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Yevgeniya Zhdanova

Value proposition analysis of innovative Finnish companies, specializing in Project Management Services

Blue Ocean and Ways to Success

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"O snail
Climb Mount Fuji
But slowly, slowly!"

I dedicate my Master's thesis to my mother, Zhdanova Oxana, who motivated me during the whole "climbing Mount Fuji" writing process. I know that my thesis will make you extremely happy. I love you.

The research was written in the memory of my grandfather, Kreshtak Valeriy. I'm thinking about you every day even you are not here anymore. You are my inspiration.

A few words, if you please, about my supervisor, Rodrigo Rabetino, who was guiding my progress and keeping me on track. Thank you for your knowledge, patience, and hard work.

Finally, I would like to thank the people who supported me with their endless encouragement and kindness.

Yevgeniya Zhdanova,
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Author: Yevgeniya Zhdanova
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ABSTRACT:
The value proposition is a fundamental component of the service-dominant logic that concentrates on value co-creation and resource integration. The service-dominant logic emphasizes that the customer determines the value. Thus, co-creation is a significant step to innovative value proposition and success achievement through beneficial interaction between firms and customers.

The research aims to investigate value co-creation practices for crafting innovative value propositions in Finnish companies offering project management services, which may lead to value innovation. The investigation in this field is necessary to understand how project management companies operate, co-create value propositions, compete in red oceans or implement a blue ocean strategy. The study presents service-dominant logic, value co-creation, value innovation, blue ocean strategy, and market-shaping literature to explain how to introduce value innovation with customers instead of only for customers in the project management service industry.

The thesis is qualitative research, and the chosen method is a multiple case study. The semi-structured interviews were conducted with five skilled and competent experts from different innovative Finnish companies working in the project management field to capture voices and compare experiences.

The research provides a practical framework to contribute to a deeper understanding of the co-creation role in the value innovation process. Customers are vital resources for value proposition enhancement ideas in the service field. The results suggest that Finnish service companies specializing in project management services experiment, innovate in value through co-creation, and reshape markets. However, they are still far from creating fully-fledged blue oceans. The empirical research findings discover the best practices to value innovation: enhanced value proposition, digitalization (BIM, AI, and IoT), strategic partnerships and project alliances, and value co-creation: ecosystem and knowledge integration. The study also presents barriers to introducing innovative services and gaps in the project management industry in Finland.

Future research possibilities could be detecting the gap in co-creation processes by analyzing the expected response from firms and actual response from customers about customers' expectations and needs. The research could be conducted further on how digitalization (AI, BIM, and IoT) reshapes the project management industry and, especially, firms' value propositions.

KEYWORDS: S-D logic, value proposition, value co-creation, value innovation, market-shaping, blue ocean strategy, service industry

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1 Introduction

What is success? Does the business success relate to the innovation strategy, leadership (Cooper, 2019), or creating superior customer value through value co-creation and the right value proposition (Töytäri and Rajala, 2015)? Importantly, defining the value proposition and proclaiming it to customers is a significant step to a firm's future success (Steward, 2016). According to Webster (2002), the value proposition should be the firm's core organizing principle. A value proposition is also a fundamental component of marketing because it assists in marketing and client service activities and guides to achieve colossal success (Lecours, 2017). Steward (2016) identifies value proposition as an accurate and factual number of reasons why customers will benefit from purchasing what a firm is offering – more so than they would from buying from a firm's competitors. Briefly, the value proposition is a whole collection of promises and experiences that a firm provides, and when incorporated, makes the solution offered unique. As Warren Buffett, one of the most successful investors of all time, says that "*Price is what you pay; value is what you get*" (Steward, 2016, p. 14).

Skålén et al. (2015) assure that the value proposition concept is a key to S-D (service-dominant) logic, which focuses on *co-creation* and resource integration based on knowledge and competencies. Value propositions have been characterized as invitations to engage with the firm, and other actors in the co-creation of value (Vargo and Lusch, 2004; Lusch and Vargo, 2014; Lusch and Nambisan, 2015), and value is strongly determined by the customer (Edvardsson et al., 2011). Kristensson and Magnusson (2010) indicate that customers and users of services play a big part in value innovation by contributing new ideas. Customers can also provide ideas on integrating a new service into an existing service eco-system (Tax and Stuart, 1997). Consequently, value co-creation is closely connected with value innovation and the resource integration processes during the creation of value propositions (Åkesson, 2016).

Kim and Mauborgne (2005) claim that value innovation is the foundation of blue-ocean strategy, which focuses on destroying market boundaries by creating a leap in value.

Moreover, competition leads to the copying of ideas but not creation among competitors, which brings more pressure to the price of services. Ideally, the firm should get rid of rivalry with the help of value innovation. The only way for firms to escape competition and maintain competitive advantage is through introducing new value concepts and continuously re-innovating the way customer value is created and delivered (Matthyssens et al., 2006).

The service industry is one of the most important and the biggest industries (Shalender, 2015). Stoshikj et al. (2014) argue that project management can be considered a service since firms specializing in project management offer services to other firms and manage projects for customer satisfaction. Additionally, project management as a service is of high interest to the author because it greatly influences business process management (Rosemann, 2010). System development and customization of an existing tool can be viewed as project management services (Stoshikj et al., 2014). To summarize the mentioned above, project management is a significant part of the service industry.

Puckett (2018) suggests that the project management nature, predictability, and strict guidelines, that ensure that projects are finished on time, according to plan, and within scope and budget are opposite to the key to business success – innovation. Kerzner (2018) notes that there was a debate between researchers for many years about whether “innovation” and “project management” should be used in the same context because these disciplines are opposite to each other. Nevertheless, nowadays, firms are discovering that innovation strategy is executed through projects, simply stated, project management has become the delivery system for innovation processes (Kerzner, 2018).

Kerzner (2018) adds that there is a large amount of literature on project management. However, most of the literature introduces linear project management models with the expectation that “one size fits all”. Even though this approach may be helpful in some industries and for some projects, the “one size fits all” concept cannot be related to pro-

ject management services involving innovation. Henceforth, it is crucial for project management firms to implement a strategy that will introduce a value innovation and break industry boundaries. Kerzner (2018) hypothesizes that innovative firms are the ones that accept a significant risk, deal with uncertainty, focus on strategic goals, and use a set of tools that is different from traditional project management. Consequently, one of the fundamental tools that innovative companies use is *a value proposition*.

However, there is a gap in research about the value innovation, barriers, and problems in the project management field, which encourages the researcher to proceed with the investigation of *Value Proposition* and, especially, *Value Innovation through Value co-creation* that can even lead to success and the blue ocean creation in the service industry. Finland is ranked the 3rd most innovative country in the world according to Bloomberg Innovation Index (2019), and there is a lack of empirical research about Value Proposition Innovation in the service industry (project management services) in the Finnish context; that's why Finland was chosen for this study.

The author aims ***to investigate value co-creation practices for crafting innovative value propositions in Finnish companies offering project management services, which may lead to a value innovation***.

Furthermore, after analyzing firms' attempts to innovate in the value proposition, the author will extract a list of best and worse practices to understand why firms succeed or fail on their path to success. It is also essential to study barriers or problems for value proposition innovation. Hence, the thesis focuses on "*analyzing value co-creation practices for crafting innovative value propositions in Finnish companies offering project management services, which may lead a value innovation.*"

1.1 Background of the study

Firms' ability to determine and build strong value propositions is a strategic task, which is widely considered a foundation of competitive success (Anderson et al., 1993; Lanning, 1998). All businesses have defined value propositions (Morris et al., 2005) that impact customers' decision-making process. However, not all value propositions are successful and profitable. Companies differentiate themselves from competitors by offering something unique, which is more valuable to customers than offering a low price. Moreover, a value proposition is a vital element of a company's strategy that illustrates why customers prefer one company. That is why it is critical to analyze and understand it clearly.

The author's main interest lies in the value proposition analysis of innovative Finnish companies in the service industry because of a few crucial reasons. First, the service economy is growing significantly in the EU. Finland is a shining example of enormous service industry development because 73.1% of jobs in Finland are in services (Foreigner.fi, 2019). Second, successful value propositions are typically based on innovation (e.g., process or business model innovation), and Finland is a country where blue oceans exist, as shown by many brilliant examples as Linux, Nokia phones, Fiskars scissors, safety reflectors, and the mobile game companies (e.g., Rovio and Supercell).

However, little is known about other companies in the service industry, for instance, companies that offer project management services. Project management companies are important and deserve to be studied because innovation strategy is implemented through projects, and project management is a delivery procedure for innovation activities (Kerzner, 2018). The investigation in this field is necessary to understand how project management companies operate, co-create value propositions, compete in red oceans or sail in blue oceans creating new demand by introducing innovative services. The research is important and relevant because the analysis of successful Finnish companies in the most influential industry will clarify how innovative Finnish firms compete in the service industry to become successful and what value they offer to customers.

1.2 Research questions and objectives

The thesis aims to analyze the value proposition's co-creation practices of Finnish companies in the project management service industry to identify steps of value proposition innovation, value co-creation, and central practices and barriers on the way to success.

The preliminary research question is

"How do Finnish service companies, specializing in project management, co-create unique value propositions with customers as a basis for value innovation?"

The objectives of the study:

1. *To understand the value proposition co-creation process of innovative Finnish companies that offer project management services.*
2. *To recognize the best practices based on which Finnish companies can create, win, and reshape markets through a unique value proposition in the service industry and how these practices may lead to a Blue Ocean as a framework to succeed.*
3. *To explain the role that customer co-creation plays in Finnish companies' value innovation process offering project management services.*

1.3 Research positioning

Figure 1 illustrates the theoretical positioning of the study. The author's key goal is to show the relation between value proposition, value co-creation, and value innovation in companies that offer project management services in Finland with the critical plan to improve the standards of a professional field by revealing certain findings, such as best and worse practices and barriers for value proposition innovation.

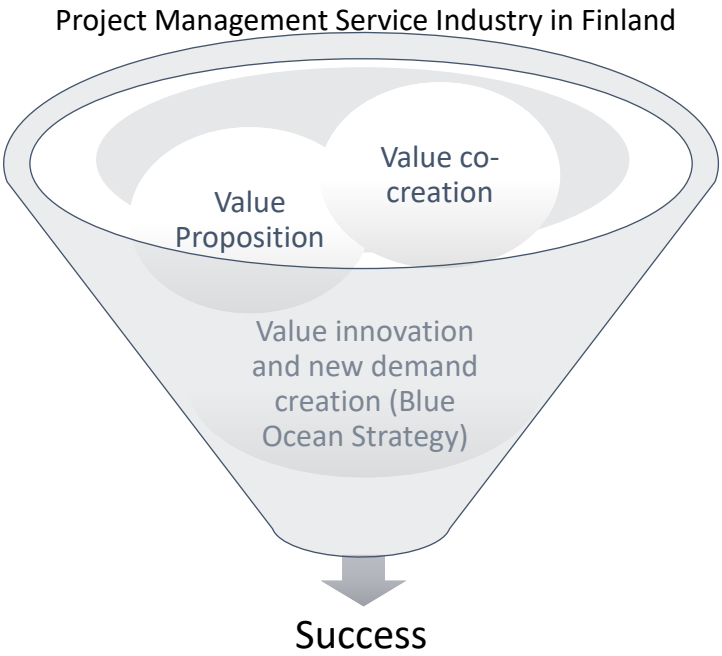

Figure 1. Scope of the research.

It is essential to explain the main concepts and theories based on existing literature, conduct research, and introduce guidelines that will help firms that offer project management services to achieve success. The author assumes that the right and thoughtful value proposition, value co-creation, and blue ocean strategy as a framework are ingredients of Finnish project management service companies' success.

Additionally, the study will focus on value innovation concerning the value proposition through co-creation. The author works towards investigating and explaining how the value co-creation (joint action), when firms create value with customers instead of only

for customers, can lead to a new value proposition, customer satisfaction, and loyalty, and even to the most desirable outcome - BOS as illustrated in Figure 2.

Figure 2. The creation process of a unique and customized value proposition.

The thesis is divided into five main chapters:

INTRODUCTION. The first chapter explains the study background, research questions and objectives, research positioning, delimitations, and definitions of the core concepts.

THEORETICAL FOUNDATION. The second chapter introduces the reader to literature, theories, frameworks, and findings and integrates them, for instance, S-D logic, value co-creation, value proposition, value innovation, market-shaping, blue ocean strategy, and factors of success. Additionally, the author presents a framework 'loop process for co-creating unique value propositions with customers as a basis for value innovation' developed during the research.

RESEARCH DESIGN AND METHODOLOGY. The third chapter demonstrates empirical findings on the Finnish economy, the service industry in Finland, case selection and description, interviews conducted, data analysis, and quality assurance.

RESULTS. The fourth chapter summarizes the results of the empirical findings.

SUMMARY, DISCUSSION, AND CONCLUSIONS. Finally, the last chapter opens discussion on the study findings and provides recommendations to service industry firms on their way to success.

1.4 Delimitations of the study

The research will be conducted in Finland only. The chosen geographical location is explained by the fact that Finland is of interest because of its innovativeness and “blue oceans” existence. The service industry was selected among other industries due to its size and fast growth. Project management services were preferred over other services because of the gap in research and shortage of information on this topic.

The author decided to proceed with qualitative research and semi-structured interviews because of the opportunity to fully understand and explain Finnish service companies’ decision-making processes and strategies. The author studies value co-creation and integration between value innovation and project management services, which cannot necessarily result in the blue ocean. The study will focus on value innovation concerning the value proposition through co-creation and explain how value innovation can be introduced with customers instead of only for customers in the project management service industry.

1.5 Definition of the core concepts

This study's core concepts have been determined based on their importance and relevance to the research goals. The main terms are the following: 'Value', 'Value Proposition', 'Value Co-creation', 'Value Innovation', 'Blue Ocean Strategy, 'Innovation', 'Service-Dominant Logic', 'Success', 'VBS'.

Table 1. Definitions of core concepts.

TERM	DEFINITION	SOURCE
VALUE	*Value* is created when product attributes, e.g., design, service, support, product mix, reputation, the connection between functions match specific customer needs.	Kambil et al. (1996), Afuah and Tucci (2000), Caruana et al. (2000), Trkman (2010)
VALUE PROPOSITION	*The value proposition* is closely connected with the values a company delivers to customers to satisfy their needs.	Anderson et al. (2006),
	Value proposition shows how a firm's offer differs from those of its rivals and examines why customers purchase from the firm.	Lindicˇ and Marques da Silva (2011)

VALUE CO-CREATION	A key step to value proposition and success achievement through beneficial interaction among actors within business communities.	Vargo & Lusch (2008b, 2016)
	Co-creation of value involves three key participants: *the company, the consumer, and the process of creation of value itself*.	Dube et al. (2009)
VALUE INNOVATION	Value innovation is the foundation of blue-ocean strategy, which illustrates the focus on destroying market boundaries by creating a leap in value. `value innovation leads to creating a "blue ocean".	Kim and Mauborgne (2005)
BLUE OCEAN STRATEGY	Strategy canvas – a tool for value proposition innovation.	Kim and Mauborgne (2005),
	The central idea of the BOS is value innovation: a unique strategy that develops strong bonds in value for both the company and its clients.	Kim & Mauborgne (2004)

INNOVATION	An idea, praxis, or object that is perceived as new.	Rogers (1995),
	Innovation is not necessarily an invention; it can be the creation of something new or improved.	Kerzner (2019)
THE SERVICE-DOMINANT LOGIC	The S-D logic states that value cannot be delivered to the customer; value is "determined by the customer on the basis of value in use".	Vargo & Lusch (2004),
	The S-D logic assumes the active role of customers in the value-creation process.	Vargo &Lusch (2011)
SUCCESS	To create a successful brand a company needs a good value proposition and co-creation of value.	Dube et al. (2009)
VBS	Value – based selling is a sales approach that builds on identification, quantification, communication, and verification of customer value.	Töytari & Rajala (2015)

2 Theoretical foundation

2.1 S-D logic and value co-creation

2.1.1 S-D logic

The S-D (service-dominant) logic explains a translocation from goods- to a service-dominant paradigm in the process of value creation (Kohtamäki and Rajala, 2016). The S-D logic concentrates on the action and integration of resources, such as knowledge and skills, contrarily G-D (goods-dominant) logic is based on the exchange of resources, for instance - goods (Constantin and Lusch, 1994; Vargo and Lusch, 2004). Ballantyne and Varey (2006) align the value proposition concept with the SDL (service-dominant logic). Nevertheless, Grönroos and Voima (2013) proclaim that even though the idea is never clearly interpreted in S-D logic literature, the value proposition should be regarded as a promise that customers can obtain some value from an offering.

The SDL has been a robust frame for progressing marketing theory on value propositions, similar to value propositions from a service ecosystem aspect (e.g., Chandler and Lusch 2015; Frow et al. 2014) and the practices of shaping value propositions (Kowalkowski et al. 2012; Skålén et al. 2015). Karpen et al. (2012) portray S-D logic as a business strategy that focuses on creating superior value with/for customers for long-term mutual enhancement.

2.1.2 From value-in-exchange to value-in-use

The key of business-to-business marketing is creating and delivering customer value (Anderson, Narus, & Narayandas, 2009). Firms, surrounded by aggressive rivals, are continuously hunting for methods to maintain a competitive advantage by differentiating services and market offers from competitors – that's why the value creation and proposition

is a topic of current interest, which attracts more and more attention (Eggert et al., 2018).

Eggert and Ulaga (2002) refer to the fact that the value constructs before it became a widely studied construct, was discussed by philosophers since ancient times. The bright example is Aristotle (384 – 322 BCE), who established the basics of the value study and introduced the well - known value paradox by differentiating between two ways of product usage: the philosopher suggested that a product, for example, a shoe, can be used for wearing or for exchange. Additionally, the terms *value-in-use* and *value-in-exchange* were introduced and described broadly by Adam Smith (1723 – 1790) in his seminal work on the "Wealth of Nation":

> *"The word VALUE, it is to be observed, has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys. The one may be called 'value in use;' the other, 'value in exchange.' The things, which have the greatest value in use, have frequently little or no value in exchange, and, on the contrary, those, which have the greatest value in exchange, have frequently little or no value in use. Nothing is more useful than water: but it will purchase scare any thing; scare anything can be had in exchange for it. A diamond, on the contrary, has scarce any value in use; but a very great quantity of other goods may frequently be had in exchange for it."*
> (Smith, 1776, p. 45).

However, understanding the mechanism and the link between value-in-use and value-in-exchange by humankind took another century, and development and new achievements in psychology and mathematics were vital (Eggert et al., 2018). Vargo et al. (2008, p. 145) point that "*value is fundamentally derived and determined in use – the integration and application of resources in a specific context – rather than in exchange – embedded in firm output and captured by price*". Shifting of value creation from 'exchange' to 'use' means changing our perception of value from one related to firm output units to one related to processes that combine resources (Vargo et al., 2008). This change from

'exchange' to 'use' is radical for developing the service industry, service innovation, and enhancement of service provision (Chesbrough and Spohrer, 2006; Spohrer et al., 2006).

The value-in-use meaning of value is connected to the service-dominant (S-D) logic (Vargo and Lusch, 2008b). Besides, the S-D logic is a basis of the value co-creation study in service systems (Spohrer and Maglio, 2008; Spohrer et al., 2008). The S-D logic crucially moves the value creation away from the firm's output and value-in-exchange to focus significantly on value-in-use, which means coexistent accessibility, adaptability, and resource integration of firms and value creation for themselves and others (Vargo et al., 2008).

2.1.3 The nature of value co-creation in the context of S-D logic

The nature of value co-creation in the context of S-D logic is related to co-creating opinions of the customer (Jarowski and Kohli, 2006) and satisfying needs and expectations (Oliver, 2006). One of the fundamental propositions of service-dominant logic is that the customer is a co-creator of value (Payne et al., 2008). The S-D logic states that value cannot be delivered to the customer; more precisely, value is "*determined by the customer on the basis of value in use*" (Vargo & Lusch, 2004, p. 7). Thus, value-in-use is strongly tied to the S-D logic.

The service-dominant logic assumes customers' active role in the value-creation process (Vargo &Lusch, 2011). Opposite to the traditional industrial logic, where value is utilized or totaled, the S-D logic emphasized that the value can be co-created during the intercommunication and collaboration of the actors that are implicated in action (Kohtamäki & Rajala, 2016). The S-D logic focuses on the co-creation of value by the customer in cooperation with the firm (Vargo and Lusch, 2008a, b). Besides, the firm is not able to generate value by itself. However, it can offer value propositions and certainly co-create service and the sequential customer value, which means that the customer's roles and

the firm are not separate because the value is produced cooperatively (Vargo et al., 2008). Spohrer and Maglio (2010) state that service is value co-creation.

Ballantyne and Varey (2006) demonstrate a triangulated view of value creation activities in the context of S-D logic. Three key value created 'enablers' of service experience are *knowledge renewal*, *relationship development*, and *communicative interaction*. Ballantyne and Varey (2006) assume that value co-creation is directly dependent on the depth of communication (before sale and post-sale), the proper application and usage of knowledge, and relationship development processes between customers and a firm. Consequently, the firm can only build a proper and suitable value proposition. However, the customer identifies a value and co-creates it (Vargo and Lusch, 2004).

2.1.4 Role of customers in value co-creation

Kohtamäki and Rajala (2016) educate that value co-creation includes all synergetic value creation actions in the service field. Co-production, which is achieved through actors' interaction, leads to the creation of the value proposition, which can be traded and exchanged among collaborators. Vargo and Lusch (2008a) emphasize that customers play a key role in value co-creation because firms can only offer value propositions, but 'value' is always co-created together with customers. The thought-provoking fact is that customers are involved in all value-creation processes by creating value experiences and shaping service offerings (Vargo & Lusch, 2011). Especially in the B2B field, where suppliers and customers collaborate closely, sharing knowledge needs, co-creating value practices are crucial (Kohtamäki &Rajala, 2016).

Value co-creation is a joint action that strongly depends on communication (Maglio & Spohrer, 2013). The customer is an essential element of the value creation systems, and to co-create value, a customer entity must collaborate either directly or indirectly with the provider entity (Maglio and Spohrer, 2013). Hence, firms and customers can co-create value through multiple exchange points (Dube et al., 2009). Therefore, customers

are *active co-creators of value* who merge value from various sources; customers are not concerned about what the service is (*value-in-exchange*) but, more precisely, they are interested in what the service is doing regarding their co-creation (*value-in-use*) (Rubalcaba et al., 2012).

Dube et al. (2009) argue that the co-creation of value involves three key participants, namely - *the company or brand, the customer, and the process of creation of value itself*. Additionally, firms can enhance customer value co-creation in two ways: absolving customers from doing something or allowing customers to do something (Michel, 1995; Normann, 2001; Ramirez, 1999). To understand the importance of customers in value co-creation, let's take a look at the conceptual framework for managing the co-creation of value, developed by Payne et al. (2008). The conceptual framework, illustrated in Figure 3, includes three main blocks: *customer value-creating processes*, *supplier (firm) value-creation processes*, and *encounter processes.*

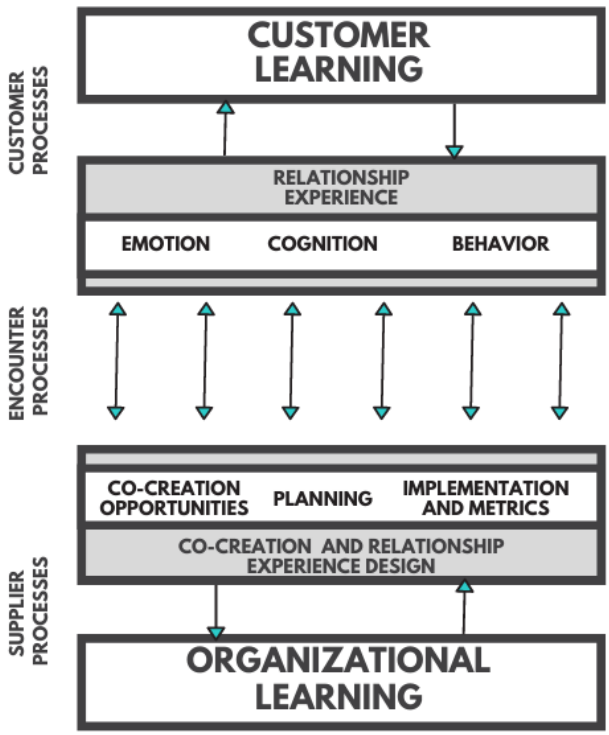

Figure 3. A conceptual framework for value co-creation (Payne et al., 2008).

This framework is relevant and applicable to the service industry as it demonstrates the consequence of processes, the importance of customers, and the nature of co-creation. According to Payne et al. (2008), the arrows in the middle of Figure 3 interpret the connection between the customer and the firm due to their value-creating processes. The arrows are headed in both directions because the value co-creation is firmly based on communication and interactions between the firm and the customer. The arrows between the customer processes (*'emotion'*, *'cognition'*, and *'behavior'*) reflect the customer involvement in a learning process based on the relationship experience. Therefore, customers are playing a key role in the value co-creation process based on customer learning.

Correspondingly, the arrows between supplier (firm) processes, such *as 'co-creation opportunities'*, '*planning'* and '*implementation and metrics*', and organizational learning, demonstrate that with the knowledge obtained about customers, the firm improves enhances the value co-creation with customers to achieve success. Payne et al. (2008) state that the conceptual framework emphasizes the advantages of customer involvement at all service development phases.

2.1.5 Benefits of using value co-creation

Kerzner (2019) argues that co-creation is an efficient tool to identify development opportunities. Moreover, it is more powerful than market research because it brings innovative ideas from customers to create greater value. Co-creation is a core aspect of a value proposition innovation because it provides opportunities to understand customers, their perception of value and needs better (Kerzner, 2019). In the 21st century, the customer of services or the client in the B2B relationship can be considered the most important factor in the value co-creation process (Gerke, 2020). Consequently, the value can only be created in collaboration with at least two actors, where each actor uses knowledge and skills to co-create value.

Kerzner (2019, p. 32) illustrates numerous benefits of using co-creation, such as: 1) *better adjustment to the customer needs,* 2) *more new business opportunities,* 3) *improvements to existing services,* 4) *lower risk of failure,* 5) *better focus on value creation,* 6) *early identification of market reaction.* Therefore, co-creation of value leads to better strategic planning by identifying the future needs of customers. Gerke (2020) suggests that value co-creation is the best alternative to traditional "consumption" as all actors contribute to value creation.

Co-creation provides firms with significant opportunities for innovation because each actor presents new resources through resource combination (Frow et al., 2015). Frow et al. (2015) present the advantages of co-creation: *1) access to resources, 2) enhancement of customer experience, 3) customer commitment, 4) enabling self-service, 5) creation of more competitive offerings and solutions, 6) decreasing the cost, 7) faster time to market, 8) building brand awareness.* To summarize, the firm can use co-creation, firstly - as a source of *better customization*, as 'value' is co-created in conjunction with customers and, secondly, as a source of *value innovation* based on the integration of resources, knowledge, and ideas derived from the firm itself and customers.

2.2 Value co-creation as an enabler of innovative value propositions: Key processes and practices

Gerke (2020) points that our economic and social system has changed from a goods-for-goods to a goods-for-money exchange system in the past. However, nowadays, we progress towards a service-for-service exchange system, which is based on value co-creation. The attentiveness in the value creation process has always taken place across firms (Kohtamäki & Partanen, 2016; Lambert & Enz, 2012). Every firm aims at creating a value that can be measured in economic or financial terms. Firms should focus on customer's perception of value to understand customers' current needs and discover opportunities further to develop innovations and success (Kerzner, 2019).

2.2.1 How co-creation leads to value innovation?

Value co-creation is a key step to innovative value propositions and success achievement through beneficial interaction among actors within business communities (Vargo & Lusch, 2008b, 2016). The S-D logic and value co-creation application may offer various innovation-related opportunities as customers can be a significant source of innovation (Alves, 2013). Kohtamäki and Rajala (2016) suggest that the communication between customers and a firm can affect strategy formation and innovation. Thus, a firm's ability to co-create value and use customer knowledge leads to value-innovation as each actor provides access to new resources through resource integration (Frow et al., 2015). Co-creation improves a firm's innovation processes (Nambisan, 2002), resulting in the creation of powerful experiences in value creation (Lee, Olson, and Trimi, 2012). The S-D logic emphasizes innovating customers, deriving value innovation ideas from customers. That's why service innovation can be considered not just as a unique offering but rather an enhanced co-creation of value (Ordanini and Parasuraman, 2011).

Dillon et al. (2005) define value innovation as generating outstanding value for the customer, most successfully when that customer is an essential value chain element. Consequently, the loyalty and satisfaction of customers lead to a significant increase in enterprise value. Laud and Karpen (2017) propose that value co-creation behaviors of customers that may provide a firm with opportunities for value innovation. The first source for value innovation is *information seeking and sharing.* Customers are searching for new resources (information) to enhance the usage of existing resources. Customer learning and knowledge sharing on information obtained can provide firms with new ideas for value innovation. In the perspective of value co-creation, information sharing is vital to achieving the desired results. The second source is *personal interaction.* Personal interaction and communication between the customer and the service provided generate long-term relationships, extremely important in facilitating knowledge exchange. The third opportunity is *feedback behavior.* Feedback relates to the evaluations of services and offerings that customers provide to the firm to enhance the service experiences in the future (Groth, 2005). Feedback may be a key tool for extracting customers' ideas for

value innovation as customers offer suggestions based on their experience with service or offering. Finally, *advocacy* is another opportunity for value innovation. Customers' interest in promoting firms' services to their social group (Lacey and Morgan, 2009) can influence the value innovation creation process as customers recommend services and attract new potential customers, who, can bring feedback and new ideas on improvement.

Value co-creation is an enabler of innovative value propositions. Payne et al. (2008) state that the core of the value co-creation process includes creating superior value propositions and customers, identifying the value. Thus, co-creation provides opportunities for superior value creation, which results in a higher value for the customers and the firm itself. One aspect of the customer's ability to create value is the accessibility and usage of knowledge, information, and skills (Normann, 2001). Value co-creating processes can be divided into three categories: 'firm (supplier) processes', 'customer processes', and 'encounters'.

Firm (supplier) processes

The supplier processes for co-creation include a review of co-creation opportunities, designing and testing value co-creation opportunities with customers, executing customer solutions and organizing customer encounters, and enhancing metrics to identify and analyze whether the firm's value proposition is correct (Payne et al., 2008). Co-creation opportunities can be presented by technological changes (new technology solutions), changes in the industry (industry transformations and creation of new demand), and changes in customer preferences and lifestyles (recent trends and opportunities for customized solutions and services).

> *"Value co-creation demands a change in the dominant logic for marketing from 'making, selling and servicing' to 'listening, customizing and co-creating'"*
> (Payne et al., 2008, p. 89).

Planning, developing, and implementing suitable metrics to measure and observe customer relationship performance is another essential aspect for a firm. The relationship between customers and a firm dramatically influences the total value that customer is receiving (Ravald and Grönroos, 1996). Metrics should analyze and monitor the processes and channels used to communicate with customers to enhance the co-creation processes (Payne et al., 2008). Ballantyne and Varey (2006) suggest that the quality of relationships can be managed and improved by learning together gradually.

Customer processes

Customer processes can be divided into two groups: '*the relationship experience'*, which leads to '*the customer learning'* (Payne et al., 2008). The relationship experience includes '*cognition*', '*emotion*', and '*behavior*'. *'Cognition'* is related to memory-based and sub-conscious activities (Holbrook and Hirschman, 1982). *'Emotion'* focuses on the feelings, moods, attitudes, ways of thinking, and customers' desires (Beckman, 1989). *'Behavior'* can be associated with experiences of using a service and linked to purchase decisions (Payne et al., 2008). All these three elements involve customers in a co-creation process. Payne et al. (2008) suggest that 'emotion' can be referred to as creating customer's interest in the offer, 'cognition' is remembering, reasoning, and understanding the offer, and 'behavior' includes customer's actions (usage of the services). Additionally, the relationship experience results in '*the customer learning*'.

Payne et al. (2008) determine three customer learning manners, such as *remembering, internalization, and proportioning.* '*Remembering*' is the first level of learning which is focused on capturing customer attention. The next one is '*internalization*' when customers absorb and interpret experiences and communications. 'Internalization' helps to build a good and memorable interconnection between customers and the firm's services. Finally, the last and the highest level of customer learning is '*proportioning*'. 'Proportioning' requires customers to think about their involvement in practices with a firm, understanding the firm's value proposition, being attached to the firm's offering of value, and realizing how the firm's value proposition is influencing their lives and goals.

Encounters

Payne et al. (2008) describe three main encounters that make the value co-creation process more straightforward: *communication encounters*, *usage encounters*, and *service encounters. Communication encounters* are implemented to connect with customers with the help of advertisements, brochures, web-site. *Usage encounters* are actions when customers use a service with support services, for instance, when using an internet banking service. *Service encounters* are customer communications with customer service personnel or applications. Additionally, encounters can be classified into the following categories: emotion supporting encounters (stories, new possibilities, surprise, recognition), cognition supporting encounters (customer promises, capability, references, and value explaining messages), and behavior supporting encounters (know-how communication and trial). Encounters are significantly helpful for value co-creation.

2.2.2 Value proposition co-creation

Payne et al. (2008) argue that a value proposition is created to assist in value co-creation because creating customer experiences is about developing relationships based on sharing knowledge, experiences, and resources. Carter and Ejara (2008) believe that one of the widely used terms in the business field is the “customer value proposition”. The values that a firm is delivering to customers intending to satisfy their needs are strongly connected with the value proposition (Anderson et al., 2006). Cesbrough and Rosenboom (2002) claim that a value proposition demonstrates benefits that aim to eliminate customer’s problems provides the solution and value from the customer’s point of view by being superior to those of its competitors, measurable and sustainable (Anderson et al., 2006). Vargo and Lusch (2004) emphasize the importance of value proposition as an offer of value to customers, while customers are co-creators of value. In a nutshell, S-D logic sees value propositions as value co-creation promises generated together with customers and other actors through a combination of resources based on knowledge and capabilities (Skålén et al., 2015). Notably, the value proposition concept is a key to S-D logic (Skålén et al.,2015), a framework about co-creation and resource integration based

on knowledge, skills, and competencies. Dube et al. (2009) suggest that the customer value proposition starts with the value promise made to the customers. Consequently, the basic procedure of making value promises is demonstrated by the branding of the services.

According to Figure 4, the value proposition starts with the '*value promise being made*' phase, followed by '*promises enabled at customer touchpoints', 'value co-creation with the customer*', '*value sustenance through post-purchase service*', and '*value promise enhanced for next engagement*', which returns the firm to the first phase. This value proposition loop shows us a cycle of continuous interaction between a firm and customers when co-creating value propositions.

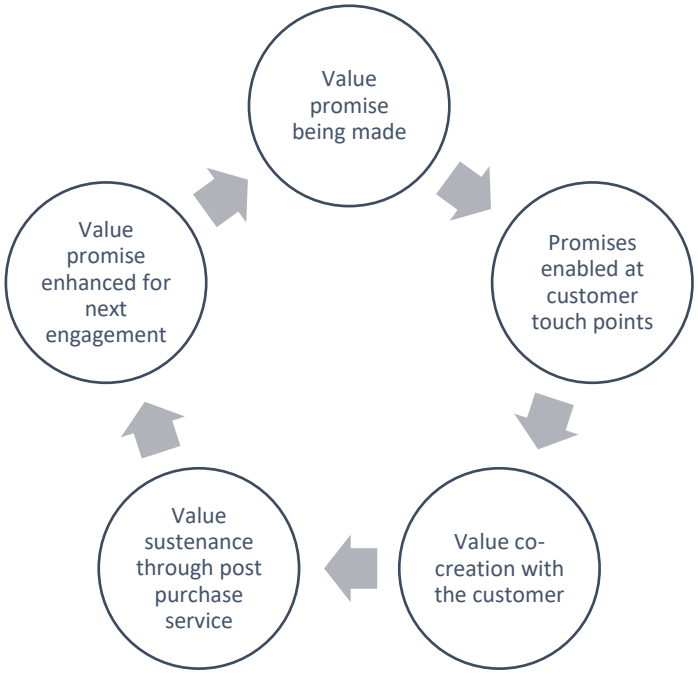

Figure 4. Customer Value Proposition Cycle (Dube et al., 2009).

Therefore, a value proposition is created based on a co-creation process. Flint and Mentzer (2006) believe that a firm and customers interact and work with the value proposition' element, developed and regulated to both parties' satisfaction. As a result, value

co-creation results from knowledge sharing and mutual adjustment (Ballantyne et al., 2011).

2.2.3 Value proposition framework

The value proposition concept is a vital part of the strategy (Kaplan and Norton, 2001) because it defines the unique competitive advantage (Collis and Rukstad, 2008). Value proposition shows how a firm's offer differs from its rivals and examines why customers purchase from the firm (Lindicˇ and Marques da Silva, 2011). Lecours (2017) developed the value proposition framework that highlights three main components: *customer segment, jobs to be done*, and *value created*. To create value, the company has to make at least one of the components unique compared to competitors. However, the other two components can be common.

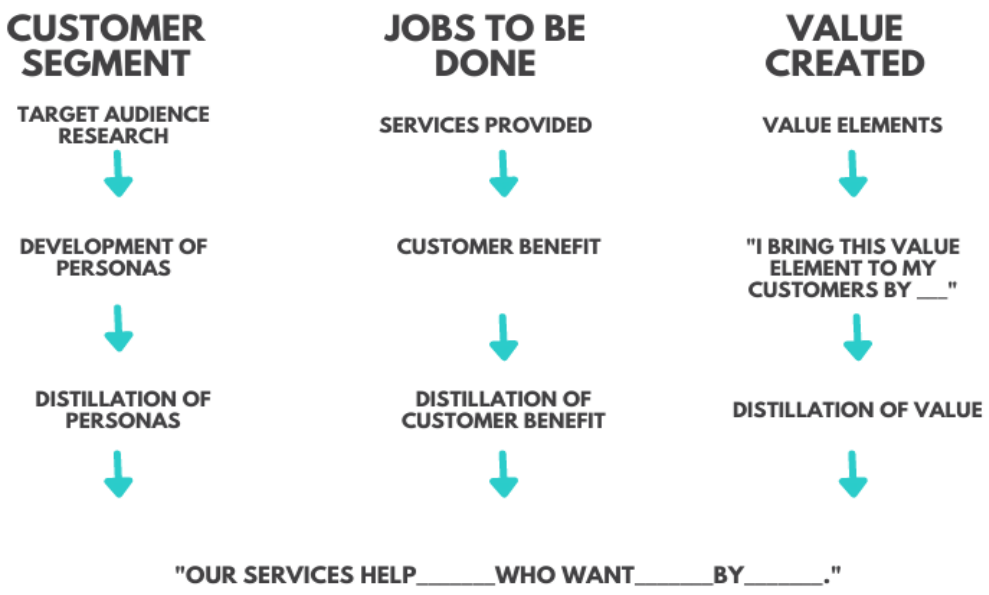

Figure 5. Value Proposition Framework by Lecours (2017).

Figure 5 shows the 'customer segment' section includes target audience research, development of personas, and personas' distillation. The 'jobs to be done' section explains

the services provided, client benefit, and distillation of client benefit. The last section, 'value created', defines elements of value and distillation of value. Lecours (2017) states that value has a comprehensive nature. Companies tend to believe that value refers to low cost, excellent service delivery, or high quality. However, the customer's mind implies many elements when thinking about value.

The core task is to fill in this statement correctly

"Our services help___who want___by___."

To build the right value proposition, including to complete understanding of value. The main questions that companies should ask when determining their value proposition:

What concrete values do we offer to specific consumer segments?
What concrete, meaningful problems of our consumers can we can solve by our value proposition?
What specific customer needs do we meet?
What specific services can we offer to each specific segment of consumers?

Therefore, the value proposition includes a description of the customer's problem, the solution of this problem, and the value of this solution from the customer's perspective. Importantly, value proposition creates advantages for a particular consumer segment through a specific combination of quality, quantity, and cost of or services. However, to create superior customer value and sustain competitive advantage (Matthyssens et al., 2006) or create entirely new markets (Christensen et al., 2002) and make competition irrelevant (Kim and Mauborgne, 1997, 1999) value proposition should be reconstructed by introducing value innovation.

2.3 Innovative value propositions and BOS: *how value innovation leads to market-shaping or BOS?*

2.3.1 Market-shaping and the BOS creation

Progressive firms observe markets as flexible systems shaped to create new business opportunities (Nenonen et al., 2020). Nenonen et al. (2020) state that a value proposition is an effective tool for market-shaping by representing four key elements of a value proposition for market-shaping. The first one relates to value co-creation, namely – 'improved resource integration and related support', which means learning together with customers and realizing how to use resources in new ways. The second characteristic is 'collaborative value proposition process: co-conception of value, co-communication, and co-promotion'. Significantly, co-creation, co-communication, and co-promotion lead to exposing unique opportunities for value innovation, which consequently results in new demand in a market space. 'Systemic and verified value promise' is the third element of a value proposition that influences market-shaping. Value promise in the value proposition should differentiate the services and offerings, but it should also introduce a 'value innovation' to make a system-level change in the industry. Verification includes value documentation and provides legality to all actors. The last characteristic involves 'new representations used in communication' that focus on connecting on emotion level with customers, for instance, visualization and stories. Enhanced ways of communication affect customers' satisfaction and loyalty and improve resource integration.

Therefore, the value proposition is a market-shaping tool that identifies the network of actors, interactions in the market and shapes resource integration (Frow et al., 2014). The value proposition should be re-constructed by introducing value innovation to create entirely new markets (Christensen et al., 2002) and make competition irrelevant (Kim and Mauborgne, 1997, 1999). Besides, value innovation leads to creating a "blue ocean", which means a break from the competition by offering innovative solutions to create new demand. Based on research on over 300 successful enterprises from 30 different

industries by Kim and Mauborgne (2005), the conclusion was made that these firms' success does not relate to the scale of business or technologies but the strategic logic of value innovation.

> *"The creators of blue oceans, surprisingly, didn't use the competition as their benchmark. Instead, they followed a different strategic logic that we call value innovation… instead of focusing on beating the competition, you focus on making the competition irrelevant by creating a leap in value for buyers and your company, thereby opening up new and uncontested market space."*
> (Kim and Mauborgne, 2005, p 2.)

Kim and Mauborgne (2005) identify value innovation as the underlying principle of blue-ocean strategy, which exemplifies the focus on destroying market boundaries by creating a leap in value. Moreover, the conception of "blue ocean" and "value innovation" is to establish new market space, ignore competitors by standing out of the industry, and generating new strategies based on customers' value. According to Dillon et al. (2005), value innovators are not compulsory first entrants to their markets; they generate new demand through a leap in value at an affordable price and do not always follow traditional practices for increasing profits. Value innovation can happen with or without technology innovation in any firm and at any time with the proper process (Kim and Mauborgne, 1999). According to Li and Zhang (2011), value innovation strategy does not associate with competition or technology; instead, it considers customer's needs as a target to provide a unique experience even if services and solutions are over the firm's industrial boundaries.

2.3.2 Blue Ocean Strategy

Kim and Mauborgne (2004) determine that the blue ocean strategy is about doing business without competition. Briefly, the blue ocean strategy includes the creation and capturing of new demand and formulating new industry. Mebert (2017) emphasizes that any firm's success lies in the creation of "blue oceans" in uncontested market space. Blue Ocean Strategy applies to all types of industries (Kim & Mauborgne, 2005), including the

service industry. Blue Ocean Strategy theory covers three groups of noncustomers that any company can reach out to, such as (1) “soon-to-be” noncustomers, who are on the edge of the market, (2) “refusing” customers, who choose against the market and (3) “unexplored” noncustomers, who are in distant markets (O’Gorman, 2008, p. 100-101).

Yang and Yang (2011) assume that a firm needs to create value for its customers to succeed. Additionally, it will also obtain value from its customers. A ‘win-win’ strategy strives towards both values for customers and value from customers. Thus, loyalty and retention are vital to the accomplishment of improved business performance and financial gain. Browning (2002) concludes that any purposeful analysis of ‘value’ should be performed and managed from the customer’s perspective because the value of the product/service is directly dependent on customer preferences. The concept of ‘creative value’ has its origin in the ‘blue ocean’ strategy of Kim and Mauborgne (2005). The authors spotlighted that value innovation is the foundation of the blue ocean strategy. According to their idea, the value is obtained through innovation only if a firm combines *innovation* with *utility, price, and cost*.

Table 2. Difference between red and blue ocean thinking (Rezeki et al., 2019, p. 3829).

	Red Ocean thinking	**Blue Ocean thinking**
Industry	Industry conditions are given – firms compete in existing market space.	Industry conditions can be shaped – firms create new market space.
Strategy	Firms must create competitive advantages to beat competition.	Make competition irrelevant.
Market	Exploit existing demand.	Create and capture new demand.
Resources	Make the value-cost trade-off.	Break the value-cost trade-off.

Organization	Align the whole system of a company-s activities with its strategic choice of differentiation or low cost.	Align the whole system of a company's activities in obtaining differentiation and low cost.
Offerings	Increasing the offering's value within industry boundaries.	Offer the total solution that exceeds the industry.

Rezeki et al. (2019) demonstrate that in red oceans, industry boundaries are known and characterized (See Table 2). Thus, companies are trying to beat their rivals and exploit existing demand. However, in blue oceans, the competition is irrelevant; firms are obtaining new opportunities by creating and capturing new demand. The BOS considers environmental and organizational attributes as well as success and failure factors. The central idea of the BOS is *value innovation*: a unique strategy that develops strong bonds in value for both the company and its clients (Kim & Mauborgne, 2004). Fundamentally, it means that a firm concurrently decreases its costs and strengthens the value of its services to customers. This way is how a company acquires competitive effectiveness and generates new market space called a Blue Ocean (Komulainen & Siltala, 2018). Consequently, the firm does not benchmark its rivals. However, instead looks across for other possibilities and options. Kim and Mauborgne (2004) have also emphasized that the Blue Ocean Strategy cannot exist forever. Competitors will try to imitate it and copy the strategy, and some of them may create an even better Blue Ocean Strategy. This is why regular strategy revision and reconsideration are so important.

2.3.3 Through value co-creation and Four Actions framework 'eliminate-reduce-raise-create grid' to value innovation

Kim and Mauborgne (2005) suggest that value innovation can be shown with a value curve, a graphic representation of a firm's performance in the industry. Value curves of firms from the same industry usually look alike; however, creating fundamentally new

value curves leads to creating a 'blue ocean'. This can be achieved through the 'Four Actions framework'. According to Lindicˇ and Marques da Silva (2011), the Four Actions framework 'eliminate-reduce-raise-create grid' that Kim and Mauborgne (2005) developed in their book Blue Ocean Strategy by offering further insights into how innovation and the creation of a blue ocean may generate an enhanced, customer-focused value proposition.

The four aspects of the grid (Kim & Maubogne, 2005) include the following steps:
Eliminate: to reduce costs, any factors or elements that no longer have value for customers should be eliminated;
Reduce: any attributes of products or services that have been over-designed to beat the competitors or attributes are not interesting for customers anymore, and which are therefore growing their cost structure for no profit, should be reduced;
Raise: attributes that have a significant value for customers, or those that of high interest for customers, should be evaluated to raise their fulfillment;
Create: factors that can result in new sources of value for customers, or factors that can generate new demand and attract non-customers, should be created.

Value co-creation or 'experience innovation' targets creating new demand through modifying and renovating the user experience to convert the traditional services into interactive and information-rich platforms (Leavy, 2018). When thinking about the S-D logic and Blue Ocean strategy, the integration between co-creation and the Four Actions framework is possible, for example, as claimed by S-D logic, a key goal of firms is to offer value propositions which, after being approved by customers, allow the mutual co-creation of value (Ballantyne et al., 2011). As we already know, mutual co-creation can result in value innovation, which means creating a leap in value by focusing on breaking industry boundaries (Kim and Mauborgne 2005). The best way for firms to avoid competition and maintain competitive advantage is through introducing new value, which can be done only through the value-in-use and value co-creation concepts that formulate the backbone of S-D logic.

Consequently, the Four Actions framework includes interactions with customers during all four phases (*eliminate-reduce-raise-create*). The Four Actions framework involves value co-creation as an essential step to value innovation and 'Blue Ocean'. In this sense, value co-creation plays a crucial role in value innovation. Thus, the value co-creation with customers helps to implement the Four Actions framework more productively.

2.3.4 Factors of success

A firm's success depends primarily on the value creation for the customer, his needs, and selection criteria. The more effective the value proposition is, the more chances the firm has to attract customers and build long-lasting relationships. The value proposition is the main reason for potential customers to purchase from a firm. However, to create strong brand equity, a firm should involve customers in value co-creation. Consequently, the combination of effective customer value proposition and value co-creation results in strong brand equity. Aside from strong brand equity, every company should learn one unspoken rule that innovation is one of the important ingredients of success, and it needs to be branded. The brand needs to be innovated constantly to succeed globally (Dube et al., 2009). For instance, Barnes et al. (2017) indicate that the notable cases of innovators are Netflix, Airbnb, and Uber, because they utilize technology to perform as a platform to unite suppliers and potential customers. Choosing the right technology is the next step to success because technology changed the way customers purchase services.

Barnes (2017) mentions that, nowadays, advertising does not affect millennials heavily anymore. That being so because the web helps customers break through the smokescreen and find as much information as needed. This trend toward the "informed consumer" is growing significantly; customers can find answers and connect with others. The best approaches and practices to tech-savvy customers involve studying customer behavior, purchasing patterns and trends, adapting business offerings correspondingly, and value co-creation. A road map to success incorporates customer interviews which

can provide firms with helpful feedback, findings for future actions, and building a strong value proposition. The value proposition enables a firm to become more customer-centric. It can be described as guidelines for the whole business with the key goal to deliver rightful value to its customers (Barnes, 2017). The value proposition is a basis for creating influential sales propositions and commercial offerings, which will solve customer problems. The defining and clear understanding of what exactly customers value can offer many benefits and points, such as improved customer retention and greater customer engagement, higher margins, reduced cost of sales, and low-cost innovation (Barnes, 2017).

Furthermore, according to Barnes (2017), there is a big difference between price and value. Value is what customers receive from the tangible and intangible characteristics of interacting with a firm. However, the price is what customers pay during a particular sales transaction. The price does not play a key role for a firm to achieve success. However, the value does. Syed (2015) hypothesizes that managers should ensure that they are doing their best to explore all opportunities that create value. Töytäri and Rajala (2015) believe that creating superior customer value is vital to a firm's success in competitive markets. To strengthen customer-perceived value, many industrial companies are showing a preference for customer value-focused sales management. Thus, creating valuable services, offers, solutions, and experiences that make customers happy, devoted, and loyal leads to a firm's success.

The VBS concept is recommended to identify and communicate customer value. The value-based selling (VBS) concept refers to a collection of know-how and management practices that guide firms to plan, implement and leverage value-selling activities (Töytäri and Rajala, 2015). Accordingly, VBS results in a genuine commitment between the parties (Kohtamäki, Vesalainen, Henneberg, Naudé, & Ventresca, 2012). Trust and respect are essential in value-selling situations (Töytäri and Rajala, 2015). Möller and Törrönen (2003) acknowledged that shifting toward customer value helps companies develop a deeper understanding of the customer's business, manage risks and uncertainty,

and find an innovative approach. The resulting VBS capability framework by Töytäri and Rajala (2015) is presented in Table 3. The table describes the phases of planning, implementation, and leverage of VBS.

Table 3. Key VBS capabilities (Töytäri and Rajala, 2015, p 104).

Planning	Implementation	Leverage
Target segment and stakeholder group identification (Storbacka, 2011) Value Analysis (Flint et al., 2002) Value proposition development (Anderson et al., 2006) Sales tools preparation	Customer selection and stakeholder identification Trust and credibility building Value proposition communication (Anderson et al., 2006; Ballantyne et al., 2011) Shared solution vision building (Eades, 2004) Value quantification Value sharing and profitability management (Hinterhuber, 2004)	Value verification (Anderson et al., 2007) Development of a case repository (Storbacka, 2011)

Key VBS capabilities are divided into three main groups: *planning, implementation, and leverage*. First, the company begins with planning, which includes the following steps: target segment and stakeholder identification, value analysis, value proposition development, and sales tools preparation. Secondly, implementation involves customer selection and stakeholder identification, trust and credibility building, value proposition communication, shared solution vision building, value quantification, and value sharing and profitability management. The last step is leverage, including value verification and development of a case repository, briefly feedback gathering. To summarize the points

mentioned above, effective implementation of VBS leads to a loyal and trustful buyer-supplier partnership (Töytäri and Rajala, 2015). The key success factor is the ability to generate motivation to attract customers and increase sales, but attracting customers is easy. However, to make them return to the company, again and again, it is vital to build the right value proposition and co-create value for and with customers, bringing customer satisfaction, loyalty, trust, and credibility.

Additionally, value co-creation can introduce fresh and unique ideas on 'value innovation', fundamental to the 'blue ocean' strategy (Kim & Mauborgne, 2005). Leavy (2018) emphasizes that creation of a 'blue ocean' is not an easy task as it requires a shift of the main focus in strategy development onto the customer rather than the competition and also, recognition of the major new demand potential in current "non-consumption" sector and a course of action to overpower it. To summarize all the factors of success, the author made a diagram presented below (see Figure 6).

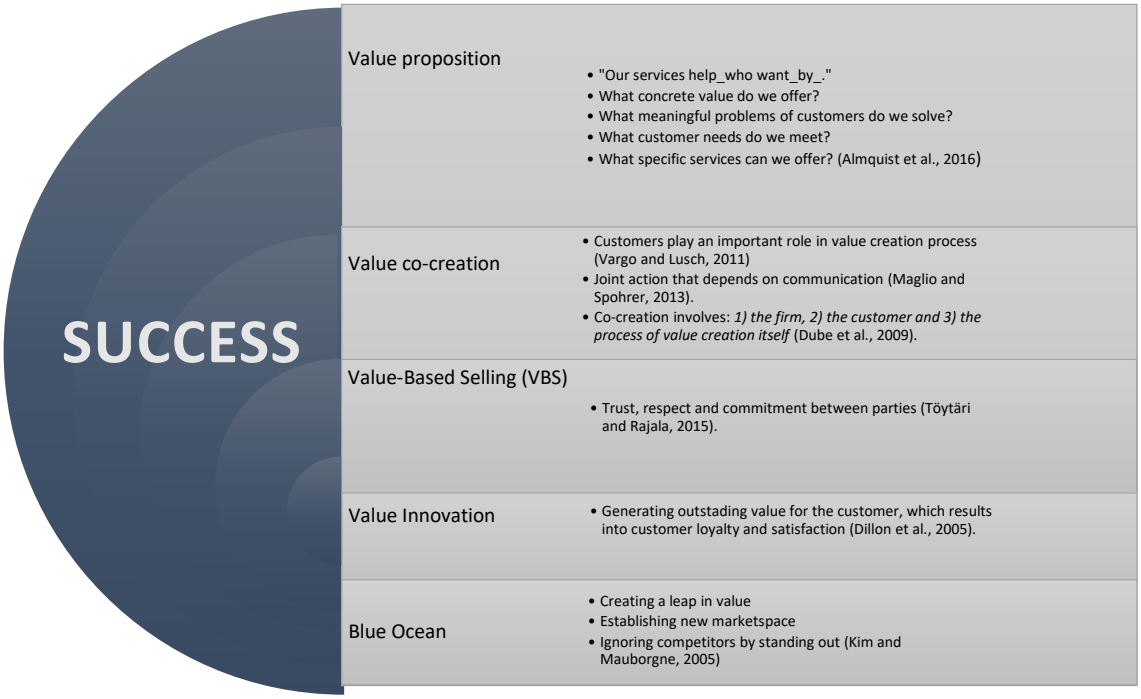

Figure 6. Components of success.

The thoughtful integration of such components as ‘value proposition’, ‘value co-creation’, ‘value-based selling’, and possibly, but not necessary - ‘value innovation’ and ‘blue ocean’ results in success for service companies.

2.4 Framework: loop process for co-creating unique value propositions with customers as a basis for value innovation

Figure 7 shows the final framework that was developed from the research process. The framework is represented as a loop process for co-creating unique value propositions with customers as a basis for value innovation that leads to a ‘blue ocean’.

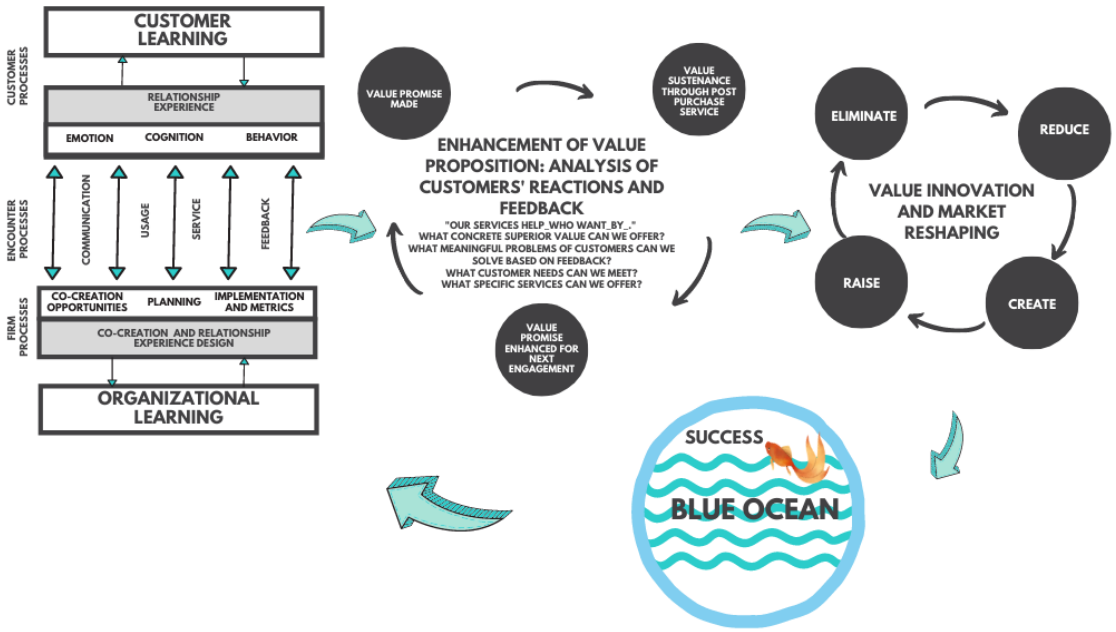

Figure 7. Framework: loop process for co-creating unique value propositions with customers as a basis for value innovation.

The first step in the process loop displays reshaped framework by Payne et al. (2008) - value co-creation process between the firm and customers. As shown in Figure 7, the firm is constantly interacting with customers through encounter processes. The customer processes, which lead to customer learning, include ‘emotion’, ‘cognition’, and

‘behavior’. The firm’s processes, which lead to organizational learning, include ‘co-creation opportunities, ‘planning’ and ‘implementation and metrics’. Planning, developing, and implementing suitable metrics to measure and improve customer relationship performance is important for a firm, as these processes bring the relationships to a higher level. The creation of value depends on the customer's ability to understand and realize the opportunities available. For instance, ‘Emotive’ goals include generating interest with communication: customer brochures, web-site, emails/calls. ‘Cognitive’ goals involve educating the customer on the usage of the service, presenting useful documents and recommendations about the service package. ‘Behavioral goals’ include providing discounts, offerings, and special promotion actions for future cooperation. Customers are very important in the value co-creation process as customer learning offers a firm new business enhancement ideas. Value co-creation is a result of knowledge sharing, resource integration, and mutual adjustment.

That’s why co-creation of value and feedback received by the firm from customers is a key to the next step of the loop ‘enhancement of value proposition: analysis of customers’ reactions and feedback’. After co-creating value, the firm can enhance the value proposition by answering the following questions:

Our services help ____ who want____ by____?
What concrete superior value can we offer?
What meaningful problems of customers can we solve based on feedback?
What customers’ needs can we meet?
What specific services can we offer?

The second step is illustrated as a loop as well and includes ‘value promise made’, ‘value promise sustenance through post-purchase service’, and ‘value promise enhanced for next engagement’. This loop indicates that the value promise should be continuously sustained and enhanced to make a value proposition better and more effective for the customers and the firm itself. The improved value proposition should provide a solution

to the customer's problem and explain this solution's value from the customer's perspective based on feedback.

The effective value proposition is a powerful tool for market-shaping, and with the help of value co-creation, a firm can introduce a value innovation. The third step in the loop proclaims that value innovation/market reshaping is achieved through applying the Four Actions framework (Kim and Mauborgne, 2005) – eliminate, reduce, raise and create. Value innovation leads to the next step, which possibly but not necessarily can be achieved by firms.

The creation of a 'blue ocean' is a path that leads a firm to the podium of success. However, not every firm can create a blue ocean and not every firm can stay in a blue ocean for a long time after creating one. Kim and Mauborgne (2005) stated that competitors could imitate a new value curve. That's why a continuous search for new ideas for market reshaping and value co-creation is needed to sustain success. That's why the author shows an arrow that forwards a firm from 'blue ocean' back to the first step 'co-creation processes'.

This loop is never-ending, as firms should always obtain new ideas and modify the value based on customers' needs and desires. The author believes that Blue Oceans can be created by firms specializing in project management services. Consequently, the author is looking forward to understanding the possibilities of creating a 'blue ocean' in the project management service industry. And if so, how: through value co-creation and value innovation? Are there examples of companies that created Blue Ocean in this project management service industry in Finland, and what is their way to success? Beneficial to our main question, *"How do Finnish service companies, specializing in project management, co-create unique value propositions with customers as a basis for value innovation?"* extensive empirical research will be conducted and presented in the next chapters.

3 Research Design and Methodology

The thesis is qualitative research, and the chosen method is a multiple case study. The author selected the qualitative research methods over the quantitative, because qualitative research relates to the verbal data, generally, while the quantitative research methods associate with numeric data (Kilicoglu, 2018). Qualitative research hierarchizes data depth and quality (Anyan, 2013) and the in-depth interpretation of the phenomenon, while quantitative research focuses on presenting the phenomenon in terms of numbers and figures (Hagen, 1992). According to Richards (2005), qualitative data consists of observations, reflections, opinions that may not relate to numbers.

To answer the preliminary research question "*How do Finnish service companies, specializing in project management, co-create unique value propositions with customers as a basis for value innovation?*" the qualitative research method was deployed to collect and narrate the data. The research goal was to capture the voices and experiences of people who are acknowledged of the project management field in Finland and ready to share their opinions for the sake of investigating and improving the service industry, understanding the value proposition co-creation processes, and recognizing the practices that may lead to a value innovation. There is no doubt the qualitative research is a compelling and adjustable tool to extract the necessary information to capture professionals' voices in a specific field (Rabionet, 2011). Multiple case study was preferred over a single case study due to the opportunity to analyze and compare professionals' answers, working in the same field but in different innovative Finnish companies.

3.1 Research context: Finnish economy and the service industry in Finland

Shalender (2015) indicates that the service sector is distinguished by various companies that differ by size, profit, workforce, etc. However, all these differences don't have an impact on the central questions of improving competitiveness that almost every service organization is facing. Customer satisfaction in the service industry is far more complex and difficult to achieve than in the manufacturing industry (Shalender, 2015). Shalender (2015) adds that the service industry is one of the most important industries in most developed economies.

Finnish economy includes many diverse industries. It is important to mention that it was based on forestry, paper factories, and the agricultural sector earlier; however, it is currently mainly based on services, followed by manufacturing and public administration. The service sector is the largest in the economy, accounting for about 73% (Chepkemoi, 2018).

Table 4. GDP data from July 2019 (Finland GDP Growth Rate, 2019).

GDP FROM	EUR MILLION
SERVICES	29949.00
MANUFACTURING	8123.00
AGRICULTURE	1308.00
PUBLIC ADMINISTRATION	7955.00
CONSTRUCTION	2809.00
TRANSPORT	2195.00

Table 4 illustrates GDP data from July 2019, and it allows comparisons between different industry sectors. Overall, it is evident that the service sector takes the leading position with GDP equals to 29,949 million euros, followed by manufacturing, agriculture, and

public administration sectors. Nowadays, the service industry is vital in Finland. The service industry is growing significantly. Böckerman (1999) states that as people get richer, they require more services (p.13). Additionally, the key restriction to the evolution of the private service sector was the state-financed industrialization after the Second World War. The high level of commodity taxes and social security donations is corrupting the growth of the private sector. Böckerman (1999) adds that the different programs during the 1990s, namely social security donations and value-added tax reduction, played a core role in progressing private services in Finland. The author predicted that the rapid aging of the population in Finland in the upcoming years would give rise to the expansion of private services in all crucial sectors, which will be the greatest challenge.

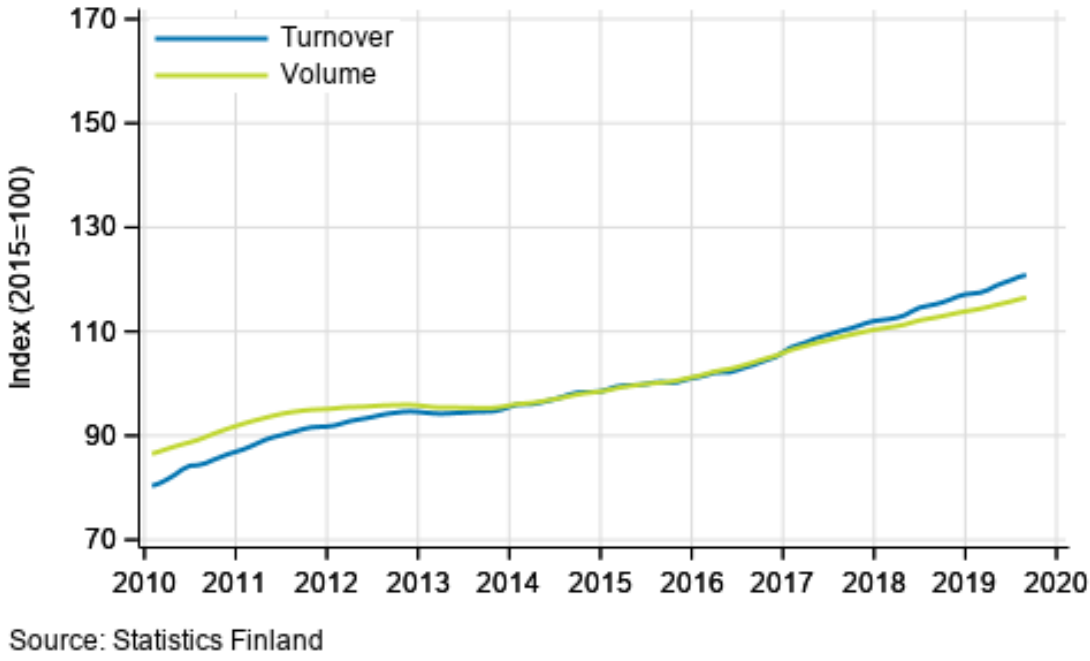

Figure 8. Turnover and volume of service industries (Official Statistics of Finland (OSF), 2019).

Figure 8 provides information on the turnover and volume of service industries. There was a significant increase in both volume and turnover from 2010 to 2020. The conclusion is that the service sector is growing and expanding considerably.

Figure 9. Annual change in working day adjusted turnover and volume of service industries, August 2019, % (TOL 2008). (Turnover of service industries, Statistics Finland, 2019).

According to Figure 9, which shows the growth of turnover in August 2019 in comparison to August 2018, the administrative and support service activities show the strongest growth among service industries, followed by other service activities (6.2 percent), information and communication (5.7 percent), arts, entertainment and recreation (5.4) and professional, scientific and technical activities (5.4). The slowest development of turnover is in accommodation and food service activities, namely, 2.4 percent from August 2018.

The service industry is growing continuously and, therefore, is of such great interest to the author. In Finland, many companies offer project management services, and the researcher is concerned about analyzing firms' attempts to innovate in value proposition and extract a list of best and worse practices to understand why firms succeed or failed on their path to success. Furthermore, after analyzing Finnish companies' value propositions in the project management service industry, the author will present best practices

to introduce value innovation. Case selection and description, data collection and analysis, quality assurance, results, and findings will be discussed further.

3.2 Case selection and description

The semi-structured interviews will be conducted with five companies specializing in the project management field and operating in Finland, such as Prohoc Oy, Sweco Finland Oy, Sitowise Oy, Caverion Corporation Oyj, and Adapro (Suomen Projekti-Instituutti Oy). The researcher discusses the case companies and presents the selection reasons in the next sub-chapters.

3.2.1 Prohoc Oy

"EMPOWERING PROJECTS is the definition of what we do"
(Prohoc, 2021).

Prohoc is a service company located in Vaasa, Tampere, and Helsinki, contributing to multiple industrial projects in more than 100 countries since 1996. Prohoc works and cooperates with global industrial companies, for instance, Wärtsilä, Neste, Valmet, Andritz, ABB, and Outotec (Prohoc - empowering projects, 2021). The company specializes in project management, control, information, and construction management services (Prohoc, 2021). The expertise areas include project management, construction management, information management, project controls services, project resourcing, and project consulting (Prohoc - empowering projects, 2021). The company advertises itself as a "*project partner for industrial investors, project contractors, and technology providers who need the best services and doers to complete their projects successfully*" (Prohoc, 2021).

After studying the company's website and the Scope Magazine, which Prohoc publishes for its customers, the researcher decided to proceed further and invite Prohoc representative for an interview. The company's focus is on developing innovative services together with customers to co-create value. In the 13th issue of Scope Magazine the CEO of Prohoc Matti Manner state that the company is continuously searching for new ways to innovate, and the key guidance goals are *to create value for customers and employees* (Scope Magazine 13th edition, 2021*).*

"The value delivered today is important, but the value delivered tomorrow is more important"
(Scope Magazine 13th edition, 2021, p. 5).

According to the Scope Magazine 12th edition (2020), the company introduced a new group structure, dividing Prohoc into three subsidiaries, such as *Prohoc Projects, Prohoc Services,* and *Prohoc Proactor*, in order to change the old hierarchical organization into a high-powered leadership model and make it more agile. The existing core competencies, the vision of co-creating value together with customers, and readiness to change are crucial reasons why the company will be investigated and interviewed.

3.2.2 Sweco Finland Oy

"Sweco's business model is decentralized and based on being close to our customers. Every customer should feel that Sweco's consultants have an in-depth understanding of their business"
(Sweco – About us, 2021).

Sweco Finland is part of the international Sweco Group, which is a leading engineering and architecture constancy. The company takes 16,000 experts into employment, of whom about 2,100 are employed in Finland (Azets, 2021). Sweco is implementing projects in 70 countries annually, and the company is mentioned on the Stockholm Stock

Exchange-Nasdaq (Azets, 2021). Sweco provides planning zoning and land use in the project management field, risk analyses, logistics, cost estimates, and energy reports (Sweco, 2021).

> *"Sweco believes in strong project management and construction expertise and their significance in terms of fulfilling the customer's needs"*
> (Sweco, 2021).

The researcher contacted Sweco because it is Europe's leading consultancy, which operates in Finland as Sweco Finland Oy. Additionally, Sweco has deep expertise in the project management field.

3.2.3 Sitowise Oy

> *"We are a Nordic expert in the built environment with a strong focus on digitality"*
> (Sitowise, 2021).

Sitowise is the largest Finnish-owned building and infrastructure construction consultancy company with nearly 1900 experts (Sitowise, 2021), which was formed by combining Sito Oy and Wise Group Finland Oy (Intera Partners, 2017). Sitowise's goal is to design a more sustainable and smarter living environment through various projects, for instance, Suomenlinna's undersea service tunnel, Helsinki 5G base station "Owl", Visual Data Management of Central-Pasila, etc (Sitowise References, 2021). Sitowise offers digital solutions, solutions for buildings, and solutions for infrastructure (Sitowise, 2021). The company designs and develops value-added solutions for smart cities, such as "*virtual reality, augmented reality, lighting simulation, simulations of wind, noise, light, flood, etc., 5G network simulations, emergency planning, visibility studies*" (Smart City solution, 2017).

Business Director Timo Palonkoski states that digitalization helps to pace the information flow and simplifies the construction project process (Sitowise - Digitalisation boosts con-

struction, 2020). Thus, digitalization is the main ingredient of Sitowise's project management, and it is also one of the important reasons why the researcher found the company suitable for this research.

3.2.4 Caverion Corporation Oyj

> *"By making built environments smart and sustainable, we enable performance and people's well-being - living better, working more productively, traveling safely, and exploring further"*
> (Caverion, 2021).

Caverion is Finland's biggest industrial operation and maintenance services provider and smart solutions with a head office located in Helsinki (Stock release - Caverion, 2020). The unique service offering covers the whole lifecycle, including three stages, such as design, build, and maintenance, and the company's vision is to be the first solution and possibility in digitalizing environments both for customers and employees (Cision, 2020). Caverion Corporation employs around 16,000 people in 12 different countries, and the Helsinki Stock Exchange - Nasdaq Helsinki lists the Caverion share (CAV1V) (Stock release - Caverion, 2020). Predominantly, Caverion supports maintenance and operation development by the latest IoT and AI-based solutions and strong project competence (Caverion Corporation Investor news, 2020). The company's involvement in using the Internet of Things and Artificial Intelligence in its services in working with projects attracted the researcher.

Since the company is a leader in Finland, the interview with the representative of Caverion would be useful and beneficial for the project management research. It is essential to specify that it was compelling for the author to ask and learn about Caverion's SmartView service during the interview. Caverion's SmartView combines all the data about the property into one user interface, which removes the complexities from the

portfolio management and provides clearness to the property's end users (Connected-Finland, 2020). Briefly, it means that Caverion allows customers to access all the data necessary and follow the project during the different lifecycle phases.

3.2.5 Adapro - Suomen Projekti-Instituutti Oy

"For your strategic goals to become reality, your strategy needs to be translated into actual work: programs, projects, agile development, and smaller task groups. We help you organize your work in a way that suits your organization best"
(Adapro, 2021).

Adapro or Suomen Projecti-Instituutti Oy is the most experienced project management training and consulting firm in Finland; the company provides services for both individuals and corporations, in all project areas, project portfolio management, and training to achieve business goals and succeed in projects (Project Institute, 2021).

Hence, the choice of Adapro for this research can be explained by the following statements. First of all, the company works closely with project management companies, managers, and project experts. Adapro doesn't offer project management services, but instead, it provides strategy practical implementation, project business development, practices in management, and agile project work by the most experienced project business development experts in the industry (Adapro – project business training with experience, 2021). Practically, it operates in the project management field. Secondly, one of the key research goals is to investigate the project management field in Finland and the interview with the expert from Adapro provided new data and observations regarding the industry and best practices in the project management field. Thirdly, without any doubt, the company is searching for new and innovative ways of working, for instance, it became Finland's first certified carbon-neutral company as Adapro was operating remotely by not only providing customers with flexible services but also disconnecting operations from carbon emissions (Pohjola, 2020). Adapro provided services in staff coaching and operational development for such companies as Comatec Group, Empower, Fennia, Fortum, Rejlers, WSP Finland Oy among many others (Customer stories, 2021).

3.3 Data collection

Firstly, the semi-structured interview as a method of collecting data was chosen because it allows individuals to think, talk and share their experiences, opinions, ideas, and expectations (Nunkoosing, 2005). The interview was conducted with one representative of the innovative companies in Finland specializing in the project management field. The researcher conducted multiple interviews (one interview per company) to acquire valuable information and compare answers. The interviews took place in the form of semi-structured conversations on the researcher's topic of interest "*value co-creation practices for crafting innovative value* propositions *of innovative Finnish companies, specializing in project management services*", during which the researcher received detailed information from the respondent (company's representative) about the process, reasons for company's actions and the attitude to various issues. The semi-structured interview method allowed the interviewer to ask additional questions if needed.

Mcintosh and Morse (2015) highlight that the semi-structured interviews are conducted using planned primary open-ended questions and sub-questions, known as "probes", to keep the conversation ongoing. Thus, semi-structured interviews can help to obtain complete information about the value co-creation and blue ocean strategy, the reasons, underlying motives, which are not always possible to understand when using quantitative research methods. The data obtained are comparable because all interviewees are asked the same questions in the same order, and the interviewer is allowed to drift to a slight extent from the script (Mcintosh and Morse, 2015).

Secondly, the interview protocol was crafted. The researcher developed the questionnaire that helps to answer the research question and objectives. Additionally, the interview invitation was written, including representation of the author, research goals, and motives to capture the company's interest. The criteria for respondents' selection were the following: the respondent should possess knowledge about the project management field in Finland, value proposition co-creation processes, and the firm's development strategy. The interviewee could be a manager, director, president, or expert of the target

company. The most important requirement is his/her expertise and knowledge of the project management field. The interviewee's higher position illustrates the high level of knowledge and expertise, which is necessary for solving the research problem. However, to ensure the quality of the research, the decision on choosing the right companies should be prioritized. The main requirement for the company was its operations in the service industry, namely project management services, in Finland. Secondly, the company should be well-known and innovative (or trying to become innovative by offering a scope of different and unique project management services). The researcher created a list of all project management companies in Finland, which was analyzed by checking the companies' websites, especially their services and offerings.

The next stage after the interview protocol was sending the invitation and the questionnaire. The questionnaire of twelve questions was planned and created beforehand. The questionnaire is attached as Appendix 1. Consequently, the researcher prepared the email invitation to send to the most suitable project management companies. The interview invitation is placed in the thesis as Appendix 2. After receiving the companies' answers, the researcher sent the questionnaire beforehand to ensure that the respondents will read the questions and prepare for the interview. The date and time for the interview were agreed on at this stage as well. The interview duration was from half an hour to one hour, depending on the answers' complexity and the number and depth of the issues being studied. The audio recording was used to ensure transcription and data interpretation reliability.

The overview of the interviews is presented in Table 5 below, which includes companies' names, descriptions, interviewees' positions, dates, and lengths of the interviews. The interviews were conducted via Microsoft Teams from the 26th of November 2020 to the 29th of January 2021.

Table 5. Interviews overview.

Company	Description	Position in the company	Date	Length
Prohoc Oy	Project management, control, information and construction management services	Operations Manager	26.11.2020	37 minutes
Sweco PM Oy	Project management, consulting engineering, environmental technology and architecture	Regional Manager / Regionchef Vaasa	04.01.2021	27 minutes
Sitowise Oy	Construction design and consulting firm, a leading expert in multidisciplinary projects in urban areas, and a pioneer in knowledge management and data modeling	Senior expert in Project Management	26.01.2021	39 minutes
Caverion Corporation Oyj	Designing, building, and maintaining "user-friendly and energy-efficient building systems", and offering industrial services	SVP, Project Management, and Execution Development	28.01.2021	40 minutes
Adapro - Suomen Projekti-Instituutti Oy	Competences and processes for project business and strategy implementation	Managing Director, Consultant and Trainer	29.01.2021	48 minutes

3.4 Data analysis and quality assurance

Mcintosh and Morse (2015) suggest that the goals of semi-structured interviews are to extract respondents' opinions to assert, correct, or determine new findings; consequently, the data analysis of semi-structured interviews is designed for an extensive and accurate descriptive synopsis of interviewees' opinions. Data analysis includes a few stages, such as data preparation for the analysis, conducting content analysis, data structuring, and, if necessary and the sample size is big, interpreting the text into numerical data (Mcintosh and Morse, 2015).

Firstly, the data were prepared and ready for transcription. The researcher recorded the interviews and took notes to ensure precise data comparison and analysis. Interviews' recording, or in other words-auditability, provides a secure advantage by presenting the interpretations of the researcher (Lincoln and Guba, 1985). After the interview recording, the researcher processed the preparation of a written text, namely a transcript, of the interviewees' answers. Transcripts simplify the data analysis process as both records and written notes taken during the interview cannot be used as primary material for understanding and processing. After the transcripts were done, the researcher edited them to use for the thesis. However, all three options, such as oral (recordings), written unedited, and written edited were preserved to verify data reliability and quality assurance.

The next step was conducting the content analysis. According to Mcintosh and Morse (2015, p. 9) "*the purpose of content analysis is to sort and summarize the informational content of the data, by item and by common characteristics within the data*". The researcher divided the questionnaire into four parts, such as *introduction, value co-creation, enhancement of value proposition, and value innovation and market reshaping (eliminate, reduce, raise, create)*. The questions were placed into these four parts, and the text was categorized, according to the part, to guarantee a better comparison of the respondents' statements to answer research questions, as shown in Figure 10.

The raw data were categorized into a graphic representation of concepts, themes, and dimensions to demonstrate rigor and integrity in the qualitative research. The data structure as proposed by Gioia et al. (2013) is presented in Figure 11. The data structure helped to analyze the data theoretically, not just methodically, and find connectedness between the themes, concepts, and the relevant literature (Gioia et al., 2013). The author illustrated three essential dimensions, such as *value co-creation, value innovation and market-shaping, and the concept of success* in Figure 11 as an example of how data were structured.

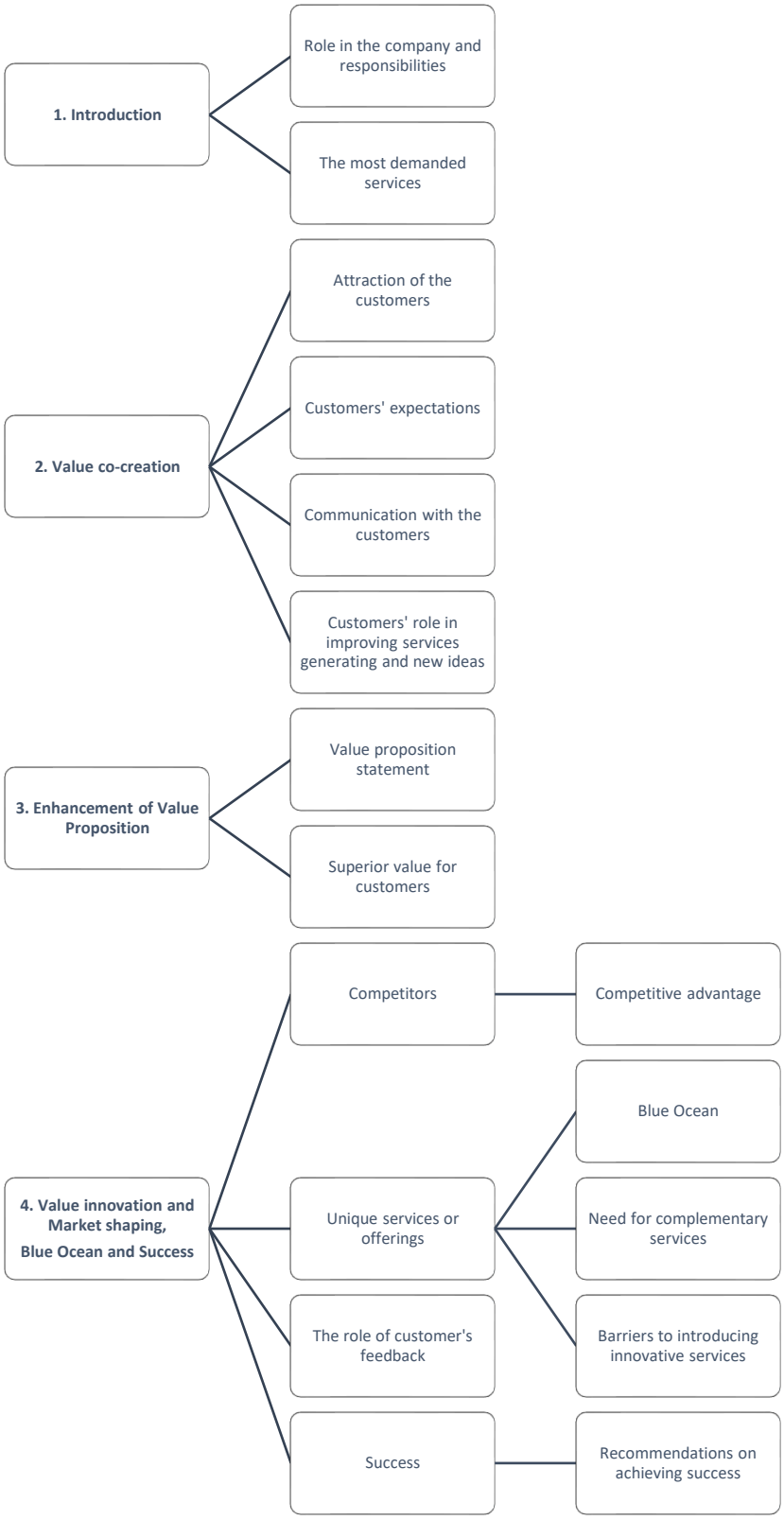

Figure 10. Content analysis model.

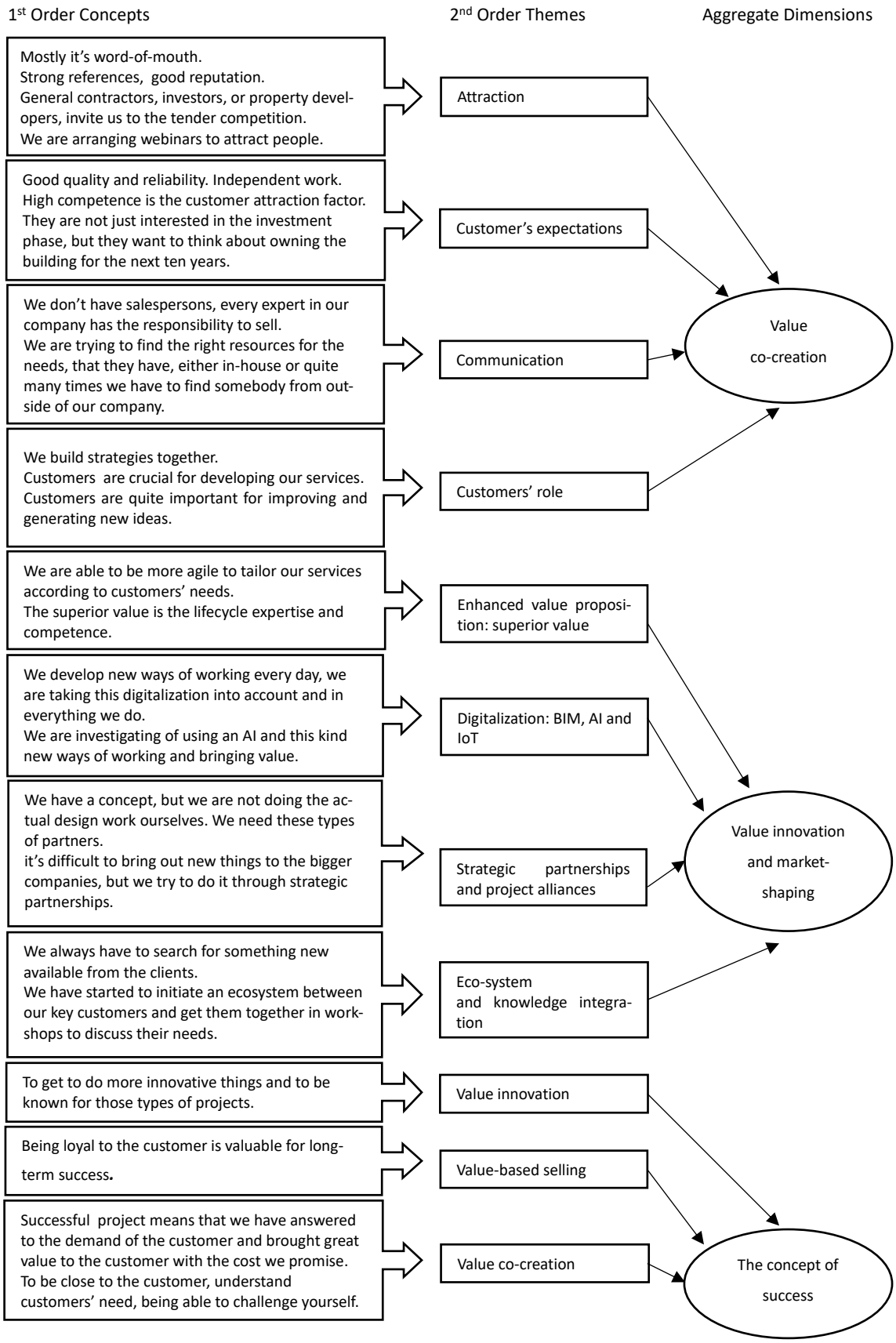

Figure 11. Data structure.

4 Results

Gilgun (2005) declares that qualitative researchers have various alternatives to present their findings; the most important is to make certain that the researcher's choice is harmonious with the key research message. In this case of project management research, the author determined to present results in the question-answer form to meet research objectives. Additionally, the researcher will use the power and proof quotes to present the data, recommended by Pratt (2008). Pratt (2008) emphasizes that power quotes, where the interviewee is prescient, incisive, and clear, should be placed in the body of the manuscript. On contrary, the proof quotes, which are used to show the acceptance of a specific argument, should be illustrated in a table to save space for the researcher's opinion, interpretations and comparisons. Some findings will be illustrated in figures to help the readers to understand and build the big picture.

4.1 Do Finnish service companies specializing in project management co-create value with customers?

The answer is yes. First of all, to co-create value, Finnish service companies specializing in project management attract customers. Secondly, they learn about customers' expectations, and thirdly, they co-create value through interaction and communication.

4.1.1 The attraction of the customers

The first stage of the co-creation process is the attraction of the customers. Table 6 demonstrates various ways, such as word-of-mouth, references and reputation, tender competitions, project events and webinars, and digital marketing, that project management firms use to attract customers.

Table 6. The attraction of customers.

The attraction of customers	Illustrative quotes
Word-of-mouth, references and reputation:	*"Mainly face-to-face, people-to-people marketing. Mostly, by holding a good reputation and finishing projects in time."* (Sweco) *"The needs are the most important things to ask. We want to be the best partner for our customers. Because of that, good connections and having a conversation with the customers are vital."* (Sitowise)
Tender competitions:	*"We get the invitations, we check the conditions of the work, do we have the relevant expertise for it, does it interest us, can we find good references, are we able to offer the first hand?"* (Sitowise) *"It means that the general contractors, investors, or property developers, invite us to the tender competition. So, they have prepared all the designs, and everything is ready, we just calculate the price and the kind-of-cheapest wins.* *But what we want to get is more of participating in the early phases, been able to influence the designs and systems, so more like partnering-type of project or design-and-build type of project, not this type of cheapest-win-type of project"* (Caverion)
Project events and webinars:	*We are arranging webinars to attract people and explain what we can do. We also participate in the project events, like 3 PMO is an event every year in June in Tampere, and then "project days" is every year is in Helsinki in October or November. That's how we meet our clients*." (Adapro)
Digital marketing:	*"We pay for LinkedIn and Facebook to publish our posts, announcements, and news. And, then, we also have a customer base subscribing to our newsletter."* (Adapro)

Indeed, the project management field depends largely on the company's reputation and customers' loyalty or, in other words, word-of-mouth. Word-of-mouth is informal communication and information sharing regarding services evaluation (Anderson, 1998). According to Treacy (1997) and Klimoski (2004), positive word of mouth results in service business expansion.

"Mostly it is word-of-mouth."
(Prohoc)

"With strong references and good reputation, both as a company and individuals. Most of our work comes from public invitations, from tenders."
(Sitowise)

Webber and Torti (2004) argue that if the service company wants to build a good reputation, it needs to be closer to the client to understand the client's needs and offer better service solutions and develop a long-term relationship.

"We are getting clients from tendering competitions."
(Sweco)

"Most of the projects, unfortunately, are this kind of tender-based project. I would say that's how the market works, and that's the majority of the business."
(Caverion)

Caverion's interviewee affirms that the majority of the project management market works through tender competitions, however, the company is interested in participating in the early stages of projects to be able to influence the designs and systems. The fact is that project management companies are dependent on tender competitions. Ministry of Economic Affairs and Employment of Finland (2021) states that public contracts are awarded based on the following factors – the most economically beneficial tender or the lowest price. Thus, if the project management company participates in tender competitions, it is vital to offer a fair cost for services and show the competitive advantage.

"Our marketing is mainly digital, Facebook, LinkedIn, and Twitter also. Then, another channel is webinars."
(Adapro)

The Adapro case is slightly different because the company offers training, coaching, competencies, and processes for project business and strategy implementation. In this case,

digital marketing, social media, newsletters, and participation in webinars are the key methods to attract customers.

Based on the answers, the researcher can conclude that traditional marketing does not play such an important role in the project management field. Service companies have websites, social media, newsletters, etc. but, the majority of clients come from tender competitions. Additionally, loyalty, references and recommendations from current and previous customers, and good reputation provide more opportunities to attract new customers. With positive feedback from clients, companies in the project field build up their client base.

4.1.2 Customers' expectations

Kezner (2009) suggests that valuable project management services take into consideration five factors, such as *scope, budget, timetable, resources, and quality*. Steinman (2017) states that project constraints have evolved from the traditional triple constraint model of *scope, budget, and schedule* to the model that also includes *quality, resources, and risk management*. The project management field is progressing fast as the interviewees underlined more customers' expectations from project management services, such as *quality, agreed time and scope, budget (reasonable prices), risk management, reliability, agility (flexibility), independent work, competence and expertise, efficiency, lifecycle, and knowledge sharing*. The researcher combined the project constraints and presented them in Figure 12.

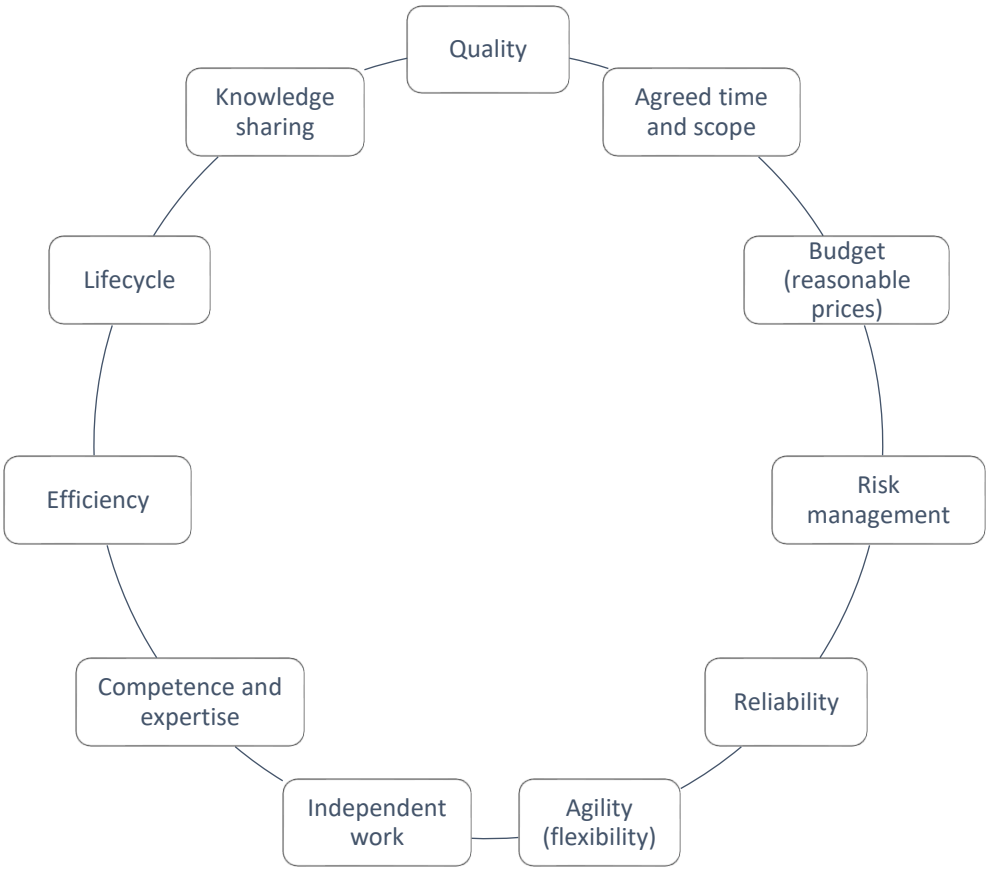

Figure 12. Project constraints - Customers' expectations in the project management field.

Prohoc mentioned *quality, reliability, agility, and flexibility*:

> *"Good quality and reliability. Our customers know that we are a relatively small company, but they expect us to find the right people to meet their needs, and we try to be as agile and flexible as possible."*
> (Prohoc)

Sweco highlighted the vital and valuable constraints such as *high competence*:

> *"High competence is the customer attraction factor, I would say."*
> (Sweco)

Sitowise added *quality, independent work, and expertise* to the list:

"Good quality, independent work. Customers typically don't want to get too much involved as they are busy. They want us to do the work for them and utilize our best experts. We use the best knowledge that we have in the company."
(Sitowise)

Caverion noted that the expectations vary as each customer has different demands, such as *efficiency, reasonable prices, agreed time, and scope*. General contractors are focusing more on the price and the scope. However, the property developers, investors, and property owners are interested in the lifecycle, as they are thinking about owning the building for the next ten years. These customers care about energy consumption, environmental footprint, or carbon footprint – those decisions affect the lifecycle and are made in the investment phase, and actually, already in the design phase. Therefore, the most important constraint that Caverion is focusing on is *the lifecycle*. The company provides the customer not only with quality, efficiency, and consistency of budget and price but also with a guarantee, that the completed project will "live for a long time"; project managers are ready to support its life circle:

"That's what we try to promote to our customers, that if you select us, the Caverion, we always secure you to have smart, energy-efficient, ecological buildings."
(Caverion)

Adapro's interviewee says that they conducted marketing survey to learn what cusomers' opinions about the company and expectations. Adapro's customers expect *reliability, expertise, and knowledge sharing. Knowledge sharing* leads to a better understanding of customers' needs and value co-creation:

"We have done some marketing surveys and our current customers say that we are reliable, we do what we promise, and it is easy to work with us. We learn from our clients. We have hundreds of clients and we teach them the best practices."
(Adapro)

4.1.3 Communication with customers

Maglio & Spohrer (2013) argue that value co-creation is connected to communication between the firm and customers. Thus, knowledge sharing, mutual adaptation, and continuous communication lead to value co-creation. Communication with customers is a vital part of value co-creation. Project management companies in Finland accenturates that the communication with customers is time and energy consuming, project-sensitive and it requires resources and expertise, as shown in Table 7.

Table 7. Communication with customers.

Communication with customers	Illustrative quotes
Time and energy consuming:	*We have one project that has been going for two years now and only now we start to get the green light from the customer. And we try to be a strategic partner, so those types of contract negotiations can go on for some time."* (Prohoc)
Requires resources and expertise:	*"That typically means that we keep our image and make ourselves interesting and valuable as a partner when we do our work in projects and sales*." (Sitowise) *"Well, we have salespeople, whose main job is to sell. So, they find clients and start the process. They also are familiar with project management, so they can explain most of our experience and expertise to the clients. Clients sometimes refer to consultants like me, because they want to know more, and it is (the meeting) done remotely via Teams or Zoom."* (Adapro)
Project-sensitive:	*And it (communication) is depending on our projects 50 hours to 5000 hours. It is quite a big difference on how to attract customers for 50 hours job and 5000 hours job*." (Sweco)

When discussing communication between the firm and the customers during the interview, Prohoc commented that projects usually take time:

"We have some sales cases that can take quite a lot of energy and effort."
(Prohoc)

In the project management business, constant communication with the customer has a great impact on a final decision. Additionally, it requires the right resources and expertise:

"We are trying to find the right resources for the needs, that they have, either in-house or quite many times we have to find somebody from outside of our company."
(Prohoc)

Sweco said that communication with customers is project-sensitive as it depends on the scale of the project:

"Sometimes it is just a call from an existing client, we make a short offer to them and then we start. And sometimes we have long negotiations. Standardized process."
(Sweco)

Sitowise accentuated the importance of expertise in the communication process to increase the value for the customer. Communication with customers in the project field requires resources and knowledge. Mostly, salespeople in the project management field are experts who possess the knowledge and expertise to meet project objectives:

"We don't have salespeople, every expert in our company has the responsibility to sell."
(Sitowise)

Adapro agreed that communication happens continuously and, the expertise plays a key role in the communication process:

"When we get the deal, the consultant remains with the client and starts working daily, what is the actual content and what are the dates, time, and everything."
(Adapro)

Continuous communication helps to gather information on customers' experience, which is fundamental in defining customers' preferences and affecting their decisions (Belal et al., 2013). Prahalad and Ramaswamy (2004) conclude that value is not created by goods or services but through experience and participation in the process. Communication with is vital to project success, because customers are actual co-creators of value as they are actively involved in innovation process (Payne et al., 2008).

4.1.4 Customers' role in improving services and generating new ideas

Storbacka et al. (2016) claim that value cannot be co-created and resources integrated without actor engagement. Thus, the researcher asked respondents if customers play a major role in improving services and generating new ideas in the project management field. All five interviewees agreed on the importance of customers' role:

"They do (play an important role)! We depend on the customers quite a lot. We try to discuss with them, to understand their needs (now and in the future). We build strategies together."
(Prohoc)

"Of course, they are crucial for developing our services."
(Sweco)

"A quite deep role. We improve our services to meet the customers' demands and provide only work, that has value for the customers."
(Sitowise)

"In the service business, it is a very big role."
(Caverion)

"We have hundreds of clients, so every day and every week we learn something from one client, and all together we learn from hundreds of clients. We refine the information received and develop new services based on new practices."
(Adapro)

Table 8. The importance of the customers' role.

The importance of the customers' role	Illustrative quotes
Customers build strategies with firms:	*"Right now, for instance, in Wartsila factory, we started a daughter company called Prohoctor, that is doing all the compiling work together. So, we create strategies together with customers and try to come up with ways to do things."* (Prohoc)
Customers collaborate and develop the scope with firms:	*And, often, the scope from the client-side isn't really clear. Sometimes we are helping clients with developing the scope that they might need. For example, an old building and they don't know what to do with it. So, we are collaborating, trying different scenarios or ideas. Could it be a residential building, or should we destroy a building?"* (Sweco)
Customers and firms co-create value for improving services and generating new ideas:	*Sometimes the customers don't know what they need than we have to make the improvements and try to find the crosses and the ways to do things better. Sometimes the customers ask us to bring new ideas or design something totally new. Nowadays the digitalization is quite a big thing, they (customers) ask us to change some old projects to digital programs or platforms. So, they (customers) are quite important for improving and generating new ideas."* (Sitowise)
Customers are drivers that push firms to change:	*"We have development projects with customers, customers also are much more aware of environmental issues and sustainability nowadays. It is a trend that has been changing over the last, I would say, five years. Thus, many customers value and focus more and more on companies and solution providers, that also have the same value, that want to build better cities, ecological buildings with less energy consumption, and so forth. And that's an area, where customers influence our offerings, it depends on what they demand, and more and more they are starting to demand these sustainable values and sustainable buildings. By that, they are also contributing to our development, to what we want to be in the future."* (Caverion)
Customers help firms to grow through knowledge integration:	*"We have products (services), where knowledge is always combined from hundreds of clients during the years, and we can offer that to all new clients, and they are very happy because it is all there, they don't have to learn it by doing. We don't have any client boards or advisory boards, but because we meet clients every week, all of us, and they have*

> *good practices that we learn, we cooperate and integrate our products (services), that's the way it works.*" (Adapro)

The importance of the customers' role is illustrated in Table 8 above. Project management companies build strategies with customers, collaborate and develop the scope, co-create value for improving services, and generating new ideas. Customers are actual drivers that push firms to change and grow through knowledge integration. To summarize all the answers and refer to the literature, co-creation provides new opportunities and ideas for competitive advantage (Prahalad and Ramaswamy, 2004). Customers have evolved from "passive audiences" to "active players" (Prahalad and Ramaswamy, 2004; O'Hern and Ridnfliesch, 2010). For the customer, the value becomes the acquired unique experience of interaction with the firm, for the firm - a knowledge increase about the customer and the value co-creation opportunity. Consequently, innovative services and new ideas are valuable results of communication and interaction between the firm and its network of actors, including customers (Perk, Gruber, and Edvardsson, 2012).

4.2 What are the best practices for creating, winning, and reshaping project management markets?

One of the objectives of the study is to discover the best practices for creating, winning, and reshaping the project management market. Based on the interviews, the researcher distinguished the following practices: *enhanced value proposition, superior value, and unique offerings through digitalization* (BIM, AI, and IoT).

4.2.1 Enhanced value propositions

Market reshaping happens through value creation enhancement and realization for all actors (Nenonen et al., 2019). Value propositions not only show how a firm differs from its competitors but also help to create, win and reshape markets. The elements of the

value propositions identify *customer segments*, *jobs to be done, and value created (*Lecours, 2017).

The researcher defined that customers are essential for value creation in the project management field; however, what role employees play in the value proposition building process? Frontline employees assist with their broad customer interactions to develop long-term relationships with customers and represent major challenges in the value proposition (Lusch et al., 2007). Prohoc co-creates value with customers and tries to win the market through employees' expertise, competence, and knowledge. Ordanini and Parasuraman (2011) suggest that employees are crucial for value innovation. Frontline employees understand customers' needs and are able to provide ideas on developing or changing the firm's value proposition (Åkesson et al., 2016). The values created by Prohoc are expertise and reliability via empowered employees.

"Our services help project developers who want to thrive in their core business by offering tailored solutions and project partnerships with the most empowered employees. Our mission is to bring the best out of our people. When employees feel good they do their best in customer work as well."
(Prohoc)

Sweco's value proposition focuses on the scale of services and the value created is high competence. Competence includes expertise, employees, and performance (Project Management Institute, 2007). Offering a large scale of services related to all the project phases is the firm's competitive advantage in the market.

"Our services help real estate owners who want construction management services. Water treatments, landscaping, architectural projects. It is a very large scale. In the project management field, we offer many services, starting from the real estate development through the design phase to the construction phase and finally, the use phase."
(Sweco)

Digitalization and visualization enhance the quality and makes it easier for a customer to access and obtain the information needed. Additionally, the respondent mentioned that Sitowise offers project management services that are a superior understanding of infrastructure and complex construction, in general, and concentrates on the management independently and in-design-visibly. Sitowise's value proposition is based on visualization, digitalization, and effectivity.

"Our services help customers who want to construct multidiscipline projects visibly by offering effective project management services. Our company's logic is that we are the most responsive partner."
(Sitowise)

The SVP of Caverion indicated that the company is reshaping the market by concentrating on the lifecycle logic, sustainability, and smart city concept. Caverion wants to promote and explain to customers that they are not just a project company or a service company. They can be a provider of solutions with environmental benefits to save energy consumption, offer smart buildings connected to the bigger grids, and networks, enabling to build smarter cities.

"*Our services help customers who want to build a better future*. *Our strategy is to become a smart, environmentally friendly, sustainable company that can offer and enables smart building and energy efficiency solutions to our customers as well. We are trying to get rid of this old-fashioned project service company (concept) to become a solution provider."*
(Caverion)

Value proposition of Adapro emphasizes the variety of services. The company is competing by offering processes and competencies development for companies, as we as providing workshops and training for individuals.

"*Our services help organizations that want to fulfill their strategies by renewing their operations. And it involves both processes and skills or competencies. We develop the project processes and agile processes. But at the same time, we offer process workshops and training."*
(Adapro)

4.2.2 Superior value

To achieve success in the industry and win the market, companies should create and sustain competitive advantage, in other words, superior value. (Slater and Narver, 1994). Superior value creation is a strategic task, that demands companies understand the customers' needs growth not only currently, but also predict the value evolution in the future (Slater and Narver, 1994). The researcher asked respondents about the superior value of the companies. The findings are presented in Figure 13 below:

Figure 13. Superior values of project management companies.

In the firms that offer project management services to customers, employees are the most crucial asset. Awareness and rich knowledge of processes, techniques, and stages define the success of project management. Importantly, the strong participation of the customer makes him a co-creator of the value (Vargo and Lusch, 2008b). Prohoc ensures agility and empowered employees: the ability to tailor services according to customers' needs:

"We are able to be more agile to tailor our services according to customers' needs. In more demanding or complex projects customers come to us instead of buying bigger volumes from a bigger competitor."
(Prohoc)

Lee-Kelley et al. (2003) claim that the role of project management in the firms is primary mostly because of the speedy market, technological development, and an intense emphasis on specialization and competence. For Sweco the superior value provided to customers relates to high competence and loyalty:

"High competence. The other factor is loyalty to the customer. I often hear that project management is easy when everything is going well, but you actually see and perform the real job, when sitting next to the customer in the rocky sea with high waves and guiding him."
(Sweco)

To implement complex projects, firms use project management information systems, which are software tools that contribute to successful project execution due to their calculation and storage functions (Braglia and Frosolini, 2014). Sitowise named expertise, digitalization, and visualization when asked about a superior value:

"We ensure that the project team has enough expertise and information to do proper design. On the other hand, we are taking care of specific tasks such as timetables, costs, risk management, etc. We hunt people and ideas. We create digital platforms and use them for project management."
(Sitowise)

Caverion creates superior value through lifecycle expertise and competence. The interviewee ensured that the company has a unique position compared to rivals. Caverion possesses experience and competence, not only in the investment phase but also in taking care of the lifecycle, as a service provider:

"Our superior value is the lifecycle expertise and competence. There are many project and service companies, but we are one of the biggest, if not the biggest in Nordic countries, offering this kind of service for the whole building lifecycle."
(Caverion)

Adapro offers a full-spectrum of services: developing operations and training people:

"We are kind of different from our competitors because we deliver both: we develop the operations, and we train people."
(Adapro)

4.2.3 Unique offerings through digitalization: BIM, AI, and IoT

According to O'Connor and Rice (2013) and Slater et al. (2014), radical innovations (RI) can reshape and transform markets or even create new ones. Radical innovations refer to technological changes, often inventions, with which firms implement new services, processes, and offerings (McDermott and O'Connor 2002). On-going digitalization in the project management field is an excellent example of market reshaping. Digitalization plays a huge role in creating, winning, and reshaping the project management sector. Digital transformation changes work processes and value creation (Nwankpa & Roumani, 2016). The concept of digitalization means processing and turning physical information into a digital format (Bloomberg, 2018).

Project management companies, which are using digitalization, can make data-driven and precise decisions, improve project results and increase success rates (McAbee, 2019). Firms often rely on additional technologies when searching for new ways to connect resources (Nenonen et al., 2019). Prohoc offers digitalization to industrial companies, that want to digitalize their archives:

"One thing to mention from the Information services we offer right now is digitalization, a sort of archiving service to the customer, most of the time when industrial companies have huge archives with lots of papers."
(Prohoc)

Digitalization is an analytical tool to reshape the project management field. One of the brightest firms that use digitalization is Sitowise. The respondent states that Sitowise

dares to make innovation. For instance, Sitowise has designed the new traffic signs in Finland. The company has an innovation system where employees share new ideas:

"We develop new ways of working every day, we are taking digitalization in everything we do. We also offer how to use the new applications and systems effectively."
(Sitowise)

Some projects include comprehensive drawings and require special skills to understand those. Project management companies in Finland develop, implement and use BIM, which stands for Building Information Modeling. BIM is a real-time visual representation of a project, which helps to run simulation, improve communication and define risks and problems beforehand (BIM-Caverion, 2021). BIM ensures sustainable projects, early involvement and actors' interaction (Bryde et al., 2013). BIM can improve such areas in the project management field, as cost, risk, time and resources management. Sitowise, for instance, combines BIM and GIS data to visualize the project and present up-to-date information. Aura is a virtual 3D environment used by Sitowise:

"Aura digital and some other platforms, which are based on maps that give traffic information. We are able to put any project information or research information or anything valuable for our customers. We can also collect information with other systems, get data from the cost systems and show it on the map."
(Sitowise)

Aura was designed for *"urban modeling, data management, real-time simulation and interaction*" (Aura, 2021). This 3D model intensifies and strengthens the value co-creation between different actors; Aura also impacts the decision-making process by illustrating weak points and problems visually (Aura, 2021).

Caverion is offering BIM, AI, and IoT to ensure transparency and accuracy of the projects. The respondent assumes that AI is one of the firm's competitive edges in the long term:

"We are very innovative, we have quite huge R&D investments and also, these digital solutions. We are investigating using AI and new ways of working and bringing value to customers. We want to be a forerunner in this business."
(Caverion)

Jia et al. (2019) state the project management of smart buildings requires IoT and sensors that can gather data and make smart decisions without human interaction. Scuotto et al. (2016) that IoT became a trend and started to penetrate the building industry, also project management. The IoT stands for the Internet of Things, a concept of combining and connecting the virtual world with the real world of things through technologies and sensors (Scuotto et al., 2016). Thus, innovative BIM platforms reshape the project industry from traditional paper-based to virtual and easily manageable. Moreover, AI (Artificial Intelligence) influences reshaping the project management field. AI helps to manage analytics, make precise predictions about the future of the project, reduce risks and monitor budgets and scheduling (Schmelzer, 2019). Consequently, AI systems provides opportunities to save time on administrative tasks, make smart decision and move on project faster. Project management companies, using machine-learning algorithms of AI, that can process enormous volumes of data, find patterns, and make predictions, are reshaping the industry.

4.3 What role customer co-creation plays in the value innovation process?

The researcher identifies co-creation as a milestone on the way to value innovation. The interaction between the firm and customers results in value co-creation, which enhances the firm's value proposition, and can even generate value innovation, as shown in Figure 14 below.

Figure 14. Value Innovation.

Predominantly, an individual approach to each customer ensures fruitful and long-term relationships in the future. Value innovation through customer value co-creation helps firms achieve a highly competitive advantage in the project management field. Project management companies proceed from communication with customers, understanding customers' problems and needs to value co-creation with customers. Value co-creation triggers value innovation when a company improves offerings/services or creates new, based on feedback and follow-ups, knowledge sharing, customer and organization learning, and continuous communication (see Table 9).

Table 9. Value co-creation behaviors that lead to value innovation.

Value co-creation behaviors that lead to value innovation	Illustrative quotes
Feedback and follow-ups:	*"For example, we see that there is an increasing need for information management types of services right now. We just haven't had a chance to develop those kinds of services yet, but we are trying to predict where the industry is going by talking with our contacts and constantly following what they are doing." (Prohoc)* *"The best feedback comes from a one-to-one conversation with a customer. That's the really important knowledge on how the project went."* (Sweco)

Knowledge sharing and mutual learning:	*"It is really important to be innovative in project management. We had to make huge changes last summer, because of this corona situation and it changed our work entirely. We had to bring our customers up to today and the digitalization. It has been quite challenging but fun, also." (Sitowise)* *"Things develop; there are always new ideas. If we only deliver something, that has been existing there for 20 years, our clients won't buy from us. Certainly, we need to develop and be two steps ahead of our customers to know more about the latest things than they do." (Adapro)*
Continuous communication:	*"We need to listen to our customers, to understand their problems and their business and processes, and by that then, be able to support and help them with their daily business. And be innovative is vital for services." (Caverion)*

When interacting and co-creating value together with customers, companies can identify new opportunities and undercover gaps in the industry. Follow-ups can evolve into value innovation. Feedback plays a vital role in a process from value creation to value innovation, as it helps companies to understand customers better, grow and discover new opportunities:

> *"I don't know how we would do business if we would sort of keep a close tab on what customers are doing and what their needs are. We do regular customer questionnaires that we send to all of our contacts to improve our strategy development."*
> (Prohoc)

> *"Our offerings have to be easy and understandable. We ask customers to provide feedback."*
> (Sweco)

Payne et al. (2008) argue that co-creation outcomes can be improved by customer learning and organizational learning experiences. Consumer emotion, cognition, and behavior are central in the co-creation process. Sitowise, Caverion and Adapro explained that knowledge sharing, mutual learning, and continuous communication are steps to value

innovation. In the project management sector, customers, their knowledge, and needs are assets for value innovation:

"We had to be very innovative and develop not only ourselves but also our customers."
(Sitowise)

"*Practically we exist only for customers*."
(Caverion)

"*We need to learn and we do learn from books, studies, and research, but also our clients because they have good ideas. We combine and integrate all this knowledge to deliver the best and latest practices to our clients."*
(Adapro)

4.4 Can a value proposition be a substitute for marketing?

Stoshikj et al. (2014) acknowledge that project management services can be described when an organization, specializing in project implementation, offers its services to another company and plan, control and handle its projects for the customer advantage. The project management firms are offering their intelligence, expertise, and skills to customers. The interview results showed that companies in the field of project management do not fully use marketing. Social networks, flyers, and posters are ineffective when attracting clients in project business. The formation of a positive reputation is an objective need of every company in the project management field. It is the reputation that becomes the competitive advantage and customers' attraction factor.

"Because we sell quite abstract things meaning our intelligence and expertise, we cannot just send flyers. It is quite tricky to do any marketing in our field It is mostly done through the projects we do and our reputation."
(Sitowise)

Nenonen and Storbacka (2019) argue that marketing needs to re-evolve itself as an academic subject due to the fact that nowadays and in future our world requires solutions

that enable value creation in a sustainable way. Marketing should transform from a science of production and consumption, which is focused on seller-buyer dyads, to a science of value co-creation (Nenonen and Storbacka, 2019).

"We also do some marketing but typically it has quite little impact on ourselves and it takes time for any marketing use or profit. The main thing is that we know our customers and what they need. We have a good reputation, so the customers want to get our time."
(Sitowise)

The significance of the project-based companies is growing due to the great demand for complex systems and knowledge-methodical services (Blindenbach-Driessen and Van Den Ende, 2010). Nenonen and Storbacka (2019) encourage companies to investigate and experiment with advanced analytics and artificial intelligence. Consequently, the authors suggest replacing historical mainstream marketing by new 21st century challenges.

4.5 Is there a blue ocean in the project management service field in Finland?

Does the blue ocean exist in the project management field in Finland? The researcher aimed to understand the basis for creating a blue ocean in the project management field in Finland. Can project management companies create a blue ocean? As argued by Kim and Mauborgne (2004), the blue ocean can be created in any industry, and its essence is in the creation of value innovation from a unique value proposition (new service or product), the formation of a previously non-existent demand (attracting non-customers), a new market space with practically no competitors.

The "blue ocean" is a creation of a new non-competitive market. Thus, the blue ocean strategy is about the strategy development from the co-creation perspective, not the competition perspective. To create a blue ocean, project management companies should

analyze the latest trends, enhance communication with customers, co-create value together, and continuously search for the industry gaps to introduce innovations. Resources integration, knowledge sharing, value proposition enhancement, and thinking out of the box are steps on the way to the blue ocean. Unfortunately, when finding a gap in the industry and creating a blue ocean, firms should maintain and constantly improve offerings. Blue oceans do not exist for a long time as other industry companies often imitate and copy innovative offerings. A blue ocean sustaining is a strategic task that requires hard work, following the latest trends, discovering customers' needs and co-creating value. The interviewee from Sweco suggested that project management companies in Finland are closer to “blue rivers” rather than “blue oceans”:

“I think that project management companies are trying to create “blue rivers”, maybe. The construction market is quite conservative and settled. Some construction companies are trying to create a blue ocean by offering all services and, in that sense, create a blue ocean.”
(Sweco)

4.5.1 Do blue oceans exist in the Finnish project management industry?

Project management companies in Finland unknowingly tried to created blue oceans but could not complete the way or maintain the competitive advantage for a long time, and the ocean turned red. However, some innovators are reshaping the project industry in Finland. For example, Sitowise states that it is vital to innovate in the project management field by using the latest technologies and visualizing projects through digital platforms.

“There are actually no construction project management competitors that work in such a way that we work. Traditional competitors such as Ramboll, concentrate on design and planning more instead of project management.”
(Sitowise)

Another company is Caverion, which offers web service Caverion SmartView. The respondent ensured that similar platforms are available in the market, but they are from individual providers, not competitors. The energy consumption reporting platforms or

energy efficiency exist. However, Caverion SmartView is unique. The company added many features from its processes, automation systems, security, and alarm systems. Besides, the maintenance programs are built into the platform. Customers might follow how their buildings are maintained. Caverion innovated value by adding features that customers need to the existing platform:

"Caverion SmartView is unique! I would say *that this kind of SmartView no one else has*. *We collect data from many different sources; energy consumption, our own maintenance process, the BIM model, and so forth."*
(Caverion)

Additionally, Caverion offers a 5-year-warranty for their projects. The initiative was launched in 2012. The respondent states that, normally, the warranty time in the construction industry is 2 years, even when talking about tens or hundreds of million investments. However, Caverion started to offer a 5-year-warranty on their services.

"We can offer 5-year-warranty for our projects, and that's something that I have not yet seen. I don't know today, because I have been working so many years abroad, so maybe someone is offering a similar kind of extended warranty for their services. But, at least we were the first ones on the market."
(Caverion)

Caverion is a market leader at the moment because the company has a full lifecycle approach. They offer maintenance services after the project implementation, which enables a long-term relationship with customers:

"In Finland, we are the market leader at the moment. I think what differs us from these big companies is the full lifecycle approach."
(Caverion)

The respondent claimed that other companies in the industry are more like project companies. However, Caverion is also a solution provider. The interviewee added that theproject business is quite fluctuating, there are seasonalities. An illustrative example

is the current Covid situation, when customers, investors, and developers start to postpone or even cancel the investments. Therefore, the lifecycle approach helps to continue working with the customers.

Without a doubt, innovative companies in Finland's project industry are experimenting, innovating in value through co-creation, and reshaping markets. However, they are still far from creating fully-fledged blue oceans. Next, the practices that lead project management companies to value innovation are described.

4.5.2 What are the best practices on the way to value innovation?

By focusing on the key customers' needs, creating new offerings, eliminating (or reducing other factors that customers don't value), it is possible to create a value innovation. But what are the best practices that can lead project management companies to value innovation? The researcher defined four important practices, such as enhanced value proposition (offering superior value), digitalization (BIM, AI, and IoT), strategic partnerships and project alliances, and value co-creation (ecosystem and knowledge sharing), as presented in Figure 15.

Figure 15. What are the best practices for creating, winning, and reshaping the project management market, that can lead to value innovation?

First of all, enhanced value proposition by offering a superior value to customers. One of the examples illustrated previously is Caverion with a full lifecycle approach. Secondly, nowadays, digitalization is vital in reshaping the project management market. Many tools available, such as BIM, AI, and IoT, provide vast opportunities to investigate the market, apply new technologies, and introduce a value innovation. Thirdly, companies can introduce innovative services and create new demand by strategic partnerships and project alliances:

> *"So, in many projects, Sitowise is a partner to us. So, we are a design company as such, for that part we use Sitowise or Ramboll or Sweco, these large consultancy companies. We have a concept, but we are not doing the actual design work ourselves. We need these types of partners."*
> (Caverion)

Dvir and Shenhar (2011) suggest that successful projects increase the use of available know-how, often in cooperation with outside firms and organizations. The respondent

from Caverion, for instance, highlighted that the company is implementing resource integration with other firms. And according to that logic, the contract already forces the team to have one goal and not to think about sub-optimizing what's best for themselves or individual contributors, but better focus on what is best for the project and the customer. The interviewee adds that the whole-rewarding and bonus model system is built on the project outcome, not just as a part of one subprocess or one part of the big puzzle.

"One of the biggest developments in past years has been these new contract models, like alliance-type of projects."
(Caverion)

Prohoc's interviewee suggested that strategic partnerships help the smaller firms in the project management field to innovate:

"As a small payer, it is difficult to bring out new things to the bigger companies, but we try to do it through strategic partnerships."
(Prohoc)

Another practice that helps firms to innovate is value co-creation: ecosystem and knowledge integration. The value of service is determined by cooperation (Stoshikj et al., 2014). Wang et al. (2010) consider that the basis of S-D logic is the network effect of service. Adapro and Prohoc use knowledge integration and value co-creation process to stay up-to-date and be able to introduce new services. For instance, Adapro's interviewee hypothesizes that the firm's innovativeness is measured by the new products (services) number. Many of Adapro's products have been released in the past five years. The respondent mentioned that Adapro wants to stay up-to-date and always search for something new available from customers. Thus, co-creation is essential in the value innovation process.

"In the agile process, where we evaluate the ideas, the ideas can come from the clients also. The best ideas we develop and integrate into existing products and services."
(Adapro)

Another example is Prohoc. The company implemented an ecosystem, which helps to integrate the knowledge and share ideas:

"We have started to initiate an ecosystem between our key customers and get them together in workshops to discuss their needs, so they get the best practices from each other and share the knowledge. This is out of the box!"
(Prohoc)

4.5.3 What are the barriers to introducing innovative services?

Project management companies often experience difficulties in introducing innovative services. What are the barriers when the company wants to innovate the value or reshape the project industry with new offerings? Based on the findings the researcher presented the barriers to introducing innovative services in the project management field: the dependency from more significant customers, the challenges of using new technologies, the fear to experiment, and the difficulty to sell some vital services, e.g., risk management (see Table 10).

Table 10. The barriers to introducing innovative services.

The barriers to introducing innovative services	Illustrative quotes
The dependency from more significant customers:	*"We try to, in the future, bring out more thoughts, but it is quite hard to do, especially with the bigger customers because they have their processes and ways of doing things. They are not always ready for something new, well, some departments are, some are not, the industry is quite slow-moving in this sense also."* (Prohoc)
The challenges of using new technologies:	*"But as I said all the digital tools, which are needed in the industry, exist, but the industry is not ready for this kind of open discussion. It seems to take a lot of time to change the way how we work and operate."* (Caverion)

The fear to experiment:	*"You cannot be very agile as you have to plan the project carefully before your start executing the project. It cannot be called old-fashioned; it is just a very sensible way of doing a project. I would not call it old-fashioned, but let's say, they use traditional methods because they need these traditional methods. So that works well. However, experts, like knowledge workers, more often turn to agile processes instead of project thinking. But those are not two separate things. You also need to understand something about project management, you always have some things that have a start and an end, and you need to plan how you get the result done. And that's a project. Also, you have to understand the agile processes, meaning that you don't want to plan everything for a full year, you just plan the framework, goal, or vision, and then you must understand how you decide what you do next. And then you didn't have to plan a full year ahead, and you cannot. But then you must have a process, how do you choose, once a month maybe, what is the best thing you do now out of the back lock. For certain tasks, you need a project framework, and for a certain task, you need more agile processes, and these two aims also work together. They should be integrated. Sometimes, you just pick the method, that is the most appropriate for a certain work package. It can be a project, or it can be done in a more agile way. Or a combination of these two*." (Adapro)
The difficulty to sell some vital services, e.g., risk management:	*"When we do our job well in the project management, it might seem that we also make the cost for the customers, it is hard to see the value we brought. But when our job is not done, when we are not in the project, then it is much more expensive to get things done when there is no good system, and there is no good project management.* (Sitowise)

The first barrier is the dependency from more significant customers, as they have their processes and ways of doing things:

> *"We could be more innovative, but we are still quite tight to the key customers that we have. So, it is sort of reactive sales more than pushing out something totally new."*
> (Prohoc)

Another obstacle for project management companies relates to the challenges of using new technologies available in the industry. The question is the project management industry ready for open discussion?

"You know BIM models (Building Intelligent Models)? We have only scratched a service there. I would say that the major problem of taking benefits out of BIM modeling is, first of all, that the end customers sometimes do not see a need (why should a building be modeled) and benefits of using this model also on the lifecycle."
(Caverion)

The fear of companies to experiment is a significant barrier on the way to innovate and reshape the industry:

"*It depends on the line of the business. In heavy industries, firms may work a bit in old-fashioned ways, and that's understandable. For instance, if a company builds something where they need raw materials and caterpillars and cranes, the project is expensive, so you cannot just try things*."
(Adapro)

Some vital services in project management are hard to sell, for example, risk management. There is a need to explain the importance and the value of these services to customers through value co-creation processes:

"Our work is quite abstract, so it is quite hard to sell. For instance, customers don't expect the cost from risk management."
(Sitowise)

The researcher agrees that the success of the project depends vastly on risk management. Unacceptance of the risk management importance may lead firms to an unbalanced project portfolio, and in some cases, to a project failure. (Teller et al., 2014).

4.5.4 What is the gap in the project management industry?

The interviewees were asked if there is a need for additional project management services; what is the gap in the project management industry that can be filled with innovative services? Sweco confirmed that the industry is constantly developing, and there is always a need for complementary services that can be satisfied:

"Yes, there is a need for additional services. When you are having ideas, you are giving the possibilities to try them, discuss them."
(Sweco)

Figure 16 below illustrates gaps in the project management field that were suggested by Sitowise, Caverion and Adapro.

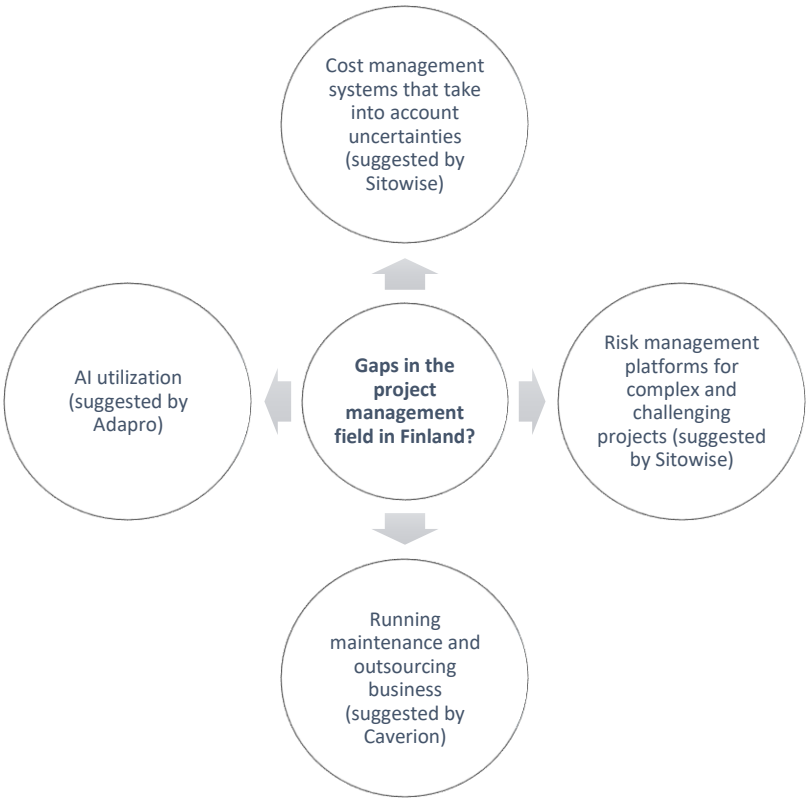

Figure 16. Gaps in the project management field in Finland.

Consequently, the project management field has gaps that can be fulfilled with new services or solutions and emerge into a blue ocean creation. Sitowise's interviewee proposes a cost management system that considers uncertainties. For instance, cost management systems are too simple, and this has lead to some headlines. For example, the Western metro project or Länsimetro in Finnish has been much more expensive than it was planned. The respondent emphasizes that this situation happened not because of some wrong actions but because the cost management system didn't consider the project's variabilities.

"At the beginning of huge infrastructure construction projects, you cannot take into account everything that comes up later on. You cannot possibly know everything beforehand. So, we need a cost management system that takes the uncertainties into account."
(Sitowise)

Besides, Sitowise's interviewee also shares her opinion regarding evolved risk management platforms that can be created in the future. According to the respondent's words, risk management should be transparent for customers. However, sometimes customers do not expect the cost from risk management as they underestimate its importance. One example is when the customer did not allocate a budget for the risk management, and it comes as a surprise, which leads to misunderstanding and dissatisfaction. But when the risk management is transparent, discussed, and implemented correctly, it helps to bring even more value to customers.

"Risk management process instructions are needed for complex and challenging constructions. There are some risk management processes, but there are not wide enough. They don't take into account construction management."
(Sitowise)

Caverion's interviewee sees the running maintenance and outsourcing business as a future trend in the project management field. For instance, the company is currently working with Metso Group. The respondent added that Caverion has a joint-venture company with Metso Group, so it is their responsibility to maintain and keep running

Metso's pulp mills. Planned services, earnings, and value are tied to certain measures of production and productivity of the factory. Thus, Caverion sees potential there, partly by outsourcing and taking responsibility for customers' properties.

"Lots of industries have their own people, teams, processes for running, upkeeping, and maintaining the factories, which necessary is not the most efficient way. Maybe in the future, we would have more of this type of outsourcing and running maintenance business."
(Caverion)

Adapro's interviewee discussed the application of AI in the project industry. The AI has not been utilized yet, and there are many opportunities for development coming in the future. The respondent acknowledges that companies speak a lot about big data, but there are just a few practical solutions and applications.

"AI? It is more in the future. It is underutilized in my mind. That's because there are long traditions in the project management field, so project management theories and practices have existed for 50 or 70 years and have developed further – yes. But Artificial Intelligence is not utilized to its full power. We joke a lot about Artificial Intelligence. We use AI if we consider it broadly like Google, search engine, but anything more than that, it is not used to the full extent yet."
(Adapro)

To summarize, project management companies should not be afraid of new technologies and practices. Co-creation of value with customers helps to understand what can be improved in the value proposition and what services should be introduced to fill in the gap in the project management field.

4.6 What is a success for innovative Finnish project management companies?

In the theoretical part of the thesis, it was assumed that Finnish project management companies' success is based on novel or unique value propositions, value co-creation, value-based selling, value innovation, and, potentially, the creation of a long-lasting blue

ocean. Consequently, the interviewees were asked what a success for the company is and their recommendations on achieving success in the project management industry. The findings are presented below (see Figure 17):

Figure 17. What is a success for innovative project management companies?

The operations manager of Prohoc indicated that success relates to value innovation and industry impact. The respondent claimed that a firm's growth should include a beneficial industry impact. Value innovation defines success:

> *"Our CEO said to me when we were discussing the new company model and organizational structure, that money is not everything or growing the company is not the key. We should try to increase the impact on the industry and the area (Vaasa area and Finland). To get to do more innovative things and to be known for those types of projects."*
> (Prohoc)

The regional manager of Sweco highlights loyalty and commitment, in other words, a value-based selling:

"To be humble and always try to improve yourself to move to the next project. Being loyal to the customer is valuable for long-term success."
(Sweco)

The senior expert of Sitowise exemplified success as a value co-creation and enhanced value proposition that ensures that meaningful customers' problems are solved, promises are kept, and customers are satisfied. The interviewee concluded that a successful project means that the company has answered the customer demand and brought a great value with the promised cost. Sitowise's employees don't do or promise more than they are capable of, the respondent added, the success and the best factor that sells their services is that they can do a great job within the cost limits and keep their promises.

"But for us, success is a well-done project when the customer is satisfied, happy, and wants to keep going on with us. My biggest recommendation is to keep your promises."
(Sitowise)

The SVP of Caverion explained that the larger-scale construction industry, where the firm offers project management services, is old-fashioned and stubborn. The significant barrier for this industry to develop is more or less the industry itself. The SVP emphasized that there are many digital solutions, systems, products, and new ways of working, but we tempt to think that we do not need to change. The project management has been done in a certain way for 20 years, so why we need to change? The problem is that the construction industry is one of the last industries where digitalization has not yet made an interruption to this business or turned it around. However, the interviewee supposed that the change will happen sooner or later, and that is why firms need to be on the pulse and monitor the industry constantly. The interviewee ensured that maybe the main competitors in the future are big tech companies, such as Google, Amazon, or Apple. The industry is developing, another example that the interviewee mentioned is Toyota in Japan, which we know as an automobile manufacturer, but it is also a construction company. Toyota builds a block of flats in two weeks. However, in Finland, the construction process can last one year. The respondent stated that the success of Toyota is

based on digital modeling and prefabrication. Thus, digitalization, AI, and firms' readiness to learn and experiment will reshape the industry. Nowadays, the construction industry is old-fashioned, when compared to industries, which have improved a lot over the last decades. Therefore, the interviewee recommends being close to the customer (value co-creation), challenge yourself and the industry (blue ocean) to achieve success:

> *"To be close to the customer, understand the customer's need, being able to challenge yourself and the current way of working and the current offering."*
> (Caverion)

The Managing Director of Adapro suggested that one part of success relates to numbers, euros, and percentages. Without a doubt, a commercial company should be profitable. But for Adapro, success also means people who have the expertise and stay in the company. The interviewee suggested that three assets should be evaluated when the firm considers either it succeeds or not: employees, customers, and services. Then the reach-end result, of course, can be measured in euros, revenue, and profitability. But the profitability is just the result of these three success factors, the respondent concluded.

> *"We have three assets for an expert/consultation company like us. All of them should be measures for success. So, we have people (employees) with deep expertise, products(services), where we have combined the knowledge from our clients and the research, and our customers – a very important asset."*
> (Adapro)

Value co-creation with customers influences a firm's success significantly. Project management firms exist for customers. Thus, intensive communication and interaction with customers should be seen as a vital success factor (Gustaffson et al., 2021).

5 Summary, discussion, and conclusions

The study addressed innovative Finnish companies specializing in project management services to answer the question:

“How do Finnish service companies, specializing in project management, co-create unique value propositions with customers as a basis for value innovation?”

The thesis has discussed the service industry in Finland, mainly focusing on the project management field. The development of service-dominant logic and value co-creation as an enabler of value innovation were presented. The researcher chose multiple case studies to investigate innovative Finnish companies and compare experts’ opinions regarding the project management field, value co-creation, best practices leading to a value innovation, barriers to introducing innovative services, and gaps in the industry. The findings contribute to the project management field development and enhancement of innovative Finnish companies' value proposition co-creation process.

5.1.1 Theoretical implications

The author presents a framework ‘loop process for co-creating unique value propositions with customers as a basis for value innovation’ as a summary of the study's theoretical foundation. The empirical research findings contribute to a deeper understanding of the co-creation role in the value innovation process. The research has looked at the firms’ way to value innovation as a continuous and never-ending loop.

The loop starts from the mutual co-creation of value. The first phase includes steps, such as communication, usage of services, feedback that lead to customer and organizational learnings. The first phase of the loop is the reshaped framework by Payne et al. (2008). Project management companies in Finland proved the theory that they interact with customers through encounter processes constantly. Co-creation of value results in the enhancement of value proposition when based on feedback and follow-ups. Project

management companies enhance value promise for the next engagement by offering superior value.

Consequently, value co-creation and enhanced value proposition lead to value innovation and market reshaping. Nenonen et al. (2020) suggest co-creation, co-communication, and co-promotion as essential elements for discovering unique opportunities and gaps in the industry for value innovation, resulting in new demand in a market space. The value innovation is a millstone in the blue ocean creation. Project management companies can reshape the industry and possibly, create a blue ocean by analyzing the latest trends and technologies in the industry (Nenonen and Storbacka, 2019), discovering the industry gap, and using co-creation as a tool for value innovation.

Besides, offerings and services should be analyzed based on the 'Four-action framework' by Kim and Mauborgne (2005), which enable firms to innovate the value. The framework includes eliminating the factors, which no longer valuable for customers; reducing the factors, which were introduced to beat the competition, but no longer strategically important; raise and create valuable features to fill the industry gap; formulate a new demand, and support the customers' needs and interests. One of the market reshapers and leaders in the Finnish market is Caverion. The company eliminated the old-fashioned project management structure to become a solution provider. Caverion reduced the project management services offerings and raised the agile method and usage of technology (BIM, AI, and IoT). Consequently, the company implemented the life-cycle approach and created the Caverion SmartView platform. The Cavarion SmartView combines valuable data obtained from different sources, such as energy consumption, maintenance process, security, and alarm systems. The platform optimizes the conditions, reduces costs, and enables customers' access to real-time information. Firms should listen to customers, understand their problems, co-create value, and offer solutions to introduce value innovation.

Important to note that even after value innovation and blue ocean creation, project management firms should come back to the first phase of the loop, namely value co-creation, to be able to sustain the competitive advantage, continuously improve, innovate and grow. Blue oceans require constant monitoring of market trends and considering changes in consumer wants and needs. That is why the framework was presented as a loop. The firms should come back to the co-creation processes because the value innovation and the blue ocean creation are impermanent (Kim and Mauborgne, 2004). The research findings indicate that customer co-creation has a vital role in the value innovation process of Finnish companies, which offer project management services.

5.1.2 Managerial implications

The research provides a practical framework, which explains to managers and project management firms the importance of co-creation in value innovation. The results suggest that customers in the project field are active players and vital resources for value proposition enhancement ideas. The value of services is determined not by the companies, however by the customers who purchase them. Collaboration with customers and value co-creation support firms in understanding the true nature of the value and introducing innovations. Value co-creation will help understand the customers' needs, thoughts, and feelings. The researcher recommends emphasizing value co-creation because it also assists in discovering gaps in the project management industry. According to the interviews' analysis, the industry gaps include cost management systems, that examine uncertainties (suggested by Sitowise), risk management platforms for complex and challenging projects (suggested by Sitowise), running maintenance and outsourcing business (suggested by Caverion), and AI utilization (suggested by Adapro).

The study discovered the best practices to value innovation, based on which innovative Finnish companies create, win and reshape markets, such as firstly, *enhanced value proposition (offering superior value)*, secondly, *digitalization (BIM, AI, and IoT)*, thirdly, *strategic partnerships and project alliances*, and finally, v*alue co-creation: ecosystem and*

knowledge integration. The project management companies are recommended to look at market trends and industry gaps from the proper perspective to discover the possibilities for creating a blue ocean. However, precise insights into blue ocean strategy rarely come from simply predicting the trend or a gap itself. Instead, they are based on an understanding of how these opportunities will affect customer value. The project management industry firms should shift their focus from fighting the competition to superior value creation for customers through co-creation and knowledge integration. The project management industry can and should be innovative with co-creation, agile methodology, digitalization, visualization, AI, and IoT. Additionally, the firm could also innovate and reshape the industry through strategic partnerships and project alliances.

The perceived barriers to introducing innovative services and reshaping the project management field are the first, the dependency on more significant customers and their processes; the second, challenges of using new technologies available; and the third, a fear of project management companies to experiment and replace traditional project methods by agile methodology. Sometimes, the firms also face the difficulty of selling vital services like risk management. The researcher recommends firms to be ready for an open discussion with customers to co-create value, investigate and experiment with the latest technologies, formulate strategic partnerships and try to be flexible and agile.

5.1.3 Limitations

The study's main limitation is that only a multiple case study was used to gain a deep understanding of the value proposition innovation of Finnish firms, reasons, and motives. However, further quantitative research is needed to provide useable statistics. Moreover, the interviews are limited by a certain amount of time and the respondents' desire to share information as it can be confidential. Thirdly, the findings are limited because respondents are from different-sized firms and have different backgrounds and experiences. There was only one respondent from each firm involved in the research. Moreover, the opinions regarding co-creation practices and value innovation can vary from an

employee to an employee in the same company. The final limitation is the difficulty of involving more project management experts in the research because of their busy schedule and unreadiness to share information.

5.1.4 Suggestions for future studies

Further research in the area is needed to explore the project management industry in Finland, detect the gap in co-creation processes, and analyze the expected response from firms and customers' actual response about customers' expectations and needs. Quantitative research is vital to provide numerical data on the unique value propositions of innovative Finnish companies. Additionally, the research should be conducted further on how digitalization (AI, BIM, and IoT) reshapes the project management industry and, especially, firms' value propositions. Another suggestion is to discover how agile methodologies improve value co-creation effectiveness in the project management industry.

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Appendices

Appendix 1. The semi-structured interview

Introduction

1. Could you please tell me more about your role in the company? *What are your responsibilities?*

2. What project management services your company offers and *what are the most demanded services in your sector*?

Value Co-creation

3. How do you attract your customers?

4. What are your customers' expectations when purchasing your services?

5. How do you communicate with customers? *Explain in detail the whole process from finding the customer to finalizing the purchase.*

6. What role customers play in improving your services and generating new ideas?

Enhancement of Value Proposition

7. What is your value proposition:

Fill in the sentence: *Our services help* ____ *who want*____ *by*____?

8. What concrete superior value do you offer to customers? (Why customers choose your company and how your offerings differ from those of your rivals?)

Value Innovation and Market-shaping (Eliminate, Reduce, Raise, Create)

Blue Ocean and Success

9. Do you have many competitors?

If yes,

How do you try to win the market?

If no,

Why your business is special?

10. Do you consider yourself an innovative company? Why?

If yes:

Do you have unique services/offerings that you develop or sell already?

Do you use platforms/services for customers that no other company uses? Give an example.

Is there a need in the project management industry for complementary/additional services that is still not satisfied?

If no:

Why? What are the barriers to introducing innovative services?

11. Is it necessary to improve offerings all the time based on customers' needs and feedback? *Why?*

12. What is a success for your company? *What are your recommendations on achieving success?*

Appendix 2. The invitation to the interview

My name is Yevgeniya Zhdanova. I'm a master's student in Strategic Business Development at the University of Vaasa. I'm inviting you to participate in my academic research "Value Proposition analysis of innovative Finnish companies, specializing in Project Management Services: Blue Ocean and Ways to Success".

The research is important and relevant because:

1. Finland is a bright example of enormous service industry development because more than 73% of jobs in Finland are in services.
2. However, little is known about other companies in the service industry, for instance, companies that offer project management services.
3. Project management companies are important and deserve to be studied because innovation strategy is implemented through projects.

The investigation in this field is necessary in order to understand how project management companies in Finland operate, co-create value propositions, compete in red oceans (with many competitors) or sail in blue oceans (creating new demand by introducing innovative services). With your help, I will be able to identify value co-creation practices for crafting innovative value propositions in companies offering project management services in Finland, extract a list of best and worse practices to understand why firms succeed or failed on their path to success.

Therefore, I'm writing to invite you for an interview. I will be extremely grateful if you have some time to answer my questions. If you agree, I will send you 12 questions in the next email, so you have an opportunity to read them before our online meeting.

Looking forward to your answer and our interesting discussion.