



# Co-creation An Integrated Understanding

- Experiences from Roskilde  
Festival

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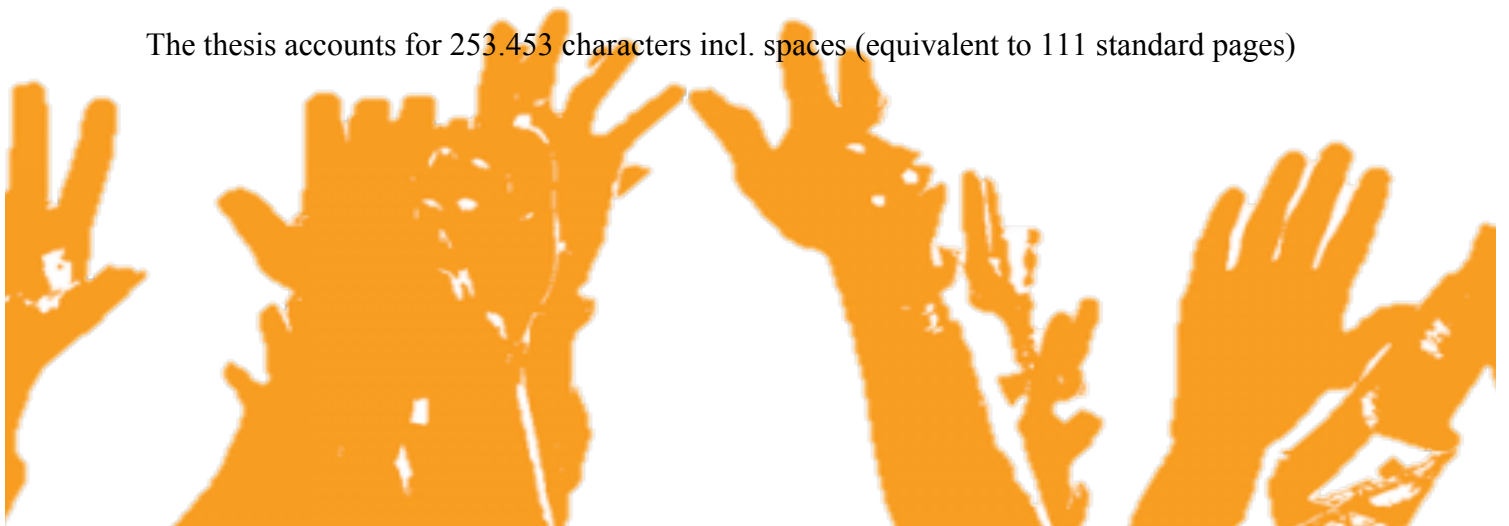
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## EXECUTIVE SUMMARY

The world is increasingly being connected through networks of individuals who are increasingly shaping markets, challenging how companies traditionally develop and deliver value. Customers are increasingly becoming informed and empowered by access to information, and share their opinions through the growing amount of communication channels, in which they contribute to setting the business agenda. Companies will therefore have to find new ways of delivering value propositions and innovating their offerings to compete in the future.

In 2004 Prahalad and Ramaswamy coined the term *co-creation*, in which they suggest engaging customers in the value creating process, as a way of competing in the future. It has been ten years since Prahalad and Ramaswamy (2004) coined the term co-creation, we however find, that there is no integrated understanding of the co-creation concept yet in the theory or in practice.

We therefore found it interesting to investigate how co-creation is understood, in order to understand how companies can make use of co-creation. The aim of this thesis is therefore to understand how co-creation is understood from a managerial perspective. We chose to review the current co-creation theories to synthesise the main elements of co-creation, which resulted in a conceptual framework for co-creation. Moreover, we chose Roskilde Festival as a case study, because of their years of experience with managing co-creation. We used our empirical findings to make sense of our theoretical analysis by identifying differences and consistencies of the elements, which explain the concept of co-creation.

We came to the following understanding of co-creation: *Co-creation is an open and iterative two-way process, in which customers and the organisation exchange resources in order to create value in collaboration through mutual engagement and experiences.* Moreover, several organisational incentives and prerequisites and customer motivations and prerequisites were identified for engaging in co-creation. Finally, we identified six managerial principles for managing co-creation processes.

Our research therefore contributes to an integrated understanding of co-creation, in which we have identified the core elements of the concept and elements of how co-creation is managed.

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## **Central words**

**Co-creation:** A process of creating value in collaboration between several parties.

**Customer:** We use customer, consumer, and audience interchangeable. Audience refers to how Roskilde festivals terminology. The theorists refer consumers and customers.

**Organisation:** We use organisation and company interchangeable. Theorists mainly use company whereas when referring to Roskilde festival, we use organisation.

**Mindset:** A mental model, which refers to a frame of reference,

**Networked Economy:** An economy, in which networks interconnect individuals.

**Value Creation:** The process of creating value.

**Value:** The outcome of a value creation process.

# INTRODUCTION

1

# 1. INTRODUCTION

The premises for companies to compete in today's fast paced and connected economy enabled by technology, is challenging the way companies traditionally develop and deliver value. In the networked economy, companies are considered parts of a network, in which entities in the network impact one another and are interconnected (Tapscott, 1997). This is largely due to technology, which is connecting individuals around the globe, creating clusters of individuals who interact with one another. Markets are therefore increasingly being shaped by the interactions between individuals, who are connected through networks. The increasingly blurred lines of the markets are challenging how businesses traditionally develop and deliver value. Companies will therefore have to find new ways of delivering value propositions and innovating their offerings to compete in the future.

Navigating in the networked economy is not the only premise that companies will have to consider, in relation to competing in the future. The primacy of resources have shifted from operand to operant resources, meaning that knowledge is considered more valuable than the size of your inventory, for competing in the market (Vargo and Lusch, 2004).

The networked world allows companies to tap knowledge and ideas from outside the company's boundaries (Chesbrough, 2003), providing new grounds for developing and delivering value. Companies must consider these opportunities, in order to harvest the benefits of the changing economy.

An aspect of the networked economy is, that information is dynamic and accessible to customers. Due to the Internet and access to information customers are increasingly informed and empowered (Prahalad and Ramaswamy, 2004a). As customers share their opinions, needs, and interests via online media, they are increasingly setting the business agenda.

The market is therefore no longer something, which can be defined and delimited by the company. This requires new strategies for companies to gain competitive advantages. Furthermore, with increasing wealth and purchasing power, customers are demanding

more from companies' value propositions, in which personalised experiences are an example of the next level of economic offering (Pine and Gilmore, 1999).

Companies will have to find new ways of strategizing in the networked world, in which knowledge is a premise of competing and customers are active and demanding. In 2004 Prahalad and Ramaswamy coined the term *co-creation* in their book *The Future of Competition*, in which they suggest engaging customers in the value creating process. They recommend co-creation as a strategy for managing active customers and delivering co-created value.

In our initial understanding co-creation is collaboration between several actors, understood as two main actors, being the customer and the organisation in co-creation. The two actors represent two perspectives in co-creation. We assume that these actors will have different prerequisites and motivations for engaging in co-creation. In our view, co-creation is therefore a process of collaboration between two or more, in which value is created through interactions. Value is the perceived outcome of the process of creation, which in co-creation is jointly constructed. Thus, this value is either perceived as an experience or as a physical product or service.

We consider if co-creation is way a overcoming the changing nature of the economy, market, and customers. Moreover, if it is a new way of developing and delivering value. In order to understand how co-creation can serve as an approach to overcoming the changing nature of the economy, market and customers and in-depth understanding of the co-creation concept is needed.

## **1.1 PROBLEM STATEMENT**

Ten years ago Prahalad and Ramaswamy (2004) coined the term co-creation. Since then, several scholars have applied the term. Some inspired by Prahalad and Ramaswamy (2004), others inspired by marketing professors, as for instance Vargo and Lusch's (2004) research. Scholars have applied the term in relation to various research fields based on different perspectives, with respect to their academic field. Prahalad and Ramaswamy (2004) illustrate how large organisations as Nike and Starbucks have

integrated co-creation, however often solely in parts of their organisation. Since the introduction of the concept by Prahalad and Ramaswamy in 2004, few empirical studies of co-creation have been conducted. In existing theories and cases several different understandings and applications of the co-creation concept exist. Thus, it is evident that no integrated understanding of the co-creation concept is found. The objective of this thesis is therefore to obtain an integrated understanding of co-creation in order to form the concept co-creation. An in-depth understanding of co-creation can be obtained by understanding how co-creation is managed.

In our search for cases Roskilde Festival has been identified as an organisation that works with co-creation at different levels, and have years of experience with implementing co-creation activities. We have therefore chosen Roskilde Festival as the case for our research. This leads to the following research question and sub research questions:

**Research Question**

How is the concept of co-creation understood from a managerial perspective?

**Sub research Question**

- 1) Which elements can be identified in the theory of co-creation to explain and understand the concept of co-creation?
- 2) How is co-creation managed strategically and operationally in the case of Roskilde Festival?

The purpose of our thesis is thus to get an integrated understanding of the concept of co-creation. Furthermore, how co-creation is managed in the case of Roskilde festival at a strategic and an operational level. We will observe how co-creation processes are managed in the case of Roskilde Festival, in order to conclude how co-creation is understood from a managerial perspective.

## 1.2 DELIMITATION

The focus of the paper is to investigate how the concept of co-creation is understood from a managerial perspective, in which we focus on the understanding and management of co-creation. In order to answer our research question, some aspects of co-creation have been excluded from the paper.

Although, it is acknowledged that theories of paradigm shifts within marketing and innovation provide a frame of reference for co-creation, we will not make a thorough literature review of the field of marketing. However, we will investigate co-creation with respect to central elements of the paradigm shifts, which illustrates the driving factors of co-creation.

Co-creation can be investigated between different actors as companies have several stakeholders whom they could engage in co-creation with. We focus on understanding co-creation between companies and customers. Thus, we do not investigate co-creation between Roskilde Festival and their business partners or consider co-creation in relation to engaging with multiple stakeholders.

Furthermore we do not evaluate co-creation according to performance. Thus, we do not analyse the return on investment for implementing co-creation. We do not analyse the benefits of co-creation in relation to Roskilde festival's performance against competitors' performance. Thus, we cannot conclude on the benefits of co-creation in relation to market performance.

Although, we touch upon organisational structure and culture we do not investigate co-creation in relation to organisational behaviour, as our focus is on understanding the concept of co-creation.

### 1.3 THESIS STRUCTURE

In the following and final section of our introduction we introduce our case. Then we will demonstrate our methodology in which we will describe our research philosophy, strategy, and design. In the Theory we will introduce the theories we find that paved the path for the development of co-creation theories. Then we will introduce five theories of co-creation, and finally synthesise the main findings in the theory in order to create a conceptual framework of co-creation. In our empirical findings we will demonstrate the results of our research. In our analysis we will compare our empirical findings with the findings of our theoretical analysis in order to answer our research question. As a result of our analysis, we will present our contributions to the research of co-creation in the form of elements, which constitute co-creation and six managerial principles. Finally, we will provide a short discussion, our conclusion, and further research.

### 1.4 CASE: ROSKILDE FESTIVAL

Roskilde Festival is the largest North European culture and music festival and has existed since 1971. When Bob Marley played at Roskilde Festival in 1978, Metallica in 1986, Radiohead in 1997, Roskilde demonstrated that it is the place to experience new, sprouting names and timeless legends. Roskilde has surprised its audience throughout history musically but also culturally, since Roskilde Festival is much more than just music. All year Roskilde Festival invests both human and financial resources in a variety of musical and cultural activities. Roskilde states, *“The aim is to bridge the gap between the festival and other parts of the music world, both nationally and internationally”* (webpage 1). Roskilde Festival is a non-profit organisation, which means that the festival donates all profits to charity before next years festival. The Roskilde Festival Charity Society is the organiser of Roskilde Festival. The purpose of the society is to support initiatives benefitting children and young people to support humanitarian and cultural work. Annette Jørgensen from Roskilde Festival states, *“It is a part of our DNA, that all profit is for charity”* (8.20). Thus, Roskilde Festival is much more than a music festival, but also an organisation with a very strong identity with some strong values. For Roskilde Festival, corporate social responsibility (CSR) is a part of the foundation and core of everything they do. Their way of working with social and environmental sustainability is through engaging people to participate in making a

difference: *“This focus is centred around initiating change through participation – and support the positive change that is going on all around you, as well as the change you participate in, and that changes you”* (webpage 1). This is done through inspiring and empowering their audience. Esben Danielsen from Roskilde Festival emphasised the importance of challenging the audiences’ way of thinking, in order for them to develop personally. This illustrates how Roskilde Festival focuses on engaging their customers, which most likely has a lot to do with the causes they believe in.

The organisation consists of about 65 fulltime employees, 800 committed volunteers, working on projects before the festival and 34.000 of volunteers working during the festival (Annette, 5.10). Roskilde Festival is structured in five divisions, which are: *Areas, Audience and Security, Content, Sales and Partnerships and Culture and Communication* (Annette, 21.34). Annette Jørgensen states, that the organisation is not structured as a hierarchy but more as a network, in which each division is organised with fulltime employee, committed volunteers and thousands of volunteers during the festival, where they build stages, manage food stalls, provide camping security, and other support activities.

Roskilde Festival has defined the following strategic ambition: *“We want to develop open, playful and socially engaged people by involving them actively in social and cultural generating communities, which we create in an interaction between music, other arts and play”* (Appendix 1, p. 2). The strategic ambitions are elaborated by four milestones (see appendix 1):

- *We will continue develop Roskilde Festival's position as a unique international music festival*
- *We will develop and support the activities in which the arts, active participation, play and community interacts*
- *We will be closer to our audience and foster active participation throughout the year.*
- *We must continue to "move" people to entertain and challenge at the same time*

The strategic ambitions illustrate how Roskilde Festival is an organisation that wants to involve their customers or as they refer to them as audience. They state that development of the individual customer is the lotus of what they strive to achieve. Their values and ambitions provide an interesting context for understanding and exploring the

implications of co-creation, because of their focus on interacting with their audience. Roskilde Festival is furthermore an interesting case, because they have several projects that exemplify how co-creation is managed.

*Dream City* is a project, which exemplifies co-creation in practice. The project was initiated in 2012 and inspired by Burning Man Festival. *“Dream City is about community, co-creation, collaboration – and great ideas. Dream City is the place for those Roskilde participants who want to create unique content and the right setting for their festival”*(webpage 2). *Dream City* is an ambitious audience-driven project based on co-creation, community and great ideas, which make it a significantly different area from the rest of the Roskilde Festivals campsite. It is for those customers, who want to create a special atmosphere around their camp, build something extraordinary and create something that elevates the experience for themselves and their fellow festivalgoer’s.

The project starts hundred days before the festival kicks off. During these days Roskilde Festival accounts for basic facilities as safety and construction guidance, tools and workshops where the participants can get inspired and carry out their projects. The project exemplifies how the organisation’s ambition to increase active participation during the festival and furthermore to develop the audience as co-creators.

# METHODOLOGY

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## 2. METHODOLOGY

The following section will present our

- Research philosophy
- Research strategy
- Research design
- Methods
- Processing of data
- Quality criteria

### 2.1 RESEARCH PHILOSOPHY

The following section aims to present our scientific positioning in the context of this thesis. It is intended to provide insight in our worldview. We will therefore not give a further explanation of the different research philosophies or withdraw all its various forms. Rather, the intention is to give the reader insight into how and with what conditions we investigate our research field. The choice of research philosophy is important in relation to, how we see the world and how we produce knowledge. The choice of scientific tradition has consequences for the methods that we use.

In 1962, Thomas Kuhn presented his theory of *paradigms*, in which he described a paradigm as members of a scientific community that share a worldview (Arbnor and Bjerke, 2008, p. 14). A theorist of science “*uses the paradigm concept to describe basic philosophical assumptions that are of importance to practical research*” (Arbnor and Bjerke, 2008, p. 17). The worldview thus has implications for research in practice. The academic field of marketing has evolved towards a new paradigm, meaning that the general understanding of marketing and innovation has changed. Furthermore, paradigms are as stated philosophical assumption, based on the answers to the ontological, epistemological and methodological questions. The following section will in line with this discuss our epistemological and ontological considerations.

### 2.1.1 EPISTEMOLOGICAL AND ONTOLOGICAL CONSIDERATIONS

According to Bryman (2012), *epistemological considerations* are concerned with what is considered acceptable knowledge within a discipline, which is based on two contradicting disciplines: *interpretivism* and *positivism*.

*Positivism* considers the reality to be driven by immutable natural laws and mechanisms. Abnorb and Bjerke (2008) argue that the created knowledge in the positivistic approach does not depend on time and context and can be directly generalised. The researcher therefore adopts a distant and non-interactive position to the research area. Our research of the concept co-creation is not within the positivistic approach, because we are more interested in understanding the construct of co-creation through interactions among actors. Our research follows the discipline of *interpretivism*, which is part of social science. Unlike positivism, which is an approach used within natural sciences, interpretivism stresses the importance of understanding human behaviour and therefore entails the social scientist to grasp the subjective meaning of social action.

Bryman (2012) states that *ontological considerations* are concerned with the nature of social entities, in which there are two contradicting position within ontology: *objectivism* and *constructionism*. Objectivism assumes that social phenomenon is when individual social actors cannot influence social reality and that the objective truth is to be found where the world is. Conversely constructionism assumes that social phenomenon can be created continuously through social interactions between actors, where the world becomes. We believe that the concept of co-creation is best understood through social constructivism, where we are interested in investigating the social interaction between the actors in a co-creation process, in order to investigate how they construct a social reality through collaboration. Thus, we are interested in investigating the social actors construct of co-creation, understood as the actors understanding of co-creation and their practical experience from co-creation.

### 2.1.2 SOCIAL CONSTRUCTIVISM

Due to the nature of the concept of co-creation and our initial understanding of co-creation we consider ourselves as social constructivist. Esmark et al. (2005) states: “*social constructivism is based on the fundamental point that reality is a socially*

*constructed phenomenon*” (Esmark et al., 2005, p. 16). We want to explore the concept of co-creation, to clarify the processes behind the construction of the social reality, and emphasize that "reality" is a product of human practice. Thus, in line with our understanding of co-creation, the concept is constructed in the interaction between different actors.

In order to achieve an adequate understanding of interaction, we must consider the relationship between actors that engage in a co-creation process. *“The point is simply that objects and subjects' association is always the result of relationships and not the object and the subject itself”* (Esmark et al., 2005, p. 17). In these relationships, there are some social rules of interaction between subjects that exists, which construct the social reality (Esmark et al., 2005, p. 19). These rules are social conventions and describe the semantic content that is related to the relationship, which among other things can be considered as culture, values, knowledge, institutions, rituals, norms and logics (Esmark et al., 2005, p. 19).

Within social constructivism the analytical focus is the social interactions between people, and the reality that is constructed during the process (Wenneberg, 2000, p. 23). We consider co-creation a process, in which value is constructed through interactions. We believe that co-creation is a dynamic process, which exists in the context of interaction between the social relations. In doing so, it is noted that service exchange and perceptions of value are embedded in social systems, in which according to Wenneberg (2000), customers and companies have already established positions and roles. These roles have implicit implications for how people perceive the norms and values of social reality, including their thinking and behaviour with respect to the co-creation of value.

The social constructivist tradition maintains that it is important to have a theoretical frame of reference for the research. The research results are an evaluation of ones own unconscious understanding. Esmark et al. (2005) stresses this point as follows *"empiricism is only in relation to a particular theoretical perspective"* (Esmark et al., 2005, p 12). Thus, our theoretical frame of reference being Strategic Market Creation students will influence our research results.

The social constructivist view will influence our approach through the entire thesis including the findings.

## 2.2 RESEARCH STRATEGY

In the following, we will introduce our research strategy, which guides our research design and choice of methods. We will illustrate how our research strategy correlates to research question. Furthermore, how our research philosophy reflects our research strategy.

### 2.2.1 QUALITATIVE RESEARCH

Research strategies are distinguished by two types: *qualitative and quantitative research*. Qualitative research is according to Bryman (2012), concerned with words and quantitative with numbers. Moreover, qualitative research is according to Bryman (2012) concerned with interpreting and understanding meaning, rather than measuring and observing frequency as in quantitative research. Finally, quantitative research deals with large quantities of data whereas qualitative has less but rich data. Unlike quantitative data, which can generalise a phenomenon, qualitative data can give an in-depth understanding of a phenomenon. Our choice of research strategy reflects our research philosophy being social constructivists and interpretivists because of the emphasis on getting an in depth understanding of co-creation. As we believe that knowledge is best understood through interpretation and that the world is constructed through human interactions, we explore co-creation through rich data to get an in-depth understanding of the construct. An in-depth understanding is needed, due to the nature of our research question, in which we attempt to form the construct due to the lack of an integrated understanding of co-creation.

### 2.2.2 INDUCTIVE APPROACH

Our research involves the collection of both primary and secondary data. The data collection consisted of empirical data, desk research, and data material from Roskilde Festival. Two different approaches can be taken in linking theory and empirical findings: *inductive and deductive*. In simplified terms, a *deductive approach* involves collecting data to test theory whereas an *inductive approach* refers to the process of building a theory from the collected data. The approach in our research is inductive, which correlates well with the nature of our research philosophy and research strategy

as we collect data to explore and find new meanings rather than test the existing theory. Alongside, yet independently we review and analyse the prominent theories of co-creation, where we synthesise the main findings in the theory in order to create a conceptual framework of co-creation. We use our empirical findings to make sense of the theoretical findings and induce new knowledge on the concept. We apply our findings to the review and analysis of the theories to find new meanings.

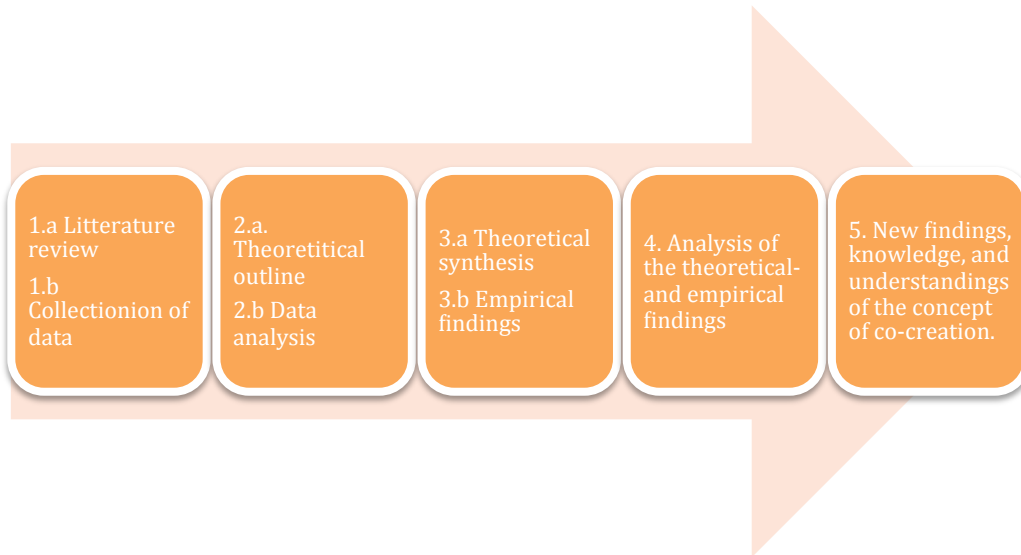
### 2.2.3 RESEARCH FRAMEWORK

Based on our initial understanding of co-creation as described in our introduction, we created the following research framework for investigating how co-creation is understood from a managerial perspective. The purpose of having a research framework is to guide our research in both theory and in collection of empirical data. Moreover, to find consistencies and differences across theory and empirical data.



#### 2.2.4 OUTLINE OF RESEARCH STRUCTURE

Our research consists of two parallel research streams, in which one consists of a theoretical analysis (a) and one on empirical research (b). The following is a description of the research process:



**1.a** We reviewed the co-creation literature and selected five theories, which captured the different aspects of the co-creation literature.

**2.a** We made sense of the theories by using our research framework, which we analysed the theories with. The research framework was used to compare the chosen theories, in order to find consistencies and differences across the theories.

**3.a** We synthesised the main points of the theory based on our theoretical outline to create a conceptual framework.

**1.b** We collected data through interviews, focus group, and observations. We used our research framework as a starting point for collecting empirical data.

**2.b** From our empirical data collection, we analysed the results by using open coding to identify constructs of the concept.

**3.b** We synthesised these findings in concepts and categories, to illustrate empirical findings.

**4.** We used our empirical findings to make sense of the theoretical findings by comparing the main findings from the theoretical synthesis, with the concepts from the open coding, in order to find consistencies and differences.

**5.** Finally, from our analysis we present the results of our research findings and induce new knowledge to the understanding of the co-creation concept.

## 2.3 RESEARCH DESIGN: A CASE STUDY

*“A research design provides a framework for the collections and analysis of data”* (Bryman, 2012, p. 46). Bryman (2012) suggests that there are five different types of research designs, namely: *Experimental, Cross-sectional, Longitudinal, Case Study, and Comparative* (Bryman, 2012, p. 50). However, a number of research designs exist, and no simple classification system defines them all. In line with our research question, we want to obtain a deeper understanding of co-creation as a concept, in which a single case study can enrich us.

Yin (2014) argues, that if the research question mainly focuses on “how” and “why”, it will lead us to a case study, since these questions are explanatory. Therefore, we have chosen a case study as our design for the research, as it is suitable for the nature of our research question. Yin (2014) argues, *“(…) single case can represent a significant contribution to knowledge and theory building by confirming, challenging, or extending the theory”* (Yin, 2014, p. 51). Our purpose of making use of a single case study is to build and extend theory. More specifically, we want to form the concept of co-creation. The case will provide a point of reference in regards to how co-creation is understood and managed in practice.

Roskilde Festival has great experience with co-creation, in which they express themselves *“Co-Creation is a keyword for Roskilde Festival”* (webpage 3). We have chosen in particular to pay attention to one of their co-creation projects. *Dream City* is described as following: *“Dream City is about community, co-creation, collaboration – and great ideas”* (webpage 2).

Yin (2009) states, that the technical definition of case studies is as following: *“A case study is an empirical inquiry that investigates a contemporary phenomenon in-depth and within its real-life context”* (Yin, 2009, p. 18). This is in line with our research, thus we investigate co-creation in a real-life context.

Yin (2014) pinpoints, that there is a general criticism about single-case studies, because it challenges the uniqueness and the ability to generalise the result. However, from our

social constructivism viewpoint, we are not interested in generalising, but interested extending the co-creation theory.

Yin's (2009) second part of the case study definition further states, “ (...) *the case study inquiry ... many more variables of interest than data points, and as result relies on multiple sources of evidence*” (Yin, 2009, p. 18). Different sources of evidence can enrich us with knowledge from different perspectives, in order to answer our research question. This is in line with our research strategy, in which we have chosen to combine semi-structured interviews with a focus group and observations, which the following section will outline.

## 2.4 METHODOLOGY

In the following section we will describe the methods used to collect primary data, in order to induce new knowledge to the understanding of co-creation. Our choice of methods illustrates the qualitative nature of our research. We have chosen to combine several methods, *semi-structured interviews, observations, and focus groups*. The purpose of this is to ensure strong empirical findings and rich data. Combining methods is referred to as triangulation: “*Triangulation means that researchers take different perspectives on an issue under study or more generally speaking, in answering research questions. These perspectives can be substantiated in using several methods and/or in several theoretical approaches*” (Flick, 2009, p. 445).

In our research, we are interested in understanding the different perspectives of co-creation, as we argue to fully understand co-creation, we need both the customer perspective and the management perspective. We therefore make use of different methods, which can assist us in understanding the different perspectives. The purpose of the semi-structured interviews with employees from Roskilde Festival is to understand the organisational perspective. The focus group with Dream City participants is to understand the customer perspective. The observations are to better understand the interactions between the organisation and the customers and how co-creation is practised. According to Flick (2009): “(...) *triangulation should produce knowledge on different levels, which means they go beyond the knowledge made possible by one approach and thus contribute to promoting quality in research*” (Flick, 2009, p. 445).

The result of using triangulation should therefore enhance the quality of our research and provide knowledge on the different perspectives of co-creation. According to Flick (2009), interviews focus on subjective knowledge and experience and observation rather focuses on practice and interactions at a specific moment. In the following sections, we will describe our use of the methods.

#### **2.4.1 SEMI-STRUCTURED INTERVIEWS**

According to Kvale (2007), an interview is a professional interaction that goes beyond normal exchange of everyday conversations, and becomes a careful questioning and listening approach with the purpose of finding thoroughly tested knowledge. Kvale and Brinkman (2009) argue that qualitative interviews focus on what is said and not directly measured such as numbers, which is in line with our overall research strategy. We have chosen to conduct semi-structured interviews, which is "*(...) an interview designed to obtain descriptions of the interviewee's life-world in order to interpret the meaning of the described phenomena*" (Kvale and Brinkman, 2009, p. 19). This is in line with our reasons for choosing this method, as the purpose of the interviews is to identify the interviewees understanding of co-creation and their experiences with co-creation. Furthermore Andersen (2008) argues, that the semi-structured interview is useful when you possess a theoretical and practical knowledge about the phenomena studied, but it is open to new viewpoints and information. The semi-structured interview, correlates well with our research, which is to find and understand new meanings and experiences of co-creation and relate them to current knowledge. This method is particularly useful when concepts must be understood in the perceived reality from the interviewees' own perspectives (Kvale and Brinkman, 2009, p. 19).

## Participant selection and recruitment

We conduct five semi-structured interviews, which table 1 provides an overview of.

Interviewee	Position	Area of work	Purpose of the interview
<b>Esben Danielsen</b>	Head of Orange Innovation	Innovation and business development	Co-creation from a managerial perspective
<b>Annette Jørgensen</b>	Organisational-developer	Organisational behaviour and HR	Organisational structure and culture
<b>Karen-Marie Huuse</b>	Volunteer, Dream City	Dream City	Co-creation in practice
<b>Daniel Toke Hansen</b>	Volunteer, Roskilde Festival	Artzone	Co-creation in practice
<b>Johan Kjærulf Rasmussen</b>	Project manager, Roskilde Festival	Sales and Partnerships	Co-creation from a managerial perspective

**Table 1: The five interviewees position, area of work and purpose of the interview**

Esben Danielsen has several years of experience working with innovation within Roskilde Festival. He used to lead the old innovation department at Roskilde Festival Group, but today he leads the department called Orange Innovation. Orange Innovation is a department, which creates new projects within and outside Roskilde Festival, in which Esben states, *“My role is to build a bridge between Orange Innovation and Roskilde Festival”* (3.01). The purpose of the interview was to understand how Roskilde Festival works with co-creation at a strategic level.

Annette Jørgensen is Organisational Developer at Roskilde Festival Group where her primary area is developing the volunteer area. The purpose of the interview was to get an understanding of the organisational structure, in order to identify if there is any relation between organisational structure and culture and how co-creation is perceived and organised.

Karen-Marie Huuse has worked as a volunteer for eight years. She is working on the Dream City project and therefore has great experiences with co-creation in practice. Daniel Toke Hansen also has some experience with facilitating co-creation projects at Roskilde Festival, primarily focused on art. He has been an active part of the volunteer section for ten years. Last to mention is Johan Kjærulf Hansen, who previously worked as a volunteers and is now project manager in Sales and Partnerships at Roskilde

festival, and therefore has experienced how co-creation is discussed from a management perspective. From here on, we will refer to the interviewees by their first name.

The selection of interviewees is done through *purposive sampling*, which is a *non-probability* form of sampling. Meaning that the goal of the purposive sampling is to sample interviewees in a strategic way, so that the sampled are relevant to our research question. We specifically targeted Roskilde festival employees at different levels of the organisation, who all in some way had experiences with or knowledge about co-creation processes at Roskilde Festival. We therefore made clear to the interviewees when contacting them, what the focus of our research was to ensure they had the sufficient insights to provide valuable knowledge and rich data for our research.

In order to recruit interviewees, we made use of the *snowball sampling technique*. According to Bryman (2012): “*Snowball sampling is a sampling technique in which the researcher samples initially a small group of people relevant to the research questions, and these sampled participants propose other participants who have had the experience or characteristics relevant to the research. These participants will then suggest others and so on*” (Bryman, 2012, p. 202). The technique has helped us get in contact with relevant people from Roskilde Festival. We made contact with Esben Danielsen through Per Østergaard, who teaches at Copenhagen Business School. Esben Danielsen facilitated the contact to Annette Jørgensen. Annette Jørgensen provided us with the contact details for Johan Kjærluf Rasmussen. Esben furthermore facilitated the contact for Karen Marie Huuse, who then facilitated the contact details of Daniel Toke Hansen. We found that by the interview with Daniel Toke little new knowledge was being produced as mostly we were being reaffirmed in our findings, and it would seem that we had exhausted the insight we would get from our case. In line with this Kvale (2007) argues: “*New interviews might be conducted until a point of saturation, where further interviews yield little new knowledge*” (Kvale, 2007, p.44). Therefore, we found it reasonable to end the collection of data at this point.

According to Kvale (2009): “*Validity is about the credibility of the interviewees descriptions... of the obtained information*” (Kvale, 2009, p. 275). We found the recruited interviewees credible in their understanding of co-creation, because of their years of experience with co-creation. Thus, the interviewees are a valid source of knowledge for understanding co-creation.

## Interview guide

The semi-structured interview guide is loosely structured, which allows a flexible, dynamic and open conversation. In the following, we will provide our considerations to the design of our interview guides (see appendix 2). According to Kvale (2007), there is no standard procedures or rules for conducting a semi-structured interview. However, there are some standard choices of approaches and techniques, at the various stages of an interview. According to Kvale (2007), it is important to formulate the purpose of the interview and the themes that will be investigated. The overall purpose of the interview was to explore the concept of co-creation, although depending on the interviewee (see table 1) we would differentiate the emphasis of the different themes. As seen from appendix 2 the interview guide consists of several themes. We designed the questions in the interview guide as open questions, in which according to Kvale (2007) are questions that can be formed in order to follow up on the answers given. The loose structure of the interview-guide meant that we could ask more specific questions tailored to the interviewee during the interview. The interviews differ slightly from one another in particular Annette Jørgensen, as the purpose of this interview was to better understand the type of organisation that Roskilde festival is (see appendix 3). The first theme in the interview guide is their *role and function* in the organisation, in order to understand each interviewee's position in Roskilde Festival. In the interview with Esben Danielsen we furthermore enquired about the purpose and role of the *Orange Innovation*. The second theme is *co-creation*, which includes six sub-topics: *definition, arguments, experience and results, methods and approaches, prerequisites, and challenges*. By *methods and approaches* we consider management of co-creation. The purpose of each of these topics was to understand how the interviewee understands the concept co-creation, considers the benefits and arguments for co-creation, their experiences with co-creation and the results from them, the methods for implementing co-creation, the necessary prerequisites for implementing co-creation, and the challenges and downsides connected to co-creation.

## **Interview process**

In the following we will briefly identify some of the considerations about the interview process. Kvale (2007) states, that through briefing and debriefing, the interviewees should be informed about the purpose and the procedure of the interview.

All the interviews started with an explanation of our research field and purpose. During the interviews we made sure to explain the reasoning behind some of the questions and themes. Kvale & Brinkman (2009) argues, that the knowledge that is created through qualitative interviews is an active process, in which the interviewer and the interviewee produce knowledge through their interaction. We try to make the interviews as dynamic as possible in which we attempt to pick up on their viewpoints and provide responses to them to stimulate the conversation. Thus, the social reality was created together through the interaction between the two actors, which aligns with our social constructivism viewpoint. We recorded all of our interviews in order to transcribe the data material. The interviews took place at Roskilde Festival offices, thus the interviewees are in their work surroundings, which means their minds are already focused on their work and Roskilde Festival.

### **2.4.2 FOCUS GROUP WITH DREAM CITY PARTICIPANTS**

As we find it important to understand co-creation from the customer perspective, we have decided to hold a focus group. We were in particular interested in understanding the perspectives of the Dream City participants, as Dream City is an example of a co-creation project at Roskilde Festival. In the following we will discuss the scope and arguments for holding a focus group. Furthermore, depict our interview guide and process of participation recruitments as well as considerations about the process.

According to Bente Halkier (2008), a focus group is a group interaction, in which the researchers have decided on certain topics. We created topics for our focus group, which we intended for the participants to discuss among one another. We will return to the design and process of the focus group later. *“First of all, focus groups are suitable for producing data about social groups’s interpretations, interactions, and norms where they are less suitable for producing data about individuals worldviews”* (Bloor et al, 2009 cited by Halkier, 2008, 13). This correlates well with our social constructivist viewpoint, in which we believe co-creation is best understood as a social phenomenon

created by interactions among actors. According to Halkier (2008), the purpose of a focus group is not to come to a consensus but to share attitude and values. The purpose of our focus groups was therefore to understand the social and normative understandings, values, and attitudes to being a part of a co-creation process.

### Focus group design

We decided to have one focus group, because the aim was to get an understanding of customers understanding and motivation rather than to test the consistency of the statements between different groups. According to Halkier (2008), participants in focus groups must be selected on the basis of the problem statement and on the target field, where you as investigator must be selective. We wanted to create a focus group of people who have been engaged in a co-creation process therefore we recruited engaged and dedicated people from Dream City. We did this through their community forum on Facebook. We recruited six people, but one person unfortunately cancelled last minute, the recruited participants were:

Name	Camp	Roskilde Festival Experience
<b>Bue</b>	Find Holger	10 years
<b>Niels</b>	Roskilde Country Club	13 years
<b>Lars</b>	Crazy Legs	12 years
<b>Kasper</b>	Adventure Camp	10 years
<b>Mikkel</b>	Camp Nasty	16 years

**Table 2: Focus group participants**

From here on, we will refer to our focus group participants by their first name.

*“The recommended number of participants in the focus group varies”* (Halkier, 2008, p. 33), in which they recommend between six and ten people. Halkier (2008) argues that the topic to discuss depends on the number of people. For example, when people share their work experiences in a work team, it is recommended to be a small group. Halkier (2008) further argues that a too large focus group has a risk to divide the interaction in subgroups. Thus, our aim was six people in order to get an in-depth understanding of their interactions and common understanding of Dream City. We found our recruited participants highly qualified for the topic to discuss, because of their many years as Roskilde Festival guests. The following graph illustrates the participants level of

participation in activities in Roskilde Festival. It shows that participants are highly engaged in activities at Roskilde Festival (see appendix 4 for questionnaire).



**Figure 1: Dream City Participation**

### Interview guide

The primary aim of the focus group is to understand the motivations for participating in co-creation. Secondly, to understand the experiences they have had with co-creation, the pre-requisites they believe are needed to be present to co-create, and improvements for the co-creation process. This is reflected in our interview guide, which is divided into four themes: *motivation, experiences, prerequisites and improvements* (appendix 5).

### Focus group process

According to Halkier (2008) it is important with an introduction, in order to create a comfortable atmosphere. After a brief introduction of the topic and an introduction of us, we asked the participants to introduce themselves.

After this, we gave them a questionnaire (appendix 4), where the purpose was to have some of their individual opinions, before the other participants influenced them through the common discussion.

One of us acted as moderator and the other one took notes. This ensured that all relevant topics are discussed during the interview (Andersen, 2008). We were aware of the moderator's role during the conversation, in which it was important that the moderator was neutral and withdrawn in order to create a fluid dialogue between all participants. We decided that the focus group should be conducted in a professional setting, thus we booked a meeting room at Copenhagen Business School. We believe that such an environment is advantageous since it is a neutral environment without any cause to disturbance.

### 2.4.3 OBSERVATIONS – TWO WORKSHOPS

In this section we will briefly reflect our arguments for using observations as a method in regards to answering the research question. Moreover, how we planned and conducted the observation. The observations are used as a supplement to our methods and will therefore be less a part of our analysis compared to the other methods.

Andersen (2008) states that within social sciences observations are used to study phenomenon within the social reality. “(...) *observations are often combined with other methodology techniques*” (Andersen, 2008, p. 155). The purpose of the observations in this thesis is to observe how a co-creation activity is managed, which the other methodology techniques cannot enrich us with. More specifically we want to observe the interactions of co-creation.

The type of observation we conducted is a non-participant observation. “*The observer observes but does not participate in what is going on in the social setting*” (Bryman, 2012, p. 273). We do not participate in the observation, as our attention is to identify key constructs of co-creation.

However, observation has certain concerns. The observed people can be affected by being observed, thus they behave differently. In our view the participants did not seem concerned about our presence. Another concern is, that researchers have a perception of what will be observed, thus the result “(...) *will be an limited experience of the studied phenomenon*” (Andersen, 2008, p. 158). Thus, we have a selective perception of the observed field. We were aware of our selective perception, as we created themes beforehand (see appendix 6) to make sure we observed the central elements in an co-creation process.

#### **The observed workshops**

Our observation consists of two workshops, which were arranged by Roskilde Festival and facilitated by associated partners.

The first workshop was called “*Noise in the noise*”, where the aim was to be ‘heard’ and seen at Roskilde Festival during the festival days. The organiser of the workshop was Roskilde Festival, but they had hired Ungdomsbureauet and Rune Jacobsen as third parties to run the workshop. Ungdomsbureauet were knowledgeable about the topic of focus and Rune Jacobsen is the head of Orange Press (Newspaper during Roskilde

Festival), which made him knowledgeable about media coverage at the Festival (appendix 7).

The second workshop was a more practical workshop. The workshop's focus was on how to make use of LED (light-emitting-diode). The organiser was Roskilde Festival, who invited some experts on LED who are electricians to run the workshop. The purpose of the workshop was to teach the participants how to use LED electronics (appendix 7).

## 2.5 PROCESSING OF DATA

This section will outline how we process our primary data. Bryman (2012) states that one of the main difficulties with qualitative research is that it very rapidly generates a large database in the form of field notes, interview transcripts and documents. Bryman (2012) describes qualitative data as attractive because of its richness. However, he pinpoints that it is difficult to find analytical paths through that richness. Therefore, we applied specific techniques as means for analysing the interviews to discover meanings of co-creation. Thereby we made use of analytical tools, since our intention is to induce new knowledge to the understanding of co-creation. We will in the following describe, how we find richness and analytical paths within our empirical collection of data.

### **Preparing for the data analysis**

We have transcribed the five conducted interviews, in which it is worth mentioning that we did not transcribe the full interviews, but selected passages to transcribe. Kvale (2009) argues, that no central procedure for how transcriptions are conducted exists, but it “(...) *depends on what the transcription should be used for*” (Kvale, 2009, p. 203). Kvale (2009) further states, that if it is a detailed linguistic analysis it is important to make the transcript as full as possible. However, if the researcher is interested in the interviewee's worldview, the researcher can choose to transcribe dimensions of the interview. The transcript's quality depends on “(...) *details and precision*” (Kvale, 2009, p. 202). As we are interested in the interviewees' worldview on co-creation, we have chosen the most relevant passages to transcribe. In order to secure detail and precision in our transcriptions, one of us listened and transcribed, and afterwards the

other one would listen while reading the transcripts to make sure, that all relevant dimensions had been included in the transcript.

The data that we generated from our research consists of transcripts from the five interviews and the transcription from the focus group as well as the field notes from the observation. It is worth mentioning, that all the interviews were conducted in Danish, thus the transcripts will also be in Danish. We will however translate central quotations from Danish to English to give the reader a clear understanding of how we apply the empirical findings in the analysis.

### **Qualitative data analysis**

Because qualitative data derives from interviews and observations the data will typically take form of large an unstructured textual material, which are not straightforward to analyse.

In the qualitative research, there are different approaches to analyse qualitative data, where Bryman (2012) distinguish between *grounded theory*, *analytical induction* and *narrative analysis*. The interpretation of data is at the core of qualitative research, where it is important to consider the various approaches.

In *grounded theory* research, first presented by Barney G. Glase and Anselm L. Strauss (1967), the interpretation of data is the core of the empirical procedure. The interpretation of the data serves to develop theory, where the interpretation may pursue two goals. One is to support the existing theories statements, where the other aim is to find new meanings within the studied field, which the existing theory has not yet covered.

Our aim for the qualitative data analysis is to extract meanings and experiences and induce new knowledge to the concept of co-creation by illustrating an integrated understanding the co-creation concept. Therefore, we consider the analysis strategy *grounded theory* to be the most appropriate strategy to use. However, we will not make use of grounded theory to its full extent, but make use of elements from grounded theory.

“Coding is one of the most central processes in grounded theory” (Bryman, 2012, p. 568). In line with our research field, we are interested in identifying key elements

within co-creation. In grounded theory one distinguishes between three types of coding: *open coding*, *axial coding* and *selective coding*. We have chosen to make use of open coding.

According to Bryman (2012), it is not necessary to operate with this threefold distinction, but where it is important for the researcher to make sense of his or her data. In our processing of data we therefore made use of aspects and tools from the grounded theory, but do not make use of all three steps in the analysis. We found that we could make sense of our data simply from our open coding.

As such, Bryman (2012) argues the data can be structured into concepts and categories that enable the researcher to treat his or her data more systematically. The coding process takes place until enough data has been collected. Coding is understood as representing the operations by which data are broken down, conceptualised and put back together in new ways. Concepts refers to “(...) *building blocks of theory*” (Bryman, 2012, p. 571) and categories is a concept that has been elaborated to the extent, that it is regarded as representing real-world phenomenon. A category may subsume two or more concepts. From our qualitative analysis we will identify concepts, meaning the key elements from a co-creation process. We will use *open coding* to the interview- and focus group transcripts, in order to break down the material. Practically, we highlighted words in the transcripts (appendix 8-13), where we highlighted words based on our research framework designed previous to our collection of data.

Furthermore, we highlighted words and gave each code a label of reference, where we had an assumption of the words being relevant to our research field. We conducted the open coding individually from one another, as a means to overcome influencing each other in the process and thereby decrease the risk for bias. According to Strauss and Corbin (1990; 61) cited by Bryman (2012) the first step in theory building is creating concepts from your codes. After this process we gathered groups of words in order to create concepts. Concepts are an abstract representation of an event, object, interaction, which we identified as being significant in the data. The purpose of creating concepts is to enable us to group similar codes under a common classification. We considered each code and considered whether it shared similar properties and dimensions with previous

codes and if, provided it with the same labelling, which then resulted in several concepts (see appendix 15).

The next step was to identify categories. *“A category is a concept that has been elaborated so that it is regarded as representing real-world phenomenon”* (Bryman, 2012, p. 570). The identified categories are: *definition, arguments, customer motivation, prerequisites, management of co-creation and challenges* (appendix 15).

Finally, we will use the identified categories and concepts to make sense of our theoretical findings to compare the data. Moreover analyse synergies between the empirical findings and the theory. We did this by comparing our concepts, thus the empirical findings with the theory. In the synthesised theory, we already analysed the main findings from the theory, where we could compare this with the empirical findings. Moreover, find variations and contrasts between the empirical findings and theory, in order to induce new knowledge.

## 2.6 QUALITY CRITERIA

Bryman (2012) states, that in social sciences we often discuss credibility, strength and transferability of knowledge in relation to the concepts of reliability and validity. The terms validity and reliability are discussed as internal and external criteria, which we will elaborate in the following and apply to our research.

*External reliability* is according to Bryman (2012) the degree to which a study can be replicated. This is a difficult criterion to meet in qualitative research, since *“it is impossible to ‘freeze’ a social setting and the circumstances of an initial study to make it replicable”* (LeComte and Goetz (1982) cited by Bryman, 2012, p. 390). However, several strategies are suggested in order to approach the requirements of external reliability. For example, in our research we strengthen the external reliability by making the chosen methods explicit and transparent for others. Moreover, our research design is well documented, as seen above. However, it is recognised that it may be difficult to replicate the exact same situations of the interviews.

The *internal reliability* refers to the agreement of what is being seen and heard, if there is more than one researcher. In this thesis we were two researchers. We found that there

was a consistency between our understandings of our interpretation of the data result, in which we agreed on what was found from the research field.

According to Bryman (2012), *internal validity* is concerned with the causal relationship between the researchers' results and the theoretical ideas they develop. We collected data to explore and find new meanings instead of testing the existing theory, because we chose an inductive approach. We insured consistency between the research and the new knowledge we produced, by carefully coding and analysing our findings, where we used the created concepts to induce new knowledge on the understanding of co-creation.

Furthermore, it can be argued that the validity of our research is strong, because the theoretical findings were found independently of our empirical findings, since the respondents in our research did not know what the theory about co-creation stated. In which we could interpret the empirical findings to the analysis of the theory, in order to find new knowledge and meanings.

Bryman (2012) states, that *external validity* is concerned with the question of whether the results of a study can be generalised beyond the specific research context. In other words, whether our findings from the theoretical analysis and empirical findings with the single case study of Roskilde Festival, can be generalised.

Yin (2014) states that it is a common concern that case study research cannot be generalised. “(...) *Single case studies, like experiments, are generalizable to theoretical propositions and not to populations or universes. In this sense, the case study, does not represent a “sample” and in doing case study research, your goal will be to expand and generalise theories (analytical generalisations) and not to extrapolate probabilities (Statistical generalisations)*” (Yin, 2014, p. 21). Since our research is based on a case study design, it might be challenging to generalise our findings according to Yin's point of view. The results are thus shaped by the findings from Roskilde Festival and can therefore not generalise statistically. Moreover, many of the findings and statements in our research, is based on single subjective quote from an interviewee. According to Kvale (2009), the statements from the interviewee can be argued to be valid and credible, because of the interviewee's years of experience working in Roskilde Festival and experience with management of co-creation.

# THEORY

3

### 3. THEORY

In the following section we will present:

- Theoretical foundation
- Theories of co-creation
- A critical perspective of the theories

#### 3.1. THEORETICAL FOUNDATION

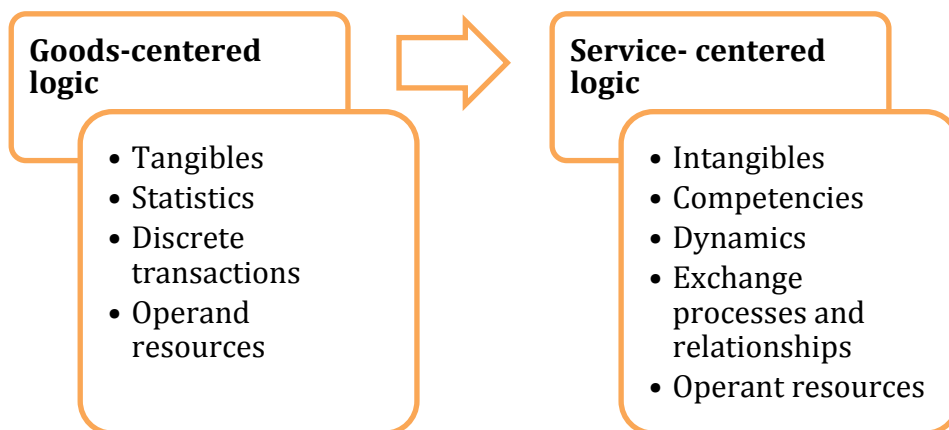
Co-creation is in our view a relatively new and unexplored concept, in which we want to understand the origins of the theory. By better understanding the origins of the theory, we can better understand the concept of co-creation and what the underlying ideas and arguments are for developing such a theory. The purpose of the following section is therefore to identify the underlying ideas, which has lead to the development of co-creation theories. We have identified three theories, which we think set the frame for developing the theories of co-creation: *Service-dominant logic* by Vargo and Lusch (2004), *Open Innovation* by Chesbrough (2003), and *Experience Economy* by Pine and Gilmore (1999). In the following, we will illustrate, how each of them contributes to the underlying thoughts of co-creation. We will present each theory individually and identify the main elements, in order to illustrate how they are combined and in our opinion, serve as the foundation for the concept of co-creation in relation to our understanding of the concept.

##### 3.1.1 SERVICE-DOMINANT LOGIC

The academic field of marketing and the practice of marketing has evolved during the past decades. Vargo and Lusch (2004), illustrate how the academic field of marketing has evolved towards a new dominant logic by investigating the individual and collective mind of scientists within the field. A dominant logic refers to the “(...) *mental maps developed through experience in the core business*” (Prahalad and Bettis, 1986, p. 485), which is expressed through managerial behaviour. Thus, identifying and understanding the dominant logic of marketing will help illustrate how marketers practice co-creation. By understanding the logics behind marketing practices, we have a foundation for understanding how the theories of co-creation have been developed.

To truly understand the evolving dominant logic, we must first understand the drivers behind the shift in logic. “*This shift in primacy of resources has implications for how exchange processes, markets, and customers are perceived and approached*” (Vargo and Lusch, 2004, p. 3). Furthermore, Vargo and Lusch (2004) state that over the last 50 years resources have become to be viewed as not only things, but also intangible and dynamic functions of human ingenuity and appraisal. Thus, the core of what has changed in the dominant logic is the shift from the exchange of tangible (manufactured) goods to the exchange of intangibles goods such as knowledge, skills, and processes. In illustrating this shift, they refer to two different types of resources: *operand resources*, which are tangible raw materials or physical goods and *operant resources*, which are skills and knowledge, routines, and information.

Vargo and Lusch (2004) developed a theory on how dominant logic has shifted based on the observed shift in primacy of resources, in which they illustrate other factors leading to the shift in dominant logic. Vargo and Lusch (2004) illustrate the shift in dominant logic by differentiating between two logics: *goods-centered logic* and *service-centered logic*:



**Figure 2: From G-D logic to S-D logic, adopted from Vargo and Lusch (2004)**

The *goods-centered logic* is characterised by considering value as something, which is added in the process of production and distribution of goods. In which, a competitive advantage is achieved. Moreover, thinking that goods should be standardised to optimise efficiency in production phase. The *service-centered logic* is characterised by focusing on developing capabilities, which could potentially lead to a competitive

advantage. Furthermore, actions should be taken to involve customers in developing value propositions for specific needs. In the service-centered logic, value is perceived as something that is determined by the consumer when using the product or service. People exchange goods and service to acquire benefits. Customers are active participants in the exchange and co-production. In the service-dominant logic, wealth is achieved through specialised knowledge and skills where goods are transmitters of knowledge. From what we can observe, resources and the perception of value are the core of how the dominant logic within marketing has changed. It seems obvious that operant resources are considered as the basis of competitiveness, yet it is essential to realise that there was a shift from focusing on tangible to intangible resources.

As Vargo and Lusch (2004) point out, the changing nature of primacy in resources has implications for how exchange processes, customers, and markets are perceived. By exchange process, we understand the exchange of products and services between companies and customers. This also implies that companies will have to reconsider which resources will provide them with the necessary means to compete in the future. Companies must therefore realise that operant resources such as knowledge and skills cannot be owned and controlled, due to the nature of the increasingly networked world, in which information is accessible and dynamic. In our initial understanding, co-creation is a process where company and customer interact and collaborate, thus a process of exchange is when skills are applied and knowledge exchanged.

Vargo and Lusch (2004) identify fundamental premises, which are driving the dominant logic from goods to service-centered. Although, some of the fundamental premises are viewpoints other reflect change and development such as the industrial revolution. These changes are perhaps not only driving marketers towards a new dominant logic, but a shift in dominant logic might be necessary for marketers to be competitive.

The shift in dominant logic means that new practices will be undertaken in marketing. The service-dominant logic, for examples implies that the marketing process will be more long term as value is added not only in production but also in the consumption of the product or service. Moreover, according to the service-dominant logic marketers will need to find ways of involving costumers in process of value creation.

### 3.1.2 OPEN INNOVATION

According to Chesbrough (2003), there was a shift in the innovation paradigm from closed to open innovation. In our view, innovation is central to companies in order to compete now and in the future, because we are living in a fast-paced world. It is therefore relevant to understand how innovation is undertaken in order to be competitive in the current environment, which Chesbrough (2003) describes as a network. In our view, co-creation can be a source of innovation, because it is a way of tapping knowledge outside the company boundaries. Therefore, we will in the following section identify main points of the innovation paradigm.

According to Chesbrough (2003), the old paradigm referred as closed innovation, is based on the notion that, “(...) *successful innovation requires control*” (Chesbrough, 2003, p. xx). This viewpoint thus implies that, companies must generate their own ideas and then develop them, build them, market them, distribute them, service them, finance them, and support them on their own. Thus, most companies pursued relatively closed innovation strategies, meaning limited interactions with the outside environment. In our understanding, the closed innovation paradigm demonstrates an inside-out approach where value is considered internally created.

In recent decades, these strategies have begun to change as firms across industries have increasingly acquired external technologies to complement their internal knowledge bases.

Because of the changing world and customer needs, Chesbrough (2003) argues that a new logic of innovation is needed to replace the logic of the earlier. Companies must structure themselves to leverage the distributed landscape of knowledge, instead of ignoring it in the pursuit of their own internal research agendas. Chesbrough (2003) coined the term “*open innovation*” to describe innovation processes, in which firms interact extensively with their environment, to seek and exchange knowledge to arrive at new and valuable ideas, which can lead to competitive and innovative solutions. Open innovation thinking changes the role of the research function. In an article from 2008 written by Chesbrough, Vanhaverbeke and Vrande, the role of internal researchers is expanded to include not just knowledge generation, but also knowledge brokering. Previously, researchers simply added to the knowledge sitting in the silos. Today, they are also charged with moving knowledge into and out of the silos. In this new role,

knowledge located from outside may be just as useful as knowledge created from within. In 2003, Chesbrough thus stated “(...) *open innovation is the use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation*” (Chesbrough, 2003, p. 43). In the networked economy companies are required to open-up processes of innovation to the network that surrounds it, in order to compete in the market.

In conclusion, “*In today’s world, where the only constant is change*” (Chesbrough, 2003, p. xvii), a new approach for managing innovation is needed. According to Chesbrough (2003), closed innovation is being replaced by an open innovation approach to meet the changing needs. In our view, it is important for managers to acknowledge this paradigm shift in order to restructure innovation processes within the organisation to accommodate the new way and source of creating value.

### **3.1.3 EXPERIENCE ECONOMY**

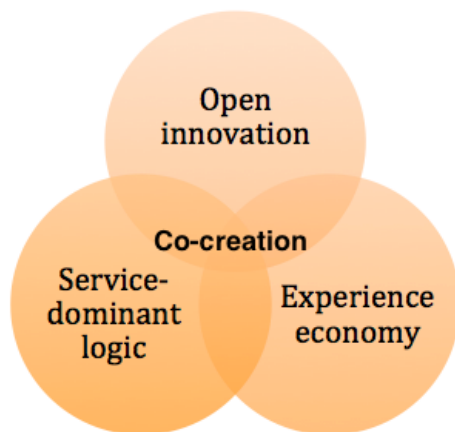
In our view, experiences are an important part of understanding the concept of co-creation, because co-creation occurs between individuals in the interaction between the two, in which the experiences from that interaction takes form. Moreover, value is in our view not something that companies can determine and control. Value is something that customers determine too, because customers are informed and empowered through access to information. If value is created in the consumption of product and services, creating valuable experiences becomes key for companies to succeed in the future. In order to better understand what valuable experiences entails, we have decided to pinpoint some of the main points in Pine and Gilmore’s theory of the Experience Economy (1999).

Pine and Gilmore (1999) argue that experiences are the fourth level of economic offering after services, goods, and commodities. They argue, that experiences are a new source of value. According to Pine and Gilmore (1999), new technologies are increasing competitive intensity, which drives the need for differentiation. Furthermore, the rising wealth is increasing the purchasing power and therefore goods and services are no longer enough.

According to Pine and Gilmore (1999), experiences should be memorable and personal compared to services, which are customised. The experience should be delivered over

time and it is essential that it contains sensations. Manufactures must consider that the value of experience is created, while customers are using the product and services as part of the experience. In this description by Pine and Gilmore (1999), companies are responsible for facilitating experiences and thus the value creation process.

Pine and Gilmore (1999) take experiences to the next level in the battle against commoditisation, in which they introduce the next level of offering namely *guiding transformations*. In the Experience Economy, the customer is the product. They argue that people today want more than memorable experiences, they want to be transformed. *“When you customise an experience to make it just right for an individual – providing exactly what he or she needs right now – you cannot help changing that individual”* (Pine and Gilmore, 1999, p. 165). Essentially, companies need to understand what customers want to become, in which they can determine and guide the process of transformation. These considerations presented by Pine and Gilmore (1999) correlates well with our view of customer wanting to realise themselves, which is connected to the growing wealth and purchasing power, which is creating more demanding customers.



**Figure 3: Theoretical foundation**

As illustrated in the model, we find that the paradigm shifts within marketing and innovation, and the theory of the experience economy, are theories that provide the groundwork for understanding co-creation. All three theories illustrate how the perception of market, customers, and source of competitive advantage has changed, in which new management strategies, such as co-creation is needed. Vargo and Lusch

(2004) illustrate how competitive advantage is gained through operant resources such as knowledge and skills rather than physical products. They argue, that customers are active and determine value through taking part in the process of creation. Chesbrough (2003) argues that in order to compete, new approaches to innovation are needed. He discusses how knowledge is an important resource in the innovation process like Vargo and Lusch (2004), but goes beyond, by illustrating how new ways of collecting and managing knowledge is needed. A great part of his contribution is found in the underlying argument that companies need to be open and engage in collaboration, rather than being closed and controlling. Pine and Gilmore (1999), identify the changing needs of the customers, in which products and services are not satisfactory. Thus, creating personalised experiences is a source of competitive advantage. The combination of these elements from each of the three theories, provide the conditions for understanding the concept of co-creation.

### **3.2 THEORIES OF CO-CREATION**

We have chosen five prominent theorists that illustrate different perspectives of co-creation. From the litterateur review conducted by desk-research, we found that each theorist contributed with his or her perspective of co-creation. Moreover, we find that the chosen theorists supplement each other in representing the co-creation litterateur.

In the following section we will go through the five chosen theorists' understanding of co-creation. Their perspectives differ on how co-creation is understood, and which elements are parts of the concept co-creation. The purpose of interpreting the five theories is to find an integrated understanding of the co-creation concept.

We have chosen Prahalad and Ramaswamy (2004a), since they were the first authors that coined the term co-creation, and have described the concept at an overall level. Many other theorists are inspired by their work, and have elaborated the concept. Ramaswamy is chosen separately, since he has continued investigating the concept. Ramaswamy and Ozcan wrote the latest research in 2014 in their book "*The Co-creation Paradigm*", still highly inspired by Prahalad. Both Prahalad and Ramaswamy (2004) and Ramaswamy and Ozcan (2014) provide us with a management perspective

of co-creation, with the company at the starting point of their research. Furthermore, they contribute with an understanding of co-creation at a strategic level.

Payne et al.'s (2008) research is chosen, since it provides a framework of the co-creation processes. Moreover they differentiate between organisation and customer in co-creation processes, thus the framework contributes with different perspectives of co-creation. Payne et al. (2008) and Etgar (2008) both contribute with different frameworks of understanding co-creation through processes. To have a different perspective on co-creation processes, we have included Etgar's research from 2008, where he contributes to the understanding of co-creation processes by presenting stages of a co-creation process. Lastly, we have included Füller's research from 2010, since he investigates the consumers perspective of co-creation, and contributes to a great extend on the customer motivation for engaging in co-creation.

We have decided to structure each theory according to *definitions, arguments, framework and prerequisites, and management of co-creation*. These headlines are based on our research framework, which we created in order to make sense of the theories and to identify consistencies and differences across the five theories. Here it is worth mentioning, that the theories do not identify challenges of co-creation.

Under definition we make sense of how the theorist understands and describes the concept of co-creation. Arguments will contain the theorist arguments for pursuing co-creation strategies as well as their arguments for relevance of the concepts, the frameworks and suggestions they provide. Frameworks are considered in a broad spectrum, as theorists provide them for different purposes such as describing management models. By prerequisites we consider: resources, capabilities, mindset, and organisational structure, which we consider being the required foundation for co-creation. In some theories prerequisites are part of the framework presented by the theorist, and with others they are presented separately. Management of co-creation illustrates the "how to" part of co-creation and includes the theorists suggestions for how to go about co-creation at a managerial level.

### 3.2.1 C.K PRAHALAD & V. RAMASWAMY

The following section take its standpoint in the book “*The Future of Competition: Co-creating Unique Value with Customers*” written by Prahalad and Ramaswamy (2004), were we supplement with other related articles and books from Prahalad and Ramaswamy.

#### Definition

Prahalad and Hamel (1994) were the first theorists that introduced the idea of “*core competencies*” in their book “*Competing for the Future*”. They discussed building new capabilities and setting new standard of customer satisfaction. They did not explicitly discuss the elements of co-creation, but discussed the elements, which would come to define co-creation. Prahalad and Ramaswamy (2000) were the first authors to examine the new role of customers in knowledge-creation. They outlined the evolution of customers through two primary transformations, which were the transformation from being a passive audience for a firm’s offerings to becoming active players and co-creators of knowledge and value.

In the article from 2002 called “*The Co-creation Connection*”, Prahalad and Ramaswamy, differentiate between two viewpoints of what the process of value creation entails. They differentiate between how value creation was perceived traditionally and present a new way of perceiving the meaning and process of value creation. Thus, Prahalad and Ramaswamy (2002) state, *the traditional company-centric view* is where the consumer is not considered to be a part of the creation of value, in which they refer to Porter’s (1980) value chain. In this viewpoint the enterprise controls where, when, and how value is added in the value chain. Value is created in a series of activities controlled by the enterprise before the point of purchase. *The consumer-centric view* is when the customer is considered an integral part of the system for value creation and the customer can influence where, when, and how value is generated. In this viewpoint, the customer does not necessarily respect industry boundaries, in the search for value and there are multiple point of exchange where the customer and the company can co-create value.

Another differentiation between the old paradigm and the new paradigm, which further helps define the concept is the fact that unlike before, production and consumption is now a joint process.

C.K Prahalad and Venkatram Ramaswamy then coined the term co-creation in 2004 in their book *“The Future of Competition: co-creating unique value with customers”*. Prahalad and Ramaswamy (2004a) develop co-creation into a strategic approach for creating customer value.

They define co-creation as a process, in which *“The consumer and the firm are intimately involved in jointly creating value that is unique to the individual consumer and sustainable to the firm”* (Prahalad and Ramaswamy, 2004a, p. x). Co-creation is thus an act or a process, in which the company and the customer create value in collaboration with one another. Furthermore, it is argued that the outcome is unique value for the individual consumers, and that the approach is sustainable for companies. They furthermore explain the concept of co-creation by stating that it is *“(...) a competitive space centred on personalised co-creation experiences developed through purposeful interactions between the consumer and the network of companies and communities”* (Prahalad and Ramaswamy, 2004a, p. 10). Prahalad and Ramaswamy (2004) argue that the traditional exchange of products and services have been replaced by co-creation experiences. A part of the new value creation process is thus to create an experience environment. Prahalad and Ramaswamy (2004a) therefore argue, that this changes the patterns of interactions between the customer and the company and that *“(...) these interactions are the locus for the co-creation of value”* (Prahalad and Ramaswamy, 2004a, p. 19). Thus, the quality of the interaction points between customer and companies become interesting in terms of creating personalised co-creation experiences

The definition of co-creation by Prahalad and Ramaswamy (2004a) is as stated a paradigm shift within value creation, which is driven by customers being empowered and informed. Co-creation of value is about creating personalised experiences in collaboration with the customer. We consider how this theory different from the theory of the Experience Economy by Pine and Gilmore (1999)? Both theories state the need

for personalised experiences. What Prahalad and Ramaswamy (2004a) add to the scope is the fact that companies need to acknowledge that there has been a shift in management and influencers, which requires companies to include customers in the value creation process. Thus, as we understand it, it would be naive of companies to think that they can create personalised experiences without including customers in the process. To a great extent although, they do not refer to the theory of the service dominant logic, and services but experiences. Much resemblance is found in the theories, as Vargo and Lusch (2004) argue for the active participant of customers in value in the exchange and co-production of products and services.

### **Arguments**

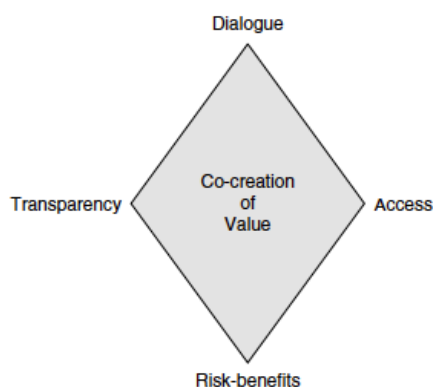
Prahalad and Ramaswamy (2004b) state that there can be severe consequences, if companies do not recognise the shift in the meaning and process of value creation. Companies need to let go of the company-centric view and adopt a co-creation perspective of value creation. They further state that co-creation is becoming a competitive imperative: *“Information illuminating what consumers value is voluminous, and it flows freely in information networks. If your company does not capture this intelligence to create more fulfilling experiences for consumers, your competitors will”* (Prahalad and Ramaswamy, 2002, p. 4). Another argument resides in the fact that the role of the customer is changing as they have become empowered and want to have a say in what constitutes value to them. Meaning that there is a risk in not involving them in the production phase, as they may not be interested in the product or service that the company has come up with alone. By listening and engaging with the customer you can make more valuable investments and minimise risk of dissatisfied customers. According to Prahalad and Ramaswamy (2004a), co-creation is source of competitive advantage: *“High quality interactions that enable an individual customer to co-create unique experiences with the company are the key to unlocking new sources of competitive advantage”* (Prahalad and Ramaswamy, 2004b, p. 7). Prahalad and Ramaswamy (2004a) argue that their book *The Future of Competition: Co-creating Unique Value with Customers* is to be considered a new strategic capital and state that: *“The future belongs to those that can successfully co-create unique experiences with customers”* (Prahalad and Ramaswamy, 2004b, p. 12).

They argue that co-creation is the future of competition, although they do not specify why this is the case other than the fact that they assume customers are pushing for this approach. An interesting argument is, how intelligence from information networks is freely available and should be taken in advantage of before competitors. As Chesbrough (2003) also stated companies can no longer solely rely on their internal knowledge to stay competitive. They must be open to knowledge and ideas from both inside and outside the organisation. Vargo and Lusch furthermore (2004) underline the importance of knowledge as source of competitive advantage. This is perhaps one of the main arguments for choosing a co-creation approach.

### **Framework & Prerequisites**

Prahalad and Ramaswamy (2004a) created a framework for co-creation, which they refer to as the fundamental building blocks for co-creation, the DART model. DART stands for: *dialog, access, risk-benefits, and transparency*. Prahalad and Ramaswamy (2004a) claim, the aim of the model is to illustrate the need to create co-creation experience, as well as a model in which its key building blocks is elements that the managers must consider.

#### DART



**Figure 4: Building blocks of interactions for co-creation of value**  
(Prahalad and Ramaswamy, 2004, p. 9)

### Dialogue

*“Dialogue means interactivity, deep engagement, and propensity to act – on both sides”* (Prahalad and Ramswamy, 2004a, p. 23). Prahalad and Ramaswamy argue, that dialogue goes beyond listening to customers and implies that consumers and companies are equals in the communication and learning process. Furthermore, it implies that companies recognise the social, emotional and cultural context. The dialogue between consumers and companies should be focused on common interests and needs. The dialogues require some rules of engagement to secure productive interactions and forum in which the dialogue can take place.

### Access

The second building block in the DART model is *access*, which challenges the notion that ownership is the only way for the consumer to experience value. Ownership is the traditional way to look at the transfer of value from the company to the customer. Customers do not have to own something in order to experience its value, an example of this is car leasing where you do not have to own the car to benefit from the car. By focusing on access to value at multiple points of exchange, as opposed to simply ownership of products, companies can broaden their view of the business opportunities creating good experiences.

### Risk assessment

The third building block is, *risk assessment*, which refers to the probability of harm to the consumer. Consumers will demand more information about potential risks of goods and services, but they may also have to bear more responsibility for handling those risks. In a world where good information is widely available, consumers within the limits of their technical knowledge should be able to make more informed choices about risks. Companies can be a part of that process, by being both forthcoming in the discussions of risk, with the general public, and by disseminating appropriate methods for assessing personal risk and societal risk. Furthermore, proactive risk communication and management offers new opportunities for firms to differentiate themselves.

### Transparency

The last and fourth building block in the framework is *transparency* of information, as products, technologies, and business systems are becoming more accessible. Companies need to adapt to the fact, that the information asymmetry that they have been used is increasingly disappearing. Transparency of information is necessary in order to create trust between companies and individuals.

### Combining the four building blocks

The four building blocks create a framework for the understanding of co-creation, where Prahalad and Ramaswamy argue, “*Combining the building blocks of transparency, risk assessment, access, and dialogue enables companies to better engage customers as collaborators*” (Prahalad and Ramaswamy, 2004a, p. 31). Thus, Prahalad and Ramaswamy (2004a) argue, when companies combine the four buildings in different ways, they might be able to create new and important capabilities.

We found that by combining the building blocks to co-create it requires companies to be able to collaborate, build new business models, enable knowledge sharing, create communities and develop trust.

The DART model provides us with the fundamental building blocks of managing co-creation. It identifies necessary capabilities that the company needs to develop to successfully engage in co-creation. When combining the building blocks, the complexity of managing the co-creation process is increased and the authors introduce new elements in the framework, that also need to be taken into considerations such as trust, ownership, and changing business models. Unfortunately descriptions are kept at an overall level, without providing neither specific methods for implementing them or any contextual considerations for managing the elements.

### Prerequisites

From the definition and arguments presented by Prahalad and Ramaswamy (2004a), we can deduct that the starting point for achieving successful co-creation of value is to acknowledge the shift. Moreover, fundamentally change the way the value creation process is perceived. Having the co-creation mindset is thus considered an important

prerequisite in order to achieve co-creation of value.

Prahalad and Ramaswamy (2004b) state that both management and customers will have to make adjustments in order to successfully co-create value. *“Consumers will have to learn that co-creation is a two-way street”* (Prahalad and Ramaswamy, 2004b, p. 14). Meaning that a co-creation process is an interaction between the organisation and the customers, and that customers will have to do their part in making this process successful.

*“To compete effectively however, managers need to invest in building new infrastructure capabilities, as well as new functional and governance capabilities – capabilities that are centred on co-creation through high quality customer-company interactions and personalised co-creation experiences”* (Prahalad and Ramaswamy, 2004b, p. 12). According to Prahalad and Ramaswamy (2004a), a network is the infrastructure for co-creating personalised experiences. Companies must therefore grow capabilities that enable them to grow their network. Internally, they need to build different capabilities that will support co-creation. For example, companies need new channel management capabilities to deal with the multiple points of interaction, which is a part of the co-creation definition. Channels are referred to as all the point where the customer encounters with the organisation and its services. This furthermore requires managers to have customer relationship management (CRM) capabilities. Some of the other capabilities that Prahalad and Ramaswamy (2004) describe are the ability to be adaptive and have products evolved over time, rather than creating a final product that cannot be modified. Companies will therefore have to consider developing new capabilities, to be able to co-create value and compete in the future. Our assumption is, that realistically organisations and managers venturing out on a co-creation adventure will have to prioritise which capabilities to develop and realise that making your organisation ready for co-creation might take time.

### **Management of co-creation**

Prahalad and Ramaswamy (2004a) argue, that managing co-creation of unique value demands a new capability, which is the ability for managers to relate to consumer interactions with the experience network. Managers have to understand the business as customers do, and not as an abstraction of numbers and charts. Moreover, Prahalad and

Ramaswamy (2004a) claim that in the emergent world of co-creation, they consider every employee who has the ability to directly influence the customer experience, and facilitate the co-creation of value. Thus, companies must build an information infrastructure that allows all managers to experience the business as customers do. Prahalad and Ramaswamy (2004) state that businesses must build managerial environments, understood as creating an organisational culture of knowledge sharing. *“Managers learn from one another, from customers, from suppliers, and from broader communities of interest and expertise. Technology must support this learning process”* (Pralhad and Ramaswamy, 2004a, p. 159). Meaning that managers might learn when to interact, with whom and where the dialogue is taking place. They must be an integrated part of the co-creative activity. In short, to co-create value most effectively, managers must have the capacity for agility. Agility is the ability to act fast, to improve the cycle time for managerial action.

Pralhad and Ramaswamy's (2004a) present a management perspective of co-creation, in which strategic capabilities and resources must be developed. These are needed to deal with the ever-changing environment and to stay competitive in the market. In particular building an infrastructure from the network around the company is essential, in order to compete in the current and future market. Creating personalised experiences for customers is at the core of the purpose with the new strategic management approach. They underline the importance of managing the interactions through dialogue and relationships at all level of the organisation, but in particular the employees who are in contact with customers. The four building blocks provide managers with a framework for managing co-creation.

Even though Prahalad and Ramaswamy to a great extend has elaborated co-creation broadly, critical aspects in their work must be considered. One consideration is whether the traditional way of gaining competitive advantage will disappear and the way to survive in the ever-changing world is to change your organisation towards a more innovative and consumer-centric perspective? Paradoxically, in our view, we still have the traditional view on cost, quality and speed in the current business world, when talking about competitive advantages. It seems like the authors more or less encourage

organisations to change their way of doing business, if they want to survive in the *competing future* and if they want to implement co-creation in their organisation. Another critical aspect to consider is whether all managers can adopt working with co-creation? From our perspective, manager can be very different in mindset and personal characteristics, in which it is relevant to consider these aspects in the process of co-creation.

### **3.2.2 PAYNE ET AL.**

In an article published from 2008 written by Adrian Payne, Kaj Storbacka and Pennie Frow, a detailed framework for management of processes is outlined, motivated by the fact that the only other framework they observe in the literature of co-creation is the DART model by Prahalad and Ramaswamy (2004a).

#### **Definition**

Payne et al. (2008) state that co-creation can be viewed from different perspectives, inspired by Vargo and Lusch (2004), and their theory of the service-dominant logic. Payne et al. (2008) view customers as a central element of the co-creation process: “*The customer is always a co-creation of value, there is no value until an offering is used, experience and perception are essential to value determination*” (Payne et al, 2008, p. 84).

Payne et al. (2008) focus in their definition of co-creation on how value is created or occurs when the customer is using or consuming the products and services. Their perception, inspired by Vargo and Lusch (2004) is, as we understand it that, value is not something that companies determine but the customer. This viewpoint underlines the assumption, that companies cannot control what value is. Their scope of research relies on two perspectives: the customers and the organisation, which they refer to as *supplier* and *customers*.

## Arguments

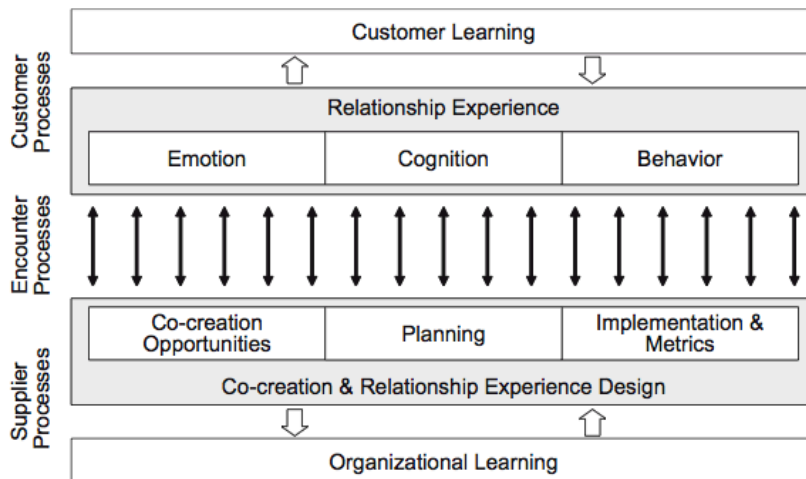
The authors do not spend much time on stating the arguments for co-creation of value, as the focal point of their research is the process model for co-creation. They spend little time arguing why it is relevant, although some implicit arguments and benefits of co-creation are observed. The authors rely as mentioned greatly on the viewpoints of Vargo and Lush (2004) as well as some key points from Prahalad and Ramaswamy (2004a), which is reflected in the observed arguments for co-creation of value. These arguments opposed to the traditional perspective of co-creation and that customers are becoming increasingly active. The authors for example adopt the viewpoint of Vargo and Lusch (2004), in which underlines the importance of equal involvement between customer and supplier in value creation, indicating that they acknowledge a shift in how value is created. They use other examples of how things have changed, example given the point about the shift from passive to active consumers, which requires a change in the approach to value creation. It is unclear from the article, whether or not they consider co-creation a necessary approach to take or not, as they do not take an independent standpoint on the definition nor arguments for co-creation.

## Framework and prerequisites

Payne et al.'s (2008) process model includes the resources and capabilities that are required from customer and the organisation in a co-creation process. Processes might include procedures, tasks, mechanism, activities and interactions, which support the co-creation of value. Payne et al (2008) state, "*This process view accentuates the need to view the relationship between the provider and the customer as a longitudinal, dynamic, interactive set of experiences and activities performed by the provider and the customer*" (Payne et al, 2008, p. 85). The process of co-creation is thus long term and requires a focus on relationships.

The authors' research on co-creation of value processes identified three main components; *customer value-creating processes, supplier value-creating processes, encounter processes*. These three main processes form the basis of the framework for co-creation in figure 5.

The framework is an illustration of the interconnected set of processes and the recursive nature of co-creation. The following section outlines the main components in figure 5, and identified which resources and capabilities that are required in each process.



**Figure 5: A Conceptual framework for value co-creation (Payne et al, 2008, p. 86)**

#### Customer value-creation processes

*Customer Processes* includes *relationship experience* and *customer learning*. These components outline the authors view on the customer, and their capabilities in the process of value co-creation. “*S-D logic regards customer as active players who can co-develop and personalise their relationships with suppliers, and adopt a multitude of different roles*” (Payne et al, 2008, p. 86). The customers’ value creation processes might be defined as a series of activities performed by the customer to achieve a particular goal. The key driver for customers ability to create value is the amount of information, knowledge, skills and other operant resources that they have access to. If a supplier wants to improve its competitiveness, it has to keep attention to its capacity to either add to the customer’s total pool of resources in terms of competence and capabilities. Moreover, or to influence the customer’s process in such a way that the customer is able to utilize available resources more efficiently and effectively.

*Relationship experience:* Experiences are especially important as they can encourage the customer to participate increasingly in the process of co-creation. Payne et al. (2008) argue, that behaviour analysis therefore should move beyond choice processes that lead

to purchase decisions and include experiences that customers have as a result of using a product or service. Payne et al. (2008) conclude, in order to understand the relationship experience requires an information- processing approach combined with an experience perspective as presented by Pine and Gilmore (1999).

*Customer learning*, the relationship experience leads to *customer learning*. The arrows that are illustrated between customer processes and customer learning indicate that the customers engage in a learning process, based on the experience that the customer has during the relationship. This customer learning that can be identified has an impact on how the customer will engage in future value co-creation activities with the supplier. The supplier's role is therefore to provide experiential interactions and encounters. The supplier should be able to support customer learning by developing processes, which take into account the customer's capability to learn.

#### Supplier value-creating processes

According to Payne et al. (2008), creating value for the customer begins with an understanding of the customer's *value-creating processes*, when seeing it from a *supplier's* perspective. By starting with the customer's processes, a company can design its own processes to align with those of its customer, which lastly create competitive advantages for the company. The adoption of this process view can result in insights and opportunities for co-creating value with the customers, by listening to the customers needs.

The supplier processes involves: *Co-creation and Relationship Experience Design* and *organisational learning*. Co-creation and Relationship Experience Design consists of: *co-creation opportunities, planning, and implementation and metrics*.

*Co-creation opportunities* are strategic options for creating value. The types of opportunity available to a supplier are shaped by the nature of their industry, their customer offerings and their customer base. On the behalf of the suppliers learning's and knowledge of the customer, they should be constantly looking for opportunities based on changes in customers' preferences and lifestyles.

According to Payne et al. (2008) *planning* for co-creation is an outside-in process, thus it starts from an understanding of the customer's value-creating processes with the

purpose of providing support for better co-creation of value. Payne et al. (2008) state: “(...) *connecting and utilizing business processes that cut across traditional organisational functions or silos is the key to business success*” (Payne et al, 2008, p. 89). Therefore, in order to plan for co-creation from an outside-in perspective, the organisational structure must be flexible to meet and support the customers’ needs.

Prototyping can be a relevant tool in *implementing* co-creation strategy as it enables testing. Prototypes should be created in the form of environments, encounters and content. According to Payne et al (2008), another key issue for the supplier is developing appropriate metrics, which can be used to measure and monitor performance of their customer relationships. The marketing metrics and measures should assess the co-creation potential of customer relationships. Payne et al. (2008), argue that more research is needed on the key measures of co-creation.

*Organisational Learning.* Payne et al. (2008) emphasise the importance of *organisational learning*, which is the last element of suppliers’ processes. In organisational learning, knowledge is key and can be used to gain competitive advantages. Payne et al. (2008) argue that knowledge about customers’ value-creating processes should not be based on hard quantitative data, such as customer satisfaction measures, but should focus on getting an understanding of customer experiences and processes. Moreover, it could also provide an understanding of customers’ need and interest to design better products and experiences. It is therefore suggested to make use of anthropological research methods. By defining co-creation processes and identifying the knowledge required to engage in these processes, Payne et al. (2008) argues that markets could prevent potentially costly and unnecessary investments in IT equipment. Companies should instead focus on creating knowledge management architecture, which is built around customer processes and experiences. From this we interpret that companies have to build knowledge management capabilities.

#### Encounter processes

The last process Payne et al (2008) point out in their framework is the *encounter process*, which involves two-way interactions and transactions between the customer and the supplier. Encounters might be seen as touch points or contacts. The arrows in

the middle of the figure (see figure 5) represent encounters between the customer and supplier, which occur as a result of their respective value-creating processes. The fact that the arrows point in both directions indicates the interactive nature of encounters. Finally, the encounters are based on a foundation of dialogue and relationships. According to Payne et al. (2008), to put the model to use you have to map out the *customer, supplier, and encounter processes* to find co-creation opportunities. This includes: process mapping, customer activity cycles, service blueprinting, activity mapping, and customer-firm touch point analysis. Each encounter should be approached from a customer learning perspective, as the more opportunities the customers finds the more value can be created. With this Payne et al. (2008) provides some methods for identifying the customer-company touch points, but no methods for implementing the co-creation process is provided.

The framework created by Payne et al. (2008) illustrate how co-creation is perceived as a process and assumed, that it is a process that can be managed. From what we understand, by reflecting on the framework, the process of co-creation appears in the encounter processes. We assume, that value is created in the encounters, as it is the point where the product and service are being used, because it is where interaction takes place and value is created. Moreover, customer processes of *learning and experiences* and supplier processes of *learning and designing experiences* are facilitating the process of co-creation. Payne et al. (2008) states that co-creation starts by understanding the customer, so the organisation can design and align the organisation to customer needs, which strongly suggests an outside-in approach. The framework can therefore be used as a framework for analysing customer needs and is considered as an analytical tool. In our understanding, it is a tool that enhances and helps managers to listen to their customers, to better meet their needs. From what we understand from this framework is, that the key to successful co-creation is providing customers with capabilities in the shape of operant resources as information, knowledge and skills to foster the learning process. This reflects Vargo and Lusch's (2004) point about how knowledge is becoming a commodity.

## Management of co-creation

Payne et al. (2008) make few points on management of co-creation. Firstly, they make a point of how their framework challenges traditional management practices. Secondly, management should involve customers at all phases of product and service development as well as understand the customers' needs. Thirdly, management must focus on building long-term relationships. Fourthly, management must focus on communications and more importantly dialogue. Some further considerations for management involve the focus on knowledge management in which they stress that “(...) *knowledge as a fundamental source of competitive advantage*” (Payne et al, 2008, p. 93). Payne et al (2008) argue, “*An important concept is that the value proposition exist in order to facilitate the co-creation of experiences*” (Payne et al, 2008, p. 86), which underlines management's role as facilitator in the process of co-creation and the fact that an outside-in approach is necessary.

Another final point is management's ability to align expectations: “*Most importantly, successful value co-creation requires the ability to manage expectations, communications and promises between both parties throughout the co-creation process*” (Payne et al., 2008, p. 92).

Their illustration of how co-creation involves multiple actors in the process is in line with our social constructivist viewpoint, in which social phenomenon such as co-creation is created among actors through interactions. We must therefore understand both the customer and the organisations perspective to understand social reality. The framework gives us a great perspective of what is required in terms of resources and capabilities and management of co-creation. Their emphasis on encounters and the illustration of the elements connected to the encounters gives an idea about how to manage the interactions between organisations and customers. In particular their management aspects on knowledge management and building long-term relationships through dialogue provide useful insights.

### 3.2.3 ETGAR

Michael Etgar presents a model of consumer engagement in co-production in the article “*A descriptive model of the consumer co-production process*” from 2008.

#### Definitions

Etgar (2008) describes the co-production process as *activity network chain*, in which consumers participate in creating the output of the production process. Although, Etgar (2008) distinguishes between co-creation of value and co-production with each their definition, he states “*Consumption activities are not separate from production activities but connected to them*” (Etgar, 2008, p. 97). He furthermore outlines that co-production is a subordinate concept to that of co-creation of value, which leads to an output that can be consumed. Production and consumption is thus two processes, which are connected to one another in which production precedes consumption. Both processes can be co-created through co-production and co-creation of value.

In his definition of co-production, Etgar (2008) inspired by Prahalad and Ramaswamy (2004), suggests that co-production is linked to *customisation*. Etgar (2008) provides different examples of customisation such as ‘build to order’ and ‘information provision’. Etgar (2008) argues that a co-production strategy is the best way to achieve customisation, which indicates that customisation is a part of the definition of co-production in his viewpoint.

Etgar’s (2008) definition of co-creation differs relatively to the other theorist as he distinguishes between co-creation and co-production. Co-creation being a process of creating value while using or consuming the product and services, and co-production being a process of producing product and services in collaboration with the customer. Product and services are considered the outcome of a co-production process. In our view, the fact that Etgar (2008) follows up by saying that production and consumption are connected activities, makes it unclear whether or not co-creation and co-production are essentially the same thing. Etgar (2008) ascribes the concept of customisation to the concept of co-production. From the perspective of the *Experience Economy* by Pine and Gilmore (1999), customisation is merely an element of creating compelling services, which does not meet customers’ expectations.

## Arguments

*“The decision to engage in co-production activities is not different from other decisions. Such decision-making can be better understood when clarifying the benefits which co-production can generate for consumers”* (Etgar, 2008, p. 98). The main argument for co-production is the economically aspect. Etgar (2008) argues, that co-production can reduce costs, since the organisations will have cut down expenses on services in light of the resources available to the consumer. Furthermore, consumers might be more motivated to use and buy the product, because they have invested time and effort in the co-production process.

The involvement of the customer in production phase benefits the company, as it according to Etgar (2008) will result in more successful products, which will reward the company financially. As much as we find it necessary to identify economic benefits from co-creation, little can we find in the theory on the subject. It is a paradox, as senior management often respond the best to bottom line numbers in order to be convinced of strategies. How can marketers “sell” co-creation to senior management when no theories or studies provides evidence of financial gain? With respect to the theories, we consider, co-creation is not understood in financial terms but in relation to missing out on innovation opportunities and customer insights.

## Framework & prerequisites

Etgar (2008) has created a process model of co-production divided into several stages, in which the process is considered to be dynamic. The purpose of the analytical framework is to address the issues related to co-production. The framework of co-production processes includes five distinct stages, which is *development of antecedent conditions, development of motivations, calculation of the co-production cost-benefit, activation and generation of outputs and evaluation of the results of the process*.

### First stage

Etgar (2008) argues that several *conditions* should be established before customers will be willing to engage in co-production. He mentions the following macro environmental conditions consisting of economic, cultural and technological preconditions.

Economic preconditions refer to the stage of economic development within the specific

society. Co-production mainly takes place in mature economics and not in emerging or in growth markets. Cultural preconditions refer to the changed mindsets of customers. The customer culture in Western Europe, North America and the Far East has changed radical in regards to co-production.

Technological preconditions refers to Prahalad et al. (2000)'s claim that "*spurred by the web, digitization of content, high speed wired and wireless networks and new consumer devices and appliances, there is an unprecedented number of touch points between the firm and the end consumer*" (cited by Etgar, 2008, p. 99). Etgar (2008) pinpoints that the technological changes has lead to a reduction in the economic costs, because of the greater effectiveness, and the reduction in time and effort required for consumer to participate in value creation.

Another condition for customers to participate in co-creation is their level of resources and capabilities. Time being an important aspect "*consumers who enjoy more discretionary time will be more prone to engage in co-production*" (Etgar, 2008, p. 100). Furthermore, co-production requires psychological skills such as coordinative skills and dialogical capacity due to the fact that co-production implies participation in networking structures. Other conditions are linked to the nature of the product. Customers are interested in product and services where there is great potential for customisation and where that parameters of the product are important to them. Finally, trust and managements' commitment and belief in relationships is a prerequisite for co-production.

### Second stage

*Motivational forces* are a part of the second stage, which drives customers to engage in co-creation activities. One to mention is economic reward, in which cost reduction is an example. Etgar (2008) argues that "*(...) consumers may decide to engage in co-production also in order to reduce risks*" (Etgar, 2008, p. 101), because co-production might reduce risk from the customer's perspective, by enabling direct control over the production process. Furthermore, customers may decide to participate in co-production because the experiences provide psychological benefits. Etgar (2008) identifies two psychological benefits: *intrinsic* and *extrinsic values*. "*Intrinsic values imply that an experience is appreciated for its own sake, while extrinsic values serve as means to an*

*end*” (Etgar, 2008, p. 102). The intrinsic values include a desire for play and fun, which is defined as: “...*an experience enjoyed by oneself and actively pursued for its own sake*” (Etgar, 2008, p. 102). In the intrinsic values he also identifies a drive for ethics, as consumers are motivated for their own ethical values. In the extrinsic values, co-production may offer customers the opportunity to search for values as excellence. This must be understood, as co-production process might be attractive if it allows customers to learn and master new skills and techniques in regard to the process. Furthermore, customers might also participate in production activities to satisfy their need for self-expressions and uniqueness, and for “...*exercising and using their personal inherent capabilities not exercised in their daily routines, and to realize hidden fantasies*” (Holbrook and Hirschman, 1982 cited by Etgar, 2008, p. 102). Etgar (2008) further states that co-production might also offer social benefits. The participation in activity networks creates social contact values, where the enjoyment of sharing some activities with persons of similar interests and desires are highly valued.

#### Third stage, fourth stage and fifth stage

The third stage in Etgar’s (2008) model is *evaluation of costs*. At this stage consumers decide to either move into and engage in co-production or avoid such involvement. The economic cost includes costs for the consumers to use their resources as time spent in a co-production process.

The fourth stage is *activation*, which is where consumers choose their level of engagement. Furthermore, which production-consumption activities they want to participate in. The activities that Etgar (2008) suggests that the consumer can participate in are as follows divided into stages of activities; *initiating, design, manufacturing/construction, assembly, distribution and logistics, consumption*.

The activities, illustrates stages of new product development from the point of initiating to the consumption of the product. At each of the activities, Etgar (2008) provides examples of how companies have involved the consumers in the activity, and in some cases provide some parameters in the activity to be aware of. We can use this in order to understand how to activate customers in co-production at different points of new product development.

The last stage is *evaluation*, the end result of the activations stage is the creation of outputs, which consumers receive and need to evaluate. Consumers compare the values received with the goals set up in the second stage, *motivational forces*, of the process. To decide whether the effort was valuable, managers need to compare the effectiveness of a co-production strategy in terms of a cost-benefit analysis with one with no consumer involvement in the production activities.

The framework created by Etgar (2008) like Payne et al. (2008), identifies co-production as a process yet its purpose is to function as an analytic tool, rather than a management framework. The first and second stages illustrate prerequisites and arguments of co-creation. Companies can use the framework to analyse the foundation and prerequisites, the customers' motivation and processes, in which co-production is viable. We conclude that, the framework provides an overall insight to what should be considered and how to work with the construct of co-creation, but without going into specifics.

Etgar (2008) briefly identifies, how context such as economic wealth of a country and culture determines the relevance of co-production. We learned from Pine and Gilmore that through wealth, customers are becoming more demanding and through access to information, becoming empowered. According to Etgar (2008), culture impacts the mindset of the customer. Therefore, we find that in particular global organisations will have to consider, in which countries co-creation is a viable strategy and think before initiation co-creation initiative across country borders. Etgar (2008) share the viewpoint of Payne et al. (2008), in which they identify the need for customers to have resources and capabilities in order to engage in co-creation. Finally, Etgar (2008) in stage two underlines the importance of considering the motivations of the customer to participate in co-creation. Similar to how Payne et al. (2008) identify customer learning as a central part of co-creation, Etgar (2008) point out, that it is also a source of motivation to participate in co-creation. Moreover, customers might decide to participate because it is a fun process.

### **Management of co-creation**

Etgar (2008) argues, that the framework is appropriate for managers to use for designing marketing strategies and to identify market segmentation for the opportunities for engagement in co-production. Etgar (2008) emphasises the importance of managing relationships. Managers should focus on building long-term relationships and be aware of the commitment, which is needed for successful co-productions. Etgar (2008) argues, “...one major factor is the extent of management’s beliefs in the advantages of such relationships with consumers” (Etgar, 2008, p. 101). Lastly Etgar (2008) states, that an important factor to successful cooperate between the customers and partners depends on personality dynamics, in which empathy and trust is highly valued. Etgar’s (2008) perspective on management thus involves three central elements: *trust, commitment, and relationships*. We therefor assume that these elements are considered as important management capabilities in co-creation.

In particular he contributes with an understanding of the customer prerequisites and motivations for engaging in co-creation. Furthermore, he briefly touches upon the capabilities of the management system. A key contribution by Etgar (2008) is his consideration for the context, which he argues has an impact on co-creation in relation to country and culture.

We find that Etgar (2008) lacks more on the methods of implementing co-creation. Furthermore, we find that he only briefly touches upon the management capabilities and internal resources, which needs elaboration. Finally, we find that his points lack arguments for why co-creation is beneficial and the ones he does point out lacks substance.

### 3.2.4 FÜLLER

The following section is derived from Füller's article "*Refining Virtual co-creation from a consumer perspective*" from 2010. The primary focus of the article is customers' motivation to engage in a co-creative process in new product development.

#### **Definition**

Füller (2010) does not independently define the concept of co-creation, but refers to Prahalad and Ramaswamy (2004). Instead his article focuses on providing a framework for understanding the motives behind consumers' participation in (virtual) co-creation in new product development. He basis his framework on social exchange theory "*According to social exchange theory, consumers virtually interact with producers and engage in virtual co-creation activities during new product development, because they expect that doing so will be rewarding*" (Füller, 2010, p. 100).

As Füller (2010) does not provide us with any independent thoughts on how the concept of co-creation is understood or defined, we loose out on the interpretation of the concept in relation to his background and work. His reference to Prahalad and Ramaswamy (2004) in stating the concept of co-creation indicates an agreement of the thoughts put forward by them. Füller's (2010) perspective on the increasingly active consumers, which he believes should be considered a source of innovation for companies, provides groundwork for rethinking strategy. Füller (2010) like Payne et al. (2008) emphasis interactions or encounters as he refers to them as, an important part of understanding the concept. Furthermore, Füller (2010) agrees with Payne et al. (2008), that it is valuable if participants' expectations are met, in which it is important to listen to customer.

#### **Arguments**

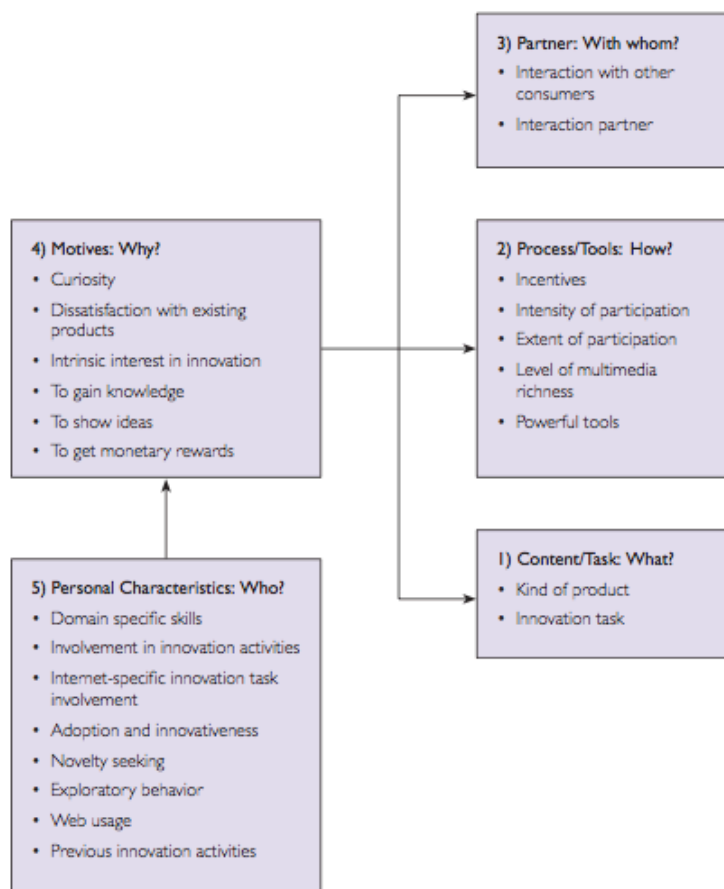
Füller (2010) implicitly argues for taking a co-creation approach when creating a framework, which managers can use to better understand the motives behind consumer participation in co-creation. Füller (2010) argues that co-creation is a source of innovation for companies. Füller (2010) furthermore argues that consumers will only engage in co-creation, if they feel rewarded for their efforts and if their expectations are met. On the other side, the investment for companies offering co-creation projects might not be profitable and valuable if participants' expectations are not met. He furthermore

argues that by involving customers in co-creation, companies will obtain a better understanding of customer needs and will therefore introduce products, which are more likely to succeed.

From this we understand it, as being aware of the motivational drivers and identifying which customer we are dealing with, is helpful for the management to design co-creation shaped by the customers.

## Framework

Füller (2010)'s framework consists of five components:



**Figure 6: Virtual co-creation research framework (Füller et al, 2010, p. 101)**

Whether or not customers will engage in co-creation depends on the *content (product) and task*. Some may be motivated by a certain product or product category. Whereas others might engage in co-creation based on the brand. Additionally, customers' expectations and engagement might depend on the innovation task and the stage of the innovation process.

The first element of *process and tools* is the incentives for the customers' participation in co-creation. Expected incentives might vary between non-monetary incentives such as feedback etc., while monetary incentives would be financial compensation. The intensity of participation refers to the hours that the customers are willing to spend in co-creative activities. Some customers are prepared to only engage in co-creation activities once and for a short duration, while others are interested in continuous collaborations.

*Partners*, explains how customers engage in co-creative activities not just because of the product, but also because of the interaction with other like-minded customers. Community functions create an environment where customers can problem-solve together. Customers may favour certain types of companies or brands when engaging in a co-creative process due to personal preferences.

*Motives*, describes how the customers motivation to engage in co-creation activities can be understood. Füller (2010) has from his research of motivation for co-creation in the context of open innovation projects, identified multiple reasons that drive customers to engage in the project. These range from purely intrinsic motives such as fun, kinship and altruism to internalised extrinsic motives as learning, reputation and own use and purely extrinsic motives as payments and career prospects. "*It is a combination of multiple intrinsic and extrinsic motives that drive users to engage in development activities*" (Füller et al, 2010, p. 103). Füller (2010) further states that motivation will depend on personality and context of each individual.

Füller (2010) identifies ten motives for engaging in co-creation; *intrinsic playful task, curiosity, self efficacy, skill development, information seeking, recognition (visibility), community support, making friends, personal need (dissatisfaction), and compensation (monetary reward)*.

*Consumer Characteristics* describes how personal characteristics help explain how individuals are motivated. The characteristics either relate to consumers' creativity as main prerequisites for their ability to make valuable and innovative contributions to a firms new processes, or if dealing with co-creation activities in virtual environments, to their web-experiential behaviour.

Füllers' (2010) research framework illustrates the steps and process of virtual co-creation. By analysing the arrows in figure 6 we can see that *content/task* and *partner* are interdependent. Meaning that product or task which is decided upon, is connected to which partners to work with and vice versa. From what we can observe, personal characteristics determines what motivates individuals to participate in virtual co-creation processes. The motives reflect how individuals respond to incentives including, which they prefer, and furthermore which tools are preferred or best responded to. By response we refer to the ability to engage the customer in co-creation. In our understanding, steps one to three in the figure of interaction as content/task, process/tools, and partners are elements of designing co-creation (figure 6). Whereas, steps four to five, are elements in researching and analysing customers to understand motives and incentives in engaging co-creation. We question the order of the steps in the framework, as we consider design being conducted after understanding customer motivations in order to create a design, which reflect needs and interests.

### **Management of co-creation**

Füller (2010) provides managers with suggestions for managing and designing co-creation. One of the key learning's from his research is: *"Intrinsically interested consumers not only show the highest motivation, but also are highly qualified due to their knowledgeable and creative personality. In other words, consumers who are more creative (and, as a consequence, are more qualified for co-creation activities) are also more interested in co-creation projects"* (Füller, 2010, p.115). Managers should therefore consider targeting these types of customers. How to go about this? Managers should create virtual co-creation platforms in which customers can participate in the development of new products and services. Füller (2010) refers to six design principles: *Tasks, Intensity and Extent, Tools and Multimedia Rich Environment, Interaction among Participants, Incentives, and Partner*. Companies should consider which tasks to give customers. Managers should consider to what extent costumers want to be involved. Customers should be provided with a context in which they can solve the tasks. Companies should furthermore facilitate dialogue by creating platforms, which allows intense interaction leading to relationships and communities, for example by creating platforms, which resemble social media platforms. Create incentives to

encourage participation. Consider whom customers want to collaborate with. According to Füller (2010) customers like to engage with the employees in the development team of the company.

Most of the management advice provided by Füller (2010) is firstly about understanding which type of customers they are dealing with, and how these are motivated to participate in co-creation. Secondly, the management perspective is about designing the interactions, which will facilitate the co-creation process, which should lead to innovative products and experiences and successful market entries.

Füller's (2010) primary contribution is the in-depth understanding of how customers are motivated to participate in co-creation, which is something for companies to consider in co-creation processes. As mentioned, the research takes its standpoint from virtual co-creation, however we still find his key findings relevant in the context of understanding co-creation experiences. Since we interpret, that some aspects of the motivational drivers for engaging in virtual co-creation can be applicable for engaging in non-virtual co-creation experiences.

As mentioned Füller (2010) does not give a definition of his understanding of co-creation, where it can be questioned which elements in a co-creation process he finds important. However from his framework, we identify a great focus on the customer perspective, but there might also be motivational incentives from the organisations perspective to engage in co-creation. Furthermore, Füller (2010) do not pay any attention to strategic capabilities, in which this might have an impact on co-creation.

### **3.2.5 RAMASWAMY & OZCAN**

Ramaswamy has published the book "*The Power of Co-creation*" in 2010 with Gouillart, where they state that the core principle underlying the transformation of enterprises toward co-creation is *engaging people to create valuable experiences together while enhancing network economy* (Ramaswamy & Gouillart, 2010, p. 35). In the following, we will focus on his latest publication from 2014 "*The co-creation paradigm*" by Venkat Ramaswamy and Kerimcan Ozcan.

## Definition

The driving force behind the new paradigm of value creation is still accredited to the web and the growing amount of mobile technologies. Ramaswamy and Ozcan (2014) refer to the fact, that there has been a democratisation of value creation, in which individuals such as customers, employees, suppliers, partners, financiers, or citizens are pushing through boundaries with various demands and expectations. They refer to this trend as a new age of engagement. They illustrate the shift in the perception of value creation and define co-creation as the following: *“Co-creation is joint creation and evolution of value with stakeholding individuals, intensified and enacted through platforms of engagement, virtualised and emergent from ecosystems of capabilities, and actualised and embodied in domains of experiences, expanding the wealth-welfare-wellbeing”* (Ramaswamy and Ozcan, 2014, p. 14). Value is created in collaboration between stakeholders and requires platforms, for engagement as well as certain capabilities. By platforms we understand an online or physical space, where collaboration can take place. According to Ramaswamy and Ozcan (2014), value creation is not a game with rules, but about navigating through value creation opportunities and resources. They elaborate further on the individual parts of the co-creation definition in their framework of co-creation, which we will return to later in the section.

Ramaswamy and Ozcan's (2014) definition of co-creation is relatively extensive compared to the other theorists capturing various dimensions such as the understanding, prerequisites and benefits of co-creation. The elements of the definition serve as the groundwork for their framework. They define like other, that co-creation is a joint creation of value.

They include strategic capabilities in their definition. From what we can understand the eco-system of capabilities refer not as much to what capabilities the company should have, but the fact that companies should have an eco-system from which they can leverage capabilities. By ecosystem, we understand a network in which the company is a part of. This reflects back on Chesbrough's (2003) theory of open innovation where leveraging knowledge externally is a part of the implications. Elements in their definition also reflect Pine and Gilmore's (1999) theory of the experience economy as Ramaswamy and Ozcan (2014) state that experiences are a part of realising co-creation.

What in particular separates Ramaswamy and Ozcan's (2014) definition from the other theories is the focus on the eco-system rather than just focusing interaction with the customer.

### **Arguments**

Ramaswamy and Ozcan's (2014) calls for action to rethink approaches to value creation: *"Managing the infrastructure of the eco-system, with its continual friction between collaboration and competition in co-creation can be a source of competitive advantage"* (Ramaswamy and Ozcan, 2014, p. 15). One of their arguments is that we live in a networked world where we should perceive our competitive environment as an eco-system, which can be a source of competitive advantage: *"All stakeholders represent a resource and opportunity base, from consumers to employees at all levels; they are also partners with all stakeholders"* (Ramaswamy and Ozcan, 2014, p. 15). Enterprises can tap into new talent and competencies through platforms for mass collaboration and open innovation.

In relation to what Chesbrough (2003) states, Ramaswamy and Ozcan (2014) also argue that making use of the eco-system or network around you, can lead to competitive advantages, as all stakeholder represent a resource or opportunity. One might consider if co-creation between customers or other stakeholders differs in approach and management, although no such distinction is presented by Ramaswamy and Ozcan (2014). Many of the fundamental thoughts in Ramaswamy and Ozcan (2014) are very much alike the ideas from Prahalad and Ramaswamy (2004), but have an extended layer such as moving from customer-company perspective to an eco-system perspective.

## Framework & prerequisites

Ramaswamy and Ozcan (2014) has created an framework, which reflects their definition of co-creation and provides management processes, resources and competencies needed for co-creation:

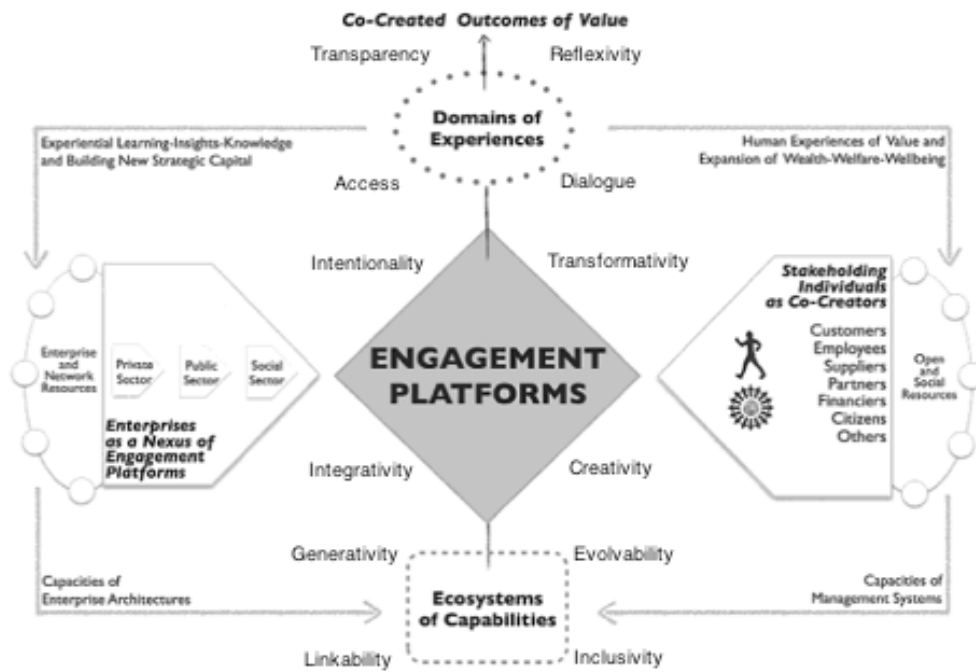


Figure 7: The co-creation paradigm of value creation (Ramaswamy and Ozcan, 2014, p. 29)

In the following we will briefly go through the core elements of the framework namely engagement platforms, experience domains, and capability eco-systems.

### Engagement platforms

At the centre of the framework we have *engagement platforms*. Ramaswamy and Ozcan (2014) argue that companies connect value creation opportunities with resources through engagement platforms.

To design engagement platforms they identify four principles, which drive co-creation engagement: *Creativity, Intentionality, Integrativity, and Transformativity* (CITI). *Creativity* in engagement is about difference, thus it is describes as “ (...) *creative engagement enhances the possibility of transformation of outcomes (and individual capability) in value creation*” (Ramaswamy and Ozcan, 2014, p. 39). In designing engagement platforms you need to pay attention to *intentions* of the individuals and see

where they become interrelated to plan and coordinate across the participants. *Integrativity* is concerned with facilitating information and materials across organisational boundaries to hereby insure parties are integrated as a whole with the purpose of productivity, flexibility and management of change. *Transformativity* refers to the act of enabling the possibility of change in form of value.

*“In sum, a co-creation platform of engagement is only as good as the creative, intentional, integrative, and transformative designs of the assemblage system of engagement it instantiates”* (Ramaswamy and Ozcan, 2014, p. 41). We find the principles for driving co-creation engagement very general and abstract, because they loosely described in relation to the co-creation concept. However these principles, despite being rather broad can be taken into consideration by managers when initiating, planning and managing co-creation processes.

#### Experience domains

From engagement platforms there is an arrow leading up to *experience domains*, which leads to the “co-created outcomes of value”. The outcome of co-creation of value is more than just products and services but facilitated and embedded in (individual) experiences. Engagement platforms or interaction environments should therefore enable a variety of novel, personalised experiences. Management should facilitate the co-creation process rather than manage it, which should be taken into consideration when designing and planning engagement platforms for personalised experiences. The main point with experience domains is that companies need to deliver personalised experience to its’ customers through co-creation.

#### Capability eco-systems

Eco-systems of capabilities are as the foundation of the framework with an arrow to engagement platforms (figure 7). Building an eco-system of capabilities requires an iterative process of experimentation and discovery, in order to leverage capabilities from the network of the company. Capabilities of eco-systems is thus a process of using your network to acquire knowledge and resources, which underlines the changing environment of business, in which using your network is a source of competitive advantage.

### Prerequisites

According to Ramaswamy and Ozcan (2014) the view on resources have changed during the past ten years. They believe that resources should no longer be internalised, when it is possible to leverage them through the network surrounding the company.

Ramaswamy and Ozcan (2014) argue that it is not enough to simply add on to the current capabilities, but that it is essential to develop new ones in order to compete. Information and Communication technology are becoming a part of business processes and thus the technological capabilities of the enterprise must be connected to internal and external needs. Technology, hereby the Internet and information and communication technology is an enabler of co-creation because it provides a space for interactions. Ramaswamy and Ozcan (2014) suggest changing the organisational design. Making the necessary adjustments, in designing new product and service, such as changing workflows to facilitate discovery internally and externally requiring organisational adjustments.

Ramaswamy and Ozcan's (2014) framework is complex and includes many concepts and elements. These elements or concepts are altered words for example transformation is changed into transformativity and are interpreted by the authors. The altered words are not well describes and lacks clarity.

The framework describes concepts and elements of co-creation without providing how to implement processes for achieving co-creation. The framework is therefore useful for managers to understand the overall elements of co-creation. The key points include considering the market as a network, you need to engage stakeholders in the eco-system and leverage resources and capabilities, and you need to deliver experiences and not simply products and services.

### **Management of co-creation**

Enterprises must develop management systems that let individuals design their own products and services through co-creation experiences with other stakeholders. Ramaswamy and Ozcan (2014) argue that organisational structures need to be changed in order to facilitate co-creation, although without specifying how. Ramaswamy and Ozcan (2014) argue, that managers and in particular senior managers have not known

the reality of their customers' experiences nor considered it as a part of value creation, which needs to be changed. Strategy management should for example be democratized and decentred, where the process is as much bottom up as top down. Strategy making has become a joint process of co-creative discovery with stakeholders rather than a top-down process. Leaders at all levels must take part in the transformation towards a co-creation paradigm. Manager must also acknowledge that value creation is moving away from a product-based view to an experience-based view. Thus, this requires managers to have an experience mindset. Ramaswamy and Ozcan (2014) do not discuss management of co-creation in specifics, but rather focus on how management in general needs to change in order to create opportunities for co-creation. More specifically, it seems that it is centered on the fact that management need to give up control. We wonder how companies can find the balance between giving up control and steering the company in way, which is profitable.

From a critical perspective we do however find their contribution weak, as we find the large amount of elements in co-creation construct becomes too comprehensive, which means it becomes insignificant. As they discuss co-creation in very broad terms it becomes to identify any key points, which can be made sense of and applied. They provide no means for applying or implementing the elements they demonstrate. In no way is it clear how to implement co-creation nor what the benefits are. They point out, that co-creation is a strategic source of capital and a competitive advantage, without supporting these arguments. We find that the latest contribution to the academic field of co-creation lacks both clarity and direction.

### **Sub conclusion**

The five theories above have given us a clear understanding of how co-creation is understood from each theorist perspectives. Our research framework has made it possible to compare the five theories across, such we could interpret the integrated understanding of each of our research objectives. We identified elements of co-creation by using our research framework. In the following, we will look at the theories critically, to identify gabs and lacks. Then, we will from our theoretical outline synthesise our findings to create a conceptual framework.

### **3.3 A CRITICAL PERSPECTIVE ON THE THEORIES**

In the following we will reflect critically on the theories' contribution to the understanding of co-creation. Throughout the theory we have tried to remain reflective and critical of the theories, in order to understand the main points as well as the gaps in the theory. Looking at the development of the theory from when the term was first coined in 2004 to the latest work by Ramaswamy and Ozcan in 2014, the co-creation literature is in our view underdeveloped.

Although, Prahalad and Ramaswamy (2004) as well as Ramaswamy and Ozcan (2014) discuss the need for developing new strategic capabilities they do not describe how to develop new capabilities or which capabilities to develop. Prahalad and Ramaswamy (2004) as well as Ramaswamy and Ozcan (2014) discuss co-creation on a strategic level. They argue co-creation is the future of competition and a source of competition, if not a competitive imperative. However, we find that the arguments are few and that little application of their theories is illustrated. They do not put the theories into context or prove their significance, despite introducing cases that seemingly make use of co-creation.

In the theories, co-creation is broadly understood without finding consensus. In particular, we have identified that the theories provide little insight on how co-creation is managed in practice. However, they identify elements in the process of co-creation by illustrating different frameworks and principles, which could potentially constitute parts of a management process, however no specific methods are suggested.

The fact that the theories' contribution on management of co-creation is disseminated and incoherent makes it difficult to manage co-creation. An integrated understanding of the elements, which constitute the understanding of co-creation is needed, in order for managers to understand and manage co-creation.

# SYNTHESIS OF THEORY

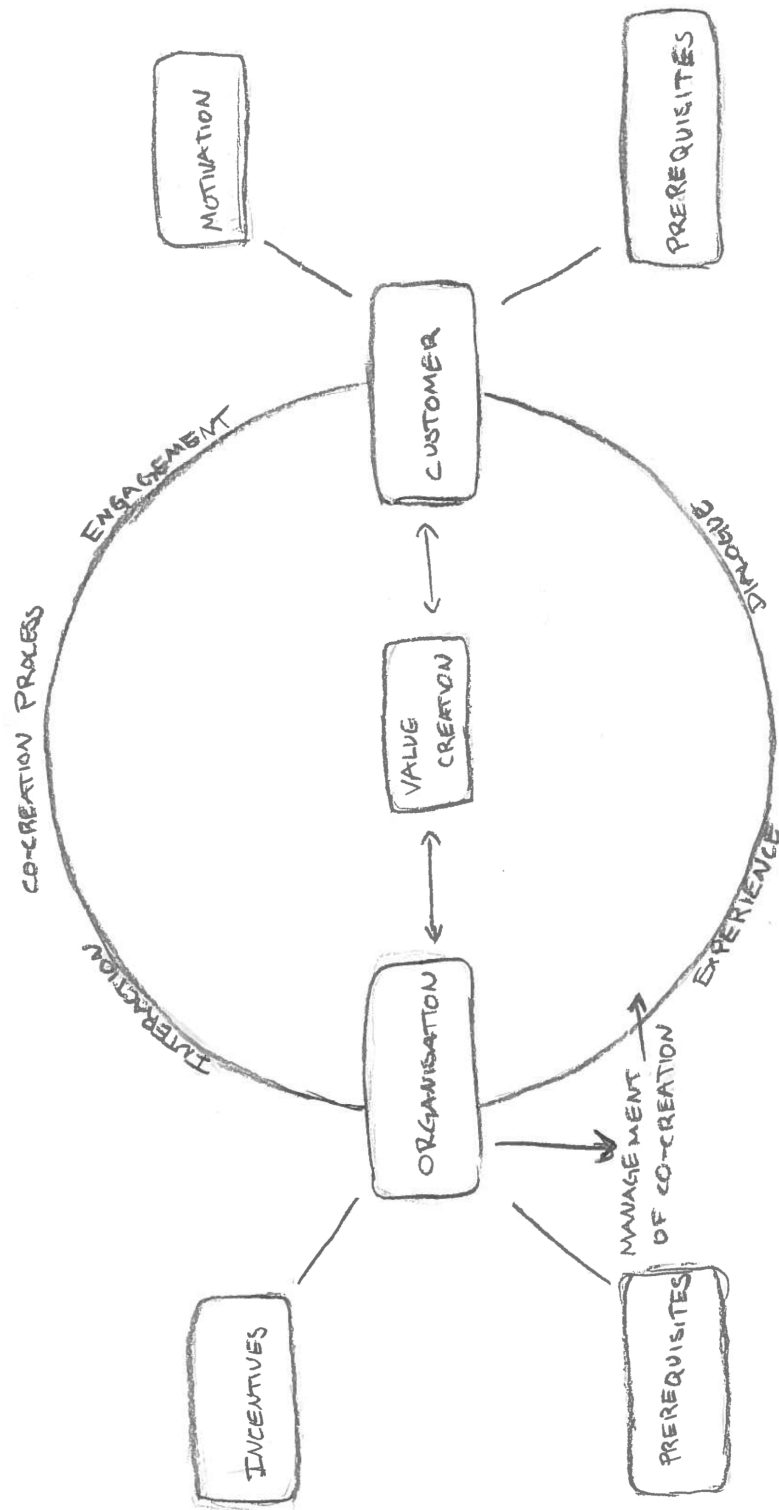
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## 4. SYNTHESIS OF THE THEORY – A CONCEPTUAL FRAMEWORK

Based on our theoretical outline of the theories above, we have in the following section identified key elements discussed in the co-creation theory, which is where we synthesise the theories into an integrated understanding of co-creation from the academic point of view. The synthesis of the theories has resulted in a conceptual framework. Note that the purpose of the conceptual framework is not to capture all elements from the theories, but to point out the ones we find most prominent.

From the theories we have identified two perspectives of co-creation, the organisation and the customer, which we also stated in our initial assumptions of co-creation. The theories discuss organisation and customers engagements in co-creation processes as being through encounters, which results in value creation. As illustrated in the conceptual framework (figure 8), we have identified two elements that have an impact on whether the organisation is able and willing to engage in co-creation. We have identified the following two elements as *prerequisites* and *incentives*. Similarly, we have identified prerequisites and motivation for customer, which is whether customers are able and willing to engage in co-creation. We have furthermore identified *management of co-creation processes*, as being discussed in the literature, where the theorists identified different approaches to managing the co-creation process and finally at the core of the framework, *value creation*. In the following we will elaborate our understanding of co-creation from the above-mentioned elements.

Figure 8: A conceptual framework



## 4.1 ORGANISATIONAL PREREQUISITES

The *prerequisites* for an organisation to engage in a co-creation process are broadly described in the theories, however some central aspects can be observed. We acknowledge Prahalad and Ramaswamy's (2004) argument, being that managers need to change their mindset and approach, in order to achieve co-creation of value. By this we mean, that they must change their business strategies in the light of the paradigm shift. In the identified paradigm shifts in our theoretical foundation of co-creation, we have found descriptions of how the world is changing and demanding, in which managers and marketers must change their perception of the customer, market, and how sources of competitive advantages are achieved.

Another important prerequisite for engaging in co-creation is having the appropriate strategic capabilities, in which we find that new strategic capabilities need to be developed, in order to compete and to co-create value. From our understanding these capabilities should be leveraged through the network. Understood as, organisations need to make use of their external network in order to gain new capabilities.

We identified specific organisational capabilities as prerequisites for co-creation, in which new channel management capabilities was mentioned in order to deal with the multiple points of interaction. From our understanding managing multiple points of interaction, the network, and co-creation processes requires relationship capabilities. In which, we interpret from the discussion in the theories, that building customer relationship is beneficial in a co-creation process, because the organisation gains valuable knowledge about the customer. Moreover we understand knowledge management capabilities as needed to facilitate organisational learning, in relation to designing and developing co-creation processes. Knowledge management is discussed in the co-creation literature. We interpret that knowledge sharing and managing the communication flow is a prerequisite for co-creation process, because dialogue and thus knowledge sharing is highly important within an organisation, when new initiatives are integrated.

Besides capabilities, we find that the theories pinpoint the importance of organisations being flexible, adaptive and agile, in order to react fast to the changing markets and customers needs. From this we understand, that organisations need to be redesigned such as changing workflows to facilitate discovery internally and externally.

## 4.2 ORGANISATIONAL INCENTIVES

We identified several *incentives* for the organisation to engage in a co-creation process. One incentive is that engaging in co-creation can reduce cost, because of greater effectiveness and reduction in time and effort in connection with new product development. Another incentive to engage in co-creation is because when customers take part in the development of a product, they will be more likely to buy the product. If the organisation thereby can attract customers to buy their products through co-creation, it might be economical beneficial. However, the organisation must then be able to engage the customers to engage in co-creation.

In the theories, it was discussed that co-creation is a source of competitive advantage, because the company in their view exists in a network, which can be leveraged for resources.

## 4.3 CUSTOMER PREREQUISITES

*Prerequisites* in regards to customers are concerned with what customers need in order to engage in co-creation. We acknowledge from the theories, that if customer should engage in value creation, they need operant resources such as information, knowledge, and skills. We understand from elements in the theory that there are some economic and cultural prerequisites for customer participation in co-creation. Culture will determine the mindset of the customer, in which it indicates that some cultures will be more open to co-creation than others. Wealthy countries will be more inclined to co-create, because they have resources such as time and as we assume customers from wealthy countries have higher requirements for products. We understand that a co-creation process is time consuming, and therefore customers must invest time in order to co-create. Finally, we identified in the theories that customers need psychological skills such as coordinative skills and the ability to engage in dialogue.

## 4.4 CUSTOMER MOTIVATION

The theories discussed customers' *motivational* factors for participating in co-creation, which companies need to identify to engage them in co-creation processes. We identified several motivational factors. Füller (2010) identified four types of customers, in which he illustrates how personal characteristics are related to motivational factors. From this we understand, that

companies should identify and pay attentions to intrinsically motivated customers, as they are the ones who are the most motivated and the most qualified because they are knowledgeable and creative.

Furthermore, we found that customer engage in co-creation to reduce risk by having control over the production process. Additionally, we identified that they engage in co-creation because of the social benefits from interacting with a network of people. Finally, we found that the psychological benefits of engaging in co-creation, such as the sense of achieving something and developing skills and feeling pleasure such as fun from the process is as well what drives the customer to co-create.

## 4.5 CO-CREATION PROCESS

Co-creation is repeatedly referred to as a process in the co-creation litterateur, in which several frameworks of co-creation processes are presented in the litterateur. In the following we will identify the most prominent elements in the co-creation process from the theories. We found that co-creation is a joint process. This implicitly means, that there is an interaction between several actors, which can be physical or virtual. The theories also emphasise the fact that co-creation involves interaction, encounters or touch points, which is why we have placed interactions on the circle which illustrates the co-creation process, as *interactions* are vocal point of understanding the co-creation process.

Another central concept we found within the co-creation theories is *experiences*. As encounters are a central part of the co-creation process, the experiences of those encounters help determine the value of the interaction. From the theory we found that personal co-creation experiences is developed in the interaction between customers and organisation. In which we identified, that customers are demanding personalised experiences. With respect to customers demanding personalised experiences, we found that creating unique value with customers, which requires companies to create an experience environment.

The experienced environment can from our point of view be designed in many shapes, depending on where the co-creation process takes place.

Another important element we found in the co-creation process is the *engagement* in the process, as co-creation can only occur if the organisation as well as the customer is willing to engage in the process. We share Payne et al. (2008) and Füller's (2010) contributions to this perspective, by arguing that in order to engage customers, you must identify the customers' needs and motivations. On the other hand co-creation processes require managers' commitment to the process, understood as managers must as well have the ability and willingness to engage. From the theories we identified the centrality of engagements by creating engagement platforms, which is a space for customers to engage and co-create.

A final key element we identified in the co-creation process is *dialogue*. We share Prahalad and Ramaswamy (2004) viewpoints of dialogue being a building blocks of co-creation, in which they indicate that dialogue is important for company and customer in the creating, communicating, and learning process. We find that dialogue facilitates trust and that dialogue is necessary to develop relationships, in which both serve as a foundation for engaging in co-creation. We consider that engaging in dialogue demonstrates transparency and openness, which needs to be mutual for both parties involved in co-creation.

## 4.6 MANAGEMENT OF CO-CREATION PROCESSES

In the following we will highlight some of the main elements we found relevant, regarding the management of co-creation processes. From the theories we acknowledge the importance of understanding customers needs and approaching management of co-creation from an outside-in perspective. We share Füller's (2010) point of view, in which he states that it is important to identify whom to engage with in co-creation through an analysis of customer motivations for engaging in co-creation. Furthermore, we found that investigating the conditions for engaging in co-creation is relevant. Etgar (2008) provides three elements, which should be considered: what to co-create, who to co-create with, and how the process should be shaped out and with which tools to co-create with. The first step of managing co-creation is thus analysing the internal and external conditions and prerequisites and motives for engaging in co-creation. Once the purpose and *scope* of co-creation is decided upon, the *design and planning* of the co-creation process is initiated, in which the company needs to *engage and activate* the customers to participate in co-creation. This implies that it is important to design the interaction process, in order to facilitate the co-creation process.

Moreover, we identified management of relationships in order to develop trust and commitment and knowledge management to facilitate learning, as important management elements for managing the co-creation process.

In conclusion, managing the co-creation process involves scoping, designing and planning, activating and engaging customers in co-creation. The elements of engaging customers and managing the process, as well as the principles for designing co-creation, seems complex and is broadly and disseminated defined by the chosen theories.

## **4.7 VALUE CREATION**

Value creation is illustrated at the core of the framework, thus to illustrate that all elements of the co-creation process sum up to conclude the value created from the process.

The authors do not give us a clear definition of what value of co-creation is. Prahalad and Ramaswamy (2004) argue that the co-creation of value is when creating personalised experiences in collaboration between customer and organisation. This argument aligns with Fuller's (2010) definition of where value is created, in which he states that it is in the encounters. From this we acknowledge that one understanding of value is, that value is created in the interaction between the customer and organisation. Others, like Payne et al. (2008) argue that value is created in the use of the specific service or product, which is also referred to as the consumption of the product, service, or experience. What they do agree on is, that value is created in the interactions, whether it is the encounters between company and customers or the touch-points between the customer and the product. We furthermore identified that value is created from personalised experiences. From our viewpoint, experiences are thus a part of creating value, in which creating personal experiences reflect customer demands. Thus, it becomes central to understand value from co-creation processes, in which we interpret value as unique to the individual.

### **Sub conclusion**

Because of the lack of an integrated understanding of the co-creation concept in the literature, we chose to review the literature in order to identify and synthesise the main elements of co-creation. We found that co-creation is understood as a process of interactions between customers and the organisation. Thus, co-creation is understood from two perspectives. Furthermore, we identified dialogue, experiences, and engagement as important elements of the co-creation process. Furthermore, co-creation is understood as a joint process of creating value, in which the customers and the organisation will have individual prerequisites and motives for engaging in the co-creation process. Organisations will have to develop a new mindset and new capabilities, and customers will have to have resources in order to engage in co-creation. Organisations are motivated by the potential competitive advantages of co-creation and customers are motivated by the social benefits, and by the opportunity to develop their skills. Value is created in the interactions between customer and organisation, and is illustrated as a product, service, or a personal experience. Co-creation is understood as a process, which can be managed by understanding customers' motivations and by developing relationships with customers. The organisation must scope, design and plan the process and furthermore engage and activate customers to participate in the process of value creation.



# EMPIRICAL FINDINGS

5

## 5. EMPIRICAL FINDINGS

The following section will elaborate the concepts and categories identified through the open coding (appendix 15). The headlines throughout this section illustrate our categories whereas the content presents our concepts. The empirical findings is structured by combining the three research methods in order to extract the overall findings under each identified category. The quotes are taken from appendix 8-14. The section gives an overview of our empirical findings, but will be analysed in section six.

### 5.1 DEFINITION OF CO-CREATION

According to Esben, co-creation is a paradigm shift. The traditional paradigm, which according to Esben still exists today, is where organisations or experts do not trust that customers can contribute with value. The new paradigm being co-creation is where customers are perceived valuable in creating value. Customers are thus considered a resource and source of creation value. Value can therefore be created in collaboration between the organisation and customer. In line with this, Johan argues that co-creation *“is about being a co-creator, where in this case it is about involving the audience”* (7.50). Daniel agrees with this point, and argues that co-creation is about involving the customer in the value creation process. In connection with this, Esben states, *“participation becomes the common denominator”* (21.01). Co-creation is thus about involving customers to participate in the process of creation value.

According to Johan, co-creation is also about creating unique value, *“unique value, which is very individual”* (29.21). According to Karen Marie, co-creation is about creating experiences in which the audience are a part of the experience, and if they do not participate the experience does not succeed. In line with this Daniel states, *“the audience is the central element of creating experiences”* (10.32), in which he follows up by stating that *“we would like to engage with the audience”* (6.46). Co-creation is thus about creating unique and individual experiences by involving and engaging customer in participating in value creation. Finally, Esben describes co-creation as an *“open and iterative process”* (58.53), which entails interactions. Daniel, adds to this by stating that it is a two-way process and that he assumes that co-creation can be understood at different levels, where he argues *“there are different degrees of customer involvement”* (16.18).

## 5.2 ARGUMENTS AND INCENTIVES FOR CO-CREATION

According to Esben, one reason for engaging in co-creation is that customers no longer want the same as everyone else hence they want personal goods and services. In line with this, one of Johan's argument for co-creation is that co-creation is “*a market trend in which you have to follow*” (15.36). This is also in line with Karen Marie's view, where she states that companies need to keep up with customer needs and wishes. According to Karen-Marie, the monopoly is dead. Thus they all agree, that one of the identified arguments for using co-creation is due to the macro-economically changes.

According to Karen-Marie, co-creation creates greater customer loyalty, because you feel like you are a part of creating the experience. According to Esben, the quality of what is created is higher when using a co-creation approach, which Karen-Marie agrees with. The benefits of co-creation, which are better customer loyalty and better quality thus results in better products. From the focus group, we learned that co-creation also produces more diverse products or experiences. From this we consider that by involving customers into the value creation process, that the result is more diverse, which could lead to new ideas and creative products and experiences.

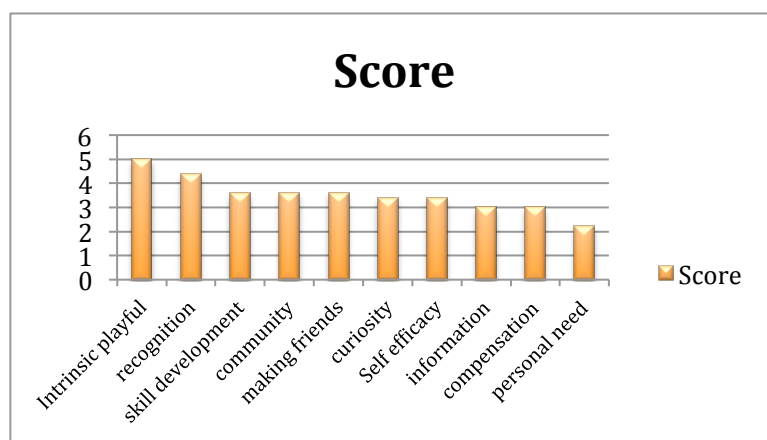
The interviewees identified greater customer loyalty and sense of ownership, in which the customers has taken part in creating the experience. Where Johan argues, that through co-creation and collaboration “*the value of the end result is higher, and it is very individual*” (29.21).

Finally, we learned from our empirical findings that co-creation could be a source of new knowledge and resources, which can lead to new ideas and innovation. In relation to this Johan argues that through collaboration, “*we gain new knowledge* “ (12.29). From where he explained it as a “*give and take relationship*” (12.37), understood as the collaborating actors had different knowledge, which they could exchange. Thus, the customer and the exchange of knowledge in the process of co-creation can lead to innovation.

We thus identified several *arguments* for engaging in co-creation in which some identified the potential necessity of engaging in co-creation due to macro environmental elements. Others identified the *benefits* of co-creation such as customer loyalty, better products, and co-creation as a source of innovation.

### 5.3 CUSTOMER MOTIVATION

As customers are a central part of co-creation, we must understand what drives them to participate in co-creation initiatives such as Dream City. According to Bue, he argued that the primary “*motivational driver is to have fun*” (26.59). The other participants agreed that having fun is the primary motivational factor, which is reflected in the figure 9 below. During the focus group the participants were asked to rate motivational parameters from 1 to 5, where 5 indicated that the parameter was highly important. In the graph we see intrinsic playful and recognition as important factors, since they have the highest ratings.



**Figure 9: Motivational factors (see appendix 16)**

The participants thus stated that it was important to get recognition from the others in order to be motivated to keep creating activities. In particular it meant to be recognised by the festival audience and thus their peers in the context of Roskilde Festival.

Mikkel stated that the reason for why he engages in co-creation is because of the experiences from his involvement, “*I feel that I experience much more when I am a part of Dream City*” (40.01).

Friendship was another important element in their motivation for participating in the Dream City project, as they were all participating with their very close friends. Furthermore, they stated that they would make new friends during the festival through the Dream City community. According to Karen Marie, there is a strong community feeling between Dream City Participants, as participants were highly involved and engaged in Dream City.

Another motivational factor was that Dream City is a place where they can realise some of their ideas, which they otherwise could not have. Moreover, it was emphasised that the fact

that they were realising ideas with their friends, was a part of the fun and experiences they benefitted from. Additionally Bue stated that the strong chemistry between participants enabled creative ideas to be developed.

Another motivational driver we identified was the feeling of responsibility. Where the participants felt motivated because their co-creative activities were for the audience, thus they saw themselves as a central part of the festival. In addition, they felt they were giving back to the community, as they themselves previously have benefited from audience driven experiences. According to Bue, they were able to give back to the community “*because we are some resourceful young people*” (26.59).

## 5.4 PREREQUISITES

In the following, we will shortly elaborate on our empirical findings of prerequisites for co-creation processes.

According to Karen-Marie, the requirements from an organisational perspective to engage in co-creation are openness, flexibility, curiosity and the ability to be agile. Meaning that the organisational structure and willingness to be open and curious for new opportunities is highly important when considering a co-creation approach. Thus, having a culture and a mindset, in which being open-minded and flexible is a potential prerequisite for co-creation. According to Esben, organisations need to build a culture, which supports co-creation. In relation to this organisational perspective Johan argues, “*if we are a top-down controlled Festival, we would loose co-creation*” (22.11), in which he acknowledges the importance for a bottom-up organisation.

According to Esben, trust, dialogue, commitment, and engagement are important elements for a co-creation process. In relation to dialogue, Daniel states that “*communication is important during the whole process*” (25.12), which requires both organisation and customers to have the ability to communicate and engage in dialogue. In relation to this Annette states that honest communication is essential in co-creation. In addition to this, Esben states that there has to be a level of equality and respect in order to co-create. According to Karen Marie, coordination is an important element, which is an important ability for all parties involved in the co-creation process because of the emphasis on collaboration.

This furthermore illustrates how customers might need to be provided with operant resources to facilitate the process.

According to Esben and Johan it is important to have common understanding and share some of the same values in order to co-create. Johan makes a clear point about the importance of having the same values when engaging, in which he argues: *“It is important that we share the same values, viewpoints or agree about the atmosphere”* (21.40). These common values in Roskilde Festival context were often referred to as *Orange Feeling*, which was a term most interviewees would mention. Although, they found it difficult to explain what the term covered.

According to Johan co-creation requires companies to give up some of your power, meaning that the organisation will have less control of the value creation process. According to the focus group participants, freedom was an important prerequisite for co-creation, which goes hand in hand with the argument that organisations need to control less. Thus, freedom and less control from the organisations side are prerequisites in co-creation.

In conclusion, there are several prerequisites for engaging in co-creation and for the co-creation process to be successful. Some illustrate some fundamental elements which need to be present in the process such as trust and commitment, whereas other illustrate the necessity of certain capabilities such as communication and coordinative skills, and finally some illustrate how a certain attitude and mindset is needed such as being open non-controlling to successfully co-create.

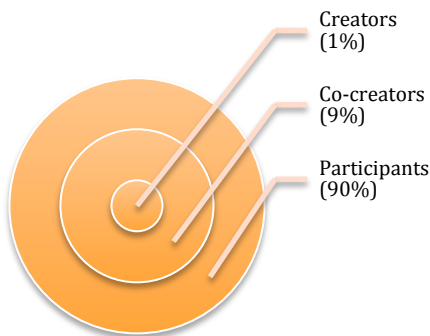
## **5.5 MANAGEMENT OF CO-CREATION**

This section will identify how Roskilde Festival manage co-creation, and what specific methods they have used in order to manage co-creation.

We found that the word facilitate reoccurred several times in our interviews with Roskilde Festival employees. Their approach and understanding of how co-creation should be managed is through facilitation, in which the organisation takes on the role as facilitator. According to Esben, organisations need to make the transition from specialist to facilitator. Furthermore, he states that they have to inspire customers during the process to ensure the quality of it. Karen-Marie agrees, in which they invite experts in to inspire during the process. We observed this in the case of Dream City, as we experienced how Roskilde Festival held workshops for the participants in which they invited experts to share their knowledge on certain topics. According to Esben, the customers should not be left to themselves to co-create because it requires both parties. Thus, organisations need to find the

balance between controlling the process and giving too much freedom to create. Thus, the organisation has to set up some sort of frame for the co-creation process, which was something that both Roskilde Festival employees and Dream City participants from the focus group agreed on.

Esben presents a co-creation model (appendix 17), which illustrates how they understand and approach co-creation in practice:



The creators are the content providers, who will create content no matter what, because it is who they are, this can for example be an artist. The co-creators are the ones who interact with the creators and add to the creators existing work, or reproduces it, or transmits it. Participants simply observe or view the work of the creators and co-creators. Participants must be understood as viewers, which potentially can be co-creators. Thus, it is important to make co-creation activities attractive, in which it potentially can attract more people.

Esben argues, *“The task (of co-creation) consists of activating the big group of participant”*(26.26). In which they try to challenge people and push them towards the middle, which means becoming a co-creator instead of a participant and a creator instead of a co-creator, which is done by trying to inspire them. In Esben’s opinion, the 9 % of co-creators do not always exist as people either create or observe. In order to activate people you have to create activities, which drive people to participate. These activities should be fun, visible, and simple.

Esben explains how they have identified a fourth group in the model, which they call knowers. These are the ones who previously have been creators and co-creators, but are no longer creating. They have a lot of experience and knowledge and act as a type of expert. Esben argues that these individuals should be placed as a consulting role, thus they can challenge and inspire the process.

It is important to identify these groups in the co-creation process so you can cater to them

differently. In particular according to Esben, you must identify the creators and supply them with the necessary operant resources, because they play a central role. Essentially you differentiate between the different types of customers in order to understand their needs. In relation to their needs it is important to align expectations in the co-creation process between customers and the organisation.

In Roskilde Festival they have different approaches, methods, and ideas of how to manage co-creation. According to Esben, it is important to create an environment, which encourages creation and it is therefore important not to create manuals or stepwise guidelines for the co-creation process. In line with this, Esben argues that a way of setting a frame and facilitating the process without providing a manual or dominating the process is by providing customers with templates to create from. According to Karen-Marie, projects are usually initiated based on a project description. Thus, there are clearly defined goals and ambitions with the co-creation initiative. Moreover, we identified the organisation's presence in the process as being important, since customers should have access to the organisation if needed. In relation to co-creation and innovation, Esben argues that testing and prototyping is very important. Esben furthermore recommends that co-creation should be tested first on a small scale, meaning that co-creation is not necessarily incorporated in the business strategy, but first tested in smaller entities.

## 5.6 CHALLENGES OF MANAGING CO-CREATION

When integrating a concept as co-creation in your organisation, there are some challenges that can be identified.

Johan acknowledges that co-creation is difficult to facilitate *“It is difficult to organise and control, it is time consuming and often it is costly”* (30.03). He also argues that *“it can be difficult to convince an organisation to engage in co-creation”* (30.41) because of that. Johan argues, the management must change their mindset, as organisations have to change the perception of customers when integrating co-creation in the strategy. The other interviewees identified the same challenges in which Esben states, *“co-creation challenges the entire current business model* (51.55). In line with this he argued that one of the main challenges of co-creation is the chaotic process, which is iterative and difficult to plan. This challenges current managers' way of working, as they demand to see results. Furthermore, currently managers consider themselves as experts and they are therefore not very receiver oriented.

From this we acknowledge that co-creation can be a challenge for the entire organisation, if the organisation is not ready for it. This means that both the organisational strategy as well as the managers must be geared for co-creation.

According to Bue from the focus group, another challenge with co-creation is that management do not know what is created, in which he argued that co-creation “*will be shaped by the audience, with no guarantee to fit into the overall strategy*” (56.21). Thus, the focus group participants identified a risk for Roskilde Festival losing the control, which could result in lack of strategy alignment, where Bue from the focus group stated, “*before this can be successful, they must develop a strategy in which they specify their aim with this*” (1.03.33). Moreover, Esben stated that co-creation makes your organisation vulnerable, because co-creation is an open process. Thus time, strategy alignment and the whole planning in co-creation are identified as a potential challenge for Roskilde Festival.

### **Sub conclusion**

To understand the co-creation concept from a managerial perspective, we chose to investigate how co-creation is managed in the case of Roskilde Festival, because they have a great deal of experience with co-creation. In the case of Roskilde Festival, co-creation is understood as an open and iterative process between the organisation and customers, in which the organisation involves and engages the customer to participate in creating value. Co-creation is moreover understood as a process of creating experiences. The primary incentives for Roskilde festival to engage in co-creation, is due to the macro environmentally factors. Co-creation results in higher quality and valued experiences, customer loyalty, moreover it is a source of new knowledge. Roskilde festival customers are motivated to participate in co-creation activities because of fun, friendships, recognition, experiences, responsibility, and being able to realise some of their ideas. Several organisational prerequisites for engaging in co-creation were identified, for example being open-minded, flexible, and having a bottom-up organisational structure. Furthermore, managers should be good communicators and coordinators. Moreover, several prerequisites for the process were found such as equality, respect, honesty, trust, and sharing similar values. Roskilde Festival manages co-creation by facilitating and inspiring customers in the process in which they align expectations, and provide a set-up for the customers to create within.



# ANALYSIS

6

## 6. ANALYSIS

In the synthesis of the theories, we identified the prominent elements of co-creation. Moreover, the categories in our empirical findings summarised our concepts from open coding. In the following, we will compare results from our theoretical analysis and empirical findings, to conceptualise co-creation from a managerial perspective. We have found several consistencies in the understanding of the concept of co-creation between the theory and the empirical findings, as well as new findings. In the following section, we have created five sub sections, in which we will analyse our findings to understand co-creation as an integrated concept. The five sub sections are: *conceptualising co-creation*, *organisational incentives for co-creation*, *organisational prerequisites for engaging in co-creation*, *understanding customer motivation and prerequisites for participating in co-creation* and *managing the process of implementing co-creation*.

### 6.1 CONCEPTUALISING CO-CREATION

We found in both theory and in our empirical research, that co-creation can be considered as a paradigm shift within value creation. The concept of co-creation is thus representing the new paradigm, in contrast to how value was considered and created previously. This correlates well, with the fact that the theories we identified as the theoretical foundation for co-creation, two of them namely Service-Dominant logic and Open Innovation also illustrate paradigm shifts. The concept of co-creation is therefore an illustration of how managers' views value creation and their mindsets in relation to growth, innovation, marketing and business in general has changed. The new way of thinking and managing business is according to Prahalad and Ramaswamy (2004a) driven by several factors, such as the Internet, the networked economy, and active customers.

According to Esben, this way of thinking is challenging the current business models of most organisations, in which he states: "*It is the entire business model that needs to be changed*" (51.55). In our understanding, the concept of co-creation represents a different way of thinking about managing and developing the business. The driving factors behind the new dominant logic demonstrate how companies cannot control all factors surrounding their business, including what is considered valuable. Co-creation therefore not only represents a

new way of thinking about value creation, but the concept illustrates a new approach to creating value, in which two or more parties create value in collaboration with one another.

From our empirical findings, customers are considered valuable in creating value in the new paradigm. This is as well underlined in the theory, in which co-creation is described as a collaboration and as a joint effort of creating value. Value is thus created in collaboration between different actors or entities in a certain context. We illustrated this finding in the conceptual framework, which is a synthesis of the theories, as it illustrates that co-creation involves two perspectives: customers and organisation. The theory therefore focuses on understanding the interactions and encounters between actors in co-creation, because they become a vocal part of understanding how to manage co-creation, which we will return to later in our analysis.

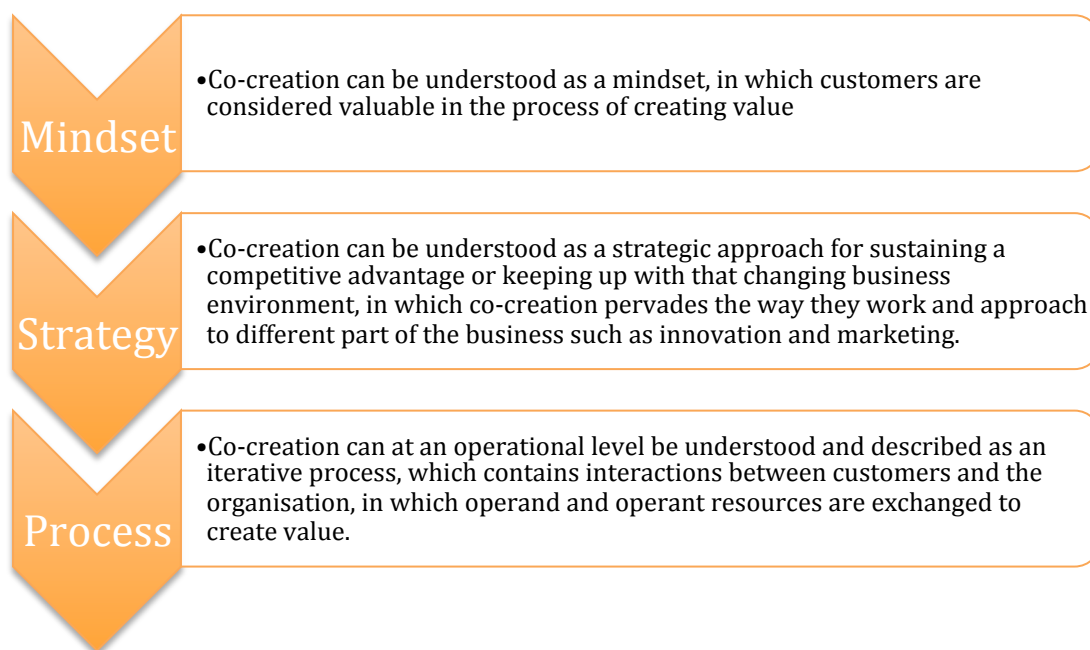
Our empirical findings therefore highlight the importance of the interactions as our interviewees used the following words to describe co-creation: *involvement, participation and engagement*. More specifically, co-creation is unsuccessful without the participation of the customers, it requires the involvement of customers and it requires mutual engagement. Furthermore, from our empirical findings we have observed, how value was created in collaboration between different actors. The Dream City initiative exemplifies how value is created in collaboration between the customer (the audience) and the organisation as both parties contribute to creating the end-results. Co-creation in the case of Dream City is observed at different instances of the creation of Dream City. At the workshops we observed how knowledge and skills were created from the interaction between the different actors. During the Festival we assume that the events created by the Dream City participants enabled by Roskilde festival created an added value to the other Roskilde Festival customers' experience.

In the case of Roskilde Festival, we have observed how the co-creative mindset and way of thinking about value creation is presented: "*We are a festival for the audience with the audience and by the audience*" (Daniel, 14.30). This way of thinking is also reflected in their strategy, which was introduced in December 2013 in which co-creation is a reoccurring word and theme throughout. The fact that co-creation is a part of their overall strategy is reflected in their development of new products: "*We work with a co-creation model, when we start new projects*" (Esben, 20.11). Furthermore, Dream City illustrates how co-creation is applied

in the project and initiatives they take and implemented in the operational level of Roskilde Festival.

At the operational level, the understanding of co-creation becomes more specific in terms of describing the core elements of the construct. Our empirical findings illustrate how co-creation is an open and iterative process. As illustrated by our conceptual framework the theories demonstrate how the value in co-creation is created through a process of interactions between customers and the organisation. The Dream City initiative illustrates, how value was created on going through different interactions in the shape of events or online (social media) communication, in which information and resources were exchanged. Dream City is an example of how co-creation can be applied as one initiative.

Based on our findings and interpretations of our findings we have come to find that co-creation can be understood at different levels as illustrated below:



**Figure 10: Co-creation levels**

In understanding the concept of co-creation, value becomes an element, which naturally needs explanation. According to both the participants in our focus group, who were Dream City participants and Roskilde festival employees and volunteers whom we interviewed, the value of co-creation is higher when customers are involved in the value creation process. Value may be paralleled with the outcome of a co-creation process, in which we found both

in theory and in practice that the end-goal of a co-creation process is to create personalised experiences or unique value. From a management perspective the outcome or value of a co-creation process might be identified, as the product whether it is a physical good, a service, an experience or the experienced value. However, value is a broad term that it can be applied to many aspects of the co-creation concept. For example, several theories identify value as something that the customer experience in process of participating in the creation. From our observations of the Dream City initiative, value can be seen as a continuous element in the preparation and development phase and in the execution of Dream City.

How does the concept of co-creation differentiate itself from other terminology such as crowd sourcing and mass customization? We consider this, because we found that the definitions presented by the theories and the cases they used to illustrate co-creation seemed to overlap with and could be explained by other terminology such as the ones mentioned above. According to Esben: *“My hypothesis is that it is precisely in the encounter between the two ways of working that a modern co-creation approach is successful”* (23.08). The two ways of working, which he refers to is when the company is the sole creator or on the other hand where the customer creates value by themselves. Co-creation is thus a joint collaboration, where mutual inputs from both parties results in a higher value output. This hypothesis suggests an equal relationship between parties, which is not something that we have found in the theory, cases from the theory, nor our own empirical findings. The organisation functions as a facilitator of the process, in which they set the frame of reference. We found, that there are different degrees of customer involvement in co-creation. In the case of Dream City, we observed how customers were the primary contributor.

Is co-creation then a concept, which is yet to be tested or is co-creation as we see it today, the extent to which value can be co-created? We will follow up on this discussion in our reflections.

## 6.2 ORGANISATIONAL INCENTIVES FOR CO-CREATION

In the following section, we will identify different arguments and incentives for organisations to engage in co-creation. We have identified the correlation between the theoretical and empirical findings from the case of Roskilde Festival.

From the theoretical foundation determined by Vargo and Lusch (2004), Chesbrough (2003) and Pine and Gilmore (1999), we understand that the perception of the market, customers and sources of competitive advantage has changed. We interpret that the incentives for organisations to engage in co-creation might be because of their need to follow the market trend that according to the theories has changed rapidly. The need to compete in the ever-changing market was also identified in Roskilde Festival, where both Karen-Marie and Johan argue that the market has changed which calls for new initiatives. Initiatives that are required in order to survive, where Karen-Marie argue, “*you have to react on your customers behaviour*” (8.44), understood as, a new approach to engage with customers is needed.

Prahalad and Ramaswamy (2004) point out, that listening and engaging with customers will minimise risk of dissatisfied consumers. This argument for engaging in co-creation was also underlined in our empirical findings, where Karen-Marie argues, “*co-creation creates a greater customer loyalty*” (8.54). Hence, it is beneficial as it retains customers. We identified further a great customer loyalty from the focus group participants, where all the recruited participants had participated in Roskilde Festival for more than ten years. To have strong customer loyalty might be economical beneficial for an organisation, because they have a group of customers that are loyal and in the case of Roskilde Festival buy a ticket every year. One of Etgar’s (2008) main arguments for organisations to integrate co-creation in their business strategy is the economically aspect. As stated in the theory, his argument is that co-creation can reduce costs, since the organisations will have to cut down expenses on services, because of the minimised resources required by the consumer. The created products might be of higher value for the customer because of the time they have spent co-creating it. From the theory, as well as from the empirical findings we found that the product is of higher quality, when it is created in the collaboration between several actors.

Co-creation can give the organisation key learning about their customers, where knowledge is highly valuable for the organisation, because they can create better value propositions from that knowledge. Furthermore, according to Payne et al. (2008), it can lead to new customer

solutions and products. In the case of Roskilde Festival, we identified that co-creating with their audience gave them insights in their customers needs, in which they could create better solutions for the year after. This was the case in Dream City, in which they gained knowledge for the audience experiences, in order to facilitate the projects differently from the previous years. Because co-creation includes learning, co-creation might not be successful in the short run. However, if the organisations can use the learning's they could potentially harvest the benefits of co-creation in the long run.

### 6.2.1 CHALLENGES OF CO-CREATION

However, when discussing incentives and arguments for organisations to engage in co-creation, we have to consider both the advantages and disadvantages of co-creation. The incentives discussed above reflect co-creation in a positive light, however there are also challenges of co-creation.

Johan points out, that a co-creation process is time consuming *“where in some cases it is economically expensive”* (30.03). To integrate co-creation in an organisation requires many people to be involved, both employees and consumers. The theories and empirical findings also agree, that co-creation can be a chaotic and time-consuming process. Furthermore, it can be frustrating for an organisation to integrate co-creation in their strategy, because the result is unknown and determined partially by the consumers. This issue was identified by Bue from the focus group as he stated, that there was a risk of lack of strategy alignment, when the organisation is unaware of the progress and outcome of the co-creation process.

An organisation can be very vulnerable in co-creation, in which Esben argues: *“Co-creation is an open process... Your organisation is thus vulnerable, where I would not recommend co-creation to all organisations. And if, then you have to start co-create on a small scale”* (1.01.11).

In conclusion, we have identified different motives for co-creation, which are economically, customer loyalty, customer learning, in which the organisation can gain valuable knowledge to new innovative business field, which can lead to competitive advantages. However, some arguments for not engaging in co-creation were also identified. Different challenges have been identified, which are economically, time consuming and lack of strategy alignment.

The economical aspect was identified both as an advantage and disadvantage, because co-creation is considered expensive and on the other hand it can reduce costs, because less resources are used in the co-creation process. From this we understand, that co-creation in the short run is expensive because it requires resources, but in the long run is economically beneficial due to customer loyalty.

### 6.3 ORGANISATIONAL PREREQUISITES FOR ENGAGING IN CO-CREATION

In order to understand what a co-creation process requires, we need to identify the required prerequisites, which we have identified through an interpretation of the theoretical and empirical findings. The required prerequisites for a co-creation process were found in relation to the following categories: *structure of the organisations, the capabilities, resources, and the mindset.*

#### Organisational structure and culture

Having a flexible organisational structure that is agile and prepared for changes is identified as an important factor, both in the theories and in the case of Roskilde Festival. Payne et al. (2008) argue, that in order to connect with the customer, the organisational structure must be flexible. Johan argues, that a bottom-up organisation is important. This enhances the employees' influence in business decisions. Moreover, top management are open to changes and the employees' ideas. We consider Roskilde Festival's flexible and open organisational structure to be an advantage in co-creation, because it enhances creative ideas to be developed and shared.

Another prerequisite identified is the cultural aspect, which might be important to consider, in order to succeed with co-creation in the respective country and industry.

Etgar (2008) points out, that cultural conditions might impact co-creation. The Danish business authority clarifies of why co-creation is successful in Denmark: "*In Denmark we have a strong tradition to work interdisciplinary and establish collaboration on many levels... More design-driven Danish organisations has created positive results by integrating the innovation process, co-creation*" (webpage 9). Thus, companies in Denmark are more likely to have the capabilities to engage in co-creation.

From this, we understand that the culture of the country influences the organisational culture, in which we identified the organisational culture as a prerequisite for co-creation in Roskilde Festival. Esben argues, “*you have to build a culture that enhance creative ideas to be build*” (14.01.). We found a consensus between the interviewees', stating that an open culture increases the willingness to engage with customers. We found, that an important factor in the context of Roskilde Festival, was a common understanding and shared value between the employees' and audience.

Roskilde Festival has a strong identity, with social responsibility incorporated in their business strategy (appendix 1). Thus when co-creating with other actors it is highly important, that they share the same beliefs as Roskilde Festival and are committed to the projects. Thus, we found that having the same core values when collaborating with partners as well as with the audience was identified as a prerequisite. Johan from Roskilde Festival Group called it the *Orange feeling*.

#### Required resources for engaging in co-creation

In the case of Roskilde festival a prerequisite for organisations to engage in co-creation is operant and operand resources. However the theories stated, that it is important that an organisation listens to customers, in order to meet their needs and provide them with the necessary capabilities' in the shape of operant resources. Thus, to inspire them, by giving them knowledge, skills and information. In the case of Dream City, the audience were provided with knowledge and skills through the workshops. Roskilde Festival gave participants tools and knowledge in order to create elements for the Dream City project.

Co-creation is a time consuming process and organisations therefore need to allocate time to manage the process.

#### Capabilities for a co-creation process

In the synergy between the empirical- and theoretical findings, we found several capabilities for an organisation to co-create.

From the theory we learned that it is not enough to add on new capabilities, but it is essential to develop new ones in order to compete. Thus, the organisation must build different capabilities that will support co-creation, for example develop channel management capabilities in order to deal with multiple point of interactions. In the case of Dream City,

they had different channels, which provide a space for interactions. The engagement platform enabled planning and the exchanged of knowledge, the volunteers from Roskilde Festival were also a part of this network. Karen-Marie argues, that in order to support co-creation it is important to be able to coordinate.

Both from the theories and the empirical findings we found dialog, trust and relationship as a prerequisite for engagement. According to Prahalad and Ramaswamy (2004), dialogue is one of the building blocks of co-creation. Esben from Orange Innovation stated that co-creation requires “*a shift from monolog to dialogue*” (48.32). We interpret that dialogue is a must in order to engage and co-create, because it is a two-way process.

Furthermore, having customer relationship management capabilities was identified. Payne et al. (2008) argue, that building a long-term relationship with your customers is advantageous, since it might identify how the customers will engage with the organisation in future co-creation activities. Thus we assume that being able to build a customer relationship is prerequisites for co-creation.

In order to be able to build relationship with customers, dialogue, interaction and trust are important aspect in the relationship. This statement was also found in the empirical findings, as Esben argues, that you have to trust each other and give up the control for co-creation to be successful.

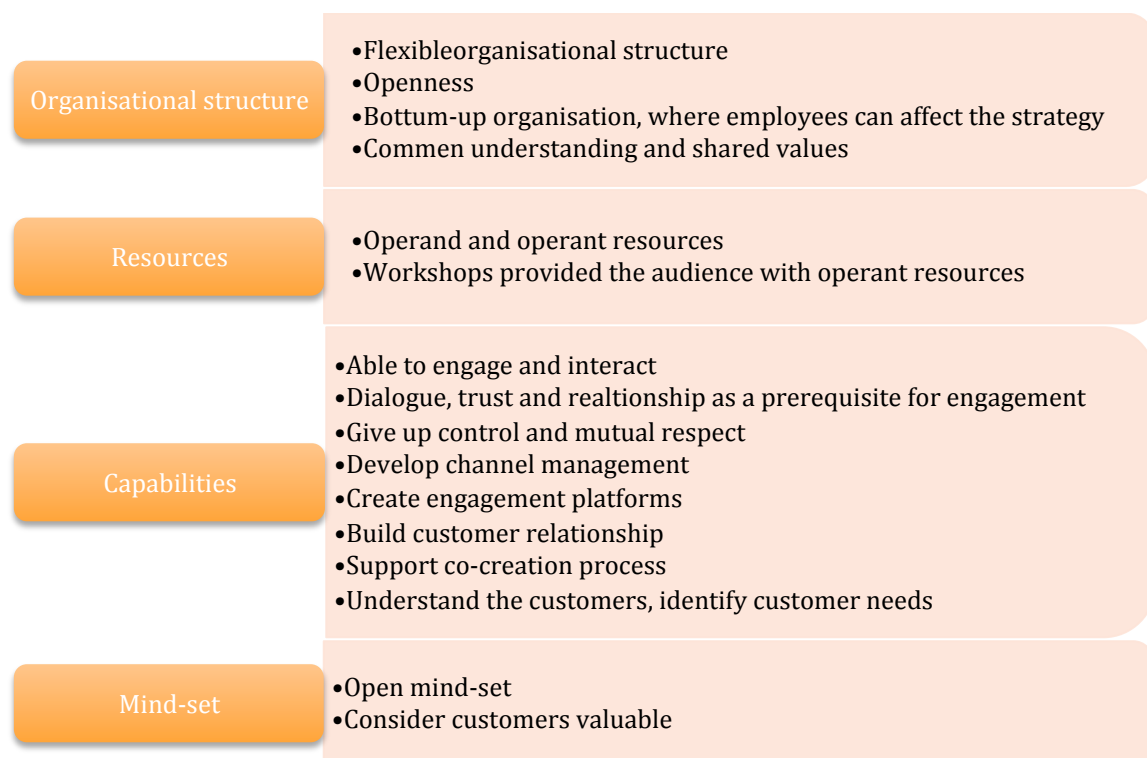
Finally, Esben identified mutual respect as a prerequisite: “*You have to consider each other equal*” (Esben, 44.50). Thus, organisations must see the customers as valuable for creating value and as equal partners in the process.

### The organisational mind-set

Another identified prerequisite is organisational mindset. According to Prahalad and Bettis (1986), a mindset is a mental model which refers to a frame of reference upon which managers shape and formulate arguments and interpretation, select issues, decisions, knowledge areas and processes to be involved with and how. Thus, managers’ frame of reference is important for a co-creation process, since co-creation might require managers to perceive the economy, the market, and the customers differently.

From our research, a co-creation mindset is considering customers as valuable in the process of creating value. From the theory we learned, that the paradigm shift has changed managers’ way of thinking business, where Vargo and Lusch (2004) argue, that the logic of marketing

has changed. This paradigm shift is also reflected in the theories of co-creation, where Prahalad and Ramaswamy (2004) argue for a consumer-centric view, in which they consider consumer as an integral part of the system for value creation. This mindset was also identified in the empirical findings, in which the interviewees agreed that it was highly important to involve the consumer. In line with this, Johan argues, “*it gives more value, which is really unique*” (29.21). Moreover we assume, being open-minded is required because in co-creation customers are considered valuable in the process of creating value. In conclusion the prerequisites identified for organisations is briefly summed up in the figure below.



**Figure 11: Organisational prerequisites**

## 6.4 UNDERSTANDING CUSTOMER MOTIVATION AND PREREQUISITES FOR PARTICIPATING IN CO-CREATION

In our view, it is important to understand the perspective of the customer to manage this aspect of co-creation too, because the co-creation is a two-process. In the following we will interpret our theoretical and empirical findings of the customer perspective, to better understand their motivation and prerequisites for engaging in co-creation. Moreover, how companies can use this information strategically to target and engage customers in co-creation.

From our focus groups we learned a great deal about the motivations and prerequisites for engaging in co-creation from a customer perspective, as well as their view on how co-creation should be designed and managed. The primary motivational factor for the Dream City participants was to have fun, “*The motivational factor is to have fun*” (Bue, 26.59). Participating in Dream City, in which they can decide and create the experience in collaboration with Roskilde Festival and other participants, was for the Dream City participants, an opportunity to realise ideas and create things that they otherwise would not have. Lars stated, “*It is about living out ideas*”(33.17). Another important factor for participating in Dream City was friendship. Both the ones before and during the festival with whom you create the camps, events etc. with, and the new friends you make during the Festival being in Dream City. In addition to this we found that Dream City had a community aspect, which was reflected on Facebook on which multiple Facebook pages or groups were dedicated to Dream City. Niels stated: “*That is what motivates me, being together about creating something and having fun together*” (29.24). Thus, feeling part of a community and creating together can be motivational. Finally, being recognised for their efforts played a part in their motivation to participate in creating, in particular from their peers, which in this case are the other festival guests.

Thus, being a part of a community, creating something in collaboration, and having fun were some of the primary motivational factors. Moreover, the recognition for the things they created motivated them. The primary motivational factor identified from our empirical research reflects the findings by Füller (2010), in which he identified *ten motive categories for engaging in virtual co-creation projects*. The primary motivational factor was thus intrinsically playful rather than extrinsic motivational factors although we also identified

some internalised extrinsic motivational factors, which includes community feeling, friendship, and recognition. According to Füller (2010), companies should engage with the intrinsically motivated customer, because they are the most motivated and the most creative. Füller (2010) argues, that the motivational factors depend on personal characteristics. In the case of Roskilde festival, we found participants outgoing, sociable, and easy-going. We cannot conclude if these characteristics are usual in individuals willing to engage in co-creation or because of the scope of our research and the case. Etgar (2008) suggest that culture can be a factor, which determines whether or not individuals engage in co-creation. We assume, that in the case of Roskilde festival, which takes place in Denmark that the culture plays a role in the participants' openness and willingness to engage in co-creation, because in Denmark there is a strong tradition in working interdisciplinary.

According to Füller (2010), motivation to engage in co-creation is also related to what the scope of the co-creation is. Thus, the product, brand or organisation will impact motivation to engage in co-creation. In the case of Roskilde Festival, Johan suggested that what Roskilde Festival stands for, could be an engaging factor, as common interest or values might motivate participants in co-creation. Managers must therefore consider their organisational values in relation to whom they should consider engaging in co-creation. Furthermore, they should consider the type of product, service, or experience they are planning to develop through co-creation in relation to whom they should consider engaging in co-creation.

We find, that the motivational factors identified in the case of Roskilde Festival must be considered in its context. According to Etgar (2008), the wealth of the country in which co-creation is taking place. Wealthy countries where citizens are financially stabile will be more inclined to engage in co-creation. We think this point is relevant in the case of Roskilde Festival, where Dream City participants stated that they were able to participate and contribute to the initiative because they had the resources to do so, because of their education and financial situation.

Motivation is therefore not the only aspect that managers need to consider, but also the prerequisites for engaging in co-creation. According to Payne et al. (2008), operand resources such as information and skills are needed in order for individuals to engage in co-creation.

Companies should either target customers who have the necessary skills or knowledge that can benefit the company in the co-creation process. Or companies should make sure to provide customers with the necessary resources for customers to engage in co-creation. On one hand, by not providing resources the company may not attract customers to engage in co-creation. On the other hand, by not providing customers with knowledge, the organisation might be compromising the level of creativity by providing customers with a frame of reference. *“Organisations have to create the frame for the co-creation experience”*, in which Esben argues that you cannot leave customers to co-create with themselves without providing them with resources or a frame of reference to facilitate and inspire the process, to ensure the quality of the co-creation experience. According to Karen-Marie, they have learned the necessity of inviting experts in the process, as they can inspire and help participants co-create, to achieve truly valuable results. Thus, in Roskilde Festivals experience, organisation must provide customers with resources (operand and operant resources) to facilitate the co-creation process. We observed in the workshops that Roskilde Festival would provide Dream City participant with skills in creating LED light features, insight on how to promote their camps’ activities, as well as provide them with tools and materials.

In the case of Roskilde Festival they evaluate customers at different levels, to how much you can expect them to engage in the co-creation process. They have segmented people into four categories: creators, co-creators, participants, and knowers. Creators are the type of people who will always create because it is who they are, which could for example be artists. Co-creators are the type of people, who will rework the things the creators have created. Participants are the type of people, who will observe rather than engage in co-creation process. These categorisations might be something for managers to consider, when discussing who to engage in co-creation. We assume all segments are needed to some extend, as the Dream City participants stated, that they also did it for the recognition of their work. This requires some viewers to observe the co-creation process. According to Esben, to attract the creators you have to provide them with resources. The co-creators need inspiration of facilitation by for example the creators or experts. The participants will not engage independently but need to be motivated to participate.

The fact that recognition is a motivational factor might also reflect the tendency to be seen and heard, which social media enables. This might be a motivational factor for customers to engage in co-creation. Moreover, to have influence on product to have them suit their needs, which correlates well with the fact that we have found that personal experiences are parts of what customers want. Another motivational factor could be, that customers find that they can learn something from engaging in co-creation or develop themselves in the process, which correlates well with Pine and Gilmore (1999) theory, of how customers want to be transformed. This is something companies could consider when trying to engage customers in co-creation. Additionally, Füller (2010) identified one of the ten motivational factors as skill development.

In conclusion, the customer perspective is an important aspect of co-creation and should be taken into consideration by the companies, who consider engaging their customers in co-creation. Customer motivation to engage in co-creation involves several factors. Both theory and empirical findings showed how intrinsically motivated people were more inclined to participate in co-creation.

Some of the factors that determine customer engagement in co-creation are identified at a macro level related to culture and economy. Others were related to how people wish to realise themselves, live out ideas, or transform and develop themselves. These factors might be considered when planning how to attract customers to engage in co-creation. Companies should consider strategically who to engage with based on their personal characteristics and target the creative ones, who do it because of intrinsic motivational factors. Moreover, they will be a better co-creator than the extrinsically motivated ones. They should consider that the type of product or brand, which they have decided to co-create with, would motivate specific people to engage. Finally, there is an indication that community may play a role in the motivation of customers to participate. Perhaps creating a community around the co-creation event might ensure more participants, as our findings showed the importance of being a part of a community. Companies must also consider, if their customers have the necessary resources to engage in co-creation. Managers should consider the necessity of providing some tools or knowledge at the customers' disposal if not only to secure participation, but the quality of outcome.

## 6.5 MANAGING THE PROCESS OF CO-CREATION

From our interview with Karen-Marie, we found that the first step of co-creation is defining the purpose of engaging in co-creation, and secondly how and what they want to co-create. According to Payne et al. (2008), companies need to constantly be looking for co-creation opportunities by looking at customers changing needs and behaviour. We have found several arguments and incentives for co-creation, as illustrated in section two of our analysis. Although, the scope and extent of co-creation will differ from company to company depending on the opportunities in the market, the industry, their customers, and their value propositions. Esben stated, *"I would not recommend co-creation to everyone"*(1.01.11). Managers must therefore make a conscious decision about the purpose and scope of their co-creation adventure. Although we are unable from our research to conclude on, in which contexts that co-creation is more likely to succeed, we have provided some prerequisites for co-creation in section three of our analysis, which we consider necessary for initiating co-creation. In the following, we will interpret our findings on management of co-creation. We have structured the section in the following way: *scoping, designing, engaging and managing the process*.

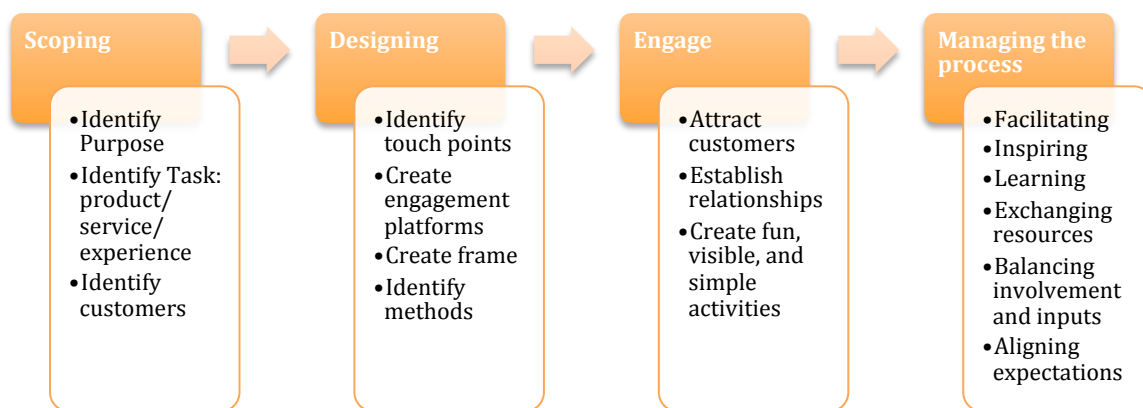


Figure 12: Managing the process of co-creation

With respect to Etgar's (2008) viewpoints, co-creation of value is considered in two ways in terms of co-production and co-creation in consumptions. Co-production is when customers are involved with developing the product, service or experience. Co-creation in consumptions is when customers are involved in creating the experience, while they are using the product, service or experience. In the case of Dream City, customers were involved in both types of co-creation. Participants were involved with preparing the experience through workshops leading up to the festival. Additionally, the participants were involved in the events in Dream City during the festival.

Companies need to consider the purpose of co-creation and what to engage customers with in co-creation, and at which part of the process of value creation, co-production or co-creation in consumption. We have seen in the theory, how the purpose of co-creation has been illustrated in relation to new product development, innovation and delivering personalised experiences. New product development and innovation has been associated with co-production and delivering personalised experiences has been associated with value creation in consumption. Co-creation can thus be used for different purposes. The above-mentioned examples illustrate co-creation at an operational level, but as outlined in section one of our analysis, co-creation can also be implemented at a strategic level. The implications for this at a managerial level would be fostering a co-creation culture and changing work processes within the organisation. In the following, we will present the elements for managing co-creation.

### **Scoping**

In co-production, Füller (2010) argues that managers will have to consider the task, which essentially is the product that will be co-created, in relation to the skills that the customers have. Customers will have different skills and levels of them, and some tasks may be too specialised to involve customers in. With this in mind, managers will at an early point of scoping their co-creation initiative have to consider with whom they should engage in co-creation with, in relation to the purpose of the co-creation process. Managers must therefore target customer, who have the necessary skills and resources for engaging in co-creation. As discussed in section four of our analysis, customers might need to be supplied with resources in order to participate in the co-creation process. Furthermore, managers will have to consider the motivations for engaging in co-creation in terms of targeting the ones, who are likely to

be mostly motivated. According to Payne et al. (2008), managers need to understand their customers' needs before engaging in co-creation. Esben argued, *"I have to look at the target group and understand their interests. Then I can try to move them into new interest"* (14.36). With respect to these viewpoints, one of the most important points before engaging in co-creation is, understanding the needs and interests of your customers.

## **Design**

Once the scope of the co-creation initiative has been decided upon, the co-creation initiative is designed and planned. According to Prahalad and Ramaswamy (2004), you have to identify the touch points your organisation has with its customers, as these will become the points at which co-creation is exercised. Payne et al. (2008) also emphasize the importance of identifying encounters with your customer to manage co-creation, in which different methods for doing so is identified: process mapping, customer activity cycles, and customer-firm touch point analysis. The methods help managers identify customers' processes in relation to their products and services. From these methods managers should be able to identify which points, in which engaging customers in co-creation is relevant in relation to the scope of the co-creation initiatives.

According to Ramswamy and Ozcan (2014), managers must design engagement platforms in which opportunities and resources can be connected to co-create value. In our interpretation, engagements platforms are understood as physical or online space where co-creation can be exercised. According to Füller (2010), managers must provide a supportive and empowering environment in which co-creation can be exercised. According to Ramswamy and Ozcan (2014), it is important that engagement platforms have elements of creativity and integrity. The first steps to designing co-creation is thus, identifying touch points in order to see which could serve as a platform for co-creation. In the case of Dream City, they established multiple touch points with their participants in the shape of online communities and physical workshops. The observations gave us an insight of how they designed a co-creation process in the shape of a Dream City workshop. We observed that Roskilde Festival organised the workshops and invited third parties to run and facilitate the workshops. The third parties would set an agenda for the workshop, but act flexible during the workshop to meet Dream City participants' needs. This loose structure of the workshop emphasized the participants' creativity, since there was no strict frame for the development of ideas. The organisers' role

was then to inspire and support the working progress. Bue from the focus group stated, “*They must give us the overall scope and then we can customise the process*” (1.01.21). According to Esben, it is important to create an environment, which encourages creation.

According to Füller (2010), managers must consider which tools that are needed to facilitate the process. Esben suggests designing templates to facilitate the co-creation process. We found limited insights on tools for co-creation. By tools we understand specific methods for facilitating the co-creation process. The article *A hierarchical classification of co-creation models and techniques to aid in product or service design* by Mukhtar et al. (2012), suggests several methods for co-creation for example participatory design, living lab, and toolkits for idea competition. Although, we find that these methods provide excellent tools for facilitating the process of co-creation, the methods are highly user driven. From our research, co-creation is understood as an equal process of exchange where each party contributes equally.

The process of co-creation should thereafter be planned, in which you according to Füller (2010) need to consider the extent and intensity of the co-creation process. This concerns the level of customer involvement and the time frame for the co-creation initiative. In the case of Dream City, the project was limited to 100 days before the festival and the festival itself where events were planned throughout the process. Participants were primarily in charge of creating and the festival set the frame for the process. According to both Roskilde Festival management and customers, it is important that the organisation sets the frame for the co-creation process. Thus, underlining the importance of designing and planning the co-creation initiative.

## **Engaging**

Once the co-creation initiative has been planned and designed, managers will have to consider how to engage customers in the process. From what we can observe from the case of Dream City, little was done in order to attract and engage customers in the process. We assume that this is because the Dream City participants are loyal customers of Roskilde Festival, as they have been going on average for 12 years (appendix 16). They simply held some information meetings regarding Dream City, which they advertised through various Roskilde Festival communication channels. Managers must therefore consider how to attract and engage the customers who are favourable to co-create at the identified touch points. As discussed previously, create incentives based on their motivational factors, may be a way of

engaging customers. According to Esben, people can be activated through fun, visible, and simple actions. Finally, in order to engage customers, managers will have to establish trust to build relationships, as these are important when having to collaborate and exchange knowledge and resources.

### **Managing co-creation process**

In the theoretical review, we identified several elements in managing the co-creation process, which align with some of our empirical findings. In the following we will draw parallels between our theoretical and empirical findings, to interpret the consistencies and differences, in order to induce recommendation for managing co-creation.

Managing the co-creation process requires a broad variety of capabilities. The capabilities for engaging in co-creation were discussed under section three. However, it was not discussed, how the managers practically should manage the co-creation process.

From section three in the analysis, we argued for the ability to interact with the consumer as being an important prerequisite. Moreover, we found in the empirical findings, “*willingness to dialogue is important*” (Esben, 58.00), in order to manage the co-creation process. The importance of being able to interact and have communication skills must be seen in the context of being able to interact with customers. It is important that managers engage in dialogue at the encounter with the customers to facilitate the process.

The importance of knowing when to manage and interact in the process can also be reflected in the discussion about the intensity of co-creation, understood as the degree of involvement from employees. According to Karen-Marie, if the organisation is less involved in the process, managers must be available at the touch points but might not necessarily interrupt the creative process. The managers must therefore be able to inspire when needed. Esben argues, “*We must facilitate and inspire them*” (22.16), in which he further explains, that it is important to inspire and facilitate in a co-creation process in order to secure the quality of the outcome. Thus, managers should inspire the customers during the co-creation process if needed.

Payne et al. (2008) share the view of Roskilde Festival that you have to manage the process by facilitating the co-creation process. They argue for managers’ ability to have an outside-in approach, in order to be a great facilitator in the co-creation process. With respect to Payne et al.’s (2008), argument of having an outside-in approach to be a facilitator in co-creation, we

share this view. We perceive, that managers must listen to the customers in the interactions, and be able to evaluate their response, in order to know how to facilitate the process, from every stage of the co-creation process. This could be by providing customers with more operant or operand resources if needed, in such way that the customer is able to utilize available resources more efficiently and effectively.

In relation to Esben's argument of the importance of managers facilitating and inspire the co-creation process, he further argues, "*it is important to find the balance, either it is the customer or organisation that creates*" (22.48). From this we interpret that managers must find a balance between providing the creations and abandoning the customers to co-creation with themselves. Providing the customers with too few resources and input, the co-creation process might be limited in terms of creativity, because the customers do not have a point of reference to co-create from.

When engaging with customers in co-creation it is important according to Payne et al. (2008) to learn and evaluate the process. They argue for the advantage of evaluating co-creation experiences, from where they can identify and learn how to optimise processes or how to engage in future value co-creation activities. The co-creation process is an iterative process, which is beneficial, because it enables the managers to learn during the process.

Karen-Marie identified this activity as something they could improve at Roskilde Festival and explained "*we are not good at passing on knowledge from previous projects, you do not know whether the activity was successful or not*" (17.49). From this we interpret that if Dream City's managers should optimise their co-creation activities in order to create better activities, the managers should be better to share their experiences with each other. We interpret knowledge sharing in the managerial environment as being important in the co-creation process.

Prahalad and Ramaswamy (2004) explain that businesses must build an environment, where individual managers can learn and act more effectively. We find that this environment should be where employees can share experiences from previous activities, share knowledge about customers' needs and interests, sharing methods and tools templates for co-creation and a exchange general information and knowledge.

In the role of being a manager in a co-creation processes, Payne et al. (2008) argue, that managers and customers must align expectations, understood as successful value co-creation requires manager to align expectations during the process between the managers and the customers. Daniel shares this view, in which he argues “*It is important to align expectations during the process, in order to know what is possible*” (24.11). From our point of view, aligning expectations between the collaborating parties must be a continuous task, since co-creation is an iterative process where all ideas must be evaluated from both side during the process.

Esben presented a model (appendix 17) that could be used to identify the customers’ degree of involvement and commitment in the co-creation process. The explanation of the model can be found in our *empirical findings*. However, we find it relevant to mention, that managers can use this model to differentiate between the customers. In a co-creation process, the managers are interested in finding the creators and co-creators. What managers should focus on in a co-creation process, is thus to drive customers to be creators or co-creators. From our point of view, this is done through the elements discussed in the analysis, which is to understand the customers’ needs, know how to attract them to a co-creation process, provide the consumers with the necessary resources, balance involvement and input, and inspire and facilitate the co-creation process.

In the following we have illustrated our interpretations of managing the process of implementing co-creation

### **Sub conclusion**

Each subsection in the analysis has contributed to the understanding of co-creation.

The analysis provided a clarification of the consistency and differences from the theory and empirical findings summarised to an integrated understanding of co-creation. The analysis thus identified the prominent elements that must be present when discussing the concept of co-creation, and what the significant elements is when managing a co-creation process. These findings is summarised in the framework and managerial principles, which the following section will present.

# CONTRIBUTIONS

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## 7. CONTRIBUTIONS

The following section presents the integrated understanding of co-creation illustrated in figure 13 and managerial principles. Managing co-creation is excluded from the integrated understanding of co-creation, since the integrated understanding presents the co-creation process. In order to present managing co-creation we have created six managerial principles.

### 7.1 CO-CREATION — AN INTEGRATED UNDERSTANDING

Based on our analysis we have come to the following understanding of the concept co-creation. Our understanding is based on our theoretical analysis and the empirical findings from the case of Roskilde Festival, in which we explored co-creation from a managerial perspective. In comparison with our conceptual framework in section four we have decided to separate management of co-creation, which we present later by some *managerial principles*.

The elements in the framework are discussed in the analysis, in which we in the following will summaries our findings. Thus, the following is our understanding of co-creation as an integrated concept.

#### Co-creation as a process

We found the following elements prominent in understanding the co-creation process.

- The co-creation process is an *open process*, understood as the network can affect the process. The co-creation process being an open process is illustrated as a dotted line in the framework (Figure 13).
- The co-creation process is an *iterative process*, where the elements in the process are changeable
- It is a *two-way process* with *mutual engagement* from both parties, where *interaction*, *trust* and *dialogue* must be present.
- The two-way process is as well understood as the *exchange* of information and resources in order to create value
- *Experiences* are present continuously during the co-creation process. This is illustrated in the middle of the figure.

- The core of the co-creation process, illustrated as a star in the figure, is interaction in which there is *equal involvement* from each party.
- *Value creation* is the output of the co-creation process, which is illustrated by a downward directed arrow from the star in the figure. The outcome of the co-creation process is in our perception value creation, which can be understood as: innovation, personalised and unique experiences, products or services.

### **Organisational prerequisites**

The organisational prerequisites consist of the following elements.

- Having a *flexible* and *open organisational structure*, that is *agile* in order to be prepared for organisational changes as co-creation might require.
- A *bottom-up* organisational structure enhances creativity, because employees do not have strict frames to develop business initiatives.
- *Open culture* and *curiosity* can lead to creative ideas and collaboration
- Organisations must be *willing to engage* with customers and be able to engage through *dialogue and interactions*
- Organisations must have *communication- and coordinative skills* in order to engage with customers
- Organisations must be able to *understand customers' needs and interests* in order to meet customer demands
- Organisations must provide customers with the necessary *operand and operant resources*
- Organisations must develop new capabilities as *channel management, customer relationship management* and *knowledge management*
- Having an *open mindset*, where the organisation considers customers as valuable in the value creation

### **Organisational incentives**

The organisational incentives, covers arguments and benefits of co-creation. Organisational incentives consists of:

- Organisations has to follow the *market trend* in order to *compete* in the ever changing market, where co-creation can be one approach

- Co-creation creates *customer loyalty*, which is beneficial as it retains customers
- *Economically beneficial* because of reduced costs as the resources are minimised
- Co-creation creates *better products of higher quality and value*, because of the contribution by the customers.
- Co-creation can give the organisation *customer learning*, which leads to customer insight.

### **Customer prerequisites**

Customer prerequisites is relevant since it is important to identify which prerequisites customers must have in order to co-create.

- *Operand resources* as information and skills are needed in order for individuals to engage in co-creation
- Customers' *level of resources* differs, where the organisation must balance how many resources they must provide the customers with in a co-creation process.
- Customers must be willing to *spend time*, since co-creation can be an *time-consuming* process
- Find the co-creation task *attractive* and thus have an interest in what is being co-created.

### **Customer motivation**

Customer motivation is important, because understanding what drives customers to engage in co-creation, can be used strategically to target customers in co-creation.

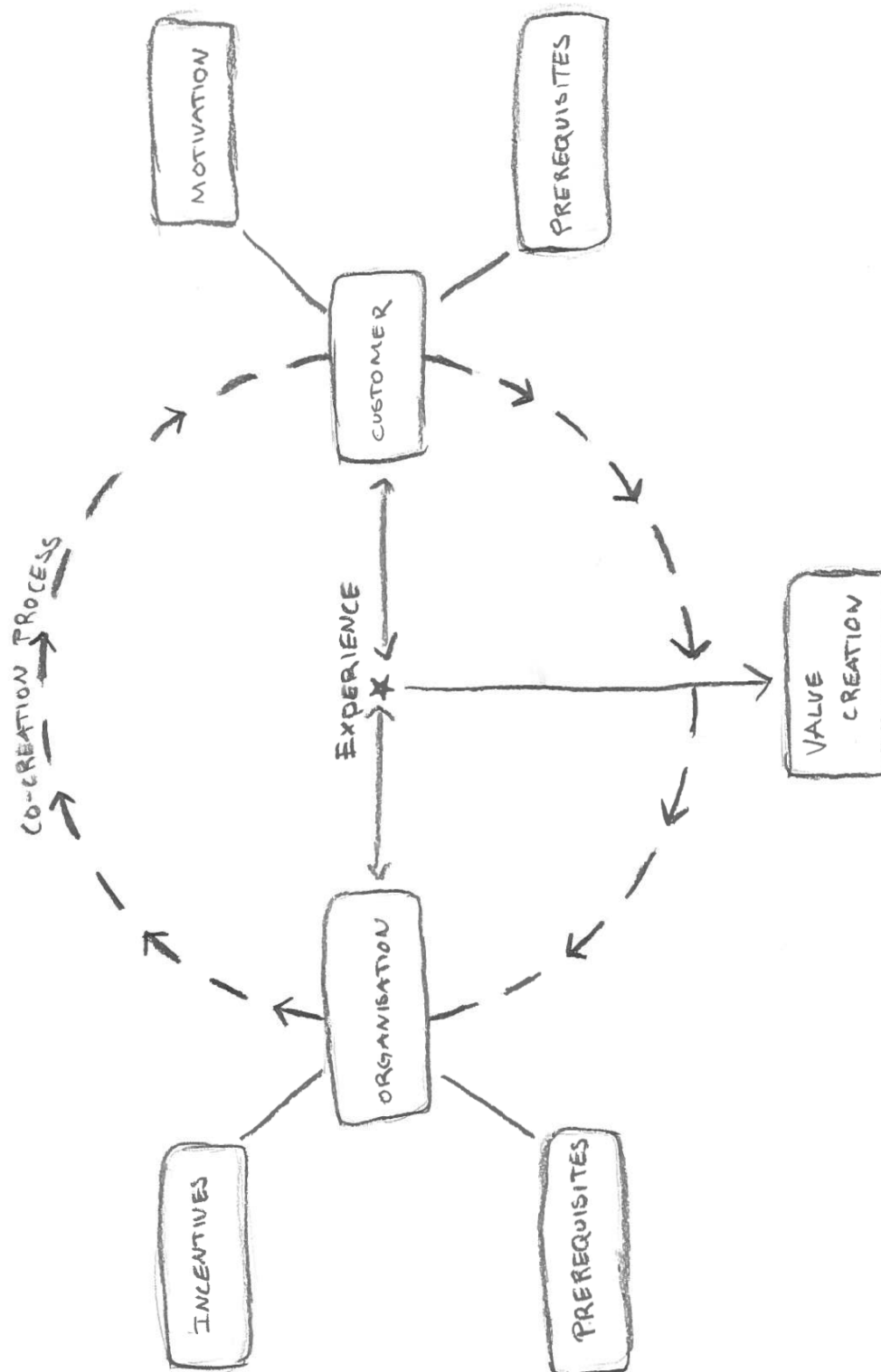
- Co-creation gives the opportunity *to realise ideas* and create things they otherwise would not have
- *Friendship and community feeling* is identified as important factors, as it enhances customers engagement when they can share the experience with others
- Customer are also driven by the *recognition* they get for engaging in co-creation
- *Intrinsically motivated people* are most motivated to engage in co-creation and are the most creative
- *Fun*, is considered one of the primary motivational factor, where the co-creation task must be fun in order to motivate the customer

- *Culture* might have an effect on personal characteristics, where *open, outgoing, sociable* and *easy going* people is easiest to engage with
- People with higher level of *resources* are more motivated to engage in co-creation.

### **Sub conclusion**

This section presents an integrated understanding of co-creation as illustrated in figure 13. The elements in the figure are those that must be considered in a co-creation process, in which we have excluded management of co-creation process in the illustration. This perspective is instead elaborated through six managerial principles, which the following section will present.

Figure 13: Integrated understanding of co-creation



## **7.2 MANAGERIAL PRINCIPLES**

In the following we will present principles for managing co-creation, which are identified in the analysis. These results are thus based on the findings from the research and the theory, in which we explored Roskilde Festival as a case. Below some broad managerial implication for managing co-creation strategically and operationally is presented, thus it provides managers with some aspect to consider when engaging in co-creation.

### **1. To co-create or not to co-create**

Co-creation can result in significant competitive advantages through risk reduction, customers' loyalty, and reduced resources. This being said, managers will have to consider their gains from co-creation by considering co-creation in the context of their business. The feasibility of successful co-creation will differ between different countries and cultures, the industry, market, and the organisational structure and culture of the business. Moreover, managers will in regards to this have to consider the extent of the co-creation adaption. Co-creation can be integrated in the strategy, in which transforming the organisation and fostering co-creation principles in the organisational culture, or apply co-creation in parts of their value propositions.

### **2. Scope, design and create an environment for the co-creation process**

Before initiating co-creation, clearly defined objectives are needed to guide the process. Managers will have to consider what the key performance indicators are, in order to evaluate on the success later on of the co-creation initiative. The co-creation process needs to have a frame, which demonstrates the scope and responsibilities for the co-creation process. Thus, managers will have to design the co-creation process according to the scope, customers' needs and the resources needed for facilitating the process. Moreover, managers must identify the touch point with the customers, to find the potential points of co-creation. Furthermore, co-creation requires a space and instance, in which value can be co-created. Finally, manager will have to create an environment in the shape of a virtual or physical engagement platform for the co-creation process, in which learning and creativity is prominent.

### **3. Ensure you have the necessary prerequisites for engaging in co-creation**

Co-creation has several organisational and managerial prerequisites. Co-creation requires an outside-in mindset, in which customers are considered a valuable source of value creation. Moreover, managers will have to be open and curious and willing to engage with customers when engaging in co-creation. Managers must therefore realise that resources and knowledge can be found outside the organisation. Managers will have to develop their capabilities in order to manage the co-creation process, in which customer relationship management, knowledge management and channel management are central capabilities for co-creation. For the managers or employees, who will interact with customers and facilitate the process of co-creation an open-minded view ability and willingness to engage in dialogue is needed. Moreover, co-creation requires time and resources.

Finally, we found when engaging in co-creation at a strategic level, there are implications for the organisational structure and culture.

#### **4a. Understand your customers' needs, motivations and prerequisites for engaging in co-creation**

In our view, regardless of the purpose of your co-creation initiatives, the starting point is understanding your customers' needs and interests to deliver successful value propositions. Moreover, as co-creation is a two-way process where managers rely on the engagement of the customers, you need to understand what motivates them. Moreover, managers will have to consider how to attract and engage them to participate in co-creation.

#### **4b. Target customers for engaging in co-creation**

When managers have identified customers' need, motivation and interest they can use it strategically, since managers will have to consider which customers to target to engage in co-creation in relation to the purpose of the co-creation process. Our research identified loyal and intrinsically motivated customers as a preferable segment to co-create with. Finally, target customers that have the ability to contribute with value to the process.

## **5. Facilitate and inspire the co-creation process**

Managing the co-creation process involves several aspects and tasks, which managers will have to consider in facilitating and managing the process. The primary role consists of facilitating the process, in which customers should be inspired to engage and contribute to the value creation process. Different methods are applicable, such as inviting in experts to provide knowledge and inspiration. Managers will have to balance the level of contributions by respectively customers and the organisation as one or the other should not dominate the process. Managers will furthermore have to continuously align expectation between the organisation and the customers. Additionally, managers will have to consider supplying resources during the process to facilitate the process.

## **6. Learning and evaluating of the co-creation process**

Managers should focus on learning during and after the co-creation process, in order to improve future co-creation processes and to develop innovative value propositions. Firstly, managers should learn from their interaction with customer to better understand the needs and interests of the customers. Furthermore, learn from the process and evaluate the results in relation to the key performance indicators to see how processes can be optimised, which illustrates organisational learning. Learning requires managing the knowledge and share knowledge, which requires a system of collecting and storing knowledge within the organisation.

### **Sub conclusion**

The six managerial principles are based on the theoretical analysis and empirical findings, in which the interpretation of how to manage a co-creation process leads to six managerial principles. These principles are relevant to consider when managing co-creation in practice. In the following section we will reflect on the concept co-creation in a broader perspective.



# REFLECTIONS

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## 8. REFLECTIONS

Roskilde festival considers themselves “ *as an ideal test platform within innovation - our temporary urban space is highly suitable for testing of products and concepts on a large scale*” (webpage 4). Where one of their milestones is to invite their audience to innovate with them, in which they have co-creation on their agenda. They perceive the audience as valuable in order to create value for the festival. Roskilde Festival’s ambition with co-creation is active participations, where they use co-creation strategically and operationally in all their activities.

Many other organisations have made use of co-creation within their organisation, where co-creation is used in different ways.

An organisation that has had great success with co-creation is LEGO, where they use their brand communities to co-create new products. LEGO share many of the same principles as Roskilde Festival, in which they perceive customers as central elements in order to create value.

The media agency Satchi and Satchi argue for their use of co-creation, in which they invite customers to co-create campaigns. In an article on Børsen 2014 they stated, that the solutions are more valuable and creative when they are co-created. Moreover, we found arguments from McDonalds, in which they argued for having used co-creation in their campaign *MyBurger* in 2013. The purpose of the campaign was to let the customers create burgers via an online platform, hereafter other customers should vote on the best burger. In an article McDonalds stated, “*We believe in co-creation or crowdsourcing*” (webpage 5). This indicates that organisations are unaware of what is understood by co-creation. In the last mentioned example, the customers did not interact with other customers or the organisation. From our research we found that co-creation is a joint process of collaboration where two or more parties contribute in the value creating process. This example illustrates that there might be a lack of alignment, for how co-creation is understood in market. In which organisations do not know how to differentiate between the current buzzwords.

Where is the differentiation between co-creation and for example crowdsourcing and mass customisation? From our point of view, mass customisation and crowdsourcing is where value creation is customer driven in comparison with co-creation, which we understand as joint process of creating value. Not said, that one or the other current buzzwords is better

than others. We found in research conducted by Havas Media, organisations that have involved customers in the value creation created 20% more profit on their bottom line, compared to organisation, which had not (webpage 6). Thus, there is an indication of the benefits of involving customers in the value creation process in one way or another.

The economical benefits of co-creation are one of the arguments we also identified in our research. Moreover, we found that through co-creation companies could potentially gain competitive advantage. Only few organisations have adopted co-creation, and if the benefits are that high, why have all organisations not adopted and integrated co-creation in their business?

An area we have not discussed in our research is whether co-creation can fit into all shapes of organisations. Co-creation might not fit into all industries, because of for example patents, where the pharmaceutical industry might not be geared to make use of co-creation within, because it challenges their business model.

From our point of view and how we understand co-creation based on our research, the market might not be ready to adopt co-creation in way that we present, because it challenges the current mindset and way of doing business.



# CONCLUSION

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## 9. CONCLUSION

The purpose of this thesis was to understand *how the concept of co-creation is understood from a managerial perspective*. We found it interesting, because of the lack of an integrated understanding of the co-creation concept in the literature. We found it relevant to investigate co-creation from a managerial perspective, because of the potential benefits of a co-creation approach to overcome the changing nature of the economy, market and customers.

We used our empirical findings to make sense of the theoretical findings by comparing the main findings, in order to find consistencies and differences. From this we found that co-creation can essentially be understood on three levels. Co-creation can be considered as a mindset, in which managers consider customers valuable in contributing to the value creation process. Managers are open to knowledge and ideas outside the company boundaries. Moreover, managers are willing to give up control and engage in collaboration with customers by listening and understanding their needs. It is a new way of thinking about value creation and innovation, which challenges the traditional business model and way of developing and delivering value propositions. We found that co-creation can be applied at a strategic level and at an operational level. At a strategic level, co-creation is at the heart of everything the organisation does, such as in the case of Roskilde Festival, where co-creation is reflected in their strategy. Co-creation at a strategic level implies having a culture and an organisational structure that facilitates co-creation, so that it is the starting point for every new initiative in the organisation. By co-creation at an operational level we consider initiatives such as Dream City, which are a single project that demonstrates this.

From our analysis we constructed an integrated understanding of co-creation as illustrated in figure 13. We have come to the following understanding: *Co-creation is an open and iterative two-way process, in which customers and the organisation exchange resources in order to create value in collaboration through mutual engagement and experiences.*

As a part of understanding co-creation from a managerial perspective, we assumed that there would be some arguments and prerequisites for engaging in co-creation from both the organisation and customers' perspective. The incentives for organisations to engage in co-creation are in line with our initial assumptions, which is that managers will have to find new ways of competing in the future, because of the networked economy, in which knowledge is a source of competitive advantage and where customers are informed and empowered. We find

that co-creation is a way of using the organisation's network to leverage knowledge and where customers are valued. We underline the importance of understanding the customer perspective in co-creation, because they are an equal part of the process. Several organisational prerequisites were identified for engaging in co-creation. Organisations will have to develop new capabilities to support co-creation processes, as it requires the ability to manage interactions in the network through dialogue. Moreover, an open mindset is required, in order to engage in co-creation.

From the customer perspective we found that customers are motivated to participate in co-creation if the activity is fun. Additionally, we found that community feeling and being recognised for their engagement were primary motivational factors.

Finally, we found having the necessary information, knowledge, and skills were prerequisites for customers when engaging in co-creation. These motives and prerequisites is something that managers will have to consider when designing the co-creation initiative.

From our analysis, we found some elements of managing co-creation, in which we created six managerial principles. In order to successfully co-create and develop and deliver value proposition, you have to understand you customers. One of the key elements of managing co-creation is to understand your customers' needs and interests. The customers are a central part of co-creation and managers must consider customers incentives for engaging in co-creation, in order to attract them to participate in the process. Managers must furthermore consider which customers to engage in co-creation. We found that intrinsically motivated customers are most likely to engage in co-creation. In managing the process of co-creation, managers must facilitate the process by inspiring customers, in which managers continuously align expectations and balance the exchange of knowledge and resources to create a sense of equality. Finally, managers will have to consider ways of managing the knowledge from the co-creation process to convert it into learning's, which can be used strategically in future co-creation initiatives or for other business initiatives.

In conclusion, we believe to have come to an understanding of co-creation from a managerial perspective, which integrates both the organisational and the customer perspective in which we have identified the core elements of the concept and elements of how co-creation is managed.



# FURTHER RESEARCH

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## **10. FURTHER RESEARCH**

This thesis contributes to the research of the concept co-creation. However, we find that there are still areas within the research of co-creation, which are yet to be researched. This section will therefore discuss areas for future research within the field of co-creation.

This thesis takes its standpoint from a single case study, where it could be interesting to conduct a multiple case study. This could be relevant in order to test the consistency of our findings, which are the elements we identified as a part of the understanding of co-creation from a managerial perspective (figure 13). By using our research framework, others could find consistencies and differences in the elements, which constitute co-creation. Furthermore, our elements that constitute the integrated understanding of co-creation could be quantified to find statistic significance and correlations. Our case is a non-profit organisation that offers experiences. It would be interesting to see if there are differences in the understanding of co-creation from a managerial perspective across industries and markets. We furthermore acknowledge that our research framework delimits aspects of co-creation that could contribute to the understanding of co-creation.

The aim of this master thesis was to investigate how co-creation is understood from a managerial perspective. By managerial perspective, we mean how co-creation is managed. In relation to management of co-creation, it might be relevant to identify concrete methods and tools to facilitate the process, where we find that the co-creation literature lacks findings. Our empirical findings did not provide us with such an insight, where further research about methods and tools in managing co-creation process could be interesting to investigate, in order to induce knowledge to the practical implications of co-creation.

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