
Preface

Moving into solution business is a difficult task for any firm. Many struggle with or fail in the transformation. Our interest in exploring the reasons for failure and success in solution business led to us undertaking a long-term research effort involving more than 20 major firms operating internationally. The findings of this research show that *solution business is a distinct business model and not a product category*. Hence, our aim in producing this book has been to document, describe, and discuss the transformation from product business to solution business by comprehensively categorizing the key capabilities that firms need to invest in if they wish to become successful sellers and deliverers of solutions.

Selling Solutions Is Not the Problem—Efficient Delivery Is

Many of our conversations with the firms that participated in our research work started with these organizations claiming that they found solution selling problematic. However, we invariably observed that selling is not the biggest challenge. Instead, the problem typically relates to missing industrialization capabilities or a total lack of what we call solution platform capabilities. Essentially, the key issue is firms' inability to create repeatability and scalability in solution business.

Most firms enter solution business through sales, but fail to transform any other of their functions. While such firms can create much new value for customers, they tend to simultaneously produce an untenable cost structure due to the increased divergence and uncontrolled complexity of processes related to both the sale and delivery of solutions.

Success in solution business starts by accepting that solution business is a *separate business model* not simply another product category or an extension of the existing product business. Solution business models are systemic and require firms to 'tweak' many areas of their business model concurrently. In this book, we identify and organize the areas that firms need to focus on into three sets of capabilities and practices—commercialization, industrialization, and solution platforms.

1. *Commercialization* refers to a firm's ability to understand customers' value-creating processes, to create solutions that enable improved value creation for

customers, to create demand for these solutions, to sell the solutions to individual customers and to receive compensation based on customers' value-in-use.

2. *Industrialization* refers to a firm's ability to standardize and 'productize' the solution in order to create the prerequisites for repeatability and scalability. To support repeatability, firms need to define clear and common processes in such a way that the solutions can be efficiently replicated across regions and time.
3. A *solution platform* creates the necessary support for an effective solution business process. The platform consists of subsets of capabilities related to strategy, management systems, infrastructure support and human resources. While investing in solution platform capabilities is necessary, it is also difficult because these elements are not immediately visible to customers.

Another facet of our book, then, is to describe the deliberate steps that firms can take during their transformation to a solution business. These steps move along four interrelated continuums, namely, increasing customer *embeddedness*, offering *integratedness*, *operational adaptiveness* and *organizational networkedness*.

We consider that our book—the first to take a *comprehensive* view of success in solution business—is relevant for all functions of firms wanting to become solution providers. We therefore offer advice for strategy planning, business development, research and development, marketing, sales, supply chain management, operations, finance, planning and control, legal matters, and human resources management.

The book is also relevant on many managerial levels. For top management, it provides the agenda for transformation. For functional heads, it illustrates the capabilities that each function needs to develop. For business-unit heads, it shows the areas prone to conflict during the move towards solution business. And for middle management, it offers a language with which to discuss solution business across functions and regions.

We furthermore make the point in this book that few firms need or want to make a complete transformation to a solution business model. Instead, they end up managing parallel business models, the characteristics of which inherently conflict with one another. As we stress in these pages, understanding and managing these conflicts is essential to success in solution business.

Long-Term Research and Engagement in Solution Transformation Processes

The information and ideas contained in this book are a synthesis of findings from several applied research projects carried out between 2002 and 2012. The projects were initiated by Vectia Ltd, a consulting firm specializing in customer-oriented business models. (In June 2012, Vectia merged with Talent Partners Ltd. to form Talent Vectia Ltd.) The projects, all multi-client, were the following:

- *Commercialization and Industrialization of Solutions* (2009)
- *Market Exploration & Entry* (2008)
- *Transforming Sales* (2006)
- *Business Model Innovation for Earnings Growth* (2005)

- *Customer Asset Management: Strategies and Tools for Investing in Customers* (2004)
- *Sales Driver: Strategies for Future Sales* (2002)

More than 40 organizations (listed in the panel below) participated in these projects. Of various sizes and representing a multitude of industries, they provided access to the insights integral to the content of our book. They also gave us permission to use case descriptions relating to their firms to illustrate the issues we discuss in these pages. Their support and encouragement was a key driving force throughout the writing process.

ABB	Ahrend	AON	Atos Origin
Cargotec	Cupori	DaimlerChrysler	debitel
Douwe Egberts	Dynea	Enics	Finnair
Fortum	F-Secure	IBM	ING
Halton	Kemira	KONE	Konecranes
Luvata	M-real	Nashuatec	Neste Oil
Nokia	Nordea	Oracle	Océ
Outokumpu	Philips	Pfizer	Rocla
Royal Haskoning	Ruukki	Saint Gobain	Sandvik
Schneider Electric	Skanska	StoraEnso	Stork
STX Europe	Teleca	Teleste	TeliaSonera
UPM	Wärtsilä		

Another important source of inspiration and learning for us was the *Growth Acceleration Program* (GAP), which was initiated by Hanken SSE Executive Education Ltd. One of us—Kaj—provided the program’s content and academic leadership. The sole focus of this consortium for executive education was the content of this book. In fact, we originally wrote it to provide support material for the program’s four modules.

GAP is now in its fourth year, and the following firms have sent participants to it: Cargotec/MacGregor, Fazer, K. Hartwall, Kemira, KONE, Mirka, Outotec, Rautaruukki, Sandvik, SCA, Carlsberg/Sinebrychoff, TeliaSonera, UPM, Vaisala, and Wärtsilä. The extensive discussions that occurred during program sessions not only allowed us to draw on the participants’ experiences as we wrote this current version of the book but also provided us with feedback on the content’s applicability and usefulness.

The Book’s Structure

The structure of this book aligns with the solution business framework that we introduce in it. Of the book’s seven chapters, six focus, in turn, on the framework’s six core processes. Chapter 1 acts as an introduction to the framework by explaining key concepts pertaining to solution business and outlining the rationale behind the framework’s development. A brief summary of each chapter follows. The Chaps. 2,

3, 4, 5, 6 and 7 summaries are organized according to the three formerly mentioned sets of practices and capabilities relevant to each.

Chapter 1: Driving Growth and Profit with Solution Business

In this chapter, we discuss some of the key drivers that motivate firms to move into solution business. We explain why and how firms need, when working towards a solution business model, to transform along four continuums. We illustrate some of the pitfalls associated with the unfavorable cost development that occur when firms' efforts to become a solution business are poorly synchronized. We also introduce our solution business framework, designed to expedite successful management of solution business.

Chapter 2: Developing Solutions

Commercialization: We show how firms need to use customer value research in order to create a deep understanding of customers' business realities. Key questions here are what creates value for customers and how do they measure success?

Industrialization: We show that successful solution businesses are those that develop a solution hierarchy made up of standardized components, or basic sales items (BSI), that enable modularity and repeatability.

Chapter 3: Creating Demand

Commercialization: We demonstrate how firms can use their understanding of their customers to craft persuasive value propositions designed to ensure that relevant customers know about the firms' solution capabilities. Propositions can be developed for segments of customers' organizations or of a particular market as well as individual customers.

Industrialization: We argue that not all solutions need to be tailored but rather pre-configured. Firms that have a deep understanding of their customers and segments or of particular markets can configure a portfolio of solutions relevant for 80–90 % of situations in the market.

Chapter 4: Selling Solutions

Commercialization: We illustrate how firms, when endeavoring to help their customers make purchasing decisions, can translate value propositions and their benefits for the customer into finance language.

Industrialization: We illustrate how industrialization practices support the sales process by enabling the creation of solution tools, notably solution configurators and value quantification tools.

Chapter 5: Delivering Solutions

Commercialization: We emphasize the role of verifying and documenting the created value for both the firm and its customers.

Industrialization: We highlight the importance of solution delivery—of ensuring that the over-arching problems of solution business models relate not to sales but instead to cost-effective delivery.

Chapter 6: Investing in Solution Business Platforms

Solution platform: Here we maintain that sustainable success in solution business requires investing in a solution business platform consisting of four subsets of capabilities and practices—strategy planning, management systems, infrastructure support, and human resources management.

Chapter 7: Making It Happen

In this final chapter, we discuss the importance that understanding market and organizational readiness holds for solution business, and how this readiness helps firms position themselves when implementing changes. We also offer guidelines on improving market readiness, pinpoint the core capabilities that firms need to focus on in order to improve their organizational readiness, and discuss issues associated with effecting successful transformation. We end by arguing that the latter is realized when firms simultaneously create successful products and solution business models.

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“Commercialization and Industrialization of Solutions”. It served as the first foundation of the book. Ms. Eeva Tiainen edited several chapters of the book’s first draft, and Mr. Oskar Storsjö and Ms. Eeva Jaakonsalo were very helpful in the final stages of editing. Ms. Paula Wagemaker did wonders by language editing the final manuscript.

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Solution Business

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