THE PROMISE OF CO-CREATION

A Critical Investigation of Strategic Management Thought from Porter to Co-Creation

Anders Dahl Krabbe and Mads Schmidt Christensen
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The Promise of Co-Creation: A Critical Investigation of Strategic Management Thought from Porter to Co-Creation

by

Anders Dahl Krabbe † and Mads Schmidt Christensen ‡

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† CPR: 090386-XXXX e-mail: adkrabbe@gmail.com

‡ CPR: 140486-XXXX e-mail: msc@danskecommodities.com

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Abstract

Introduced a little over a decade ago, the concept of co-creation has become an almost unavoidable phenomenon within contemporary business discourse and practice. Despite a broad interest in co-creation within mainstream business literature, as well as management research that is more critical towards business as such, little work has been done to critically assess the phenomenon of co-creation within the context of managerial thinking. Whereas the majority of the existing critical contributions have as their starting point an ethical or political anti-business agenda, this thesis aims at adding a needed critical perspective on co-creation by means of presenting a diagnosis of how co-creation can be said to present itself as a new business paradigm, as well as why it has been able to achieve such a significant degree of impact on contemporary business discourse. Through the analytical framework of the analysis of problematization, as found in the late work of Michel Foucault, this thesis presents an extensive analysis of the co-creation discourse as well as other central works within the discipline of strategic management. Initially, an overall account of the intellectual origin of co-creation within managerial thought, as well as an analysis of what new perspectives the co-creative value paradigm brings forth on issues such as the nature of value, the constitution of the firm and the relation between firm and market, is presented. Following this, the analysis explores two central areas of problematization, which have provided resonance for the emergence and manifestation of co-creation. The first of these areas is shown to be revolving around a problematization of the idea of value being embedded in matter and something that is created solely within the boundaries firm, while the later of the two problematizations center upon a view of the market as a static entity. The thesis concludes by opening a discussion of whether co-creation in its current manifestation still provides relevant answers to the deep-seated challenges, which initially enabled its momentum and impact.

ABSTRACT **1**

INTRODUCTION **4**

PROBLEM STATEMENT 8

CHAPTER 1: CO-CREATION AS PROBLEMATIC **9**

REFLECTIONS ON MANAGEMENT THOUGHT AS AN AREA OF STUDY 11

ANALYZING THE HISTORY OF THOUGHT AS RESPONDING TO PROBLEMATIZATIONS 13

CO-CREATION AS A DEVELOPMENT WITHIN THE HISTORY OF MANAGEMENT THOUGHT 16

REVIEW OF CRITICAL COMMENTS ON CO-CREATION 19

FROM ANTI-PERFORMANCE TO DIAGNOSIS: NORMATIVE POSITIONING OF CONTRIBUTION 22

COMMENTS REGARDING THE PHILOSOPHICAL CONTRIBUTION 24

THE UNDER LABOURER CONCEPTION OF PHILOSOPHY 24

PHILOSOPHY AS A POSITIVE ACTIVITY 27

CHAPTER 2: FROM VALUE CHAIN TO CO-CREATION **30**

THE VALUE CHAIN VIEW: VALUE CREATION AS INTERNAL PROCESS 32

THE CORE-COMPETENCE VIEW: CHALLENGING THE PORTERIAN VIEW OF THE FIRM 38

THE VALUE CONSTELLATION VIEW: VALUE CREATION AS A MULTILATERAL PROCESS 46

CO-CREATION: VALUE CREATION AS COLLABORATIVE PROCESS 52

THE ORIGIN OF CO-CREATION WITHIN STRATEGIC MANAGEMENT 53

CO-CREATION OF VALUE: FROM RESOURCE LEVERAGE TO EXPERIENCE ECONOMY 59

CHAPTER 3: CAPTURING THE AUTONOMOUS: AN INVESTIGATION OF THE CONCEPT OF VALUE **70**

PROBLEMATIZATIONS OF THE PORTERIAN CONCEPT OF VALUE 70

INCLUDING THE OUTSIDE: OPENING UP OF THE VALUE CREATION PROCESS 72

VALUE AS EXPERIENCE: TOWARDS A NEW VALUE PARADIGM 74

MASS CUSTOMIZATION: ADJUSTING VALUE CREATION SCHEMES TO THE SUBJECTIVITY OF THE INDIVIDUAL CONSUMER 77

MOVING THE CUSTOMER TO THE FOREFRONT OF THE VALUE CREATION PROCESS: FROM SUPPLY CHAIN TO DEMAND CHAIN 79

THE ABSORPTION OF THE EXPERIENCE-BASED CONCEPT OF VALUE IN STRATEGIC MANAGEMENT: FROM EXPERIENCE ECONOMY TO CO-CREATION 81

HOLDING ON TIGHT WITH OPEN HANDS: A NEW WAY OF UNDERSTANDING VALUE AND VALUE CREATION 82

CHAPTER 4: BRIDGING THE GAP BETWEEN THE PRESENT AND THE FUTURE: CO-CREATION AND THE DISPLACEMENT OF VALUE IN TIME **85**

TOWARD AN UNDERSTANDING OF THE MARKET AS DYNAMIC: EARLY PROBLEMATIZATIONS OF THE MARKET AS A STATIC ENTITY IN ECONOMIC THEORY 86

THE THEORY OF ECONOMIC DEVELOPMENT: THE INTRODUCTION OF THE ENTREPRENEUR AS A SOURCE OF MARKET CHANGE 87

Systems of Future Value: A New Understanding of Innovation in Economic Theory 89
Problematizations of a View of the Market as a Static Entity in Strategic Management Thought 92
Introducing the Notion of Pre-Market Competition: Displacement of Value in Time in Strategic Thinking 95
The Customer as a Gateway to the Future: Strategic Leverage of Customer Competence 99
Schumpeter's Peculiar Concept of Novelty: Towards a Depersonalization and Socialization of the Entrepreneurial Function 101
Co-creation as a Response to the Displacement of Value in Time 104

CHAPTER 5: DISCUSSION OF THE IDENTIFIED SPACES OF RESONANCE FOR THE EMERGENCE OF CO-CREATION 107

Assessing the Current State of Co-creation within Managerial Thinking 110
Final Reflections on the Investigation 114
Conclusion 117

BIBLIOGRAPHY 121

Introduction

The concept of co-creation is gaining popularity among business scholars and practitioners. Surfacing in various disciplines such as strategy (Prahalad and Ramaswamy, 2000; 2004a; 2004b), marketing (Vargo and Lusch, 2004; 2006; Schultz and Hatch, 2010), innovation management (Krishnan and Prahalad, 2008), organizational development (Ramaswamy and Gouillart, 2010), and even public management (Bason, 2010), the co-creative mantra of creating value with customers, rather than merely for customers, is echoed widely in the conceptual repertoire of those discourses that concern themselves with the dynamics of modern-day business. Co-creation discards the view of the consumer as a passive recipient of company offerings, in favor of a view of the consumer as an active contributor and provider of insights in the process of creating value. While the intellectual origin of co-creation will be discussed in detail later, it is important to note up-front that the idea of customer-involvement has also manifested itself more narrowly in concepts such as 'user-driven innovation', 'crowd sourcing', and 'open source innovation' (von Hippel, 2006; Chesbrough, 2003). The common denominator linking these concepts is that they all, in one way or another, designate types of business initiatives, where people outside of the organization provide inputs regarding design and product development. However, what sets co-creation apart from these concepts is that it strives towards being a completely new way of understanding business and the firm as such. Leveraging the various related concept, co-creation presents a new and unifying perspective on the alluring possibility of creating value with customer and other stakeholders; rather than merely creating value for these actors. In this sense, co-creation takes the form of an umbrella concept, which integrates the related concepts pertaining to user-involvement in a new paradigm of value creation (Prahalad and Ramaswamy, 2004a: 14f; Ramaswamy and Gouillart, 2010; Roser et al., 2009).

An example of co-creation that has received considerable attention within the co-creation discourse is the Danish construction toys manufacture LEGO (see Ramaswamy and Gouillart, 2010; Roser et al., 2009; Schultz and Hatch, 2010; Zwick, et al., 2008). The reason for this attention is that LEGO is seen as an organization that has revitalized its business by infusing it with co-creative components. One of these components is the LEGO Factory. Here customers are designing their own products and sharing them in an online gallery, representing a global community of

LEGO enthusiasts. It is especially the aspect of sharing that reveals the particular spirit of co-creation, as it suggests that the customer is active in creating value to him or herself *and beyond*. Customers can choose to have their own products manufactured for a fee, with LEGO choosing the most popular customer designs for mass-production. In this sense, the LEGO factory does not merely allow the customer to customize a product; rather it allows the customer to potentially improve LEGO's value proposition as such. At the moment, the LEGO Factory engages millions of people through a website called 'My LEGO Network' (Ramaswamy and Gouillart, 2010: 52).

Another example that has received attention in the literature is the American coffeehouse chain Starbucks (Lusch et al., 2006; Ramaswamy and Gouillart, 2010). Highlighted as a company which has managed to effectively leverage the insights of their customers, Starbucks has developed an online platform where customers upload ideas about practically anything pertaining to Starbucks. As in the case of LEGO, it was in an attempt to revitalize the company that the CEO of Starbucks, Howard Schultz, in 2007 launched the website MyStarbucksIdea.com. Confronted with unexpected competition from Dunkin' Donuts and McDonald's, Starbucks was initially convinced that the only way to retain its position in the market, was to focus on being a traditional coffee house; yet after consulting their customers, who in only one year contributed with more than 65.000 ideas and 658.000 votes (Ramaswamy and Gouillart, 2010: 23), Starbucks decided to pursue a new strategic direction, namely serving healthier and more nutritious food options, thereby managing to secure their leading position in the industry. The following quote shows how Schultz went about introducing the website. He wrote:

> "Welcome to MyStarbucksIdea.com. This is your invitation to help us transform the future of Starbucks with your ideas – and build upon our history of co-creating the Starbucks Experience together… So, pull up a comfortable chair and participate in My Starbucks Idea. We're here, we're engaged, and we're taking it seriously" (Ramaswamy and Gouillart, 2010: 22).

Here we see how business practitioners have opened up for customer inputs, not merely at the level of product development or customer relations, but even regarding the strategic vision of the company. In this case, Starbuck is effectively asking their customers about the strategic direction of the firm. The quote reveals another important characteristic of the idea of co-creation, which is explored in considerable depth throughout this thesis, namely that what is to be co-created is an experience. Here we see that co-creation bears resemblance with another noteworthy business concept, i.e. the 'experience economy' (Pine and Gilmore, 1999). Introduced shortly before co-creation, the notion of experience economy contains the idea that experiences represent a new type of economic offering, different from previous types of offerings such as goods, products, and services.

In light of the new view of experiences as a distinct source of value, the idea of co-creation cannot merely be reduced to the inclusion of customers in value creation processes, since it entails a radical re-conceptualization of what is to be understood by value as such (Prahalad and Ramaswamy, 2004a: 8, 14). The introduction of the human experience as the new locus of value, implies that co-creation does not only present new ways of doing business, but that it, in fact, also challenges the theoretical foundation upon which many previous business theories have converged, namely that value is to be understood as an expression of the functionality of a product. As stated earlier, co-creation functions as an umbrella concept, which integrates various related concepts in a coherent business framework. Advocates of co-creation claim that this new concept "leads to a recasting of the conventional role of strategy, innovation, marketing, supply chain management, human management, and information technology" (Ramaswamy and Gouillart, 2010: 7).

Despite of – or perhaps even by virtue of – its propensity to function as an umbrella concept, co-creation does not present itself as a uniform phenomenon. On one hand, it presents itself as a solution to very specific challenges in areas such innovation and product development – as exemplified in the case of LEGO Factory. On the other hand, co-creation has the universal character of an overall business paradigm, which claims to be defining what it will mean to conduct business in the future. However, if we are to understand co-creation as a new paradigm, we should not limit ourselves to merely looking at particular examples of co-creation; rather we need to critically examine how co-creation represents a distinctly new way of thinking about business, including new perspectives on the organization and the market, as well as a new managerial vocabulary. In an article intended to provide an overview of the co-creation discourse, it was concluded, “while the literature on co-creation often fails to raise critical issues, discussions of benefits are abundant” (Roser et al., 2009: 13). To escape this tendency in co-creation literature to steadily fuel the engine with one-sided positive examples, we aim at providing a critical investigation of the phenomenon, including an inquiry into its origin and current state. This type of examination requires a shift in perspective from focusing on the manifestation of co-creation as a specific business initiative, to taking serious the mode of manifestation of co-creation as a new business paradigm, which involves a fundamental shift in thinking from the reigning business paradigm. This, in turn, implies that we need to provide an analysis of co-creation as a new mode of managerial thinking, as well as an identification of the space in which this new mode of thinking has been allowed to unfold. In other words, we are interested in exploring what has created resonance for the emergence of co-creation as we witness it today.

Problem Statement

To gain a more adequate understanding of the phenomenon of co-creation, the following problem statement has been developed:

How does co-creation present itself as new business paradigm - and depending on this answer; what constitutes the space of resonance for the emergence of co-creation as a new paradigm?

In answering this problem statement, the thesis is structured around the following themes:

a) *A framing of the problem and the development of the analytical framework.*

b) *An investigation of the origin of co-creation as a new business paradigm.*

c) *An analysis of the space of resonance for the emergence of co-creation.*

d) *A brief assessment of the current state of the phenomenon of co-creation.*

Having briefly introduced the concept of co-creation, as well as the overall problem statement of this thesis, we will now precede to framing the problem further through a delimitation and clarification of our inquiry. The following chapter is also intended to shed light on philosophical contribution of this thesis, including reflections on the kind of critique that we aim at bringing to the co-creation discourse.

Chapter 1

Co-creation as Problematic

As stated in the introduction, this chapter is devoted to developing an analytical framework, which will allow us to examine co-creation as new mode of thinking. However, before beginning to actually develop this framework, we will first provide a brief account of our initial exploration of the concept of co-creation. This, in turn, will allow us to explain how and why the inquiry has led us to deploy such an approach, which finds inspiration in recent interpretations and reconstructions of the late work of Michel Foucault (Raffnsøe et al., 2009; Johnsen, 2009; Gudmand-Høyer, 2012; Lopdrup-Hjorth, 2012).

Our initial interest in the concept of co-creation was sparked due to the considerable surfacing of co-creation and related terms, such as co-production and co-innovation, spanning various streams of contemporary management literature. The striking resonance of the concept prompted us to commence an investigation of this new tendency in modern-day business. We cleaned up the business school library for books and journal articles on the subject of co-creation. As we went through the piles of books and journal articles, which explicitly referred to the topic of co-creation, we began to see a pattern in the discourses. Broadly expressed in these discourses was the idea that co-creation represents a paradigm shift, which will redefine the way business is conducted (Prahalad and Ramaswamy, 2000; 2004a; Vargo and Lusch, 2006; Arvidsson, 2008; 2010; Roser et al., 2009; Ramaswamy and Gouillart, 2010). Puzzled by the attention and resonance of this radical idea, we broadened the scope of our investigation to include various related concepts such as user-innovation, crowd sourcing, co-production, service dominant logic, and experience economy – to mention just a few. In doing so, we came to the realization that is was an ambiguous undertaking to actually draw distinct boundaries between co-creation and related concepts in terms of the kinds of business initiatives they proposed. Instead, we discovered that what sets co-creation apart from the related concepts, is its ambition to rethink the foundation upon which many of the previous management frameworks have converged. Co-creation presents radically new perspectives regarding fundamental aspects such as the nature and composition of the firm, the relation between the firm and the customer, the dynamics and structure of the market, as well as the nature of value creation and value as such.

Considering the attention given to these meta-type questions – What is value? What the relation between firm and market? What is the composition and nature of the firm? – in the co-creation discourse, we shifted our concentration from seeing co-creation as primarily a marketing and innovation trend to something that has been developed in continuation of and in dialog with the field of strategic management, which is traditionally associated with answering these types of overall questions regarding business. To understand its roots in strategic management thought, we once again turned to the business school library. Between the lines of yet another pile of books and journal articles, we caught a glimpse of the intellectual origin of the phenomenon. Co-creation now revealed itself to be a gathering and radicalization of an array of ideas, which questions the traditional view of strategic management, often ascribed to Michael Porter, who is said to be the father of the modern discipline of strategic business management (Kiechel, 2010). Analyzing the trajectory of strategic management thought, we learned in what sense co-creation presents itself as a new business paradigm.[1] However, with this insight, new and murkier questions arose.

Equipped with a general understanding of how co-creation presents itself as a new business paradigm, the critical question was no longer how the phenomenon should be categorized; rather it became a matter of finding out how co-creation has managed to gain momentum as a viable alternative to the established view of business. This, in turn, prompted us to raise the question regarding what types of problems co-creation can be said to address, which the established schemes do not. Reflecting upon what it means to raise and answer this question, we turn to a discussion of what is to be understood by the conditions of possibility for the emergence of co-creation as a new business paradigm. Following this, we argue that Foucault's analysis of problematization provides a more fruitful avenue for investigating how co-creation is gaining its resonance in present-day business discourse, as it allows us to operate with a greater degree of freedom and contingency in our understanding of how co-creation responds to the experienced problems of the established paradigm.

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[1] The account of how co-creation presents itself as a new business paradigm will be the subject matter of chapter two.

Reflections on Management Thought as an Area of Study

Traditionally, a paradigm shift denotes a radical development in the history of science. An important lesson learned from Thomas Kuhn, who has written prolifically on this subject matter, is that new paradigms do not emerge unless former paradigms have somehow fallen short of addressing challenges, which they ought to be able to solve (Kuhn, 1962). In short, we will define a paradigm as a shared perspective, influencing the understanding of a certain collective at a given period of time. For instance, the transition in mechanics from Aristotelian physics to Newtonian physics represents a classical example of a paradigm shift. On Kuhn's account, the content of a scientific paradigm was a set of epistemological, ontological and methodological assumptions, as well as a set of values concerning the role, practice and profession of science (ibid.). However, while this lesson provides a helpful backdrop for our analysis of the emergence of co-creation, it is important to note up-front that the dynamics of management theory differ considerably from those of natural science. Bearing in mind that Kuhn's perspective was not designed to inquire about developments in management theory, we will develop an analytical framework that is informed by Kuhn's insight, but which is better suited to analyze the brisk transitions associated the world of business. Such a framework needs to be geared to analyze the emergence of new ideas in an area where theory and practice are closely intertwined, and where the rivalry between conflicting paradigms is much more dynamic and devious than the battles between lone giants seen in the world of science. Accordingly, we need an approach that allows us to dissect shifts in thinking within an area that is less about representing reality correctly, than it is about providing practical tools and solutions for the everyday dealings of people in the business world (Ghoshal, 2005).

Our invocation of Foucault's concept of problematization reflects an ambition to neither analyze co-creation as merely a theoretical phenomenon, as Kuhn's theory proposes, nor as a phenomenon merely belonging to business practice, but instead as a phenomenon that arises in a complex conjunction between theory and practice. Characteristic of management theory is the fact that it has as its main aim to guide practice, rather than merely trying to represent reality. The analysis of problematization, which we will present and discuss in the following section, provides an analytical approach, tailored to unveil what has made the business trend of co-creation possible.

In general, it should be noted that the co-creation discourse raises few question concerning the origin of the phenomenon, as it favors providing examples and guidelines on how to conform to the preachings of the co-creation advocates. Moreover, we see that many mainstream authors try to explain co-creation through an intuitively appealing approach, which understands the emergence of co-creation as the immediate result of behavioral changes in technology and consumer behavior. While we do not intend to claim that this approach is incorrect as such, we aspire to add additional layers to this picture, by examining how co-creation can be said to provide answers to certain types of questions and challenges, which former business paradigms were unable to. This, in turn, makes us better equipped to take a critical stance regarding the co-creation mania that circulates across various business disciplines.

Though it is hard to dispute that co-creation initiatives often are dependent upon "the structural forces of digitization, ubiquitous connectivity, globalization, social networking, and new communications and information technologies" (Ramaswamy, 2011), we shall argue that these factors alone cannot explain how the co-creative way of thinking about business provides an attempt to answer vital problems which the previous paradigm was deemed unable to solve. Therefore, while the sheer reference to these material and behavioral changes is both tempting and intuitive, it does not capture the contingency that resides in the development of new ideas to solve present business challenges. The mere reference to a cause and effect relationship between the material and behavioral changes and the emergence of co-creation can be said to underestimate the interconnectedness between theory and practice, characteristic of the field of business management. In other words, this immediate assumption presupposes the relevance of co-creation as an answer to the questions that it has arrived to address. To balance out this tendency within co-creation discourse to neglect the intellectual context for the emergence of co-creation, we shall persistently attend to unveiling the intellectual stepping-stones for the co-creative way of thinking. In this sense, our choice of analytical approach is an effort to escape the shackles of a view on co-creation as being directly shaped by phenomenon such as new information technology and changes in consumer behavior.

To unveil how co-creation presents itself as a new business paradigm, we need to understand co-creation in relation to the central and influential management ideas preceding it.

Accordingly, we need an analytical approach, which is, in some sense, historical in nature. The aim is not first and foremost to map out concrete changes in business practice, since this would hardly allow us to escape a view on co-creation as being directly shaped by external factors in the business environment. Instead, we consider our approach to be historical in so far it needs to be able to give an account of the object of study as it has changed over time. Contrasted with conventional history, we try to understand a present phenomenon of our time by writing the history that has led to it. In the words of Foucault, it is a kind of history that begins with 'the present day actuality', and includes those developments that have played a relevant role for the emergence of the actual manifestation of this present (Foucault, 1989: 411). For the purpose of our analysis of co-creation as a new paradigm within business management, this implies that we will not write the history of business management as such, but the history of business management in so far as it is able to shed light on the actual manifestation of co-creation. In the following section, we will present the analysis of problematization as mode of attending to the intellectual context in which co-creation has emerged.

Analyzing the History of Thought as Responding to Problematizations

The analysis of problematization was primarily presented in the late work of Foucault, specifically at occasions where he was asked to sum up or give a general account of the approach utilized in his work (Foucault, 1989: 406f, 420f). Since Foucault never gave a complete presentation of the analysis of problematization, the following section should not be seen as an account of a fully developed body of thought, but rather as an effort to reconstruct the approach on the background of various relevant sources. This reconstruction will be conducted with inspiration from other authors, who have engaged in reconstructions of the analysis of problematization (Castel, 1994; Raffnsøe et al., 2009; Gudman-Høyer 2012; Lopdrup-Hjorth, 2012; Johnsen, 2009; Deacon, 2000). Importantly, it should be noted that the analytical framework which we are about to present, should not be seen as a conventional piece of methodology, containing a list of rigid procedures. Instead, it is intended to capture an attitude towards the material, as well as describing the level on which we intend to carry out the analysis. We will commence our reconstruction of the analysis of problematization by looking at Foucault's idea of writing the history of thought.

Foucault draws a distinction between writing the history of thought and the history of ideas and the history of mentalities. He stresses that the concept of 'thought' does not refer to the same as 'mentalities' – understood as "the analysis of attitudes and types of action and behavior" (1989: 420). He furthermore contrasts the history of thought with the history of ideas – understood as "the analysis of systems of representations" (ibid.). Writing a history of mentalities would require an investigation of the state of mind of a group of people at a given time, whereas the history of ideas would focus on the fundamental ideas underlying the way in which human beings have understood the world at certain times. Research within the history of ideas generally focuses upon investigating how ideas have changed and developed throughout history. Examples of such ideas could be the idea of justice, the idea of the human being as a rational animal, or the idea of economic value creation. An analysis from the perspective of the history of ideas will, in some versions of the theory, be an investigation of how certain "unit-ideas", understood as the simplest form in which a given idea can be formulated, have manifested themselves in various contexts throughout history. Instead of examining that which underlies practice, as in the history of mentalities, or the systems developed for understanding the world theoretically - as in the history of ideas, the history of thought is interested in learning how changes are usually will be material, social or political in nature, have resulted in an abstraction from practice which have resulted in a questioning of established ways of understanding the world (Ibid.: 421). It is in the abstraction from practice that we see what Foucault refers to as thought: "Thought is freedom in relation to what one does, the motion by which one detaches oneself from it, establishes it as an object, and reflects on it as a problem" (1989: 421). What Foucault here intends here, by using the concept of freedom to describe the role of thought, is that thought is that which enables human beings to reflect upon their practices and, thereby, open up for these practices to be formed in new ways. Put differently, human practices are not determined by necessity, but are contingent in terms of how the specific work of thought has made a given practices into a problem, requiring a new approach or perspective.

What is of interest to the history of thought is the way in which something practical, which once was experienced as intuitive or necessary, becomes the object of reflection and thereby receives an impact on our more abstract perspectives on the world, and how these reflections and changes in perspectives result in new ways of relating to practice (Foucault, 1989: 421). In the following quote Foucault explains the concept of problematization in greater depth, and describes it as a driving force of the history of thought:

> ”The work of a history of thought would be to rediscover at the root of these diverse solutions the general form of problematization that has made them possible—even in their very opposition; or what has made possible the transformation of the difficulties and obstacles of a practice into a general problem for which one proposes diverse practical solutions. It is problematization that responds to these difficulties, but by doing something quite other than expressing them or manifesting them: in connection with them, it develops the conditions in which possible responses can be given; it defines the elements that will constitute what the different solutions attempt to respond to” (1989: 421).

The basic idea expressed here is that the history of thought looks into how new solutions and perspectives have emerged on the basis of something being interpreted as problematic in a certain way. When new ways of understanding and solving a problem emerges, it is problematization that creates the horizon in which these new perspectives and solutions can effectively be proposed. From this, we get a picture of problems as no longer being stable or necessary entities, but instead as being the result of the specific way in which something has been interpreted as problematic.

The term ‘space of resonance’ until recently was used to describe the state of affairs which allows for the broad attention, and impact of co-creation, is an attempt at identifying the same phenomenon Foucault talks about when he states that problematization develops the conditions, which enables certain solutions to appear as responses. It should be noted, however, that seeking out the direct statement of ‘problems’ is rarely fruitful in a management context, since problems stated in these texts appear in the form of challenges managers must overcome in order to reap new opportunities. Therefore, we will generally refrain from seeking out explicit statements of problems, but rather search for those instances where established business ideas are starting to be seen as inadequate, because they are experienced as not being able to guide managerial practice with regard to the challenges that managers face at a given time period. In addition to the work of thought, the above quote by Foucault also tells us about the relation between theory and practice implied in this framework. Seen from the perspective of the analysis of problematization, theory is not something sharply distinct from practice. Instead, we see picture were theory is embedded in practice. This makes the analysis of problematization a relevant point of departure for this investigation, since a sharp separation between management theory and practice is not fruitful to operate with if one wants to understand the role, nature, and impact of new management ideas (Ghoshal, 2005). To sum up, the level of analysis of the history of thought, expresses an ambition to capture the intricacies and muddiness that exist in a discipline where theory and practice are closely intertwined.

The analysis of problematization does not simply aim at identifying the relationship between the area of practice that is being problematized and the social, economic, political and technological factors, which have caused the difficulties, triggering the problematization (Foucault, 1989:421). The analysis of problematization may engage in analyzing these factors, but its primary focus is the way in which something has become problematized. Learning about what generally characterizes these problematizations is important, since it is the mode of problematization that allows for certain perspectives and solutions to arise in favor of others. In contrast to analyzing how something has been understood as a problem, and what has caused this problem to arise, the analysis of problematization looks at what basically characterizes the way in which something has been interpreted as problematic, leading towards the development of new perspectives or new sets of solutions. The analysis of problematization can therefore be said to investigate the way in which something is experienced as problematic within a given context at a given time. In the following section we will discuss how the analysis of problematization can open up for an understanding of how co-creation has received resonance as a new business paradigm.

Co-creation as a Development within the History of Management Thought

Having introduced the analysis of problematization as a way of writing the history of thought, we will now turn to explaining how this mode of analysis allows us to put forth a critical examination of the appearance of co-creation within contemporary managerial discourse. As we have seen, the history of thought involves inquiring into the questioning of established practices, which have opened up for the introduction of new perspectives and solutions. This allows us to analyze how problematizations of established management schemes have opened up for the emergence of co-creation as a new business paradigm. Not that these problematizations necessarily have ended at the emergence of co-creation, in fact, co-creation might also be continuing these problematizations. By exploring the problematizations that have led to the emergence of co-creation, we hope to be able to reveal a degree of contingency, unbeknownst to much of the current co-creation discourse. More specifically, we will show in what way the current manifestation of co-creation is contingent upon a certain set of problems and challenges have been raised, so that co-creation have been able to present itself as an answer. In the introduction of this thesis, we posit that co-creation manifests itself as a new paradigm, which implies a recasting of several of the hitherto reigning assumption on business management. In order to understand how co-creation, despite its bold ambition of redefining conventional business practice, has gained resonance across various managerial discipline, we need to begin our investigation by looking at how co-creation represents a radical shift from preceding paradigms in the history of management thought. To this end, we will conduct an analysis of the hitherto reigning management paradigms, with an emphasis on what basic assumptions about business and value creation are embedded in the business paradigms leading up to co-creation. This part of the investigation will be carried out in chapter two, where we explore the intellectual origin of co-creation within the tradition of strategic management.

Upon investigating how co-creation presents itself as a new business paradigm, the next step in our investigation has as its aim to identify the problematizations of the preceding views of business, which have allowed for the currently witnessed influence of co-creation on business discourse and practice. Equipped with an understanding of how co-creation presents itself as a solution, we will analyze the general forms of problematizations, which have opened up for the resonance of this particular solution. In doing so, we need to select those problematizations necessary for understanding what has allowed for the seeming impact of the phenomenon within contemporary management practice. This selection will be guided by the findings of the inquiry into the intellectual origin of co-creation. While this inquiry into the intellectual origin of co-creation shall determine the direction of the proceeding investigation, it should be noted that the analysis will also be heuristically guided, meaning that the approach will be continually developed with respect to the material as well as the requirements of our investigation. The heuristic nature of our analysis will be especially visible to the reader in chapter three and four in our selection of material to unveil the problematizations, which have opened for co-creation. Provided that we grant ourselves the freedom to investigate our subject matter heuristically, we will briefly discus what we take to be the normative and epistemic aims of this type of analysis.

At the same time as a heuristically-guided analysis does not easily lend itself to an evaluation of validity in terms of whether it has followed a formal set of procedures designed to guarantee correctness, our analysis can rightfully be evaluated with respect to its ability provide an adequate identification of how co-creation presents itself as a new business paradigm, as well as the extent to which the analysis is able to account for the space for resonance, allowing for the sweeping impact of co-creation in contemporary management discourse. To this end, we do not need an all-encompassing account of the development of contemporary management discourse, since this would be superfluous with regard to providing an account of the specific developments in management thinking that has led to the emergence of co-creation. Instead, the aim of this type of Foucauldian-inspired approach is to include enough material, so that we can be said to have reached a saturation point, where it has become clarified what characterizes the way in which traditional management schemes have been called into question, and thereby opened up for the emergence of co-creation as a new business paradigm (Raffnsøe et al., 2009: 345f). Finally, the normative aim of this thesis is to present an analysis, which, on the one hand, offers something different from the previous discourse on co-creation, yet at the same time is relevant on the terms of the discourse itself. The critique we intend to deliver of the current manifestation of the phenomenon of co-creation will, in other words, respect the premises of the discourse that is the target of our critique. This brings us to the next issue of this chapter, namely what type of critique will be developed in this thesis. We will begin this discussion with a brief review of the type of critique already found within the academic field of critical management studies. However, we will depart from this notion of critique in order to reach an alternative understanding of critique, which is more in line with our ambition to contribute critically to the co-creation discourse. This type of critique, will take the form of an exploration into the role and limits of the idea of co-creation within managerial thought.

Review of Critical Comments on Co-creation

In recent years, there has been considerable interest in delivering philosophically-inspired critical contributions to the field of management thought. Topics such as work-life (Contu, 2008), consumer culture (Arvidsson, 2006), employee productivity (Harney, 2003), creativity and innovation (Rehn and Vachhani, 2006), leadership (Dunne and Spoelstra, 2010), and corporate responsibility (Vallentin and Murillo, 2009) have been be analyzed through a broad array of philosophical and sociological theories. Many of the authors within these fields draw inspiration from neo-Marxist theory (Arvidsson 2008, 2009; Hardt and Negri, 2001), critical theory (Carr, 2000), post-structuralism (Jones, 2002), deconstruction (Jones, 2004). Alongside these critically-oriented streams of thought, we also see that there are voices, which are not critical towards business, who draw upon a philosophical vocabulary. A prominent example of this is Evans and Wurster's (2000) use of the term "deconstruction", when claiming that the ontological and epistemological assumptions upon which strategic management previously have been based, are 'deconstructed' by the entrance of the information economy in the contemporary business landscape. Another example could be the notion of 'business model ontology' as discussed by Alexander Osterwalder (2004). Other pro-business philosophically-inspired authors include Michael Pedersen and Anders Raastrup Kristensen, who work within the field of strategic human resource management, drawing on the philosophy of Gilles Deleuze (2013). Now that we have looked into the broader academic interest in applying philosophically-inspired approaches to the field of management, we will look into the critical literature on co-creation which to an extensive degree can be said to have an anti-performance stand point.

In this section we see how a parallel development towards a re-conceptualization of value creation can be found in other streams of thought than that of mainstream management discourse, including certain branches of Autonomist Marxism (Lazzarato, 2004; Hardt and Negri 2001; Arvidsson 2005, 2008, 2010, 2011) and Critical Management Studies (Thrift, 2006; Zwick et al. 2008; Böhm and Land 2012; Willmott, 2010). The reason why we include these voices in this final chapter is twofold. Firstly, we want underline that the development toward a new conceptualization of value is not in any way exclusive to performance-oriented management thought, and that there is in fact a vigorous discussion going on about a transformation in the conceptualization of value creation across various disciplines and different schools of thought. Secondly, we will explain how this thesis differs in its approach from previous critical contributions on the topic of co-creation. We wish to show how the complementary usage of Foucault's analysis of problematization can help us to bring new perspectives and additional nuances into the conversation about the emergence of co-creation in the contemporary business discourse and practice.

In general, we believe there is an inauspicious divide in the effort to understand co-creation between performance-oriented scholars on the one side and critical management scholars on the other. Perhaps one of the reasons for this divide is that many of the contributors of critical management studies seem to be forcing the concept of co-creation into their own research scheme, and thereby missing how co-creation relates to an already existing body of thought – for example within the area of strategic management. As a result, these critical scholars mostly end up with theories about co-creation, which largely seem to disregard how the co-creation discourse understands itself from within – that is to say, very few of these studies actually engage constructively with the discourse that they comment upon. Typically, they look at the various business initiatives, structures and behaviors when they have occurred or been established, and never look at the lines of thought are behind these initiatives. In addition to this, the contribution which these lines of thought aim at delivering are typically not directed towards the world of business at all, but toward the critical tradition to which they belong. However, we still see the co-creation vocabulary echoed across the various lines of thoughts, indicating that the tendency towards a re-conceptualization of value creation is seen as paramount not just within discourses which are positive towards business, but also within traditions which see critique of business practice as their goal, in contrast to increased business performance (see Lopdrup-Hjorth, 2012). While the format of this thesis does not allow for a fully compressive account of the authors mentioned above, we will try to present instances where there are thematic overlaps between the different voices. Particularly, we will look into the way in which the rather heterogeneous group of philosophers and social scientists in recent years has made a call made for and begun to take preliminary steps in the direction of new conceptualization of value – similar to the strategic management studies that we surveyed in chapter two.

In an article titled "The Ethical Economy: New Forms of Value in the Information Society", Arvidsson (2010) reflects upon the way in which managerial discourse and business in recent decades has started to show traits of what he terms "ethical economy". These traits cover phenomena such as greater role for communities, creativity and non-monetary incitements in economic activity. In general, he notes that many critical observers have dismissed these phenomena as little more than "the cynical response" to the new demands of by better informed and more networked consumers (ibid.). For example, Zwick et al. (2008) note that the transformation of the customer from a largely passive recipient of messages and commodities to an active interpreter and maker of both is often expressed by the neologism '*prosumer*' (ibid.: 167). According to Zwick et al., this neologism designates not only a collapse of the existing value creation schemes; it also suggests a more fundamental, metaphysical collapse of hitherto reigning categorizations of what it means to be a producer and a consumer, respectively. When the circulation of social communication and information can be posited as production we face the dilemma that all the defining boundaries we know are essentially being called into question. Indeed, this is why brand valuations are such a thorny and controversial topic within the business literature, since the value of a brand is basically dependent upon the affective and immaterial labor of the consumer (Arvidsson, 2005; Zwick, el al, 2008). Ultimately, it is this collapse of boundaries between the producer on the one side and customer on the other side, which leads Zwick, et al. to conclude that a theoretical space has been opened up "for understanding the effectiveness of co-creation as tool for consumer exploitation" (2008: 175). Various critical management scholars have raised similar concerns about the 'free labor' of the customers (Willmott, 2010; Böhm and Land, 2012). While this critique of co-creation may be plausible, it is not the focus of the present thesis to further engage in this discussion; instead we merely present this point to show that there are many different interpretations regarding the implications of co-creation as a contemporary business phenomenon.

Now that we have discussed how our notion of critique differs from the anti-performance attitude often seen in critical management studies and the critical literature on co-creation as such, we will discuss how our contribution, although critical in nature, can be said to enlighten the perspective of the mainstream management discourse on co-creation. To this end, we will introduce a discussion concerning the possibility of contributing philosophically to the field of business. The purpose of introducing this discussion is to clarify how our particular philosophical approach is able to contribute to contemporary business discourse. By the end of this discussion, we will be well-equipped to commence our investigation of co-creation, while also having further clarified the nature of the critical contribution which we aim at delivering through this investigation.

From Anti-performance to Diagnosis: Normative Positioning of Contribution

In the following we will position the contribution of the present thesis in relation to these various attitudes towards the study of management. To begin, we will position ourselves in relation to the field of critical management studies, in terms of what type of critique we aim at delivering. Following this, we will turn to a reflection regarding what qualifies the contribution in this thesis as philosophical. These reflections shed light upon the possibility of contributing positively to discourses on business and management with a philosophical point of departure. It should be noted upfront that our attitude differs significantly from the general normative orientation of the field of critical management studies, in the sense that while we want to deliver a critical contribution, we are not critical toward the world of business as such. The field critical management studies, on the other hand, has been characterized as generally being anti-performance-oriented, meaning that the aim of this research has been to criticize existing business practice, as opposed to aiming at contributing positively to company performance (Fournier and Grey, 2000). While we support the idea that philosophy should be critical in its approach, we do not share the anti-performance agenda generally associated with critical management studies. Instead, we are much more interested in understanding managerial thinking on its own terms in order to deliver on our diagnostic intent to assess the current state of co-creation within the context of managerial thinking.

Much of the work of conducting in such a diagnosis will be in the form of an analysis of how the co-creative paradigm relates to the overall context of managerial thought. On the one hand, this analysis will help us answer the question of what the co-creative perspective offers and contributes to the field of business and management. On the other hand, and this is perhaps even more urgent, this type of critical contribution will also allow us to examine the limits, which this way of thinking faces. Often proclaimed to be an almost universal answer to the challenges confronting today's managers, it is important that a critical contribution is presented that clarifies and opens up for a serious discussion about where there is and is not a role for co-creation, as well as what scope and scale we can expect of the phenomenon, given its origin and current manifestation. Firstly, to shed light on the appropriate role of co-creation, it is necessary to understand what kind of questions co-creation is actually able to provide answers to. Secondly, depending on the types of problems that co-creation provides answers to; it should be considered whether this is sufficient for the establishment of a new business paradigm within the context of strategic management thought.[2] Presenting a critique of co-creation in this manner, we will be able deliver a critical contribution to the co-creation discourse, which do not criticize the co-creation paradigm from an ethical or political perspective, but instead examines the state, potential, and limits of the co-creative paradigm as such. In this sense, it is a critical contribution which does not limit itself to those voices enthusiastic about the commercial or consumer empowering potential of co-creation, but of any view that considers creation as an emerging idea, holding the potential to revolutionize what will be the future of business competition.

Although we welcome a performance-oriented attitude, it should be noted that the contribution of this thesis is not instrumental in nature, in the sense that it provides concrete tools that managers or consultants can utilize in specific scenarios. Rather, our contribution can be said to be diagnostic in nature, meaning that our aim is to present an analysis of the current state of co-creation as an idea within management thought. Simply put, the main elements of this diagnosis can be said to concern the following questions: a) what characterizes the current state of managerial thinking? b) how did we get here? c) and in what direction are we likely to proceed? Since the final question can be said to belong at the periphery of our problem statement, we will attend to this question primarily by indicating how our answers to the preceding questions provide valuable inputs for a future inquiry into what possible directions the idea of co-creation can be expected to move, as well as what the implications of these directions can be expected to be.

[2] This discussion will be introduced in the final chapter of this thesis; however, it should be noted up front that the preceding aspect, regarding the what types of challenges co-creation is presenting itself as an answer to, will be granted considerable priority.

Comments Regarding the Philosophical Contribution

To effectively position the philosophical contribution of this thesis, we will introduce Sverre Spoelstra's (2007) discussion of the relation of philosophy to other areas of study, especially organizational studies. While we use his discussion as a leverage point for developing our own position, it should be noted upfront that this position will depart from Spoelstra's discussion of the proper role of philosophy to other fields. Simply put, Spoelstra's approach is to draw a dichotomy between two radically different views on the role of philosophy. The first of these two roles, characterized as the philosophical 'under labourer', emphasizes that the role of philosophy is to contribute to science by sorting out its body of knowledge for inconsistencies and conceptual unclarity. The second suggested role for philosophy can be classified as a Deleuzian-inspired view on philosophy, which has as its primary aim to create concepts that contradicts common sense understandings. We will review each of these positions in turn, before finally presenting our own position, which combines elements of both of the two roles that Spoelstra puts forth, in order to account for the philosophical contribution delivered in this thesis.

The Under Labourer Conception of Philosophy

The term 'philosophical under laborer' designates a role for philosophy as assisting science in reasoning more precisely and consistently. This view on the philosophical contribution can be said to be based upon an assumption that in order to succeed, a scientific field needs to have its basic assumptions made explicit, its concepts rigorously defined, its body of knowledge cleansed for inconsistencies, and its distinctions clearly drawn. Thereby, philosophy can be of utility to science by refining the definitions of the concepts used and assumptions implied, as well as to help scientists communicate more efficiently in scientific controversies, where there is disagreement with regard to basic assumptions or methodology. This is done through clarifying assumptions and sorting out inconsistencies. If a scientific community develops a body of knowledge, the role of philosophy is not to add any knowledge to this body, but merely make it clearer and coherent.

Spoelstra highlights several thinkers as examples of philosophers representing the under labourer conception of philosophy. For instance, he mentions Locke, Kant as well as the analytical philosophers Ayer and Ryle (2007: 20f). The early formulations of logical positivism, can be said to intuitively lead to the under labourer conception of philosophy. The idea is that philosophical work is limited to the sphere of analytical judgments and thereby only dealing with the logic, syntax, and semantics of statements; never with their content, in so far as the content of these statements refer to state of affairs in the world. The philosophy of Rudolph Carnap in *The Logical Structure of the World* (2003 [1928]) is perhaps the most complete example of this. In his work, Carnap tried to systematize the entire realm of human experience and knowledge in a logical coherent structure, an ambitious project that his empiristic predecessors merely assumed could be carried out.

Another kind of philosophical under-labourer that Spoelstra presents is a type which bears many similarities with aspects of our work. The contributions made, especially in the second chapter of this thesis can be said to resemble this type. This kind of philosophical under-labourer contributes by analyzing the paradigms of other fields, thereby operating with an assumption that philosophy can contribute to science, because science can be said to operate on premises that are philosophical in nature. According to Spoelstra, the popularization of Kuhn's theory of science caused many social scientists to act as philosophical under-labourers (Spoelstra, 2007:21). On Kuhn's view, scientific paradigms contain sets of assumptions that are ontological, epistemological, and methodological in kind. Due to the nature of these sets of assumptions, science can be said to build on a philosophical foundation. This opens up for an almost empirical role of the philosophical under-labourer, in analyzing which sets of assumptions each given paradigms implies. The role of the philosopher then becomes to clarify, adjust and quality-assure the philosophical basis upon which scientific fields operate. Thereby the contribution of this kind of under-labourer differs from the previous by not merely contributing through the application of formal tools, such as logic and semantical analysis; but instead by studying scientific communities and inferring the epistemological and ontological assumptions inherent the paradigms of these communities.

Somewhat surprisingly, Spoelstra states that the under-labourer activity is not in itself philosophical, but merely appears so, because the assumptions clarified by the under-labourer have some similarities to several of the questions posed throughout the history of philosophy (2007: 23). For example, many of the assumptions contained in a paradigm will likely concern either the being of the object of study, or the type of knowledge produced by the field. Spoelstra's idea is that the study of these assumptions merely appears philosophical, since they hold similarity with questions posed in the philosophical disciplines of metaphysics, epistemology, and the philosophy of science. His argument is premised on a claim that the contribution of the philosophical under-labourer does not contribute to the field of philosophy itself, but only to the recipient field. The assumption that the work of the philosophical under-labourer is not itself of any noteworthy philosophical interest leads Spoelstra to term the philosophical under-labourer's contribution to organization studies as "philosophy for organization studies" (Spoelstra, 2007:20).

One of the reasons why Spoelstra's discards the under-labourer role is that it seemingly diminishes the distinction between scientists and philosophers. For instance, if we take the case of a social scientific paradigm, the role of the philosopher is to analyze the basic social scientific assumptions, and as a result, the philosopher cannot be said to work in a field distinct from that of the social scientist. The idea behind this is that both the philosopher and the social scientist will have the common sense of social science as their area of study. Since the common-sense of a given social context is the object of study for both the sociologist and the philosopher, the distinction between social science and philosophy evaporates. We will not go into a greater discussion of the controversial, if even plausible assumptions, implied in this argument; yet we find it necessary to comment upon two potentially problematic assumptions implied in it. The first is the premise that philosophy necessarily is determined by its object (e.g. sociological common sense) and not by how it approaches a given object or what aspects it focuses upon. The second controversial premise is that philosophy is something sharply distinct from science, and therefore the under-labourer view on the philosophical contribution is inadequate, since it fails to uphold this sharp distinction. As a matter of interest, one could note that this sharp distinction between philosophy and science is not held by some philosophers, who simultaneously could be expected to be advocates of the under-labourer conception of philosophy. A prominent example of this position would be the philosophy of Willard Van Orman Quine, who famously held the position that the difference between philosophy and science was in degree, rather than in kind (Hylton, 2010).

Another, and perhaps more pressing, reason why Spoelstra rejects the under-labourer role of philosophy is that its contribution is merely negative. The under labourer does not create anything itself, it merely clears the way for the progress of science (Spoelstra, 2007: 23). While the negativity of the contribution may seem unsatisfactory to the preferences of some philosopher's, clearing the way for progress can still be said to be a considerable contribution, and therefore this alone seems to be insufficient reason for discarding the under-labourer conception of philosophy. In the following section, we show the 'positive' alternative which Spoelstra presents in favor of the under-labourer conception.

Philosophy as a Positive Activity

As an alternative to the under-labourer conception of philosophy, Spoelstra presents a Deleuzian-inspired view on philosophy as the active creation of concepts which challenge common sense understandings. He denotes this type of philosophical contribution to be a 'positive' one, since the role of philosophy is to actively create something, rather than merely removing obstacles for science (2007: 23).[3] On Spoelstra's account, both the scientist and the philosopher have the creation of concepts as their positive activity. However, where the two differ is in terms of the types of concepts they create. The philosophical concepts differ from the concepts of science in terms of which aspects of reality they designate. From a Deleuzian point of view, from which Spoelstra's positive role of philosophy draws inspiration, reality is not only constituted by actual states of affairs or matters of facts. Another constitutive part of reality is the virtual, which is defined as that by which the given is given (Spoelstra, 2007:24). The idea is that we have what actually is real, and then we have something which acts as necessary conditions of possibility for the way in which this actual reality manifests itself. This view makes dealing with metaphysics a necessary aspect of

[3] It should be noted that it is quite unclear whether Spoelstra actually believes that the role for the Deleuzian-inspired conception of philosophy is to contribute to other fields such as science. While he clearly intends for philosophy to disrupt of the common sense of other fields or contexts, it is not clear whether he actually sees these disruptions as directly valuable to the targeted fields.

understanding reality. If one wants to understand reality, one must not only understand what actually is the case, one also needs to know what makes these given actualities possible (ibid.: 23f). This metaphysical distinction allows the Deleuzian view on philosophy to draw a clear and sharp distinction between philosophy and science. While science forms concepts about actual reality, philosophy forms concepts about virtuality (ibid.: 23f).

The contribution of philosophy to other fields, such as organizational studies, lies in the creation of new concepts that disrupt the common sense of these fields in order to open up for new perspectives and ways of thinking. Spoelstra's use of the concept of common sense is here to be understood as the actual reality that is the object of social science (2007: 29). By presenting new concepts designating aspects of the virtuality relating to the common sense of a field, the actors within the field can presumably gain new perspectives on how common sense can take new forms and go in new directions. Spoelstra refers to this type of philosophical contribution as 'philosophy of organization' (2007: 20). We do not intend to go into a discussion of the plausibility of the Deleuzian metaphysics implied in this view. Instead, we will argue that while this type of philosophical contribution may be of great value in fields that have stalled intellectually and need some fresh ideas to shake its foundation, the contemporary management discourse generally fall victim to the exact opposite diagnosis. As we shall see throughout this thesis, contemporary management discourse can be said to be characterized as a constant production of new ideas. New managerial concepts which aim at rethinking the discipline are spawned in such great number that it seems naive or improper for philosophy to jump on this train of an eruption of new concepts more concerned about presenting new solutions than with which problems these solutions are to solve. The discourse on co-creation, almost par excellence, can be said to be an example of a cornucopia of new concepts, which aim present radical new perspectives on various common sense assumptions of management.

To sum up, neither of the two positions that Spoelstra presents adequately captures the spirit of our work. However, we challenge whether Spoelstra's discussion exhausts the possibilities of contributing philosophically to, for example, the discipline of management. One could argue that he presents a false dichotomy, due to the relatively large distance between the two alternative views. On one side, we see inspirations from the philosophy of Locke and Logical Positivism, while on the other we see a Deleuzian-inspired role of philosophy. Here one may be inclined to ask whether it is possible to find greater contrasts within the history of western philosophy. As a minimum, this discrepancy suggests that a possible solution may exist somewhere in between the two. The under-labourer conception of the philosophical contribution offers an attitude towards the material that reflects humility, thoroughness, and interest in understanding the recipient field on its own terms. Its rather exclusive focus on formal aspects such as conceptual clarity and consistency lie quite far from the contribution we deliver. Due to some aspects, our object of study can be said to be that of common sense, meaning that we study the shared beliefs and assumptions within managerial thinking. This study of common-sense will however also lead to a challenging of common sense. In our investigation of the space of resonance for co-creation, we will focus upon how these different perspectives can be said to break with the common sense created by previous managerial thought. Our vision can therefore be said to be less directly aiming at challenging common sense, than it will be about investigating how common sense has been challenged.

While our attitude towards the material to some degree can be said to resemble that of the Kuhnian under-labourer, we still aim at be able to conclude our analysis with perspectives which are able to question the common sense of the co-creation discourse. Therefore, the role of philosophy that we will subscribe to can be said to be more of a synthesis than a conformation to one of the two alternatives Spoelstra presents.

Chapter 2

From Value Chain to Co-creation

In this chapter we will frame the object of study of this thesis. The object of study covers a range of central ideas in the development of strategic management, spanning from the early works of Michael Porter in the 1980's to the introduction of the concept of co-creation in contemporary strategy thought.[4] This presentation of selected developments within the history of contemporary strategy thought is the first step of the analysis of problematization as we have reconstructed it in the previous chapter. The aim is to show how the concept of co-creation has emerged from an already established scheme of business strategy. Following this presentation, we will show how the concept of co-creation in some ways diverges from its roots within the tradition of strategy, now presenting itself more or less as a theory of value rather than a business strategy in the traditional sense. Co-creation does not cease to present itself as business strategy, but is to an increasing degree characterized by an immense focus on the nature of value.[5] To establish this point, we will begin our analysis of problematization by presenting some elementary thoughts regarding the nature of business strategy, including a presentation of Michael Porter's classical concept of the value chain.

Using Porter as a reference point, we will reflect on the conditions for something to qualify itself as belonging to the field of business strategy. The reason why our review of strategy thought begins with Porter is that he can be said to have taken the first steps in the development of the strategy discipline we see today. Popularly, Porter is said to be the man "whose work has had more effect on how companies chart their future than any other living scholar" (Kiechel, 2010: 254). Most of the schools of strategy thought that we present throughout this work, frame their contribution to the discipline as a departure from or development of Porter's framework. Therefore, when co-creation enters the discourse as a strategy concept, it is necessary to view it as an alternative to Porter's dominant scheme. In order to understand how the concept of co-creation can be compared and contrasted with the school of Porterian strategy, we need to gain an

[4] We are considerably indepted to the work of Lopdrup-Hjort (2012) in writing this chapter.
[5] We will pursue this topic in more detail in Chapter 4 as well.

understanding of what Porter's framework fundamentally implies. More specifically, we will look for the constitutive elements in Porter's framework, including the images and metaphors, which he uses to describe the organization. We will follow the development of these organizational images and metaphors throughout the chapter, since they are indicative of the important transformations that have taken place within strategic management thinking over the last thirty years.

Following our discussion of Porter, we will look into the core competence based view on strategy. According to this perspective, the real sources of competitive advantage are to be found in management's ability to consolidate corporate-wide technologies and production skills into competencies that empower individual businesses to adapt quickly to changing opportunities (Hamel and Prahalad, 1990). Succeeding the competence-based perspective, we give an account of the idea of co-production, which can be said to have paved the way for the concept of co-creation by introducing a view of value creation as a process involving inputs from a complex network of actors. Finally, we present the concept of co-creation as a development of the lines of thought that have been presented throughout the chapter. The presentation of co-creation will be conducted in two steps. The reason for this is that the concept of co-creation often manifests itself as the combination of two distinct ideas. Each of the ideas embodies a co-creative element, but in distinct ways and with quite different implications, one of these concerns co-creation as a view of strategy, while the other can be said to be a theory of what value as such is (Prahalad and Ramaswamy, 2000; 2004a; 2004b; 2004c, Prahalad and Krishnan, 2008).

First, we focus on the early formulations of co-creation as a novel way of understanding the resources that the firm has accessed to in order to establish a competitive advantage. Particularly, this co-creative idea states that companies should increasingly look at customers (and other stakeholders) as a source of competence, which can help the firm create and sustain a competitive advantage. The second co-creative idea seems, at least in some ways, to depart from its roots in strategy, now holding more familiarity with areas such as marketing, branding, and customer relationship management. Most central to this latter idea is the concept of customer value. Co-creation, in this version, can therefore be said to provide a theory of value, rather than a view on how firms achieve competitive advantage. But before we can uncover this alleged divergence within the concept of co-creation – from roots in strategy towards an idea stating a theory of value

– we first need to take a look at Porter's seminal work on business strategy, which, as mentioned, is a benchmark for most of the later schools of strategy thought.

The Value Chain View: Value Creation as Internal Process

Frequently quoted as the father of the field, Porter understands strategy as the meta-discipline of business management. It receives this role by being the discipline which the various functional areas of business management need to look to for direction. Strategy, Porter explains, "is a way of integrating the activities of the diverse functional departments within a firm, including marketing, production, research and development, procurement, finance, and the like" (Porter, 1991: 96). Always pertinent in his effort, Porter has contributed to the field of strategy by creating analytic frameworks, intended to help firms to achieve overall success.

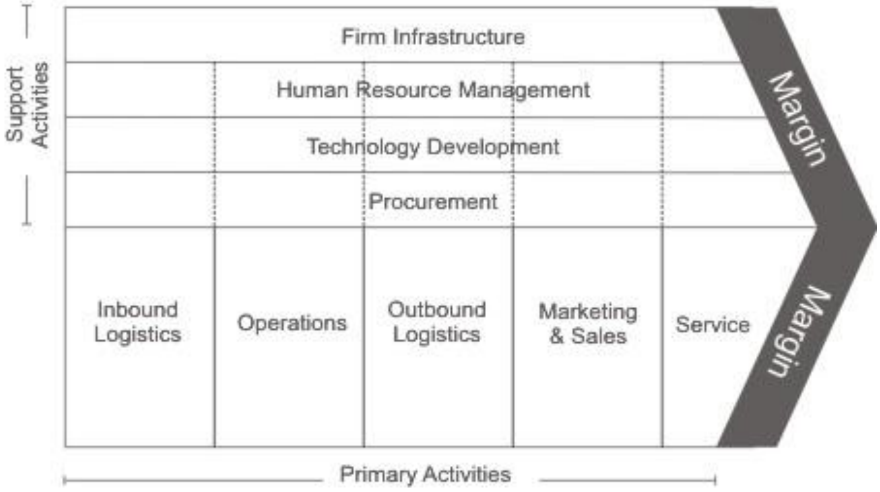
In 1980 and 1985, Porter published *Competitive Strategy: Techniques for Analyzing Industries and Competitors* and *Competitive Advantage: Creating and Sustaining Superior Performance.* With monumental force these two books became bestsellers, which have had a decisive impact on the theoretical and practical engagements with the notion of strategy. The first book, *Competitive Strategy*, presents an analytical framework for understanding industries and competitors. The framework for this industry analysis is known as the *five forces* (Porter, 1980). The five forces include three forces from 'horizontal' competition: threat of substitute products, threat of established rivals, and threat of new entrants; and two forces from 'vertical' competition: the bargaining power of suppliers and the bargaining power of customers. Combined, these forces determine industry profitability, because they influence the prices, costs, and required investment of firms in an industry – the elements of return on investment. While we do not intend to delve into the intricacies of this five forces model, it is, however, important to note how Porter uses war-like terminology such as 'forces' and 'threats' to describe the conditioner under which the strategists must work. Considering that the notion of strategy derives from the Greek 'strategia', which means generalship, it is not that surprising to see that the role of the strategist ('strategos') is to be the leader who prepares his organization for battle by gaining an overview of the industry, which in this case is could be described as the battlefield. However, as we will see, the perspective on strategy changes significantly with co-creation, as customers and even competitors are considered sources of competence, rather than threats and enemies. Before we get to this, though, we still need to develop a more nuanced understanding of Porter's massive contribution to the area of strategy thought.

Building on his famous five forces industry framework, the aim of Porter's second book, *Competitive Advantage*, was to determine how companies could create and sustain competitive advantage within its industry. The question that Porter essentially poses is the question of how a firm becomes overall successful. Importantly, he is not merely interested in understanding how the firm achieves high efficiency in its production or how it builds a strong brand reputation; instead what he is after, is the question of how the firm achieves and maintains overall success (Porter, 1985: 1). Following this line of reasoning, the role for a framework of strategy, is to provide an account of what it takes for a company to be overall successful. Assuming that competition is at the core of the success or failure of firms, Porter looks for a set of distinctive characteristics of the overall successful firm, in terms of what factors constitute its competitive advantage (Porter, 1991: 95). Porter's answer to this question can be summed up in two general characteristics, namely entering the right market position and establishing an adequate set of value creating activities to support this market position.

For Porter, the practice of strategy consisted of two fundamental steps: 1) chose an attractive position for the firm in the marketplace; and 2) establish a value chain to deliver the offerings required to achieve or maintain the desired position within the marketplace. In order to provide a framework for analyzing the choice in the first step, Porter presents his framework for industry analysis (Porter, 1980). The idea is that managers can utilize this framework to analyze the attractiveness of an industry as well as the competition in the market. In answering the question of how firms actually compete in the market (i.e. how firms create and sustain a competitive advantage) Porter states that firms succeed by being able to create more value for customers than competitors (1985: 3). Of course, this answer begs the question of what Porter understands about 'value'. Porter's concept of value is inspired by the economic notion of reservation price. Value, Porter explains, "is the amount buyers are willing to pay for what a firm provides them" (1985: 38). And this value is measured by total revenue, which is "a reflection of the price a firm's product commands and the units it can sell" (ibid.). Since Porter's definition of value is such that it can be understood in "competitive terms" (ibid.), the creation of value indeed becomes the central theme of Porter's second book about how firms create and sustain a competitive advantage. For later purposes, it is important to note that Porter, in economic terms, provides a definition of value, which is merely instrumentally adequate when it comes to understanding how to act in competitive business scenarios. This is further underscored when Porter states, "creating value for buyers that exceeds the cost of doing so is the goal of any generic strategy" (ibid.). When we look into co-creative views on strategy, we see much broader definitions on what value is, which in turn brings new perspectives on the role of the firm in value creation. In the case of Porter, the definition of value can also be said to have implications for his conceptualization of the value creation process. In the remaining part of this explication, we look further into Porter's distinctive conceptualization of the process of value creation.

If firms maintain and increase their performance by being able to create more value for the customer, then one of the primary questions of strategy is to answer, how do we as a firm create value? To understand the logic of value creation that Porter advocates, we must look into his concept of the *value chain*. The concept of the value chain is an attempt to map the process of value creation, to provide an overall clear-cut picture of how the firm can achieve competitive advantage. Porter imagined a chain-like, one-way process of casually connected inputs and outputs, which connected the start of production to the moment of exchange in which value was created. Accordingly, the value chain represents the total collection of value activities that are performed by the firm to design, produce, market, deliver, and support its product. These activities are considered "the discrete building blocks of competitive advantage" (Porter, 1985: 35). In essence, the competitive advantage grows out of the value a firm is able to create for its buyers that exceeds the firm's marginal cost.

In order to effectively diagnose competitive advantage, firms need to first identify the value activities, and subsequently isolate these activities into strategically distinct links within the value chain. Porter divides the value chain into two broad types: *primary* activities and *support* activities. There are five generic categories of primary activities: inbound logistics, operations, outbound logistics, marketing and sales, and service. The supporting activities include: procurement, technology development, human resource management, and firm infrastructure.



The Generic Value Chain (Porter, 1985)

Within each category of primary and support activities, there are three *activity types* that play a different role in competitive advantage:

1. *Direct* – activities directly involved in creating value for the buyer, such as assembly, parts machining, sales force operation, advertising, product design, recruiting, etc.
2. *Indirect* – activities that make it possible to perform direct activities on a continuing basis, such as maintenance, scheduling, operation of facilities, research, administration, vendor record keeping, etc.
3. *Quality assurance*[6] – activities that ensure the quality of other activities, such as monitoring, testing, reviewing, adjusting, reworking.

In his discussion of the role of each of the activities mentioned above, Porter notes that the role of indirect and quality assurance activities is not often well understood, "making the distinction among the three activity types an important one for diagnosing competitive advantage" (Porter, 1985:44).

[6] Quality assurance is *not* synonymous with quality management, because many value activities contribute to quality (Porter, 1985:44).

Although the activity labels are, of course, arbitrary, Porter suggests that the appropriate level of disaggregation depends of the economics of the activities and the purpose for which the value chain is being analyzed. According to Porter, "the basic principle is that activities should be isolated and separated that (1) have different economies, (2) have a high potential impact of differentiation, or (3) represent a significant or growing proportion of cost" (Ibid.: 45). Without delving further into the intricacies of Porter's analysis, it should be obvious by now that the benefit of the value chain is that it provides a systematic way of examining all the activities a firm performs, and how these activities provide value. In fact, Porter explicitly states, "the value chain disaggregates a firm into its strategically relevant activities in order to understand the behavior of costs and the existing and potential sources of differentiation" (1985: 33). In addition to providing a strategically relevant framework, Porter's also leaves us with the impression that value is created in a linear process, which takes place inside the firm. The mechanistic imagery then becomes indicative of how business scholars and practitioners understand the process of value creation as well as the dynamics of the organization's activities (Morgan, 1998, p. 4ff and 19f). In the following section we show how the Porterian framework is criticized for being too inflexible and rigid in its attempt to encapsulate the process of value creation. However, it should be noted that Porter was not at all blind to the interconnectedness of the different strategic units.

While Porter considers the distinct value activities as the building blocks of competitive advantage, he did not merely view the value chain as a collection of independent activities, but rather as "a system of interdependent activities" (1985: 48). With reference to the chain metaphor, Porter notes that value activities are related by linkages in the value chain (ibid.). Of course, this point reflects the need to coordinate activities, but perhaps more importantly it also highlights the implicit trade-off among activities to achieve the same overall result. For example, investments in high quality raw material, more stringent material specifications, or greater in-process inspection may reduce service cost. To achieve competitive advantage, firms need to optimize such linkages in the best way possible – that is, where most value can be created for the lowest possible cost.[7]

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[7] Porter offers a set of hypothetical examples of linkages, which indicates that linkages are common, and that they can be found both among primary and secondary activities within the value chain (1985: 45).

In addition to linkages within the value chain, Porter suggests that there are vertical linkages between suppliers' value chains and the firm's value chain, which provide opportunities for the firm to enhance its competitive advantage. "It is often possible to benefit both the firm and suppliers by influencing the configuration of suppliers' value chains to jointly optimize the performance of activities, or by improving coordination between a firm's and suppliers' chains" (Porter, 1985: 51). Porter saw the network of suppliers, firms and customers as a part of what he termed a value system (Porter, 1985: 34).

A value system is a map of a flow or stream of value. It maps how value is created through the value chain of one or several entities, and received as value inputs in buyer value chains further down the stream. In the case of a buying company, the value chain would be mapped in accordance with the model of the generic value chain, which we described and depicted earlier in this section. In the case of households or individual consumers, the value chain will look somewhat different. Porter imagined that mapping the complete value chain for an individual or household would be an impossible endeavor (1985: 52-53). But regarding the use of a specific product, or bundles of related products, Porter argues that it is, in fact, possible to map the value chain, and hence, managers should try to do so, especially if they aim for product differentiation in the market in which they compete (ibid.).

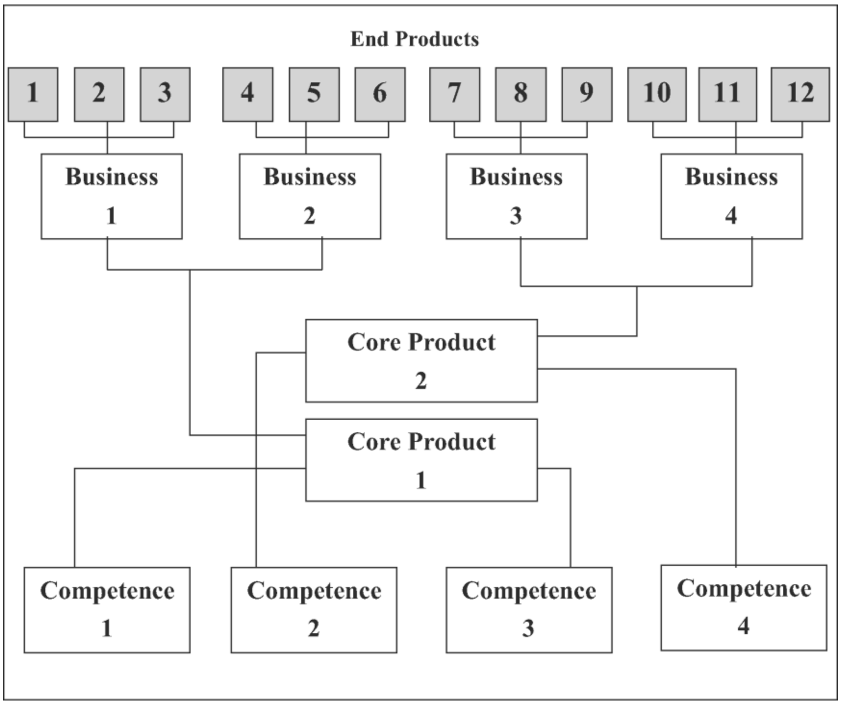
Despite the fact that Porter recognizes the potential impact of a firm's environment – including suppliers and customers, he generally operates with a sharp distinction between the producer and consumer of value, as well as a clearly defined sphere in which value creation takes place. Value is created within the boundaries of the firm, and exchanged in the market, outside the boundaries of the firm. As we will see, this view of value creation changes drastically with the emergence of co-creation. Co-creation is often presented in association with the proposition that managers need to move from a company centric way of thinking to a customer centric way of thinking (Prahalad and Ramaswamy, 2000, 2004a; Ramaswamy and Gouillart, 2010). Porter's early strategy schemes can to a considerable degree be said to be company centric. This is true for several reasons. First of all, Porter defines value in terms of how it is relevant regarding the interests and actions of the company, since value, in terms of highest possible price, is the most instrumentally relevant measure when it comes to managing production costs, identifying market opportunities, and calculating the return on investment on various activities. Therefore, to define value in terms of the highest price customers are willing to pay, it can be said to be company centric, due to the fact that the horizon in which value is defined is in terms of how it is instrumentally relevant for the company to define it.

In the following section we see how the Porterian framework is criticized for being too inflexible in its attempt to encapsulate the process of value creation. An organic perspective on the organization challenges the disaggregation of the company into functional units. This will be especially evident when we look at the change in metaphor the scholars use to replace Porter's notion of the value chain.

The Core-competence View: Challenging the Porterian View of the Firm

If Porter's notion of the value chain can be said to provide a picture of the dynamics of competition within a mechanistic framework, the alternative view which Hamel and Prahalad present first in their seminal 1990 Harvard Business Review article, "The Core Competence of the Corporation", and later in the esteemed strategy book, *Competing for the Future* (1994), can be said to reflect an imagery of the organization as an organic entity adapting to its natural environment. While Porter's framework focuses on matters, which are possible to analyze quantitatively, and to a great extent reflected a mechanistic imagery of the organization, Hamel and Prahalad tried to look beyond the quantitative economic framework in order to investigate the "roots" of competitive advantage. More specifically, Porter's value chain is intended to help identify how firms can achieve competitive advantage in their already established business units by either lowering the cost of production or by adding value to the product by the means of increased quality. In comparison, Hamel and Prahalad argue that the driving force of competition, and what managers should really focus on, is the core competencies of the firm. In order to secure the long-term competitiveness of the firm, managers need to attend to the firm's core competencies, which the authors broadly define as "the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technology" (ibid.: 82).

In order to depict the deep-seated, highly important, and yet easily overlooked nature of these core competencies, Hamel and Prahalad use the metaphor of a tree (see model below). The authors describe the diversified corporation as the tree: "The trunk and the major limbs are core products, the smaller branches are business units; the leaves, flowers, and fruit are end products. *The root system that provides nourishment, sustenance, and stability is the core competence*" (Hamel and Prahalad, 1990: 82; italics added).



Hamel and Prahalad's model of "The Roots of Competitiveness" (1990:81)

Whereas Porter's value chain has all the mechanical connotations of an assembly line, where value is sequentially added to the product as it moves horizontally from left to right through the various activities constituting the firm, Hamel and Prahalad's competence tree works on a vertical axis, through a bottom-up movement, where the core competencies provide the nourishment for the materialization of the products. Importantly, core competencies are not like physical assets, which deteriorate over time. In fact, "competencies are enhanced as they are applied and shared. (…) They are glue that binds existing businesses. They are also engines for new business development.

Patterns of diversification and market entry may be guided by them, not just by attractiveness of markets" (Hamel and Prahalad, 1990: 82).

Instead of merely looking at what end products the firm actually offered and how they competed at markets which were already developed, Hamel and Prahalad moves the focus to what the firm is capable of offering, and which future markets it has the capabilities to create and compete on (Hamel and Prahalad, 1994: 275). While Porter analyzed how firms competed on actual existing markets, and developed his formula of competitive advantage on the background of this, Hamel and Prahalad turn their focus to the creation and competition on future markets. Suggestively, one could say that Porter's view of strategy assumed competition to be similar to a game of sports, where the rules and nature of the game is established and accepted when the game commences. On the contrary, the core competence perspective was developed as an answer to what it takes to achieve success by creating and winning the games of the future.

Visible in Hamel and Prahalad's ideas is a natural imagery, which emphasizes the natural entity to be in conflict with its surroundings. The natural imagery appears here as a Darwinistic view on business competition. It is not the company with the most resources, the highest sales or the greatest efficiency, which is prone to survive in the long run, but the company that is most capable of adapting to its changing surroundings (Morgan, 1998, p. 57f). By shifting the focus away from actual existing markets and competition within these markets, the two authors propose that the success of the firm becomes less about competing on the market on the basis of products and services, and more about competing on foresight (Hamel and Prahalad, 1994: 274). Foresight is to be contrasted with merely focusing on the actual market and instead trying to base strategy on a grounded imagination of the business opportunities of the future. Managers, Hamel and Prahalad argue, need to focus on that which occurs outside the actual market; they term this the "extramarket or nonmarket, competition" (ibid.). Under this scheme, the main source of competitive advantage is seen as the ability to establish a foundation upon which firms can compete on markets, which have not yet emerged (ibid.).

The fundamental characteristic of firms, which possess the potential to create and compete on future, not yet present markets, is to be seen as a function of the firms composition of knowledge, skills, and other related intangible assets – in other words, the core competencies of the firm. Other resources such as capital and various other tangible assets are, of course, still seen as an advantage, but according to the authors, it is due to the right composition of core competencies, that considerably smaller firms with fewer tangible assets can outcompete larger firms, by setting the standards for competition on newly created and undefined markets. A core competence can be identified by three essential characteristics (Hamel and Prahalad, 1990: 83f; 1994: 202f). Firstly, a core competence must make "a disproportionate contribution to customer-perceived value" (Hamel and Prahalad, 1994: 204). By 'disproportionate' the authors presumably mean that the contribution of the competence to customer-perceived value needs to be relatively larger than the associated cost. Core competencies are the skills that enable a firm to deliver a fundamental customer benefit. In this sense, "customers are the ultimately the judge of whether something is or is not a core competence" (Ibid.: 205). Of course, this does not imply that the core competence will be visible to, or easily understood by, the customer. After all, it is *perceived*-customer value that the two authors refer to.

Secondly, to qualify as a *core* competence, "a capability must also be able to be competitively unique" (Hamel and Prahalad, 1994: 205). This does not mean that to qualify as core, a competence must be uniquely held by a single firm, but it does mean that that any capability that is ubiquitous across an industry should not be defined as core unless, of course, the company's level of competence is substantially superior to others (ibid.). To further clarify this point, Hamel and Prahalad make a distinction between "necessary" competencies and "differentiating" competencies. Quite plausibly, they argue "it makes little sense to define a competence as core if it is omnipresent or easily imitated by competitors" (ibid.: 206). To guard against an observed tendency to overstate the uniqueness of a firm's capabilities, Hamel and Prahalad advise that firms benchmark their competencies against those of competitors (ibid.). The reason why the authors point this out is, of course, that in order to actually achieve a competitive advantage it is crucial that managers focus on a competence that meets the test of customer value and competitive uniqueness; and yet it still might not qualify as a core competence.

The third and final test of whether a given competence can be considered a *core* competence is that of "extendability" (Hamel and Prahalad, 1994: 2006). Behind the term 'extendability' is the idea that a core competence should provide access to a wide variety of markets (Hamel and

Prahalad, 1990: 83). If core competencies are said to be "gateways to the future" (Hamel and Prahalad, 1994: 197f), it implies that a core competence is truly a core competence if and only if it forms the basis into new markets (Ibid.: 207). Since the notion of the future is, indeed, the central theme of Hamel and Prahalad's contribution to strategic thought, we will use the remaining part of this section to further explore this theme in more detail. We begin this explication by providing a more general account of how core competencies can be compared and contrasted with the much broader concept of capabilities.

A large company will most likely have an enormously long list of capabilities. On the contrary, the firm will likely only have a few core competencies, perhaps only a single one. But the two items are still closely related. If one makes a list of the many capabilities which a given large firm possess, and marked each capability with a number from 1-10 depending on the strength of the firm regarding this particular capability, then the core competencies of the company would likely be the pattern bringing coherence to the firms complex of capabilities. The core competencies of the firm are determining of what the company is able to do exceptionally well, seen in relation to its competitive environment. With reference to the presumed potentiality, Hamel and Prahalad point out, "Core competencies are the gateways to future opportunities. Leadership in a core competence represents a potentiality that is released when imaginative new ways of exploiting that core competence are envisioned" (Hamel and Prahalad, 1994: 197f).

While a competence to offer a certain product is a competence restricted to offering that given product, a *core* competence is not restricted to any specific product or any specific market for that matter. On the contrary, it should be seen as a potential for competing at a given set of ways at a given set of markets. Hamel and Prahalad present a wide range of examples of core competencies, but one of the most frequently quoted examples is Sony, which competes on various markets for electronic goods. While the different business units of Sony vary greatly in their offerings, one core competence that ties the business together across many of the company units is a core competence in the miniaturization of electronic systems (Hamel and Prahalad, 1994: 84). Due to its extendability, this core competence is applicable in a wide range of product markets. Just as Porter saw the value chain as the source of the value created for the customer, a core competency can be said to provide value to the customer, and subsequently the firm, by nature of three unique traits described above.

When addressing the development of core competencies, Hamel and Prahalad present the process in the following terms: "The commitment a firm makes to building a new core competence is a commitment to creating or further perfecting a class of customer benefits, not commitment to a specific product-market opportunity" (Hamel and Prahalad, 1994: 198). Here it becomes apparent that one cannot understand strategy within the core competence perspective completely independent of a Porterian notion of strategy. While core competencies are the basis of competitive advantage, a company still needs to direct the acquisition of competence towards an attractive position within an actual or possible market. The attractiveness or that which is to give direction to acquisition of competencies, regards the possibility for the company to create value by satisfying a set of customers. Therefore, the development of core competencies is to be conducted on the background of an analysis of a positioning in relation to providing a set of customer benefits.

By and large, the core competence view presents another view on what a firm is when compared to the one presented by Porter. If we look at Porter's idea of the value chain, we see a view of the firm as a bundle of clearly distinct business units which each have their own specific areas of function. If we see the value creation activity of firms as the activation of their core competencies, we get a view on the firm, as a more flexibly structured entity, which is structured in terms of potential instead of actual function. If we pose the question 'what kind of company are we in?' and the question is answered within the Porterian framework, the answer would point to a given set of business units competing on a given set of markets, by offering a certain set of product, delivered through a certain established value chain. When we look at the way in which this question is answered within the core-competence perspective, it becomes apparent that they try to give an account of strategy that is of a higher constitutive order than Porter's. While Hamel and Prahalad would grant that the company *is* this set of business units competing in different areas, they would follow up with the question: why is the company able to compete in these business areas which it does? The answer to this is the company possesses one or more core competencies, which enable it to compete in these different areas in these certain ways. Therefore, its actual business units constitute the source of competitive advantage, but the possibility for this is the core competencies of the corporation.

As stated earlier, one of the phenomena which Hamel and Prahalad presents as examples of the validity of the core competence perspective, is that some firms outcompete other firms, in spite of possessing fewer resources. An important driver, which the authors present, is "resource leverage". This can be said to be a state of action where the company mobilizes as many resources at its disposal as possible and gets the most value for the resources it commands. Of course, there can be other causes of these phenomena, such as whether or not the smaller company has picked the right core competencies to develop for the future. Several drivers of resource leverage are presented (Hamel and Prahalad, 1994: 160ff). Two of these drivers are particularly interesting for this thesis. These drivers are "mining" (Hamel and Prahalad, 1994: 165) and "co-opting" (ibid.: 172f).

The idea of mining invites the manager to see the company as a "reservoir of experiences" (Hamel and Prahalad, 1994: 165). Every employee possesses a pool of knowledge about the company and this pool is constantly adding depth. Sales people learn more about customers through their daily encounters, people in production constantly learn about the capacity of the company, and new sources of increased quality or efficiency may be discovered. If a company is successful in mining experiences from the reservoir and learns from it, competitive advantage can be gained by means of risk mitigation in relation to innovation and increases the productivity of various aspects of the company's processes. When we turn to co-creation in the following section, we see how the notion of mining not only can be deployed regarding employees, but also how the customer base of the company offers a reservoir of experiences that the company can tap into. By seeing the firms employees as well as other stakeholders, such as suppliers, as sources of competence, another natural imagery is reflected namely that of the ecosystem, where the natural organism is nurtured through mutual support from its surroundings. In our account of co-creation we see how this imagery is used more extensively, reflecting the fact that the core competence perspective can be said to have allowed for the emergence of the idea of co-creation.

Another way of leveraging resources, which the authors suggest is tapping into the resources of their competitors. This is essentially a matter of identifying shared objectives with a competitor in order to co-opt the resources of competitors. Where Porter saw potential in leveraging the vertical linkages between the firm's value chain and value chains of suppliers and channels, Hamel and Prahalad extends the argument to include competitor in more substantial collaborations. For example, if two competing car manufactures commence a common research initiative in order to develop a new type of car technology, which would give these two manufactures a unique advantage, compared with the rest of the market? The reason for such collaboration could be that the one firm has strong competencies in one aspect of the development process, and the other firm in another aspect. While mining was a matter of the company tapping into the experiences of people in order to learn from them, co-opting is more substantial collaboration. The company in question does not just learn from the entity that it co-opts, rather it includes the entity directly in the creation of value. In the case of mining, the people whose experiences are tapped into will only be included indirectly in the creation of value, meaning they will not themselves directly create the value, but indirectly, by provide guidance for the process.

The core competence perspective allows for the possibility of seeing the source of competitive advantage as something that transcends the firm's portfolio of business units. Owing to this idea of co-opting competitor competence, Prahalad and Ramaswamy introduces the idea of co-creation six years after *Competing for the future,* in their 2000 Harvard Business Review article, "Co-opting for Customer Competence". The basic intellectual maneuver was to say, if the competitive advantage of firms first and foremost is constituted by their core competencies, and competencies can be leveraged by not just the employees of the company, but even competitors outside of the firm, then it could be possible to even see the customer base of the company as a source of competence and thereby competitive advantage for the firm. Thus, a new frontier within management thought was opened. While the customer previously had been conceptualized as a passive recipient of value, co-creation invited us to see the value creation process as a process, which involves loops with value inputs from the customer to the company. While Porter conceptualized value creation as a linear stream, co-creation blurs the picture, by having the consumer adding value to the product, which the company offers back to the consumer. The core competence perspective on competitive advantage invites us to consider the core competence of the firm as core of the internal of the company, as an entity that we reach if we peel back the superficial layers of the company, layers such as products, current strategies, and various tangible assets. Co-creation challenges this perspective of the company's core as the source of competitive advantage by challenging the assumption that the competencies of the firm are something merely internal to the firm. Roughly around the time of the publication of Hamel and Prahalad's *Competing for the Future* (1994), another important work in the discipline of strategy was published, namely *Designing Interactive Strategy* by Normann and Ramirez (1993, 1994), which presented what we will term 'the value constellation view', which is intended as a revision of Porter's value chain view. This view is of special importance to understanding the intellectual origin of co-creation as a new business paradigm, since it opens several of the lines of problematization of the traditional view of business that is seen in the later co-creation discourse.

The Value Constellation View: Value Creation as a Multilateral Process

In this section, we look into the co-concept of co-production, first presented by Normann and Ramirez in their work *Designing Interactive Strategy: From Value Chain to Value Constellation* from 1994 – six years before the concept of co-creation saw the light in 2000. While Normann and Ramirez apply several elements of Porter's conceptual framework, they frame their overall position as an attack on Porter's ideas[8]. Especially, the idea of the value system as consisting of a linear and sequential stream of connected value chains is questioned (Normann and Ramirez, 1998: 27, 29).

Many of the ideas presented by Normann and Ramirez are similar to the idea of co-creation. For example, they understand value creation as the outcome of interaction and collaboration rather than the work of a sole actor. However, the concept of co-production does, as we shall see, have a lot less radical stance on the nature of value, than the concept of co-creation. One reason for this discrepancy is that the economic context which Normann and Ramirez address is the service economy (1998: 12); while the concept of co-creation, especially co-creation of value,

[8] Even so, Donald Schön writes in the foreword that an alternative sub title could have been "Against Porter" (Normann and Ramirez, 1998: ix).

to a much greater degree will be shown in continuation of the prevailing concept of experience economy.

Before getting into the content of the views presented by Normann and Ramirez, we will briefly include some of the authors' own reflections, which they present in the beginning of the book. In order to explain what point they aim at establishing, the authors draws a distinction between the actual state of affairs within the world of *business* and the ideas and tools of *management*, intended to help one navigate in the world of business (Normann and Ramirez, 1998: 4). The authors state that due to present developments in the dynamics of business, the world of management is failing to align itself with business. With the introduction of new forms of information technology in the early 1990s, the economic system was developing with the same magnitude as that of the industrial revolution, only faster. Hence, the overall aim of their book *Designing Interactive Strategy* is an attempt to rethink the assumptions of management, in order for it to adequately address the realities of contemporary business. We will term the position, which they argue, as '*the value constellation view*'.

Normann and Ramirez's work is intended to give managers a perspective on business, which enables them to see the challenges and opportunities of the new dynamics of business that would be invisible through the lenses of traditional management thought (Normann and Ramirez, 1998: 31). One of the ways in which they offer a fundamentally new perspective on management, is by providing a new image of the organization, which departs from the mechanistic imagery emphasized by Porter. As we shall see, Normann and Ramirez utilize an image of the organization as a computer handling complex flows of information, while continuously acquiring new information and capabilities from a network of other cognitive entities.

One of the main ways in which the authors problematize the traditional value chain, is in terms of the way in which technological innovation and new social configurations impact the dynamics of business. Microprocessor technologies are claimed to be a necessary condition for, and the "driving force" of, the change in dynamics in the value system (Normann and Ramirez, 1998: 29). While earlier mechanical technological systems generally were only performing a single function at the time, microprocessor technology opens up for the possibility of technology performing various functions simultaneously. Whereas the assembly line could only carry out a single function, a computer can perform a large variety of tasks simultaneously. According to the authors, microprocessor technology increases the “density of offerings” (Normann and Ramirez, 1998: 15ff). A traditional pen and paper, is an offering of minimal density, since the activity of writing makes most other uses of the offering somewhat impossible. A computer, on the other hand, can perform a large variety of functions at the same point in space and time and, therefore, the computer is denser in function than the traditional pen and paper.

What implications does the density of offerings have for the dynamics of business? Later in the book, it is made explicit that the notion of density is intimately connected to the concept of value: “Value can be measured by the ‘density’ of options, as manifested in the knowledge, resources and activities made available to the user in time and space” (Normann and Ramirez, 1998: 49). The computer is a tangible product, but the physical object itself is of little utility, as its value resides in the broad array of services, which is embedded in the product. While a pen has little degree of density, the density of a computer is enormous, due to the array of services that are possible to embed into it. This allows for a great degree of intangible value creation, relative to the amount of material value creation, which the computer as a material product represents. The term “option” in the quote signifies that the value of an offering resides in the fact that it enables the customer to carry out various activities. The offering presents several options for the consumer, giving her a set of choices regarding activities she can perform.

Another way in which microprocessor technology changes the dynamics of business is by enabling “asset liquidity”. While density relates to the offering as such, asset liquidity relates to the means by which these offerings are being created. The liquidity of assets refers to the fact that microprocessor technology enables the combination of assets in new and more complex ways than mechanical or electromechanical technology (Normann and Ramirez, 1993: p. 18ff). Liquid assets are often intellectual in nature, they are typical knowledge or information, and their liquidity is caused by the fact that they can be moved freely. For example, the knowledge and information contained within a computer can often easily be sent to a computer on the other side of the world, without any considerable costs. This enables intellectual assets to flow freely, without loses. The intellectual assets, in the form of production plans for a certain stereo model, can easily be shared among individuals at different geographical locations. By the same token, if the development plans for the stereo are shared with another person, that person's intellectual assets, in the form of knowledge about stereos, can easily be combined with the assets already mobilized in the plan. In this fashion intellectual assets, from other parts of the value system can at minimal cost, be transferred to a product or service.

Now we have seen how microprocessor technology makes the creation of offerings more complex. It is due to this shift in the nature of offerings that the dynamics and logics of business also are becoming more complex (Normann and Ramirez, 1998: 50). If we once again take the example of the computer, the material product may be produced by a single entity, but the offering on the other hand, as the locus of value, is created with inputs by a theoretically limitless number of different actors. Value is co-produced, through value constellations. This is primarily made possible by the fact that now many products can be quite dense with value, since they can be carriers of a broad array of services and value created through intellectual assets. It is important to note that there are two important aspects of the idea of liquid assets; firstly, it consists of a claim that assets to an increasing degree can be moved and combined freely, without costs. This claim implies the idea of offering density, which has as an implication that intellectual assets have a much greater role in productivity today. If that was not the case, it would not make sense to say that the dynamics of business are changing, due to the fact that assets can now be combined freely. Due to the fact that productivity relies more and more on intellectual means of production than previously it is possible for a considerable part of the means of production to flow freely.

According to Normann and Ramirez, the two drivers of the changing dynamics of business, the density of offerings and liquidity of assets, changes the logic upon which strategy has been based. The authors argue that an industrial assembly line is paradigmatic for the traditional logic of management (Normann and Ramirez, 1998: 5 and 12). But while the assembly line is a paradigmatic example of early industrial production, the assembly line is not any longer a dominant part of contemporary value creation processes. The value chain model that Porter advocated, conceptualized value creation as a step-by-step, linear and sequential process. The point is then, that due to the increasing density of offerings and liquidity of assets, the value creation is no longer a linear and sequential process. Due to the fact that material products can be added a large amount of intangible value from various sources, and intangible value often can be added to a product or service with minimal costs, from various areas of the value system, it is seldom that the creation of a company offering will be the result of either a linear nor sequential process (Normann and Ramirez, 1998: 29). As an alternative to the traditional concept of the value chain, Normann and Ramirez propose the concept of the value constellation, which conceptualizes value creation as a co-productive relationship between interrelated entities in the value system.

> "Relationships in co-production are thus more complex, more multi-directional and simultaneous than those in the industrial business world as described by the value chain. Actors are no longer just buying an item, adding value to it, and selling it to the next link in the chain. Instead of adding value one after the other, the partners in the production of an offering create value together through inventing new relationships" (Normann and Ramirez, 1998: 43).

The new relationships presented in this quote are what the authors term value constellations. If we take the example of the creation of a modern automobile, we have an offering that has been added value to it from a broad array of actors. The imagery of a computer is seen through the way in which the organization interacts with a complex network of information in its value creation. The organization is still seen as a machine, but the mechanical imagery of Porter has been exchanged with the imagery of microprocessor technology. The image of the organization has shifted from the assembly line to a computer.

'Co-production' designates somewhat the same dynamics as 'co-creation', but whereas the focus in the co-creation discourse often is on the inclusion of the end consumer in the value creation process, co-production focuses more broadly on the inclusion of various entities in the value system, such as suppliers and partners. Since the density of offerings and the liquidity of assets are drivers of the phenomena, co-production will likely be scenarios where various companies combine their skills and knowledge in adding value to an offering because of their intellectual assets. A different example could be the offering of a car. The material object is only a part of the offering; we also need car insurance. In fact, these days a car would unlikely be an attractive offering without the insurance. Although this is perhaps an oversimplified example, the point is how the car is an offering co-produced by both the car manufacturer and an insurance company.

One of the conclusions that Normann and Ramirez draw from these observations is that companies are not the primary parts in competition (Normann and Ramirez, 1998: 74). Competition is not as much about companies competing against each other, as it is about competition between various offerings. Offerings are created through multiple parties, and it is with regard to the offering, rather than the constellation behind it, that the customers spend their money; and hence, the competition for money is between offerings rather than companies. Indeed, companies may even be likely to benefit from the success of several competing offerings. Following the claim that competition is primarily between offerings rather than companies, the authors continue by claiming that competition is not so much about selling a lot of products as it is about establishing a strong customer base. In the value constellation view the customer is an important asset to the firm, rather than merely a passive recipient of value (Normann and Ramirez, 1998: 79 and 100). In accounting for this view of the consumer, Normann and Ramirez refer to phenomena such as consumers being increasingly active, empowered, and informed in their consumption. Since consumers are now active, creative, and sophisticated in their consumption, they should be seen as potential sources of competence. Another reason for treating the customer as an asset, which they present, is that it is through her competencies that the customer is able to use the offering to create value for herself. As an example of this, they present a health care company, which focuses its product on enabling patients to perform various health related activities by themselves, and thereby including the competencies of its customers in creating the value of the offering (Normann and Ramirez, 1998: 87). The reason that the competencies of customers should be seen as an asset is that the value of the offering for the customer will depend on the customer being able to utilize it in creating value for herself. Therefore, a customer base which possesses the competencies to utilize an offering to create superior value for themselves, should be treated as an asset, since that heavily can influence the firm's ability to create value, and thereby its competitive advantage.

The value constellation perspective resembles in several ways what we more recently have witnessed in the co-creation discourse. The shift of focus from the internal capabilities and resources of the firm, to outside of the boundaries depictured in Porter's value chain will appear even more radically in the next chapter. While the value constellation view emphasizes the active role of the consumer in the value creation process, in the concept of co-creation we see that this idea is put in front as central in the framework of value creation. In the following section, we see how co-creation can be said to be a new value logic building upon an idea of the consumer playing an active role in value creation.

Co-creation: Value Creation as Collaborative Process

Now that we have presented a range of central perspectives on strategic management, we will introduce the idea of co-creation as it was initially developed in the late 90's. We start by presenting co-creation in its initial form, which has been developed on the basis of Hamel and Prahalad's competence perspective. We will demonstrate how the idea of co-creation can be said to consist of two components. One of which can be said to be a view of the customer as active in the value creation process of the company, or Porterian termed, the consumer works as an input in the value chain of the company, thereby causing circular motions in the value system. This component of co-creation is in many ways similar to the value constellation view. Where co-creation differs radically from any preceding influential ideas in strategic management is in the new concept of value which the idea of co-creation often implies. While the first component of co-creation can be said to be a means for value creation, the second component is a view stating that value creation as such is co-creation; we cannot in other words, create value without co-creating. Value creation will always in some sense be co-creative, and in order to create superior value for its customers, the firm needs to realize that co-creation is a necessary condition for value creation in order to emphasize and foster the co-creative element in value creation processes. We will commence our account of the co-creative value creation paradigm by presenting each of the two components in turn.

The Origin of Co-creation within Strategic Management

At many levels, the concept of co-creation can be said to be a development to Hamel and Prahalad's competence perspective of the firm. Whereas the idea of the core competence displaces a view of the firm as tightly structured in functional units (i.e. Porter's value chain perspective), the introduction of co-creation points toward the passing of another historic business configuration, namely the rigid distinction between the firm and its market. In the following section we try to make clear how co-creation is presented as a novel mode of strategic thinking which encourages managers to adopt a multilateral view of its competence pool to include constituencies outside of the firm.

In their seminal 2000 Harvard Business Review article, "Co-Opting Customer Competence" and later book publication *The Future of Competition* (2004), Prahalad and Ramaswamy argue that several business discontinuities such as deregulation, globalization, technological convergence, and the rapid evolution of the Internet have blurred the distinction between the roles that companies play when dealing with customers and other stakeholders[9]. To an increasing degree, consumers want to engage companies in dialogue, either individually, or through consumer communities (Prahalad and Ramaswamy, 2000: 82f; 2004a: 123). In light of this propensity, Prahalad and Ramaswamy argue that the most distinguishing feature of this new market logic is that consumers have now come into sight as a source of competence for the corporation: "The competence that customers bring is a function of the knowledge and skills they possess, their willingness to learn and experiment, and their ability to engage in an active dialogue" (2000: 80). The involvement of customers (and other stakeholders) as a source of competence is seen as a central premise for achieving competitive advantage, leading Prahalad and Ramaswamy to conclude "the new frontier for managers is to create the future by harnessing competence in an enhanced network that includes customers" (2000:87).

[9] During 2000 to 2004a, C.K. Prahalad and Venkat Ramaswamy wrote a series of articles on the implications for business and society of the more connected and empowered customer. They detailed the shifting of competencies towards a network of customer communities and global talent outside the firm on the one hand and the emergence of global resource networks of firms on the other (see Ramaswamy and Gouillart, 2010: 4).

The author's sum up the drivers of the changing role of the consumer under the following headings: "information access", "global view", "networking", "experimentation", and "activism" (Prahalad and Ramaswamy, 2004a: 2ff). Consumers' increasing access to information has caused many consumers to become self-made experts on the offerings of companies. Therefore, companies can no longer assume that consumers are interested in passively receiving company offerings, since they possess the knowledge to provide insights on how the company can create more value for them. People are becoming more and more globally orientated, so they might know about global trends, developments, and innovations even before the company learns about them. The Internet, and especially social media, has given rise to vast amounts of new networks of consumers, making it easier and more attractive for people to engage in consumer communities. And finally, since many types of production have become intellectual in nature – for example, design and software development – consumers are able to experiment with developing new products and solutions on their own. As such, these customers have come into view as large reservoirs of competencies that can potentially help the company in adding value to its offerings. Besides being more informed and able to participate in business processes, many consumers are also willing to participate; in fact, they might even expect to be included in the value creation processes.

To illustrate the observed transformation of the contemporary business landscape, Prahalad and Ramaswamy introduce the metaphor of a theater:

> "Business competition used to be a lot like traditional theater: On stage, the actors had clearly defined roles, and the customers paid for their tickets, sat back, and then watched passively. (…) Now the scene has changed, and business competition seems more like the experimental theater of the 1960's and 1970's; everyone and anyone can be part of the action" (Prahalad and Ramaswamy, 2000: 79).

In the traditional conception of the value creation process, customers were by and large located outside the firm. Porter's concept of the value chain epitomized the unilateral role of the firm in creating value; value creation occurred inside the firm (through its activities), and the producer and consumer had distinct roles of production and consumption, respectively. But from a co-creation perspective, value creation occurs as a result of multilateral interactions – many of which can be expected to take place either at the edge of the corporation or even *outside* of it. This can both be under the corporations control or initiative, or as, examples from software development suggest, value can even be created for the company, without the company having taken the initiate or without the company being able to control the processes (Prahalad and Ramaswamy, 2004a: 125). Hence, it becomes apparent that the locus of core competencies is shifting; and the corporation needs to attend to value creating competencies both inside *and* outside of the organization (see diagram below).

The Shifting Locus of Core Competencies

	The company	Family/network of companies	Enhanced network
Unit of analysis	The company	The extended enterprise–the company, its suppliers, and its partners	The whole system–the company, its suppliers, its partners, and its customers
Resources	What is available within the company	Access to other companies' competencies and investments	Access to other companies' competencies and investments, as well as customers' competencies and investments of time and effort
Basis for access to competence	Internal company-specific processes	Privileged access to companies within the network	Infrastructure for active ongoing dialogue with diverse customers
Value added of managers	Nurture and build competencies	Manage collaborative partnerships	Harness customer competence, manage personalized experiences, and shape customer expectations
Value creation	Autonomous	Collaborate with partner companies	Collaborate with partner companies and with active customers
Sources of managerial tension	Business-unit autonomy versus leveraging core competencies	Partner is both collaborator and competitor for value	Customer is both collaborator and competitor for value

Source: "Co-opting Customer Competence" (Prahalad and Ramaswamy, 2000)

This new way of thinking about competence, as something that also exists outside of the organization and where customers play central role, inevitably alters the premise for strategic thinking. In his dissertation on co-creation, Thomas Lopdrup-Hjorth notes that the concept of co-creation effectively displaces the common ground on which the previous strategic management-perspectives converged, namely the fact that the sources of value creation were restricted to and localizable within the firm (2012). This fundamental assumption is now being swept away in favor of an alternative view where value is conceptualized as something that comes from multiple sources – the market place has essentially become a forum in which costumers and others stakeholders play an active role in creating and competing for value (Prahalad and Ramaswamy, 2000, 2004a).

The first consequence of this radical shift is that firm's can no longer define value autonomously, since the number of contributors has multiplied. Thus, whereas value within a Porterian framework could largely be defined in monetary terms as "the amount customers are willing to pay for what a firm provides them" (1985: 38); the co-creation framework calls for a new definition of value, which takes into account that value creation has become a multilateral matter. Furthermore, this entails that co-creation implies that the way we in which we usually think about of products or services as "frozen activities" is abandoned in favor of looking at them as "offerings" that have a much more fluid nature (Lopdrup-Hjorth, 2012). We will explore both of these themes in more detail in the following section, while we will use the remaining part of this section to try to pin down what co-creation actually is.

One distinction, which is important to consider, but challenging to account for, is Prahalad and Ramswamy's distinction between user-centered design and co-creation. When it comes to user-centered design, the company's role in relation to the consumer in the value creation process is characterized as "providing for customers through observation of users; identify solutions from lead users, and reconfigure products and services based on deep understanding of customers" (Prahalad and Ramaswamy, 2000: 80). The idea is that in order to develop offerings which match the demand of the market, you study and analyze what the customers perceive their preferences to be" (Prahalad and Ramaswamy, 2004a: 123). The relationship between the included consumers and the company is solely a matter of learning what the consumer finds valuable; the consumer has no direct influence on the creation of this value or influencing that the company will be able to create value for the customer. User-centered design, as Prahalad and Ramaswamy understand it, has as its goal uncovering the preferences of consumers, since it is a matter of tapping into the needs and wants of the user, in order to develop solutions to these. By comparison, a case of co-opting customer competence is likely to be a more substantial way of tapping into customer competence, since it is not only a matter of learning what a given segment desires, but also about utilizing this segment as a competence in value creation. A good example of co-option of competence is the development of the Lord of the Rings trilogy (Prahalad and Ramaswamy, 2004a: 129). Prior to the design of the Lord of the Rings universe, the design team engaged in a dialogue with large groups of selected fans, in order to consult with them about how to best design the universe presented in the Lord of the Rings books. In this example, potential customers are invited to participate in the value creation process, under a common course, namely the desire for a Lord of the Rings movie trilogy, which is adequate to the original universe. In this example of co-opting customer competence, the fans are included in a way which mobilizes the exceptional knowledge that they have about the Lord of the Rings universe, a level of competency which would be near to impossible to find elsewhere. This example shows how the co-creative approach to value creation is closely related to the core competence perspective, in so far as the company is capable of mobilizing and collaborating with individuals, who are able and willing to impart their unique competencies to create additional value.

In our discussion of the core competence view of the firm, we saw Hamel and Prahalad argue that the 'real' source of competitive advantage is the core competencies of the firm, which "transcend individual business units". A core competence could be said to be a fundamental characteristic of the totality of a firm's capabilities. Therefore, from a core competence perspective, co-creation can be seen as an add-on to this perspective by expanding the sphere within which the totality of the company's capabilities resides. Another way in which co-creation can be said to supplement the core competence perspective is by including the competencies of customers in adapting the firm's core competencies to a new industry or market. Seeing that the resource pool from which firm's can source competencies has broadened both in scale and in scope, Prahalad and Ramaswamy conclude that the unit of strategic analysis should include constituencies outside of the walls of the firm. They note, "The recognition that consumers are now a source of competence forces managers to cast an even wider net: competence is now a function of the collective knowledge available to the whole system – an enhanced network of traditional suppliers, manufactures, partners, investors, *and* customers" (2000: 81 and 2004a: 139f). With individuals (whether customers, employees, partners, or other stakeholders) not only connected, but also empowered, new modes of collaborative production and innovation have been created; and for this reason, managers need to consider these individuals as potential sources of competencies for the corporation, as they present a unique opportunity for the co-creation of offerings.

Of course, this challenges the traditional business assumptions concerning the dynamics of the value system. From Porter's perspective, the customer does not really act as an input of value within the value creation activities of the company. As we have seen, the value chain depicts economic value creation as a linear stream starting from the extraction of raw materials and ending in the value chain of the consumer, who puts the final product to use. The idea of co-creation suggests a picture other than the linear stream. With co-creation, circular motions will occur in the stream of value, and value will be transferred from the consumer back to the company, in the form of inputs for value creation. By looking at "the outside" as a source of competence, companies can gain competitive advantage over its less malleable competitors, who are restricted to only leveraging internal resources, and thereby miss the opportunity to leverage the competencies of its customers.

Now that we have discussed how the first component of the co-creative value creation paradigm, presents new ways for managers to gain competitive advantage, we will see which new perspective on the firm as an entity is reflected in this paradigm, and how it can be said to depart from earlier perspectives of the firm. The imagery of natural selection which Hamel and Prahalad used is not equivalent to the natural imagery utilized in Hamel and Prahalad's presentation of co-creation. We see here a shift in the organizational imagery from an emphasis on conflict and survival of the fittest to a natural imagery emphasizing the ecosystem. The firm is still seen as a natural organism, but now the emphasis is on the mutual support of nurture seen in natural ecological systems (Morgan, 1998: 61f). Especially in Ramaswamy's later work in *The Power of Co-creation* we see the utilization of terms such as social ecosystems.

If we look at the perspective on a company which Porter's value chain offers, the inclusion of customer competence in the value creation process, could theoretically occur in all of the different value activities. Essentially, the only thing that matters is whether the knowledge, skill, or effort of customers acts as an input that has a positive impact on the value of the final offering of the company. Co-creation will, of course, be more likely to occur in relation to some value activities than in others. For instance, co-creation generally seems to occur around the elements of the value creation process, which is somehow *immaterial* in nature. By immaterial, we intend to designate the aspects of the creation of an offering, which are not primarily a matter of manipulating physical material. Aspects like design, branding, and creating the right user experience could all be examples of the immaterial aspects of the value of an offering. As we will discuss further in our analysis of problematization, especially in chapter three, the emergence of co-creation seems to be connected to an evolving nature of value from being less focused on material product to being more dependent on the activation of the cognitive, affective, and social capabilities of human beings. This leads us to the second component of co-creation, namely the idea that value as such is co-creative. The aim of the next section is to show how the concept of co-creation, in addition to expanding the horizon in which companies look for competence, poses a question concerning one of the most central concepts to strategic management, namely what value actually is? We will give an account of the idea of co-creation of value, and see how it challenges the Porterian view of value as product functionality, valorized in terms of the prize consumers are willing to pay for it.

Co-Creation of Value: From Resource Leverage to Experience Economy

In the previous section, we looked at the concept of co-creation of Prahalad and Ramaswamy as a development of the core competence perspective of Hamel and Prahalad. The concept of co-creation amplified the core competence perspective by encouraging managers to include the skills and knowledge of customers in the process of developing the offerings of the firm. From 2000 to 2004, Prahalad and Ramaswamy wrote a series of articles in which they argued that the resources residing in the customer base of the firm are central to enterprise value creation, innovation, strategy, and executive leadership (see Prahalad and Ramaswamy, 2000; 2002; 2004a; 2004b). They detailed the shifting of competencies by offering a series of compelling examples showing that value is increasingly being created jointly by the firm and the customer, rather than entirely inside the firm. In the end, these examples lead the authors to conclude that the new starting premise for value creation is that the consumer and the firm co-create value, and so "the co-creation experience becomes the very basis of value" (Prahalad and Ramaswamy, 2004a: 14).

In this section, we will focus on co-creation not only as an extension of the core competence perspective, but rather as a concept that fundamentally alters the premise for value creation. While co-creation was initially presented as a contribution to prevailing strategy thought, the concept actually seems to point towards changes which are far more fundamental. In *The Future of Competition* (2004a), Prahalad and Ramaswamy present the radical claim that the co-creation experience (not the offering) is the basis of value for the customer (2004a: 16). Our discussion of this "new frame of reference for value creation" (ibid.: 13) will include three components. First, we will try to make clear what Prahalad and Ramaswamy mean when they note that "*deeply etched ways of thinking limit our ability to shift into co-creation mode of thinking*" (ibid.: 38), meaning that in order to reap the benefits of co-creation, we first have to discard the former paradigm of value creation. Secondly, we will make an effort to explain what is actually to be understood by the co-creative concept of value. And finally, we will look into the idea of *engagement platforms,* which is one of the key suggestions, which co-creation offers today's managers (Ramaswamy and Gouillart, 2010: 35f).

A common feature within the co-creation discourse is the shift from company-centered thinking to a consumer-centered thinking (see for example Vargo and Lusch, 2004; Vargo et al., 2008; Prahalad and Ramaswamy, 2004a; Zwick et al., 2008; Roser et al., 2009; Ramaswamy and Gouillart, 2010).[10] According to Prahalad and Ramaswamy, business managers, like all human beings, are "socialized into a *dominant logic* – shaped by the attitudes, behaviors, and assumptions that they learn in their business environments" (2004a: 37). The danger of adhering to a company dominant logic is that managers forget to think like customers:

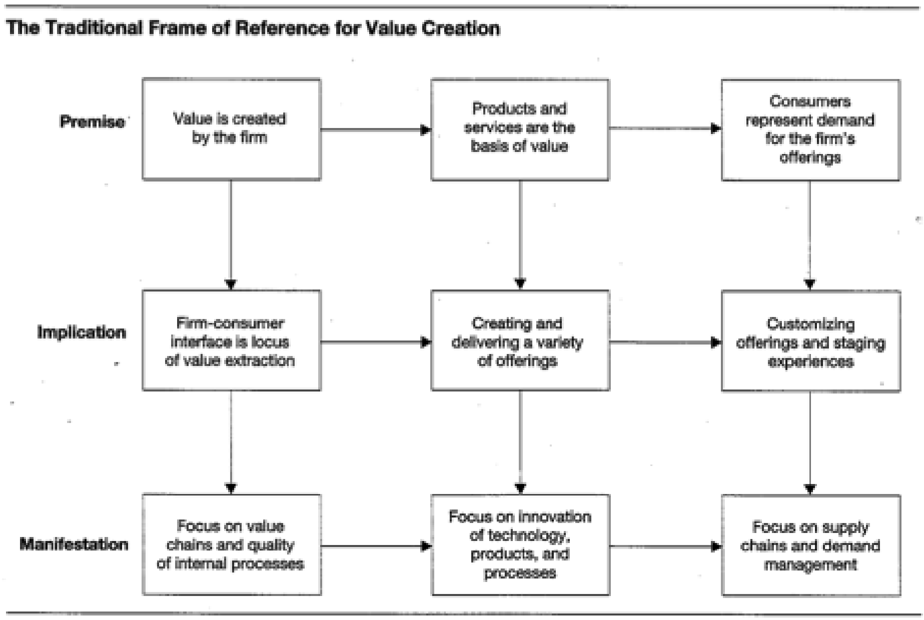
> "Their thinking is conditioned by managerial routines, systems, processes, budgets, and incentives created under the traditional framework of value creation. They focus on technology road

[10] In their discussion, Prahalad and Ramaswamy also use the terminology of "company think versus consumer think" (2004a: 37). Other authors in the co-creation literature use the notion of a dominant logic to designate the same. (see for example Vargo and Lusch, 2004; Vargo et al., 2008; and Roser et al., 2009) Our use of the concept of the paradigm in the introduction of this thesis is motivated by this ambition of co-creation to present a radical new way of understanding business, based upon a new view of value and the market.

> maps, plant scheduling, product quality, cost reduction, cycle time, and efficiency" (Prahalad and Ramaswamy, 2004a: 37).

Note, that the different elements, which are here presented as the typical content of company logic, are roughly the same as the value activities in Porter's value chain (Prahalad and Ramaswamy 2004a: 39). While the company will understand the value of its offering in relation to the various elements of their part of the industrial or business process, the consumer will understand the value of the company's offerings on the basis of aspects in her individual life, such as personal values, desires, needs, social expectations, and cultural relations, etc. Therefore, when managers think about value creation in terms of the value activities inside the firm (i.e. the value chain) there is an obvious risk that they will understand the value of their offerings from a perspective, which is far separated from that of the consumer.

The dominant logic that Prahalad and Ramaswamy position themselves against, refers to a certain way of perceiving and understanding business, which has the company as its point of departure. If we take the value creation of a company as an example, the company-centric manager will understand this through a certain set of lenses, which can be expected to be colored by a deep-seated assumption about the company's traditional role in this value creation process (see model below).

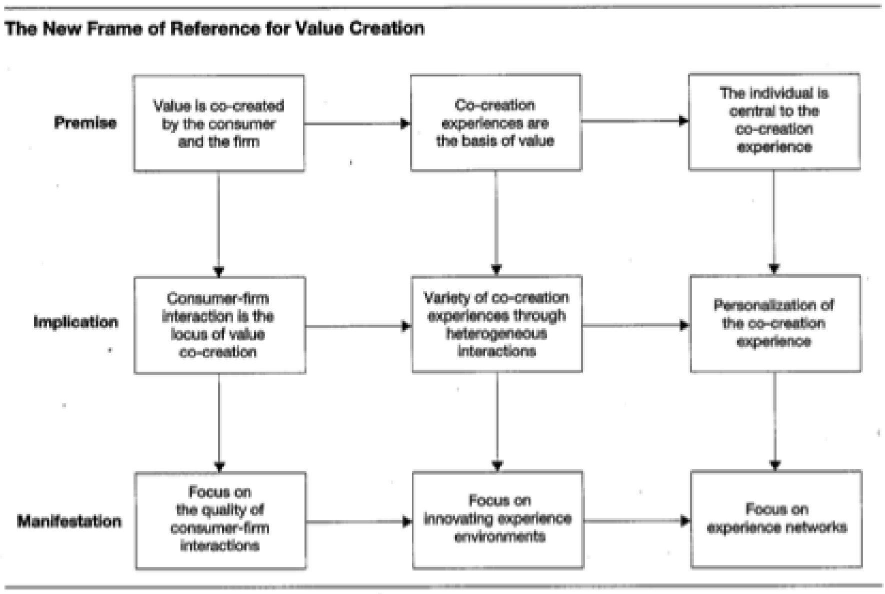


Source: The Future of Competition (Prahalad and Ramaswamy, 2004a: 13)

It is important to note, that this is not only a matter of the company offering products that do not appeal to their customers, the point is also that the way in which managers think about value, at some fundamental level, makes the company prone to fail in creating value for their customers. Hence, if a company is to exploit the possibilities in co-creation, the organization needs to change its perspective to a consumer dominant logic (Prahalad and Ramaswamy, 2004a: 38). In the next section we present the co-creative concept of value as an implication of perceiving value through a customer-centric dominant logic.

By and large, the shift from a company-dominant to a consumer-dominant logic is a matter of understanding value from the point of view of the consumer. What happens to our understanding of value if we move to a consumer-dominant logic of value? One of the primary maneuvers of thought, which we perform when we shift the perspective from a company-centric value logic to a consumer-centric value logic, is that we begin to prioritize a subjective or experience-based product perception over an "objective" understanding of the quality of the product and its physical features. To illustrate this point, Prahalad and Ramaswamy use the example of the digital camera (2004a: 38). The digital camera represents an amazing technological breakthrough with many powerful advantages for the consumer. It works without film, and the user can view pictures immediately. Despite these superb technological features, the real value for the consumer lies in the ease, intuitiveness, and seamlessness of the experience that the camera provides (ibid.). In other words, the technical qualities of the camera are only valuable to the individual consumer in so far as she is able to effectively transform these qualities into a pleasant and intuitive user-experience within a certain context.

From a company-centric logic, the consumer is generally understood as an entity, which can be categorized and targeted as part of a broader segment, often sorted by generic information about income, age, gender, etc. The consumer-centric logic challenges this by looking at the consumer as a unique individual, with a unique experience of what is valuable for him or her. Under this logic, the value creation process centers on individuals and their unique co-creation experiences with the firm (see model below).



Source: *The Future of Competition* (Prahalad and Ramaswamy, 2004a: 15)

Prahalad and Ramaswamy present several points, which managers need to consider as they move to consumer-centric value logic (2004a: 40ff). For instance, instead of merely thinking about ways of extracting economic value from the consumer, companies should instead think about enabling experiences for customers, which are jointly created by the consumer and company. Moreover, rather than merely interacting with the consumer only at the point of the sale (prescribed as the end of the value chain from the company centric logic), companies should give the consumer options in terms of how and when the consumer wants to interact with the company. And finally, instead of taking a starting point at the internal processes and offerings of the company, the primary focus should be on the interaction between the company and consumer, as well as the co-creative experiences, which the company enables consumers to have.[11]

To illustrate what is to be understood by a co-creative value experience, Prahalad and Ramaswamy use the example of a heart patient with a pacemaker. They describe a pacemaker system, which is connected to a network of physicians, enabling the heart patient to feel secure in contexts when out of the reach of the patients own doctor (Prahalad and Ramaswamy, 2004a: 7f).

> "Value does not stem from the physical product, the pacemaker, or from the communication and IT network that supports the system, and not even from the social and skill network that includes doctors, hospitals, the family and the broader community. *Value lies in the co-creation experience of a specific patient, at a specific point in time, in a specific location, in the context of a specific event*" (Prahalad and Ramaswamy, 2004a: 10).

Several new features of value are presented in this quote. Traditionally, the physical product denoted the locus of value. However, this viewpoint has been challenged on the basis that "when goods (i.e. the physical product) are involved, they are goods for the delivery and application of resources" (Vargo et al., 2006: 40; as cited by Vargo et al., 2008: 148). Under this logic[12], "there is no value until an offering is used – experience and perception are essential to value determination" (Vargo and Lusch, 2006: 44; as cited by Vargo et al., 2008: 148). Therefore, goods are denoted merely as "service vehicles" (ibid.). Similar considerations on the inseparability of products and services has led other management authors to argue that this distinction is problematic and

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[11] In our analysis of problematization, we will look into the way in which the notion of experience is both introduced to emphasize the immateriality of some of contemporary value creation, as well as a way to deconstruct the distinction between producer and consumer. Indeed, if one looks through the "Co-creation manifesto" in *The Power of Co-Creation,* one will, especially in paragraph 2, 4, 5 and 6, see the immense role which the concept 'experience' has in the idea of co-creation of value (Gouillart and Ramaswamy, 2010: 274f).

[12] The service dominant (S-D) logic is contrasted with the traditional goods-dominant (G-D) logic (see Vargo and Lusch, 2004; Vargo et al., 2008).

suggest that the word 'offering' should be used as a mitigating term (Normann and Ramirez, 1998: 25ff). And yet, the co-creative perspective on value goes even further, by stating that the co-creation of experiences is the essence of value creation (Ramaswamy, 2011: 195f).

The shift from a company to a consumer centric dominant logic of value implies more than a shift of focus from product features to product experience as the "vessel of value" (Prahalad and Ramaswamy, 2004a: 40). It also implies that the firm can no longer autonomously define what is valuable, and then offer it to the consumer, since consumers want to be actively involved in creating and defining the value the company offers (Prahalad and Ramaswamy, 2000: 80).

In the example of the pacemaker, 'co-creation' does not refer to that which occurs when the network of skill and knowledge of various stakeholders is activated, but in the experience the patient has, and which the pacemaker plays a part. This is quite distinct from the initial idea of co-creation of offerings, which would have stated that superior value can be co-created in the skill and knowledge network in which the pacemaker is embedded.

In the last section, we saw that co-creation could be seen as the active participation of customers in adding value to company offerings. Now we have seen how the idea of co-creation of value, gives another role to the concept of co-creation. Rather than being the offerings to which value is added by the participation of the customer, it is now a matter of the consumer adding value to the experience in which the offering plays a part. The concept of co-creation has, so to speak, moved from being related directly to the offering to being related directly to the experience associated with the offering. In the following quote, Ramaswamy gives perhaps the most concise account of the co-creative view of value presented in the work that he commenced with Prahalad in 2000 and continued with Gouillart in 2010:

1. "Value is a function of *human experiences*
2. Experiences come from interactions
3. A firm is any entity that facilitates this creation of experience-based value through interactions. *Engagement platforms* are the means to creating value together

4. *Co-creation* is the process by which mutual value is expanded together, where value to participating individuals is a function of their experiences, both their engagement experiences on the platform, and productive and meaningful human experiences that result" (2011: 195).

What is laid down here can be said to be some premises of an economic theory based on the co-creative concept of value. Value for the consumer is said to be determined by the quality of the experiences that the consumer has. In order for valuable experiences to occur, some kind of interaction is required, and this is how the concept of 'experience' is connected to the concepts of 'co-creation' and 'value'. Consumer value experiences are created through interaction between the consumer and the company or its offerings, and hence, co-creation of experiences is what consumer's value. Whether these thoughts are in any sense plausible is not the point of focus here. We do not mean to go into depth with the details of Ramaswamy's "metaphysics of value creation", but merely intend to show how the idea of co-creation of value, strongly builds upon a notion of 'experience' in how it is presented.

In addition to that which has already been discussed, the quote mentioned above also introduces the notion of an *engagement platform*, on which consumers have an experience. In the 'co-creation manifesto' in *The Power of Co-Creation*, it is stated that co-creation has three main components. We have already looked at two of the main components, namely collaboration and experience. In the remaining part of this section, we will look into third, and final, of the main components, which is the notion of engagement platforms (Gouillart and Ramaswamy, 2010: 247).

On Ramaswamy's account, the co-creation paradigm of value creation is ultimately about building experience-based engagement platforms (Ramaswamy, 2009), which are said to be the center of the creation of valuable experiences (Ramaswamy, 2011). The idea of engagement platforms has been dealt with throughout Prahalad and Ramaswamy's work. In *The Future of Competition* the term 'experience network' is intended to designate the same type of co-creation initiative (Prahalad and Ramaswamy, 2004a: 60f). We will stick with the term 'engagement platform', for the sake of simplicity. On Ramaswamy and Gouillart's account, an engagement platform is defined as:

> "A set of virtual and/or physical environments entailing technology and human-enabled processes/activities, stake-holders/communities, products/artifacts, and spaces/interfaces designed to engage individuals in creating valuable experiences" (Ramaswamy and Gouillart, 2010: 258).

In their book *The Power of Co-Creation* Venkat Ramaswamy and Francis Gouillart give an overview of how various companies have been successful in implementing co-creative strategies in their businesses. An example of such an engagement platform is the case of Nike+ (Ramaswamy and Gouillart, 2010: 8ff). Nike+ is a platform where consumers share their experiences revolving around running shoes offered by Nike. In short, the concept of Nike+ is a chip in the shoes of a runner, which is connected to his or her iPod, as well as an online platform that forms a community where members can share the data from their running, as well as the use of their iPod. Nike+ facilitates various running related activities online as well as those physically evolving around the community. The idea behind such an engagement platform is to introduce additional "touch points" (ibid.: 6), meaning points of interaction between the company and its customers. Whereas Porter's version of the value system operates with a single point of interaction, namely the end of the value chain, the aim of co-creation is to continually involve the customer in the creation of valuable experiences.

In co-creative enterprises, individuals participate in the design of value through their own experiences, which leads to a "recasting" of the conventional role of strategy (Ramaswamy and Gouillart, 2010: 7). Much of this 'recasting' of traditional business practices can be attributed to the immense emphasis that the idea of co-creation of value places on human experiences and dialogue:

> "The totality of human experiences (current and possible) transcends any enterprise's view of human experiences. In any organization, no matter how focused it is on the experiences of the co-creators, there are insights to be gained through real-time visualization and dialogue about experiences" (Ramaswamy and Gouillart, 2010: 248).

As suggested by this quote, the sharing of experiences is an essential aspect of co-creation of value. Always on the lookout for new insights, the firm needs to continuously engage customers and other stakeholders in dialogues about their experiences. According to Ramaswamy and Gouillart, "The immense power of co-creation arises from combining engagement platforms, experiences, and a collaborative process that harnesses the insights, knowledge, skills, and ingenuity of all participants, in a mutually valuable manner" (ibid.).

In the course of this chapter, we have seen how co-creation was initially presented as a development within the field of strategic management. We saw how it was initially presented within the framework of the competence perspective, but increasingly the proponents of co-creation starts to focus almost entirely on understanding the nature of value. It is however still presented as an overall idea of how companies create value, namely the same question of strategy that Porter answered with his value chain. When the core competence perspective was presented, the whole area of competition and positioning received considerable attention. While the premise for *Competing for the Future* were the future survival companies, when the rules of competition were changed, the premise for the later co-creation discourse has almost exclusively been connecting to consumers, and creating more personal and sincere experiences for them. This shift of seeing the aim of strategy, from focusing almost exclusively on dealing with competition, as the impact of Porter's five forces framework witness, to focusing on the question of value, as well as how to operate in harmony rather than conflict with the surrounding environment, indicates the shift in imagery from the competence perspective to co-creation. The co-creation discourse is constantly emphasizing the need of the firm to be in harmony with its surrounding, reflecting the imagery of the mutual supportive eco system. This is furthermore reflected in Ramaswamy's idea that companies are to create value with and for all of its stakeholders (Ramaswamy and Gouillart, 2010: 5f; see also Freeman (1984), for a related, but quite earlier view of stakeholder oriented strategy).

Now we have seen how co-creation was initially presented within the framework of the core competence perspective, in the form of the view that customer competencies can be utilized strategically by the firm. We saw that this was but one of the two components which the idea of co-creation can be said to consist of. The other component was a much more radically new concept of value than previously seen in the discipline of strategic management, which, even though having value creation as central theme, has only paid relatively little attention to the concept of value as such. While the co-creative concept of value was present in the early work on co-creation, it did not have a central role in the forming of the concept of co-creation before the middle period publications of co-creation around 2004 (Prahalad and Ramaswamy, 2000; 2004a; 2004b; 2004c). For now, we will briefly present how we will approach our analysis of the space of resonance of the co-creative business paradigm.

In order to understand the space of resonance of co-creation we will explore how the two components of co-creation relate to broader areas of problematization within contemporary business discourse. As discussed in the section on the analysis of problematization, we will investigate how traditional business schemes have been called into question so that the emergence of co-creation, as we witness it, has been possible. Not that these processes of problematizations necessarily will be finished and concluded by the time co-creation starts to appear. On the contrary, as we have seen throughout this chapter, co-creation can itself be said to be a voice of problematization that directly challenges the traditional view of business and strategy. Therefore, we will not merely go to the material in a search for processes of problematization preceding co-creation, but also analyze how co-creation can be said to arrive as a continuing of these processes of problematization. It is rare to find a work within the discipline of management that merely problematizes, without simultaneously presenting solutions to the challenges raised. One of the main solutions, proposed by the advocates of co-creation, however, is a radically new understanding of value as such. It is this interest and attention to the concept of value that will provide the starting point for the first part of our analysis of problematization.

Chapter 3

Capturing the Autonomous: An Investigation of the Concept of Value

The following chapter will investigate the problematizations of the concept of value that co-creation can be seen as a response to. More specifically, we will analyze how the concept of value and frameworks of value creation have been gradually developing toward the idea of value as co-created experiences. First, we briefly revisit the Porterian conception of value as we described it in the previous chapter. The reason for this revision is that all the ideas of value that we look into in this chapter can, in one way or another, be said to be problematizations of Porter's view on value. We explore several new ideas of value that have challenged the Porterian assumption of value as being created and defined solely by the firm, and within a form of organization where industrial production is paradigmatic. Here, we are especially interested in the notion of experience economy (Pine and Gilmore, 1999), which in many ways can be said to resemble the concept of co-creation. On the one hand, the notion of experience economy foreshadows the idea of co-creation by presenting the idea of an experience-based conception of value. Yet, on other hand, this notion of an experience economy is a much less radical idea than co-creation, since it does not involve the same level of interaction between the firm and the consumer and prescribes a much more incremental reorganization of the firm. In light of this, we present a discussion of the kinds of managerial problems that these new understandings of value give rise to. For instance, we reflect upon the fact that firms are no longer able to fully control the value creation process, as well as the blurring of the boundaries between the firm and the costumers.

Problematizations of the Porterian Concept of Value

The concept of value has become an important turning point for recent developments within managerial thought (Lopdrup-Hjorth, 2012). We saw in chapter two how it is claimed by the proponents of co-creation that value creation primarily occurs outside – or at the edge of – the traditional boundaries of the firm. The aim of the present investigation is to discover the origin of this shift in understanding of value and value creation – by seeking out the problematizations, which have made them possible. To accomplish this, we need to first look at what we have here decided to refer to as 'the traditional view of value'. Within the tradition of strategic management thought, Porter represents the natural starting point.

Porter's view on value was very instrumental in nature. What he claimed was that value should to be understood as the amount that customers were willing to pay for a given product or service (i.e. the principle of reservation price). Porter inherited this view on value from the neoclassical economic tradition, where the being of value as such was considered as something belonging outside sphere of economic thinking. That is to say, the neoclassical economic tradition took a positivistic stance and regarded the nature of value as such to be too obscure to be dealt with within a rigorous economic framework (Lopdrup-Hjorth, 2012). Of course, this is not to say that Porter did not pay attention to value creation – after all this is what the value chain is about; however, since Porter defined value merely in competitive terms; rather than how it is experienced by the consumer, the nature of value as such only received minimal attention in his strategic management framework. However, whereas Porter only gave the nature of value as such a peripheral role in his strategy framework, this stance is fundamentally challenged by Prahalad and Ramaswamy's concept of co-creation, which has at its core a whole new understanding of value. And even before this, we also saw how the work of Normann and Ramirez revealed a similar tendency, where a new concept of value, based on asset liquidity and the density of offerings, motivates their value constellation view.

In view of this trajectory towards a new role for the very concept of value in strategic management thinking, we use the next couple of sections to examine how the conversation about value was opened and how it has since developed – from Porter's reservation price-based view of value view towards a human-centered and experience-based understanding of value. We will commence the inquiry by looking further into how Normann and Ramirez, in fact, problematize Porter's concept of value. Specifically, we are interested in indentifying how they propose a framework of value creation which is more geared towards capturing value outside of the firm than was the case on Porter's view, where value was created solely by the firm. While the contribution of Normann and Ramirez does not in itself lead us to our present understanding of the new value logic that we see in co-creation, it is indeed one of the contributions which has paved the way for a much more vigorous discussion about the nature of value creation and value as such.

Including the Outside: Opening Up of the Value Creation Process

In the work of Normann and Ramirez we see a shift toward a view of value as more intangible and complex than Porter originally suggested. Whereas Porter's value chain framework suggested that value was created within the boundaries of the firm, Normann and Ramirez present the idea that the value creation process is more complex, since value comes from various sources, and not all of which are owned or even controlled by the firm. While the Porterian framework only invited managers to see a possibility of capturing value, created within the company's own value chain, Normann and Ramirez suggest that managers can and should, indeed, attempt to capture value created by other entities in the value system. The view which Normann and Ramirez suggest as a an alternative to Porter's emphasizes that managers need to see value creation as a more open process, in order to also be able to capture the value created outside the boundaries of the company(Normann and Ramirez, 1993).

Normann and Ramirez saw two main challenges in their present business environment. The first perceived challenge was that value creation can no longer be directly controlled by the company, at least not to the extent that it could in a more material and product-oriented business environment. The second challenge that the authors perceived was more directly related to the overall competitiveness of the firm. The idea was that several companies together can create more value than a sole actor, and as a result, companies that do not engage in co-production will suffer a loss of competitive advantage relative to their co-productive competitors. Both of these challenges imply that value creation no longer merely occurs within the traditional boundaries of the firm, but also to an increasing degree outside of these boundaries. As discussed in chapter two, what motivated the value constellation framework was an emphasis on the ever-more important role of the outside in value creation. Since the outside is starting to be recognized as a source of value, strategic management frameworks also need to be more open to the outside, in order to be able to account for and direct this new frontier of value creation.

Both of the above mentioned challenges can be said to reflect what Normann and Ramirez find as critical limitations in the Porterian perspective. In response to this, a new strategy framework was proposed. The trajectory of strategic management thought from Porter's early work on the value chain towards Normann and Ramirez' value constellation view implies a shift from the center of the firm towards the periphery, and a shift in attitude from a closed-system way of thinking to an open-system way of thinking. Owing to this shift in attention and attitude, companies now have a point of reference when it comes to understanding the outside as an active entity, which can, in fact, help the company to create more value than the company would otherwise have been able to. If Normann and Ramirez had decided to address the uncontrollability and intangibility of value creation by finding even more sophisticated ways to control the flow of value, their overall view would have been utterly different. Had they instead chosen the closed-system approach, the likely response to the difficulties of asset liquidity and increasing density of offerings would have aimed at controlling the value creation activities of firms, rather than embracing the outside. For instance, this could be in the form of aggressive enforcement of intellectual rights and an ambition to put in place sophisticated management accounting systems, enabling the firm to handle intangible value creation within the same framework in which material value creation was understood and captured. On the contrary, Normann and Ramirez actually suggest a solution, which is based on *openness*. It reflects a line of reasoning saying that if value creation is becoming more complex, we should not try to force it to be simple again, by forcing it to remain in its previous stable form, but instead adopt more flexible systems for managing value creation.

To underline how the value constellation view can be said to have created a resonance space for co-creation, we will briefly return to some of the concluding points of chapter two. There we saw how the introduction of co-creation marked a radical re-conceptualization of the concept of value, as well as the structure and dynamics of the value creation process. In an attempt to reduce the gap between firm and consumer, the value system was re-thought with the introduction of engagement platforms as the nexus for value creation. At the same time, the concept of value was said to be a function of the experiences created through consumer-firm interactions, thereby moving the locus of value to experiences occurring at specific events. While Normann and Ramirez's thoughts can be said to depart from the work of Porter in the same direction as co-creation, it must be noted that co-creation is significantly more radical in the re-conceptualization of value. The primary difference between co-creation and co-production is that co-creation insists on an experience-based concept of value, and the more radical claim that the creation of valuable experiences cannot occur unless they in some sense are co-created through consumer-firm interaction (Prahalad and Ramaswamy, 2004a: 10, 14f). Since this radical development in the concept of value – from material products to experiences – is not entailed in the ideas of Normann and Ramirez, the next step in our analysis of the problematization of value is to investigate the intellectual origin of the idea of value as experience. We begin by looking at the work of Pine and Gilmore (1999), who have popularized the notion of experience economy at the beginning of the century.

Value as Experience: Towards a New Value Paradigm

In this section we will look into the concept of *experience economy*, which bears many similarities with the concept of co-creation (Roser et al., 2009: 4f). On a superficial level, the two ideas appear related due to the fact that both ideas emphasize experiences as an important kind of economic value. As it turns out, the idea of experience economy actually holds a more basic resemblance to co-creation, since the two ideas propose very similar solutions to roughly the same set of challenges; however, where they do differ is in terms of the scope and radicality of how they respond to these challenges. We start our analysis of the idea of the experience economy by giving a brief account of the work of Pine and Gilmore. To broaden our analysis about how various managerial disciplines have been continuing this process of problematization, we will also briefly investigate how the idea of value as experience has appeared as a broader tendency within the field of marketing management.

In their bestseller *The Experience Economy* (1999), Joseph Pine and James H. Gilmore argue that the experience economy is an emerging economic era following the agrarian economy, the industrial economy, and the most recent service economy. More specifically, the authors note that there has been a progression of economic value, evolving from extracting commodities, to making goods, to delivering services, and now, to staging experiences (Pine and Gilmore, 1999: 1f). As the primary drivers of this emerging economic state of affairs, the authors emphasize technological development, increasing competitiveness for differentiation in the market place, but the driver the authors highlight as most important, is consumer affluence and market saturation (ibid.: 5). For the purpose of this analysis, we are not interested in questioning the soundness of these driving forces. Instead, we look into the way in which these drivers or tendencies, has been transformed into problems requiring certain solutions.

Pine and Gilmore argue that the world of business has long overlooked the opportunity of creating value to customers by leveraging their desire for experiences. According to the authors, customers are to an increasing degree looking for experiences which are unique and memorable. However, managers do not seem to be aware of or ready to handle these kinds of demands. To make the experiences memorable, it appears that companies need to create experiences *within* the customer, and as a result, the value of the experience must somehow linger in the memory of the individual (ibid.: 6, 11f). Of course, this conflicts with the traditional idea of value something, which is created inside the walls of the firm, and subsequently distributed to the customer. Pine and Gilmore note,

> "All prior economic offerings remain at arms-length, outside the buyer, while experiences are inherently personal. They actually occur within any individual who has been engaged on an emotional, physical, intellectual, or even spiritual level. The result? No two people can have the same experience – period. Each experience derives from the interaction between the staged event and the individual's prior state of mind and being" (1999:12).

There are two points to make here. The first issue that comes to the surface is the increasing *engagement* of the customer in the processes of both defining and creating value. At one end of the spectrum lies "*passive* participation", where the customer does not directly affect or influence the qualities of the experience (ibid.: 30). At the other end of the spectrum lies "*active* participation", in which the customer personally affects the qualities of the experience (ibid.: 30). The increasing engagement of the customer marks an important turning point within managerial thinking, since the firm relinquishes control over its hitherto enclosed value creation processes. We attend to this point in more detail in the sections below.

The second point that appears in the above quote is that the value of the economic offering can only be understood in so far as we operate with a notion of subjectivity in our framework of value creation. The reason why we cannot discount the subject, and provide a merely functionalistic account as in Porter's idea of buyer's value chain, is because experiences are inherently attached to the specific consumer's subjective perception of the offering. In a case where the functional performance of a product or service is the only constituent of value, the value for the consumer could easily be accounted for without reference to the subjectivity of the consumer. Whether the product or service enables the consumer to perform a given activity better or easier, is to a certain degree possible to account for solely through a behavioristic analysis of the role of the product in the carrying out of a given activity. One could analyze the movements required to cook a meal and evaluate whether the introduction of a given piece of cooking equipment increased the productivity of the process. Value as experiences, on the other hand, cannot be understood from this perspective alone, since what makes it valuable to the consumer is not its functional performance, external of the subjective perspective of the specific consumer.

Pine and Gilmore's idea of experience economy challenges traditional concept of value, in favor of an understanding of value as personalized, inscribed in time, and dependent upon context. Since the defining of value has to include the consumer, and since it is no longer sufficient to operate with a great deal of consumer uniformity, the firm can no longer autonomously define what value is to be created. Therefore, the concept of value comes into view as being problematic since the traditional frameworks of value creation cannot account for and direct value creation after the shift from a unilateral to a bilateral (or multilateral) issue. That is to say, when the subjectivity of the consumer is included in our understanding of value, it becomes increasingly difficult to understand value within the traditional framework, since value creation will always rely on an understanding of the complex dynamics between the firm and the individual customer.

With the introduction of experiences as a new and distinct kind of value, we see a shift in thinking from viewing value as embedded in a material product, to something residing in an activity. Pine and Gilmore suggest that managers look at their product portfolio, and add the ending "ing", to their product types (ibid.: 15f). In concrete terms, this implies that a company selling, for example, a computer game, should add "ing" to their offering, so it becomes 'gaming', as in gaming experience. Here it becomes apparent authors mean when they say that managers need to escape the 'commodity mind-set' (ibid., 1998: 99). Every activity carried out by the firm should, in one way or the other, add to the overall customer experience. To this end, Pine and Gilmore propose that companies should place more emphasis on the individual needs of the customer, rather than looking at customers as a more or less uniform segment. We explore what this actually means in the section below, where we look at the authors' notion of 'mass customization'.

Mass Customization: Adjusting Value Creation Schemes to the Subjectivity of the Individual Consumer

In this section we look into one of the main value creation strategies, which Pine and Gilmore suggest as a solution for firms to remain competitive in the emerging experience economy. Moving beyond the assembly-line logic of the value chain, Pine and Gilmore emphasize that every customer needs to be served uniquely. For that reason, the firm needs a form of organization, which offers opportunity for an open and ongoing dialogue with the individual customer about what he or she finds valuable. In an attempt to provide a solution to this challenge, Pine and Gilmore introduce the idea of *mass customization*, which means "effectively serving customers uniquely, combining the coequal imperatives for both low cost and individual customization" (ibid.: 72). While the idea of mass customization by itself is not that radical in terms of challenging the established value creation paradigm, the following quote sheds light on the underlying change in logic, which is, in fact, embedded in the idea. Pine and Gilmore explain,

> "A mass customizer's designed interaction with each individual provides the means for efficient, effective, and (as much as

> possible) effortless determination of customer needs. To shift up the Progression of Economic Value, whether from goods to services or to experiences, companies must use such interactions to figure out exactly what their customers want. They must then bring that information about a customer's desires directly into operations for efficient, on-demand production or provisioning, *effectively turning the old supply chain into a demand chain*" (1999: 76, emphasis added).

Here we see that mass customization is presented as a solution, which combines the traditional logic of mass production with the idea of offering unique experiences for every single consumer. If value creation should take the subjectivity of the individual consumer into account, creating value cannot be based upon a great deal of customer uniformity as previously conceived. Pine and Gilmore present several mass customization strategies, which companies can utilize to create value in a way that is sensitive to the subjectivity of the individual consumer (1999: 86ff, 94). There is especially one type of mass customization which bears resemblance with co-creation, due to the way in which it emphasizes an active role of the consumer. The authors term this "collaborative customization" (ibid.: 86f).

Collaborative customization is a type of mass customization that attempts to create unique experiences for the individual consumer through active engagement. This happens, for example, by allowing consumers to influence product designs or actively participate in the staging of an experience. In our discussion of co-creation of value in the previous chapter, we saw that value was seen as an experience created between the firm and the costumer. Collaborative mass customization can, to some degree, be said to reflect the same idea, in so far as it recommends the same type of approach to value creation. However, where the two differ is in terms of the scope of the idea. For Pine and Gilmore, collaborative customization, although a significant one, is merely a modification of the existing way of conducting business. It is a very specific tool intended to handle some of the challenges that Pine and Gilmore try to develop solutions to. Co-creation, on the other hand, proposes a whole new paradigm for understanding business and business strategy as such. We develop this point further at the end of this chapter, but for now will take a look at another important idea entailed in the longer quote presented above, namely the idea that mass customization turns the "supply chain into a demand chain" (ibid.: 76f). It should be noted that Pine and Gilmore use the word 'supply chain' to designate something, which presumably is equivalent to Porter's value chain perspective. Their unconventional use of the term supply chain is perhaps motivated by the possibility of the supply-demand wordplay deployed in their new concept 'demand chain'.

Moving the Customer to the Forefront of the Value Creation Process: From Supply Chain to Demand Chain

In chapter two, we saw that Porter's value chain implied a business model where the firm receives raw material, adds value to it through various internal processes, and finally sells the finished product to the customer. The linear and forward-moving nature of this model suggests that the value creation process begins with the appropriation of a supply that further down the line needs to match the demand of the customer. Pine and Gilmore problematize this view by stating that while this model provides an effective way for the company to analyze and appropriate the activities that it carries out to create value for the customer, there is also a sense in which this model unqualified assumes what the individual customer wants and desires. Traditionally, companies have conducted customer satisfaction or "voice of the customer" surveys that use market research techniques to gather data about the wants and desires of the different customer segments (ibid.: 77). However, Pine and Gilmore call this approach into question by stating that traditional market research techniques only provide *general* information about the needs of a firm's customer base, since they are designed to measure the *market*, rather than the satisfaction of the *individual* costumer. This, of course, conflicts with Pine and Gilmore recommendation to serve each customer uniquely. To overcome this problem, Pine and Gilmore propose, companies must understand the nature of *customer sacrifice* – the gap between what a customer settles for and what he wants exactly (1999: 78). Moreover, they note that the traditional customer satisfaction measurements often focus on understanding and managing customer expectations of what companies already do rather than ascertaining what customers really need (ibid.). It is this problem, or perhaps more eloquently this 'gap', which mass-customization tries to fill. Simply put, this approach compels the firm to craft a new set of probes into customer behavior – "What do you really want?" – that displaces inquires about satisfaction that ask merely, "How did we do?" (ibid.: 83). Owing to this reversal in logic, we now begin to see that the voice of the customer is increasingly being taken into consideration – not only retroactively, but also proactively in the processes of value creation.

The line of thought seen in Pine and Gilmore's *The Experience Economy* (1999) is echoed broadly, and plays an important role in the marketing discourse, where the shift is popularly described as a shift from a goods-centered dominant (G-D) logic to a service-centered dominant (S-D) logic (Vargo and Lusch, 2004, 2006). The crux of the contrast between goods-dominant logic and service-dominant logic is to be found at the very basis of exchange. According to Vargo and Lusch, the field of marketing has moved from a goods-dominant view, in which tangible output and discrete transactions were central, to a service-dominant view, in which intangibility, exchange processes, and relationships are central (2004). Traditionally associated with appropriating the Four P's – product, price, promotion, and place – marketing management has evolved to become a discipline which cultivates relationships that involve the customers in developing customized and competitively compelling value propositions (Vargo and Lusch, 2004: 5). Here we see that there is an obvious parallel between experience economy and recent tendencies in marketing management. Along the same lines as Pine and Gilmore, Vargo and Lusch argue that "there is no value created until an offering is used – experienced, and perception are essential to value determination" (Vargo and Lusch, 2006: 44). Without comparing the concepts further, we note that the various ideas, which were reviewed throughout this chapter, bear resemblance with some of the recent developments within marketing management theory.

Thus far, we have accounted for the intellectual origin of the co-creative concept of value. We have looked into the origin of the opening up of value creation frameworks as well as the idea of value as an experience. In the following section we turn to assembling these components and discuss how co-creation has emerged in continuation of the various problematizations of the concept of value, which we have peered into throughout this chapter.

The Absorption of the Experience-based Concept of Value in Strategic Management: From Experience Economy to Co-creation

Throughout the previous sections, we have seen that much of the thought of Pine and Gilmore is equivalent to that of Prahalad and Ramaswamy in terms of what they problematize and how they do it; however, while Pine and Gilmore can be said to continue a strong focus on the concept of value inherent in the field of marketing, Prahalad and Ramaswamy present a similar line within the discourse of strategic management. The aim of this section is to shed additional light on how the two ideas – experience economy and co-creation – differ as responses to the problematizations of the concept of value due to the context of the discourses in which they present themselves. In short, it is the calling into question of the concept of value within a strategy discourse, which makes co-creation more radical than any of the other ideas that we reviewed. The higher order nature of the strategy discipline implies that changes in logic in this area can be expected to lead to a more fundamental re-thinking of the way that business is conducted as such, compared with marketing, which only represents a specific aspect of conducting business.

The shift in business logic, which Pine and Gilmore suggest is parallel with some of the basic trends that we saw in the field of marketing (cf. Vargo and Lusch, 2004), namely that the customer should be moved to the forefront (i.e. the shift from 'supply chain' to 'demand chain'). While this is, of course, an important shift in thinking, it is still to be considered an incremental problematization of the Porterian way of thinking about business. That is to say, that experience economy does not, as it was the case with co-creation, challenge the very idea of a linear framework of value creation. On Pine and Gilmore's account, the firm needs to stage memorable experiences for the customer – as in a theatrical play. However, Prahalad and Ramaswamy would argue that we need a deeper, more integrated approach that goes beyond 'staging experiences' and 'mass customization'. Instead of merely implementing initiatives of this kind, proponents of co-creation would insist on the need to fundamentally re-think the relation between the firm and the market, including the customer. Here the linear framework of value creation would be replaced by a form of organization that is far more intervened with the market. For instance, we see that Prahalad and Ramaswamy have proposed an engagement platform model, which weakens the boundaries between the firm and the customer, and as a result, promotes an entirely different reciprocity between the involved stakeholders.

Due to higher order nature of strategy, stemming for its role as the meta-discipline in management, we see a far more radical shift in thinking in Prahalad and Ramaswamy's work than Pine and Gilmore's. Pine and Gilmore present solutions in the form of new views on marketing and product development. Managers are suggested to embrace the experience mindset, which requires them to put the subjectivity of the individual consumer in the forefront of creating value. Co-creation on the other hand, tries to re-conceptualize what it means to manage a company in today's business landscape, holding radical implications for practically all areas of the organization (and beyond). Characteristic of co-creation, it should be noted that this idea, in fact, creates an entirely new vision of what it means to be a successful player in a marketplace that is seen as being more dynamic and interconnected than ever before. In light of this, it can safely be ascertained that the idea of co-creation responds to the problematization of value in a more radical way than the idea of experience economy, by not merely introducing a new perspective on what value is, but also by trying to present a radical new perspective on the firm qua value creating entity. In the following section, we look into the co-creative framework of value vis-à-vis the Porterian framework of value, in order to understand exactly how co-creation can be said to respond to the various challenges of value creation that we have looked into throughout this chapter.

Holding on Tight with Open Hands: A New Way of Understanding Value and Value Creation

In Porter's value chain model, the company autonomously decided what value to be created, while the customer either accepted or rejected the offer. But within a co-creative logic this is claimed to have fundamentally changed, since customers engage in the processes of both defining and creating value. On one hand, this suggests a need for a more open framework of value creation, since the inclusion of the customer involves decentralization and increased customer inputs in the value creation process, moving it from concentration inside the company to include processes outside the traditional boundaries of the value chain. To remain within the Porterian vocabulary, one could say that the boundaries between the value chain and surrounding value systems have diminished. And yet, on the other hand, there is a sense in which this blurring of the roles of the firm and the customer causes the concept of value to become problematic per se. The active involvement of the customer in the value creation processes makes it ever so much harder to determine where the boundary between the costumer and the firm actually exists. Paradoxically, it is the lack of boundaries which causes the boundary to become imperative, since it is only when we determine where the boundary is that we know when and where the firm, in fact, creates and captures its value. Perhaps this explains why the concept of value is so widely discussed in contemporary business literature.[13] Since it is more difficult to assess and monitor value, it becomes a problem for the management of value creation and thereby the whole discipline of strategy as such.

Owing to the Porterian idea that the controllability of the value creation process was most central to strategic thinking (Porter, 1985), it can be said to be quite an obstruction to this view that value creation now takes the form of a more autonomous process. Although generally presented in positive terms, the remarkable theoretical emphasis placed on the concept of value seems to suggest that value is, in fact, becoming an increasingly problematic subject to handle, since the instrumental definition of value is no longer perceived as being adequate, and hence value has become an object of thought that draws attention in the form various attempts to re-conceptualize what is to be understood by value within a contemporary business context. The developments within the field of marketing management, the concept of experience economy, and the ideas of co-creation of value witness that the tendency to open up value creation frameworks occurs in an interplay with another tendency, namely an increased theoretical focus on understanding the very nature of value. Therefore, while claiming that firms should open up their value creation processes, we see a considerable focus on drawing boundaries between what value is and what it is not, as well as understanding value at a higher-order level. For instance, this became apparent by the ways in which a notion of human subjectivity was introduced, as opposed to earlier concepts of value, which include a merely instrumental framework of reservation price and

[13] See Lopdrup-Hjort (2012) for a resembling comment on this tendency.

mechanistic descriptions of buyer behavior. To sum up, we might say that the opening up of the value creation process carries with it, an increasing interest and attention to defining what value actually is, since this is the only thing that seems to be preventing a total metaphysical collapse between what it means to be a producer and a customer, respectively. In support of this contention, we even see that even from a semantic perspective, the portmanteau 'prosumption' (Tapscott and Williams, 2006) is being used as a way of expressing the blurring roles between the producer and the customer, signaling that the suggested collapse is already a reality.

Throughout this chapter, we have explored the emergence of co-creation as a response to problematizations of the concept of value and value creation. Seeing that firms are increasingly relying on autonomous processes outside the traditional boundaries of the firm in the value creation, we arrived at the conclusion that co-creation responds to these problematizations of value, by entering into closer relationship with customers and other stakeholders by means of the establishment of communities based on intrinsic motivational drivers; rather than instrumental processes of exchange. In fact, these changing dynamics have led some scholars to conclude that we are entering what can be characterized as an ethical economy (see for example Arvidsson, 2008). In the following chapter we will, however, demonstrate how the emergence of co-creation cannot be understood merely in the context of the problematizations of the concept of value; but also needs to be understood as a response to a deep-rooted problematization of the market as a static entity. We will investigate the origin of the relation between the firm and the consumer in more depth, by examining how this merging of the firm and market has emerged in continuation of a tendency within strategic management thought to emphasize the role of innovation in strategy, which, in turn, reflects an attempt to overcome the challenges of an increasingly dynamic and changing competitive environment.

Chapter 4

Bridging the Gap between the Present and the Future: Co-creation and the Displacement of Value in Time

In the previous chapter we argued that co-creation can be said to be a response to a series of problematizations of the concept of value. More specifically, we argued that there has been a shift in the perception of value as something tangible which was created inside the organization to something more intangible which is to an increasing extent created outside the organization. However, to fully understand the coming into being of a co-creation paradigm, we argue in this chapter that there has, in fact, been another shift which is equally important to understanding co-creation and the trend towards increasing customer involvement in value creation processes. While the shift described in chapter three expressed a spatial displacement of value from inside the firm to outside the firm, the shift that we look into in this chapter represent a temporal displacement of value from the present to the future. Specifically, we will examine the emergence of co-creation in light of the sudden entrance of a new type of concern for the future within strategic management thought.

To understand the reason behind the entrance of this new type of concern for the future within strategic management thought, we will begin the chapter by arguing that the concern has emerged as a response to a problematization of the market as a static entity. As we will see, the concern for the future – often expressed in a greater focus on innovation and organizational adaptability – can be traced back to Schumpeter's theory of economic development, first introduced in 1911 in his work *Theory of Economic Development.* Importantly, it must be noted that our presentation of Schumpeter's work should not be seen as direct part of the development in strategic management, which is our main area of analysis; rather Schumpeter's ideas should be considered as the backdrop for the new and more dynamic way of thinking about the market that we see reflected in recent strategic management thought.

In light of the presentation of Schumpeter's theories about a dynamic market, we see how this problematization of the market as a static entity is reflected in recent strategic management thought, starting with Hamel and Prahalad's emphasis on innovation and organizational adaptability in the 1990s. Several prominent strategic management ideas will be presented, which can all be said to echo the Schumpeterian view on economic development. Specifically, we see that there is a broad agreement within strategic management thought that innovation is a necessary condition for the long-term competitiveness of the firm. To this end, we begin to see suggestions amongst management scholars that opening up value creation processes may provide effective means for the firm to remain competitive in markets that are experienced as increasingly dynamic and unstable. As it turns out, it is this coming together of the two overall problematizations, which we have referred to as the displacement of value in time and the opening up of value creation, that provide resonance for the emergence and considerable practical and intellectual impact of co-creation.

In the final part of the chapter, we reflect on how co-creation constitutes a response to this set of problematizations. We concluded the previous chapter by saying that co-creation gives rise to an ethical dimension in the process of value creation, as it generally involves the establishment of a relationship between the firm and the customer, which cannot be accounted for simply in instrumental terms. By the end of this chapter we will be able to see that the coming together of the firm and the customer is not merely something which holds relevance in a abstract discussion about value, but that it, in fact, represents an entirely new way of thinking about strategy, which provides significant answers to some of the most fundamental problems that we have seen in strategic management thought over last couple of decades. However, before we get to this, we first need to understand the intellectual context of the problematization of the market as a static entity, which has led to the displacement of value in time.

Toward an Understanding of the Market as Dynamic: Early Problematizations of the Market as a Static Entity in Economic Theory

Over a period spanning more than forty years, Schumpeter wrote prolifically on the topic of economic growth, focusing in particular on the crucial role of innovation and the factors influencing it. Schumpeter's emphasis on the importance of innovation for the firm and society as a whole is seldom disputed, and as we shall see later in this chapter, his contribution has deeply influenced the way in which contemporary business theorists and practitioners understand the market as well as the concept of innovation. We begin by looking into Schumpeter's concept of *economic development*, which is best understood by contrasting two ideal types of the economy: the economy in a *static* stage and in a *dynamic* stage. First, we will see what the distinction implies, and how it relates to our underlying discussion about value. Second, in a later section of this chapter, we show how Schumpeter's conception of a dynamic economic activity, throughout his work, gradually shifts from being associated with individuals, marked by heroic traits, to becoming a largely depersonalized and socialized mode of action (Becker et al. 2002; 2011; Lopdrup-Hjorth 2012). In support of this contention, we introduce the recently discovered and hitherto unknown article *Development* (1932), in which Schumpeter, rather curiously, proposes that *novelty* may be viewed as an emergent expression of the interactions among agents within the various domains of social life. However, before we turn to this we need first to get an overview of Schumpeter's general research program.

The Theory of Economic Development: The Introduction of the Entrepreneur as a Source of Market Change

In 1911, before he was thirty years old, Schumpeter laid the foundation for his theory of economic growth in *The Theory of Economic Development*.[14] This work shows, quite clearly, that Schumpeter's vision of the economic system is one where static re-equilibrating forces (explained in terms of Leon Walras's general equilibrium theory) are confronted by dynamic forces of disequilibrium. While Walras, and other neoclassical economists preceding, Schumpeter had concentrated on optimal allocation and the attainment of equilibrium within an essentially static frame, Schumpeter believed that this model failed in explaining the principal element in the growth of the system, what he calls *economic development* (Schumpeter, [1911] 2011, [1934] 2011). In light of this observation, Schumpeter famously notes,

> "Now a theoretical construction which neglects this essential

[14] *The Theory of Economic Development* was first published in 1911 and translated into English in 1934.

> element of the case, neglects all that is most typically capitalist about it; even if correct in logic as well as in fact, it is like *Hamlet* without the Danish prince" (Schumpeter, 1944: 86).

Unlike Walras and the other neoclassical economists, who described the economy in a "circular flow" where supply and demand always match each other,[15] Schumpeter thought the capitalist economy was a system constantly in motion, which never reached equilibrium. Hence, he considered an economic model unable to account for economic development to be an inadequate one. Suggestively, we might also infer from this passage that Schumpeter is conceivably showing his gratitude towards Walras, and the rest of the neoclassical economists, for setting the stage in a manner, which effectively allows him to insert the Danish prince, i.e. the Schumpeterian entrepreneur. We will return to this point shortly, but first we need to understand the implied problem of the economy in a static stage in a little more detail.

The problem was not that the economists' before Schumpeter had not been aware of economic development. It was rather the way in which they failed to explain it *as* economic development, and instead merely registered it as a fact that came from *outside* of the economy, and to which the economy afterwards reacted (Lopdrup-Hjorth, 2012). The general equilibrium theory, for example, assumes as given the tastes or preferences of individuals, the technology available for producing goods, and the institutional structure of the economy and society. Hence, the introduction of a new technology, such as, for instance, the railroad, can only be registered as something, which impacts the economic system as *non-economic*, external phenomenon on behalf of which a new equilibrium position will be established. In the preface to the Japanese edition of *The Theory of Economy Development*, Schumpeter explicitly states that he considers this model to be incoherent:

> "I felt very strongly that this was wrong, and that there was a source of energy within the economic system which would of itself disrupt any equilibrium that might be attained. If this is so, then there must be a purely economic theory of economic change,

[15] Walras makes this assumption with reference to Say's law, which famously prescribes, "supply creates its own demand" (Landreth and Colander, 2002: 148).

> which does not merely rely on external factors propelling the economic system from one equilibrium to another. It is such a theory that I have tried to build" (Schumpeter [1937] 1989: 166).

In explaining this, Schumpeter states that his endeavor has been to theorize "the process of economic change in time" in a way comparable to that of Marx's analysis of "economic evolution as a distinct process generated by the economic system itself" ([1937] 1989: 165-166). However, whereas Marx pointed to labor power as the source of value, Schumpeter explains that the value created through economic development is of a special type, which can neither be ascribed to labor, capital, or land; nor be explained through those economic theories that render value dependent upon utility (Schumpeter, [1928] 2011: 261ff). Hence, what we see with Schumpeter is the coming into being of a theoretical response, which renders the hitherto reigning conceptions of value creation inadequate.

Systems of Future Value: A New Understanding of Innovation in Economic Theory

Against the ideal type of the static economy, Schumpeter posits another type: the dynamic economy. The engine behind the dynamic economy is the *entrepreneur,* who is responsible for bringing about economic development in the form of *innovation*. Contrasted with the static man, the entrepreneur is driven by an endless urge to create, to conquer, and to bring something new into the world (Schumpeter, [1911] 2011: 105). Hence, economic development in Schumpeter's sense is "a disturbance of the existing static equilibrium without any tendency to again strive towards that equilibrium or any other equilibrium at all. (…) When an equilibrium state is reached again, that does not happen because of the driving forces of development itself. It happens precisely because of a reaction against development (ibid.: 173-174).

For Schumpeter, the entrepreneur is "*the* cause of *economic* development because he creates change of the economy *out of the economy itself*" (Schumpeter, [1911] 2011: 111, original emphasis). The entrepreneur is source of energy *within* the economic system, and it is only by virtue of his actions that the economy is forced out of its circular flow. The notion of general equilibrium is applied to contrast and explain economic development after a change in routines through innovation. Here, Schumpeter distinguishes between more or less routine changes and more radical changes by differentiating between growth and development. Development is a discontinuity of the steady state, a disruption of the static equilibrium leading to an indeterminate future equilibrium. From this perspective, the role of innovation is indubitable:

> "But what dominates the picture of capitalistic life and is more than anything else responsible for our impression of a prevalence of decreasing cost, causing disequilibria, cutthroat competition and so on, is innovation, the intrusion into the system of new production functions which increasingly shift existing cost curves" (Schumpeter, [1939] 2011: 290).

Schumpeter portrayed the entrepreneur as a particular type; a leader who is motivated by the urge to act performs the entrepreneurial function of carrying out new combinations. The contribution of this individual lies in his unique ability to combine existing goods in the static economy in a manner completely unbeknownst to the ordinary man (ibid.: 137). He is *not an inventor in principle*; instead the entrepreneurial function is expressed in the ability to create "new combinations" and "push through" (Ibid.: 130). What fundamentally sets this "man of action" apart is his ability to *act*, to seize the *new*, and force it upon the masses of passive men (ibid.: 123). Indeed, this is why the entrepreneur can be said to be a source of discontinuity within the system; he is the person who "changes the trodden tracks" and introduces new products, production processes, or other news. He combines existing elements in ways that the static man would never think to. He is, in other words, the prince that Walras and the rest of the neoclassical economists forgot to insert, when they wrote the script to their lackluster version of Hamlet. In the remaining part of this section, we look at why the laws pertaining to habitual economic conduct cannot grasp the economic development initiated by the man of action. Of special importance here is the way in which the insertion of the entrepreneurial figure affects our understanding not only of economic development (i.e. innovation) but also of value as such.

Besides being motivated by the will to conquer, to attain social power, the man of action is most of all driven by the "*pleasure from activity itself*" (ibid.: 110; emphasis added), the pleasure of what Schumpeter calls "creative construction" (ibid.: 105). According to Schumpeter, this pleasure of creating something new, of creating new forms of economic matters, "has exactly the same foundations as the creative action of the artist, the thinker, or the statesman. (…) Everybody can immediately recognize his drive to creation as something different from static behavior geared towards utility" (ibid.: 107, 109). For this person, "there is no resting point that could be identified, no economic behavior and no level of marginal utility where he would come to stop" (ibid.: 110). Hence, the behavior of the man of action cannot be described according to conventional economic conduct. The Schumpeterian entrepreneur is neither manager, nor capitalist; rather, he is the person who sees an opportunity to create something and turns it into reality.

From Schumpeter's perspective, economic development can be described as a discontinuity that appears because the entrepreneur finds *novel* ways of combining elements already existing in the system. In light of this, Schumpeter now notes that we have *two value scales*: For one, we have the static value scale. Here, the function of value is determined by the possibilities for using a good. However, in any static economy this scale is fixed. This is because here, everything, including the possibilities and the results of exchange, is predictable (Schumpeter [1911] 2011: 124-125). Also, though, we have what Schumpeter refers to as "development value" or "the *system of future value*". Here, the good is valued in connection with new, more advantageous combinations (ibid.: 127). This kind of value cannot be measured in accordance with already existing reality, since "the future values are the correlation of the new combinations; they are *new combinations translated into a language of value*. They are *the shadow of future events*, the harbinger of the immediate economic future" (ibid.: 128, emphasis added).

Having carefully accounted for Schumpter's theory of economic development, we see how operating with both a system of present as well as future value has been introduced in economic theory, providing an important backdrop for what we describe as a new type of concern for the future in strategic management thought. In the following section we shall see how the Schumpeterian ideas of a dynamic and ever-changing market are reflected in the much later strategic management discourse. While it might seem obvious to the reader that the market is now being understood as a dynamic entity, it should be noted that it was only a couple of decades ago that Hamel and Prahalad (1994) confronted Porter's (1980; 1985) view on the market in a quarrel, which in many ways resembles that of Schumpeter and the neo-classical economists. Therefore, we begin our next section by exploring this confrontation in more detail.

Problematizations of a View of the Market as a Static Entity in Strategic Management Thought

While the Porterian strategy framework assumes that competition takes place on a stable market with firmly established competitive structures, Hamel and Prahalad (1994) makes this picture more complex by claiming that competition on stable markets only represents one out of several dimensions of competition. In fact, their entire strategy scheme is built around the notion of a dynamic market place, where the success of the firm is reliant upon the firm's ability to compete on not yet mature and stable markets (ibid.). Instead of merely incorporating the competition on actual existing or mature markets, Hamel and Prahalad also focus on "pre-market competition", which designates competition on markets that do not yet exist or have not yet matured into having an established competitive structure (Hamel and Prahalad, 1994: 181f; 1994b: 14).

The common denominator of the various aspects of the new view on strategy that Hamel and Prahalad present in *Competing for the Future* is that organizations must be flexible and ready to adjust to changes in their competitive environment (1994: 283). In light of this, we see that some of the most important concepts of the book are 'core competence' and 'foresight', which are argued to be vital traits for the success and long-term survival of the firm (Hamel and Prahalad, 1994: 83ff; 1994b: 6ff). While the authors do not use the term innovation often in their work, they constantly emphasize the need for revitalizing the company through new offerings and new ways of operating. They state, "Companies that create the future are companies that are constantly searching for ways to apply their competencies in novel ways to meet basic customer needs" (1994: 292). According to the authors, market change is a basic condition for survival in the contemporary business landscape, meaning that firms essentially have two choices: They can either adapt to the change or create the change. Not surprisingly, Hamel and Prahalad propose that companies who drive the change are most likely to succeed (1994: 177ff).

As mentioned earlier, Hamel and Prahalad represent a way of thinking about strategy that is considerably different from that of Porter. The reason for this is that Hamel and Prahalad hold a view on the market as an entity which is in constant flux. The two authors draw a clear distinction between the traditional view on competing in a stable market (focusing on the present) versus what it means to be competing on a dynamic market (focusing on the future). Here the two authors' note, "(1) It [competition] often takes place in "unstructured" arenas where the rules of competition have yet to be written, and (2) it is more like a triathlon than a 100-meter sprint" (1994: 37). Implied in this observation, is the idea that strategy is far more than simply a positioning game in a stable market; instead it is a matter of keeping up with the future or potentially shaping the future. With reference to our previous discussion about Schumpeter's idea of economic development, we might infer that from the perspective of Hamel and Prahalad the aim of strategy is to perform the function of the entrepreneur and find novel ways of combining existing elements or introducing something new to the market. We will return to this point later in the chapter, but first we briefly look into the way in which the idea of necessary condition for company survival manifests itself more broadly in the strategic management thought.

In Bate and Johnston's *The Power of Strategy Innovation* (2003), innovation is seen as central aspect of the practice of strategic management. The metaphor of a gas tank is used to state that innovation is that which adds new fuel to a firm's strategy (ibid.: 3). What the metaphor attempts to designate is that a given strategy always comes with an expiration date, determined by the dynamics and changes in the firm's competitive environment. Therefore, innovation is seen as an essential part of successful strategizing. What is important to note in this book, as well as in the work of Hamel and Prahalad, is that innovation is considered to play a vital role in relation to strategy. Developing new products and value propositions has always been a part of strategy, and in that sense, the introduction of innovation to strategy, is not what is important here. Consequently, what is new here is the integration of the need to innovate into the area of strategy as such. Instead of merely including innovation as a functional discipline, such as research and development or marketing, innovation is here seen as an essential component in the process of determining and managing the overall strategic direction of the company. All of the primary and secondary activities relating to company value creation are now likely to be the subject of innovation (Bate and Johnston, 2003: 6f). It is the outcome of this shift in the scope of innovation that the authors term 'strategy innovation'. Strategy innovation is "a process of applying innovative thinking to the entire business model of a company, not just to its products or inventions" (Bate and Johnston, 2003: 7). As an indicator of the presence of the increased role on strategy innovation in business, the authors note that more and more companies have been incorporating innovation as a core value in their mission statement (Bate and Johnston, 2003: 6). As we show throughout this chapter, Bate and Johnston's idea shares resemblance with a broad array of other prominent ideas in the strategy and innovation literature, which all reflects the growing role of innovation.

In the case of Hamel and Prahalad, this propensity towards an increasing focus on innovation was especially reflected in their insistence on the need for managers to be able reinvent the strategic position of the firm. A similar focus on the firm's ability to adapt to a changing competitive environment is seen in Normann and Ramirez's concept of 'reconfiguration' (Normann and Ramirez, 1998: 99f). This is reflected in the way in which the importance of reconfiguration, understood as a competence (in Hamel and Prahalad's sense of the term), is argued with reference to the importance of the firm's ability to adapt to radical changes in its environment. Besides Normann and Ramirez, other authors have challenged Hamel and Prahalad's framework, stating that the core competence perspective does not address the challenges of a dynamic market sufficiently. The authors behind the 'dynamic capabilities framework can be said to represent this position. In the dynamic capabilities approach we see another view on this managerial competence of reconfiguration as a main source of competitive advantage. While core competencies can be said to carry the promise of being able to compete at certain markets in certain ways, dynamic capabilities enables companies to gather and leverage resources while simultaneously forming new competencies (Teece et al., 1997: 516). The similarity to Normann and Ramirez's concept of reconfiguration comes clear, when one looks at the higher order status of dynamic capabilities, which represent a sort of meta-competence within the framework. It could be questioned whether Teece et al and Normann and Ramirez actually present anything, which contradicts, or adds to, Hamel and Prahalad's view in any considerable sense. Nonetheless, it is of interest that the proponents of the dynamic capabilities view, and Normann and Ramirez so explicitly claim, that Hamel and Prahalad's view does not focus sufficiently on radical changes in the market structure. This reflects that the challenge of changing markets is of considerable importance, since it is in regard to this point that the various authors criticize each other and form new positions. Without delving further into the intricacies of this discussion, we simply note that the increasing emphasis on innovation as a response to rapid market changes is seen in various central works within the field of strategic management.

Throughout this section we have investigated how the Porterian idea of the market as a more or less static entity has been problematized broadly within the field of strategic management. Specifically, we saw that Porter's notion of competition as something that takes place in the present and on a stable market has been replaced by a view of competition as inherently dynamic. In the following section, we argue that the problematization of Porter's view on competition, as seen within the field of strategic management, reflects what we will call a displacement of value creation in time. While strategy was previously merely seen as requiring a concern for an existing market, the object of the strategic concern has now been extended to also cover value creation on future markets.

Introducing the Notion of Pre-Market Competition: Displacement of Value in Time in Strategic Thinking

In the previous section, we identified a problematization, which can be said to challenge the foundation upon which traditional strategic thought was build. The problematization of the market as a static entity manifested itself in a new stream of strategy thought, which operates on the basis of an assumption of innovation as a necessary condition for the competiveness of the firm. In this section, we will analyze the identified problematizations in more depth. This implies that we shall no longer ask the question of *what* has been problematized. Instead, we are interested in understanding *the way in which* it has been problematized. To this end, we will seek out where the problematization has manifested itself most vividly, namely in those sections of Hamel and Prahalad's *Competing for the Future*, where the notion of 'pre-markets' is discussed (1994: 45f, 182). In these particular sections, we see how the concern for the future gives rise to a fundamental re-conceptualization of what it means for a firm to be competitive.

In *Competing for the Future*, Hamel and Prahalad claim that competition is a different activity relative to the state of the market in which it occurs. Companies do not just have to consider competition for market shares and profits when strategizing. As an additional area of strategic concern, firms also compete for being most knowledgeable about future markets and for developing the sufficient capabilities to be able to create the value sought for in the future. Hamel and PrahaIad divide competition in three phases, each of which corresponds with the relative level of market maturity (Hamel and Prahalad, 1994: 45f, 182). Each level of market maturity requires a different type of strategic response, all of which has different success criteria.

The first of the three states of market maturity is primarily referred to as 'competition for industry foresight and intellectual leadership' (Hamel and Prahalad, 1994: 45). Intellectual leadership is a matter of positioning one's company on a market that has not yet become fully established. The winner will be the company that by the most refined achievement of foresight can predict what the future market will be like. More specifically, this will be a matter of forecasting future customer trends, technological developments, demographic changes and business dynamics.

The second state of pre market competition is termed 'competition to foreshorten migration paths' (Hamel and Prahalad, 1994: 46). This is where the markets of the future are developing and companies are competing for influence on the development of the market, as well as preparing their organization for it. Here, the competitive objective is to "maximize share of influence", meaning that companies will compete on defining what the basic underlying structure of the emerging market will be (ibid.: 185). Hamel and Prahalad state that companies can increase their share of influence on a forming market in four ways (ibid.). We will only visit two of these, since only the second and third types of strategy bears witness of the displacement of value in time. One way which companies can increase their influence on forming markets, is presented in the author's most detailed account of the notion of core competencies, under the chapter titled "Building Gateways to the Future" (Hamel and Prahalad, 1994: 197). As the title designates "getting to the future first" is matter of mobilizing the competencies of the company in order to prepare the capabilities required to enter and support the desired position on the emerging market. While the competition for intellectual leadership was a matter of understanding in which direction to go, the competition for developing the required competencies is a competition for possessing the strongest capabilities when the market matures and the actual profit potential emerges.

Another way to maximize share of influence is learning about the developing market, and more specifically, what customer benefits the firm can deliver in the new market. This is a matter of understanding, how the new type of offering, which will be the turning point of the emerging market, is able to provide benefits for customers. Hamel and Prahalad claim that in order to strategize with adequate regard for the future, the company must turn away from being “customer led” and embrace the idea of being “benefits led” (1994: 99f). The idea is that if companies ask the consumer which product she prefers, she will give an answer within the horizon of what seems possible within the structures of the actual market. Henry Ford, who famously said, “If I’d asked the public they would have said they wanted a faster horse” (Medeiros and Needham, 2009: 49), presented an illustrious example of this problem.

In their attempt to overcome this dilemma, Hamel and Prahalad, open up an interesting line of reasoning: In order to invent something game changing, companies must look to what possible benefits they can create for the consumer. If companies are to create something for the consumer, which rewrites the rules of their industry, merely asking the consumer will not get them to the future. Instead of simply asking their customers, companies should ask themselves the question: What needs or problems should we aim at providing solutions to? It is during the discussion of learning about what customer benefits to offer, that Hamel and Prahalad introduce the idea of certain consumer segments that are ahead of common consumer trends (Hamel and Prahalad, 1994: 101f). The implied idea of ‘lead-user innovation’ is often attributed to and explained in most detail in the work of Eric von Hippel (2006). The idea of the ‘lead user’ is inferred as the way in which companies can cooperate with customers in order to learn about what customer benefits will satisfy a given target market in the future. Here we see how the displacement of value creation in time, has been connected to the idea of the outside as source of value, and its response of opening up value creation. We shall attend to this point in more detail later, but first will look into the final stage of competition as described by Hamel and Prahalad.

The third, and final, stage of *Competing for the Future* is referred to as ‘competition for market position and market share’ (Hamel and Prahalad, 1994: 46-47). At this stage, the different factors of the competitive environment, such as customer expectations, prices and competing products, have taken a more stable form. Innovation is still relevant, but is much more incremental, focusing on aspects such as adjusting existing products and increasing operational efficiency. According to Hamel and Prahalad this is the phase of competition, which is dealt with in most conventional strategy frameworks. Hence, what we fundamentally see with Hamel and Prahalad's shift from Porter's hitherto reigning perspective on strategy thought is a revision of the assumption about value creation as something that merely occurs in the present.

Hamel and Prahalad's point is not that Porter's framework did not consider the future of the market at all or that it is impossible to plan for the future within his framework. Instead, the point is that the Porterian framework did not make a distinction between the different states of market development occurring in a rapidly changing competitive environment, and therefore, it did not present adequate strategic responses for each of these phases. Whether this account of Porter's framework is entirely fair is of less importance than what is reflected in the maneuver, which Hamel and Prahalad claim to have conducted. To be sure, the ideas presented above mark an important turning point for strategic management thought. In comparison, one could argue that Hamel and Prahalad's attack on the Porterian view of the market is similar in structure to Schumpeter's quarrel with Walras and the neo-classical economists about whether the economic system is to be perceived as static or dynamic.

Without a claim to causality, we see a structural equivalence between Schumpeter's proposed idea of 'systems of future value' and Hamel and Prahalad's notion of pre-market competition, which introduces additional phases of competition. From the introduction of these additional phases of competition we infer that there has been a displacement of value in time within strategic management thought. A displacement of value in time implies that businesses are to shift their attention from the present to the future in order to keep their competitive edge. That is to say, what is seen as most valuable to the firm is first of all and in most cases ahead of the firm's actual placement in time. This implies a shift from first and foremost seeing value creation with regard to the actual market, to seeing a potential market as having strategic priority. The displacement in time is first and foremost manifested in the fact that future value creation has been introduced as a qualitatively new strategic concern within management thought.

In Bate and Johnston's characterization of strategy innovation, we see a parallel in the focus on creating "new value in new markets" and having "tomorrow" as the starting point of strategy (2003: 33f). Interestingly, we also see Bate and Johnston argue that in order to make the organization more prepared to compete on future markets, managers should move from being company oriented to market oriented (2003: 32).This claim, though developed in less detail, expresses the same idea that we saw in the previous chapter, namely Prahalad and Ramaswamy's (and Vargo and Lusch's) notion of a shift from a company-centric to a consumer-centric dominant logics, as well as Pine and Gilmores' notion of a shift from a 'supply chain' to 'demand chain'. As discussed, the shift to putting the consumer as the point of departure for business processes is a way of opening up of value creation to be able to tap into the sources of value, which resides outside the boundaries of the firm. What is important to note here, is that we see an opening up of value creation, motivated by a greater need for organizational adaptability and innovation.

In the two phases of pre-market competition, which Hamel and Prahalad have added as important focus areas for the strategic discipline, we also begin to see suggestions regarding collaboration with customers as an attempt to provide the firm with the desired foresight and share of influence on the market (Hamel and Prahalad, 1994: 101f). Although Hamel and Prahalad's notion of pre-market aim at addressing challenges which only bear little resemblances with those challenges that we saw addressed in chapter three, there is a considerable correspondence in the type of response that they offer, namely the idea of opening of the value creation process in order to be able to capture value outside of the traditional boundaries of the firm. We shall explore this connection between the two problematizations - the opening up of value creation and the displacement of value in time - further in the following section, where we will look into the inclusion of the customer as a way of foreseeing what will be of value in the future.

The Customer as a Gateway to the Future: Strategic Leverage of Customer Competence

In chapter two, we identified how co-creation initially emerged as an add-on to the competence perspective, suggesting that firms should utilize the competencies of their customer base in value creation. Through an analysis of the various solutions and strategies suggested by the proponents of the competence perspective it became apparent that the emergence of the competence perspective was a part of a tendency to embed innovation in the core of the discipline of strategy. We argued that inherent in this tendency, we see a displacement of value in time, which requires managers not only to be concerned about present value creation, but also what Schumpeter would have termed 'systems of future value'. Managers now both have to be concerned about value creation on the present markets that is right in front of them, but also about premature emerging markets and hypothetical future markets.

As we saw earlier in this section, Hamel and Prahalad suggested learning about future consumer trends through collaborating with consumers, who are ahead of the development of an emerging consumer trend. In the following section we will look into another discourse, which has emphasized the innovative potential of including consumers in value creation processes. The discourse on *user innovation* is closely related to co-creation, since it presents solutions that are in many ways similar to those of co-creation (von Hippel, 2006: 126ff). While co-creation primarily originated within the field of strategy, user innovation concerns product development more narrowly; rather than providing an overall answer to how companies are to think about competition and value creation. To understand how the emergence of co-creation relates to the displacement of value in time, we will first turn to investigate the concept of lead user innovation in relation to the idea of having consumers function as windows through which the business opportunities of the future can be gazed at.

In the following, we will give an account of von Hippel's idea of user innovation as a framework for understanding how consumers can be utilized as sources of competence in innovation processes. Von Hippel's view is first and foremost interesting, because he argues that some consumers are more competent than the company itself to create the innovations, which hold the potential to be defining for future value creation. Therefore, we can learn more about the idea that consumers can act as 'gateways to the future' from von Hippel's theory. On von Hippel's view, it is not, however, all consumers who possess this characteristic, but only those who von Hippel terms 'lead users'. A lead user possesses two characteristics (von Hippel, 2006: 22). The first of these is that the lead user will be ahead of the remaining segment, regarding an emerging market trend. For example, if a new style of jacket is coming into fashion; lead users will likely be the ones to adopt this fashion earlier than the remaining segments. This characteristic implies that many lead users experience certain needs before other members of the same segment. It is qua this characteristic of the lead user that this individual can provide a way to discover, what consumer benefits the firm is to provide in the future. The other characteristic of lead users is that they are more engaged in the activities for which the product in question is used. Therefore, lead users expect to experience greater benefits by product improvements than the remaining segment. The overall idea of von Hippel's theory of innovation is that companies should look to the innovative potential of their lead users in order to generate ideas for future product development.

In our initial presentation of Schumpeter's ideas, we focused upon his work as having a heavy emphasis on the role of the individual as the cause of innovation and market change. This focus on actions of the individual can lead one to see a strong discrepancy between on the one hand the Schumpeterian view and that of co-creation which emphasizes the collective potential of the group. The democratic attitude of co-creation seems to be in sharp contrast to the technocratic restriction to the value creating potential of the few, seen in the Schumpeterian view of the entrepreneur and in von Hippel's lead user theory. In the next section we will delve back into the work of Schumpeter to shed new light of the difference in attitude towards the social versus the individual seen in Schumpeterian view. We shall look into a less well known part of Schumpeter's view, which none the less is of considerable importance in order to understand the relation between co-creation and the Schumpeterian inspired view on strategy which it originated as a continuation of. By introducing Schumpeter's concept 'novelty', we see how their, even within his strongly individualistic system of thought, resides a view of the social as a necessary condition for the entrepreneur to be the cause of innovation and change.

Schumpeter's Peculiar Concept of Novelty: Towards a Depersonalization and Socialization of the Entrepreneurial Function

The concept of *novelty* is the central theme of Schumpeter's "unknown article" *Development*

(Becker et al., 2002). Coincidently discovered in a remote archival box in 1993,[16] this article sheds light on a number of central topics in Schumpeter's authorship, including his conception of the relationship between equilibrium and development; his attempt to disguise between routine changes and more radical changes; the role of novelty in radical changes; and his belief in the central importance of society as a factor of influencing both patterns of equilibrium and development. In our discussion, we are particularly interested in understanding the dynamics that give raise to novelty.

In Schumpeter's early conceptualization of economic development, we have seen that he excludes outside factors, i.e. exogenous shocks, as the explanation for economic development. Following this logic, we have to assume that novelty can be explained by some factor endogenous to the economic system. Of course, the obvious source of novelty would be the entrepreneur, who has thus far been the ubiquitous figure in Schumpeter's dynamic program. Rather surprisingly, however, *Development* dismisses entrepreneurial activity as an explanation of novelty: "(…) 'creator personality,' is merely a descriptive term that helps identify novelty, but nothing has hereby been explained" ([1932] 2005: 113).

Hence, on account of the discovery of the hitherto unknown *Development*, we begin to see the limits of Schumpeter's entrepreneur as an explanation of change. In their research, Becker et al. note, "the entrepreneur must *not* be viewed as *the* factor of change but as the carrier of the mechanism of change" (2002: 4, emphasis added). They furthermore note, "Apart from the main argument that novelty is an insurmountable limit for deterministic explanations, *Development* also implies that "novelty may be viewed as an emergent expression of the interactions among agents within the various domains of social life" (ibid.). This observation is extremely relevant for our primary discussion about value creation in a co-creation logic, since it points towards a depersonalization and socialization of the innovative function – an important characteristic of the

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[16] The German scholar Hans Ulrich Eßlinger made the lucky discovery of the Schumpeter's unknown and unpublished article *Development*. Eßlinger was in pursuit of archival material on Emil Lederer, a leading German economist who immigrated to the United States in 1933 (one year after Schumpeter had moved to fill a position at Harvard). As he went through "a remote archival box at the State University of New York, Eßlinger found an extraordinary folder that was offered to Lederer in 1932 in honor of his fiftieth birthday. It contained a broad collection of sixty-nine documents, including the only copy of Schumpeter's article Development" (Becker et al., 2005: 108).

co-creative paradigm.

In his research, Lopdrup-Hjorth notes, “the clear-cut separation between the man of action and the static man, and the respective kinds of economic conduct, becomes increasingly difficult to uphold” (2012: 205). This is due to the fact that Schumpeter’s entrepreneur previously was regarded as an exceptional case, disrupting the circular flow of the economy, now has become much more prevalent, and that “the social whole”, as a consequence hereof “is getting more used to incessant innovation within the realm of the economic process” ([1928] 2011: 251). This, in combination with the widened sphere of calculability, entails that the function of the leader as well as the entrepreneur tends to become “democratized”, to be taken over by a much larger group, and in this process turned into something that “that can be learned” (ibid.: 252; cf. Lopdrup-Hjorth, 2012: 205).

In Schumpeter’s reflection upon the concept of novelty we have seen how there within the Schumpeterian system of thought can be seen ambiguity regarding the source of - or the prerequisite for – innovation, from previously merely being associated with individuals, marked by heroic traits, to also include a depersonalized and socialized mode of action. This opening in the Schumpeterian framework leads us towards the last part of the analysis of problematization, which addresses the shift within strategic management from Hamel and Prahalad’s core competence perspective to the conception of a co-creation. Parallel to the development that we saw in Schumpeter’s thought on what constitutes the source of the new, we will see that co-creation responds to various challenges, inherently following the displacement of value in time, by opening up value creation to a broader social realm. While the firm, also on the co-creation view, takes the role of the entrepreneur and acts as the effective cause of the new value, it can be said to be a kind of strategy which aims at being more connected and sensitive to the ideas and inputs from the various domains of social life. In the following, we shall see how co-creation presents itself as an answer to the challenges raised by the new picture of competition, where the objective changes relative to different states of market maturity, as seen in the radical focus on innovation and organizational adaptability in the management thought of the early 1990’s.

Co-creation as a Response to the Displacement of Value in Time

We concluded the previous chapter by showing how co-creation can be said to have received its resonance partly due to a tendency within the world of business to problematize the closed and rather mechanistic framework of value creation in favor an experienced-based concept of value. While this enlightened our understanding of the notion co-creation of value, it does not suffice in explaining the initial emergence of co-creation in strategic management discourse. To this end, we need to look at the way in which co-creation presents itself as a solution to the challenges raised by the observed displacement of value in time within strategic management thought. Here we wish to show how the problematization of a static Porterian framework ultimately can be said to have paved the way for the manifestation of co-creation as a possible answer to deep-rooted challenges within the field of strategy. Starting with the introduction of the notion of pre-market competition (Hamel and Prahalad, 1994), we begin to see how strategizing is no longer a matter of positioning the firm in a market with stable underlying structures; but rather a matter of anticipating the shifting movements of the market. At many levels, this conflict in perspectives can be said to resemble the observed dispute between Walras and Schumpeter in economic theory. Embedded in Hamel and Prahalad's idea of strategy is an understanding of the market as a dynamic entity, which develops in cyclical patterns of creation and destruction, as we know it from Schumpeter. From this perspective, the strategic aim of the company is either to drive the change of the market, or as a minimum be ready to understand and handle the change. This, in turn, indicates why we claim that there has been a displacement of value in time within strategic management thought. This was due to value creation no longer is conceptualized in a framework that does not differ between various temporal phases, but now a strategic concern for a future market is conceptualized as prior to the concern about competition on the actual market. We will proceed to showing how co-creation can be said to answer quite elegantly to the challenges that arise from an increasing concern for the future in strategic management thought. Specifically, we will discuss how co-creation provides possible assistance for mangers to navigate in pre-market competition.

As we have seen, in their pivotal work *Competing for the Future,* Hamel and Prahalad divide competition into three distinct phases. Phase one and two deal exclusively with pre-market competition. To show how co-creation presents itself as a possible solution to challenges present in these phases, we will now discuss each of these in turn. The first phase of pre-market competition was the competition for intellectual leadership. Also referred to as 'competition for foresight' (Hamel and Prahalad, 1994: 274), this phase was primarily a matter of understanding what types of customer benefits the firm needs to provide in the future in order to be successful. Initially presented as a means for capturing the insights and competencies of the firm's customer base, the concept of co-creation can be said answer to the challenges associated with the battle for intellectual leadership in pre-market competition, as it allows firms to bridge the epistemic gap between its present and the future[17].

By diminishing the boundary between the firm and its market, the company can hope to constantly receive insights regarding new market trends. In many ways, this approach can be said to be similar to user-innovation; however, where co-creation differs from user-innovation is in terms of scope. Whereas von Hippel (2006) presented the concept of user-innovation as a tool for quite specific scenarios, and only as something which a very small group of employees had to take into consideration, co-creation take the form of an almost complete business strategy, which to a much greater extend impacts the daily management and organizational identity of a firm. In this sense, co-creation can also be said to provide answers to the second phase of pre-market competition, which is a matter of competition for influence on a developing market, as well as hoarding up of competencies needed to compete on this developing market. By bridging the gap between firm and market through the establishment of engagement platforms such as Nike+, The LEGO Factory, and MyStarbucksIdea, firms are able to influence their customer base, as well as utilizing the skills, competencies, and experiences of these customers. In this sense, co-creation can be said to mitigate the market risk, i.e. the epistemic gap between its present and the future, as well as the risk of customers being averse towards new products and services. The co-creative imagery of the firm and its environment as a social ecosystem is characteristic for the way in which co-creation addresses the aspect of shaping future markets. By being symbiotically connected to its surroundings, the firm will a) be more sensitive towards the development of the market, and b) be able to leverage the competencies of the customers. Simply put, this is how co-creation presents itself as a possible to solution to the challenges raised by the displacement of value in time. Having

[17] By 'epistemic gap' we intend to designate how past experiences, data and knowledge, is limited in guiding strategic decisions regarding a competitive environment, radically different from the current or past.

mapped the relation between co-creation and the second of the two problematizations leading to the emergence of co-creation, we will now turn to a brief, summarizing account of how the problematization can be said have provided the space of resonance for co-creation in greater detail.

Chapter 5

Discussion of the Identified Spaces of Resonance for the Emergence of Co-creation

Throughout the course of chapter three and four, we showed how co-creation has emerged as a solution to the challenges raised by two central problematizations within contemporary management discourse. Initially, we saw that how the emergence of the idea of value as co-created experiences was intimately linked to a problematization of the nature value. Next, we saw how the emergence of co-creation can be understood as a problematization of a view of the market as a static entity. By analyzing these problematizations, we claim to have identified the conditions of possibility for the emergence of co-creation as a new business paradigm, holding within it the implicit promise of providing relief to challenges embedded in the deep-rooted concern for the future within contemporary strategic management thought. The purpose of this section is to highlight how these problematizations can be said to effectively have provided resonance for the emergence of co-creation.

We will begin by examining, how the problematization of the nature of value can be said to have opened up for the idea of value as co-created experiences between the firm and the customer. As stated earlier, the idea of co-creation of value implies a breakdown of the distinction between value and value creation, since if value does not reside in a material product, but in an immaterial experience, and the value of this experience furthermore is a function of the quality of interaction between the firm and consumer, the contribution of the consumer to this experience functions as an input to amount of value created. Through this rather complex framing of the nature of value, we get that the value created is not something that transcends the process of creating it. This, in turn, suggests that if value had remained something that first and foremost was embedded into the raw material forming a physical product, this deconstruction of the divide between value and value creation, would not have been possible since the value adding process would solely be something occurring in the forming of the product, not in its reception and use. Therefore, if this discarding of the distinction between value creation and value as such had not been initiated, it is unlikely that the idea of co-creation of value would unlikely have been conceivable, since the notion of value as immaterial experiences has made it possible to talk about a much broader array of possible inputs of value in the value creation process. If value creation, first and foremost, was a matter of manipulating raw material, it would seem far less obvious that the collective creativity and knowledge of the firm's customer base could provide important inputs to the process of creating value, as we have seen it, for example, in the cases of The LEGO Factory and Nike+. However, due to the problematization of the Porterian view on value, value creation is now far more likely to be seen as being influenced by a large amount of immaterial inputs from outside the firm. In this sense, one could say that the introduction of the immateriality of value creation within management thought, has acted as a condition of possibility for the emergence of the co-creative idea of value as experience created through consumer-firm interaction. While it is commonly suggested that the trend of implementation co-creative initiatives is associated with an increased immateriality of value, we have hereby identified how the shift to a greater degree of immateriality in the paradigmatic conceptualization of value, not only having allowed for the implementation and possible success of co-creation initiatives, but also for the very idea of co-creation of value as such.

As we have seen, the problematization of value involves an opening up the concept of value to include immaterial inputs from consumers in the value creation process. Emphasizing the role of consumer as an active contributor of value in the value creation process has provided resonance for a perspective that holds a view of the consumer as a strategic resource for the firm to leverage. If we had not seen a shift in the concept of value from material to immaterial, viewing the customer base as a reservoir of resources would appear to be a futile undertaking, since the resources offered by the customer base would likely be considered irrelevant. However, with the booming interest in immaterial value creation, the collective creativity, knowledge, and affect of the customer base comes in view as highly valuable resources for the firm to capture.

We have seen how a shift in the concept of value from material to immaterially-based has paved the way for viewing the customer as a resource for value creation. However, this shift in perspective alone does not suffice in explaining the emergence of co-creation within the discipline of strategic management, since the idea of the customer base as a reservoir of resources requires a view of the firm, and the basis of its ability to compete in the market, as being a function of the resources which it can leverage. This premise sheds light on the necessity of the introduction of the resource-based view of the firm, which Hamel and Prahalad are main proponents for, within strategic management discourse to have acted as a condition of possibility for the idea of the customer base as a source of competitive advantage for the firm. If one looks at the work of Normann and Ramirez (1994), it is clear that even though they consider the customer to be an asset for the firm, they do not propose that customer should participate in the value creation as such; rather they merely suggest that a skillful customer base determines the amount of utility that the offerings of the firm can create for customers. That is to say, the firm cannot create value for the customer by selling a computer if the customer does not know how to use a computer. While Normann and Ramirez were clearly inspired by the resource/competence perspective in several aspects of their work, their ambition leaned more towards an modification of the Porterian framework, without shifting the theoretical basis of this framework, as seen in the work of Hamel and Prahalad (1990; 1994). In this sense, we can point to Hamel and Prahalad's core competence perspective as a necessary condition of possibility for the emergence of co-creation in strategic management discourse, since it was not until this view was introduced that the competencies of customers were actually seen as something that the firm can utilize as a resource for innovation, product and brand development, or even strategizing. Inherent in the competence perspective is the idea that the firm should be understood in terms of an essence that can be attuned to match its surrounding environment. Seeing the firm in this way, rather than as a portfolio of business units, allows for a much more flexible view of the strategic possibilities for the firm in maneuvering competitive environments where adapting to radical change is a basic condition for corporate survival. For this perspective, the inclusion of customers was no longer seen as a conceptual abnormality within the framework of value creation, but instead as a source of resource leverage, equal in kind to the mining of employee knowledge or forming coalitions with business partners. When this link between the resource-based view of the firm and the idea of the customer as a source of competence was initially established, it was due to a perceived opportunity for the knowledge of consumers to act as gateways to the future.

Here we begin to see how the focus on organizational adaptability to future changes that motivated the competence perspective lead to what we have termed a 'displacement of value in time'. Besides allowing for the view of the firm as a bundle of resources, the displacement of value in time can further be said to have provided resonance for co-creation by raising sets of managerial challenges, which co-creation could then emerge as an answer to. More specifically, we saw how the challenges of pre-market competition created resonance for a business model that was better able to solve the epistemic gab between a present and a future market. By virtue of its symbiotic intertwinement with the forming market, the co-creative idea of an engagement platform, which links the firm with its customers, was able to find a space of resonance within contemporary strategic management thought.

Assessing the Current State of Co-creation within Managerial Thinking

In this final section of our analysis of co-creation, we briefly reflect upon the state of the emergence of co-creation as a new business paradigm. Based on the analysis of problematization presented in this thesis, we argue that co-creation does not sufficiently answer to the problematizations that we identified within strategic management thought. Specifically, we present that the claim that co-creation, in its current form, does not suffice in addressing the problematization of the view of the market as a static entity. The reason for this is that co-creation, since its introduction in 2000, has gradually departed from its roots within strategy, now responding more to the increasing focus of customer experiences than to the challenges associated with the displacement of value in time.

In the beginning of this thesis, we suggested that if co-creation is to successfully establish itself as a new business paradigm, it must provide answers to problems that the former paradigm was unable to resolve. In the context of the analysis of problematization carried out in this thesis, the question was raised whether co-creation can be said to have answered adequately the two central problematizations within strategic management thought, namely the problematization of the nature of value and the problematization of a view of the market as a static entity. While each of these problematizations can be said to have provided resonance for the emergence of co-creation, we have also seen that there has been a development within the work on co-creation towards responding more to the problematization of value than to the initial concern for pre-market competition. This, in turn, raises the question of whether the problematization of value is such a kind that a new business paradigm can be established on the basis of responding to this question alone.

Having uncovered how the phenomenon of co-creation essentially rests on two pillars, namely the problematizations of the nature of value and the view of the market as a static entity, it seems safe to ascertain that by only focusing on one of these problematizations, the space of resonance for the concept of co-creation would be lessened, making it difficult for co-creation to fulfill its ambition of becoming a full-fledged business paradigm. It was uncovered already in chapter two that co-creation, in its current manifestation, is not a unified phenomenon. The gradual increase in prioritization, within the co-creation discourse, on the notion of co-creation of value, on the expense of the initial idea of co-opting customer competence as a response to the displacement of value in time, has potentially deflated the space of resonance, which originally made co-creation a viable strategy concept. But if co-creation is expelled from the discipline of strategy, it will not be able to attain the higher-order status necessary to qualify as a plausible candidate for becoming a well-established business paradigm. Without addressing both of the identified problematizations within strategic management thought, it is unlikely that a phenomenon such as co-creation will have the expressive force in guiding managers in strategic matters over a longer period of time.

As we have seen through the preceding chapters, and especially in chapter two, the idea of co-creation of value initially only played a secondary role in the co-creation framework, while it later, particularly in Prahalad and Ramaswamy's publications from 2004 and onwards, began to form the very basis of the formulation of the co-creation perspective. As these later works have had more and more decisive influence on the co-creation discourse, the initial idea of the strategic leveraging of customer competencies, appeared merely in the periphery of the framework, while the concept of value as co-created experience, now formed the idea of co-creation in an almost axiomatic manner. Ramaswamy and Gouillart's *The Power of Co-creation* (2010) further escalated this propensity of moving the component of experience-based value to the forefront. One merely needs to take a look at the first sentence of their co-creation manifesto, where they state: "Co-creative enterprises follow a simple principle: They focus their entire organization on the experiences of all their customers and stakeholders that stem from *interactions* with products, processes and people" (ibid.: 247). While the component of experience-based value was always a part of the co-creation framework, we now see that this agenda has been moved to the very forefront, as a result, has become constitutive for the in which co-creation manifests itself in contemporary business discourse.

However, if co-creation, in its current manifestation focuses foremost on the problematization of the concept of value, it is, as we have already indicated, unlikely that the phenomenon will be powerful enough to replace hitherto dominant perspectives on strategic management and establish itself as a new paradigm. One reason for this is that the problematization of value, and subsequent shift in understanding of the concept of value as something being embedded in material matter to being immaterial and experience-based in nature, can largely be handled under a Porterian business paradigm, as long as the final value chain is expanded or adjusted to include an experience-based value proposition. For instance, Pine and Gilmore's (1999) notion of a demand chain can be said to reflect such an adjustment of Porter's linear value chain framework. Therefore, if co-creation advocates focus on the problematization of value alone, they inadvertently reduce the potential of the phenomenon, making it merely an issue of providing unique experiences rather than products.

In the introduction of this thesis, we noted that one of the unique properties of the concept of co-creation is that it functions as an umbrella concept for several related concepts, including concepts such as user-driven innovation, crowd-sourcing, open innovation, experience economy, etc. What enabled co-creation to absorb these various concepts under a coherent strategy framework was the idea of leveraging the competencies of the customer base in the process of creating value. However, with the diminished focus on co-opting customer competence, in favor of an emphasis on an experience-based concept of value, we begin to see that co-creation is no longer able to maintain its position as a unifying concept with broad-ranging strategic implications. By amplifying its focus on the experience-based concept of value, co-creation will potentially appear as an incremental contribution to the idea of experience economy, rather than being a higher order framework, able to integrate various ideas and concepts regarding how to leverage sources of competency that exist outside the boundaries of the firm.

Considering the shift in focus within co-creation itself, from resource leverage to conforming to an experience-based concept of value, it can be somewhat unclear exactly what types of problems co-creation can be said to offer solutions to. In Ramaswamy and Gouillart's recent bestseller *The Power of Co-creation* (2010), we see persistent attempts at convincing the reader that co-creation is applicable to solve almost any imaginable problem within the world of business, regardless of the industry, the type of business, and the horizontal level of the activity. For instance, it is argued that co-creation provides relevant answers to problems spanning from how to run a coffee house chain (i.e. Starbucks) to the mobilization of regional medical institutions through the platform of GE Healthcare (2010: 21f, 100f). While this persistent effort to show the universality of co-creation can potentially be interpreted in a number of different ways, it is at least worth noting that there seems to be an unusual need for proving the concept in relation to all of these cases. In previous works on strategy, including Porter's, the need for proving the relevancy of the presented concept has generally been far less explicit, and often limited to explications regarding the technical design and implementation of the framework. This could suggest that even within the inner circles of the co-creation advocates there is uncertainty regarding the appropriate scope and scale of the phenomenon. At least the great amount of focus on proving the relevance of co-creation, can be said to reflect that it is, indeed, a thorny issue, and difficult to get a handle on to what ends within the world of business co-creation actually is able to provide the means

To sum up, the current manifestation of co-creation – as a phenomenon that focuses lopsidedly on telling firms how to provide and facilitate experiences, rather than presenting a new vision for business strategies, guiding the inclusion of customer competencies in value creation processes – is seemingly incoherent with its own ambition of becoming a viable business paradigm, and not just another fleeting buzz-word in the rapid stream of management literature. Based the on the observations in this thesis, it can be argued that in order for co-creation to deliver on its initial ambition of becoming a new business paradigm, it is necessary for co-creation to re-structure its conceptual architecture, once again bringing the idea of resource leverage through customer competencies to the forefront. Naturally, this also suggests that the component of co-creation of value must be moved towards the periphery of the overall co-creation framework. For instance, this shift in priorities could be actualized through a formulation of co-creation, where the component of creating experiences chiefly provides a means for leveraging the competencies of one's customer base.

While this section finalizes our assessment of the current state of co-creation, we will round up the project by briefly presenting some final reflections regarding the chosen direction of this thesis, as well as directions for future investigations and analysis of the phenomenon of co-creation.

Final Reflections on the Investigation

Throughout this investigation we have looked at co-creation as a new business paradigm that responds to central problematizations that the previous business paradigms could not. This has allowed us to focus our inquiry on the content of the examined ideas, as well as the shifts in basic assumptions, reflected in these ideas. However, while this mode of critically reading of the history of contemporary business discourse has allowed us to focus our investigation of emergence of co-creation as a new business paradigm, it has simultaneously limited our ability to pursue other research directions. Presented as four separate points, we use this final section to discuss the implications of our chosen research direction in a little more detail. Firstly, we ponder the limited use of cases in our analysis. Secondly, we discuss how our analysis can be said to bear slightly more resemblance with history of ideas, than what Foucault seemingly envisioned when he talked about writing the history of thought. Thirdly, we entertain the idea that co-creation signals yet another problematization of existing assumptions within the strategic management discipline, namely the idea that competition is first and foremost about increasing market share through an increase in sales. Finally, we briefly discuss what it would imply to analyze co-creation through problematizations that reside outside the area strategic management thought.

Focusing on how co-creation represents a novel mode of thinking; rather than a specific initiative, we have mainly included central works of management literature, and only to a limited degree relied on cases in our analysis of co-creation. While this has allowed us to present a fairly comprehensive account of the intellectual origin of co-creation as an emerging business idea, the decision to only include a limited number of cases on the practical implementation of co-creation initiatives means that there more practical aspects of co-creation which might prove relevant for future investigations. For instance, it would have been interesting to see what practical implications that have followed from the identified shift in co-creation from the initial idea of leveraging customer competencies to now focusing more on the notion of experiences as the locus of value. In other words, what types of practical initiatives are companies taking as a result of this shift in thinking within the co-creation discourse. Furthermore, the inclusion of more empirical cases could perhaps have helped shed additional light on the categorization of co-creation vis-à-vis many of its related concepts, including open source innovation, crowd sourcing, wikinomics, etc. A careful uncovering of the various co-creation cases could potentially have added more precision with regard to the exact way in which the advocates designate what is a strong case of co-creation and what is not. However, while a shift towards a greater inclusion of cases would potentially have provided the analysis with several strong additions, it would also imply that the scope of the analysis of the intellectual origin of co-creation would have to be substantially reduced, and as a result, jeopardize the declared ambition of providing a needed critical contribution to the discourse on the basis of diagnosis which addresses co-creation as new perspective in the form of a paradigm, rather than merely how the phenomenon shows itself in the form of specific initiatives.

By seeking to understand co-creation as a new overall paradigm, our analysis has to a great degree, focused upon the problematizations on the level of the ideas, rather than on how these problematizations have been reflected in areas closer to actual business practice. Because of this, one could argue that our usage of the analysis of problematization is closer to the history of ideas than what Foucault presumably intended in his formulation of an attitude towards writing the history of thought. In our account of the analysis of problematization, we discussed a model of a process of problematization that starts with sets of experienced difficulties and obstacles, which then triggers a series of problematizations of the status quo, ultimately leading to the mobilization of alternative ideas, solutions, strategies, and practices. The analysis of problematization carried out in this thesis has focused mostly at the level of the problematizations of the status quo, as well as how these problematizations can be said to have provided resonance for the emergence of new ideas and perspectives. As a result, we have deliberately given less priority to the early levels of the process of problematization (i.e. the sets of experienced difficulties) that have initially triggered the various broader problematizations that we have analyzed. For instance, the frequent mentioning of more active consumers would have been an interesting area to explore in further depth, to see how scholars and practitioners of business try to handle this propensity through the formulation of new frameworks, matrices, and tactical strategy schemes. Especially, the problematization of the concept of value could have benefited from more focus on how these tendencies in consumer behavior have been turned into something problematic, since this problematization is very much driven by a desire to adopt value creation frameworks to this new type of consumer, as accounted for in chapter three. In addition, the insights from such an analysis would likely have made us even better equipped to determine whether co-creation is, in fact, the most relevant outcome the problematizations triggered by these difficulties.

Having briefly considered what other elements could have been included in the present investigation, we will now contemplate how a third possible problematization could have been included in the analysis. This problematization can be said to challenge the assumption that the primary aim of competition is to increase market share in terms of sales. The problematization shows itself, for example, in the co-creative idea of "the market as a forum" (Prahalad and Ramaswamy, 2004a: 119f), as well as the idea of a social ecosystem (Ramaswamy and Gouillart, 2010: 112ff, 128f). At some levels, this problematization even surfaces in Normann and Ramirez's idea of the seeing the customer base as an asset for strategic advantage, rather than passive receipts of company-created value (Normann and Ramirez, 1993). This is also true of Hamel and Prahalad's view of competition, where competitive advantage is not merely something the firm gains in isolation, but something that requires interplay with the surrounding market and industry. Under a co-creative logic, the epistemic gap between the firm and the market will be closed as a result of the continual interaction between the firm and its customers. Here the question is no longer what to sell to the customer, rather the question is how to continually engage the customer in a dialogue about what value to co-create. But if the value a firm offers is perfectly co-created with its customer base and any discrepancy between the two eliminated, the main question or aim of competition can be said to shift from market positioning to market engagement. In this sense, we see that co-creative view of competition effectively displaces the aim of increasing market share in terms of sales, with an ambition reaching out to and nurturing its social ecosystem. Put differently, the traditional supplier-customer relationship is no longer the primary relationship to be fostered between the firm and its market to be competitive; instead the primary mode of competition is to enter into co-creative relationships with an informed, creative and active customer base.

The fourth and final point that we will reflect upon concerns the particular context that we have chosen to understand the emergence of co-creation within. Already in the first chapter of this thesis we focused, and thereby limited, our analysis to the emergence of co-creation within the context of strategic management. Due to the higher order nature of the discipline, we argued that an inquiry into co-creation as a new business paradigm, should explore the emergence of co-creation in relation to the discipline of strategic management. While this focus has proved fruitful in understanding co-creation as a new overall business paradigm, co-creation is also related to other problematizations outside the sphere strategic management. For instance, within the ambition of understanding co-creation as a new business paradigm, it would have also been possible to analyze the emergence of co-creation through the lens of innovation management. Here one could have analyzed how co-creation can be said to have emerged in the wake of a problematization of the concept of creativity. Such an analysis could seek out how the understanding of creativity has shifted from being seen as the work of genius of more or less isolated individuals, to an insistence on the necessity of sources outside the traditional boundaries of the firm, to even seeing creativity as a more collective phenomenon, in similar vein as Schumpeter's contemplation on the source of novelty as stemming from a social configuration.

Conclusion

We commenced this thesis with a wondering of why the concept of co-creation is receiving serious interest within a broad array of business discourses. This wondering prompted us to inquire further into the notion of co-creation in order to identify what kind of phenomenon the emerging trend can be said to represent, as well as what has provided the resonance for the wide-ranging attention and impact of the phenomenon in strategic management. We argued that an adequate understanding of the phenomenon should not limit itself to a description of a specific type of business initiative, since co-creation, at many levels, takes the form of an umbrella concept, integrating various related trends and concepts under a broader and largely coherent paradigm.

To understand co-creation and the inherent promise that it carries, it became apparent that we needed to analyze co-creation as a new business paradigm, which effectively called into question the various business paradigms preceding it. This led us to investigate in what sense co-creation can be said to present a new business paradigm.

To understand how co-creation can be said to present itself as a new business paradigm, we unveiled the intellectual origins of the phenomenon within the tradition of strategic management. In our exploration of the overall trajectory of the strategic management discipline, we provided an account of how co-creation reflects a radical re-conceptualization of several of the basic assumptions upon which the established ideas within strategic management had previously converged, including new perspectives on the constitution of the firm, value creation (and value), as well as the market place. We learned through this analysis that the notion of co-creation can be said to consist of two main components, which can said to be qualitatively distinct from each other. The first component of co-creation suggests that the firm should mobilize its customer base as a source of competence in the value creation process. While the main concern of this first component was to leverage customer competencies in the creation of value; the second component suggests a radically new perspective on value, introducing a collaborative experience-based concept of value in strategic management.

Having unveiled the two main components of co-creation, we proceeded in our analysis with an investigation of the two distinct areas of problematizations that can be said to have created the spaces of resonance for the emergence of co-creation. Firstly, we saw how problematizations of the Porterian value chain resulted in an opening of more immaterial concepts of value. More specifically, we saw that Normann and Ramirez's notions of asset liquidity and the density of offerings, Pine and Gilmore's idea of experience-economy, and Vargo and Lusch's notion of value as a function of services, all helped pave the way for the emergence of co-creation as an impactful phenomenon within strategic management. Secondly, we analyzed how co-creation was originally developed to address sets of challenges and opportunities, raised in a process of problematization of the established view of the market as a more or less static entity. Echoing an old quarrel in economic theory between Schumpeter's dynamic view of the market and Walras's static conception of the market, we saw how the alternative views of the market in post-Porterian strategy thought could be characterized as conducting a displacement of value in time, since value creation on the actual existing market was moved to the background of the managerial framework in favor of an increased focus on value creation on future markets. Thereby the strategic concern for value creation was displaced from actual existing markets to future ones. We accounted for how co-creation provided solutions to some of the challenges and opportunities seen in relation to the displacement of value in time, by diminishing the boundaries between the firm and its customer base in order to be more sensitive to market change and development, and thereby more easily bridging the epistemic gap between present and future competitive scenarios. This insight also concluded our analysis of problematization of the spaces of resonance for the emergence of co-creation.

Through the effort of mapping the problems, opportunities, and challenges that co-creation can be said to have emerged as an answer to, it became apparent that this unfolding phenomenon is contingent upon the lingering questions found within contemporary strategic management thought. In this sense, moving beyond a description of co-creation as a direct result of the surrounding externalities, such as advances in information technology and changes in consumer behavior, allowed us to add additional nuances and perspectives to the discourse. By unraveling this contingency between co-creation and the various related externalities, we have provided the backdrop for a discussion regarding the direction that the co-creation discourse is headed.

Although not the primary aim of this thesis, this analysis has shown capable of presenting a new perspective on co-creation, suggesting that the phenomenon, in its current form, is only partially responding to the various challenges that have thus far provided the space resonance for co-creation. In the final chapter, we suggested that co-creation has begun to diverge from its original roots in strategic management; instead responding more to problematizations of value as such. In relation to its inherent promise of presenting itself as a new business paradigm, we suggested that this divergence may ultimately diminish the potential for co-creation to establish itself as a full-fledged strategy paradigm, since the relevancy of the concept is reliant upon its ability to provide answers to the identified challenges within this discipline. Owing to this line of reasoning, we put forward the argument that if co-creation is to be regarded as more than a bypassing trend, only differing incrementally from a notion such as experience economy, it is necessary that the concept to a much greater degree addresses the challenges and opportunities that arose as a result of the displacement of value in time in strategic management thought. In other words, we propose that co-creation needs to rediscover its own roots within strategic management thought in order to ensure its place in future strategy discourses.

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COMPETITIVE ADVANTAGE INSIDE
PRODUCTS CORE COMPETENCE LOGIC INNOVATION
ANALYSIS OF PROBLEMATIZATION
CONTROL
PHILOSOPHICAL CONTRIBUTION OUTSIDE
PORTER COMPANY
VALUE PARADIGM INTELLECTUAL ORIGIN
SOLUTIONS GILMORE
HISTORY OF MANAGEMENT TIME VALUE CHAIN
RESPONSE CO-CREATIVE TRADITION THINKING
USER-DRIVEN
VALUE CHALLENGES FUTURE MARKETS
ECO-SYSTEM ENTERPRISE
CO-CREATION
CUSTOMER COMPETENCE COMPETITION
ORGANIZATION MARKET PROBLEMATIZATION
PHILOSOPHY AUTONOMOUS NORMANN BUSINESS
STRATEGIC MANAGEMENT THOUGHT
VALUE LOGIC SERVICES FOUCAULT
MARKET DISCOURSE
STATIC
NEW RESOURCE LEVERAGE RAMIREZ DYNAMIC
CRITICAL CONTRIBUTION
FIRM PRACTICE FORUM
PERSPECTIVE TRANSPARENCY
ACTIVITIES
PROBLEMS QUESTIONS ANSWERS OFFERINGS PROCESSES
STRATEGY SCHUMPETER COLLABORATION
SPACE OF RESONANCE PRAHALAD
EMERGENCE ENGAGEMENT RAMASWAMY COMPETENCIES
EXPERIENCE ECONOMY ECONOMIC DEVELOPMENT DIALOGUE
IDEA SOURCE OF CREATIVITY PINE
CONSUMERS EXPERIENCES
MATERIAL THEORY
VALUE CREATION COMPANIES
HAMEL VON HIPPEL
COMPETITION IMMATERIAL CONTEMPORARY