature streams have emerged from this seminal work. The market-based view of competitive advantage was based upon research in industrial organization economics (Bain, 1968; Mason, 1939) and the structure-conduct-performance tradition (Bain, 1956, 1968), with strategic emphasis on industry structure and positioning within that structure as the determinants of competitive advantage (Henderson and Cockburn, 1994; Porter, 1979). Porter introduced the Five Forces Model (Porter, 1980) as a refinement of the S-C-P paradigm, to explain competitive advantage and value capture in terms of the industry positioning, differentiation, and mechanisms designed to protect the position and differentiation.

Another influential stream of research linked to Coase (1937) is transaction cost economics (Williamson, 1975, 1991), focusing on efficient means to organize the governance of production and transactions, either inside or outside of firm boundaries. Coase (1937) posited that the cost of managing economic exchanges (transactions) between firms is sometimes greater than managing the transactions inside a firm (Hoskisson, Hitt, Wan, & Yiu, 1999). Transaction cost economics explains why firms exist. "The basic premise of TCE is that markets and hierarchies are alternative governance mechanisms for completing transactions" (Hoskisson et al., 1999, 433). When firms are making such "make or buy" decisions, the perceived value of both alternatives is central.

A third stream of research relates to the resource-based view of the firm. The early contributions to strategic management and sources of competitive advantage include Chandler's (1962) strategy and structure and Ansoff's (1965) corporate strategy. These works concentrated on the fit between strategy and structure, but include references to the internal sources of competitive advantage, and thus the resource-based view. Selznick (1957) promotes a concept of "distinctive competence." Ansoff (1965) defines *synergy* as internally generated by a combination of capabilities or competencies, Chandler (1962) concludes that "structure follows strategy," and Andrews (1971) observes "an internal appraisal of strengths and weaknesses, led to the identification of distinctive competencies" (Hoskisson et al., 1999, 438). The idea of the firm as a bundle of resources and capabilities originated with Penrose (1959) and her seminal work "The theory of the growth of the firm."

2.4 The resource-based view of the firm

The theoretical foundation of this dissertation is the resource-based view of the firm (Barney, 1991; Peteraf, 1993; Wernerfelt, 1984). The resource-based view of the firm (RBV) traces competitive advantage to a firm's internal resources. RBV examines the link between a company's internal characteristics and performance, and explains the competitive advantage resulting from a company's resources that are valuable, rare and difficult to copy or substitute (Barney, 1991). A company's resources include all of its assets, organizational processes, skills and knowledge (Barney, 1991). Capabilities are complex bundles of skills and knowledge that companies exercise through their organizational processes to utilize their resources (Day, 1994). Helfat and Peteraf (2003, 999) define a *resource* as "an asset or input to production, tangible or intangible, that an organization owns, controls, or has access to on a semi-permanent basis." *Capability* is the "ability of an organization to perform a coordinated set of tasks, utilizing organizational resources, for the purpose of achieving a particular end result" (Helfat & Peteraf, 2003, 999). Emphasizing its processual nature, Winter (2000, 983) defines *capability* as "a high-level routine (or collection of routines) that, together with its implementing input flows, confers upon an organization's management a set of decision options for producing significant outputs of a particular type."

Ricardo (1817) argued that superior resources generate abnormally high economic returns for their owners. "His famous farmland example demonstrated that when resources have different production levels and the more productive resources are scarce, the owner generates abnormal profits" (Sirmon, Hitt, & Ireland, 2007, 274). This is the premise of the resource-based view (Makadok, 2001).

The resource-based theory was formulated between 1984 and the mid-1990s (Kraaijenbrink, Spender, & Groen, 2009). It has generated several research streams investigating specific resources, including routines (Nelson & Winter, 1982), knowledge (Grant, 1996), management attention (Ocacio, 1997), and organizational learning (Teece, Pisano, Shuen, & Wiley, 1997).

This dissertation investigates the capabilities required to implement value-focused strategies within the organizational sales and sales management functions.

2.4.1 Dynamic capabilities

Competing firms differ in their resources and capabilities, and these differences have a significant and enduring effect on their competitive advantage (Helfat & Peteraf, 2003). The heterogeneity of resources and capabilities is one of the cornerstones of the resource-based view (Peteraf, 1993). Dynamic capabilities theory (Teece et al., 1997; Teece, 2007), an extension of the resource-based view of the firm, investigates adaptation, change, integration and reconfiguration of resources and capabilities, and seeks to understand how the heterogeneity of resources and capabilities emerges.

Firms leverage their resources and capabilities in their organizational processes and routines (Nelson & Winter, 1982). Routines are standardized procedures and rules; by developing routines firms gradually sharpen their execution efficiency, resulting in value-creation efficiency, but also in organizational inertia and rigidity, which ultimately destroy firm's competitiveness while markets develop and competitive demands change. To survive and prosper, firms need to adapt their capabilities to maintain their competitive advantage. The dynamic capabilities view builds on the notion of meta-capabilities, by which the firm can change its current capabilities to match the emerging market needs. Eisenhardt and Martin (2000) identify product development, strategic decision-making, and alliancing as examples of processes implementing dynamic change. Dynamic capabilities are said to be idiosyncratic and path-dependent, and thus not easily copied by other firms.

There is ample evidence of firms losing their competitive advantage over time (Collis, 1991; Peters, 1988; Tripsas & Gavetti, 2000), but there is also evidence of firms being able renew themselves (Rajshree & Helfat, 2009). This dissertation was written between 2009 and 2014, at a time when firms in business markets were evolving toward services, solutions, and value-based business logic. This ongoing transformation is changing the capabilities required to implement and manage the organizational functions, which set the research context of the dissertation. It is likely that the companies studied will not be equally successful in reaching their goals. The companies are likely to possess heterogeneous (dynamic) capabilities to develop the required new capabilities.

2.4.2 Profitability impact of the value-focused strategy

Finally, the industrial companies studied clearly engage in value-focused strategies to improve their value capture. As illustrated by the Figure 1, the value-focused business approach aims to create superior customer value, to capture a fair share of the value created, and to bring prosperity and growth. However, very few studies have investigated the impact of value-focused business strategy or value-based selling on business performance. Emerging research on the effects of value-based selling on performance implies that value-based selling improves performance (Aberdeen Group, 2011; Moorman, Ruddell, & Sims, 2013; Terho et al., 2012). However, not enough is known about the mechanisms of how value-based selling translates into firm performance, growth, and prosperity.

2.5 Transforming resources into outputs: Organizational processes as the research context

The inter-organizational context of this dissertation focuses on the buyer-seller process of business engagement. Within the supplier organization, the sales opportunity management and pricing functions and processes drive, inform, and support the sales process and function. The context is illustrated in Figure 3 and the organizational buying and selling processes are reviewed next.

Figure 3. Organizational process context of the dissertation.

2.5.1 Organizational buying

Buying is an organizational decision-making process, within which organizations establish needs for products and services, identify, evaluate, and choose among alternative suppliers and solutions (Kotler, Keller, Brady, Goodman, & Hansen, 2009). Organizational buying often involves multiple decision makers, forming a buying center with potentially divergent goals, varying levels of power, rationality, cognition, knowledge, decision criteria, and a range of process (Johnston & Bonoma, 1981; Lau, Goh, & Phua, 1999; Lewin & Donthu, 2005; Webster & Wind, 1972). For many industrial organizations, buying is essential to manage efficiently, and has become better structured, more sophisticated, and increasingly professional (G. K. Hunter, Bunn, & Perreault, 2006). The buying process structure has been widely researched (Eades, 2004; Jobber & Lancaster, 2006; Kotler et al., 2009; Kotteaku, Laios, & Moschuris, 1995; Laios & Moschuris, 2001; McWilliams, Naumann, & Scott, 1992; Rackham & DeVincentis, 1999; Woodside & Samuel, 1981; Xideas & Moschuris, 1998). While the suggested buying process models generally have the same structure, there are variations in their level of detail, focus, and aggregation logic of the key tasks (Johnston & Lewin, 1996). I synthesize the buying process models into a four-stage process (e.g., Möller, 1985): (1) need identification and prioritization; (2) solution vision development to satisfy the requirements and constraints identified; (3) search for and evaluation of the alternative solutions; and (4) commitment to the preferred choice after negotiations. The buyer focus is on different concerns at the different stages of the buying process (Rackham & DeVincentis, 1999), as depicted in Figure 4. Need identification and prioritization are influenced by search behavior (Cyert & March, 1992; March, 1991), buyer attention (Ocacio, 1997), industrial imitation (March, 1991), benchmarking, and competition monitoring. All of these direct managerial attention to salient issues, and create pressure to act. Once the perceived gap between the current and achievable performance has grown sufficiently wide, the buyer focus shifts to building a solution vision by combining requirements, preferences, and constraints (Eades, 2004; Rackham & DeVincentis, 1999). By the search stage of the process, the buying has become visible to potential suppliers by invitations to tender and similar invitations to participate in the buying process. At this stage, buyers are increasingly resorting to adversarial procurement practices, such as bidding contests and reverse auctions, to ensure the lowest price and the highest value capture (G. K. Hunter et al., 2006) and to avoid dependence on a single supplier. Finally, the preferred supplier is chosen as a result of negotiation, guided by buyer risk management and value (Rackham & DeVincentis, 1999). Perceived risk has a major influence on decision making (Cooper, Wakefield, & Tanner, 2006; L. M. Hunter, Kasouf, Celuch, & Curry, 2004; Kim, Ferrin, & Rao, 2008; Roselius, 1971). The perceived value of alternative solutions facilitates comparison among alternatives (Gale, 1994).

	Incentive	Requirements	Search	Choice
Buyer activity and goal	Recognition and prioritization of needs to agree on reason and urgency to act	Development of solution vision to satisfy requirements within constraints	Finding and comparing solution vision to alternative choices	Negotiating and committing to the best choice to manage risks and capture value

Figure 4. Buying process structure, stages, activities and focus at the different stages of the process.

2.5.2 Organizational selling

Organizational selling is structured and prepared action to understand and influence organizational buying

Sales research commonly defines organizational selling as a seven-stage process (Moncrief & Marshall, 2005), which despite updates with regard to relationship and solution orientations, has remained largely unchanged since its inception, and views the sales process as a tool for the individual seller, rather than as an organizational capability for mobilizing and managing the sales function. Research investigating selling as an organizational capability is rare (e.g., Geiger & Guenzi, 2009). Research on the sales process provides only limited advice on how to conduct selling at the activity level, and is contextually positioned in a mature, product selling-dominated market situation. Proactive selling, which engages with the buying process early, is discussed only in the business literature (e.g., Eades, 2004; Rackham & DeVincentis, 1999). Evidently we have much to learn about the ways in which organizations should define and implement proactive selling at the practical activity level. However, there is evolving research (Storbacka, Polsa, & Sääksjärvi, 2011; Terho et al., 2012) and a widely adopted body of business literature (Anderson et al., 2007; Eades, 2004) on value-based selling and solution selling. We can draw on these to conclude that organizational value selling capability is manifested as processes (e.g., instructions for customer encounters, customer situation auditing instructions), routines (e.g., customer selection guidelines, customer encounter planning, negotiation planning), documents (e.g., reference stories), and tools (e.g., value calculation templates, checklists) (Storbacka, 2011; Töytäri, Brashear Alejandro, Parvinen, Ollila, & Rosendahl, 2011).

Selling value as a source of competitive advantage

Capability to exercise value-based selling is potentially a source of competitive advantage. Examples of resources and capabilities that can provide competitive advantage include pricing (Dutta, Zbaracki, & Bergen, 2003; Hinterhuber, 2004), knowledge management (Gold, Malhotra, & Segars, 2001), customer relations (Storbacka & Nenonen, 2009), service delivery (Day, 1994) and supplier relationship management (Ulaga & Eggert, 2006). Similarly, the capabilities for identifying, quantifying, communicating, and verifying value represent valuable and rare capabilities that are difficult to imitate or substitute (e.g., Storbacka, 2011).

A firm can enjoy a competitive advantage by 'implementing a value creating strategy not simultaneously implemented by large numbers of other firms' (Barney, 1991, 107). Implementing a novel value-creating strategy, by definition, requires a capability to convince customers of the business impact of the novel offering, i.e. a capability to practice value-based selling. There is an emerging body of evidence supporting the profitability of value-based selling (Aberdeen Group, 2011; Terho et al., 2012). Industrial companies leverage value-based selling to differentiate themselves, escape the commodity trap (Kindström & Kowalkowski, 2009), and improve profitability (Hinterhuber, 2004; Liozu et al., 2012). Value-based selling enables proactive, early access into the customer's buying process to change the customer's perception of pressures in the "Incentive" stage, and to influence the customer's vision of a solution in the "Requirements" stage (Adamson et al., 2012).

Value-based selling in the early stages of the organizational buying process

Commoditization increases buyer power, reducing the scope of influence, the share of the value created, and generally creating less attractive business conditions for suppliers (Matthyssens & Vandenbempt, 2008; Ulaga, 2003). Increasing buyer power enables buying organizations to impose their buying and procurement process on suppliers and leverage their bargaining power to capture a high share of the value created.

Suppliers fight commoditization by product, process (Bettencourt & Ulwick, 2008), and business model innovations (Nenonen & Storbacka, 2010; Teece, 2010). Operating at the innovation end of the offering lifecycle process often enables the supplier to proactively approach customers with novel, value-based messages to create urgency, initiate a buying process, and influence the solution vision for differentiation and temporary exclusivity (Adamson et al., 2012; Haas, Snehota, & Corsaro, 2012; Lay, Hewlin, & Moore, 2009). To improve sales efficiency, suppliers are increasingly using value-based selling tactics (Terho et al., 2012; Vitasek et al., 2012) to make the business impact of their offerings explicit and measurable in terms of the buyer's business goals (Eades, 2004). Hence, value-based selling supports proactive, early access into a buying process, increases supplier power, and often leads to higher profitability (Aberdeen Group, 2011; Vitasek et al., 2012). Value-based selling leverages customer value to influence customer's perception of pressure to change in the first place, then as the evaluation criteria applied for solution alternatives (Adamson et al., 2012; Menon, Homburg, & Beutin, 2005) and finally facilitates getting an equitable return on the value created (Brandenburger & Stuart, 1996; Liozu et al., 2012). However, the changing paradigm of industrial selling toward proactive value-based selling requires organizations to build new capabilities (Teece et al., 1997) by applying their dynamic capabilities to transform the sales function accordingly. The cost of sales rises owing to longer sales cycles, customer analysis, team-based selling, and high risk of failure.

3. RESEARCH GAPS AND QUESTIONS

3.1 Research gaps

The presentation of the theoretical foundation and literature review revealed several gaps in the conceptualization of customer value, value proposition design and quantification, profitability impact of the customer value-based strategy, and especially in the capabilities required to adapt to the new competitive demands of value-based businesses, involving capabilities to exercise value-based selling, value-based pricing, and value-based business opportunity validation within the sales, sales management, and pricing functions.

In addition to the capability gaps to implement and manage the value-based selling, value-based pricing, and business opportunity validation capabilities and business functions, my literature review revealed a number of specific capability gaps.

The conceptualization of customer value as a multi-dimensional difference between benefits and sacrifices needs refining to better support value-based selling, value-based pricing, and business opportunity validation.

Value proposition is frequently used, but ambiguous concept. The actual process and outcome of value proposition development need to be examined, to deepen our understanding of how customer desired value is identified by value research and analysis, how value proposition is formulated, and how value proposition is communicated.

Once we understand how value co-creation is facilitated by the value proposition, the actual value co-creation engagements need to be evaluated and selected to maximize value capture and successful implementation of the underlying value-focused strategy. The logic and managerial practices of customer relationship and business opportunity selection need to be studied.

Finally, the mechanisms about how value-focused strategy featuring value-based selling translates to firm performance, growth, and prosperity deserve attention.

3.2 Research questions

With these observations in mind, the thesis poses the main research question.

RQ: What organizational capabilities underpin value-based exchange in industrial buyer-seller relationships?

This question centers on organizational capabilities, which industrial organizations need to develop and implement in their business functions to exercise value-based business. As a reminder, in the body of research on capabilities, *organizational capabilities* are defined as the "ability of an organization to perform a coordinated set of tasks, utilizing organizational resources, for the purpose of achieving a particular end result" (Helfat & Peteraf, 2003, 999).

The context of the research is the supplier organizations' sales, sales management, and pricing functions. The research investigates the engagement stage of the relationship, including planning, implementation, and management of the activities that result in a value co-creation relationship.

Value-based exchange is a foundation for relationships in business markets. Creating superior customer value is a widely accepted strategic principle, in most cases a prerequisite for capturing value, and a key to a company's long-term survival and success (Blois & Ramirez, 2006; Eggert et al., 2006; Slater, 1997; Woodruff, 1997).

For the purposes of the empirical study, the main research question is divided into three more specific sub-research questions on the stages of using the value-based approach to initiate customer relationships and engage in business opportunities.

SQ1: How is customer value conceptualized in industrial exchange?

SQ2: How is customer value operationalized as value propositions in industrial exchange?

SQ3: What is the impact of proactive, value-based sales approach on firm growth and profitability?

3.3 Research questions addressed in separate publications

Table 1 illustrates the positioning of the individual publications included in the dissertation against the research questions.

Table 1.Contribution of the individual publications to the research questions.

Publications / Research questions	P1	P2	P3	P4	P5
RQ: What organizational capabilities underpin value-based exchange in initiating industrial buyer-seller relationships?	x	x	x	x	x
SQ1: How is customer value conceptualized in industrial exchange?				x	
SQ2: How is customer value operationalized as value propositions for industrial exchange?			x		

SQ3: What is the impact of proactive, value-based sales approach on firm growth and profitability?	x

3.3.1 Publication 1: Bridging the theory-to-application gap in value-based selling

Publication 1 is an empirical article investigating the identification and communication of customer value. Engaging in customers' value-creation activities requires identifying and selecting the right customers, gaining access to evaluate the mutual value creation potential, quantifying and communicating value for customers, and finally agreeing on how to share the co-created value for mutual gain.

The article examines and bridges the gap between the significant body of theoretical knowledge on customer value and the practical application of customer value in sales context. The paper responds to the main research question by investigating the organizational resources, capabilities, and processes required to initiate value-based exchange by the sales function.

3.3.2 Publication 2: The significance of the new venture's first sale: Founder capabilities and proactive sales orientation.

The second publication explores the influence of proactive sales orientation and value-based selling on achieving the first significant sale and further the impact of the first sale on a company's business performance. While the other papers in the dissertation suggest capability frameworks as research findings, publication 2 investigates the roles of entrepreneurial and commercial capabilities in the implementation of proactive value-based selling. Also, the study investigated the moderating effect of value-based sales approach on achieving the first successful sale of a newly developed product. Moreover, the study measured the impact of the first sale on sales growth. In addition to contributing to the main research question, paper 2 contributes to the sub-research question SQ3.

The paper develops and tests a model linking new venture founders' commercial and entrepreneurial capabilities, proactive sales orientation, the first sale, and future sales growth of the venture. The results show that new venture's commercial and entrepreneurial capabilities play a key role in proactive sales orientation, and that value-based selling moderates the relationship between proactive sales orientation and the significance of the first sale. A significant first sale is further found to have a positive effect on sales growth.

The data used in paper 2 complements the view provided by the other articles in this thesis. While the other articles investigate the capabilities of large, multinational companies, the paper 2 focuses on start-up companies. This sample selection is justified as the first sale of a new offering is considered to be even more important in small companies as it is in established companies. Hence, the analysis adds to the understanding of the role of value-based selling in achieving the first significant sale of a new offering. The companies in the sample operate in industrial markets, as is the case in all papers that are part of this dissertation. The article also builds on the same theoretical foundation as the other papers, organizational capabilities. The article defines the founders' skills and knowledge as the essential capabilities available for ventures.

3.3.3 Publication 3: Value-based selling: An organizational capability perspective.

Creating and capturing customer value is what companies do, and why they exist in the business markets. Industrial companies are in the midst of a transformation toward service- and solution-driven offerings. This transformation also affects the sales function. The common agenda of selling and buying is based on identifying, quantifying, communicating, and verifying customer value. Publication 3 investigates the capabilities needed to implement value-based selling, and proposes a capability framework to assist practicing managers implement the sales transformation.

The paper answers the main research question by investigating the organizational resources, capabilities, and processes required to initiate value-based exchange by the sales function. The paper also contributes to answering sub-research question SQ2 by investigating value proposition development, quantification, and communication.

3.3.4 Publication 4: Organizational and institutional barriers to value-based pricing in industrial relationships.

Pricing is an important value-sharing mechanism, and a key element of a value-based business model. Value-based pricing ties pricing to customer-perceived value, in contrast to the more traditional market-, competition-, or cost-based pricing approaches. Value-based pricing is potentially more profitable than the other pricing alternatives to those suppliers, which identify, quantify, and communicate customer value. However, value-based pricing is difficult to implement.

Publication 4 investigates the value capture dimension of value exchange by identifying prerequisites, challenges, and influences on the application of value-based pricing, and suggests capabilities to overcome those challenges. Paper 4 focuses on the pricing function. In addition, the paper investigates the conceptualization of customer value, and contributes to answering sub-research question SQ1.

3.3.5 Publication 5: Assessing value co-creation and value capture potential in services: A management framework

Engaging in the right value creation opportunities has potentially significant implications for profitability and success. The value-based business engagements are generally risky and require a relatively high initial investment, and thus require careful selection, validation, and management of the business opportunities. Publication 5 investigates the managerial capabilities and processes that the industrial companies apply when selecting, validating and developing sales opportunities in business markets. The organizational context studied is the sales management function. The paper contributes to the main research question.

4. RESEARCH DESIGN AND METHODOLOGY

Research design brings together the choices, decisions, and tasks on how research is conducted. The empirical phenomenon studied guides and influences the research process, methodological choices, and the underlying philosophical assumptions.

This thesis explores the capabilities and practices by which individual actors and coalitions of actors manage business transactions and relationships in their social settings. As described in the introduction chapter, the industrial exchange is undergoing a transformation; hence the phenomenon under investigation is new, complex, and evolving. Therefore, the original papers included in the dissertation build on critical realist philosophical assumptions, applying a multiple case study research methodology, and combining inductive and abductive reasoning strategies. These choices are discussed in the next section.

4.1 Case study as a research methodology

Business markets research is extensively applying qualitative case studies to build theory (Barratt, Choi, & Li, 2011; Eisenhardt & Graebner, 2007; Eisenhardt, 1989; Voss, Tsikriktsis, & Frohlich, 2002; Yin, 2009). Case studies have been found especially useful when studying complex and evolving phenomena (Dubois & Araujo, 2007), such as personal interactions, decision processes, and decision outcomes in complex real-life contexts (Woodside & Baxter, 2013). Instrumental case research (Stake, 1995) applies case studies as means to understand the imperfectly apprehensible outside reality (Guba & Lincoln, 1994; Healy & Perry, 2000) through probing interviews, focus groups, and similar methods. (Easton, 2010) defines *case study research* as:

> a research method that involves investigating one or a small number of social entities or situations about which data are collected using multiple sources of data and developing a holistic description through and iterative research process.

The design of case study research design focuses on the study's research questions, unit of analysis, data collection and analysis, and the criteria for evaluating the validity of the findings.

4.1.1 Formulating the research questions

According to Yin (2009) and Easton (2010), case studies are well suited to answering *how* and *why* questions. This dissertation investigates how and why the industrial companies studied here conduct and manage value creation and value capture in their sales, sales management, and pricing related business functions. The research questions of the thesis are formulated accordingly, to investigate the how, why, and what of their actions. In many cases the outcome of the research process was a framework of entities, such as actions, challenges, and evaluation criteria. The individual entities were then explained from the why and how perspectives.

4.1.2 Unit of analysis

Case studies are often ambiguous about the focus of the research (Barratt et al., 2011; Yin, 2009). Explicitly defining the unit of analysis relates the study to a broader body of knowledge (Yin, 2009, 31) and helps in understanding the research contribution. In the original papers included in this dissertation the unit of analysis is the bundles of capabilities and practices, exercised in the organizational processes, relating to value-based selling, sales management, value based pricing, and business opportunity validation.

4.2 Research process

Different authors have proposed a process for conducting case research. Eisenhardt (1989) proposes an eight-step process from the definition of a research question to reaching theoretical saturation. Yin (2009) suggests a six-step process from planning a case study to sharing findings. The present study applies the case study research process outlined by Yin (2009). The process is described in the following sections, and its key topics of case selection, data collection, data analysis, and triangulation are discussed in the next section.

4.2.1 Case selection

Most of our case companies participated in research programs that focused on industrial business renewal and selling of innovative offerings, or otherwise demonstrated urgency in wanting to improve their performance. We applied theoretical sampling as the case selection logic. Theoretical sampling of cases refers to a logic of case selection, where the selection is guided by theoretical reasons, such as replication, extension of theory, contradictive replication, and elimination of alternative explanations (Eisenhardt, 1989; Yin, 2009). In our studies, the case selection logic was based on complementary focus (not replication logic). When the case companies enrolled the research programs, they also evaluated the maturity of their business transformation, selected research streams reflecting their maturity in service business transformation and, implicitly, maturity of customer value adoption. This information helped us to select companies at different stages of their business transformation, and obtain complementary views.

The value-adoption maturity is characterized by focus on different facets of customer value. Some of the companies were in the early stages of the transformation, building awareness of the customer value-based strategy. Some of the companies focused on identifying what is valuable for their customers by conducting customer value research. Some of the companies were focusing on the quantification of co-created value, and on building competence, practices and tools for value quantification. One of the companies concentrated on value verification (post-implementation evaluation of the actually created customer value) for differentiation and competitive advantage. This diversity of focus helped us to arrive at a theoretically and managerially rich picture of the phenomenon.

4.2.2 Data collection

Our empirical data consists of interviews, focus group meetings, survey data, company documents, and software applications. Overall, 112 interviews and 11 focus group meetings were conducted between 2009 and 2014. Summaries of the interviews and the focus group meetings are included in the appendices. Separate interviews were conducted for each of the papers. The interviews were collected into an interview database, and the database was used as a supporting resource for the subsequent publications. The author of the dissertation collected primarily data for the publications 3, 4, and 5, and facilitated the focus group sessions relating to those publications.

The publication 1 was developed between 2009 and 2011, the publication 2 between 2011 and 2013, the publications 3 and 4 in parallel between 2012 and 2014. The publication 5 took longest time to finalise, from 2009 to 2013.

Our studies were carried out in stages. The first stage consisted of an extensive literature review focusing on relevant theories, including customer value in marketing and strategic management, organizational buying and selling, sales management, and pricing literature. The second stage consisted of exploratory interviews to build the analytical frameworks, which were then refined during the final part of the interview process. For example, the analytical frameworks built pertained to the value-based selling (publications 1 and 3), value-based pricing (publication 4), and business opportunity validation (publication 5). The frameworks were complemented by empirical insights gained from the other case companies and additional interviews with the leading companies. In line with the abductive research methodology, the interviews were directed towards new insights uncovered in earlier interviews, following a theoretical sampling approach (Corbin & Strauss, 2007; Eisenhardt, 1989).

Case study data can reside in multiple sources and be collected in multiple ways. Typical data sources include people, documents, databases, printed materials, software applications, and similar. Our studies relied on key informants, company presentations, products materials, value calculators, white papers, and sales collateral. The primary sources of data were interviews; the other data sources were used mainly for triangulation purposes. We chose senior managers and change agents as informants. The choice of informants poses an epistemological challenge. As the phenomenon studied in this dissertation is complex and evolving, we needed to identify to those organizational members that likely have the best overview and understanding of the goals and end-states of the transformation. However, to compensate for respondent bias and to gain complementary views, we also interviewed sales managers, product managers, procurement managers, and other actors from a variety of functional areas, organizational levels, and customer organizations. For further discussion on the ontological and epistemological reflections on data collection, please see chapter 4.4, "Ontological and epistemological views on the study."

The number of people interviewed from each participating company ranged from two to twenty. Between five and eight case companies participated in the exploratory stages of the research, and in the case of publication 5, twenty-one companies participating in development workshops. We conducted semi-structured interviews (Eisenhardt, 1989; Yin, 2009), adapting interview contents based on previous interviews, to formulate our research questions. In addition to semi-structured interviews with the case organizations, the data collection included focus group workshops attended by six of the case companies and subject matter experts. Insights gained from the workshops were used to verify the relevance of the interview themes. During the focus group workshops, the company representatives presented and discussed different themes pertaining to the key themes of the publications included in the dissertation.

4.2.3 Data analysis

Publications in this dissertation apply inductive and mostly abductive approaches to reasoning. The aim of inductive and abductive research is to build theory. The purpose of theory is to explain and predict (Weick, 1995). Theories range from descriptive accounts to "grand theories" with strong links between causes and effects. In this dissertation the original publications conceptualize the empirical findings into frameworks explaining the phenomenon and guiding implementation within the process context studied.

Reasoning in case study research

There are three forms of reasoning that we apply to draw conclusions: *deductive*, *inductive* and *abductive* (Mantere & Ketokivi, 2013). Deduction and induction are the conventional forms of scientific inquiry, but interpretive and case studies often use abductive reasoning (Dubois & Gadde, 2002; Easton, 2010). Methodological literature frequently links the mode of inquiry and research design (Mantere & Ketokivi, 2013). Theory testing is conducted by applying deductive reasoning (e.g., Rumelt, Schendel, & Teece, 1991, 8), theory building on qualitative data employs inductive reasoning (Eisenhardt, 1989; Glaser & Strauss, 2009), and interpretive research applies abductive reasoning (Hatch & Yanow, 2003).

In the papers included in this dissertation, publication 1 "Bridging the theory-to-application gap in value-based selling" employs inductive reasoning; publication 2, "The significance of the new venture's first sale: Founder capabilities and proactive sales orientation" is built on deductive theory-testing.

Publication 3, “Value-based selling: An organizational capability perspective,” publication 4 “Organizational and institutional barriers to value-based pricing in industrial relationships,” and the fifth paper “Assessing value co-creation and value capture potential in services: A management framework” apply abductive reasoning. As abductive reasoning has a central role in this dissertation, I discuss it briefly here.

Abductive reasoning

Abductive reasoning originated with C. S. Peirce (e.g., Peirce, 1878), and can be described as “inference to the best explanation” (e.g., Marcio, 2001). Abductive reasoning starts with a premise and observations, and infers a rule, which explains those observations, given that premise. Abductive reasoning derives explanation for what is observed.

> “Abductive reasoning is one of the primary reasoning tools we use” (Mantere & Ketokivi, 2013, 72).

Abductive reasoning in case study research is discussed and advocated by numerous researchers (e.g., Dubois & Gadde, 2002; Dubois & Gibbert, 2010; Easton, 2010). The choice between inductive and abductive approaches is influenced by the role of the pre-existing theory during the research process. Abductive reasoning emphasizes the active interplay between the existing theory and empirical observations. The abductive approach by Dubois & Gadde (2002) emphasizes *systematic combining*, a continuous and active movement between theory and data. “Systematic combining is a process where theoretical framework, empirical fieldwork, and case analysis evolve simultaneously” (Dubois & Gadde, 2002, 554). The researcher starts with pre-existing theory and empirical observations to match the theory and the observations. The researcher starts with preliminary analytical framework, which is refined as a result of empirical discoveries, analysis and subjective interpretation. Theory also directs the search of empirical data. Figure 5 depicts systematic combining, the interplay among the literature, analysis, and data collection.

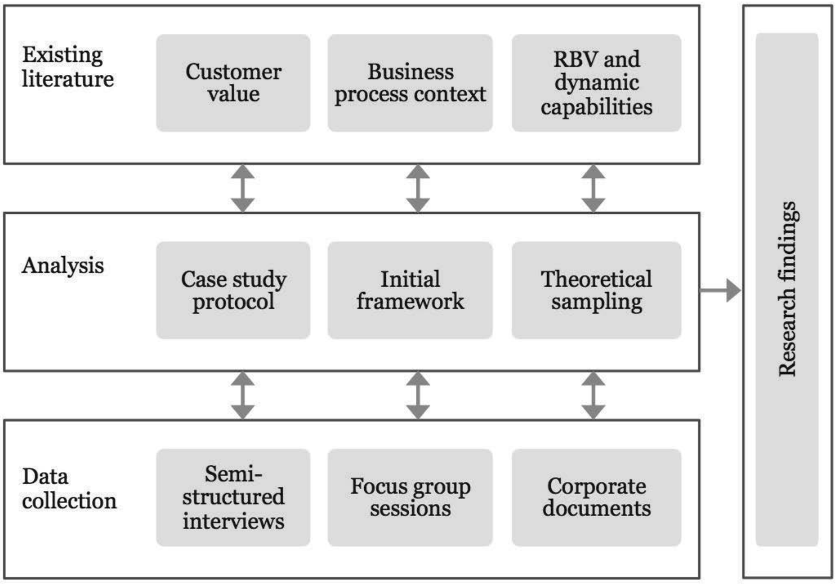

Figure 5. Interplay among the literature, analysis, and data collection.

Abductive research is well suited to refining existing theories (van Echtelt, Wynstra, van Weele, & Duysters, 2008); purely inductive strategies support the generation of novel theories. Established theories provide the pre-understanding to guide case study design and especially data analysis. The abductive research settings involved an in-depth literature review on the study subjects, and subsequent building of initial theoretical framework. For instance, publications 3, 4 and 5 suggest a framework of capabilities, barriers and/or managerial practices as a research outcome in their respective areas. The initial framework was then refined by constant interplay between the empirical findings and literature (Dubois & Gadde, 2002), to arrive at the final conceptualization of value-selling capabilities (publication 3), institutional and organizational barriers to value-based pricing (publication 4) and business opportunity validation framework (publication 5).

4.3 Reliability and validity

4.3.1 Triangulation

Triangulation (e.g., Denzin, 1989) ensures the reliability and validity of a case study. Literature identifies four perspectives on triangulation: of theory, data, methodology, and investigator.

Theory triangulation analyses the data from multiple theoretical views. The main theoretical perspective applied in this the dissertation is the resource-based view (RBV). Theory triangulation was applied by investigating the capabilities from the perspectives of the institutional theory.

Data triangulation advocates collection of data from different sources, across time, space, and different persons. Our studies used semi-structured interviews across a wide variety of respondent roles and seniority, facilitated group discussions, analysis of company documents, and survey questionnaires as data collection methods and sources.

Methodology triangulation is the use of alternative methods to collect and analyze data, possibly combining quantitative and qualitative methods. Both quantitative (the structural equation modelling method in publication 2) and qualitative (publications 1, 3, 4, and 5) analysis methods were applied in our studies.

Finally, investigator triangulation controls researcher bias by relying on multiple researchers at different stages of the research process. In our case, all the included publications and the associated research projects involved several researchers to collect and analyse the data.

This dissertation builds on the critical realist ontology, which influences the epistemological choices. Hence, triangulation is understood as theory-related and context-bound (Modell, 2009) to comply with the ontological assumptions of the critical realism.

4.3.2 Criteria for evaluating the validity and reliability of the findings

Literature identifies the criteria and dimensions for evaluating reliability and validity of the case-study findings. Yin (2009) suggests four criteria: construct validity (which measures correct operationalization of the concepts studied), internal validity (ensuring consistency of causal claims), external validity (domain of generalizability), and reliability (demonstrating repeatability of the study). Healy and Perry (2000) suggest six criteria for case studies within realism research paradigm: ontological appropriateness, contingent validity, multiple perceptions of participants and of peer researchers, methodological trustworthiness, analytic generalization, and construct validity. Denzin and Lincoln (2000) suggest four criteria for critical realist studies: credibility, transferability, dependability, and confirmability. Following their recommendation, and conventions adopted in many other abductive studies (e.g., Flint et al., 2002; Storbacka, 2011) we evaluate validity and reliability along nine different dimensions. The following criteria are based on Flint (2002), Barratt et al. (2011), Denzin and Lincoln (2000), and Wallendorf and Belk (1989).

Credibility

The credibility of a case study measures the extent to which the results obtained appear to be acceptable representations of the empirical data. As discussed earlier, inductive and abductive modes of inquiry place the researcher into an active role in interpreting the empirical findings. Measures of credibility include researcher qualifications, exposure to the fieldwork, number of researchers attending the research, and the ability of the respondents to comment on the findings.

Transferability or external validity

Transferability measures the extent to which findings from one study in one context will apply to other contexts. Measures of transferability include covering a wide range of business positions and business lines within an organization, and triangulating findings with other, related industries.

Dependability

Dependability measures the stability or consistency of explanations. The dependability measures applied in the research were value-based business maturity, and cross-case analysis of results across companies. The most experienced companies participating in the research had been developing their value capabilities for well over ten years, while some companies were relatively inexperienced. The different stages of maturity clearly affected the focus of their value development, but all shared findings were highly consistent.

Confirmability

Confirmability measures the extent to which interpretations are the result of the participants and the phenomenon as opposed to researcher biases. Confirmability demonstrates that the operations of a study can be repeated with the same results. Three main criteria of confirmability were applied: several researchers participated in the data collection and analysis, several key stakeholders and experts audited the findings, and co-researchers reviewed and analyzed the findings.

Integrity

Integrity measures the extent to which interpretations are influenced by misinformation or evasions by participants. Two integrity criteria were applied. Interviews were professional and anonymous, and participants were carefully selected to ensure knowledge and experience.

Fit

Fit measures the extent to which findings are consistent with the substantive area under investigation. Fit is addressed through credibility, dependability, and confirmability (Flint et al., 2002). Case selection was conducted carefully to give a complete picture of the area of interest.

Understanding

Understanding measures the extent to which participants accept the results as possible representations of their worlds. In our studies, interviewees were offered preliminary findings and asked to comment on them and verify them as accurate. A very large number of industry representatives from different professions has been reviewing and verifying the results as part of larger workshop meetings.

Generality

Generality measures the extent to which findings discover multiple aspects of the phenomenon. Our research enlisted a relatively large number of companies based on theoretical sampling to cover different industries, stages of value development maturity, procurement culture, and deal size.

Control
Control measures the extent to which organizations can influence aspects of the theory. In our research, the participants had the opportunity to reflect on the results on several workshops and presentations to large audiences.

4.4 Ontological and epistemological views of the study

I conclude the research design and methodology review and motivation by discussing the philosophical foundation of the research.

This thesis is primarily concerned with how individual actors and coalitions of actors make decisions about business transactions in their social settings. The actors in business organizations receive, process, and act on information and external stimuli. They interpret information based on their previous experiences, education, knowledge, preferences, personality, values and objectives. The goal and purpose of the action is to help the organization to prosper by maintaining and improving economic performance and to attain organizational and personal goals, within the boundaries set by the markets, the competitors and the society as a whole. Often in organizational life the actors need to consolidate their views, build shared understandings, and agree on common goals with other influential stakeholders. This dissertation takes the organizational level as the unit of analysis, and investigates the organizational capabilities. Hence, it is important to understand how the shared views, beliefs and capabilities emerge.

The individual actors are trying to make sense of their world. They create their own concepts and structures, their world-view to structure their understanding.

> "Human beings invent and impose their own concepts and structures to make sense of their world" (Pihlanto, 1994, 376).

World-view and beliefs guide human action. If world-views and beliefs are shared by sufficiently many, those beliefs become observable as the rationale for the organization's behavior in general, and the value-exchange decisions in particular. The organizational phenomena studied in this thesis, manifested as organizational routines and processes (Nelson & Winter, 1982), "do not rest upon invariable social laws, but upon the stability of the beliefs and expectations of the actors involved" (Tsoukas & Knudsen, 2005, 15). The organizational actors operate in social settings of teams, organizations, industries and cultures. These social settings influence the actors. The actors interact with other actors, exchanging world-views, negotiating and building shared understandings. Figure 6 depicts actors placed into their social settings. Individual world-views are influenced by past experiences, cognition, learning, and belief systems. The actors become socialized into the norms and beliefs of teams, professional communities, organizational cultures, industry norms and other settings the actors belong to. The domains of shared meaning, as illustrated by

Figure 6 are induced by individual world-views, and harmonized and legitimized[3] by institutional forces.

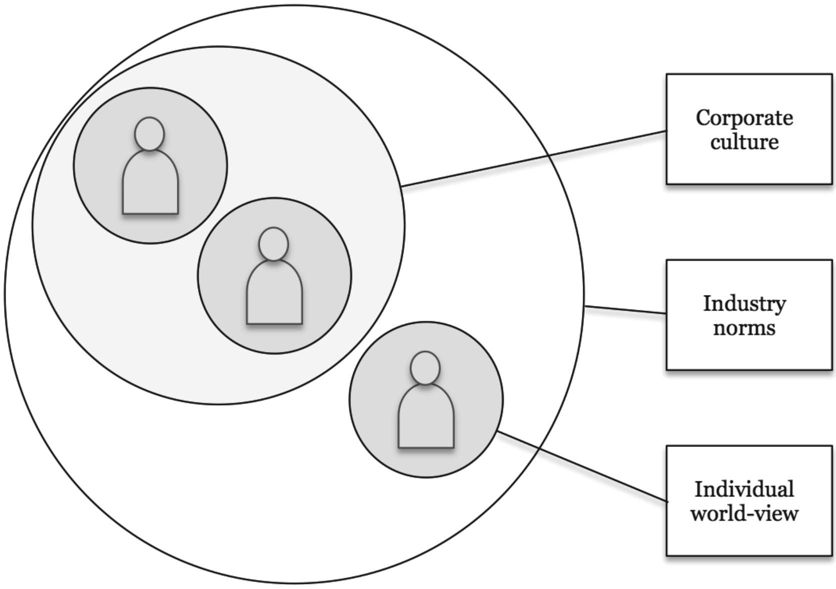

Figure 6. Shared meaning across knowledgeable informants, induced by individual world-views, harmonized and legitimized by institutional forces.

4.4.1 Realism research paradigm

Ontological realism

In studies of organizational decision making in social settings, ontological realism provides an appealing ontological approach (Easton, 2010; Healy & Perry, 2000). The resource-based view of the firm, which is the underlying theoretical ground of this dissertation, relies on the realist ontological assumptions (Mir & Watson, 2000, 945). Case study as a research methodology is also well aligned with the realist ontological and epistemological assumptions adopted in this dissertation (Dubois & Gadde, 2002; Easton, 1995; Healy & Perry, 2000).

Ontological realism is positioned between extreme objective and subjective ontologies. The realist tradition suggests that things exist independently of their being theorized or experienced, and that unobservable phenomena may be considered valid as long as they explain the existence or continuation of observable phenomena (Mir & Watson, 2000; Tooley, 1987). Mir and Watson (2000, 946) define *ontological realism* as a world-view, where the existence of phenomena is itself taken for granted, but the theories about those phenomena must be understood as a researcher's attempts to explain the phenomena. "The fundamental assumption of the realist position is that there is a reality "out there" waiting to be discovered and that reality is independent of us" (Easton,

[3] *Legitimacy* is defined as "generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995, 574).

1995, 372). In this dissertation, the "discoverable reality out there" is maintained and reproduced by stable human conduct, guided by shared beliefs. Thus, from an ontological perspective, the capabilities explored in this dissertation are real in the sense that the organizational members of the case companies are exercising them as organizational processes and routines, resulting in measurable and tangible results, documents, actions and other artifacts.

Epistemological considerations

"The autonomous human actors possess information about this world relevant to the researcher (*epistemology*). The researcher's role then is to choose an appropriate actor-centered method (*methodology*) for acquiring this information" (Pihlanto, 1994). Or "The way we think the world is (ontology), influences: what we think can be known about it (epistemology); how we think it can be investigated (methodology and research techniques)" (Fleetwood, 2005, 197). The key epistemological concerns relating to our studies include (1) what information the case companies possess that is relevant for our research, (2) what is the appropriate method to acquire that information, and (3) how to select the informants from within the case companies.

In line with the critical realist approach, our ontological position is to seek valid explanatory knowledge (Easton, 1995, 2010). As the organizations studied are in the middle of and at different stages in their transformation to value-focused strategies, we focus on senior management and change agents as key stakeholders within the companies, believing that individuals in those positions have the best and most relevant information and understanding of the goals and end-states of the transformation studied.

Subjective interpretation and role of the researcher

Finally, abductive reasoning requires an active participation of the researcher. According to Mantere and Ketokivi (2013) and Stanovich (1999), theory building is an activity conducted by idiosyncratic scholars.

> Social phenomena are defined as results of human action, and all human action is defined as motivated action (Machlup, 1994, 9).

Explaining social phenomena requires understanding and explanation of the underlying motivations and values of the actors. Social sciences have a requirement of "subjective interpretation of value motivated actions" (Machlup 1994, 16). The subjective interpretation of the empirical observations is the responsibility of the researcher. The abductive reasoning engages the researcher actively generating possible explanations for the observations, and selecting the explanation that best meet the researcher's criteria. Of the validity and reliability criteria discussed above, the credibility and confirmability dimensions address the role of the researcher most. In our studies, both the data collection and data analysis involved several researchers and transparent evaluation of the emerging findings among the researchers and case companies.

5. RESEARCH CONTRIBUTION

I discuss the research contribution by first presenting how the articles included in the dissertation respond to the main research question. Then I discuss the three sub-research questions, and finally summarize and synthesize the results. All five articles answer the main research question of the thesis. The articles also make more specific contributions to the three sub-research questions, as shown in Table 1.

5.1 RQ: What organizational capabilities underpin value-based exchange in industrial buyer-seller relationships?

5.1.1 Bridging the theory-to-application gap in value-based selling

Background

Publication 1 investigates how practitioners apply and implement theoretical frameworks of customer value.

The study was based on two cases. Case 1 investigated the value-selling practices of two globally operating industrial solution providers on the supplier side, and a globally operating pulp and paper manufacturer on the customer side. Case 2 investigated the value-selling practices of an international weather critical services provider on the supplier side, and an international airport on the customer side.

The purpose of the two cases in the study was to identify and analyze the key value-based selling practices in B2B markets by analyzing a mature industry where the value-based approach has emerged faster than in many comparable industries. The other goal was to verify the practices and identify new ones by studying a value-based sales case in an industry unfamiliar with the value-based approach. The study identifies six key capabilities and practices, which are presented below.

Summary of findings

Table 2 summarizes the key findings as key capabilities and managerial practices.

Table 2. Key findings of publication 1.

Capability	Description
Finding the	A key activity found in both cases was to select right cus-

right customers	tomers for a value-based approach. Selection criteria include a high level of relationship value and a willingness to commit from the customer side. We further find that the attractiveness to value-based sales also depends on the characteristics of the offering.
Salesperson-centricity	Both cases highlighted the importance of the salesperson to be highly knowledgeable about the customer and his business in a value-based approach. The company needs to understand intricately the key drivers and challenges in both the customers' and the customers' customers' businesses.
Reciprocal quantification and iteration	Given the often intricate details needed to conduct value analysis, and the finding that a case customer was sceptical about supplier generated numbers, value assessment and value quantification can rarely be conducted externally without customer involvement.
Credible referencing	To create a reference case and to show the commitment to the relationship, the supplier needs to verify and document the realized post-purchase value and map the customer's satisfaction.
Verification of commitment	A key finding was that tying the price at least partly to the measured and verified benefits further proofs commitment to the customer.
Value-based sales process	The study offers insights into how firms have implemented customer value-based sales practices, and what the actions should be to genuinely benefit from customer value. The article suggests a process framework for implementing customer value in the form of a value-based sales process, by identifying eight key elements and activities of a successful value-based sales effort.

5.1.2 The significance of the new venture's first sale: Founder capabilities and proactive sales orientation

Background

Publication 2 of the dissertation explores the impact of entrepreneurial and managerial capabilities on the first key sale and further success of a new venture company.

Summary of findings

The study develops two capability constructs -- founders' commercial capabilities and founders' entrepreneurial capabilities -- both of which have relevance to value-based sales approach. These capabilities are detailed in table 3.

Table 3. Capability constructs in publication 2.

Capability	Description
Founders'	The items included in the definition of the capability in-

commercial capabilities	clude: (1) work experience in selling at the customer interface, (2) participated in selling courses or consulting sessions, (3) experience in managing the sales team/function, (4) academic studies in selling, (5) work experience in advertising and promotion, (6) experience in dividing the market into customer segments, and (7) academic studies in marketing.
Founders' entrepreneurial capabilities	The items included in the definition of the capability include: (1) entrepreneurial experience in similar industries, (2) contacts with the sources of capital, and (3) prior experience in founding other start-ups.

5.1.3 Value-based selling: An organizational capability perspective

Background

Publication 3 of the dissertation derives an organizational capability framework to guide identification, quantification, communication and verification of customer value.

The study is based on a multiple case study of eight globally operating industrial companies and utilizing a variety of data collection methods, including interviews, practice benchmarking workshops, focus groups and value tools reviews in an abductive research process. An extensive literature review anchors the capabilities discovered into the customer value, strategic management, organizational buying and organizational behavior, decision-making and solution business literatures.

Summary of findings

The findings suggest a value identification, quantification, communication and verification capability framework. The framework consists of twelve key capabilities and managerial practices for value-based selling. These capabilities and practices are organized into planning, implementation, and leverage stages. The planning stage includes the capabilities that focus on building a value proposition for different stakeholder groups, and embedding the value proposition into practices and tools to support the actual implementation. The implementation stage advises and supports the sales function to communicate the value proposition to relevant stakeholder groups during the engagement management process. Finally, the leverage stage aims at benefiting of the value co-created by verifying the actual outcome and leveraging in future opportunities. The framework is described in Table 4.

Table 4.The framework of value-based selling capabilities and managerial practices.

Planning	Description
Target segment and stakeholder group identification	Companies build value propositions to target segments and influential stakeholder groups. Influential stakeholder groups are those with significant influence on decision making either inside a customer organization

	or in the ecosystem the customer is a part of.
Value analysis	Investigation of customers' value preferences seeks to understand what customers do, what they value, and to use this knowledge to identify opportunities for improvement. Value analysis is a cornerstone of value proposition development.
Value proposition development	Value proposition is a key conceptual artefact in value-based strategy implementation. Value proposition aims at capturing what is likely valuable for a customer, and valuable for a supplier. Ideally, value proposition addresses urgent business issues of a customer, and is based on leveraging supplier's competitive advantage, to propose a unique and differentiated value co-creation opportunity.
Sales tools preparation	The case companies emphasized the significance of shared routines, shared tools and best practices to help individual sales resources learn and consistently apply the best practices. Key tools include quantified reference stories and value calculators

Implementation	Description
Customer selection and stakeholder identification	The case companies compile segmentation and customer selection criteria to recognize those customers with greatest potential to create and capture relationship value along the operational, strategic, social, and symbolic dimensions of value.
Trust and credibility building	Trust is instrumental in value selling situations, as the perceived risk is high due to the relational commitments, information sharing, and risks. Lack of trust and credibility discourage decision makers from sharing essential information such as production data, making value quantification difficult or impossible
Value proposition sharing and adaptation	The segment-specific value propositions address segment-wide goals and business issues, which are not necessarily shared by buying centers or individual stakeholders. During the buyer-seller encounters the value proposition needs to be adapted to resonate with individual stakeholder views.
Shared solution vision building	Value co-creation can be organized in a multiple of ways. Even if the value proposed to a customer may be attractive, the actual solution to implement the value

	creation must be aligned with customer's views and requirements for receptivity.
Value quantification	The case companies apply value quantification to compare alternatives, either comparing two competing alternative solutions or comparing a new solution to the customer's existing situation. Value quantification evaluates the value co-creation potential in economic terms.
Value sharing and profitability management	Suppliers engage in value co-creation with their customers only to capture a fair share of the value created (Blois & Ramirez, 2006; Brandenburger & Stuart, 1996). Publication 4 discusses barriers and measures to capture value by value-based pricing.
Leverage	Description
Value verification	Trust, credibility and quantified evidence of value have been shown to have significant impact on the success of the value-based approach. To fully benefit from the value created, suppliers must periodically review, document and verify the value created together with the customer.
Value leverage	Evidence of value in the form of a case repository supports organizational learning, improves early stages of the value selling process, and builds brand awareness, and thus leverages value created beyond the customer relationship where the value was created.

5.1.4 Institutional and organizational barriers to value-based pricing in industrial relationships

Background
Publication 4 of the dissertation investigates value-based pricing in B2B sales management. The study investigates impediments to value-based pricing in industrial customer-supplier relationships, and identifies the challenges influencing value capture through value-based pricing. The research is based on an exploratory multi-case study with five internationally operating companies from a variety of industries.

Summary of findings
The article identifies eleven impediments to the application of value-based pricing. Those impediments are classified into three stages of value-based pricing implementation: (1) understanding and influencing customers' desired value, (2) influencing customer-perceived value by quantifying and communicating value, and (3) capturing a fair share of the value created. The stages, the barriers to overcome to achieve the stage-specific goal, and the measures the

case companies apply to overcome these impediments are summarized in table 5.

Table 5. Key findings of publication 4. Three stages of value-based pricing barriers and solutions.

Goal	Challenges	Measures taken
Understanding and influencing customer's desired value	No access to influence value perceptions, Limited receptivity, Goal conflicts, Too late to influence.	Development of ways to understand desired value perceptions Influencing desired value at the early stages of a buying process
Influencing CPV by quantifying and communicating value	Emphasis on salient dimension of value, Access to baseline data, Lack of trust, Reluctance to quantify, Value function not known	Systematic quantification and communication of value
Sharing the value – capturing a fair share of the value created	Established cost-based pricing and perceived fairness, Value at risk (risks related to the realization of desired outcomes).	Influencing value sharing from a position of strength (by excluding alternatives, hiding costs and emphasizing relationship value)

Understanding and influencing customers' desired value. Customers' desired value denotes the perception and scope of value definition of a customer, what is valuable for a customer, what are the desired end-states of value, which value dimensions are included in the customer perception of value (Flint et al., 2002). Customers and suppliers often have differing value perceptions, what dimensions of value are included and considered when making investment decisions. For instance, the purchase price of a commercial aircraft or heavy truck accounts for 8 – 12% of its lifecycle ownership and operating costs (Snelgrove, 2012). Hence, grounding investment decisions on the life cycle cost rather than initial purchase price seems rational. However, in practice this not usually the case. Suppliers need to influence and expand the desired value perception of customers by overcoming several obstacles. Table 6 outlines the challenges associated with influencing customer desired value.

Table 6.Identified challenges related to influencing customer desired value.

Challenges	Description
No access to influence value perceptions	Lack of trust or credibility may prevent suppliers from getting access to influential decision makers in the customer's organization to influence value perceptions
Limited receptiv-	The influential decision makers in the customer organi-

ity	zation may be reluctant to change their value perceptions due to institutionalized perceptions.
Goal conflicts	Suppliers are usually communicating value propositions that are designed to address organizational business goals. Individual decision makers may not share those goals, and hence, neither the value perception associated with those goals.
Too late to influence	The customer's buying process may already have progressed into issues beyond value perceptions, and hence the decision makers are reluctant to reconsider the decisions already made.

Influencing customer-perceived value by quantifying and communicating value. Once a shared perception of value is achieved and shared during the buyer-seller interactions, the amount of value that can be created needs to be quantified, in order to provide a value-based pricing reference. Value quantification involves (1) selecting an appealing economic outcome as an aggregate measure of value created (the case companies frequently promote a reduction in total cost of ownership), (2) selecting salient value dimensions of value in the quantification exercise, in line with previous step of achieving a shared conception of value, (3) establishing the (functional) relationship between the salient value dimensions and the value measure, (4) establishing a baseline situation for every salient value dimension by auditing the current situation, (5) determining the achievable performance level for every value dimension, (6) calculating the aggregate impact on the value measure (Anderson et al., 2006; Flint, Woodruff, & Gardial, 1997; G. E. Smith & Nagle, 2002; Vitasek et al., 2012), and finally, (7) communicating value by involving customers in the process (Anderson et al., 2007). The value quantification challenges are summarized in Table 7.

Table 7. Value quantification challenges

Challenges	**Description**
Emphasis on salient dimension of value	Our findings indicate that only some of the value dimensions affecting decision-making are actually included in the value quantification. Usually only the value elements belonging to the operational dimension of value are considered due the prevailing views.
Access to baseline data	Companies are faced with significant practical challenges in getting access to essential data on the elements needed for quantification of value of the offerings for the customers. Trust, confidentiality, rivalry, and similar factors may prevent the gathering of the necessary numbers to perform value quantification
Lack of trust	Lack of trust and credibility discourages decision makers from sharing essential information such as produc-

	tion data, making value quantification difficult or impossible
Reluctance to quantify	Pretended ignorance of value or reluctance to evaluate value in anticipation that undesired value would be discovered may occur when customers pretend that sellers could then leverage that information for a higher price. This may be the case if suppliers believe they can negotiate a better deal by appearing indifferent to benefits
Value function not known	Value quantification requires a functional rule to mediate and aggregate the change in process level operational parameters to customer's key performance indicators, such as total cost of ownership. The functional link may be difficult to credibly establish.

Capturing a fair share of the value created. Once the value has been agreed upon, created, and quantified, the remaining challenge is to determine how the parties will share the value. To capture a fair share of the value created requires overcoming the institutionalized barriers of cost-based pricing, managing the uncertainty in value creation, and building a strong bargaining position. Identified challenges relating to value sharing are summarized in Table 8.

Table 8. Value sharing challenges.

Challenges	Description
Established cost-based pricing and perceived fairness	Our findings reveal that customers are seldom prepared to share value evenly, despite convincing proof of value, due to establish cost-based pricing and procurement culture. Cost-based pricing is perceived as fair, and suppliers pricing higher than cost-based appear greedy.
Value at risk (risks related to the realization of desired outcomes)	Value is a future-oriented concept, and at the time of pricing the value remains to be co-created. Thus, value is at risk, and value-based pricing needs to acknowledge the risk.

Overcoming these eleven barriers to value-based pricing is necessary, but not sufficient prerequisite for the supplier to capture a fair share of the value created. Professional buying is likely to seek best available deal by leveraging bargaining power. Ultimately, successful defense of the value-based pricing requires supplier bargaining power (Bonnemeier, Burianek, & Reichwald, 2010; Bowman & Ambrosini, 2000; Brandenburger & Stuart, 1996; Coff, 1999; Emerson, 1962; Hinterhuber, 2004; Lippman & Rumelt, 2003). Bargaining power is the relative ability of the exchange parties to influence how the value is shared. Three measures to gain supplier bargaining power are identified. First, the supplier needs at least a temporary monopoly for the exchange, to avoid bidding contests. Next, hiding the supplier cost of creating the value prevents establishing the cost as a pricing reference. Finally, if the long-term relationship matters more than individual exchange, the customer is discouraged from fully leveraging his bargaining power.

5.1.5 Assessing value co-creation and value capture potential in services: A management framework

Background
Publication 5 of the dissertation investigates the managerial practices to assess value creation and value capture potential in longitudinal customer-supplier relationships, and proposes a framework for evaluating such potential. The research is based on an exploratory multi-case study with seven internationally operating companies from a variety of industries. The initial framework is then refined in eight workshops with 21 companies to arrive at the final opportunity evaluation framework.

Summary of findings
Suppliers and customer engage in a collaborative process to determine the potential for joint value creation. Customers implement their organizational buying process, and suppliers implement their organizational sales process. In this customer-supplier process, both parties seek to understand the available potential for value capture. Information is exchanged, commitments are made, and relationships are built toward a decision to engage in joint value creation.

The case companies perform sequential business opportunity validation throughout the customer-supplier interactions, based on the evidence produced at the different stages of the process. The different dimensions of value are assessed against pre-set criteria, based on the information acquired, commitments made, and relationships built. The joint process progress and stage determine the assessment focus. Both the customer and the supplier must become convinced that there is an attractive opportunity for capturing value. For the customer to become convinced, there must be a sufficiently strong incentive to act (expected value capture), a value-creation solution that matches customer's solution vision, sufficient trust, manageable risks, and sufficiently strong negotiation position to actually capture value. For the supplier to find the opportunity attractive, the customer profile must match the supplier's strategic customer selection guidelines; the value creation potential needs to be sufficiently high to allow value capture; the customer must admit a pressure to act (to perceive their expected potential for value capture sufficiently high); the customer and the supplier need to share a solution vision; the value, the solution vision, and the relationship together provide sufficient supplier bargaining power for profitability; and, finally, risks must be manageable.

Table 9 presents the framework for business opportunity validation. The knowledge, relationship information, and commitments gained during the customer-supplier process are evaluated by the opportunity validation function against predefined criteria. These criteria evaluate value of short- and long-term value creation potential, supplier's ability to influence, communicate and convince, and risks. The validation criteria are organized into categories of (1) strategic relationship fit, (2) customer's incentive to act, (3) solution fit, (4) relationship breadth and width, (5) ability to control the opportunity, and (6) opportunity value and risks.

Table 9. The business opportunity validation framework.

Capability	**Description**
Strategic fit	The initial focus of the opportunity management process is to ensure optimal customer selection in line with customer segmentation guidelines, and assess the potential to create and capture value
Incentive to act	Suppliers seek to understand and influence the customer's value perception and the sense of urgency to act. High perceived potential for value capture on customer side (often focusing on the operational dimension of value) create urgency to act.
Solution fit	The solution vision summarizes the customer's requirements and expectations on how value is ideally created by combining supplier's and customer's resources and capabilities. Solution vision is comprised of requirements (such as functionality, technical properties, interfaces, and design) and constraints (such as timetable, budget, and resources). Suppliers seek to understand and influence customer's solution vision and the perceived fit with the supplier's capabilities.
Relationship	The relationship-related elements of value, such as reputation, image, learning, and innovation potentially differentiate and contribute to primarily other than operational dimensions of value. Suppliers seek to understand their ability to communicate and influence customer's value perceptions along the strategic, social, and symbolic dimensions. Apart from relationship-related elements of value, the relationships themselves are important differentiators, and enablers of influence and communication. Suppliers thus also evaluate the breadth and width of their relationships.
Control	The case companies seek to achieve control of the engagement process by agreeing on a shared plan of planning, evaluating, and decision-making activities and milestones, during and across the customer-supplier process. A shared plan helps the supplier to control the buying process by shared activities and manage the flow of information to influence the outcome.
Value and risk management	During the final stage of the opportunity management process, the focus is on ensuring a profitable agreement, with identified and manageable risks.

5.2 SQ1 - How is customer value conceptualized in industrial exchange?

The review of existing research on customer value revealed a need for further conceptualization of customer value. The following discussion is based on publication 4. Drawing on the previous definitions of customer value discussed in the introduction chapter, I define customer value as a four-dimensional construct:

> Customer value is the difference between perceived benefits received and perceived sacrifices made by customer. Both benefits and sacrifices are multi-dimensional concepts, combining operational, strategic, social, and symbolic dimensions of value.

This definition captures and labels the identified dimensions of benefits and sacrifices in our empirical studies, and builds upon the previous literature.

Operational value

The operational dimension of value pertains to the current operational performance of a company, and to the business processes. Operational value is manifested as improved processes, process operation, and integration. Improvements in operational value are manifested as higher output value (higher volume and/or higher offering value) and/or lower cost.

Processes are improved by better design, capabilities, resource efficiency, and process input improvements. Achieving operational benefits incurs direct sacrifices and adaptation sacrifices, including process changes, competence development, and installation, among others (Ravald & Grönroos, 1996). Relationship-incurred operational sacrifices include the risk of not actually receiving the benefits due to delays, false promises, and other factors relating to future realization of the value. Relationships also incur governance costs.

Strategic value

The strategic dimension of value pertains to organizational change and survival. The creation of strategic value involves better leveraging existing capabilities or developing new capabilities through learning, knowledge, and innovation. Organizational learning in inter-organizational relationships may have long-haul and strategic benefits through the acquisition of skills and capabilities that improve environmental adaptation (March, 1991). The creation of strategic value incurs relationship-related strategic sacrifices, including the erosion of one's own capabilities, inability to adopt inputs due to insufficient absorptive capacity, unhealthy dependency, lock-in to a relationship, and a potential leaking of valuable knowledge and intellectual property rights.

Social value

A supplier relationship can change the status of a customer in a wider business network by inclusion in a high-image network, prestigious communities, and strategic networks, with improved legitimacy as a result. The potential benefits include lower cost of new customer acquisition and improved retention of existing customers by improved market access, as well as reference value (Jalkala & Salminen, 2010). The wider network-related social and structural bonds support learning and innovation by providing access to information. At the relationship level, social bonds and trust and cultural fitness reduce cooperation and relationship-governance costs. Strong relationships often feature flexibility and solidarity, which may soften the impact of adverse market changes. Managing a network and relationships incurs sacrifices. Choosing a network or an ecosystem involves an opportunity cost, and the wrong choice can pose a risk to survival. Relationships also carry reputational risk.

Symbolic value
Goods, business relationships and networks can create symbolic value. Symbolic value is manifested as the organization's internal motivation, pride, and improved job satisfaction. Symbolic value may even contribute to increased productivity, improved staff retention, and overall workforce performance. Research in the sociology of culture suggests that goods and potentially relationships carry a symbolic value, providing individuals with means to express individual identity and to signal social status.

The four dimensions of customer value also have dependencies. Strategic value is driving future operational value. However, investment in strategic value may incur sacrifices in short-term operational value (Hannan & Freeman, 1977). Network-incurred social value is one of the sources driving symbolic value. Symbolic value, in turn, may affect operational value.

5.2.1 Value framework

Figure 7 connects the different *dimensions* of value to their *sources*, their *impact*, and their *outcome*.

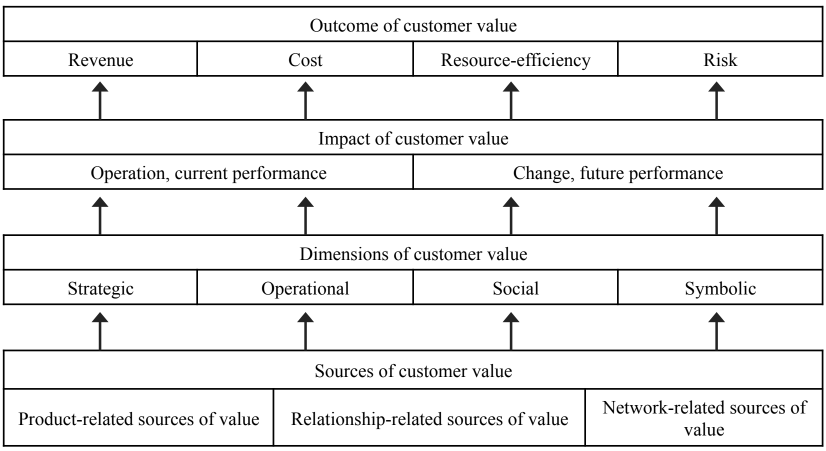

Figure 7. Sources, dimensions, impact, and outcome of customer value.

The source of value originates to the object of exchange (product or service), the relationship in which the exchange is embedded, or the network the exchange partners are embedded into (e.g., Lapierre, 2000; Möller & Törrönen, 2003), or all of these (c.f., Menon et al., 2005). An example of a product-related value could be a purchase of a product that requires little or no participation from the supplier. An example of the relationship-related value could be an outsourcing of a business process to the supplier. Network-related sources of value include improved social status and legitimacy, earned by belonging to a group of high-image companies.

The impact of customer value is manifested as operational improvement of the current performance, or improvement of future performance, change and survival. Ritter and Walter (2012) label these as operation- and change-related value functions.

The outcome of customer value

The dimensions of value affect current or future business performance, and the outcome of the business impact is aggregated into an economic or financial, commensurate, and quantified measure of value.

Woodruff (1997) illustrates the outcome of customer value by describing a customer value hierarchy with desired consequences and goals. In industrial applications, the desired consequences are manifested as increase in revenue, a higher profit margin (by a decrease in the lifecycle cost of operation), a reduced risk of the expected economic outcomes (by improved stability of the operation), or a more efficient use of resources (such as better return on capital invested or more efficient use of process inputs) (Cornet, Katz, Molloy, & Schädler, 2000; Storbacka & Nenonen, 2009; Vitasek et al., 2012). Figure 8 illustrates a breakdown of the economic outcomes of value.

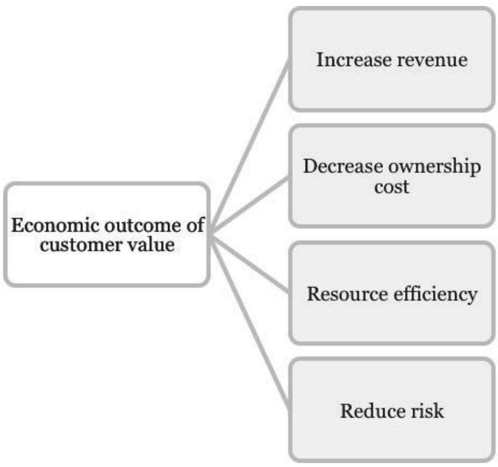

Figure 8. Sources of economic value.

5.3 SQ2 - How is customer value operationalized as value propositions in industrial exchange?

I now discuss the process of building, communicating, and quantifying a value proposition. The discussion is based on publication 3.

Value proposition is a key conceptual artefact in value-based strategy implementation. Value proposition aims at capturing what is likely valuable for a customer. Ideally, value proposition addresses urgent business issues of a customer, and is based on leveraging a supplier’s competitive advantage, to propose a unique and differentiated value co-creation opportunity. Value proposition is a supplier’s resource and capability integration proposal for a customer (Ballantyne et al., 2011; Storbacka & Nenonen, 2009), to enter into a value co-creation relationship to realize the benefits communicated by the value proposition.

On investigating value propositions crafted by the industrial companies, a number of characteristics can be identified. Value propositions are bundles of benefits. Value propositions need to address urgent business concerns of specific target groups, and enable differentiation from alternatives. Finally, value proposition must offer significant value for the customer.

5.3.1 Value propositions are bundles of benefits

I include a sample of value propositions from some industrial companies to illustrate the key elements and outcomes: Reducing unplanned downtime and eliminating performance bottlenecks can increase industrial production line performance; Industrial machinery benefits from reduced maintenance, energy and logistics costs; telecom operators benefit from reduced customer churn and improved customer experience; construction companies benefit from faster transportation of workforce at a production site; mining business benefits of more resource- and environment efficient ways to produce metals; extracting minerals from ore is improved by improving minerals recovery and reducing energy and maintenance cost.

All these example value propositions have common features. The value propositions identify several benefits, through which an overall business impact is achieved. These benefits are labelled as value elements[4]. As the examples indicate, the value elements often identify operational process improvements or other changes in key performance indicators. Thus, value propositions consist of bundles of benefits, or bundles of value elements. Value propositions also indicate, in more or less specific terms, the business impact and outcome that the implementation of the value proposition is intended to produce, often in monetary terms.

The value elements are identified by customer value analysis. A market-oriented approach (Slater & Narver, 1995) to crafting a value proposition focuses on understanding target customer's current situation, practices and processes, what customers do, what they value, and to use this knowledge to discover improvement opportunities. This activity has been termed *value analysis* (Miles, 1972) or *value research* (Anderson et al., 2007; Bettencourt & Ulwick, 2008). The predominant approach to crafting value propositions is based on suppliers retrieving information from customers to guide the value proposition development efforts, and the resulting value propositions are then communicated to and tested with customers, who then accept or reject the value proposition. While this approach seems adequate in the goods-dominant exchange logic, the supplier-driven development of value propositions may prove inadequate, when the resource integration activities involve complex solutions and services. As an example of a more collaborative approach,

[4] The case companies use also names, such as value drivers, value attributes, and value dimensions.

Ballantyne et al. (2011) investigate reciprocal value propositions, where the crafting of value propositions is based on a dialog.

5.3.2 Value proposition address urgent business goals and help differentiating from alternatives

Anderson et al. (2006) have discovered that value propositions often fail to capture customers' interest, and propose a method of developing value propositions that are meaningful to the target audience. Compelling value propositions need to link to customers' timely and urgent business concerns (Anderson et al., 2007, 2006; Menon et al., 2005; Storbacka, 2011). Value proposition design achieves this by careful selection of the value elements included in the value proposition.

Industrial imitation and benchmarking, business culture, goals, aspirations, and beliefs and other institutional factors all influence what the industrial decision makers pay attention to. Therefore, to gain the attention of the key stakeholders, the value proposition ideally focuses on those value elements, which are already on a stakeholder's agenda. Anderson et al. (2007) name these value elements as *resonating benefits*. Hence, value research needs to be guided by customer desired value, i.e. what are the desired end-states and outcomes of their activities, and how success and performance is measured (Flint et al., 2002; Wise & Baumgartner, 1999; Woodruff, 1997).

Value propositions are also means to differentiate a business from competition. Anderson et al. (2006, 2007) suggest selecting those few value elements discovered during value research that assist with differentiation from competitive alternatives. In comparing value elements against the next best alternative, they identify "points of differentiation," "points of parity" and "points of contention," and recommend selecting those few value elements that support differentiation.

5.3.3 Value proposition must offer significant value

Compelling value propositions need to address the business goals of the stakeholders, and offer significant, quantifiable value for the customer. In line with the Figure 9 (value outcome), value propositions crafted by industrial companies frequently aim to increase customer's revenue, reduce ownership costs, improving resource efficiency (including return on capital invested), or reduce risk, or any combination of these[5].

Quantified evidence of value requires that the value elements, the bundle of benefits, included in the value proposition must be commensurable to single, aggregate measure of value.

We find a number of elements in definitions of customer value, such as benefits and costs, which are not directly comparable. What is lacking is consideration of the

[5] The dimensions of economic business impact by revenue increase, ownership cost reduction, return on capital employed improvement and risk reduction are identified by many authors, including Cornet, Katz, Molloy & Schädler (2000); Storbacka and Nenone (2009); and Vitasek et al. (2012). Recently, most of the participating companies emphasize the growing role of resource efficiency, especially environmental sustainability.

commensurability of measurement units, which is essential to arrive at a meaning for customer value (Anderson & Wynstra, 2010, 32).

Quantification of value involves determining the functional relationship between the selected value elements and the aggregate measure of value. Those value elements that have the greatest impact on the selected outcome variable (such as the ownership cost) clearly deserve most attention. In order to produce a quantified measure of value, a rule to mediate the impact of the value elements into the outcome variable is required. I label this the *value function* (c.f., Anderson et al., 2006; Blois, 2004). Value function calculates an aggregate, commensurate, and quantified measure of value as a function of the value elements. Figure 9 illustrates the relationship between value elements (or benefits received), the value function, and the outcome. The benefits received are expressed as value elements ΔV_i, where Δ denotes a change between current and achievable situation, and the index identifies the individual value elements. The figure also illustrates the selection of resonating and differentiating value elements.

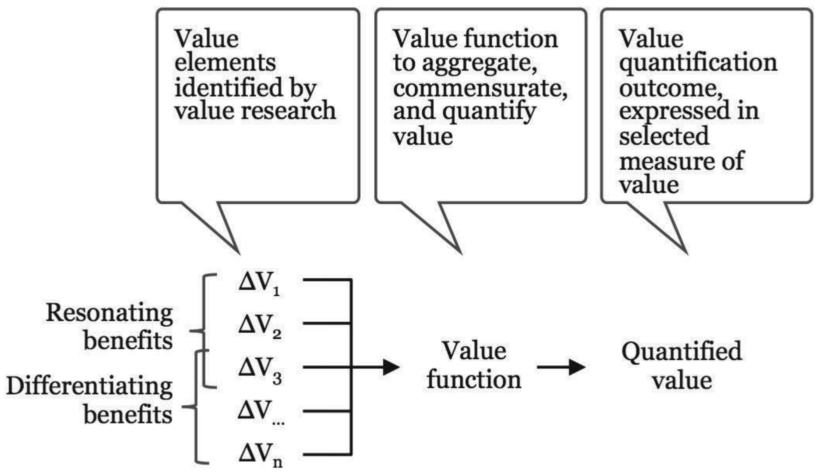

Figure 9. Quantification of a value proposition

The functional relationship aggregating the effect of the individual value elements is often simple, but in some cases less trivial: Saccani, Alghisi, and Borgman (2012) describe a probability-based model of calculating cost savings resulting from reduced risk achieved by preventive maintenance of cruising ferries. As an another example, the case companies frequently apply DuPont analysis (e.g., Soliman, 2004). This analysis decomposes the return on net operating assets into profit margin and asset turnover. When applied to industrial production analysis, a link is established between operational equipment efficiency (OEE) (Nakajima, 1988) and economic performance measures such as return on capital employed (ROCE), or lost profit due to unplanned production downtime.

5.4 SQ3 - What is the impact of proactive, value-based sales approach on firm growth and profitability?

The goal of the case companies is to improve business performance by implementing a transformation toward proactive, value-based sales approach. While publications 1 and 3 investigate the capabilities required to implement value-based selling, those articles did not investigate whether the approach actually improves sales performance. Publication 2 investigates the impact of proactivity and value-based selling on sales growth by focusing on the significance of the new venture's first sale.

The paper develops and tests a model linking new ventures' founders' commercial and entrepreneurial capabilities, proactive sales orientation, the first sale, and future sales growth of the venture. The results show that these founders' commercial and entrepreneurial capabilities motivate the founders to practice proactive, value-based selling, which increases the significance of the first sale and leads to sales growth.

The model is illustrated in Figure 10. The article investigates how founders' commercial and entrepreneurial capabilities influence the significance of the new venture's first sale and new venture's sales growth through proactive sales orientation. The first sale denotes the first significant sale of a newly developed product. The paper considers the moderating influence of value-based selling on significance of the first sale.

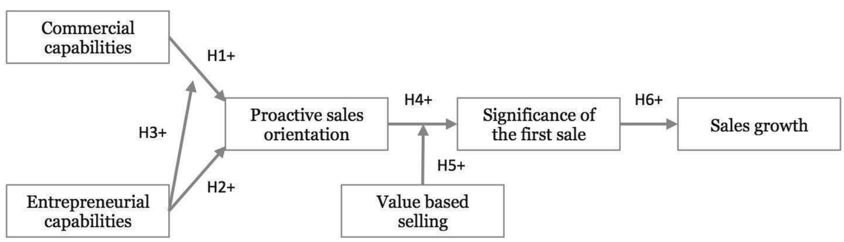

Figure 10. Conceptual model with antecedents and consequences of first significant sale.

A *proactive sales orientation* reflects the founder's desire to scan and identify new sales opportunities, actively initiate new selling approaches and methods, and develop solid sales arguments. Proactivity in finding new sales opportunities is obviously and crucially important for new ventures, as the target customers are hardly aware of the innovative new offering.

Value-based selling identifies, quantifies, and communicates customer value during buyer-seller interactions. Value-based selling is particularly relevant for newly developed products, because the customer typically has more difficulties in understanding and evaluating the value of these new products. Combining a proactive sales approach with value-based concretization of the value offered is likely to improve the outcome.

Our results reveal that founders' commercial capabilities have a positive effect on proactive sales orientation, while their entrepreneurial capabilities moderate the effect of commercial capabilities. The results further show that a proactive sales orientation positively affects the significance of the first sale and that value-based selling moderates the effect of proactive sales orientation. Finally, the results reveal that the significance of the first sale positively relates to sales growth. Thus, we conclude that combining the founder's commercial and entrepreneurial capabilities strengthens proactive sales orientation and that, in turn, a proactive sales orientation especially increases significance of the first sale when new venture companies practice value-based selling.

In addition, the interaction of commercial and entrepreneurial capabilities suggests that a founder who combines the two possesses a more proactive orientation towards the sale of first product. This result empirically substantiates the notion of resource heterogeneity of resource-based theory to the founder capability level.

Next, the positive effect proactive orientation on significance of the first sale confirms results of early studies that proactivity is a powerful driver of sales performance outcomes. The result implies that a proactive sales orientation in terms of early engagement with potential customers and devoting significant time and energy is critical in increasing the significance of the first sale.

The interaction of proactive sales orientation and value-based selling on significance of the first sale confirms that a proactive sales orientation is more effective when combined with value-based selling. Apparently, a value-based selling approach in terms of explicating the product's value to the customer and treating customers as partners significantly leverages the founder's proactive sales orientation. This result implies that new venture companies should consider both sides of the coin to enhance the significance of the first sale. To enhance significance of first sale and to be successful in the long run, proactively selling the first newly developed product is a dual-goal process that takes both the product selling process and the customer perspective into account.

5.5 Results summary

This dissertation investigates the organizational capabilities required for successful implementation and management of value exchange. These capabilities are embedded into a firm's processes, routines and practices. Figure 11 depicts the research focus and context. At one end, a firm makes strategic choices about customer segments, value propositions, and pricing (Brady, Davies, & Gann, 2005; Casadesus-Masanell & Ricart, 2010; Storbacka, 2011; Teece, 2010; Zott & Amit, 2010). The business opportunity management and value-based selling functions implement these choices at the customer interface. As the value-focused customer approach integrates a broad organizational capability base, the word *function* denotes a combination of practices and people implementing the practices. Hence, the function is not necessarily an organizational unit.

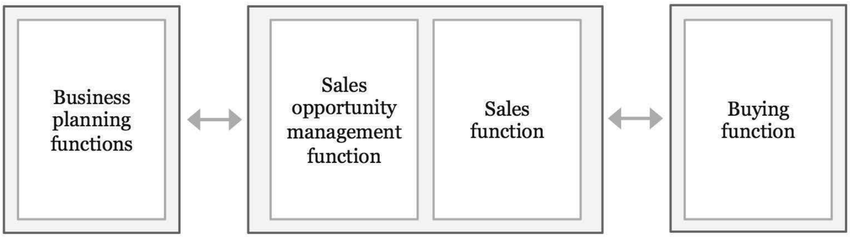

Figure 11. Activity areas and their interactions addressed in the dissertation.

All the publications included in the dissertation investigate organizational capabilities required for successful implementation of value-based exchange in industrial markets.

Publication 1, "Bridging the theory-to-application gap in value-based selling" analyzes the maturity of the value selling practices of industrial solution providers, and suggests a best-practice sales process for industrial solution selling. Publication 2, "The significance of the new venture's first sale: Founder capabilities and proactive sales orientation" investigates the impact of a new venture's first sale on the firm's future performance. Publication 3, "Organizational Capabilities for Identifying, Quantifying and Communicating Value in B2B Sales Management" identifies key capabilities and management practices for implementing a value-based sales process. Publication 4, "Institutional and organizational barriers to value-based pricing in industrial relationships" investigates value-based pricing in B2B sales management and contributes to the research of value capture in economic exchange by identifying a number of challenges impeding application of value-based pricing, and suggesting solutions to the challenges. Finally, publication 5, "Assessing value co-creation and value capture potential in services: A management framework" investigates value sales management practices and capabilities, and suggests a management framework for the effective selection, planning and validation of individual sales opportunities.

6. DISCUSSION

The industrial companies studied in this dissertation are moving away from the commoditized, low-profitability markets by renewing their business models, offering portfolio, and customer approach. The companies are making the transformation in anticipation of improved profitability through value-focused strategies, proactive engagement with novel value co-creation opportunities (e.g., Narver, Slater, & MacLachlan, 2004) and a stronger role in value co-creation.

Central to value creation and value capture is value exchange. Business relationships are based on value exchange. Companies are buying and selling products, services and solutions within their value-creating networks. Industrial sellers seek to differentiate and prosper by improved value creation. To achieve this, companies innovate novel offerings, often dominated by services. At best, the novel offerings are based on a careful business process and value network analysis, and offer improved value creation for all parties involved. If the offerings are perceived to create superior value for the customers, suppliers can also potentially capture a fair share of the value created, and both parties will benefit from the value exchange.

However, the presentation of the dissertation's theoretical foundation and literature review revealed a number of gaps in the organizational capabilities to identify and engage in profitable value co-creation opportunities. This dissertation addresses these gaps by proposing capability frameworks to guide the value-based exchange. The theoretical implications of the findings are discussed next.

6.1 Theoretical implications

Successful implementation of the new value-focused strategies calls for new business planning, management, and business opportunity engagement capabilities, responding to calls to investigate how companies create and capture value (e.g., Lepak, Smith, & Taylor, 2007; Sirmon et al., 2007). The industrial companies are lacking, but actively building these capabilities. The *business planning*-related capabilities include customer value research for new insights, formulating the findings as customer value propositions, preparing tools and developing practices to quantify and communicate value, capabilities to profitably price the value, and leverage the value created beyond individual business relationships. The *management-related* capabilities include capabilities to identify, validate, and manage value creation opportunities for maximized value creation and value capture. The *engagement-related* capabilities include capabilities to proactively gain access to influential stakeholders, build trust, adapt and quantify value propositions, communicate and verify value, build shared solution visions, and capture a fair share of the value created. In organizational setting, these capabilities are found in sales, sales management, and pricing functions. I discuss the theoretical implications of these findings next.

Business opportunity selection, validation, and management
Business relationships have heterogeneous potential for value creation and value capture (Storbacka & Nenonen, 2009). Hence, high performance requires careful selection of customers and business opportunities. Moreover, existing research calls to develop actionable managerial frameworks for practicing managers (Avlonitis & Panagopoulos, 2010), and inform managers on how to leverage sales function to enter into profitable value co-creation relationships (Haas et al., 2012). Our findings address these managerial needs and research gaps. Moreover, the literature has not addressed this important capability. Our reviews of the literature have not identified research in this area. Hence, the business opportunity validation framework makes a novel contribution.

Value-based selling
According to Gebauer, Fleisch, and Friedli (2005), the ongoing transformation toward more comprehensive offerings and value-based strategies requires improved understanding of customers' business processes, business imperatives, value drivers, and business models. The proposed value-based selling framework addresses these topics. Further, the sales and sales management literature is limited to personal selling skills at individual actor level, behavioral issues and management of sales organizations from a human resource management perspective (e.g., Geiger & Guenzi, 2009). A review by Plouffe et al. (2008) identified no scholarly articles on sales or sales management from the organizational capability perspective. Moreover, much of the sales knowledge of the industrial companies is tacit, making it difficult for practicing managers to improve sales productivity (Ledingham, Kovac & Simon, 2006). Avlonitis and Panagopoulos (2010) conclude that research is characterized by "minimal emphasis placed on empirical analysis that can provide practitioners with actionable tools" (Avlonitis & Panagopoulos, 2010, 3). The value-based selling framework addresses these gaps by providing an explicit guidance on the capabilities and practices required to build and institutionalize a value-focused customer approach, and contributes to the sales research from a novel, organizational capability perspective.

Value-based pricing
Careful selection of business opportunities and skilful application of value-based selling supports creating superior value. However, companies create value only to capture a fair share of the value created. Hence, capabilities to exercise value-based pricing are essential to the success of the value-focused

strategy. However, according to Hinterhuber (2008a), value-based pricing accounts on average for only 17% of the investigated pricing approaches. The dissertation identifies the obstacles and challenges to successful application of value-based pricing, and supports improving the industrial adoption of value-based pricing.

Conceptualization of customer value

Previous literature has suggested a number of different conceptualizations for customer value (e.g., Anderson et al., 1993; Ulaga & Eggert, 2005; Wilson & Jantrania, 1994), none of which satisfactorily captures the dimensions of the value construct to support business opportunity validation, value proposition development, and value-based pricing. The study suggests an extended conceptualization of customer value, identifying the strategic, operational, social, and symbolic dimensions of value. While current value-based selling approaches communicate value more broadly, the value quantification and pricing focus almost exclusively on the operational dimension of value. The suggested conceptualization of customer value supports finding opportunities to create and capture value beyond the established operational dimensions of value.

Value proposition design and communication

The findings of this dissertation suggest that value-based exchange is successful only if the parties involved perceive capturing value. Parties involved in value exchange evaluate the attractiveness of the value-exchange opportunity based on their prevailing value conceptions, and determine their potential for value capture. Their value conception determines what is considered in their value assessment and perceived as valuable. Individual stakeholders' value conceptions are built over time, influenced by their business history, goals, beliefs, and organizational and industry culture and norms (e.g., Walsh, 1995). Importantly, the parties may hold different value conceptions, which may result in the customer not perceiving capturing value because of a narrow or otherwise deviating value conception. Hence, industrial sellers often need to influence value conceptions to help customers actually perceive to capture value. Figure 12 illustrates the connections among value conception, value perception, and value capture. Value assessment denotes the value quantification activity to evaluate the value creation potential. Value sharing then determines how much each party then captures of the value created.

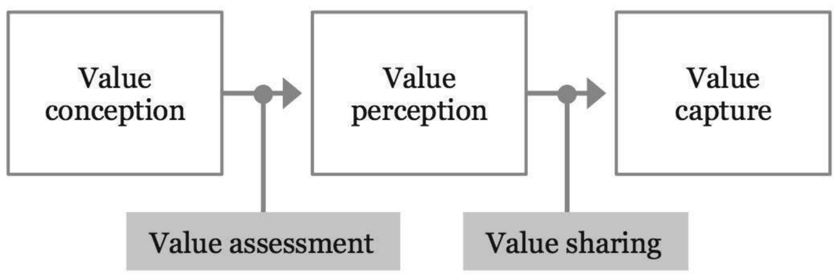

Figure 12. Relationship among value conception, value assessment, value perception, value sharing, and value capture.

Industrial companies craft value propositions to provide superior and differentiated value for the target audience, based on the discoveries made during the value research and analysis process. The subjective, context-specific, multifaceted and evolving nature of customer value implies that companies can only design value propositions to address segment or stakeholder-group specific issues as suggestions of how the parties could co-create value. Value propositions then need to be contextualized and individualized during the value proposition communication process. Contextualization and individualization involves two routes: adaptation of the value position to meet individual stakeholder views and/or influencing the prevailing views to align with the value proposition.

The value proposition then needs to be *adapted* during the opportunity engagement process to resonate with individual stakeholders (Frow & Payne, 2011; Payne et al., 2007; Vargo et al., 2008). The degree of adaption required depends on the uniformity of the prevailing views among the stakeholders with the target audience, the supplier's ability to influence and align those views with the value proposition (i.e. influencing views instead of adapting value proposition) during the buyer-seller interactions, and the extent to which the target customer has participated in the value proposition development process (i.e. value proposition is developed for an individual customer). The adaptation of value proposition may involve re-selection of the value elements included, to better match the situation of each customer. Ultimately, the entire value research process may need to be implemented for the customer to identify those value elements that maximize value creation.

Instead of adapting the value proposition, the supplier can seek to *influence* the prevailing views, to align with the pre-designed value proposition. Succeeding with this has important implications for value creation. If suppliers can focus on value co-creation in line with the pre-designed value proposition, which is based on the supplier's strengths and competitive advantage, value creation can be maximized and risks minimized. Deviating from the pre-designed value proposition may require new capabilities and/or build on less differentiating capabilities, potentially resulting in less value being created. Therefore, sales-related capabilities to influence customers' views and align those views with the pre-designed value proposition are potentially highly valuable. Ability to quantify the business impact of the pre-designed value proposition is a powerful method to influence the prevailing views.

The case companies use value propositions and value quantification, when proactively influencing prevailing value perceptions. Over time, customers have built governance structures, belief systems, rules and norms, which guide and constrain attention, decision criteria, buying, and procurement. These beliefs and practices were established under the goods-exchange dominant market conditions and may not serve the interests of the emerging networked and relational exchange. Hence, value quantification is especially important when addressing improvement opportunities outside of the accepted, explicit needs of the stakeholders.

Profitability impact of the value-focused approach
Our findings in publication 2 show that proactivity and value-based selling positively influence the significance of the first sale and sales growth of the new venture companies. Value-based selling and a value-focused approach in general potentially have positive consequences for profitability and business success. However, the value-focused approach is time-, resource- and knowledge-intensive, requiring a wide capability base, which is expensive to acquire, integrate, and maintain. Revisiting the dynamic capabilities chapter of the theoretical foundation part, literature has already concluded that industrial companies differ in their resources and capabilities, and that these differences have an enduring impact on their competitive advantage. Confirming the heterogeneity of companies' resources, our research has observed great differences in the adoption and maturity of the value-focused approach among the case companies. Initially, the value-focused approach appears to lead to differentiation, stronger relationships, and profitability. However, industrial imitation likely competes the differences away, leading to two conclusions. The first conclusion is that companies need at least temporary exclusivity to the value-exchange relationship to gain a sufficiently strong value sharing position (publication 4). The second conclusion is that industrial imitation is likely to result in industry-level improvement in value creation, but not necessarily favoring the sellers in value sharing. Hence, the early adopters need to continuously employ their dynamic capabilities to stay ahead. One next step, already mentioned, could be to exploit the non-operational dimensions of customer value.

6.2 Managerial implications

This dissertation provides frameworks of capabilities and practices for managers to prepare and implement value-based business models. In the introduction I described some of the drivers behind the transformation toward value-focused strategies and business models. In their quest for improved profitability and differentiation, industrial companies are renewing their offering portfolio with product, service, and business model innovations. These new offerings require active generation of demand by pro-active customer engagements. Proactive generation of demand requires suppliers to be capable of convincingly demonstrate the customer value of their offerings. Our findings illustrate the capabilities and managerial practices required in the new situation. Suppliers need to develop, communicate, quantify, and verify value propositions. Suppliers also need to identify, validate, develop and price business opportunities. Hence, industrial companies need to apply their dynamic capabilities (e.g., Teece et al., 1997) to transform their sales, sales management, and pricing functions to implement the new value-focused approach. While our findings do not explore the actual change management process of achieving the value-focused end-state, the findings identify and fill significant gaps in existing capabilities and practices impeding implementation of the value-focused business models. These gaps offer opportunities for organizational learning (e.g., Argyris, 1999) to institutionalize the capabilities as practices. Successful implementation of the transformation is potentially rewarding. A growing body of evidence suggests that the companies that engage with their customers with value-based messages and offerings, are more successful than the companies that rely on the more traditional approaches (Moorman et al., 2013; Terho et al., In Press).

Figure 13 illustrates the findings in the business function context of the dissertation, as interactions among the management, sales, and buying functions. The interactions illustrate the how the functions operate to ensure improved value creation and value sharing. Again, the word *function* refers to a combination of practices and people, not an organizational unit. Next, I illustrate the managerial significance of the findings by portraying the findings against the interactions, and then discuss how the findings affect the interactions.

Figure 13. The three interlinked organizational processes and their interactions in managing business engagement initiation.

6.2.1 How is the management function preparing the sales function to create value (interaction 1)?

The value-based customer approach integrates a wide organizational resource and capability base, and fully benefiting and mobilising these capabilities during the buyer-seller interactions requires new competencies and tools to aid the customer value analysis, value proposition communication, adaption, and quantification.

There is a wide gap between the prevailing managerial practices and the development goals. Traditionally, the industrial sales management assigns goals, sales territories, incentives, and policies to the sales function, and largely delegates the responsibility to invent answers to the “how” question to the individual sales people. Therefore, the case companies are struggling to transform their sales forces from the reactive, tacit, individually owned, and difficult-to-manage sales models to proactive, explicit, shared, and transparent ones. To aid the transformation, and to facilitate communication and competence development, the case companies are explicating and framing the target performance as proactive sales process descriptions, which identify process stages, key task, tools, and performance evaluation criteria. The desired practices are often made explicit as online sales handbooks, training programs, and IT tools to support performing the sales tasks, both for planning purposes internally, as well as externally during the critical customer encounters. These tools connect to the company databases for customer business process knowledge, timely business challenges, success stories, and value calculation applications.

The findings of this dissertation provide frameworks to fill the gap and develop the required new capabilities and practices.

6.2.2 How do sales activities maximize value creation and value sharing by early access to influence (interaction 2)?

The sales function influences the buying function during longitudinal buyer-seller interactions. The buyer-seller interactions commence when the buying and the selling processes engage. The engagement can take place at any stage of the buying process, and, depending on the point of engagement, different sales process models emerge (e.g., Kaario et al., 2003). As illustrated by Figure 4, the focus and goal of the buying process shifts from recognition of a sufficiently compelling reason to act to building a solution vision, to finding and evaluating alternative solutions, and finally selecting the best available choice. Aligned with the buying process focus, the sales process focus moves from creating and influencing an incentive to act to building a differentiated solution vision and differentiated relationships, to demonstrating value, and to finally ensuring value capture with acceptable risks.

The seller's ability to create and capture value is affected by the customer's perception of the urgency to act, the alignment between buyer's solution vision and the seller's solution, the seller's ability to influence through relationships to the customer's buying centre (Johnston & Bonoma, 1981), and the bargaining power achieved through demonstrated value, differentiated solution, and differentiated relationships. Hence, influencing generally requires early engagement with the buying process. However, again the prevailing industrial practices are different. Especially at the commodity-end of the market cycle, the customers often determine the urgency to act and their solution vision before engaging with the potential suppliers. The proactive, value-focused approach is also relatively time-, resource- and knowledge-intensive, increasing the cost of selling. Hence, to overcome the prevailing industrial buying norms and the increase in cost and risk, powerful practices and tools to create the urgency to act at the early stages of the buying process are a prerequisite for success. The findings of this dissertation emphasize the importance of these capabilities, and provide frameworks for the development of new practices and tools for value-based exchange.

6.2.3 The goal of sales activities is to uncover important information and achieve commitments (interaction 3)

The sales actions implemented by the sales function exchange information, build relationships, and achieve commitments. These three outcome categories establish an essential, sufficiently factual and objective ground for the evaluation of the value creation and value capture potential by the opportunity validation function.

6.2.4 Business opportunity validation (interaction 4)

The value-focused approach is often a time-, resource- and knowledge-intensive exercise, requiring a careful selection of customers and focused management of business opportunities to ensure profitability. Hence, the knowledge, relationship information, and commitments gained by the selling practice are evaluated by the opportunity validation practice against predefined criteria, as discussed in Publication 5. The predefined criteria evaluate value creation and capture potential, supplier's ability to influence, communicate and convince, and risks associated with value creation and capture.

Again, the capabilities, practices, and beliefs are not meeting the demands of the new situation. Steps 1, 2 and 3 of the interaction chain need to produce a sufficient ground for the business opportunity validation and the management function to perform. The opportunity validation framework suggested by publication 5 provides an example of the validation criteria to develop the managerial practices.

6.2.5 Sales opportunity management (interaction 5)

Finally, the opportunity analysis results in decisions and sales actions seeking to build influential relationships, acquire missing information, manage risks, and achieve (1) commitments as evidence of the buying function's intentions, (2) agreement to mutual plans, and (3) generally bringing the buyer-seller process toward closure. The evaluation results in decisions by both parties to pursue or drop the opportunity.

Ideally, the sales opportunity management delivers opportunity analysis-based information into other business management functions to inform business planning, forecasting, and resource management (c.f., Kotler, Rackham, & Krishnaswamy, 2006; Storbacka et al., 2011).

Each step of the interaction chain builds on the previous links, and the value maximising relationships and exchanges require the entire chain to perform as described above.

6.3 Limitations and further research directions

Our research advises managers on how to implement the transformation toward value-based business within the business functions and industrial context studied. However, making this change is not easy. Even the case companies, which have made significant investments in capabilities, processes, and tools, are struggling to institutionalize the new business models. The strong forces of organizational inertia, industrial imitation and benchmarking, lack of absorptive capacity, and other institutional impediments to change present a major challenge for the industrial companies. In-depth, longitudinal studies on how the transformation unfolds are needed.

In the industrial context researched in this dissertation, the customer value-based approach is often easier than in many other contexts. The business focus of the industrial companies is often on improving industrial processes, of which there is data available to compare the current and the proposed solutions, and the current and achievable performance. The applicability of explicit value focus in different industries depends on the credibility of the value quantification. Anecdotal evidence from the ICT industry, for example, implies that due to factors like longer lead-time from implementation to results, difficult-to-control environment with multiple variables influencing outcomes, and a lack of reference data for comparisons result in situations where the value quantification practices identified in this paper are hard to credibly apply. More research on customer value quantification in different contexts would provide more generalizable findings.

Further, of the operational, strategic, social, and symbolic dimensions of customer value, the industrial focus is on the operational value[6]. This choice is an obvious appeal to the financially oriented decision makers and explicitly contribute toward improved business performance. However, there are other sources of value with significant influence on the customer's decision making, but which are much harder to credibly measure and quantify. Among the intangible or perceptional (e.g., Grönroos & Helle, 2010) categories of value are risk, occupational safety, brand and adaptation to environmental regulations. More research on the holistic quantification of value is needed.

The business function focus of the dissertation is on the supplier-side sales, sales management, and pricing functions. Also the case companies and most respondents represent supplier-side actors. Suppliers are actively building capabilities to adopt value-based business models, while the empirical evidence suggests that the customer side is more reluctant to adopt the new practices. The empirical evidence suggests that customer managers are more accustomed to price than they are to value, often leading to comparative ignorance about value relative to price (Anderson, Thomson, & Wynstra, 2000; Anderson & Wynstra, 2010; Fox & Tversky, 1995). In order to be successful, the value-based approach needs to interact with value-based evaluation of the offerings within buying and investment processes. While organizations are developing their procurement practices, evidence from the case companies implies that value-based evaluations of offerings are rare. How is value-based thinking changing the procurement practices?

The research that culminated in this dissertation was conducted from 2009 to 2014. During this period, the industrial companies studied were making their transformation toward extended offerings and value-focused strategies. While all the informants were carefully chosen to ensure the validity and reliability of the findings, they inevitably represent competing facets of the organizational reality and business logic within their organizations. Suchman (1995) defines legitimacy as generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions. We focused those coalitions within the case companies and industries, which accept and promote the

[6] Publication 4 identifies the operational dimension of value as an exclusive basis for value-based pricing, while also the other dimensions of value influence decision-making.

value-focused approach as legitimate ground for business, but we also observed a variety of deviating norms and beliefs, raising some epistemological concerns.

Finally, our research has explored the conception and application of customer value mostly in dyadic value exchange relationships. However, the value-based exchange has potentially important network level consequences. Observing the value exchanges holistically at a network level, it can be argued that the value-exchange transactions are gradually moving the value-creating networks toward a strategic equilibrium.

> Define strategic equilibrium as the state in which all possible feasible resource transfers that create value have taken place (Lippman & Rumelt, 2003, 1082).

The value-based exchange likely results in re-configuration of the strategic networks (Gulati, Nohria, & Zaheer, 2000) and value constellations (Normann & Ramirez, 1993), the roles and relationships of the network actors. The re-configuration likely has implications for the overall value creation of the network, which opens promising opportunities for future research.

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Appendix

Appendix 1: Interviews

Case	Inter-views	Interviewees	Date	Publica-tions
Vaisala	42	38	1-6/2009	P1
ABB Services	11	11	1-6/09	P1
Metso Automa-tion	11	10	1-6/09	P1
C1	9	9 (1 FVP, 2 Program Managers, 2 Sales Directors, 1 Business Manager, 3 Product Managers)	5/12	P3 (Alpha), P4 (Alpha), P5 (Zeta)
C2	2	3 (3 Sales Directors)	3/10	P5 (Gamma)
C3	1	2 (1 Sales Director, 1 Sales Manager)	6/10	P5 (Alpha)
C4	2	3 (1 General Manager, 1 Program Manager)	5/10 – 7/12	P3 (Delta), P5 (Delta)
C5	1	1 (Country Manager)	6/10	P5 (Epsilon)
C6	3	3 (2 Sales Directors, 1 General Manager	12	P3 (Epsilon), P5 (Eta)
C7	1	2 (2 Sales Directors)	4/10	P5 (Beta)
C8	2	3 (1 Country Manager, 1 Sales Director, 1 Sales Manager)	5/12	P3 (Zeta), P4 (Delta)

C9	19	19 (1 Business Unit Director, 1 Sales Director, 4 General Managers, 3 Project Managers, 5 Product Managers, 5 Sales Managers)	3-10/12	P3 (Beta), P4 (Beta)
C10	4	4 (1 FVP, 1 Sales Director, 1 Category Manager, 1 Program Manager)	5/12 – 1/13	P3 (Gamma), P4 (Gamma)
C11	1	2 (1 Sales Director, 1 Marketing Director)	11/12	P3 (Eta)
C12	2	2 (1 Business Manager, 1 Pricing Director)	4/12, 11/13	P3 (Theta), P4 (Epsilon)
C13	1	1 (1 Director)	5/2014	P3 (Iota)
	112	**113**		

Appendix 2: Focus group sessions

Workshop theme	Date	Participants
Value proposition	2.11.12	C10, C9, C1, C8
Value-based procurement	13.12.12	C10, C9, C1, C8
Value quantification	15.1.13	C10, C9, C1, C8
Value sales implementation	14.2.13	C10, C9, C1, C8
Intangible value quantification	21.3.13	C10, C9, C1, C8
Value-based pricing	25.4.13	C10, C9, C1, C8
Value sales practice benchmarking	17.4.14	C10, C1
Value sales practice benchmarking	14.5.14	C10, C9
Value sales practice benchmarking	12.5.14	C10, C13

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A capability to create value is the foundation of business relationships, and a prerequisite for sustainable business performance. Value-based approach to industrial exchange is rapidly gaining ground in service-intensive industries. It has the potential to fundamentally change exchange relationships and strategic networks.

This dissertation explores the transition toward value-based exchange in business-to-business relationships. It adopts a critical realist view to exploring industrial sales management in an abductive research process. The dissertation contributes to the industrial sales management literature and improves the current understanding of the essential capabilities and managerial practices in value-focused business strategy implementation.

Value-based strategies may have fundamental consequences for business ecosystems by influencing the roles, responsibilities, organizing principles, and business models of firms striving to create more value for their customers.

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