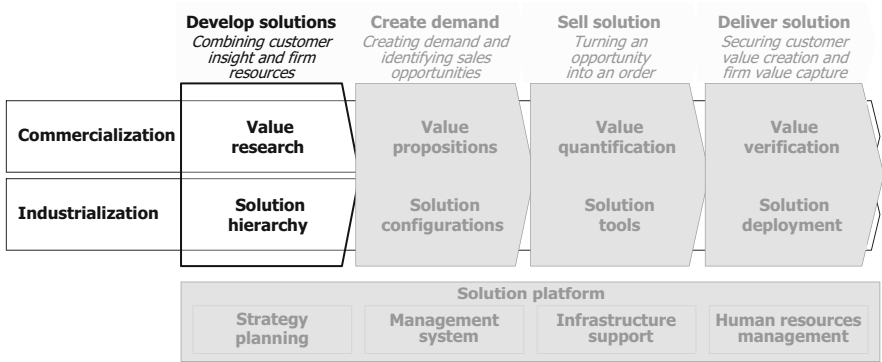


Develop Solutions: Identifying New Value-Creation Opportunities

2



In this chapter we discuss the development of solutions from two viewpoints:

Commercialization: We explain why firms need to use *customer-value research* in order to create a deep understanding of customers’ business realities. The key questions here focus on what creates value for the customers and how do customers measure success.

Industrialization: We show that the cornerstone of a successful solution business lies in developing a *solution hierarchy with standardized components*, or basic sales items (BSI), that enable modularity and repeatability.

2.1 Value Research: Understanding Customers' Business and Financial Drivers

Value research refers to a set of capabilities and practices employed to secure in-depth understanding of the business concerns and opportunities of select customer/market segments and individual customers and to understand what is valuable to customers.

For firms, commercialization begins by gaining a good understanding of their customers' situations. Acquiring this understanding relies on firms constantly interacting with customers and preferably engaging in regular planning with them in order to fit solutions to each customer's needs. Many successful innovations are initiated in collaboration with selected customers.

Undertaking customer-value research requires using a set of research techniques that enables firms to map customers' processes and thereby understand what is valuable to them. Experience shows that studying customer value and quantifying it during the early phases of solution development is of utmost importance. Successful commercialization also frequently resides in securing the involvement of lead customers, that is, good representatives of the selected market segment who are willing to work with a firm in order to develop joint activities. Firms need to focus both on identifying the correct lead customers and on creating a process that enables the involvement of these customers' during solution development.

In this chapter, we examine value research from two different viewpoints. The first focuses on how to conduct customer value research in order to gain strong understandings of customers' processes. The second focuses on how to utilize and involve lead customers in solution development.

2.1.1 Customer-Value Research

Customer-value research means analyzing customers' processes, concerns, business drivers, and financial concerns. This type of research not only brings understanding of customers' value drivers but also creates insight into how to influence their business and processes. Thorough value research allows firms to identify new sales opportunities and new offering elements as well as ways to differentiate their offerings from those of competitors. Increased understanding of customers' processes and value drivers also creates capabilities to quantify and communicate value to customer.

In order to gain the maximum benefits—both for the firm and its customers—customer-value research needs to be conducted across the solution lifecycle, which begins with the early phases of solution development and idea creation and continues on throughout the operation phases. When working towards understanding customer value, firms should therefore ideally begin by conducting systematic analyses of their customers' value-creating processes (or business processes), as depicted in Fig. 2.1 and described below.

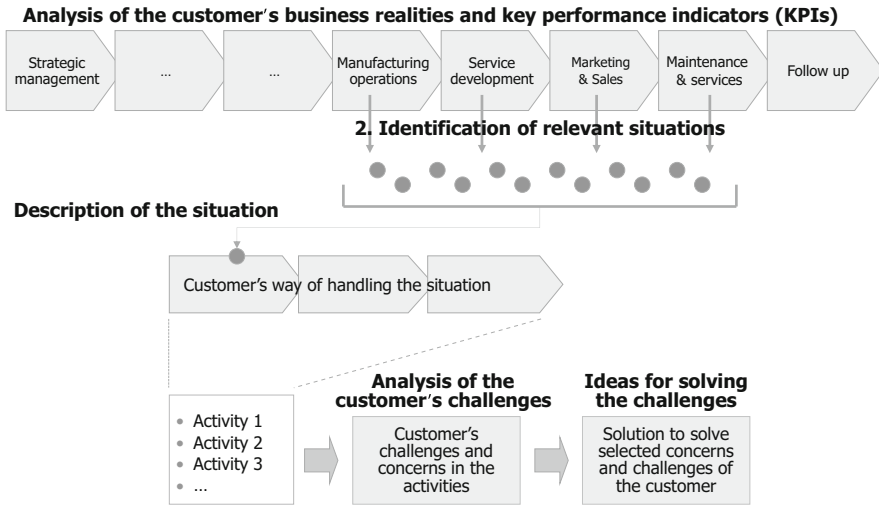


Fig. 2.1 Identifying opportunities through customer value research

- *Defining customers' processes:* Firms are usually more than familiar with their own production and delivery processes, but this doesn't mean they'll be equally familiar with their customers' processes. Firms therefore need to assure themselves that they have a full understanding of those processes and, just as importantly, that they know the different phases of them, not only in a technical sense, but also from a business perspective. Depending on a firm's scope of business, the process may, for instance, be the customer's production process, marketing process, sales process, or competence development process.

In most cases, it is important to understand how customers run their respective businesses as a whole, and even to understand the dynamics of the value chain in which these customers operate. As such, it may be relevant to map the processes and roles of the customer and other stakeholders as well. Doing this widens the scope of the analysis, so enabling better identification of needs or opportunities to improve processes and indicating what to do in order to have a financial impact for the different stakeholders in the customer's network. Mapping the process phases and seeking process improvements should, however, be done in collaboration with the customer and other main stakeholders.

- *Analyzing the customer's business realities:* Firms also need to build a sound understanding of their customers' business realities. They furthermore need to identify key performance indicators (KPIs) related to each customer's revenue logic, cost logic, asset logic, and risk logic.
- *Identifying relevant situations:* Once firms have a clear understanding of a customer's processes, they need to identify the situations in which their solutions can have a positive impact. The situations to be identified include functional situations (e.g., new innovation, new tools and processes), company situations (e.g., new business or strategies, cost cutting), industry or cluster situations

(e.g., new competitors, technology change, globalization), and societal situations (e.g., technology development, changes in legislation).

- *Describing the situation and analyzing customers' challenges:* Having identified the relevant situation or situations, the firm then needs to deconstruct them in order to understand how the customer handles them. For example, what kinds of activities are involved in the situation? Once that question is answered, the next step is to analyze those activities in terms of the customer's challenges and concerns. A particularly important part of this analysis involves focusing in on untapped needs or expectations that the customer either has not explicitly expressed or has been unable to express.
- *Solving the challenges:* The value research should give firms the information they need to propose solutions to the concerns and challenges identified. But in order to offer a customer-specific solution that provides value to the customer—and to sell the value of that solution—firms must also be very clear as to how the customer runs its business processes and what drives each process. This knowledge is essential because it enables firms to pinpoint how they can create value for customers and so help them reach their targets.

In essence, customer-value research should give the firm a good understanding of a customer's chosen business process and the basis from which to innovate, in collaboration with customers, ways of improving it. During the sales process, customers are likely to ask such as questions as:

- Is the process change worth the effort and/or investment?
- Are there other actions directed towards improvement that we should prioritize as more important?

For firms, answering these types of questions relies on knowing the customer's relevant financial drivers. That knowledge, in turn, rests on obtaining the relevant financial data from the customer.

Case Metso Automation Services: Understanding Customers' Needs and Expanding the Range of Services¹

Metso is a global supplier of technology and services for customers in the process industries, including mining, construction, pulp and paper, power, oil and gas. Metso Automation is one of Metso's three business segments. The other two are Mining & Construction and Pulp, Paper & Power. Metso Automation has three business lines—process automation systems, flow control (valves), and services. Metso is represented in more than 50 countries and has approximately 30,000 employees.

Metso Automation Services has a long track record of developing its service portfolio by focusing on its customers' challenges. It has been able to widen the scope of its offerings by continuously covering a larger share of customers' business and operational challenges. First, Metso Automation developed its

¹Case based on publicly available information on Metso web site (<http://www.metso.com>) and an interview with Mikko Keto (2013).

valve maintenance and spare parts services, thus solving technical and process issues for customers. Understanding customers' need to minimize downtime in their processes, Metso developed condition-based maintenance, which uses diagnostics to reduce customers' maintenance time and costs. Second, because Metso's customers also seek to improve efficiency in sourcing supplies and by reducing the number of suppliers, Metso developed solutions for taking care of customers' whole valve fleet, including competitors' equipment.

Metso's customers also continuously aim to improve process performance in their operations. Metso Automation's separate business line called Process Automation Services (PAS) focuses on service solutions designed to enhance customers' process performance in terms of, for example, process yield, quality, and material and energy consumption. Outside-in solutions development guides even mergers and acquisitions. Metso Automation also acquired a software company to strengthen its performance services and make it better able to respond to its customers' needs.

Recently, Metso Automation Services developed a business solutions portfolio focused on customers' business and financial challenges rather than only on process or technical issues. Metso's business mission 'to maximize the profitability of customers' businesses' captures the essence of their business solutions portfolio.

2.1.2 Lead Customer Involvement

As we noted earlier, researching and quantifying customer value during the early phase of solution development is important. Firms therefore initiate many successful innovations involving collaboration with selected *lead customers*, whom we earlier defined as good representatives of the selected market segment who are willing to work with the firm in order to develop their joint activities.

Involving lead customers is often essential for the success of commercialization, and success is most likely to occur if these are involved in the early stages of the process. Firms need to focus not only on identifying the correct lead customers but also on creating a process that enables these customers to be involved in solution development.

One way of identifying suitable lead customers is to determine and then apply customer selection criteria. This approach is commonly used in strategic account management and key account management. These criteria typically include partnership fit, customer profile, and customer capabilities.

- *Partnership fit*: A sound means of gaining lead customer involvement is to target those customers with whom the firm has a long-term relationship of trust. Mutual trust enables open interaction and boosts customers' willingness to partner and share information with the firm. This kind of relationship is usually characterized by having executive level contacts with customers because these enable strategic

dialogue. Prerequisites for long-term cooperation are enhanced if there is also a certain level of strategic alignment between firm and customer and if they share views about the future.

- *Customer profile:* A lead customer doesn't have to be the current industry leader but rather an innovative and agile actor who is looking for change and who marks out a road for others. This kind of customer typically has a clear view of the benefits of joint development, and has the ability to turn those benefits into a competitive advantage. Another critical characteristic is risk tolerance. If customers need to invest in new technology, they should be able to bear the corresponding risks. An optimal lead customer can also be someone in a specific situation or with a particular stance, such as a market challenger in search of a partner who is also willing to enter the market under consideration.
- *Customer capabilities:* In order to contribute to solution development, customers must have the capability to bring their insights into the process. At least, customers must have enough resources to invest in the development. Furthermore, in the case of radical innovations, an optimal lead customer needs to have the 'clout' to shape markets.

It is essential that firms have the ability to manage customers' expectations while simultaneously involving them in solution development. Each party must be aware of and have the same understandings of the innovation process and related risks. Both parties must carefully discuss the customer's risks in relation to the expected outcome before undertaking joint development activities. These risks can be mitigated by, for instance, setting up a consortium for joint development so that risks and investments can be shared in a non-competitive environment.

One way to mitigate risks—not only the customer's but the firm's risks as well—is to create customer-involvement contract models that differ from the ones applied in ordinary project delivery. These contracts provide a means of gaining the customer's approval for a development project and of ensuring that the customer obtains the ultimate benefits of the project. One such benefit might be exclusive rights to use the solution in certain markets. Another would be having the advantage of lead time before the solution is launched to other customers. The specifics of the contract should delineate exactly how the lead customer will secure first-mover advantages.

Case Cisco: Innovating with Lead Customers²

Cisco is a global provider of consumer electronics, networking, voice, and communications technology and services. Cisco has more than 70,000 employees world-wide.

A few years back, Cisco initiated a transformation from supplying products to providing systems, services, and solutions. In line with its new philosophy, Cisco

²Case based on the following materials: Gordon Galzerano's presentation "Achieving Global Sales Excellence" (SAMA conference); Schrage (2006); Quancard (2010) and background information from <http://www.wikipedia.org>.

focused on innovative business and architecture solutions with the objective of creating next-generation customer relationships. To boost the transformation, Cisco set up a global accounts program, which it executes through the Global Enterprise Theater. The theater is a customer-focused organization that creates intimate knowledge of customers' businesses and processes in order to deliver integrated business solutions. Its Cisco 3.0 Enterprise Program focuses on next-generation customer relationships.

Based on learning gained from Cisco 3.0 pilot customers, Cisco selected a set of strategic customers to be a part of Global Enterprise Theater. These customers were willing to be involved in a whole new level of collaboration. Cisco's objective was to develop solutions with this limited set of customers and then apply and leverage what was learned to another, broader set of customers.

In practice, Cisco involves its lead customers in solution development, for instance by arranging customer workshops and showing customers their in-house simulations of architectural designs and configurations. Cisco has developed various kinds of internal tools that enable them to design, configure, and optimize network infrastructure. Cisco later transforms these tools to interactive customer design platforms that enable joint development with customers.

According to Cisco, listening to customers enables the firm to successfully anticipate and capture market transitions. Listening also enables Cisco to define the future and needed actions that will help its customers succeed. Working in partnership with customers provides Cisco with guidance on where to go and how to stay ahead of market transitions.

2.2 Solution Hierarchy: Defining Basic Sales Items (BSIs)

Solution hierarchy refers to a set of capabilities and practices employed to develop solution components that can be produced effectively, and to build solution configurations that close the gap between identified value-creation opportunities and the existing offerings.

Solutions are integrated combinations of a variety of components (goods, services, software, etc.) for which firms need to develop solution configuration capabilities. The solutions need to be structured in such a way that they are easy to apply. In order to secure scalability, repeatability, and efficiency, firms need to create rules and guidelines on how to develop solutions.

Moving into solution business requires firms to redefine their research and development (R&D) process. The R&D budget cannot be spent only on developing product features; allocations are also needed to enable solution development. Solutions often consist of many service components, and these have to be developed at the same level of scrutiny as that given to product components. Because the solution development process must be driven by customer insight, it needs to focus on customers' processes and financial drivers, not just on technological

innovations. A successful business solution firm is one with the ability to close the gap between its customers' needs and its own offerings.

Typically, firms need to develop solution structures—solutions built from standardized components or basic sales items (BSIs). The components also need to be 'digitalized' in such a way that firms can code them into their enterprise resource planning or product data-management systems.

In the remainder of this chapter, we provide insight into developing solutions from the industrialization perspective. As we have already emphasized, firms need to initiate the process of solution industrialization in parallel with the commercialization process. Doing this enables firms to define what they are able to sell and deliver, how to utilize their current capabilities, and how to develop them.

Research identifies two critical steps that firms need to take in order to succeed in solution industrialization. First, firms need to ensure their solution development will be customer insight-driven value innovation instead of purely inside-out technology or product-driven actions. Second, firms need to build a solution structure that enables efficient, flexible creation of customer-specific solutions from standardized BSIs. This structure and the items it is made of should be also digitalized in order to secure a high level of standardization and repeatability.

2.2.1 Solution Development Is Different from Product Development

The need for firms to combine customer insight with their resources and capabilities when developing solutions that create value for themselves and their customers requires both outside-in and inside-out approaches. Another input during solution development is an understanding of the development of the market in scope and the competitive environment.

As illustrated in Fig. 2.2, the outside-in approach focuses on understanding customers' challenges and business models on both the customer level and an aggregated market level. However, as Fig. 2.2 also shows, firms need to have a strong inside-out view during solution development so they can take advantage of their key capabilities and competitive edge in order to reach their strategic goals. These requirements again highlight the importance of firms having the ability to close the gap between their capabilities and their customers' needs. A key to success in solution business is the ability to balance the need for customer-oriented customization with the always pressing need for cost-efficiency.

Moving into solution business furthermore requires firms to define or redefine their R&D process in terms of customer-oriented solutions. Most firms have well-defined R&D processes that include decision-making gates and are underpinned by criteria directed towards new products and technologies. The development process for services and solutions, however, tends not to be as well defined in most firms. Often, the product development process is applied to service and solution development, but is considered too bureaucratic, too slow, and too much inside-out oriented.

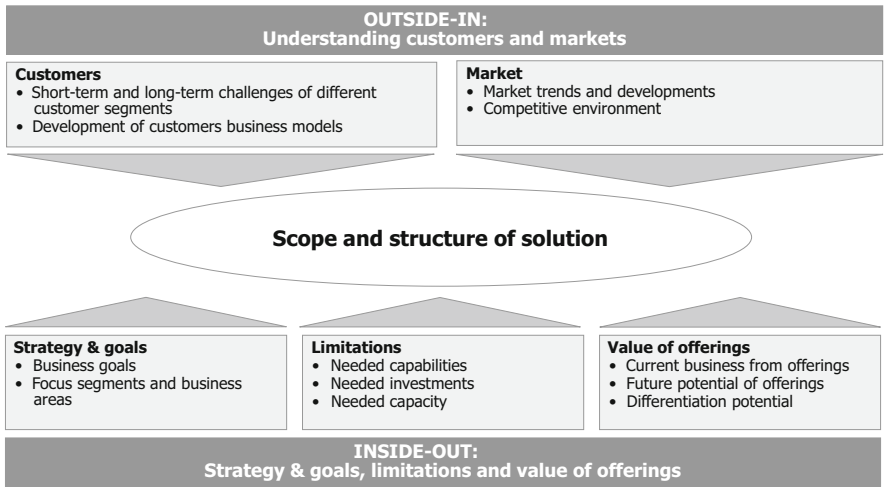


Fig. 2.2 Combining outside-in and inside-out views in solution development

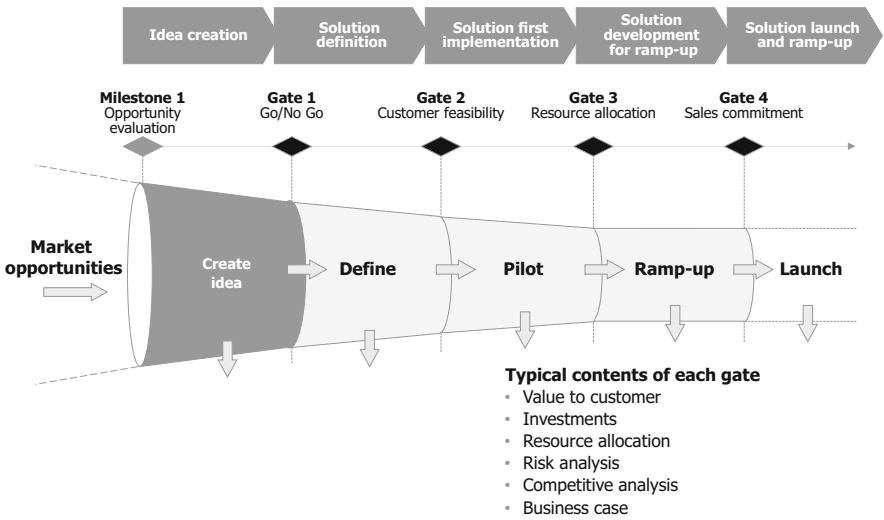


Fig. 2.3 Example of R&D process for solutions

The R&D process outlined in Fig. 2.3 differs from most R&D processes for new technologies and products in that it strives to co-create the solution with lead customers during early piloting of that solution. Piloting must, of course, happen before firms use resources for detailed solution development. Findings from the pilot should be used to support the launch of the solution and its ramp-up phase.

An important characteristic of the decision-making gates in a solution development process is the evaluation of customer value at each stage. Here, customer

value means financial value as well as customer benefits in general terms. After piloting, firms invest resources in commercializing and industrializing the solution and its different components. Their aim is to secure the ability to communicate and deliver customer value and to reach repeatability and scalability in sales and deliveries.

Case Ramboll Denmark: Involving Customers in Developing New Services³

Ramboll Denmark is part of the Ramboll Group, a leading engineering, design, and consultancy firm founded in Denmark. Today, the firm has an international presence with over 10,000 experts providing services to industries such as construction, transport, environment, and energy. Ramboll Denmark delivers services ranging from turnkey power plants to consulting on and designing buildings.

To further develop its service portfolio related to water resources management, Ramboll Denmark together with a French university researcher initiated a development project. The objective was to investigate whether a new French method to detect suitable sources of drinking water could be applied in Denmark. To fulfill the requirements of its innovation policy, the firm was obligated to engage a customer in the project. According to Ramboll's policy, which is fundamental to the firm's innovation culture, innovations must be linked to specific projects in order to capture the 'here and now' practical value.

Ramboll had to address a few prerequisites when identifying a suitable customer who would agree to have the method tested on site. The customer needed not only to have conditions applicable for testing the method but also had to be able to co-finance the project. Although these requirements, especially the latter one, meant Ramboll could need to engage in a considerable amount of persuasion, the firm knew that this effort was necessary because testing the method in a real-life situation would enable it to demonstrate the value of the application to the customer and gain the customer's commitment to the development on a long-term basis.

With the aid of personal contacts, Ramboll identified and then involved a customer with a specific challenge related to locating water. Although the first stages of applying the method in new kinds of conditions could have been done without the customer, the encouraging test results played a critical role in engaging the second customer, a regional environment center that assists waterworks agents supply drinking water. Due to its confidence in the new technology, the center was keen to actively develop the method and related services.

For Ramboll, close collaboration with the customer in order to further develop the method was very positive. The project provided Ramboll with a sound understanding of the challenges and the needs of the customer. Along with testing the method and learning how it could be used, the firm was able to identify new applications for it that were unlikely to have been discovered

³ Case based on Nicolajsen and Scupola (2011).

without customer involvement. Also, involving the customer during the early stages of the development process boosted the engagement of both firm and customer in ongoing collaboration. The customer was also motivated and interested in being part of ‘something new’. However, the case study also made evident that this kind of customer involvement needs to be more than just straightforward. Fruitful co-innovation projects rely on customers having the professional basis and knowledge needed to understand the initial problem. Also, the customer’s management team needed to be confident and aware of the abilities and commitment of not only the service supplier firm but also its own organization.

As a result of the development project, the new method for discovering water has become a service generating steady revenue. Expanding the method to new applications discovered during the project brought Ramboll a competitive advantage because its competitors were not yet providing services based on a similar approach. Thus, the method created additional value for the customer, who is now using it as part of bids for large-scale projects.

2.2.2 Hierarchical Solution Structure—Basic Sales Items as the Foundation for Efficient Customization

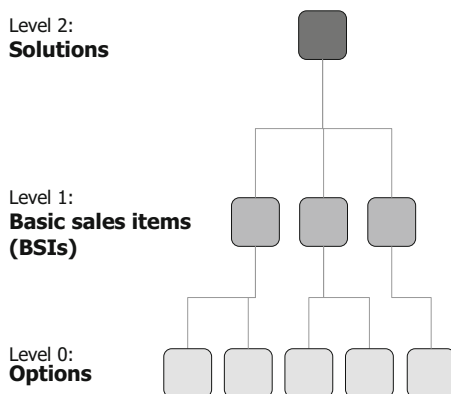
To ensure that a solution solves customers’ specific needs and/or enhances their processes, solutions are usually an integrated combination of different kinds of elements (products, services, software, and information). To meet the challenge of tailoring customer-specific solutions developed according to cost-efficient, standardized ‘production’ and delivery precepts, firms should structure their solution offering into modular, standardized items that make it easy to tailor solutions on a case by case basis.

More specifically, what firms need to install is a hierarchical solution structure because this enables them to combine flexibility (related to customer needs and situations) with standardization (in terms of solution sales and delivery). Figure 2.4 provides an example of this kind of structure, the elements of which we describe below.

- *Basic sales items (BSIs)*: As the ‘building blocks’ of solutions, BSIs can be included in a large number of different customer-specific solutions. Thus, even if the delivered solutions differ from customer to customer and situation to situation, BSIs remain repeatable with the attendant advantages of bringing consistent quality and economies of scale to solution business. In addition, BSIs can be harmonized for sales and delivery in different geographical locations.

BSIs are products, services, software, functionalities, information, or combinations of these. A BSI should be the smallest entity that can be sold separately to customers as an initial sell. Experience shows that determining the ‘level of granularity’ at which the components of solutions should be defined is

Fig. 2.4 Hierarchical solution structure built around basic sales items (BSIs)



not a trivial exercise. Firms therefore need to consider the level that best serves both them and their customers. Defining BSIs to the level most meaningful to customers has proved to be a sound practice.

- *Solutions*: These are assembled from different BSIs and possible sub-solutions. When defining customer solutions, firms need to ensure that selected BSIs are either a mandatory or optional part of the solution. In practice, firms should undertake a cost–benefit analysis in order to determine which elements of customer solutions they should define as repeatable BSI.
- *Options to the BSIs*: These are found at the lowest level of the solution hierarchy. An option can be added to one or several BSIs, but it cannot be sold alone as an initial sell. Options are sold as add-ons. Examples of options are extended functionalities, additional support, non-standard language versions or scope of documentation, and extra, non-standard colors.

In order to create a solution hierarchy, firms first need to agree on a common terminology that will significantly support development and implementation. Second, firms need to have in place rules and guidelines for defining solutions, that is, configurations of BSIs and their options. Clearly defined rules and guidelines for solution configuration increase efficiency and decrease sales and delivery costs. Installing a discipline that allows everyone involved to follow the defined solution structure in each different sales case is therefore another necessity. However, there should also be a process at hand which delineates how to proceed whenever it is in the interest of both firm and customer to diverge from the ‘standardized’ solution structure, or whenever co-creation of new solutions makes good sense.

The main benefit of a hierarchical solution structure is that it reduces the need for customer-specific tailoring and avoids scope creep during delivery phases. Thus, the solution structure and clearly defined and described BSIs provide cost savings because they enable improved efficiency and productivity.

Furthermore, a hierarchical solution structure not only offers a flexible and efficient means of delivering customized solutions but also provides opportunities for growth. Activities related to, for instance, designing, engineering, and implementing products and services to customers are made visible. Customizing,

for example, which typically is bundled with equipment in the sales phase, can be defined as a BSI and charged for.

Additional growth can also be gained through the expansion of the sales case. A clearly defined solution structure enhances sales persons' understanding of available products and services, and thus improves their ability to react to customer needs with a broader solution scope. In short, a well-defined solution structure promotes cross-selling and boosts sales growth.

2.2.3 Standardization and Digitalization of Basic Sales Items Enables Repeatability

In order to generate customer-specific solutions, the BSIs and their options should be granular enough to allow for a large variety of solution configurations. Simultaneously, in order to facilitate cost efficiency, speed of delivery, and improved quality, these lower levels of the solution structure should consist of items that firms can deliver repeatedly and effectively. In other words, the BSIs need to be standardized.

Standardization typically means giving each BSI a name and a code and defining its ownership inside the organization. It also means establishing the pricing logic behind the BSIs, producing content and materials for marketing and sales processes, and developing efficient delivery systems. Digitalization is another fundamental step in enabling the repeatability (and evolution) of BSIs. The prerequisite for digitalization is defining BSIs in a way that allows them to be codified in an enterprise resource planning (ERP) or a product data management (PDM) system, or in a solution configurator.

In order to promote both profitable sales growth and cost-efficient repeatability, the following information should be included in the BSI documentation:

- *Name and code:* Each BSI and solution should have its own name and code. The name should reflect what the item/solution is and what its benefits are for customers. BSIs and solutions should also be coded to systems in order to enable digitalization of their content. Once a BSI or solution becomes a coded entity in firms' systems, any kind of information in a digital format can, in principle, be attached to them, such as a demonstration video showing how to conduct a specific maintenance operation at the customer's site.
- *Ownership:* Defining ownership of solutions and BSIs as well as responsibility for their development and management promotes success in solution business because it not only enhances commitment to both solution and firm but also ensures correct allocation of resources.
- *Pricing and standard costs:* Standard budgetary BSI costs are needed to estimate the cost basis for pricing decisions. The standard costs need to be updated from the ERP system regularly based on actual deliveries.
- *Sales and marketing content:* Documentation harmonizes 'what is sold and delivered' because it makes it possible to define sellable solutions and BSIs and to provide text and materials for use in customer communications and tender

documents. Sales presentations should consist of solution descriptions, performance advice and parameters, benefits for customers, testimonials from customers, and customer success stories. Presentations should also include marketing materials, such as brochures and web content. Accurate and well-managed sales and marketing content in the form of easily available documentation leads to sales growth, to improved quality, and cost-efficient delivery.

- *Quotation/contract content:* This material should include, amongst other items, solution descriptions, benefits and value to customers, reasons for choosing the firm as solution provider, lists of items included and excluded in the solution (i.e., the selected BSIs), optional items, the respective responsibilities of the firm and the customer, detailed description of solution elements from the BSI documents, and commercial details such as prices and terms and conditions.
- *Delivery and support content:* The purpose of generating delivery-related documentation is to harmonize the ‘what and how’ of BSI/solution delivery. For firms, this means defining delivery tools, processes, and documents, and striving to reduce costs while simultaneously enhancing the quality of delivery. Documentation should be utilized as internal instructions for delivery that specify, for example, how a certain service should be conducted at the customer’s site. Accurate and well-managed delivery content and support leads to cost efficiency, high quality and consistency of deliveries.
- *Internal documents for solution and BSI commercialization:* These consist of internally used information, such as solution configuration guidelines that include available options as well as comments on combining the solution with other solutions, explanation of pricing logic, and frequently asked questions with brief answers.
- *Internal documents for solution industrialization:* These documents include guidelines on selling and delivering the solution in a harmonized, efficient way. The documents should consist of information related to needed customer information (for both the sales and delivery phases), needed resources from both firm (provider) and customer, required acceptance tests, technical specifications, tools and templates for delivery, supply matters (e.g., supplier specifications, ordering instructions, contacts), safety and environment precautions and regulations, logistics, and internal support contacts. When solutions and BSIs are coded digital entities, all of this kind of content can be attached to these to support sales and delivery.

2.3 Assessing Your Performance in Developing Solutions

Use the value-research and solution hierarchy practices statements in the following chart to assess the performance of your own firm/organization or unit. The statements can be viewed as “best practices” or capabilities used in firms successful in solution business. Your responses to the statements will give you a good idea of your firm’s development needs.

If your organization lacks any of these practices, consider if there is a specific reason for this outcome. For example, is there something in the market or in the industry you operate that explains the absence of these practices?

Value-research practices	Not in use	Planned	Implemented
Regular planning is carried out with customers.			
A goal of the firm is to initiate innovation together with selected customers.			
The firm uses research methods to define what is valuable for customers.			
Customer value is quantified in the early phases of solution development.			
Lead customers are involved in idea creation and solution development.			
There are contract models for lead customer involvement.			
Solution-hierarchy practices	Not in use	Planned	Implemented
Solution development focuses on customers' processes and financial drivers.			
There is ability to close the gap between customers' needs and the firm's offerings.			
Solutions are structured in such a way that they are easy to apply to customers' needs.			
Rules for structuring solutions permit flexible adaptation to customer situations.			
There is a hierarchical solution structure (e.g. BSIs are defined).			
Standardized solution components (BSIs) are coded in the enterprise resource planning or product data management system.			

Solution Business

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