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Value creation, value assessment and value capture from a managerial perspective

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Value creation and organisational practices at firm boundaries

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Abstract

Purpose – Growing awareness that value for the customer is created in relationship between the supplier and the customer has consequences for sales and marketing functions, and businesses are increasingly experimenting with new organisational approaches and solutions. The purpose of this paper is to investigate organisational issues involved in implementing value programs in B2B firms and examine implications for managerial action.

Design/methodology/approach – After a literature review on value creation in business relationships, the authors illustrate the case of a large industrial business experimenting with organisational solutions to support value-creation processes in customer relationships.

Findings – The authors identify three issues management has to address in organising the customer interface: involvement of a variety of actors to access elements of effective customer-value solutions; supporting and orchestrating the interaction processes among those involved; and differentiation of the customer interface and sales approach to match the substantial differences in customer relationships.

Research limitations/implications – There is a need for further, more systematic empirical studies of value-creation practices and solutions in how businesses organise the customer interface for value creation.

Practical implications – Coping effectively with creating value in customer relationships implies experimenting with novel approaches and solutions in organising the sales and marketing activities as open networked sales organization and requires specific managerial capabilities.

Originality/value – While creating customer value is generally believed to be positively related to the firm's performance and development, the organisational implications of focusing on creating value have been less explored. The original contribution of this work lies in zooming in on the organisational solutions to support the customer value-creation processes.

Keywords Customer relationship management, Value creation, B2B marketing, Business relationships, Sales organization

Paper type Research paper

1. Introduction

Effective market strategies rest on creating value for customers and a satisfactory degree of appropriation of the value the supplier company generates. Creating customer value is crucial for both growing the top line and strengthening the bottom line.

In contexts where relationships matter, such as most service and business-to-business markets, the assumption that customer value is embodied in products and services designed by the supplier and then offered and transacted in the market, does not capture the essence of value creation. When a supplier and customer

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do business on a continuous basis and relationships are singularly significant, which is the case in most B2B markets, the value for both the customer and supplier is interactional (Lindgren and Wynstra, 2005; Vargo and Lusch, 2008). Value will depend on performance, quality and the assortment of products that are taken for granted, but also on several different aspects of the customer-supplier relationship, such as delivery cost and quality of delivery, servicing, administrative routines and processes, and communication flows. Value generated for the customer and supplier is thus related to the solutions in different relationship facets, which tend to be worked out between the customer and supplier businesses, rather than being unilaterally conceived by the supplier (Ballantyne and Varey, 2006; Tuli *et al.*, 2007).

The manner in which solutions regarding various aspects of the customer-supplier relationship are defined and configured depends on how the interaction between the supplier and customer unfolds. Who is involved in these interactions, therefore, plays a lynchpin role in the creation of value, typically boundary units such as sales and marketing on the supplier side (Guenzi and Troilo, 2007). Since it has consequences for the solutions that will emerge in relationships, organising at the boundaries of the firm is crucial to producing value in relationships. Nevertheless, few studies examine the role boundary units play in the value creation process (Blocker *et al.*, 2012; Troilo *et al.*, 2009) and how these are organised.

In this paper we address the organisational implications of the value creation process in customer relationships by examining the experience of a large industrial business (Cisco) that faces the matter of configuring the sales side of the company in the presence of a variety of end-users of company products. The organisation solution reported allows us to illustrate three important issues in organising the sales function for value creation: the need to involve a variety of actors to access elements of effective customer value solutions; the need to support and orchestrate the interaction processes among those involved; and the need to differentiate the customer interface and sales approach to match the substantial differences in customer relationships. Drawing on documented company experience and prior research, we discuss the implications for managerial choices and action for creating customer value in a B2B context.

This paper is organised as follows. In the next section we review the literature on the specificity of value-creating processes in relationships between customers and suppliers in business markets and identify several critical issues related to how suppliers contribute to the value creation process. In the section that follows we describe organisation solutions aimed at sustaining the value creation process in a large industrial business (Cisco). We then discuss insights gained from extrapolating the extant research and interpreting the case, and conclude with implications for managerial practice and research.

2. Creating value in customer-supplier relationships in business markets

Interest in the topic of value creation has been surging both in management research and among practitioners, as creating value for customers is regarded as pivotal to successful business development. While the value concept is appealing and is widely used as a reference for management choices, it is not always easy to translate it for business practice. Understanding the value concept and the factors that converge in value formation is essential to sensible decisions related to value creation in business.

2.1 The value concept

In marketing, value has traditionally been defined in relation to the ownership of goods and referred to as the trade-off between the benefits derived from ownership and the sacrifices made to obtain ownership (Anderson and Narus, 1999; Monroe, 1990; Zeithaml, 1988). This conception of value assumes value is embodied in products and services and that creating value is linked to a sequence of uncovering the needs, devising solutions, producing solutions and transferring these solutions to customers in exchange for something else.

Defining the value of a good as the consequences of ownership (and use) overlooks the fact that value depends on the subject, and therefore cannot be univocally derived from the object of use (Monroe, 1990; Holbrook, 1994; Woodruff, 1997). Admitting that value is not given only by the object but is always related to the subject and its context has important implications. This means value depends on the subject's knowledge, understanding and perception of the consequences, and that decisions are based on expected value consequences. Assessing value involves "a judgment comparing what was received (e.g. performance) to the acquisition costs (e.g. financial, psychological, effort)" (Oliver, 1997, p. 28), which makes value phenomenological (Vargo and Lusch, 2008).

As relational perspective has become popular in service and business-to-business marketing (Grönroos, 1997; Håkansson and Snehota, 1995; Morgan and Hunt, 1994; Sheth and Parvatiyar, 2002; Vargo and Lusch, 2008), it has been observed that value originates in several different facets of the relationship between buyers and sellers, rather than being embodied only in the products or services transacted. This has led to rethinking the value-generating process (Anderson and Narus, 1998; Gadde and Snehota, 2000; Lindgren and Wynstra, 2005; Palmatier, 2008; Ulaga and Eggert, 2006). The idea is that the value of a relationship depends on the content and consequences the relationship has for the customer and supplier, which go beyond the monetary consequences of the ownership of the products exchanged. Relationships have short-term economic consequences (they can generate revenues and cause costs); they also create interdependences that can be positive or negative for both parties (Håkansson and Snehota, 1998). A specific relationship can affect the autonomy of a business as it can facilitate or hinder its future development in the desired direction; relationships can be used to mobilize and utilise skills, facilities and other resources not available to the own business (Gadde *et al.*, 2012). The actual content of a relationship consists of the connections between the "use system" of the customer and the "produce system" of the supplier (Cespedes, 1995). The features of products to be exchanged and services to be performed are negotiated and agreed between the parties, and both contribute (Ballantyne and Varey, 2006; Grönroos, 2010; Tuli *et al.*, 2007). Consequently, a relationship has no value in itself; value for the subjects reflects their cognitive elaboration and perceptions and can be claimed to be relationship specific and socially constructed (Ballantyne *et al.*, 2011; Edvardsson *et al.*, 2011; Grönroos, 2011).

2.2 Creating value in business-to-business relationships

In the business-to-business context, value creation and the development of business relationships are entwined for several reasons. The volume of business contracted between two companies is often significant, implying that customer-supplier relationships become singularly important in financial terms and for their role in the development of both businesses. Typical of customer-supplier relationships in B2B is also the rich content, which usually consists of a range of products, services, logistics, communication and administrative routines, and involves numerous individuals. Such a relationship is complex as it connects two business systems with their various tangible and intangible resources and on-going activities. Numerous individual actors concur in defining not only product solutions but also solutions regarding all other aspects of the relationship content. Once in place, the solutions tend to be continuously adapted and renewed (Hallen *et al.*, 1991) and relationships appear more stable than their content in terms of products sold and services offered. There are various reasons, internal or external to the relationship, for the continuous change in the different facets of relationship content. Changes in relationship content are enacted in the sense that new solutions are found between the parties as problems arise (Håkansson and Ford, 2002). The issues that emerge in practice are seldom anticipated, which makes the process non-linear, and impossible to forecast and plan. Value created for the parties from the relationship reflects these numerous, continuously renewed solutions.

Another important aspect of business relationships is that the customer often takes the initiative to provide new solutions, which makes the process more balanced in terms of initiative (Haas *et al.*, 2012). Both parties need to agree to solutions that emerge in the relationship; these solutions are often negotiated and are always the outcome of joint action. Interaction between the customer and supplier is a determinant of the solutions, and thus for the value created. As the solutions in major customer-supplier relationships are determined in interaction through a series of mutual adaptations between two businesses, the relationship content tends to become relationship specific (Håkansson *et al.*, 2009).

Effectiveness of the solutions in a relationship is one crucial element of value; another is their cost. Both depend on how the customer-supplier interface is structured and organised. The very idea of account management stems from concerns about co-ordinating various activities with an important customer at the interface of the organisation to create incremental value (Georges and Eggert, 2003). Interface activities are costly because production, R&D, procurement, marketing, sales, technical support, logistics and the administration of the supplier organisation are often involved with corresponding functions of the customer organisation. However, tighter coordination of such activities can prevent conflicting and dysfunctional behaviours in the relationship, and make the involvement of various functions more efficient and the relational solutions more effective. The quality and value of the relationship for the parties will depend on how the customer interface is organised in the supplier's business (Pardo *et al.*, 2006; Workman *et al.*, 2003).

Under the circumstances, suppliers have to address the trade-off between the costs and effectiveness in managing customer relationships. Businesses are experimenting with various solutions to ensure effective interaction to create value in customer relationships, while keeping costs of the interaction low. The extant literature has given increasing attention to how the boundary conditions of firms, in particular the organisation of marketing and sales, affect the value creation process (Berghman *et al.*, 2006; Guenzi and Troilo, 2007; Terho *et al.*, 2012; Sanchez *et al.*, 2010). Yet, empirical research on how a sales system is configured to sustain value creation processes remains limited, possibly because of "the complex, evolutionary, and contextual nature of these activities and the difficulty in observing them" (Blocker *et al.*, 2012, p. 19). The case reported in section 4 illustrates the organisational configuration at the firm's boundaries of a large industrial company that is experimenting with how to sustain the value creation process.

3. Methodology

The case analysis reported here aims to explore how the organisational setting at the boundary of the firm can support the value creation process. Following a single case theoretical sampling (Eisenhardt and Graebner, 2007), we have selected the case of Cisco for its revelatory potential as it allows us "to gain certain insights that other organisations would not be able to provide" (Siggelkow, 2007, p. 20) and it provides the opportunity for unusual research access (Yin, 1994). Moreover, using case studies is the preferred strategy when the focus is on a contemporary phenomenon within some real-life context (Eisenhardt, 1989) and when research aims to provide managerially relevant knowledge (Amabile *et al.*, 2001). The key broad question that guided the data collection was: How is the customer interface organised in order to support the value creation process? More specific questions were: Which company functions relate to customers? How are these organised internally? What is their role with respect to customers, and how do they relate to each other? Data collected were first used to reconstruct and report on Cisco's organisational setting at the customer's interface. In a second step, guided by our initial frames of reference (Siggelkow, 2007) on value creation, we analysed the case in order to provide insights on the relation between value creation and organisational setting at the interface with customers, identifying key organisational features that enable value creation processes.

Two key informants were primarily involved in data collection: the senior Virtual Sales Manager and the Partner Account Manager. Repeated open interviews, lasting from one to two hours with the two managers were the main source of information. Data collection through knowledgeable informants who represent different functional areas and potentially view the focal phenomenon from diverse perspectives, has been shown to be a key approach in limiting bias when dealing with interview data (Eisenhardt and Graebner, 2007). The adoption of multiple sources of data, which came from direct informants (two managers with different perspectives) and from indirect informants with whom key informants interacted for the entire period of the research, allowed for triangulation (Denzin and Lincoln, 1994; Yin, 1994). Indeed, after each interview the two managers shared with others within the company elements of the interviews they considered useful to confront. They thus collected feedback from colleagues, which they reported in the follow-up interview, enabling the authors to crosscheck the data. The study also employed document analysis, in particular the Company Annual Report 2012, to access data on the company's business background, structure and performance. Member checks in the form of follow-up interviews, telephone calls and e-mail correspondence were used to solve open issues and verify that the researcher correctly understood the data collected. Finally, although the authors were not engaged in the company as consultants, the research also has elements of action research (Argyris *et al.*, 1985). Through close and prolonged engagement with the two managers, the researchers also provided stimuli to managers in the spirit of exploiting the potential benefits of academic-practitioner collaboration (Amabile *et al.*, 2001, p. 418).

4. Organising the customer interface for value creation at Cisco

4.1 Company background and market

Cisco Systems Inc. is a multinational corporation (headquartered in San Jose, California, USA) that designs, manufactures and sells networking equipment and other products and services related to the Communications and Information Technology industry. Cisco provides a line of products for transporting data, both audio and video, and its products are designed to support people in connecting, communicating and collaborating. Founded in 1984, the company went public in 1990 and was among the first to sell commercially successful routers supporting multiple network protocols in the early 1990s. Subsequently, it broadened its range of products and services, focusing on Internet communication, in particular connecting and networking solutions. Cisco has grown organically and through a remarkable series of more than 150 acquisitions since 1995, it has become a global leader in its business. In 2012 the company had 66,000 + employees and net sales of $46 billion, of which about $36 billion was from the sale of equipment (products) and about $10 billion from servicing the equipment installed. The company remains very profitable, with a net income per annum of $8 billion. While R&D expenditures are around 12 per cent of total turnover per year, the company's sales and marketing costs are nearly 21 per cent of sales (Cisco Annual Report, 2012, p. 61).

Today the company offers a wide range of products for use in switching, routing, collaboration, wireless, security and data services. This equipment is used as parts of system solutions by a large number of end-users, who range from small, single-owner outfits to very large business organisations and public institutions. The company's business can be divided into three application segments: commercial businesses, public administration and service providers. Customers use Cisco's equipment and services as components of system solutions that are customer specific and designed *ad hoc*. The systems solutions are organised in three main architectures: data centre, collaboration and borderless networks.

The equipment tends to be purchased in two ways. One is when the user decides to invest in a new system and buys the equipment as system components, which are often used in different combinations. The other way is when end-users decide to replace or complement equipment in their existing systems. When the procurement is "on project", the cost of equipment varies considerably but could represent 20-60 per cent of the customer's total project cost. A customer acquiring a system typically starts by defining the actual needs and the parameters of the system that address those needs. He then evaluates the system's overall architecture and budget. These specifications are subsequently translated into a specified system solution to be installed. In the next step, the system is installed and tested. When the system is implemented, further testing and training to operate it may be needed. When the system is running, maintenance and servicing is required. The initial phases, especially, involve intense interactions within the customer organisation and with potential other vendors, partners and consultants. The size and complexity of system projects can range in general from a project for a local small business that spends some $15-$20,000, to projects worth tens of millions of dollars for large end-users such as international banks or telecom service providers.

While some customers are very competent in systems and solutions, many typically need some assistance in defining the system's functionality and configuring its overall architecture. They also need some support installing the system and maintaining and servicing it when it is operating. Many businesses provide such support as "system integrators" and/or more specialised support services to different end-users. There are very large businesses that work globally and support customers who operate globally; on the other hand, many small businesses provide similar support to small and mid-sized end-user organisations locally.

In most system projects the customer's equipment costs can be a minor part of the total cost; support services comprise the bulk of the total project cost. The reason is that system parameters and configuration in various projects are never known, since the specifications are developed in an intense interplay between many different actors within and external to the company. Several different functions in the customer organisation are generally involved in defining the system's performance parameters. Given the role of communication and data systems, IT and purchasing as well as functions such as HR, production, marketing and sales are frequently involved. Several external actors can become involved, so specifying the actual system solution and defining the features that need to be installed require intense interaction among these actors. The equipment specifications are defined between the end-user organisation (and its various functions), a "system integrator" (or other similar system consultants) who assist the end-user, equipment vendors (such as Cisco) and some other external specialised consultants and suppliers. Defining the system architecture and components is critical for the purchase and operating costs and for the functionality and performance on which customer value depends.

4.2 Customer relationship management at Cisco

Cisco's sales are 100 per cent indirect and the choice has been to go to market through business partners reselling the products and services. Two different go-to-market (GTM) models coexist in Cisco.

In the first GTM model, which is used for major customers, Cisco has an intense direct relationship with these customers, which are typically large companies with considerable investments in communication systems (e.g. banks, institutions of public administration, large international industrial businesses, and telecom and data service providers). Among the major customers Cisco identifies a special category of "transformational" customers for which data system investments are related to transforming their business models (an example can be a bank or retail business about to move towards an online service business model). It is not unusual for transformational customers to annually invest large sums (millions of dollars) in data and communication systems. Transformational customers are important for Cisco as lead users with which to experiment novel approaches and solutions and for innovating equipment technology. The company tends to refer to its relationships with major customers as "customer-led". Business from such customer-led relationships with major customers (including transformational ones) represents a major portion of Cisco's overall sales.

The GTM model used for all other customers is known in Cisco as the "partner-led" model, and the provider-customer interaction is mediated through the business partners. To better serve the customers through the partners and deliver the best value proposition to the market, partners adopt two sets of programs.

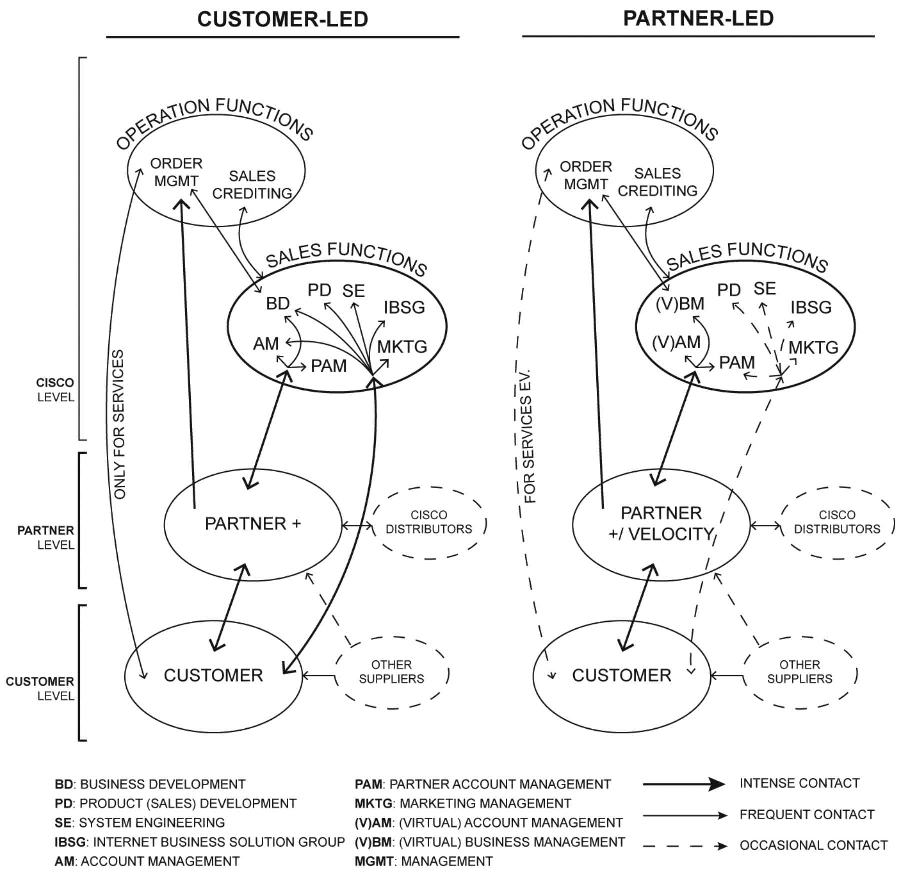
Partners that work mainly with medium-sized customers or on complex projects adhere to the Partner + program. Partners that focus mainly on small businesses or transactional sales adhere to the Velocity program. Both types of partners can act as system integrators, helping end-users configure and implement their systems. A few hundred Partners + serve end-users, sometimes with Cisco's direct support. These end-users are typically large and mid-sized businesses with economically relevant system projects that can involve investments of hundreds of thousands of euro. The Partner + partners are typically service businesses with a proven record of growing the business. Some are large companies that work with important accounts such as banks, public administration and industrial companies. A range of mid-sized businesses work as partners in a similar way. Partners + can have very different business models; some can be likened to general contractors providing "turnkey" solutions; others advise and service clients on more specific issues. They often have considerable expertise in managing complex projects, solid competence in hardware technologies and a good knowledge of the supply market.

Several thousand Velocity partners work in ways similar to those of Partners + , but with end-users that usually invest smaller budgets, typically smaller businesses operating locally on minor system projects. Velocity partners assist these to find and assemble solutions in which Cisco equipment can be an important part, but Cisco's involvement and support to the Velocity partners is less intense.

4.3 Organizing the customer interface

The need to engage different competences and to access different resources in defining the features of the system solution and in implementing it is reflected in how the interface between Cisco, the partner and customers is organised. The structuring of the interface and the way it is executed depend on the type of customer and partner relationship (see Figure 1).

The organising principle is best seen in "customer-led" relationships with major customers, but remains the same for "partner-led" relationships too. Several functions at Cisco help customers to design and install the system and five functions provide strategic and technical support: Customer advocacy (CA), Business development (BD), Product development (PD), System engineering (SE) and the Internet Business Solution Group (IBSG). In the case of major customers, these functions are available to analyse the customer's value processes (CA and BD), product technology development needs (PD), and customer business processes and the design of system solutions (SE and IBSG). These functions are heavily involved with transformational customers and are critical both for the value offered in the specific relationship with these customers and in bringing important impulses into Cisco for future technological and business development. Another function that provides commercial and marketing support is Account management (AM), which carries out most of the traditional sales activities. AM defines the sales budget with the customer and the system integrator (a Cisco partner) and facilitates order management. It also coordinates various channel activities such as logistics and the involvement of other third parties and links to various internal organisational units at Cisco. AM also orchestrates all the functions that support the development and closure of the deal. The Partner Account Manager (PAM) is in charge of channel management, supports partner sales and provides distribution operations support following up orders. The PAM also monitors delivery



Source: Cisco Management (2012)

Figure 1.
Customer interface at Cisco

and sales administration from a partner's perspective. Marketing management (MKTG) provides market communication support and collects and distributes market and customer intelligence. Marketing is in charge of promotion activities to generate demand leads and general marketing communication. In the background is the physical distribution system through a net of distributors. Once the deal is closed, the Sales Operations and Sales Crediting functions are responsible for Cisco's internal order management and sales credit allocations to the correct organisations.

In principle, the same functions are involved even in partner-led relationships but tend to interact directly and more intensely with partners and less with end-users. While the interface structure is the same, the commercial and marketing interface functions are different in partner-led and customer-led relationships. For partner-led relationships three functions – business management sales (BM), account management (AM) and marketing (MKTG) – work primarily through the partners. In relationships with minor Partner + and Velocity partners these functions have developed as "virtual business management sales" (VBM) and "virtual account management" (VAM), which use digital, video and collaboration technologies to communicate with partners and customers. In relationships with minor customers and partners, digital communications tools are used extensively to contain the costs while enhancing market coverage. The partners can enlist the support of more strategic functions (business development, product development and system engineering), but the intensity of interaction decreases with less economically important customers and partners. With a few exceptions, the equipment is ordered and delivered through a system of market distributors that is usually distinct from the service business of the partners.

The current customer interface illustrated in Figure 1 is a snapshot of the company's sales system, which is subject to continuous maintenance and development. Over the past decade the complexity of the organisation interface and the content of the company's sales systems functions have grown remarkably. The most recent development is refining a cost-effective virtual sales and account management for the smaller Partner + and Velocity partners. An interesting aspect of the customer interface is the flexibility in the design, which allows for the annual re-location of 10 per cent of customer relationships between different customer statuses, changing from customer-led to partner-led or between Partner + and Velocity partners, depending on how the customers' and partners' businesses evolve.

5. Insights from the Cisco experience

The three-tiered customer interface is designed to sustain the interaction needed for developing value solutions tailored to different market segments. The current organisation became differentiated, reflecting the growing customer base and customer portfolio, and the acquisition of various technologies. The large and differentiated customer base, with different tiers of importance and different needs, poses the problem of how to handle such differentiation "effectively and efficiently". Three aspects of organising the customer interface for value creation should be emphasised.

The first is that for the organisational design to be functional for value creation in relationships, several more or less specialised functions need to be embedded within the organisation (e.g. system engineering, the Internet business solution groups, marketing). There also need to be external parties such as the partners, other suppliers and service providers that are part of the company's sales model. This complexity at the customer interface generates the cost involved in developing and delivering value solutions and of the magnitude of investments required to sustain the value creation process. Indeed, Cisco's sales and marketing expenses comprise some 21 per cent of turnover, nearly twice as much as overall R&D expenses. In Cisco's case there is no standard solution to be given a priori to the customer. Neither the user nor the provider knows the parameters of a value-effective solution at the beginning of the process. Furthermore, customers mostly lack the necessary competence to combine and assemble hardware with software to provide effective solutions on which customer value depends. The parameters of the system solution need to be gradually identified, defined and constructed, and this requires an organisational design that can guarantee a continuous dialogue and extensive interactions between the parties. This complex organisation is necessary in order to establish and maintain relationships functional for conceiving and implementing effective solutions of value for customers in interaction between the user and solution provider. What needs to be achieved through the organisation is not limited to getting to know the customer's needs, sensing and anticipating the customer's future needs and tailoring the product accordingly (Day, 1994; Vorhies *et al.*, 1999). From the supplier's point-of-view, creating value for the customer requires relating to the customer to ensure his/her involvement, and connecting to co-operate with the supplier business in order to generate value (Danneels, 2003; Day and Van den Bulte, 2003).

The second insight the Cisco experience offers regards the networked sales model for combining and integrating various elements of the offering. Indeed, defining the system features and the installation of the system and putting the system in use, not to mention servicing and maintenance, require a set of highly specific competences and resources. Such resources and competences are spread among the customer organisation, the supplier organisation and third parties such as partner organisations and other service providers involved in defining and installing the solution. This means a whole network of actors, internal and external to the supplier and customer businesses must be mobilized to define and assemble the system solution, and a multi-polar network must be activated and coordinated. While the resulting network of actors is external to the supplier organisation (and a varying part of the marketing and sales function is externalized), the external actors are part of the vendor's own value delivery chain on which the value created depends (Hinterhuber, 2002). Indeed, in Cisco's case, the management explicitly acknowledges that value creation in relationships is tripartite – vendor-partner-customer, rather than dyadic – supplier-customer.

The third aspect of the organisation of the customer interfaces at Cisco is the differentiation in how configuration varies according to the relative importance of the customer relationship and the functional requirements. Given the variety of customer relationships, it becomes evident that it is impossible to "design and implement a single best account management organisation structure" (Gosselin and Bauwen, 2006, p. 377). The great variety in Cisco's case clearly supports the argument that not all customers should be considered strategic accounts and partners (Bowman and Narayandas, 2004; Sullivan *et al.*, 2012). Organisation of the customer interface matters because "every choice regarding the design of organisational structure, managerial systems, individual processes and activities relating to Marketing and Sales can strongly affect the ability of the company to create superior customer value" (Guenzi and Troilo, 2007, p. 99). The organisational structure to sustain the business generated by relationships through the Velocity partners in Cisco's case is an example of creative organisational design and imaginative use of digital technology to contain the co-ordination costs while sustaining the necessary interaction for value creation.

Configuration of the customer interface reflects the necessary trade-off between effectiveness in creating valuable solutions and the organisation's co-ordination costs. The Cisco experience resonates well with research showing that the direct sales system does not lead *per se* to superior customer-value creation and market performance because of the control it permits (Guenzi and Troilo, 2007). Considering that research has shown that diversity of actors and interaction intensity are positively related to innovativeness (Coviello and Joseph, 2012; Hult *et al.*, 2004), and in light of the Cisco experience, it is reasonable to assume the indirect sales system, such as the one Cisco uses, if properly managed, will allow for the exploitation of the distributed competences for value creation in customer relationships; what is lost in control is offset by greater innovativeness.

6. Conclusion and implications

This study contributes to a better understanding of the value-creating process in business relationships and how it is related to the organisation at the firm's boundaries, suggesting that the value creation process benefits from configuring the customer interface as a "networked sales organisation". Our contribution can thus be seen as synergetic (Ridder *et al.*, 2013) to the current theory of value creation in business-to-business relationships.

Companies experiment with new organisational configurations because effective value creation in business markets requires resources and competences that are distributed externally and within the organisation, and are controlled by a variety of actors inside and outside of the company that need to be engaged in the value creation process. The networked sales organisation as described in this study has features of the "architecture of collaboration" (Fjelstad *et al.*, 2012), an organisational form that relies on lateral, reciprocal interactive relationships among actors, rather than hierarchy, for control and coordination. It represents an organisational solution that is flexible and allows effectively addressing the variety of situations management has to cope with at the customer interface of the company.

The design of the actual networked sales organisation in practice may not always be easy to grasp because it is based on shared operating rules and organisation principles, rather than on detailed procedures and a precise attribution of responsibilities. More than outcome of an intended design, it has features of a temporary organisation that emerges from experimenting with continuous gradual and local adjustments. The actual organisation, as in the Cisco case, is likely to be the result of continuous adaptations based on critical assessment of the issues of concern, with the aim of making the organisation more effective and correcting possible drawbacks and weaknesses of the existing design.

The context of value creation in customer relationships has features of a "distributed knowledge system" (Tsoukas, 1996), in which a variety of competent actors need to engage directly in customer relationships to create value; therefore, value creation cannot be assigned to a single unit at the organisational boundary as, for instance, sales or marketing (Gummesson, 1991). The distributed competences, internal and external, need to be collectively orchestrated (Dhanaraj and Parkhe, 2006; Hinterhuber, 2002) rather than hierarchically coordinated. Operating effectively requires acknowledging the interdependence of the own business with those of the customers and others and implies thinking in terms of collective action. It requires espousing that the task of management is to manage *in* relationships and *in* a network, rather than to manage the relationships and networks. The critical task of management in the value creation process in customer relationships is connecting and involving multiple competences on both sides of the relationship and often with third parties, which requires developing and strengthening "relating capabilities" (Day and Van den Bulte, 2003), rather than further refining analytical skills and practices inspired by planning logic. The relating capability of a business reflects the individual abilities of those who perform in relationships with customers but depends mainly on developing organisational practices and routines that enhance the capability at organisational level. For instance, for account management to orchestrate activities without relying on hierarchical control requires developing distinctive skills in communicating, motivating and mediating between the parties (Mangold and Faulds, 2009) and to experiment with organisational solutions differentiated in relation to value creation processes for different categories of customers.

The case reported in this study can be considered a best practice of creating value collaboratively both within and across firms. One limitation of the data is that it derives mainly from the supplier's perspective. Ideally, different perspectives (suppliers', customers' and partners') on the value creation process and performance should be examined. Exploring the multiple perspectives would be a worthy exercise likely to result in a more complete picture of how the organisational forms at firm's boundaries link to the relational value creation process. An extension of the current study would be to investigate comprehensively how seller, customer and external partners interact to create outcomes that could not be achieved independently. This is likely to require longitudinal studies on how the organisational design changes with change in the value creation process. Also, the darker side of the networked sales system could be an issue for future studies dealing with incentives for opportunistic behaviour in appropriating value in the networked organisation, and mechanisms to contain such behaviours.

This study is a first attempt to reflect on how the customer interface can be configured to sustain value creation processes. Cisco's "networked sales organisation" model represents a sustainable and efficient solution for the company in the current context. However, we can imagine that other models, with other kinds of figures involved internally and externally, are practiced in the business-to-business context that should be studied if we are to grasp value creation in the dyad and beyond, in a logic of the networked architecture of collaboration.

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