

Towards an integrated business model for business-to-business focused service providers pursuing a customer intimacy strategy

A Case study aimed at optimizing the business of an innovative joint venture by increasing coherence and alignment within the integrated business model



The wise adhere to unity...They do not solely focus on themselves and that is why they outshine...

(Part of a quote of Lao-Tse; Chinese philosopher; approximately 600 B.C.)

Supervisors

dr. ir. J. Kraaijenbrink (University Twente)

R.P.A. Loohuis MBA (University Twente)

J. Vonhof (COO)

Author

David Langenkamp

(s0197831)

Executive summary

This study is commissioned by COO, a newly created Dutch joint-venture operating within the facility market. It tries to answer the question what could be altered and specified regarding the initial ideas of this joint venture in order to develop into a viable organization. In other words, this study tries to answer, for COO, the two fundamental questions to every service organizations: *What are the important elements of the service to be provided for the customer?* and *What efforts does this suggest in terms of designing, delivering and marketing the service?* In guiding the answering process of these questions, the business model of Osterwalder (2004) is used as starting point. However, discussing this model showed some disadvantages. To overcome these, the business model from Osterwalder (2004) is integrated with the strategy map (Kaplan and Norton, 2000). This new integrated business model consists of four perspectives: the customer, the process, the learning and growth, and the financial perspective. These four perspectives together contain eleven elements: value proposition, target customer, relationship, distribution channel, value configuration, partnership, capability, information systems, corporate culture, cost structure, and revenue streams.

It is this integrated business model which is eventually used as guiding tool within this study. First it is used to develop a theoretical framework. From conversations with the founders of COO, the website, and the corporate presentation, it showed that COO is as service organization with a Business-to-Business (B2B) focused customer intimacy. Therefore, the theoretical discussion of the four perspectives and eleven elements revolves around these characteristics in order to develop a theoretical framework on business models for service organizations with a B2B-focused customer intimacy strategy. Then, the founders of COO are again interviewed to get a clear picture of the initial situation of COO in terms of the integrated business model. After that, this study zooms in on customizing the theoretical framework to the specific situation of COO. This is done by developing an interview framework, based on the theoretical framework, which is used to interview seven market-experts.

The main results of these interviews were first of all that, given the current situation of COO and the market characteristics, the Small- and Medium-sized Enterprise (SME)-market seems most attractive for COO. Also, the experts stated that there are no fundamental content-wise differences between the four sectors COO is aiming for. Furthermore, it was said that all of the four main services of COO (janitor-COO, E-COO, facility purchasing, and facility consultancy) could be of value to customers, but in certain situations and with certain requirements. Finally, it is concluded that although COO is not as innovative as they claim, they can still be operating with a competitive advantage if they become pro-active, flexible, willing to change, and customer-oriented in the sense that they are willing and able to personalize and customize the service. The results of these interviews combined are then combined with the literature in order to come to several recommendations on how COO could, given the current internal and external situation, best alter and specify their initial ideas with the intention to become a viable organization. The most important recommendations are that it is preferable for COO to first focus on Small- and Medium-sized Enterprises within the region by exploiting their knowledge and network. This means that large enterprises are not yet to be targeted. Also the value proposition and external communication should not focus on the innovativeness of the janitor-COO concept, but on the personal, tailored, reliable, problem-solving character of offering total relieve for the client-organization regarding facility management issues. This is best done by sub-dividing the main value proposition into three elements: janitor-COO, E-COO, and purchasing and consultancy. It was also concluded that for COO, it is best to offer E-COO only in combination with SITA and Novon, not with other parties. Also, it is concluded that given the current situation, COO will do wise to be selective in their targeting. Furthermore, given their main strategy, it is preferable for COO to focus on customer lifetime value by aiming for long-term relationships with the help of creating loyalty. Loyalty is said to relate to perceived quality which in turn depends on balancing between expected quality (e.g. influenced by references) and experienced quality. Experienced quality is said to be influenced by, among others, the characteristics of the value propositions and the SERVQUAL-model domains, especially reliability, assurance, and the willingness to help aspect of responsiveness. Finally, it would be valuable if COO can provide specific management reports in which they constantly come with recommendations on how to improve the service.

Table of content

<i>Preface</i>	- 6 -
Chapter 1 Introduction	- 8 -
1.1 Theoretical validation of the focus	- 9 -
1.2 Case setting	- 10 -
1.2.1 The corporate parents	- 10 -
1.2.2 The rationale behind the joint venture	- 11 -
1.2.3 The focus of COO.....	- 11 -
1.3 Research focus	- 11 -
1.4 Research questions	- 12 -
1.5 Using the business model	- 13 -
1.6 Importance of this study	- 13 -
Chapter 2 An integrated business model	- 14 -
2.1 What is a business model?	- 14 -
2.2 An integrated business model	- 15 -
2.2.1 The business model of Osterwalder	- 15 -
2.2.2 Integrating the business model with the strategy map	- 16 -
2.3 Customer perspective	- 19 -
2.3.1 Value proposition	- 19 -
2.3.2 Target customer	- 20 -
2.3.3 Relationship	- 21 -
2.4 Process perspective	- 24 -
2.4.1 Distribution channel	- 25 -
2.4.2 Value configuration	- 26 -
2.4.3 Partnership	- 27 -
2.5 Learning and Growth perspective	- 28 -
2.5.1 Capability	- 28 -
2.5.2 Information systems	- 30 -
2.5.3 Corporate Culture	- 33 -
2.6 Financial perspective	- 34 -
2.6.1 Revenue model.....	- 35 -
2.6.2 Cost structure.....	- 35 -
2.7 To conclude	- 36 -
Chapter 3 Research Design	- 39 -
3.1 Research approach and consequences of this approach	- 39 -
3.1.1 The use of literature and theory	- 39 -
3.1.2 Research strategy	- 40 -
3.1.3 Reliability and validity	- 41 -
3.3 Answering process per sub questions	- 41 -
3.3.1 Sub question one.....	- 41 -
3.3.2 Sub question two	- 42 -
3.3.3 Sub question three	- 44 -
Chapter 4 The business model of COO	- 45 -
4.1 Customer perspective	- 45 -

4.1.1 Value proposition	- 45 -
4.1.2 Target customer	- 46 -
4.1.3 Relationship	- 46 -
4.2 Process perspective	- 47 -
4.2.1 Distribution channel	- 47 -
4.2.2 Value configuration	- 47 -
4.2.3 Partnership	- 47 -
4.3 Learning and growth perspective	- 47 -
4.3.1 Capability	- 47 -
4.3.2 Information systems	- 48 -
4.3.3 Corporate culture	- 48 -
4.4 Financial perspective	- 48 -
4.4.1 Revenue model	- 48 -
4.4.2 Costs structure	- 48 -
4.5 To conclude	- 48 -
<i>Chapter 5 What do the experts think?</i>	<i>- 50 -</i>
5.1 The offer	- 50 -
5.1.1 E-COO	- 50 -
5.1.2 Janitor-COO	- 50 -
5.1.3 Purchasing and consultancy	- 51 -
5.1.4 The SERVQUAL-domains	- 52 -
5.1.5 Differences between sectors and between different size organizations	- 52 -
5.1.6 What else is valued?	- 53 -
5.1.7 To conclude	- 53 -
5.2 Attracting the interest of the customer	- 54 -
5.2.1 Getting in touch with the customer	- 54 -
5.2.2 To conclude	- 55 -
5.3 Managing the relationship	- 55 -
5.3.1 Managing communication with the customer	- 55 -
5.3.2 The use of RMIs	- 56 -
5.3.3 The use of management reports	- 56 -
5.3.4 To conclude	- 56 -
5.4 Being different than the competition	- 57 -
5.4.1 Getting a competitive edge	- 57 -
5.4.2 To conclude	- 58 -
5.5 To conclude	- 58 -
<i>Chapter 6 How to design the business model</i>	<i>- 59 -</i>
6.1 Customer perspective	- 59 -
6.1.1 Value proposition	- 59 -
6.1.2 Target customer	- 60 -
6.1.3 Relationship	- 62 -
6.2 Process perspective	- 64 -
6.2.1 Distribution channel	- 64 -
6.2.2 Value configuration	- 65 -
6.2.3 Partnership	- 67 -
6.3 Learning and growth perspective	- 68 -
6.3.1 Capability	- 68 -
6.3.2 Information systems	- 69 -
6.3.3 Corporate culture	- 70 -
6.4 Financial perspective	- 70 -
6.4.1 Revenue model	- 70 -

6.4.2 Cost structure.....	- 71 -
6.5 To conclude.....	- 71 -
<i>Chapter 7 Conclusion.....</i>	- 75 -
7.1 The conclusions	- 75 -
7.1.1 Theoretical conclusions	- 75 -
7.1.2 Practice-oriented conclusions	- 75 -
7.2 The recommendations.....	- 76 -
7.3 Limitations of the research.....	- 77 -
7.4 Contributions of the research	- 78 -
7.5 Future research	- 78 -
<i>References</i>	- 80 -
<i>Appendix A Interview framework I</i>	- 87 -
<i>Appendix B Interview framework II.....</i>	- 89 -
<i>Appendix C Abbreviations used.....</i>	- 91 -

Preface

On the title page, a picture of geese flying in a V-formation is shown. The V-formation is a flying pattern that airplanes or birds use when each individual plane or bird is positioned in such a way that the air swirls caused by them gives the planes or birds flying behind them additional lift. In other words, the individual elements of the pattern ease the road for the other elements; they strengthen each other. Of course, there has to be a clear focus, indicated by the front planes or birds, for this to happen; a direction on where to go.

The business model concept uses the exact same logic. The elements of a business model have to be designed in such a way that the individual elements strengthen each other, there has to be coherence between the elements. And as is the case with the v-formation, a clear focus is also essential to business models.

A business model is aimed at delivering a value proposition to a specific target customer. So there is a clear outside-focus. It is this focus on which the entire business model should stand. This means that an organization can not just focus on itself. Although an internal analysis is important, an organization also has to know how the environment looks like: what are the main target customers, how do they perceive the value proposition in relation to the competition, and how can the value proposition best be delivered to them. The quote of Lao-Tse expresses this all very well. “*The wise focus on unity*”, coherence; “*They do not solely focus on themselves*”, but they keep an eye on the environment; “*and that is why he outshines*”, it is these characteristics what make the wise stand out in a positive way; it gives them a competitive edge. This research tries to achieve this coherence and clear focus within the business model of COO®¹. COO is a newly created Dutch joint venture operating within the field of facility management.

This study marks the ending of my academic education within the field of Business Administration; it is the master’s thesis. And although the thesis as it lies here is now a satisfying end result, it was by no means a smooth journey. In fact, it was a journey full of obstacles, taken in the midst of the greatest financial crisis since the Great Depression. First of all there were reconstruction activities (including the demolition of the whole backside of the house) at my workplace for several months causing a lot of inconvenience. I had to go to dentist to get one of my wisdom teeth pulled. I also had to go to an oral surgeon to remove another wisdom tooth, this happened twice. There was a flu epidemic and there was an Internet-blackout at my work place. These were only the situational factors. More content-wise, there were also multiple bumps in the road. First of all it took me quite some time to find suitable supervisors at the university. Also defining the focus of the study required a lot of effort; only to find out after months of work, that the focus was still too broad. Finally, getting appointments with the right respondents was an effort- and time-consuming activity. When one looks at all this, one might think it is a small miracle that the thesis was finished. And for one person to do it all alone, indeed, it probably would have taken a miracle to have finished this enormous task with all the obstacles just mentioned. But luckily I did not have to do it alone; so even though the wondrous days of Christmas were part of thesis-timeframe, no real Christmas miracles were needed. However, getting help of many people means that some grateful words are needed. So I would like to thank some people. First of all, I want to thank my advisors; both those from the university and those from COO. Jeroen Kraaijenbrink and Raymond Loohuis from the university provided me with many tips and their replies were always swift and constructive. And even though I did not always agree with them and that there were (only a few) moments I was not happy with them, I now see that both of them played a major role in the satisfying end result of this thesis. Jacco Vonhof and Jannette Poppema of COO provided me with many of the same things. Although their replies sometimes were not that swift, they were always very willing to help and they offered me with some useful tips. So thank you all for that. Also I want to thank some friends who gave my advice and provided me with useful literature and

¹ COO is a registered trademark. But in order to improve readability, the ® is left out in the remainder of this study.

feedback. Finally I want to thank my family. They did everything to support me during this process and I now that was a lot. So thank you!

To finalize this preface, I want to say something about the personal targets I set for this thesis. Because before I started the journey, I set some goals to myself. First of all, I wanted to do a practice-oriented, or applied, research in a real-life organization. Business Administration is relatively practice-oriented. So it is my believe that this study should be completed with a practice-oriented research in a real-life organization; a sort of master's assignment, that what the apprentice had to accomplish in order to satisfy the master. Secondly, I wanted the assignment to be multi-facetted. Business Administration is a multi-disciplinary study as is doing a Business Administration-related job. Therefore, a multi-facetted research is a good way to end the curriculum and to prepare for my future career. Third, regarding the real-life organization, I preferred a Small- and Medium-sized Enterprise (SME) because I wanted to know how working in a SME looks like. Working in large organizations is something I already had some ideas about because of for example in-house days. But I never had close contact with a SME. So doing an assignment for a SME was a great way in overcoming this lack of experience. Finally, I wanted the assignment to provide me with a great deal of personal input on where to focus on. So I did not want a clear-cut assignment on arrival, but if possible, I preferred an assignment in which the real problem was not clear yet and in which I myself had to find out what the problem was and then try to find an answer to it. So in other words, I preferred to work in a similar way as a consultant. Being a consultant is something that attracts me as a possible career choice. So working in a similar manner was a good way to find out if that is really what I want.

Now that my personal goals for this thesis are explained, the right people are thanked, and the goal of the thesis is clarified, there is only one more thing to say: enjoy reading this thesis.

David Langenkamp

Zwolle, March 2010

Chapter 1 Introduction

More than 70% of all joint ventures fail (Spranger, 2004). Other studies show more cautious numbers; between the 50% and 60% (Büchel, 2003). Although these numbers differ, they agree on the fact that success in joint ventures does not come easily. The characteristics of joint ventures shed some light on why this is the case. Johnson, Scholes, and Whittington (2006) describe joint ventures as arrangements in which two or more organizations remain independent but together set up a newly created organization which is jointly owned by those organizations, called corporate parents or partner organizations. More narrowly defined, “a joint venture occurs when two or more firms pool a portion of their resources within a common legal organization.” (Kogut, 1988: pp. 319). So joint ventures contain the pooling and sharing of resources of independent organizations into a new organization. This brings forth a situation in which many interactions exist; a situation which is depicted by Harrigan (1986).

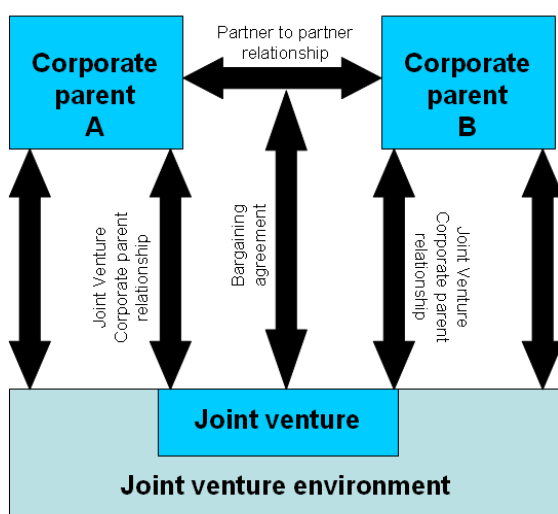


Figure 1.1: Relations within a joint venture situation; adopted from Harrigan (1986)

First, there is the relationship between the corporate parents. From this, the bargaining agreement emerges. Besides this relationship, the parents also directly interact with the joint venture and with the joint venture’s environment. Finally, the joint venture has to operate within and interact with its environment. So joint ventures are a complex phenomenon in which many factors play a role; factors that, by making things complex, may lead to failure. More specific reasons as to why many joint ventures fail are lack of trust between partners, lack of top management support, cultural differences between partners, sovereignty conflicts, competitive behaviour between partners, lack of separate alliance function, unsuitable conflict resolution methods, unclear focus of the joint venture, unequal sharing of risks and benefits, and imprecise roles of the corporate parents (Harrigan, 1986; Park and Russo, 1996; Dyer et al., 2001; Park and Ungson, 2001; Büchel, 2003). However, what these studies seem to forget, or at least do not mention, is the fact that a joint venture leads to a newly created organization that quite autonomously operates in a new environment; Harrigan (1986) states that joint ventures are mostly used to gain access to new markets, to diversify, and/or to innovate which means that they lead to new organizations operating in new situations and new environments. These new businesses are a risky activity; failure rates are high: around eighty percent fail within the first five years². Some pitfalls new businesses face, like for example limited access to capital, personnel, and other resources (Garnsey, 1998), are avoided by being a joint venture and having two or more existing organizations as back-up. However, the main challenge to (new) organizations is to accomplish

² <http://www.reuters.com/article/pressRelease/idUS150247+23-Jul-2008+BW20080723>, visited on July 29, 2009

coherence within the organization and alignment with the environment (Hayes et al., 2004). Being a joint venture does not steer clear of this potential pitfall. In fact, since there are multiple parents (and thus opinions), this may well be even more complex within joint ventures. Therefore, this study focuses on that challenge. It will analyze how an organization's business can best be designed in a coherent way given its generic value proposition and main target customer. In other words, it zooms in on the lower two elements of figure 1.1: the joint venture and its environment. This will be done at COO, a Dutch joint venture founded by Novon and SITA. COO is a service provider focused on tactical facility management by offering a customer intimacy value proposition to businesses; it targets organizations with fifty employees or more. More of COO will be discussed in section 1.2. But this chapter will first zoom out to focus on inter-organizational cooperation (IOC) in general in order to justify why a joint venture can be seen apart from its corporate parents. In other words, section 1.1 will validate the choice of focussing on COO itself and not on the relationship between COO and its parents. Section 1.3 will elaborate on the research focus a bit further, and from thereon the research questions will be formulated in section 1.4. From this discussion, it will follow that the business model concept will be used as guiding tool. Therefore, section 1.5 discusses using business models to put things in perspective. Finally, section 1.6 focuses on the importance of this study.

1.1 Theoretical validation of the focus

Joint ventures are a specific form of IOC. By elaborating on these types of cooperation, this section will explain why the choice to focus on COO as stand-alone business is validated.

Choosing to pursue IOC as a means of strategy development depends on factors like risks involved, costs, and whether or not the option addresses the strategic position the organization is in (Keuning, 2003; Johnson et al., 2006). Specific motives as to why organizations want to cooperate with other organizations are to gain access to or internalize new knowledge and competences, to exploit economies of scale and scope, to gain market power, to share risks and uncertainties, to gain external legitimacy and status, to provide access to complementary resources, to reach critical mass, to allow for focusing on one's own core activities, to enhance speed-to-market time, to share costs, and to gain access to new (international) markets and capital (Gulati, 1995, Eisenhardt and Schoonhoven, 1996; Baum, et al., 2000; Kale, Singh, and Perlmutter, 2000; Johnson, et al., 2006; Van Gils and Zwart, 2009). Such variety of motives inevitable leads to many different forms of IOC: joint ventures, strategic alliances, joint manufacturing agreements, licensing, franchising, joint sourcing agreements, joint marketing agreements, R&D consortia, various forms of network organizations, and dealerships (Ring and Van de Ven, 1994; Keuning, 2003; Johnson et al., 2006). Gulati (1995) comes up with a dichotomy in which these different forms can be categorized. This dichotomy finds its origin within the transaction cost model. This model is, according to Hall (2001), mainly based on the work of Williamson (1975, 1985). The starting point of the transaction cost model is the transaction of goods and services. It is assumed that these transactions happen on the spot in the free marketplace if they are simple. But if transactions are to become more complex and uncertain, the marketplace becomes unsuitable. The structure that replaces the marketplace in these cases is the hierarchy or organization. Whether or not a marketplace or a hierarchy is the suitable form depends on the sum of production and transaction costs since organizations chose to transact based on minimising this sum according to the transaction cost theory. Production costs are costs involved with the production of goods and services. They may be different between organizations due to for example learning aspects. Transaction costs on the other hand are costs regarding negotiating, writing and enforcing contracts, deviating from optimal investments in order to favour a third party, and costs incurred during administrating the transaction (Kogut, 1988; Gulati, 1995).

Gulati (1995) rightly stresses that these two forms, market and hierarchy, are not black or white; they are the far ends on a continuum. He also mentions that transaction cost theory is not just useful to explain the origin of organizations, but also to explain the choice of (inter-)organizational forms; the governance structure of these forms. The latter is how Gulati (1995) uses the theory when he introduces the dichotomy of inter-organizational forms. He states that on the one hand there are

equity³ based agreements which involve the sharing or exchange of equity. This means that they lead to a shared ownership structure. Such agreements are positioned on the right-end side of the market-hierarchy continuum. They are difficult to negotiate and can involve high administrative costs, but they limit the risk of opportunistic behaviour of the partner and they provide for an administrative hierarchy which oversees the day-to-day functioning and addresses contingencies when they arise. On the other end of the continuum there are non-equity based agreements in which no equity is exchanged or shared. They are relatively easy to negotiate but often lack an autonomous administrative hierarchy to oversee day-to-day functioning.

A joint venture is an equity based type of IOC. This means that a joint venture is positioned on the right-end side of the market-hierarchy continuum; it thus closely resembles the traditional view of organizations. Therefore, a joint venture can be seen as an individual organization, an organization independent from its corporate parents. With COO, this is very clear. They have their own management staff, their own employees, an own office building, and a service which can be seen as autonomous from that of SITA and Novon. So it could be concluded that the fact that COO offers an, for the corporate parents, innovative service, many unanticipated contingencies are bound to arise. Therefore, the administrative hierarchy overseeing day-to-day activities an equity based IOC-agreement offers is justifying the equity based option. Also the fact that the ultimate goal of COO is organizational learning for SITA and Novon (as will become clear in section 1.2), the closer ties of an equity based agreement and the accompanied mutual hostage situation seem to prefer an equity based agreement over a non-equity based agreement. The fact that SITA and Novon have no other ties makes this even more important. In other words, the fact that the current situation justifies an equity-based agreement, that such an agreement in turn justifies to treat COO as a stand-alone organisation, and that COO really operates according to such an agreement (own management, et cetera), validates the focus of this study.

1.2 Case setting

As said, a joint venture is the cooperation between at least two corporate parents with a specific reason in mind that will lead to a new organization. So in order to get the complete perspective, first the two corporate parents are discussed in this section. Then the rationale behind the joint venture is explained. Finally, the focus of the newly created organization is elaborated on.

1.2.1 The corporate parents

COO was founded in August 2008 by Novon and SITA Netherlands. Société Industrielle des Transports Automobiles (SITA) started in 1919 as the first motorized waste management organization in Paris. Nowadays, the company is one of the largest waste management organizations in the world; it operates in more than 24 countries and it collects garbage of 65.000.000 world residents. SITA is part of Suez Environment which belongs to GDF Suez; one of the world's largest utility companies.

Within the Netherlands, the organisation has 70.000 companies within its customer base, as well as 4.000.000 residents. SITA Netherlands employs around 3.000 people divided over fifty offices. Their head office is located in Arnhem⁴.

Novon was founded in Zwolle in 1993 as a company specialized in cleaning. Today, Novon operates throughout the north-eastern and western region of the Netherlands with offices in Zwolle (head office), Utrecht, Hengelo and Amsterdam. Novon has about 900 employees and focuses on customers within the sectors production, service, health care, leisure, and education⁵.

³ Equity is an accounting concept which represents the value that remains if assets and liabilities are deducted. So it represents the value interest of the owner (Ross, Westerfield, and Jordan, 2006).

⁴ All information in this section was found on www.sita.nl, visited on April 4th, 2009

⁵ All information in this section was found on www.novon.nl, visited on April 4th, 2009

1.2.2 The rationale behind the joint venture

Although SITA Netherlands and Novon are operating with a different scope and with different services, they found themselves struggling with the same problem. Both companies thought of themselves as being trapped in a never-ending circle of lowering prices and making cost reductions. In order to tackle this problem, both organization thought that the solution would be to give their service “a face”; to make it more personal. Therefore, SITA and Novon teamed up to create an innovative service; a service within the field of facility management where value is delivered by providing tailored solutions to the customer concerning facility management.

1.2.3 The focus of COO

In the current market of facility management, there are two types of organizations. First, there are integrated facility service organisations which focus on the operational level. Secondly, there are organizations which focus on integrated facility management, or the strategic level of facility management. The gap between these two types is where the focus of the newly created service of the SITA/Novon collaboration lies. Because they were unable to integrate this innovative service directly into their own businesses, they created a new organization called COO; a joint venture in which both parties have an equal stake.

COO offers organizations a customized solution in the field of facility management. This means that all facility management issues are coordinated by COO in such a way that the overview possibilities of strategic facility management are offered, but also the closeness to the end user (the workforce of an organization) of operational facility management. As figure 1.2 shows, COO states that this is a new type of service.

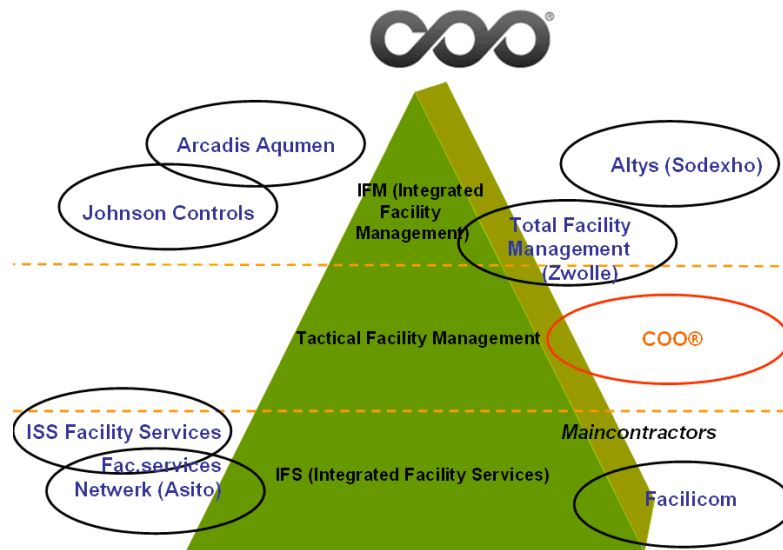


Figure 1.2: COO's position within the market; from COO's corporate presentation

1.3 Research focus

In the case of COO, SITA and Novon created a joint venture that offers a new service. In other words, they co-innovated a service. To co-innovate with other companies can be vital to company success (Tidd, 1995). With co-innovation, new products, services, processes, and/or organizations are created by pooling resources like competencies and knowledge (Grandori and Soda, 1995; Osborn and Hagedoorn, 1997; Oliver and Ebers, 1998). According to Bossink (2002), there are four stages of co-innovation. In the first phase, the corporate parents are independent within their strategy formulation but they realize that cooperation may be fruitful. In the next phase, potential partners are analyzed and negotiations start about cost and revenue issues. Within the third stage organizations enter into

contracts with each other and new organizations are created. The last phase is about effectuating the innovation. After this stage, when the corporate parents are satisfied with the innovation, the focus for them lies on how to integrate newly created knowledge and capabilities, created with the help of the joint venture, into their own organizations. But according to Büchel (2003) this point is only arrived at, on average, after six years. So the ultimate intention of COO, to create capabilities/knowledge necessary to incorporate strategic renewal into SITA and Novon and break away from the operational excellence model, seems to be connected to the end point of the joint venture; a point which is far away right now. This is an important aspect for the demarcation of this study. The ultimate goal of strategic renewal lies not within the timeframe of this study, nor is it in line with the scope. This study will focus on the current situation of COO: transitioning from stage three to four within the model of Bossink (2002); so from creating the joint venture to actually effectuating the joint venture. In other words, the focus of this research lies not on the long-term goal, but on the intermediate-term goal of becoming a profitable, sustainable business; something which is of course necessary for COO in order to be able to create the capabilities and knowledge which SITA and Novon are after. This again, just like the equity based agreement argument of section 1.1, shows that it is validated to focus on COO alone at the moment.

1.4 Research questions

As discussed in the previous sections, this study focuses on the challenge of achieving coherence within COO and alignment with the environment in order to become a viable organization; in other words, it focuses on how to design the business. Since COO is a service provider, the literature provides for two fundamental questions that have to be answered to achieve this: *What are the important elements of the service to be provided for the customer?* and *What efforts does this suggest in terms of designing, delivering and marketing the service?* (Heskett, 1986, 1987; Van Looy, Gemmel, and Van Dierdonck, 2003). A tool which can be used as framework in answering process of these two questions is the business model concept. Business models describe what value proposition is delivered by an organization to whom and how this is done in order to make a profit (Osterwalder, 2004). The concept describes nine elements on where to focus on regarding this process. In other words, it provides a framework on what to look for regarding the answering process of the two fundamental questions to service organizations.

Section 1.2 showed that COO is an organization which focuses on other organizations as its main target customers and offers those target customers a customized solution within the field of facility management. In chapter 2, it will be argued that such an approach is called a customer intimacy strategy or value proposition with a Business-to-Business (B2B) focus. Therefore the research question is formulated as:

What is the most effective business model for COO given its situation of being a business-to-business focused service provider with a customer intimacy strategy?

In order to answer this research question, there are three sub questions that have to be answered. First of all, the initial business model of COO, which is the results of the bargaining agreement (see figure 1.1), has to be specified. This develops a perspective on the initial idea of COO and allows for recommendations on how to best alter and specify this initial idea. So the first sub question is:

1. *What does the initial integrated business model of COO look like?*

A customer intimacy strategy focuses on long-term relationships with the customers and providing premium value, as will be discussed in chapter 2. It is therefore important get a deeper understanding of the market of COO and how this market works. Therefore, sub question 2 is formulated as:

2. *What do market-experts within the facility market expect of COO in terms of offering of value?*

If it is clear what experts expect of COO, it is possible to determine how alignment between the organization and the environment and coherence within the business model can be created in light of the main value proposition and main target customer. This leads to the final sub question:

3. Based on the generic value proposition and main target customer, what recommendations could be made to increase coherence and alignment within the integrated business model of COO?

Integrating the answers of these three sub questions will provide an answer to the research question. To guide this process, a theoretical framework has to be developed. This theoretical framework will be discussed in chapter 2 and will elaborate on the business model concept and specifically focus on service-oriented organizations with a B2B-focused customer intimacy strategy. After the theoretical framework is presented, chapter 3 will discuss the research design. Chapters 4, 5, and 6 will then focus on answering respectively the first, second, and third sub question. The 7th and final chapter will provide an answer to the research question in the form of a conclusion. It will also reflect on the way this study is being executed and give recommendations for further research.

1.5 Using the business model

The business model concept provides for a holistic perspective on organizations; that is why the concept is chosen as starting point for this research. However, as Osterwalder (2004) mentions, the business model concept itself has a static nature. One could say that it closely resembles the strategic planning concept this way. The static nature is something which one should be aware of if one is to use the concept. Important to realize furthermore is that a concept being static should not have to be a problem. This can be explained with the help of the Mintzberg versus Ansoff debate. According to Mintzberg (1990) the design- and planning-approach, which forms the foundation for the work of Ansoff (1965), is too static; that is why he advocates the emergent approach. This critique led to a fierce debate. But although Mintzberg words were harsh, he admits in 1991 that planning should not be left out by stating: *‘we (Ansoff and Mintzberg) both know that we shall get nowhere without emergent learning alongside deliberate planning’* (Mintzberg, 1991, pp. 465). In fact, Rigby (2005) shows that strategic planning is the most used and highest valued tool amongst managers. So it is clear that planning and designing is perceived as useful. But even though this importance, the learning and emergent aspects should not be neglected like Mintzberg (1991) suggests; because as Johnson et al. (2006) show, the way organizations operate is based on a combination of the planned strategy and the emergent strategy. So in other words, one should not perceive the business model as a definite blueprint. The emergent element has to be acknowledged which means that new data, insights, et cetera have to be incorporated within the business model in a continuous way. Such an acknowledgement is important in order to put this research into perspective.

1.6 Importance of this study

As described, this study has a practice-oriented approach; providing COO with concrete recommendations on how to improve their business model given their generic value proposition and general target customer. The importance of doing this study now is high since COO is currently in position where it transitions from a newly created joint venture which is the result of the bargaining agreement between the parents to a joint venture that actually operates within the environment. So now it is time to see how the initial ideas could be altered and specified in order to increase alignment with the environment and coherence within the organization given the generic strategy and main target customer.

The importance of the study is not only justified by the timing of the study, but also by the practical and scientific contribution it makes. These contributions will be discussed in section 7.4.

Chapter 2

An integrated business model

This chapter discusses the business model concept. It will first describe what a business model is and the importance of it. After that, the chapter focuses on integrating the business model as described by Osterwalder (2004) with the strategy map concept as introduced by Kaplan and Norton (2000). The strategy map concept is based on the balanced scorecard (Kaplan and Norton, 1992). Osterwalder (2004) already mentions that the business model relates to the balanced scorecard; he even refers to the article of Kaplan and Norton (2000) in which the strategy map concept is described. But he does not explicitly combine both concepts; something which provides some advantages as section 2.2 will show. Integrating both concepts will lead to an integrated business model, as section 2.2 will also show. The sections 2.3, 2.4, 2.5, and 2.6 will then elaborate on the four perspectives and eleven building blocks of this integrated business model by focusing on key factors of each element in light of the situation of COO: a B2B-focused service provider pursuing a customer intimacy strategy. Section 2.7 will provide a summary of the chapter.

2.1 What is a business model?

“In turbulent times, an enterprise has to be able to withstand sudden blows and avail itself of unexpected opportunities. This means that in turbulent times the fundamentals must be managed and managed well” (Drücker, 1993, pp. 9). A newly-created innovative joint venture operating in a dynamic market finds itself in very turbulent times. For COO, the fundamentals are thus particularly important. According to Applegate, Austin, and McFarlan (2007), the fundamentals Drücker (1993) is talking about are framed by the business model. So business modelling will map the fundamentals of the business. This has several advantages as Osterwalder (2004) argues: business modelling helps to improve the understanding of the business, it allows for easy sharing of the underlying business logic, it helps analyzing this business logic, it allows for improved management of the business logic and it may stimulate innovation and increase readiness for the future. These advantages show that business models are a useful tool in determining how the initial idea of the joint venture can best altered and specified in order to become a viable organization (and thus answering the two fundamental questions to service organizations). In other words, they are a valuable tool in achieving the objective of this study.

In 1962 Chandler published his book “Strategy and Structure” in which it was explained how the alignment of strategy, environment, and resources necessary to pursue this strategy create value for all stakeholders. This reasoning proved to be one of the main building blocks of current business model thinking (Chesbrough and Rosenbloom, 2002) and it shows that business models are useful in a broad context; or as Margretta (2002, pp. 86/87) puts it: *“a good business model remains essential to every successful business”*.

Many authors have described and defined business models (e.g. Linder and Cantrell, 2000; Margretta, 2002). However, the unit of analysis of this study is not the concept of a business model itself. So the purpose is not to give a detailed description of all literature on business models. Instead, this chapter tries to describe the business model concept in a clear way and tailor it to COO’s situation in order to use it as a guiding framework throughout this study. But that does not mean that the description of business models may be incomprehensive. Therefore the definition of Osterwalder (2004) is very suitable because his dissertation provides a comprehensive, recent overview of the literature on business models and uses this to come up with a synthesis-definition of business models:

“ A business model is a conceptual tool that contains a set of elements and their relationships and allows expressing a company's logic of earning money. It is a description of the value a company offers to one or several segments of customers and the architecture of the firm and its network of partners for creating, marketing, and delivering this value and relationship capital, in order to generate profitable and sustainable revenue stream.” (Osterwalder, 2004, pp. 15).

Within more recent work, the business model is said to zoom in on how an organization creates, delivers, and captures value (Osterwalder and Pigneur, 2009). In other words, a business model is a representation of important elements of an organization and how these elements create, deliver, and capture value. So in fact, the concept provides a framework for answering the earlier discussed fundamental questions to service organizations: *What are the important elements of the service to be provided for the customer?* and *What efforts does this suggest in terms of designing, delivering and marketing the service?* In other words, this study uses the business model concept as a tool in analyzing how to best design important elements of COO; a B2B-focused service organization pursuing a customer intimacy strategy. In order to better suit this purpose, the next section will analyze if the business model concept of Osterwalder (2004) does not overlook any important elements.

2.2 An integrated business model

This section will first discuss the composition of the business model as described by Osterwalder (2004). From this, it will become clear that there are some disadvantages with the model as he proposed it. To overcome these disadvantages, the business model concept will be integrated with the strategy map concept in subsection 2.2.2.

2.2.1 The business model of Osterwalder

Like the definition of business models, the elements of a business model are also discussed by many authors (e.g. Chesbrough and Rosenbloom, 2002; Hamel, 2000). Again, Osterwalder (2004) uses much of the literature on business models to come up with a synthesis-description of elements that together form a business model. The business model as Osterwalder (2004) describes it rests on four pillars: product, customer interface, infrastructure management, and financial aspects. Together these four pillars contain nine building blocks, the elements of the business model: value proposition, target customer, distribution channel, relationship, value configuration, capability, partnership, cost structure, and revenue model. Osterwalder and Pigneur (2009) use this framework as fundament for their new book, but slightly different terms are used to name the elements. However, since the original framework from Osterwalder's dissertation (2004) clearly forms the foundation for Osterwalder and Pigneur (2009), this study will use the original model as starting point and if necessary, this will be supplemented with the work of Osterwalder and Pigneur (2009). A graphical representation of this original model can be seen in figure 2.1.

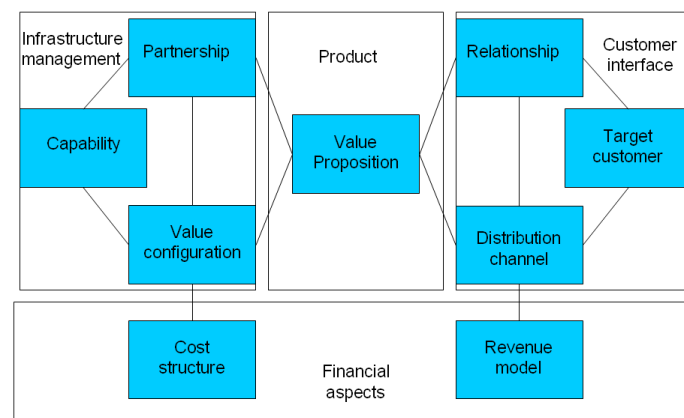


Figure 2.1: The business model; adopted from Osterwalder, 2004

The model as depicted in figure 2.1 provides for a holistic view on organizations. However, there are some disadvantages. First of all regarding the way information systems (IS) are discussed. The importance of IS within business models is unarguably agreed upon by researchers and managers alike (Ward and Peppard, 2002; Hayes et al., 2004; Applegate et al., 2007). However, the way how IS should be used is less clear (Boddy, Boonstra, and Kennedy 2005). Osterwalder (2004) seems to agree with this since he discusses the use and significance of information and communication technologies (ICT) throughout the business model. But there are two problems with his approach. First of all, to use

the term ICT to describe information related aspects brings forth a technology-oriented perspective towards information issues within organizations. Based on Ward and Peppard (2002), it could be argued that such a perspective is too narrow-minded. IS are more than just ICT. They are a combination of people, procedures, and resources (e.g. ICT) used by organizations to gather, process, use, store, and disseminate data, information, and knowledge (Ward en Peppard, 2002; Boddy et al., 2005). This description shows that ICT are just a tool for effectuating IS; so both terms are clearly distinctive and can thus not be used as synonyms (Ward and Peppard, 2002). Therefore, within a comprehensive perspective, it is better to speak of IS than of ICT. The second problem with the way Osterwalder (2004) discusses information is that he mentions it throughout the business model, during many different elements. This highlights the wide-spread potential areas in which IS can support the organization. However, it does not contribute to the clarity of the discussion; something which is acknowledged by the fact that half of the experts that evaluated the proposed model did not think that it would contribute to designing IS in a fruitful manner (Osterwalder, 2004). Using a separate element to discuss IS may provide this clarity. It also provides an opportunity to go deeper into IS thereby enhancing the understanding of it. Respected the significance of IS to organizations, it only seems logical to provide such a deeper understanding. So using a separate IS-element and not spreading it out over the other elements seems fruitful.

The second disadvantage of Osterwalder's (2004) proposed model is that the links between building blocks are not that clear. One of the experts that evaluated the business model of Osterwalder (2004) explicitly stated: *"You absolutely need a model before you can do anything...especially if the dependencies and interactions of the different building blocks become clearer."* (Osterwalder, 2004, pp. 137). So it may be useful to try and make relationships between the elements more apparent.

To overcome these disadvantages, the next section will zoom in on integrating the business model with the strategy map.

2.2.2 Integrating the business model with the strategy map

The previous section argued that within the business model as depicted in figure 2.1, the position of IS is not clear. Also, some hierarchical relationships between different elements do not evidently show from figure 2.1. To overcome this, the business model can be integrated with the strategy map. The strategy map is introduced by Kaplan and Norton (2000); it is a tool in communicating and implementing the strategy of an organization. The strategy map consists of four perspectives; these will be discussed in the first part of this subsection. Then, the subsection will focus on how the elements of the business model can be placed within the strategy map. Finally, the new integrated business model that is created this way will be elaborated on.

The four perspectives of the strategy map

A strategy contains four perspectives: financial perspective, customer perspective, internal process perspective, and learning and growth perspective.

At the top of a strategy map is the financial perspective. For profit-organizations, the ultimate goal of management is to increase shareholder value (Horngren, Datar, and Foster, 2006); this is probably why Kaplan and Norton (2000) use improving shareholder value as peak of the strategy map⁶. According to them, the financial perspective can contribute to this in two ways: focusing on revenue or on productivity. Focusing on revenue means either trying to generate revenue from new markets, new customers, new products and/or services, or to expand sales to existing customers. Focusing on productivity means to decrease direct and indirect expenses or to use assets more efficiently.

The customer perspective focuses on how the organization differentiates itself from its competitors; what the value proposition is, how relationships with the customer are managed, and what the target customer is.

The internal process perspective zooms in on the means needed for delivering the value proposition in the intended way thereby achieving the desired results. Every organizational activity within this perspective is aimed at achieving one or several of four main goals: building the

⁶ They also state that non-profit organizations can place a different stakeholder at the peak, like for example citizens in case of a government.

organization by market and product development and diversification; deepening the relationship with existing customers; improving operations (e.g. supply chain management or capacity management); and establish fruitful relationships with stakeholders in light of corporate social responsibility. Nowadays, these activities are no longer solely an internal matter; more and more often external parties are involved. Therefore it is better to alter the name of this perspective to process perspective.

The final perspective, learning and growth, can be seen as the foundation of the strategy map. It defines the resources, competencies and capabilities, IS⁷, and corporate culture needed to support the organization. So this perspective not only gives IS its place, it also adds another useful building block to the model, namely corporate culture. Corporate culture can be seen as a way of steering behaviour of a crucial resource, namely human resource, into the desired direction and is therefore essential as a means of strategy implementation (Merchant and Van der Stede, 2007).

Placing the elements within the strategy map

Regarding the strategy map, important to note is that Osterwalder (2004) already mentions the relationship to the strategy map concept. He links the pillars (and thus the elements within these pillars) of figure 2.1 to the four perspectives just described and states that the financial aspect pillar aligns with the financial perspective, the infrastructure management pillar aligns with the process perspective, the customer interface pillar aligns with the customer perspective, and the product pillar aligns with the learning and growth perspective. This study does not agree with this proposed alignment. Therefore, it suggests a different way of integrating both concepts. First of all, the pillars of the business model are not used to integrate the concepts, but the individual elements. So this study places the elements of the business model within the strategy map; a process which resulted in figure 2.2.

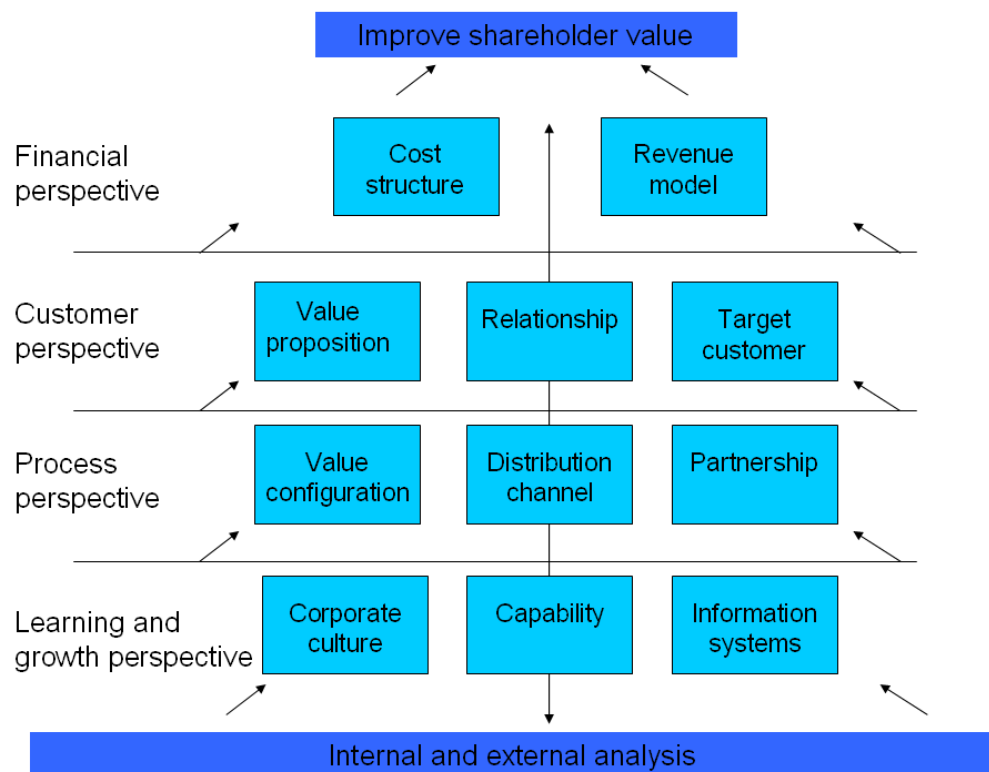


Figure 2.2: an integrated business model

⁷ Within the strategy map article (Kaplan and Norton, 2000), the term technology is used. However, the authors explicitly mention information systems regarding this; they do not mean other technologies like for example nanotechnology for production. Therefore, it is possible to use the term IS for this element. By doing this, it also highlights the fundamental character of IS.

Figure 2.2 suggests that the learning and growth perspective is linked to the capability component. Because it is this component in which all learning, growth and innovative abilities resides. And as Kaplan and Norton (2000) state, it is this perspective that is about the competencies, capabilities, and resources; in other words, the capability element of the business model. It is good to point out that the additional elements of this perspective, culture and IS, could be argued to be part of resources and therefore part of the capability element. However, just as Kaplan and Norton (2000) do, it is valuable to mention them explicitly in order to highlight their fundamental character; IS are essential to sound decision making and culture is a way in which a critical resource (namely human resources) can be steered. By mentioning these two aspects explicitly, their importance and central position within organizations is clearer depicted; but keeping the three elements together in one perspective shows that they are related.

In line with Kaplan and Norton (2000), the value proposition element is better placed as part of the customer perspective and not within the learning and growth perspective, as Osterwalder (2004) suggests. The target customer and relationship components are also part of the customer perspective since these two heavily focus on the customer. Combining these three elements within one perspective also shows their interrelatedness: the value proposition is delivered within the context of a relationship to the target customer.

The distribution channel on the other hand is better placed in the process perspective, on how to deliver the value proposition. It only seems logical to also place partnership and value configuration here because this way these elements, which are closely related, are all part of the same perspective; the perspective that describes what design is needed to deliver the value proposition.

Finally, the financial aspects do relate to the financial perspective of the strategy map in the way Osterwalder (2004) suggests.

An integrated business model

The integration of the strategy map and the business model as proposed here is more in-depth than that of Osterwalder (2004) and also differs in terms of composition. The individual elements of the business model are separated from their pillars in some cases in order to place them at more suitable positions within the strategy map. Based on this, the two concepts can be integrated as shown in figure 2.2. This integrated business model clearly shows the fundamental position of IS within an organization. Furthermore, the small arrows show that the different perspectives (and thus elements) influence the perspectives directly above. So because of the hierarchical structure of the figure, relationships become clearer; for example the way the process perspective leans on the learning and growth perspective. The big two-sided arrow shows that all perspectives influence the ultimate goal of improving shareholder value and that they all influence each other; the two-sided aspect of this arrow shows that this link is reciprocal. For example, based on the value proposition, certain capabilities are needed and the value configuration has to be configured in a specific way (a top-down like perspective); however, certain capabilities may also open doors to other configurations of the distribution channel thereby allowing different revenue model structures (a bottom-up like perspective). Another major benefit of depicting the business model components this way is that it provides for a more analytical look at the components because the components are depicted in relation to the overarching goals of the organization, but also to the perspective-specific goals as discussed earlier. Finally, to acknowledge the emergent nature as discussed in section 1.5, an additional layer could be added: internal and external analysis. This way, it becomes clear that the business model should not be perceived as a definite blueprint, but as a dynamic planning and designing tool that never ends.

Because of these advantages, it is good to alter figure 2.1 into figure 2.2. In other words, this research still sees the business model as its fundamental framework, but it believes that the business model concept is best depicted and supplemented with the help of the strategy map. Because the strategy map provides the benefits just described, but individually it lacks the depth of the business model; so integrating the two seems to be the ideal solution.

The next four sections will zoom in on the eleven building blocks of figure 2.2 categorized alongside the four perspectives. This discussion is not meant to provide a comprehensive overview of all literature on that specific building block; instead, the discussion will focus on explaining the elements

and than customizing it to COO's situation of being, as argued in chapter 1, a B2B-focused service provider pursuing a customer intimacy strategy.

2.3 Customer perspective

This perspective zooms in on the offer of the organizations and how this differs from the competition. The elements composing this pillar are value proposition, target customer, and relationship.

2.3.1 Value proposition

Within this subsection, the element value proposition will be elaborated on by first discussing what is meant by this element. After this, three generic value propositions are identified and then the subsection zooms in on what it means to pursue one of these three value proposition. Finally, the use of generic value propositions is placed into context.

What is a value proposition?

Osterwalder (2004) describes the value proposition as the way how items of value such as products, services, and complementary value-adding services are packaged and offered in order to fulfil the needs of customers. It is therefore important to know what the customer values and how the organization can react to that with its products and/or services (Anderson and Narus, 2004). In fact, the value proposition should provide an answer to the first fundamental question of service organization: what elements of the service are important to the customer? If done this way, the value proposition specifies when value is created for the customer, what this value is, and what the reasoning behind this value is.

Three generic value propositions

Kaplan and Norton (2000) state that the value proposition should be at the core of every corporate strategy. Therefore, a good way to categorize value propositions is to use generic strategies. Both Porter (1980) and Treacy and Wiersema (1993) distinguish between three generic strategies. However, Treacy and Wiersema (1993) explicitly focus on value within their strategies. This focus makes the model of Treacy and Wiersema (1993) better suited for categorizing value propositions than that of Porter (1980) because their three strategies can actually be seen as three generic value propositions; an approach Kaplan and Norton (2000) also adopt.

The first generic value proposition described by Treacy and Wiersema (1993) is operational excellence. Here, the main objective is to lead the market in terms of price and convenience. According to Anderson and Narus (2004), this approach requires creativity in the design and implementation of business processes in order to lower costs as much as possible and minimize inconvenience for the customer.

The second generic value proposition is customer intimacy. Instead of making the operations lean and efficient, the main goal here is to tailor and shape the products and services to the customer. Organizations that pursue this type of strategy heavily focus on customer lifetime value (CLV) instead of single transactions (Anderson and Narus, 2004). CLV is based on the net present value of all expected profit streams of a customer. Such a focus means that developing long-term relationships and building customer loyalty is essential in order to secure those future profit streams. In contrast, an on single transactions focussed organization is more concerned with constantly attracting as many new customers as possible and is less focused on long-term relationships. Important to realize is that a focus on long-term relationships with customers means that organizations acknowledge that retaining a customer over time tends to lead to more profit and greater profitability; both are based on a deep understanding of what the customer wants and values.

The third and final generic value proposition is called product leadership. Here the goal is to come up with a constant stream of state-of-the-art products and services. This requires the ability to commercialize new ideas quickly and to constantly come up with new solutions to problems already solved by the organization.

Focus on one, neglect the other two?

In chapter 1, it was said that COO focuses on offering customized solutions to its target customer. This means that COO's main strategy is that of customer intimacy; it can be seen as its generic value proposition. Therefore, the remainder of this section has a specific focus on customer intimacy. However, as De Vries, Goud, and Goud (2004) rightly bring forth, a focus on one of these generic strategies does not mean that all elements of the other two strategies can be completely ignored. Kaplan and Norton (2000) agree with this when they state that pursuing one of these three strategies means that an organization has to excel in that area whereas the organization has to reach a threshold level regarding the elements of the other two strategies. According to them, it may even be the case that one of the three strategies has to be focussed on in the short-term or in a specific part of the organization in order to enable pursuing a different strategy in the long-run or as overall strategy.

Link between value proposition, the business model, and strategy

Important to note is that using generic strategies to depict value propositions suggest that a corporate strategy is part of the business model. This is in contradiction with Chesbrough and Rosenbloom (2002) who state that guiding strategy formulation is one of the functions of a business model, thereby implying that a strategy follows from a business model. However, if one adopts the definitions of Osterwalder (2004) and Osterwalder and Pigneur (2009) it means that one sees a business model as a tool in expressing the logic and architecture of an organization. Since a corporate strategy is defined as *"the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations"* (Johnson et al., 2006, pp. 9), or in other words being different than the competition by aiming for a unique position (Porter, 1996), both concepts are very much linked to each other. Osterwalder (2004) also talks about being different (creating value) and the configuration of resources (architecture of the organization). Therefore, it is plausible to see the corporate strategy as integral part of the business model and thus use generic strategies to depict the general value proposition. To highlight this, the terms customer intimacy strategy and customer intimacy value proposition will be used interchangeably within the remainder of this study.

Value is relative

To finalize the discussion about the value proposition, another important point to notice here is that the offering of the value proposition does not happen in a vacuum. The customer's judgement of the value offered is always related to the value offered by competitors or alternatives (Anderson and Narus, 2004). Therefore, it is important to monitor the competition and combine this with market segmentation information in order to find the preferred target customer; the customer that is most attracted by the value offered. More about segmentation and target customers will be discussed in the next subsection.

2.3.2 Target customer

According to Osterwalder (2004), selecting a target customer is about segmentation. Therefore, this subsection will first focus on this. Since providing an integrated business model for B2B-focused service organizations is the main objective of this study, the section will then elaborate on what it means to target businesses as main target customer.

Segmentation

Osterwalder (2004) describes segmentation as a process that allows for organizations to target customers that will be most attracted by the value offered. For example, does the organization target other organizations like COO does (B2B) – so organizations are COO's general target customer – or does it target consumers, business-to-consumer (B2C). Kotler and Keller (2006) provide a more specific description. They state that markets are not homogeneous so it is impossible for organizations to effectively target everyone within large, diverse markets. Segmentation provides an answer to this problem as it is the process in which heterogeneous markets are divided into more homogenous groups of potential customers, called markets segments, in which costumers share a similar set of needs and wants. Anderson and Narus (2004) state that segmentation within B2B can be done based on industry

type, customer size, customer behaviour, geography, customer capabilities, customer business priorities, and contribution to profitability.

Consequences of a B2B-focus

As said, COO aims at organizations. Having organizations as general target customer has many consequences. First of all, customers in business markets tend to primarily focus on functionality or performance (Anderson and Narus, 2004). Ford, Gadde, Hakansson, and Snehota (2006) call this problem-driven orientation. This means that organizations act based on the need to solve problems when deciding whether or not to purchase a service and/or product and then compare functionality and performance between alternatives. So marketing should revolve around this need-fulfilment regarding problems.

A second characteristic of the B2B-market is that few B2B-focused organizations constantly renew their customer base and that relatively few customers are very important to B2B-organizations. Ford et al. (2006) state that at any given point in time, new customers only account for 5%-10% of revenue of B2B-organizations. They also state that although B2B-organizations often have many customers, around 80% of sales is based on no more than twenty to thirty major customers. This means that relationships with (the right) customers are crucial within B2B; it is not about single transactions. It also means that analyzing the customer is essential; the fact that just a few customers provide the major part of sales requires knowledge about which customers are important and which customers are less important. Or in other words, not every customer is equally vital to an organization and thus not every customer deserves the same level of resource commitment (Verra, 2003). Therefore, some kind of customer classification which guides decision making regarding marketing is necessary; for example the ABC-classification of Verra (2003) can be used in which A-customers are (potentially) the most profitable customers and C-customers the least profitable. So A-customers "deserve" the most retention efforts. This seems obvious, but as Jenkinson (1995) shows, in general 70% of marketing resources is spent on customers who only account for 20% of revenue and only 10% of marketing resources is spent on customers which generate 60% of sales. Analyzing customers and a clear customer retention strategy based on a classification should prevent this misfit.

The third main characteristic of B2B-markets is that the customer plays an active role in the service and/or goods delivery process. And since the B2B-market is very heterogeneous, this means that organizations have to cope with this variation by matching and adopting the relationships and offerings to the specific customer (Ford et al., 2006); the need for flexibility and creativity is thus high. It also means that segmentation has to be done very specifically in order to tailor the offer to segments as much as possible. Obviously, all this is especially the case for customer intimacy focused organizations.

The fourth and final main characteristic of B2B-markets is that the customers are not individuals but groups of individuals in which specific individuals have different roles (Ford et al., 2006). There are those who are buyers. These individuals are powerful in the sense that they negotiate, close deals, and manage existing relationships with suppliers. An example of a buyer is a purchasing manager. Then there are deciders (e.g. the direction) who make the decision or approve decisions; they are not always the same individuals as the buyers. These deciders and buyers are being influenced by influencers (e.g. production managers). Fourth, there are gatekeepers who regulate the flow of information reaching the buyers, influencers, and deciders. Van Weele (2005) adds another role to the four mentioned by Ford et al. (2006): the user. These are people who make use of the service or product. Van Weele (2005) calls these five roles the decision making unit (DMU). When operating in the B2B-market, it is important to know who plays what role within the customer-organization. Regarding this, it is good to keep in mind that these roles can be fulfilled by different people, even multiple people, per role. It is however also possible that one person fulfils several roles.

2.3.3 Relationship

To describe the last element of this perspective, relationship, this subsection will first zoom in on managing relationships with the customer. After that, another important aspect of this element will be discussed: complaint management. Complaint management is a step in creating customer loyalty (Van Looy et al., 2003). Since customer loyalty is crucial for relationships and thus B2B-focused customer intimacy strategies, the subsection will then focus on customer loyalty and its link with service quality.

After this, the subsection will zoom in on another important aspect of the relationship element, the brand (Osterwalder, 2004). Finally, as this element is the final element of the customer perspective, this subsection will end with finalizing this perspective.

Managing relationships with the customer

This element describes the relationship an organization establishes (or tries to establish) with its target customer. It was already discussed that this relationship is of particular importance to B2B-focused customer intimacy strategies because such strategies rely heavily on long-term relationships with the customer and therefore depend on customer loyalty. According to Van Looy et al. (2003), managing customer relationships with the goal to create loyalty requires frequent communication and efforts to get to know each other in order to allow for predicting each other's behaviour, clarify each other's roles, and building trust. This will improve the probability of beneficial behaviour thereby improving the value of the relationship and the service. It is vital to differentiate and individualise these efforts since this will heighten the customer's feeling of being special, thereby strengthening the relationship. So mass-communication is not preferable. It is also important to realize that price incentives can help initiate a relationship, but they can not be used to create loyalty on their own since it is a tool which can be easily and quickly imitated. However, as Verhoef (2003) shows, financially oriented programs should not be left out entirely. This means that both types of marketing, type I and II as Berry (1995) calls them, should be used to create and maintain relationships. More concrete, an organization should use relationship marketing instruments (RMIs) which focus both on economic incentives (type I) and social aspects (type II).

Complaint Management

Regarding the relationship with customers, complaint management plays an important role (Van Looy et al., 2003). Not only does explicitly dealing with complaints help to retain customers, it also stimulates continuous improvement, supports word-to-mouth, and it helps building a customer-focused organization. These are all important aspects to a B2B-focused service provider with a customer intimacy value proposition.

To achieve good complaint management, Van Looy et al. (2003) claim that two aspects are important: lowering the complaint threshold and respond quickly and effectively. Lowering the complaint threshold can be achieved by proactively invite customers to react and by making it easy to respond. For example, employees can stress the possibility to send in complaints and by making it possible to do this online, the ease of use is high.

Responding quickly and effectively requires several activities. First, it is useful to anticipate complaints in cases of new services, recurring problems, and predictable problems. Anticipating complaints will increase a prompt reaction thereby maximizing the chances of service recovery. Second, it is important to confirm receipt of a complaint in order to give the customer a feeling of urgency. Third, front-line employees have to be empowered in such a way that they are authorized to act on unforeseen problems they can solve themselves. Fourth, complaints which can not be solved by front-line staff immediately have to be routed and prioritized. Fifth, the actual response has to be fair and sincere. Finally, a follow-up in order to make sure the problem is solved will conclude the process. A complaint management system organized this way will help increase the value of the relationship with the customer and is therefore a good tool in creating customer loyalty (Van Looy et al., 2003).

Customer loyalty and service quality

Customer loyalty is "(customer) *behaviour characterized by a positive buying pattern during an extended period (...) driven by a positive attitude towards the company and its products or services*" (Van Looy et al., 2003, pp. 59). By aiming for long-term relationships, customer loyalty is thus essential for a B2B-focused customer intimacy strategy. But creating loyalty is not easy. Studies show that simply satisfying customers is not enough in creating loyalty; they have to be delighted (Van Looy et al., 2003). Delighting customers means that one should aim for very high levels of customer satisfaction. According to Zeithaml and Bitner (2000), Van Looy et al. (2003), and De Vries et al. (2004) customer satisfaction within service industries is influenced by several factors. Some of these, like situational (e.g. the weather) and personal factors (e.g. emotions of the customer), are very hard or impossible to influence in advance. However, organizations can influence the third factor, perceived

service quality. Service quality is influenced by the five domains of the SERVQUAL-model (Parasuraman, Zeithaml, and Berry, 1988): tangibles, reliability, responsiveness, assurance, and empathy.

Because of the intangible nature of services, tangibles are important to service providers. Tangibles are aspects like clothing of employees, buildings, equipment, cleanliness, et cetera. They provide for a customer to form a judgment about a service provider before the service is actually delivered. This is important because, unlike a tangible product, a service can not really be assessed in advance.

Reliability is one of the most important aspects within the B2B-sector. It relates to the question if services are delivered as agreed upon; in other words, reliability is concerned with dependability.

Responsiveness is concerned with the willingness to help the customer and provide prompt actions. According to De Vries et al. (2004) another important aspect regarding this domain is the speed of delivery; it is essential to prevent long waiting and react quickly and effectively.

Assurance relates to the competence of staff, credibility of the organization and staff, user-friendliness of the service (e.g. ICT used), politeness of employees, and the safety or security of the service.

The final domain, empathy, is concerned with the level of customer care and individualized attention. Important is a good understanding of the customer's problems.

Grönroos (1990) makes an other valuable contribution to the concept of service quality when he states that the perceived level of service quality does not depend on the experienced quality (influenced by technical, functional, and relational quality; in other words, factors related to the domains of the SERVQUAL-model) alone; it is a careful balance between experienced quality and expected quality (influenced by communication, image, customer needs, and word-to-mouth). This is important to realize because customer satisfaction therefore does not equal experienced quality. It shows that when one increases the expected quality to high levels (e.g. by promotion) without aligning the experienced quality to it (e.g. strengthen the relationship or improve the service specifications), one may succeed in attracting new customers, but fails to retain them.

Figures 2.2 and 2.3 show both models. Within the remainder of this study, both models will be used in a jointly, supplementing manner.

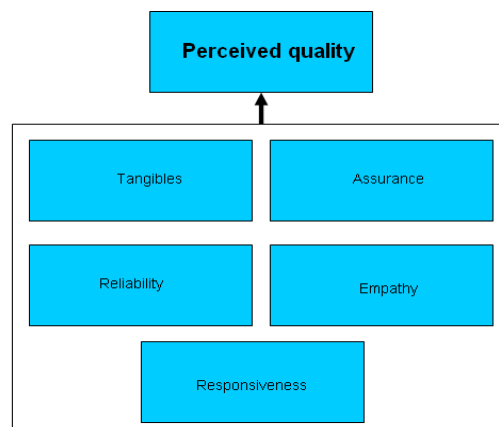


Figure 2.2: The SERVQUAL-model; adopted from Zeithaml and Bitner (2000)

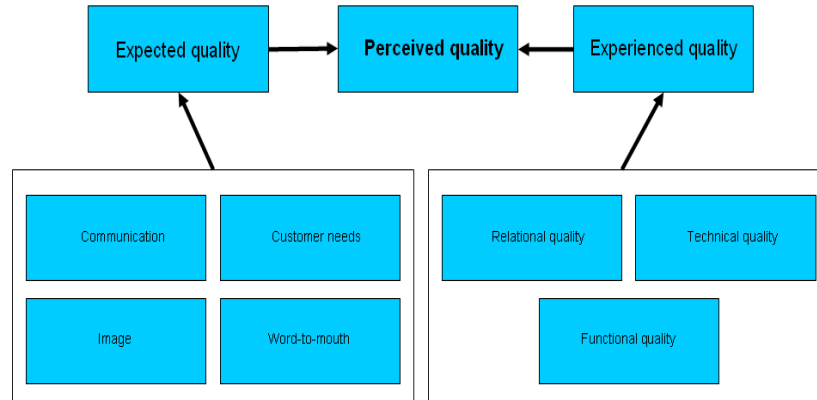


Figure 2.3: Grönroos-model; adopted from Grönroos (1990)

The brand

The final aspect of the relationship element is the brand. A brand can be a source of competitive advantage (Kotler and Keller, 2006), which makes it a potential valuable resource. It is therefore that Osterwalder (2004) argues that within a business model, a clear brand identity is a necessity since this will prevent contradicting and confusing communication to customers. According to Van Looy et al. (2003), it also helps in consistent communication towards employees. A brand also helps with positioning an organization. Based on Johnson et al. (2006) it can be argued furthermore that it is important to align the brand identity and positioning with the corporate strategy (and thus with the chosen generic value proposition). Anderson and Narus (2004) state that for a customer intimacy strategy, positioning should be need-based: positioning based on providing superior, problem-solving, and tailored value. So the brand identity should focus on that.

One useful tool in creating a clear brand identity is developing a clear brand hierarchy in which sub-brands are tailored to specific market segments (Anderson and Narus, 2004). It is thus important to, even when customizing brands to specific segments, keep an overarching brand intact in order to stimulate consistency.

To finalize the customer perspective

This first perspective zoomed in on all elements related to the customer. It became clear that choosing to pursue a customer intimacy strategy with a B2B-focus has many consequences. For example, such a choice relies on long-term relationships and therefore makes a lucid customer classification accompanied with a clear retention strategy very important. Furthermore, it could be concluded that customer loyalty is essential with such a strategy. Also, it was argued that choosing one of the three generic strategies does not mean that one could neglect all aspects of the other two generic strategies.

The next section will discuss what the consequences are of a service-oriented, B2B-focused customer intimacy strategy in relation to the elements needed to deliver the value proposition, within the context of the desired relationship, to the target customer.

2.4 Process perspective

This perspective focuses on how an organization achieves the differentiated value described in the customer perspective. It also zooms in on how to accomplish financial objectives of the financial perspective and the way the learning and growth perspective can be exploited. This leads to four perspective-specific goals. The first is building the organization by diversification, product development, increasing revenue with existing services by attracting new customers within the existing market, and/or market development. Secondly, the organization can try to deepen the relationship with existing customers thereby increasing customer value. Third, the organization can

progress by aiming for operational excellence through for example improved asset management or supply management. The final perspective-specific goal is establishing fruitful relationships with external stakeholders (not just customers or suppliers) in light of corporate social responsibility. In line with what was said in section 2.3.1, that having a customer intimacy strategy does not mean that one can neglect the aspects of the other generic strategies, Kaplan and Norton (2000) state that a complete strategy should aim for generating good results regarding all four goals and that it depends on certain factors like chosen value proposition on which goal the focal point lies. For example, for a customer intimacy strategy, the second goal of increasing customer value is extremely important.

The elements on which this perspective focuses are distribution channel, value configuration, and partnership.

2.4.1 Distribution channel

The first element in this perspective is the distribution channel. It describes how the organization gets in touch with its customer. According to Kotler and Keller (2006), it is important to note that a distribution channel is not only concerned with the distribution of physical goods, it also covers service delivery and marketing efforts. So the distribution channel describes aspects like whether the organization uses selective or intensive marketing, whether a zero-level (direct) or multi-level (indirect) channel is used, and what promotion channels are used. Based on the discussion so far, it could be concluded that for a customer intimacy focused B2B-organization, a zero-level, selective distribution channel is preferable. This way, the offer can be optimally customized. Furthermore, Osterwalder (2004) argues that the distribution channel has to be studied throughout the entire customer buying cycle. This subsection will therefore focus on that first. Then it will discuss that the distribution channel is not entirely sequential by highlighting co-creation. Since the distribution channel is a comprehensive concept, the subsection finalizes by discussing the importance of coherence.

The customer buying cycle

The customer buying cycle has four phases: awareness, evaluation, purchase, and after-sales. Awareness is about getting to know the market and attracting the attention of targeted customers. Here, it is important to apply knowledge of the DMU of a customer in order to be successful in creating awareness by the right people. Also, based on the discussion so far, it can be argued that B2B-customer's interest is best gained by focussing on the needs of the customer or by making the customer aware that there is a specific need that requires fulfilment; there is a problem that needs to be solved. Furthermore, for service organizations the interest of the customer is best attracted by making the service more tangible (Van Looy et al., 2003).

In the evaluation-phase, the customer wants to know more about the offer. This means that additional information has to be provided; the customer's needs and wants have to be aligned with the value proposition. This can be done by, for example, letting the customer test the value proposition or by setting up reports on different alternatives and associated costs. Again, knowledge about the DMU, the customer, and the market plays an important role in being successful.

The third phase, purchase, is where the actual transaction takes place. During this phase, aspects like negotiation, contracting, and billing and payment are important. According to Anderson and Narus (2004), within B2B-markets especially negotiating and contracting is crucial. Based on Van Weele (2005), it can be argued that both aspects require specific skills and knowledge: knowledge about the market and the own organization's relative position in it, knowledge about the customer's cost structure, knowledge about alternatives, knowledge about the DMU, the ability to think of contingencies that may arise and define them in the contract, communication skills, and anticipating arguments of the customer. Essential to realize for this phase is that since the goal of B2B-focused customer intimacy is creating long-term relationships, contracting and negotiating should not be based on a mindset of getting the best deal for one's own organization, but it should be done with the intention to create mutual satisfying contracts.

The final phase is after-sales. During this phase the organization has to assist the customer if problems arise and has to help the customer profit from the value proposition. In other words, organizations have to gather customer feedback and react to it (Anderson and Narus, 2004). Customer feedback is important because it shows how well the value proposition has been fulfilled by the

organization. This can be measured with the help of (electronic) questionnaires. It can also be measured more quantitatively: the share an organization has in the total purchasing business of the customer within the targeted area (Anderson and Narus, 2004). Collecting and analyzing all this data and reacting to it is important not just because it sheds light on one's performance, but also because after-sales is arguably one of the most promising phases since it has the potential to create loyal customers.

Co-creation

Important to notice about the distribution channel is that the offering of value is not as sequential as the previous paragraph may imply. Especially in service organizations and B2B-markets, value is often not autonomously created within the organization and then delivered to the customer; but customers frequently are co-creators of value (Payne and Frow, 2005). Prahalad and Ramaswamy (2004) argue that the DART-model is at the heart of this co-creating value with customers. The building blocks of this model are dialogue, access, risk assessment, and transparency. Dialogue is about active communication between organizations and customers; this implies shared learning between two equal partners. Access relates to providing the customers with information and tools about the process, even in-house processes. Risk assessment is about giving customers full information about risks and methods for assessing risks. Transparency is a reaction to the trend that customers are increasingly better informed about profit margins, products, technologies, et cetera. Since this kind of information is more accessible, more transparency is almost a requirement.

These four building blocks can be combined or used separately. Either way, they can provide some useful benefits. For example, they may help an effective participation of the customer within the process thereby increasing value of the service and thus eventually help in creating loyalty. This (potentially) active role of the customer throughout the distribution channel is important to acknowledge because the interaction moments between the customer and the organization are essential, especially for customer intimacy strategies. According to Van Looy et al. (2003), one way to manage this is to prepare all interaction moments before, during, and after the service delivery process.

Focus on coherence

To finalize the discussion of this element, it is good to point out that the main challenge of the distribution channel is creating coherence between all the aspects (Van Looy et al., 2003). For example, based on the factors of the SERVQUAL-model, it could be concluded that human resources are an important aspect of service providers since they are the face and the deliverers of the service. Therefore, Van Looy et al. (2003) state that it is important to have a clearly specified programme in place for selecting and training employees in a coherent way with what is valued by customers. Furthermore an organisation must communicate to the employees in an unambiguous way which is in line with promotional activities in order to prevent contradictions towards customers; this is especially important if employees are empowered to react on unforeseen problems like suggested in subsection 2.3.3. And although it is also vital to have a separation between front-office and back-office activities since both require different skills, it is essential to align both types of activities in order to prevent internal and external contradictions.

2.4.2 Value configuration

The value configuration describes all activities necessary to create value for the customer. It also shows the links between these activities. Osterwalder (2004) suggests using the value shop model introduced by Stabell and Fjeldstad (1998) to describe the activities for a service provider like COO. After discussing this value shop, the subsection elaborates on the link between the value configuration element and the distribution channel element thereby introducing a useful tool to depict both elements: service blueprinting.

The value shop

The value shop is composed of five main activities. The first activity is acquisition and problem-finding. Here, the problem is formulated and an overall approach is chosen. During the second activity, called problem-solving, alternative solutions are generated and evaluated. The third activity, choice, is concerned with choosing among the different alternatives. Hereafter, the chosen alternative

is communicated, organized and implemented, this activity is called execution. The last activity, control and evaluation, is about measuring and evaluating the implemented solution. An important aspect allowing this last activity to be performed well is the existence of service-level agreements (SLAs). SLAs are agreements between the customer and the service providing organization which quantify the minimum acceptable level of service (Van Looy et al., 2003). Such a quantifying makes monitoring performance efficient since there is something to relate to. But to set up a SLA and agree upon it is a complex process. A SLA is a bilateral agreement in which negotiation skills, in-depth knowledge of the service, knowledge of contracting, skills to anticipate potential problems, knowledge of performance measurement, and knowledge about the customer (e.g. their true needs and DMU structure) are vital. This requires many resources which makes SLAs particularly beneficial in case of long-term relationships with customers (Van Looy et al., 2003) and thus for customer intimacy focused B2B-organizations.

In terms of customer satisfaction and customer delight, it can be argued that SLAs put a number on customer satisfaction and thus they make the threshold level for a sustainable relationship visible. Furthermore, it can be assumed that constantly outperforming the SLA will help create customer delight (and thus increased loyalty); this is however easier said than done, especially if one wants to keep costs manageable.

Service blueprinting

To finalize the discussion about this element, it is important to note that the value configuration can be described in either a general or very detailed way. However, in line with Osterwalder and Pigneur (2009), it is preferable for this study to focus on the key activities because this will strengthen the understanding of what is most important for an organization. This way, it shows where (the most) value is created. In light of this, it is good to put this element in its broader context. Because what this element in fact does is zooming in on the final two phases of the distribution channel. Besides using only the value shop model, this can be supplemented by using process mapping techniques like service blueprinting (Shostack, 1985) in order to make the links more clearer. With these techniques, all the steps of the process are mapped making it easier to analyze the process. In such a blueprint, the other steps of the distribution channel can also be added, thereby highlighting the link between the distribution channel and the value configuration. Furthermore, certain activities of the value shop model can be zoomed in on and further split up thereby highlighting important aspects. So the mapping of processes is a useful tool for analyzing this element.

2.4.3 Partnership

The final element of this perspective, partnership, constitutes what parts of the value configuration and distribution channel are outsourced. To decide on this, one has to focus on the make-or-buy decision. After this subsection discussed this decision, it will zoom in on how to deal with a supplier network. Again, as this element is the final element of the perspective, the subsection ends with a paragraph to finalize this perspective.

The make-or-buy decision

The make-or-buy decision is a process that consists of three phases: the strategic, transition, and operational phase (Van Weele, 2005).

The strategic phase focuses on the questions why, what, and who. The why can be found in motives like reduction of costs, improving company focus, access to world-class capabilities, and making capital funds available. Regarding cost reduction, an important aspect to notice is that when assessing if cost reductions take place, not only the purchasing price has to be taken into account, but all costs associated with ownership, called total cost of ownership (TCO); examples of these costs are not only the purchasing price, but also maintenance, administrative, and transporting costs associated with the purchase (Van Weele, 2005). The what is based on two main theories, transaction cost theory and core competence theory. The latter states that only non-core activities and activities that are not directly related to core activities may be outsourced. The transaction cost theory looks at the transaction and production costs involved and if these justify outsourcing or not (see also section 1.1). The who is concerned with what supplier is best to be used. According to Anderson and Narus (2004) this question is to be answered by using cross-functional teams of experienced personnel.

The transition phase focuses on the how. This involves negotiating and executing of the actual outsourcing. The contract is one of the critical success factors (CSFs) within an outsourcing relationship, as is performance measurement of suppliers. The latter is achieved with the help of SLAs which are part of the contract and of course performance measurement systems.

The final phase, the operational phase, is concerned with two activities: maintaining and optimizing the relationship and if necessary, terminating the contract. For the latter, termination plans are a helpful tool. These are plans that guide a smooth termination without for example the loss of proprietary knowledge. The former, maintaining and optimizing the relationship with suppliers, is essential to organizations that outsource influential parts of the business. Since this happens more and more often (Van Weele, 2005; Johnson et al., 2006), it is worthwhile to discuss this a bit further.

The supplier network

If outsourced business-aspects are influential, it is vital to develop a qualitative, stable network since such networks can provide a competitive advantage on their own (Dyer and Singh, 1998; Dyer and Nobeoka, 2000). Qualitative networks are created by developing ties between the suppliers and the organization and between the suppliers individually (Dyer and Nobeoka, 2000). If this is realized, knowledge sharing between network members will be stimulated and free-riding will be limited. To achieve such a network, it is also important to have good supply base management in place (Van Weele, 2005). This helps in determining what suppliers need to be selected, in analyzing how many suppliers there need to be for each commodity, in determining what qualifications these suppliers should meet, and in keeping existing suppliers satisfied. Consciously managing this process and aligning it with the other elements of the integrated business model helps in maximizing value and minimizing costs. Also, as said, the relationship with suppliers has to be actively managed. This should be done not unlike customer relationships are managed (Van Weele, 2005); there are those that are essential in adding value and deserve a lot of resources and there are those that are less crucial in adding value and thus deserve less resources.

To finalize the process perspective

The discussion of this perspective made it very clear how the different elements are linked. Also, the partnership element showed that there could be a heavy external focus next to the internal focus within this perspective. This external focus also became apparent with the co-creation aspect of the distribution channel. Furthermore, tools like the customer buying cycle and service blueprinting were introduced. Such tools can help in analyzing the perspective thereby supporting the creation of coherence within this perspective and alignment with the other perspectives.

The next section will focus on the third perspective of the integrated business model: the learning and growth perspective. Again, this discussion is focussed on customizing it to service-oriented, B2B-focused customer intimacy strategies.

2.5 Learning and Growth perspective

The learning and growth perspective can be perceived as the foundation of the integrated business model. It consists of the elements on which all organizational activities (and the other perspectives) lean. It is therefore crucial that this perspective aligns with the other elements of the integrated business model. The perspective comprises the elements capability, information systems, and corporate culture.

2.5.1 Capability

The first element in this perspective is capability. Osterwalder (2004) describes capabilities as recurrent patterns of actions used to produce and deliver the offer of the organization; its value proposition. Although Osterwalder (2004) does not mention it, this concept is related to the concept of core competencies as explained by Prahalad and Hamel (1990). Therefore, this subsection will first

focus on the relation between both terms. From this discussion the competence-capability-resource-hierarchy follows which is then discussed in order to finalize this element.

The relationship between capabilities and competencies

As said, the terms capability and competence are related. It therefore comes as no surprise that Osterwalder's (2004) discussion on capabilities resembles the discussion of Prahalad and Hamel (1990) on core competences; particularly because Osterwalder (2004) also argues that the most important capabilities are core capabilities. Both Prahalad and Hamel (1990) and Osterwalder (2004) seem to agree on the fact that what sets these core capabilities and competences apart from non-core capabilities and competences is that they are able to provide value for consumers, they are not easily imitated, and they provide potential access to many markets. In other words, they underpin competitive advantage. Even though this similarity between core capabilities and core competences, it is wrong to treat them as synonyms. They are related however. According to Javidan (1998) the relationship between competences and capabilities is hierarchical.

The competence-capability-resource-hierarchy

Javidan (1998) states that competences are the overarching abilities to integrate and coordinate capabilities. Capabilities are more specific, they can be thought of as functionality focused; they reside in a particular function, for example within marketing. Both Javidan (1998) and Osterwalder (2004) acknowledge that capabilities in turn depend on resources. In other words, resources are needed to execute the capabilities thereby exploiting the competences. Resources are everything that *"could be thought of as a strength or weakness of a given firm. More formally, a firm's resources at a given time could be defined as those (tangible and intangible) assets which are tied semi-permanently to the firm"* (Wernerfelt, 1984, pp. 172). This definition shows that resources cover a broad spectrum of assets, examples are: brand names, knowledge, technologies, human resources, trade contacts, machinery, efficient procedures, capital, suppliers, geographical location, buildings, equipment, patents, planning procedures, production systems, relationships with the environment and within the organization, customer databases, and internal structure (Wernerfelt, 1984; Barney, 1991; Johnson et al., 2006). They can be categorized into those that underpin competitive advantage, called unique resources, and those that are required to keep operating, called threshold resources. Another categorization of resources is that of tangible and intangible resources. Tangible resources are the physical assets of an organization like equipment and buildings, whereas intangible resources are non-physical assets like brands, networks, and knowledge (Johnson et al., 2006). Based on Bontis et al. (1999), it can be argued that the unique resources can be more and more found within intangible resources. Especially knowledge has become a crucial resource to organizations (Hislop, 2005; Johnson et al., 2006; Saito, Umemoto, and Ikeda, 2007). Although important, knowledge is a difficult notion to explain and work with (Earl, 2001). To explain knowledge, one could use the three-folded view of data, information and knowledge (Alavi and Leidner, 2001; Hislop, 2005). In this view, data is explained as raw numbers, words, images, et cetera that are derived from observations or measurements. Information is processed data. Knowledge is information with an additional intellectual analysis; meaning is attached to it, it is interpreted, it is authenticated, and it is structured and linked to existing beliefs. This hierarchical view shows that to generate knowledge, data and information are essential; so all three are important resources.

The discussion so far made it clear that there are many different competences, capabilities, and resources. To make this study more manageable, it focuses on core competences, core capabilities and related unique resources. This is not to say that non-core competences and capabilities and threshold resources are not important; these types of competences, capabilities, and resources are required to keep operating (Johnson et al., 2006). However, they do not underpin competitive advantage. In other words, they do not set an organization apart from its competitors. It is therefore that Johnson et al. (2006) state that core competences and capabilities and unique resources are most important since they are most valuable. Focusing on this not only makes the research more manageable, it also makes it more in line with the central focal point of this study: a value-focussed customer intimacy strategy.

Figure 2.4 provides an overview of the hierarchy just described in which core competences are exploited by the use of core capabilities which in turn lean on unique resources. An understanding of

this hierarchy is crucial for every business (Javidan, 1998) and it is thus within this context, the capability element should be perceived.

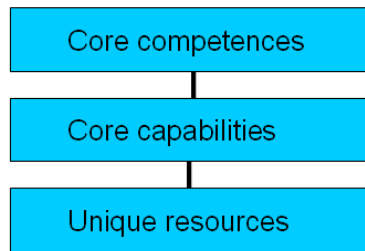


Figure 2.4: The relationships between core competences, core capabilities, and unique resources; based on Javidan (1998)

2.5.2 Information systems

This subsection starts with elaborating on how IS are best perceived by organizations. From this discussion, it becomes apparent that organizations should align IS with the business model. This process is then used to determine four main IS-systems. Describing these four main systems individually provides insight into the possibilities of IS within the integrated business model of a B2B-focused service provider pursuing a customer intimacy strategy. Therefore, this subsection will then focus on these four main systems. The subsection ends with highlighting the importance of business-driven IS.

How to treat IS

As said in subsection 2.2.1, IS are a combination of people, procedures, and resources (e.g. ICT) used by organizations to gather, process, use, store, and disseminate data, information, and knowledge (Ward and Peppard, 2002; Boddy et al., 2005). It can be argued that IS are fundamental to sound decision making and thus essential to organizations; they can be seen as the central nervous system of organizations (Prahalad and Krishnan, 1999). However, simply implementing systems in light of this acknowledgement is not a silver bullet. Far from it in fact; only 16.2% of all IS projects is to be considered a full success (Yeo, 2002). There are many reasons for this low success rate (see e.g. Ward and Peppard, 2002; Boddy et al., 2005), but one of the more important reasons is that IS are frequently treated as a sort of playground for ICT-people with all costs and wrong expectations that follow from such a perspective (Prahalad and Krishnan, 1999). This is wrong because as said, IS can be seen as the central nervous system of an organization. Therefore, they should also be treated as such. This means that aligning IS with the overall corporate strategy and business objectives is crucial (Ward and Peppard, 2002; Applegate et al., 2007). This process of determining a portfolio of IS that will support the overall corporate strategy and business objectives is called strategic information system planning, or SISP (Newkirk and Lederer, 2006). In terms of this study, SISP is the process of analyzing the business model and then determine what IS can help fulfil these business model needs. So IS should be seen by organizations as supportive to the organization and therefore they have to be aligned with all other business model elements.

Using SISP to determine main IS-system for B2B-focused customer intimacy strategies

IS is a comprehensive concept; this is probably why there are multiple functions of IS: they can be used to support decision making, to monitor performance, to improve an organization's ability to create and mobilize knowledge, to improve communication, and they can be used to realize and standardize transactions (Boddy et al., 2005). All these different functions have led to many different types of IS. Since the goal of this study is not to give an overview of all types of IS, it is pointless to provide such a list. However, based on the chapter so far, it is possible to infer, with the help of SISP, four generic IS-systems that seem particularly helpful to a B2B-focused customer intimacy strategy. First, it was argued that coherence within the business model is crucial. The elements have to be

aligned; better yet, they have to strengthen each other. An enterprise resource planning system (ERP-system) provides support to this since these are systems that link different parts of the organization together (Boddy et al., 2005). Knowledge was also said to be important. For example, offering customized solutions requires detailed knowledge about customer characteristics, about how to deal with certain situations, about the sector and one's own position in it, and about contingencies and alternatives. This importance of knowledge justifies discussing knowledge management systems (KMS). The need for a discussion of customer relationship management systems (CRM-systems) can be aligned with the heavy customer-centric focus of customer intimacy strategies. Data about customers, ABC-classification of customer, data about preferences, complaint management, it all aligns with the potential need for CRM-systems. Finally, the importance performance measurements systems (PMS) stems from the fact that customer intimacy strategies build around creating customer loyalty and offering premium value. As the discussion of the customer perspective showed, this means that performance on certain dimensions has to be high; therefore it has to be monitored well. Also regarding the supplier base, performance measurement was argued to be important. The remainder of this subsection will focus on these four main systems and finalize by highlighting the importance of business-driven IS.

Enterprise resource planning systems

ERP-systems are enterprise-wide systems aimed at creating a platform to coordinate and link organizational processes (Boddy et al., 2005). In other words, they try to align different elements of the business model with each other. Since coherence within the business model is essential, an ERP-system seems helpful. They can for example integrate financial information with customer data. But they may also enable connections between suppliers' and customers' systems and internal information systems thereby allowing for monitoring one's own performance at the customer and the performance of third party suppliers at the customer. So ERP-systems seem to provide some useful options. However, there are several problems with ERP-systems. First of all, because ERP-systems often come in generic software packages (very few organizations have the resources to develop one themselves), they may steer an otherwise unique business model into a more standardized one. Another problem which is related to this is that ERP-systems may cause for rigidity and inflexibility because of misfits between the system and the organization; misfits that are expensive to solve. A third potential problem is that the implementation of ERP-systems is complex and involves many CSFs (Holland and Light, 1999; Boddy et al., 2005). Because of these disadvantages, an ERP-system has to provide a significant, unique contribution to coherence within the organization in order to justify such a system.

Customer relationship management systems

During section 2.3 it became clear that building and managing the relationship with key customers is one of the CSFs of a B2B-focused organization pursuing a customer intimacy strategy. Managing and building relationships with key customers is what is known as customer relationship management (CRM). More specifically: *“CRM is a strategic approach that is concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments. CRM unites the potential of relationship marketing strategies and IT (or IS) to create profitable, long-term relationships with customers and other key stakeholders. CRM provides enhanced opportunities to use data and information to both understand customers and co-create value with them. This requires a cross-functional integration of processes, people, operations, and marketing capabilities that is enabled through information, technology, and applications”* (Payne and Frow, 2005; pp. 168). Or as Bose (2002) puts it, CRM is about integrating business processes and technologies aimed at fulfilling customer's needs. Both definitions show that CRM is a comprehensive concept and should not be seen as a single (technology-oriented) activity, but as an organization-wide process that, especially for customer intimacy focused organizations, should be at the core of an organization (Bull, 2003). This broad scope of CRM is important to realize because CRM is often wrongly equated with CRM-technologies (Reinartz et al., 2004); this technology- and system-oriented view towards CRM is one of the main reasons of CRM-failure (Kale, 2004).

So CRM-systems are tools to achieve the objective of CRM. They are supportive to building and sustaining long-term relationships with customers and other key stakeholders (Boddy et al., 2005). The main advantages of such systems are that they help identify which customers are more profitable

and which are less profitable, keep individualized communication to customers and key stakeholders transparent, help customizing the offer because much customer data is gathered, and because of this, they make it easier to acquire similar customers. In other words, CRM-systems can help with ABC-classifications and are especially useful in markets where specific needs differ per customer; because if there were not any differences between customers, mass marketing and communication would be fine (McKim and Hughes, 2000). In the B2B-market, differences between customers are high as said in section 2.3. CRM-systems thus seem to be useful here. However, as is the case with ERP-systems, the implementation of CRM-systems is accompanied with high failure rates (Boddy et al., 2005). As said already, the main reason for this is poor management. Using a CRM-system is supportive to the company-wide process of CRM, so it has to be managed like that. Therefore, a clear customer acquisition and retention strategy has to be developed and unambiguous objectives aimed at achieving these strategies have to be formulated. Then, it can be determined how the CRM-system can support these. For example, it was argued in section 2.3 that regarding customer retention, complaint management is crucial to a B2B-focused organization with a customer intimacy strategy. As a result, a complaint management system should be included within the CRM-system portfolio of such an organization. Another way in which CRM-systems can be helpful is by supporting the process of determining the interaction moments with customers during the service delivery process and then analyze which information is needed by whom; the CRM-system can then also be used to gather and distribute this information (Bose, 2002). Furthermore, it is good to notice that CRM-systems should not only gather transactional data, but also non-transactional data like employee suggestions (Wells, Fuerst, Choobineh, 1999). All this data has to be categorized in customer-centric manner; it should not be fragmented throughout functional areas but categorized based on customers. Finally this data has to be readily, quickly, and efficiently available to all employees (Wells et al., 1999; Bose, 2002).

Knowledge management systems

During the discussion of the integrated business model so far, it became apparent that knowledge plays a major role within a B2B-focused, customer intimacy pursuing service organization; KMS can support this role. They can for example be used to code and share best practices, to create knowledge directories, for data mining, for knowledge creation, for knowledge transfer, and they can be used to enable knowledge networks (Alavi and Leidner, 2001; Boddy et al., 2005). Again, KMS can not be used as an autonomous aspect within organizations, they have to be aligned with and incorporated into all elements of the business model; a difficult process which calls for much effort. For example, Chua (2003) uses game theory to show that knowledge sharing is a complex process in which factors like perceived pay-off and behaviours of others play an influential role. Osterloh and Frey (2000) show that transferring knowledge requires for people to be motivated and cultures of trust to be created. The use and creation of repositories and directories requires motivation and organizational support (Markus, 2001; Kankanhalli et al., 2005). Using knowledge networks, called communities of practice, asks for complex processes as network analysis to map fragmented knowledge (Hislop, 2004). These are only a few examples to show that much effort is needed to facilitate knowledge management. On the other hand, too much effort may lead to leakage of crucial knowledge or rigidity regarding the generation of new knowledge; a risk that has to be minimized (Shin, 2004). So using KMS is not easy. Therefore, a clear strategy is needed to determine what is necessary and what not. A much cited article in this is that of Hansen, Nohria, and Tierney (1999). This article is based on the tacit and explicit knowledge dichotomy which finds its origin in the work of Polanyi (1958, 1985) and Nonaka and Takeuchi (1995). This dichotomy, which is clearly explained by Hislop (2004), distinguishes between two types of knowledge: tacit and explicit. Explicit knowledge is objectified knowledge which is context independent and which can be codified and therefore easily shared. Tacit knowledge is personal, context specific knowledge which is very hard or even impossible to codify making it difficult to share. Hansen et al. (1999) argue that an organization has to focus on either a codification strategy, which focuses on people-to-document and explicit knowledge, or a personalization strategy, which focuses on people-to-people and tacit knowledge. Although it is widely shared that a personalization strategy is suitable concerning tacit knowledge and a codification strategy is better suited for explicit knowledge (Hislop, 2004), the either-or element Hansen et al. (1999) refer to is not shared among researchers. Better yet, Choi and Lee (2003) prove that organizations focusing on both types of knowledge (and thus focus on both strategies) perform better than organizations that focus on

one or none. So an organization should focus on both strategies and determine for each individual aspect which approach is best. For example, use a personalization strategy to share knowledge on how to deal with certain persons in organizations but use a codification strategy to store data on whom to contact for what within an organization.

Performance measurement systems

In section 2.3 it was argued that in order for customer loyalty to be created, delighting the customer is vital. Customer delight proved to be linked with high levels of customer satisfaction and therefore with high levels of performance in valued dimensions. So monitoring performance in these dimensions is important. This is where PMS comes in. Such systems are used for gathering and processing financial, non-financial, internal, and external performance data aimed at providing signals to monitor and improve the health of the organization by quantifying the efficiency and effectiveness of organizational activities (Leandri, 2001; Lohman, Fortuin, and Wouters, 2004; Bourne, Mills, Wilcox, Neely, Platts 2005; Merchant and Van der Stede, 2007).

For PMS to work effectively, first the relevant performance dimensions have to be identified based on the four perspectives and eleven elements of the integrated business model. Then, corporate performance objectives have to be set for these dimensions and performance has to be measured relative to these objectives. It is important to relate this to individual employee objectives and rewards in order to steer behaviour in the desired direction thereby being the link between strategy and operational decisions and actions. So this way, performance measurement can actually be seen a tool in strategy implementation (Merchant and Van der Stede, 2007).

Inter-organizational aspects of IS

During the description of the different possibilities of IS it became clear that some aspects of these systems transcend organizational borders. Boddy et al. (2005) call these the inter-organizational system (IOS) aspects. Examples are when the Internet is used to sell products or services and bill customers and when ERP-systems are used to gather data from suppliers and customers and integrate this with internal data. So what IOS-aspects in fact do is linking different aspects from the external value chain with the internal value chain thereby supporting coherence. Again, since IOS-aspects are difficult to manage because of for example the risk of leaking information and difficulties with implementing such systems, it has to be analyzed clearly what elements require IOS and what elements do not require this.

To finalize the IS-element

The description of main IS that are, based on the previous sections, important for a B2B-focused service provider pursuing a customer intimacy strategy shows a lot promise for using IS. However, in determining specific IS-initiatives it is important to keep the main issue regarding the use of IS in mind: alignment with overall strategy and business objectives is vital. Or as Ward and Peppard (2002) put it, IS should be business-driven, not technology-driven. In other words the business model has to be analyzed in order to determine CSFs and decide on how IS could support good results regarding these CSFs. This approach is useful in not getting carried away by the fruitful promise of IS.

2.5.3 Corporate Culture

The final element of this third perspective is corporate culture. The subsection will first focus on the link between corporate culture and both customer and employee satisfaction. Then it will discuss the use of cultures. The subsection ends with a paragraph to finalize the learning and growth perspective.

Corporate culture and both employee and customer satisfaction

Corporate culture, or organizational culture, can be defined as: *“The fundamental assumptions people share about an organization’s values, beliefs, norms, symbols, language, rituals, and myths – all the expressive elements that give meaning to organizational membership and are accepted as guides to behaviour”* (Bloisi, Cook, and Hunsaker, 2003). The main issue about this definition is that it is shared and accepted. Because only if employees accept and share certain values, norms, et cetera, one could speak of a strong culture. And only if a culture is strong, it could really make a difference. Making a difference with corporate culture is important because culture has proven itself as a key

predictor of employee satisfaction and competitive performance (Bloisi et al., 2003). Competitive performance is important for obvious reasons. Employee satisfaction is essential for two reasons (Van Looy et al., 2003). First of all, multiple studies show that high levels of employee satisfaction help create high levels of customer satisfaction; this process is called the satisfaction mirror and can be summarized by stating that happy employees lead to happy customers. The second reason is that employee satisfaction leads to employee loyalty. Loyal employees first of all help in creating the perception of continuity towards the customer. It also means that employees stay at an organization so that they can accumulate knowledge and experience a learning curve; both help in increasing the quality of employees and thus the quality of the service. All these aspects are important for service organizations, especially those that pursue a customer intimacy strategy, since contact with the customer is frequent.

Using cultures to steer behaviour

The description above shows that although corporate culture is sometimes perceived as something fuzzy, it can actually play a major role in supporting corporate strategy (Bloisi et al., 2003). In fact, according to Merchant and Van der Stede (2007), corporate culture can be seen as a means of guiding employees' behaviour in the right direction. It thus provide for a less formal way of behavioural control than other management control systems. However, it is important to realize that creating a culture to steer employees in the desired direction is complex to achieve and depends on many factors like for example national cultures (Bloisi et al., 2003; Merchant and Van der Stede, 2003). Still, several ways of stimulating a certain culture can be indentified: clearly communicating corporate values and mission statements, group rewards, physical arrangements like the layout and interior of office buildings, social arrangements like dress codes, deliberate use of tone at the top, retaining good employees as long as possible, selective hiring, and HRM-practices like training (Bloisi et al., 2003; Merchant and Van der Stede, 2003; Van Looy et al., 2003; Johnson et al., 2006). Important to realize furthermore is that creating a certain corporate culture does not mean that one has to subdue everyone to a strict doctrine and exclude all else. Inclusions in different social configurations, allowing different perspectives, and even multiple organizational subcultures can be seen as a motor for diversity, change and innovation and are therefore essential to all organizations (Bloisi et al., 2003; Johnson et al., 2006; Peverelli and Verduyn, 2007).

Of course, much more could be discussed about corporate cultures since it is a complex and much debated topic. However, the most important thing to note for this study is that since employees are crucial to especially service organizations, corporate culture should be, just like performance measurement systems, seen as an essential tool in aligning employees' behaviour with the organizational objectives (Merchant and Van der Stede, 2007). Based on Banker, Potter, and Srinivasan (2000) and Merchant and Van der Stede (2007), it may be argued that a more stakeholder-approach accompanied with both financial and non-financial performance measurement systems will be preferable in case of a customer intimacy strategy because it creates a long-term stakeholder-oriented (e.g. suppliers and customers) culture.

To finalize the learning and growth perspective

Again, the discussion of this perspective showed the importance of alignment with other perspective-elements and with the other perspectives of the integrated business model. Regarding the capability-element, the competence-capability-resource-hierarchy was introduced as valuable tool for analyzing this element. Within the discussion of the IS-element, four main IS-systems were indentified which could contribute to a B2B-focused customer intimacy strategy pursued by service providers. Corporate culture was said to be a means of strategy implementation and should therefore clearly be aligned with organizational objectives. Within the next section, the final perspective, this importance of alignment within the integrated business model will show once more.

2.6 Financial perspective

The financial perspective can be seen as the monetary result of the business model; it is concerned with the incoming and outgoing cash flows. Organizational progress within this perspective can result

from revenue growth or productivity gains (using assets more efficiently and/or improve the cost structure). As said in section 2.2, both are closely linked with the four perspective-specific goals of the process perspective. The elements comprising this pillar are revenue model and cost structure.

2.6.1 Revenue model

The revenue model is the first element of this perspective. It zooms in on the revenue streams of the organization. In other words, it describes how the organization generates income. The section will first focus on revenue streams and pricing mechanisms. It will then discuss pricing strategies in light of a B2B-focused customer intimacy strategy.

Revenue streams and pricing mechanisms

An organization can have one or multiple revenue streams. These revenue streams may emerge from selling assets, renting/leasing, licensing, commissions, usage fees, subscription fees, and/or advertising (Osterwalder, 2004; Osterwalder and Pigneur, 2009). Each of these revenue streams is governed by a pricing mechanism. This can be fixed pricing, differential pricing and/or market pricing. With fixed pricing, prices are set and thus not dependent on customer characteristics, volumes, or real-time market conditions. Differential pricing mechanisms are to produce prices that are dependent on volumes and customer preferences or characteristics. Market pricing produces prices which are based on real-time market conditions.

Pricing strategies in light of a B2B-focused customer intimacy strategy

Van Looy et al. (2003) argue that pricing strategies should be coherent with the overall strategy. In case of a customer intimacy strategy and a B2B-focus, differential pricing in the form of relationship pricing seems to be preferable. This type of pricing encourages the purchasing relationships with customers, both in terms of volume and time. Two important tools within this pricing strategy are price bundling, which aims at increasing the volume, and long-term contracts that provide both price and non-price incentives aimed at extending the relationship over time.

Important to realize regarding pricing is that a customer intimacy strategy does not automatically mean setting high prices. Some authors who use Treacy and Wiersema (1993) may give this impression by equating customer intimacy to premium fees (e.g. De Vries, et al., 2004). This is however not in line with the original rationale behind the customer intimacy strategy. Treacy and Wiersema (1993) stress this by stating that it can be expensive to tailor services to the customer, but organizations that pursue a customer intimacy strategy are willing to spend now in order to achieve customer loyalty later on. In other words, one has to see it as an investment which suggests that not every euro spent should be immediately re-earned by setting high prices.

2.6.2 Cost structure

The final element of this perspective is the cost structure. A cost structure focuses on all costs incurred during the creation, marketing, and delivering of the value proposition. This subsection will first discuss two general ways on how to approach this element. Then it will focus on cost accounting. Since this is the last element of this final perspective, the subsection ends with a final paragraph on this perspective.

Cost-driven and value-driven business models

Osterwalder and Pigneur (2009) distinguish between cost-driven and value-driven business models. Cost-driven models are those that try to minimize costs as much as possible. Value-driven business model are less concerned with costs, but more with offering high value. Offering premium value propositions and personalized services are therefore linked to value-driven business models. However, Osterwalder and Pigneur (2009) state that every business model should put effort in minimizing costs where possible and that value- and cost-driven business models are to be seen as both ends on a continuum. This strengthens the earlier made statement that choosing to pursue one of the three generic strategies does not exclude the other two strategies.

Cost accounting

According to Horngren et al. (2006), gathering and analyzing both financial and non-financial information about the costs an organization incurs, a process which is called cost accounting, is one of the pillars of sound decision making within organizations. A useful tool for this is called activity-based costing. Here, individual activities act as cost objects which means that costs are allocated to them. In line with the argued customer data importance, Anderson and Narus (2004) state that within B2B-focused organizations, it is advisable to specify costs in terms of activities in relation to the customer. This means focussing on four categories. Transaction-specific costs are associated with the processing and fulfilment of customer orders. Customer-specific costs are concerned with the customization of the offer. Customer-segment costs are costs related to a specific segment, but which can not be traced back to an individual customer. Finally, support costs. These are costs that can not be directly traced back to an individual customer or a segment. With the help of these four categories, costs have to be allocated to activities which are in turn linked to a specific customer. It is important to do this by using a cause-and-effect criterion as much as possible (Horngren et al., 2006). So even indirect costs like support costs have to be related to the cost object in a causal way as much as possible; in other words, costs have to be allocated to activities and customers that consume them. This is important for two reasons. First, this type of allocation will prevent both under- and over costing thereby minimizing the risk that services are over- or underpriced. Secondly, a good cost accounting system allows for good budgeting to take place thereby maximizing planning and control abilities.

To finalize the financial perspective

It will come as now surprise by now that again a clear link exists between the way the elements of this perspective are best designed and the B2B-focused customer intimacy strategy. Such a strategy was argued to influence the pricing strategies as well as the preferred way to manage the cost accounting process.

The next section will provide a summary of all perspectives and elements discussed in sections 2.3, 2.4, 2.5, and 2.6.

2.7 To conclude

In the previous sections the eleven elements of the integrated business model are discussed and customized to the specific situation of being a service provider with a B2B-focused customer intimacy strategy. By doing so, the framework that will be used for this study is completed. It is summarized in table 2.1. The table gives an overview of the eleven elements; these can be seen on the left-hand side of the table. Between the brackets, it is stated to which perspective the element belongs. The middle of the table describes the focus of the elements. The right-hand side zooms in on how the integrated business model of a B2B-focused organisation pursuing a customer intimacy strategy should look like based on the literature; these aspects could be seen as the CSFs of such an organization.

Element	Focus of the element	What to do in case of a B2B-focused customer intimacy strategy?
<i>Value proposition</i> (part of the customer perspective)	<i>How items of value are packaged and offered to fulfil customer needs in a differentiated way</i>	- Offer differentiated value relative to competitors and/or alternatives by focusing on problem-solving and customized services.
<i>Target customer</i> (part of the customer perspective)	<i>What customers to target</i>	- Use segmentation to locate attractive market segments. - Develop and use an ABC-classification.

<p>Relationship (part of the customer perspective)</p>	<p><i>What relationship the organization tries to establish with the customer</i></p>	<ul style="list-style-type: none"> - Adopt a long-term focus regarding customers by aiming for long-term relationships and customer loyalty. - Use frequent, individualised communication to establish a bond with the customer. - Focus both on type I and type II RMIs. - Have a good complaint management system in place with a low complaint threshold and quick and effective responses. - Aim for high levels of customer satisfaction by creating high levels of perceived quality through balancing expected and experienced quality. - To improve perceived quality further, focus on tangibles, reliability, empathy, responsiveness, assurance. - Position the brand as superior, problem-solving, and tailored to the customer. - Use a brand hierarchy to specify the brand to segments.
<p>Distribution channel (part of the process perspective)</p>	<p><i>How the organization comes into contact with the customer; the link between the value proposition and the target customer</i></p>	<ul style="list-style-type: none"> - Know the DMU of target customers. - Use selective, zero-level distribution channel. - Adopt a need-focus in contact with customers. - Use dialogue, access, risk assessment, and transparency to co-create value with customers.
<p>Value configuration (part of the process perspective)</p>	<p><i>The steps required to create value for the customer</i></p>	<ul style="list-style-type: none"> - Be flexible and creative to meet individual customer needs. - Develop negotiating and contracting skills to set up mutual satisfying contracts and SLAs.
<p>Partnership (part of the process perspective)</p>	<p><i>What elements of the organisation are outsourced</i></p>	<ul style="list-style-type: none"> - Go through the make-or-buy decision process by advancing through the strategic, transition, and operational phase. - Create and manage a qualitative supplier base.
<p>Capability (part of the learning and growth perspective)</p>	<p><i>Competences, capabilities, and resources needed to operate according to the strategy</i></p>	<ul style="list-style-type: none"> - Develop a clear understanding of the core competences, core capabilities, and unique resources.
<p>Information systems (part of</p>	<p><i>The IS within the organization</i></p>	<ul style="list-style-type: none"> - Align IS with the strategy by

the learning and growth perspective)		using CSFs based on the business objectives. - A B2B-focused customer intimacy strategy may particularly value PMS, KMS, CRM-systems, and ERP-systems.
Corporate culture (part of the learning and growth perspective)	<i>The culture within the organization</i>	- Perceive the culture as a means of strategy implementation. - Aim for a stakeholder-oriented culture with a long-term focus by using both financial and non-financial measures (e.g. customer and supplier satisfaction). - Be aware that culture can contribute to employee satisfaction and therefore to customer satisfaction. - So try to develop a culture that is in line with the strategy and in which employees are satisfied. Means to do this are for example training and clear communication of corporate values.
Revenue model (part of the financial perspective)	<i>The revenue streams and pricing strategies used</i>	- Use differential pricing in the form of relationship pricing by price bundling and long-term contracts that provide both price and non-price incentives. - Do not use premium fees immediately, but perceive attracting customers as an investment.
Cost structure (part of the financial perspective)	<i>The outgoing cash flows</i>	- Use activity-based costing in terms of activities in relation to the customer. So allocate in a cause-and-effect manner transaction-specific, customer-specific, customer-segment, and support costs to individual customers.

Table 2.1: what to do regarding the components of the integrated business model in case of a B2B-focussed customer intimacy strategy

The framework as described in table 2.1 will be used as the theoretical fundament of this study. It is also the starting point on how to design the interview framework. The next chapter will go deeper into the research methods.

Chapter 3 Research Design

This chapter discusses the research design of the study. It will do so by first discussing the research approach and consequences of this approach. Hereafter, the data gathering process per question will be elaborated on in section 3.2.

3.1 Research approach and consequences of this approach

As said in chapter 1, this study is commissioned by COO; consequently it has a practice-oriented focus. Based on Blumberg, Cooper, and Schindler (2005) this type of research can be called applied research as opposed to pure or basic research. Brohm (2008a) uses the intervention cycle (see figure 3.1) to depict the character of this type of research. Since implementing and testing an intervention is not possible within the timeframe of this study, the green elements highlight the focus of this study.

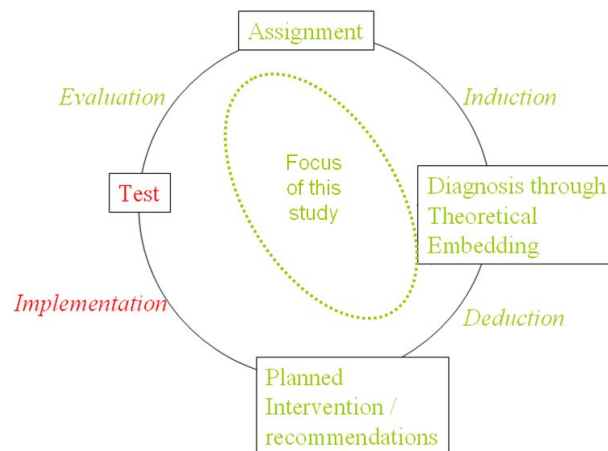


Figure 3.1: The intervention cycle; (Brohm, 2008b), slide 6

According to Brohm (2008a) applied research is a specific form of exploratory research because exploratory research is appropriate not only for examining new topic areas, but also for rethinking existing theories and constructs in for example new settings. In case of applied research the latter is exactly what one does; existing theories and literature are used to come up with new insights in new settings.

The concept of exploratory research, as Brohm (2008a) calls it, is very similar to what Creswell (2009) calls qualitative research. So both use different terms, but use comparable characteristics to describe this research approach. Both state that the highly iterative character is one of the key elements of exploratory/qualitative research. This means that there is a constant interaction between questions, data collection and data analysis. A consequence of this is that the research has an emergent nature. In this study, this is clearly shown by the fact that the second sub question was only arrived at after the data collection for the first sub question and that data collection and analysis happened simultaneously. Not only does the exploratory/qualitative approach lead to an emergent structure of the study, the approach also has consequences regarding the use of literature and theory, the research strategy, and regarding validity and reliability issues.

3.1.1 The use of literature and theory

Within this study, no theories will be tested. Instead, existing theories and models will be used as theoretical framework to guide the study; to notice what is important and what is not important. Lather (1986) warns that one should be cautious not to turn this theoretical framework into a container into which all data must be poured; it should be used as to enlighten observations, not to constrain them. To depict this with a metaphor, one could use the term theoretical lantern. The term theoretical lantern

is based on Shank (2002). He mentions the lantern as one of the metaphors for describing inquiry. The lantern can be used to shed light into darkness; to notice things that otherwise would not have been noticed. This is what happened by using the integrated business model in answering the two fundamental questions to service organizations. It also happened in section 2.2 when the elements of the business model were elaborated on with additional literature customized to COO's main situation of B2B-focused customer intimacy in order to determine where to focus on. This resulted in a theoretical framework tailored to COO's main situation and aimed to guide the process of determining what could be best altered in COO's organization given the intention of optimizing the delivery of the generic value proposition to the main target customer. To depict this, figure 2.2 can be rearranged into figure 3.2; this figure shows the essence of this study. Within figure 3.2, the horizontal two-sided arrow depicts the reciprocal influence between the customer intimacy value proposition and the B2B-target customer. The vertical two-sided arrow depicts the interaction between the delivery of the value proposition and the elements of the business model.

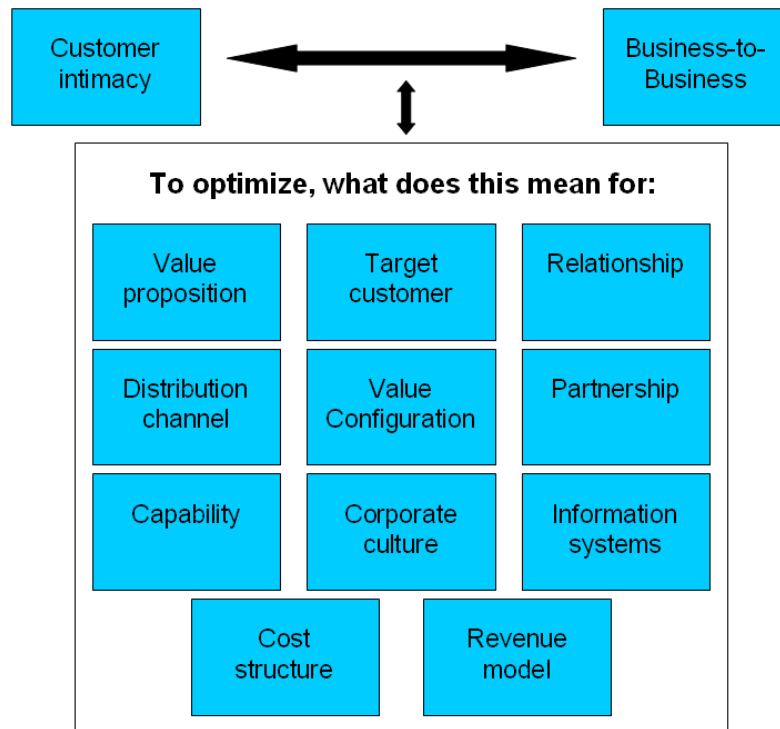


Figure 3.2: The essence of this study

So in fact, it could be argued that the integrated business model is used as a theoretical lantern to enable noticing of what is important in optimizing COO's business in terms of coherence and alignment.

3.1.2 Research strategy

Exploratory/qualitative studies can use several research strategies (Brohm, 2008a; Creswell, 2009). This study can be categorized as a case study. Eisenhardt (1989) describes a case study as a strategy which focuses on the dynamics within a single setting. Verschuren and Doorewaard (1999) complement this description by stating that case studies are about getting insight into one or several objects or processes. Both Eisenhardt (1989) and Verschuren and Doorewaard (1999) mention that case studies do not normally limit themselves to just one method of data collection. This study also used several data collection methods: semi-structured interviews were used, but also document analyses. A combination of descriptive and reflective field notes were used to store and analyze the data collected with these methods. Working this way enabled me to work at data collection and data analysis at the same time; so I collected and interpreted the data simultaneously. Such a constant interaction between data collection and analysis is allowed, as argued earlier. The benefit is that it

enabled me to develop a holistic view of the process because I could use new information and insights right away, in sequential interviews and even in the same interview.

Processed data of the interviews and document reviews will be presented in tabular, textual and graphical forms in order to improve understanding, like e.g. Miles and Huberman (1984) suggest.

3.2.3 Reliability and validity

As discussed earlier, exploratory/qualitative research characterizes itself by its high iterative level and the accompanied emergent design. However, this is not to say that one can change aspects in the research as one pleases. Based on Silverman (2001) it can be argued that indeed an exploratory/qualitative research design is not inflexible, but good reasons should ground changes in the research. Otherwise, the changing of elements will have a random character thereby negatively influencing the validity and reliability of the research.

Reliability in exploratory/qualitative research is concerned with consistency, according to Creswell (2009). The same author mentions several ways to accomplish this. This study used cross-checking field notes for mistakes. To improve reliability further, detailed interview frameworks are provided in appendix A and appendix B. These interview frameworks were accurately followed during the interviews in order to reduce subjectivity and enhance the possibility that similar results will be achieved if other researchers will use the same data collection tools. Finally, regarding reliability, it is important to realize potential biases of the researcher and be frank about it (Sandberg, 2005). In case of this study, the potential bias may emerge from my specialisation in information management. Therefore, I may have a bias towards the use of IS.

Explorative/qualitative validity is concerned with the accuracy of findings (Creswell, 2009). Yin (1984) indicates several ways to achieve this. This study used member-checking and triangulation to validate the results. Also, the interview frameworks were discussed with both the founders of COO and other researchers to check if they really measure what this study aims for. Finally, to increase the extent in which truth claims are achieved, Sandberg (2005) emphasises the importance of communities of interpretation. This means that there should be an understanding between the research participants and the researcher. To achieve this, I clearly specified the purpose of this research to every participant before the interviews started. Sandberg (2005) also proposes to strive for coherence within interpretations by making sure parts fit the whole and the whole fits the parts. Related to this is that one should not discard everything that does not fit the whole because that may cause for overlooking complexity. Within this study, this was achieved by cross-checking the data from a theoretical perspective; so determine if results fit the whole of the literature and the other way around. Also, the process of cross-checking for differences was applied (Creswell, 2009) or deviant-case analysis as Silverman (2001) calls it. This means the study tried to determine if some results were deviant from the theory or from each other and if so, try to analyze why this is the case to see if it is a accidental difference, or that it is a sign that things are more complex than the literature stated. Finally, my interpretations were discussed with other researchers as well as with professionals in the field in order to increase validity even more. An approach Sandberg (2005) also suggests.

Within the next section, the above will be specified more clearly as the detailed process of answering the three sub questions is elaborated on.

3.3 Answering process per sub questions

To increase reliability of this study, the specific steps per sub question will be discussed. No specific attention will be paid to the research question since this question was answered by integrating the answers of the three sub questions.

3.3.1 Sub question one

As said in chapter 2, figure 2.2 was used as starting point to develop a perspective on the initial ideas of COO in terms of the integrated business model. This was be done with the help of semi-structured, face-to-face interviews with the two founders of COO; those who initiated the idea in their own organizations. During these interviews, the interview framework of Appendix A was used. The

specific questions within this framework are directly related to the literature as described in chapter 2 and summarized in table 2.1.

Both interviews gathered similar results. This proved that the data gathered could be reliable. In order to improve reliability even more, other data sources like the website of COO and corporate presentations were used to triangulate the data. Again, no differences showed between the way COO presented itself to me (interviews), to the outside world (website), and to its corporate parents (corporate presentation). The operational business model described based on the data was then presented to the two founders in order to increase validity. This member-checking process did not result in any changes.

3.3.2 Sub question two

The second sub question can be seen as the core of the field-data gathering process. Therefore, this subsection will pay much attention to how the results of this sub question came to be. First, the respondents and general approach will be discussed. After that, the subsection will zoom in on respectively the interviews and the type of sampling procedure used. It will end by focussing on the interview framework used as tool in answering this sub question.

The respondents and general approach

With the help of chapter 2, a literature framework (summarized in table 2.1) was developed which described how the business model of a B2B-focussed service organization pursuing a customer intimacy strategy is best designed. To customize this relative general framework to the specific situation of COO, experts were interviewed. These experts were either purchasing directors (those who fulfil a decisive role within DMUs of organizations and can therefore provide valuable insights) or facility managers (those who have a lot of knowledge about the specific market of COO and can therefore provide value input) who work for organizations within COO's targeted segments. Furthermore, all respondents were persons with at least ten years of experience within the field of facility management or facility purchasing across different sectors or as consultant and in both large organizations and SMEs. This meant that the respondents had two main characteristics in common. First, they are potential customers. In light of this, they are the ones who can provide insights into how value can be created by COO. Secondly, the respondents can also be considered experts within the field because of their diversified experience. This led to a situation in which I could efficiently gather in-depth knowledge about differences between sectors and between large organizations and SMEs. Because instead of interviewing many respondents from different sectors and different size organizations, asking them just about their organization-perspective and then analyzing differences and links personally, I could now explicitly ask respondents about the differences and links between different size organizations and different sectors in light of COO's value proposition and other business model elements. This was possible because the respondents were able to answer the questions not only from the perspective of their own organization, but they were also able to adopt different perspectives because of their experience. This is more reliable than personally determining the differences and links because now multiple persons are explicitly used in analyzing these differences and links between sectors and organizations. Also, I was able to go deeper into it because I could ask reasons as to why these differences and links between sectors and organizations exist and what this would mean for COO. In other words, instead of gathering data from respondents and then analyze it personally afterwards, I went into a dialogue with respondents and jointly analyzed the provided data with them. This meant that when a respondent gave an answer, I first summarized it to check if I understood it correctly. Hereafter, I asked what this would mean for COO. Again, I used summarizing the answers for checking if I understood the data correctly. Finally, after every answer and analysis, I asked if the respondent believed that differences would exist between the four sectors COO is targeting and between SMEs and large organizations regarding these conclusions. In two cases, I contacted the respondents again after the interviews (once by mail, once by phone) to share and discuss new insights gained by other interviews. So data gathering and analyzing happened at the same time with the help of the experts. Finally, I discussed my interpretations and reasoning with another researcher to increase validity.

The interviews

I interviewed two types of experts: purchasing directors and facility managers; all of which are currently working at a potential customer of COO. To increase maximum differences between respondents, I interviewed both men and women from different ages currently working in different sectors and at different size organizations. All interviews were done face-to-face. The advantage of this is that face-to-face interviewing allows for probing and explanation (Blumberg et al., 2005); which made it possible to gather and analyze data at the same time thereby maximizing the value of input of each interview. However, using face-to-face interviews also brings forth some disadvantages: fewer respondents can be contacted in the same time, the geographical coverage is limited, it is hard to contact hard-to-reach respondents, and it perceived as less anonymous than for example questionnaires thereby increasing the risk for less than honest answers (Blumberg et al., 2005). However, these disadvantages can be overcome. First, respondents were assured that the results were kept anonymous thereby increasing the chance of honest answers. Secondly, the issue of limited geographical coverage is not a real problem since COO will first focus on organizations within the eastern and northern region of the Netherlands. Therefore, it is valid to focus on this region alone for now. Third, the disadvantage of difficulty in accessing hard-to-reach respondents is overcome by using the databases of SITA and Novon. Using the databases of SITA and Novon has the advantage that I can directly contact the purchasers and facility managers. Lastly, the disadvantage of contacting fewer respondents in the same time is not an issue in this study because the specific number of interviews held was dependent on the level of saturation; as soon as new interviews did not add significant new insights, the interviews stopped. Research shows this point is usually reached with the help of no more than twelve interviews (Guest, Bunce, and Johnson, 2006). The number of interviews I needed was seven. Although this may seem relatively low, one has to keep in mind that the purpose of this study is not to make generalizations about certain market segments, but to get detailed and specific input regarding COO's situation. Also, as argued, the experts had experience across sectors and organizations which led to a situation in which the data input per respondent was quite diverse and detailed (some interviews took over two hours). However, even though the data input was diverse per respondent, the input across respondents showed many links. This could mean several things. It could be that I was not going deep enough during the interviews, that the sample was not diverse enough, or that I was steering the respondents. The in-depth data gathered per interview and the strict use of an interview framework makes two of these reasons unlikely. The reason that the sample was not diverse enough is less unlikely. Because even though there were a lot of differences between the respondents (gender, age category, current sector in which they work, type of experience, and size of current employer-organization), they all had one element in common: currently, they all work within the region COO is operating in. As already argued, this regional focus is valid for this study which is commissioned by COO, but it does limit the results of this study to this region within the Netherlands. Either way, there is not a valid reason to assume that more interviews were needed for this specific study. So valid, preliminary results were obtained after seven interviews. Therefore, the disadvantage of contacting fewer respondents within the same timeframe is not an issue here because seven interviews proved to be enough for now.

Purposive sampling

As the above already showed, this study used purposive sampling as sampling procedure. This was done because such a procedure increases the chances of maximizing the value input per interview since certain characteristics can be met (for example, as discussed, gender, age, experience, and current type of employer). With the help of the founders of COO, it was determined which people met this demands and could provide the best insights. Furthermore, it was made sure that no similar respondents were interviewed in order to uphold the maximizing differences concept. Given the demanding characteristics just described, three people contacted with the help of COO referred me to other people who, in their eyes, were better equipped to answer the questions.

The interview framework

The interview framework used for these interviews is based on chapter 2 and can be found in appendix B. Question 1 zoomed in on the specifics of the value proposition. In specifying the question, the five domains of the SERVQUAL-model (1B-1F) supplemented with the technical quality aspect (1A)

guide as framework. To make a distinction between these aspects, respondents were asked to give the domains a score on a 5-point likert-scale. This was done with the intention to make relative differences between the domains clearer; not to calculate averages since this would not be valuable in light of only seven inputs. Question 2 explored if there are any other important aspects that COO should deliver regarding their value proposition. Both questions gave insight into what aspects of COO's service are valued most within the market (based on the opinion of market experts which are also potential customers). Question 3 focused on the first aspects of the distribution channel by asking how the attention of the customer is best attracted by COO within the facility market. Question 4 discussed the evaluation phase of the customer buying cycle: how can COO best proceed if attention is created. Pre-discussing of the framework showed that the third and fourth phase of the distribution channel, purchase and after-sales, were commented on somewhere during the first four questions; so no specific questions were added regarding these elements. Questions 5 and 6 are related to the relationship of COO with the customer. Question 7 of the interview focused on the capability element of the business model by asking the experts their opinion about which aspects give (or should give) COO a competitive advantage. In other words, the core competences, core capabilities and unique resources can be derived from these answers. Indirectly, in light of the core competence theory this also relates to the partnership element (only outsource what is not core or unique). The final question is a general question to give interviewees the opportunity to bring forth insights regarding aspects that I did not think of myself with the help of the literature. Ending the interview with this question means that the value configuration element is not directly covered by the interview framework. However, discussing the distribution channel in detail will allow for making the necessary conclusion regarding the value configuration since both elements are closely related as discussed in chapter 2. Lastly, the financial aspects, IS (were only mentioned in relation to how an expert/customer wanted to come in contact with COO), and corporate culture are also not directly discussed with the experts since the usefulness of input regarding these elements will probably be limited. Therefore, it is better to derive design-needs of these two elements indirectly from the data gathered combined with the literature.

The interview framework developed was first checked by two other researches to increase validity. Also the two founders of COO checked the framework in order to increase validity even more. Before I went into the field, I also discussed the research and interview framework with a facility consultant, not to already gather data, but more to prepare for the interviews and to see if things could be added, left out, or better specified. All this eventually resulted in appendix B. In preparing for the interviews a bit more, I also read through some issues of several Dutch facility management magazines to get a better feeling of the facility market. Finally, with the same objective I read some articles on the Internet. These sources were not used as a reference, but as means to develop some perspective on the facility market and thereby to prepare for the interviews.

3.3.3 Sub question three

The literature of chapter 2 was combined with the findings of the second sub question in order to answer the third sub question. So no new field-data was gathered for answering this question. The reason for this is that there are very little to no data-sources available on how to best design a business model for such a specific case. Therefore, the literature is customized as much as possible to COO's general situation and then combined with data on what experts advise given the value proposition and target customer. Based on this, the third sub question was answered.

Chapter 4 The business model of COO

In this chapter, the first sub question will be answered. The process of describing the business model as it is currently perceived by the founders can be seen as unfolding the results of the bargaining agreement between SITA Netherlands and Novon; it represents the initial ideas. As said in chapter 3, these results are based on interviews with the two founders of COO, the corporate presentation, and the website of COO. Triangulating the data like this did not show any differences between the references; therefore it is not needed to mention the source of each statement within this chapter as all statements can be traced back to each of these three references.

The description of the business model is categorized alongside figure 2.2. So the next four sections are customer perspective, process perspective, learning and growth perspective, and financial perspective. The chapter ends with a conclusion.

4.1 Customer perspective

The elements within this perspective are value proposition, target customer, and relationship.

4.1.1 Value proposition

The value proposition of COO can be described as offering an integrated, customized solution in the field of tactical facility management; they make a total relieve promise regarding facility management. This means that everything within the field of facility management is offered by COO, from consultancy to purchasing and contracting operational facility service providers (with SITA and Novon as preferred suppliers). The ultimate goal of this offer is to provide the customer ease of use in creating a high-quality workplace which helps the customer in retaining its workforce. A high-quality workplace means, according to COO, a workplace which is safe, clean, comfortable, sustainable, and healthy.

The reason behind the offer of COO was already depicted by figure 1.2; exactly the same figure is shown again in figure 4.1.

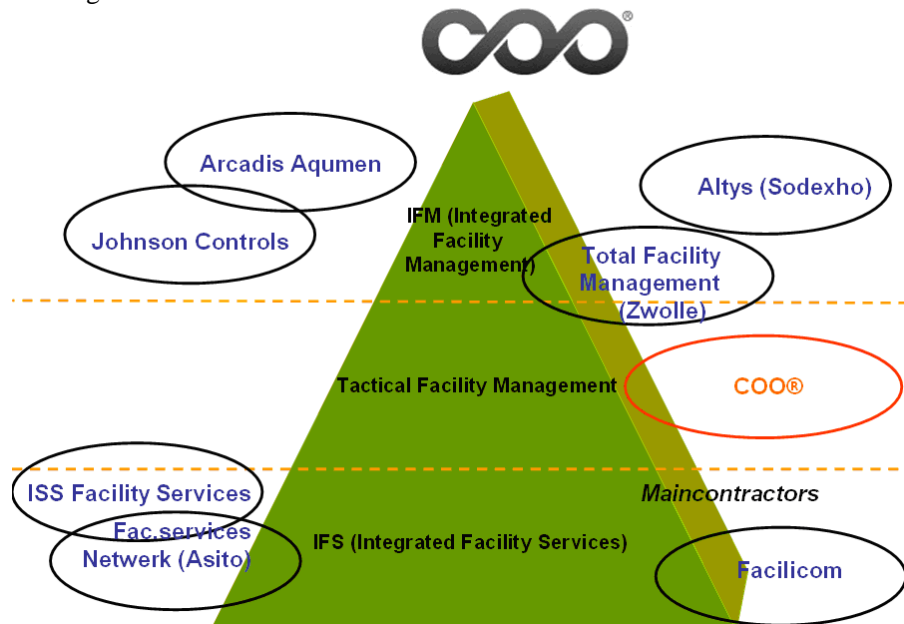


Figure 4.1: COO's position within the market; from COO's corporate presentation

This figure shows that according to COO, the organization is operating in a niche. Operational facility management is close to the end user (the workforce of a client-organization), but it causes inefficiencies and other problems because of a lack of overview. Strategic facility management is too far away from the end user, thereby losing sight of what is really necessary. Tactical facility management offers a solution to this; it is a bridge between both. It offers a coordinated view to facility management which is close to the end user but is also able to provide overview-efficiencies. COO tries to achieve this with the central line of thought that an organization has to have a janitor-COO; a person who acts as a single point of contact for end users in case there are questions/problems regarding facility management. This janitor-COO is the coordinator of all facility management issues within the organization. So he/she is the face of facility management in the organization, the caretaker; just like a concierge is in a hotel. Besides this function, a janitor-COO is also the link between COO and the customer-organization. So COO offers his services through janitor-COO. However, janitor-COO does not have to be on the payroll of COO. Depending on the customer, it can also be a new employee on the payroll of the organization, or an existing employee who is trained by COO. COO claims this concept is very innovative and offers for a niche position.

Next to the janitor-COO-offer, COO also offers E-COO, consultancy services within the field of facility management, and the purchasing and contracting of third party facility providers. E-COO is a concept regarding the way waste is gathered within the organization. It provides for almost total separation of waste which leads not only to reduction of the emission of carbon dioxide, but also to cost reductions because the most expensive type of waste (rest waste) is limited since more waste can be recycled because of this total separation. E-COO can be offered with the help of SITA and Novon, but COO can also train the existing waste management and cleaning suppliers of an organization. The consultancy and contracting offerings of COO complete the promise of total relieve of facility management for the client.

4.1.2 Target customer

The main segmentation done by COO is based on the characteristic consumer or business. COO targets businesses (B2B). Within this large group, segmentation is done mainly by size; COO targets organizations with more than fifty employees in both profit and non-profit sector. Although COO focuses on organization within north-eastern region of the Netherlands, this seems to be more a consequence of convenience, than conscious segmentation. However, this is the region they target. Furthermore, COO targets four industry types: education, healthcare, service industry, and the production industry. Within these sectors, no additional segmentation is done. Someone is hired tough to target primary and high schools within the education sector. However, they also target large vocational education organizations within this sector.

So they target organizations within the north-eastern region of the Netherlands, which have fifty employees or more, and are operating in the education sector, the healthcare sector, the service industry, or the production industry.

Finally, it is good to notice that regarding the targeting of existing customers (and potentially new customers), no ABC-classification is used.

4.1.3 Relationship

COO strives for a long-term relationship with its customers in which the customer is constantly reminded of the benefits of the dealing with COO (e.g. management reports regarding SLAs and news letters). Although COO is aware of the fact the long-term relationships are important, they also seem to focus on getting many new customers without a clear focus. Also, there is not yet a clear retention strategy nor is there a complaint management system.

As discussed in chapter 2, not only the preferred relationship is an important aspect of the element relationship, also the brand identity is part of this element. The brand identity COO is trying to achieve is one of customized ease and high-quality with sustainability, safety, strong customer orientation, and healthy environments as its core values.

4.2 Process perspective

The process perspective consists of three elements: distribution channel, value configuration, and partnership.

4.2.1 Distribution channel

The distribution channel is best described, as discussed in chapter 2, by focussing on the entire cycle from acquisition to after-sales.

As of August 2009, COO uses a sales person for cold acquisition. Up until then, COO targeted potential customers within the network of the founders of COO. The organization also uses a website and can be found easily by Google because of some key words. Finally, the local professional soccer team is sponsored.

If attention is attracted, COO reacts on requests for information by sending out (electronic) brochures. After this step, one of the two founders of COO is going to the prospect to give additional/customized information. After that, COO reacts on requests for proposals.

If a potential customer is acquired, one of the founders will handle the purchasing process by negotiating personally and setting up customized contracts. So no existing concept-contracts are used.

The after-sales phase consists of checking up by phone if everything is in order. However, in the near future, COO hopes to realize detailed reports on SLAs and management information.

4.2.2 Value configuration

The value configuration of service providers could, as explained in chapter 2, be described in terms of the value shop. Also, in the second chapter it was argued that to keep the study more manageable, only key activities should be discussed.

Problem-finding: special consults with the customer are used to find out what the real problem is.

Problem-solving: after the consults, several alternatives are offered to the customer.

Choice: the customer chooses between these alternatives; this happens independently from COO.

Execution: depending on what a customer wants, people are trained, janitor-COOs are put to work, and facility service organizations are contracted.

Evaluation and control: as discussed during the distribution channel element, customers are phoned regularly if everything is in order. However, in the near future, a more systemic for handling this is preferred.

4.2.3 Partnership

As became apparent with the description of the value shop, execution is outsourced in case operational facility service providers are needed. Evaluation and control, acquisition, problem-finding and problem-solving are all done by COO itself. However, both founders agreed that if possible, acquisition will be outsourced.

4.3 Learning and growth perspective

This perspective focuses on the elements capability, IS, and corporate culture.

4.3.1 Capability

The core competences needed according to COO are creativity and flexibility; to offer every single customer the optimal solution with the highest ease. No specific capabilities were mentioned by COO. The main resources indentified by the founders are both the networks of SITA and Novon (both customer and other contacts) and the knowledge that resides within SITA and Novon. Also, as

discussed, someone is hired who has a lot of experience within the education sector. This way, both the network of COO and the level of specialized market knowledge is extended. No other resources were mentioned.

4.3.2 Information systems

The founders thought that there was much value to be gained from IS. But the proposed perspective tended to be externally focused. For example, both founders stressed the importance of ease of use for customers to access certain systems and contact COO. At the moment, a comprehensive software package is used which has ERP-like characteristics; there are many modules available and all aspects of the organisation can be linked to each other. Although the whole process of implementing and deciding which modules to use is still ongoing, there already is an option that enables customers to access the system online and contact COO this way. No attention was paid to categorize the systems and to the process of SISP.

4.3.3 Corporate culture

Since the organization just started, there are not yet any specific signs of a deliberate corporate culture. Also, the founders did not yet have a clear picture on what kind of culture they wanted and/or needed. So there were not any clearly stated corporate values (except the unstated brand values), no training programmes, et cetera.

4.4 Financial perspective

The final perspective focuses on the monetary issues of the integrated business model: how money comes in (revenue model) and how money goes out (cost structure).

4.4.1 Revenue model

In case of a janitor-COO, there is either a posting margin or a fee on education and/or use of the concept. Regarding consultancy, COO uses a usage fee to charge clients. The purchasing related revenue streams consist of a usage fee for the service and a percentage of cost savings realized by COO for the operational service provider (economies of scale). With E-COO, the customer has to pay a usage fee for the concept. Also, if other parties than SITA and Novon deliver the service, a training fee is charged. If SITA and Novon deliver the service, then they have to pay a percentage of the cost savings realized by E-COO. The remaining part will be given to the customer so that they also experience cost reductions. Finally, the client has to lease the special E-COO containers.

Regarding pricing strategies, COO did not yet have a complete and clear picture about that. Currently there are working with a mark-up pricing method calculated for each individual customer. No clear pricing strategies were indentified.

4.4.2 Costs structure

According to the founders, the main cost objects are the software used by COO, costs of personnel, marketing and communication, and renting the office. These costs are not allocated to customers with the help of activity-based costing or any conscious costing system for that matter.

The way the founders talked about these costs suggested that they adopted a cost-driven business model perspective. They repeatedly talked about lowering costs as much as possible; this was backed up by some statements in the corporate presentation and on the website.

4.5 To conclude

The chapter showed that the initial business model is clear in some parts. For example, COO is unambiguous about the B2B-focused customer intimacy strategy they pursue. However, the business model is also quite general and incoherent in some others parts. So one could argue that the founders have a general perspective on the business, but did not use the systematic way of the business model to

map this perspective and create coherence between all elements and alignment with the environment. But before recommendations on how to increase this coherence and alignment will be discussed in chapter 6, chapter 5 will first focus the results of the expert-interviews.

Chapter 5

What do the experts think?

In this chapter the results of the experts-interviews will be discussed. These results will be used to customize the general business model aspects of table 2.1 to the specific situation of COO. As discussed in subsection 3.3.2, interview framework II did not directly go into every element of the business model. Therefore, the structure of this chapter is not in line with figure 2.2 as chapter 4 was. Instead the chapter is categorized alongside the focal points of the interview framework. The expert-interviews focuses on the offer of COO (questions 1 and 2 of interview framework II), how COO gets in touch with the customer (questions 3 and 4), how it should manage the relationship with the customer (questions 5 and 6), and how COO could differ from the competition (questions 7 and 8).

5.1 The offer

The results of the expert-interviews regarding the offer of COO can be best split up into the categories of the offer of COO. First of all E-COO and janitor-COO. Regarding the consultancy and purchasing/contracting, it is good to discuss these two in one subsection because of their relatedness. The fourth sub section will then focus on the SERVQUAL-model. After this differences between sectors and different size organizations are discussed. This is followed by the results on what the experts believe could be other valued aspects regarding the offer of COO. The final sub section provides a conclusion.

5.1.1 E-COO

Regarding E-COO, all experts stated that the uniqueness and characteristics (e.g. the contribution to the environment aspects) of the concept were very appealing. Regarding the cost savings aspect, the experts were less unanimous. Three experts were sceptical if cost savings would be really obtained. Three other experts said that even if cost saving were achieved, these would probably not be big enough to attract large organizations solely based on that factor. However, according to these experts, SMEs could potentially be vulnerable to these relative small cost savings. Two experts stated that regarding these cost savings, it is important for COO to be as concrete as possible. So COO should try to come up with absolute numbers on cost savings, not with percentages. If this is feasible (and the numbers are large enough), these experts stated that it possible to sell E-COO based on the cost savings. But even though the doubt about the achievability of the cost savings aspect, E-COO was valued really high: each expert gave it a score of four or five. However, some specific and critical remarks were made. Three experts were unclear about what COO's role would be if the E-COO process is up and running. One explicitly stated: *"I believe that if it (E-COO) is installed and my own garbage disposal organization and cleaning company use it, I do not see the need for COO anymore...even management reports about the results could be provided by my own waste management supplier."*⁸ Furthermore, four experts stated that the E-COO containers are too expensive to lease; two of them did not see any reason as to why they would not contact other organizations to make such containers. Finally, three experts mentioned that the lack of flexibility regarding the E-COO containers bothered them. One of them stated: *"I asked if COO could help me find a solution on how to integrate the containers in the office building, but instead of coming up with a customized solutions, they provided me with a slightly altered standard-solution... the end result was that I had to design the containers myself and I really wondering if I can not contact another company that could make these containers for me...this way I will not have to lease them at all."*

5.1.2 Janitor-COO

All experts stated that the janitor-COO concept is not as innovative as COO suggest. Furthermore, four experts stated that the janitor-COO concept is not highly valued by them. Several reasons were

⁸ The interviews were done in Dutch. Quotes and interview frameworks were therefore translated by the researcher and then checked by a different Dutch researcher who has professional experience in translating reports from Dutch to English and vice versa. This checking resulted in only minor alterations.

mentioned for this. First of all, according to them, most organizations already have caretakers in place and are reluctant to outsource this because, as one expert stated, “*especially within large organizations the tasks of a caretaker can be very diverse: from taking care of the mobility of employees to the catering.*” Also, three of these four experts mentioned that all similar initiatives of outsourcing caretakers they heard about took place at large organization and were executed by large, established service providers. Eventually these projects were all rolled back into the old situation because the service providers were not able to provide a constant level of high, personalized quality on all facility elements; it was mentioned that there was often a lack of customer knowledge and no real single point of contact because of many changes of the caretakers. Therefore these three experts were highly sceptical if a newcomer like COO would be able to provide such a service for large organizations at a high service level. However, all experts did believe that SMEs could be interested in the janitor-COO concept and that it could be possible for COO to provide this at a high service level. Reasons mentioned were that the tasks at SMEs would generally be less complex and that COO could not only (potentially) offer synergy advantages regarding a central caretaker, but if they have a network of janitor-COOs in place and are able to instantly provide for a new janitor-COO in case of calamities (e.g. the original janitor-COO gets the flu) which is capable to perform at the same level of high quality and can offer customized service right away, this constant level of high value, customized service would give COO a competitive advantage; an advantage that in time could prove to be a way in at large organizations according to two experts. Important to notice is that both these experts stated that such a market (being a sort of detachment agency of caretakers) is one of quite small margins. Within organizations, a caretaker normally does not have a large salary. So the costs are relatively low which therefore leads to a positive balance for managing it internally in light of the transaction cost theory and the earlier mentioned bad experiences of externally managed caretakers. Furthermore, if these costs are outsourced to COO, 19% VAT has to be added. In other words, COO has to be very efficient in order to make a profit and not be too expensive in relation to the internal alternative. In line with the diverse tasks within large organization, this seems to be quite a challenge. Striking was that both experts thought that for SMEs, this would be less of problem because the tasks are less diverse so efficiency is more easily gained and for SMEs, the administrative hassles and risks of adding a person to the pay-roll may work in COO’s favour. Finally, five experts mentioned that the janitor-COO concept would do really well in case of business parks and centres because than the costs can be split between multiple (SME-)organizations which means that the individual costs of a caretaker a lower.

5.1.3 Purchasing and consultancy

The first thing six experts mentioned regarding consultancy and purchasing, is that these elements should be clearly split from the janitor-COO concept since the former two are regarded to be tactical and/or strategic and the latter one is operational. According to the six respondents, both aspects can not be combined into one person.

More specific regarding the facility consulting is that all seven experts mentioned that facility consultancy is an attractive market with respect to margins and demand. However, five respondents also stated that for COO, it is hard to target large organizations within this field. First of all, it was said that if an organization perceives facility management to be strategic, they are not willing to outsource (both consultancy and purchasing). If they do want to outsource, particularly these large organizations want references and therefore tend to focus on large established consultancy organizations like KPMG or Colfield. All seven respondents do agree that the SME-market is potentially attractive for COO because references are still important, but often in a more informal manner. This is beneficial for COO since three experts explicitly mentioned the good reputation of one of the founders of COO within the region.

The purchasing and contracting of third party service providers (facility purchasing) showed similar results. If an organization has professional purchasers and managers in place, these tasks are internally managed. Also, especially large organizations could have framework contracts in place which make it hard to add value in this area since such contracts have to be honoured. Even though these critical notes, all experts agreed about the potential attractiveness of this market. Four experts explicitly stated that even with a professional purchasing department in place, organization could still want to outsource facility purchasing because then they can focus on primary process purchasing. But again, it was mentioned by the experts that if facility management is strategic, this will not be

outsourced. Also, six respondents mentioned that for COO, large organizations are difficult to acquire as customer. The reason again is because of references and established parties. An additional element mentioned by three experts was the fact that large organizations tend to be obligated to use European tenders regarding facility purchasing. This requires very specialized knowledge and again, there are established organizations for this type of service. Finally, according to four experts, if COO is to take over facility purchasing, it is important to totally relieve the customer of all facility issues. According to one respondent, this also means that COO should position itself between the facility world and the organisation; be a sort of gatekeeper and make sure that no marketing calls of facility providers reach the customer. Such a position is of value to some organisations according to one expert because it saves them a lot of time and effort. It is also very beneficial to COO; they become the one link with the facility world for a client.

5.1.4 The SERVQUAL-domains

Regarding the offer of COO, questions 1B-1F of appendix B focused on the SERVQUAL-model. As expected, all elements mattered according to the experts. One expert gave empathy a score of two, but in all other cases, all elements were given at least a score of three. This means that high threshold levels regarding the domains are valued. The expert valuing empathy with a two did this because for COO, it was not necessary to be compassionate towards purchasers: ‘...they (COO) do not need to be my friends, they just need to deliver what was agreed upon...’ However, according to this expert, it was important to be empathic towards the end user of COO, the workforce of the client-organization. According to two other experts, it is because of this that they valued empathy with a score of five. The remaining scores were two times a four and twice a three.

Reliability and assurance were each valued with seven times a score of five. According to the experts the reason for these scores is that both aspects help create a certain expectation and they heavily influence the development of a satisfying relationship between supplier and client.

The results regarding responsiveness were twofold. Reacting quickly was not valued by each expert, only in case of calamities all experts valued it very strongly; even though all said that long waiting is never a good thing. However, the willingness to help with prompt service aspect of responsiveness was valued very highly by each respondent. But this twofold character did five experts decide to not give it the highest score; they gave it a score of four. Two experts did give it a five.

Five of seven experts gave tangibles a score of four, one gave it a score of three, and one gave it a score of five. The reasons for these scores were that in case of a janitor-COO the tangibles, and especially clothing, are valued because it creates a certain expectation and it underlines the single point of contact character; with the right clothing he/she stands out. In other cases, the tangibles were said to be less important. However, all respondents did mention the importance of creating a certain expectation with the help of tangibles.

5.1.5 Differences between sectors and between different size organizations

The interview framework also focused on if there were any differences between sectors and between large organizations and SMEs. The differences between large organizations and SMEs are already discussed in the subsections zooming in on the offer of COO. Regarding the SERVQUAL-domains, all experts did not think that the five domains were differently valued between SMEs and large organizations. Concerning the differences between sectors, the experts did not identify any fundamental content-wise differences in needs between the four sectors COO is aiming at. The only main difference is the position facility management has within the sectors. Two experts did not know for sure if there was any difference at all. Five experts stated that within large organizations operating in the education, service, and healthcare sector, facility management is regarded to be more common to retain and attract personnel; but in some cases also because the customer has to visit the building. This often means that there are professional-functions regarding facility management in place which will not be quickly outsourced. Within the SME-sector and within large organizations operating within the production sector, the focus often lies more on the primary production/delivery processes; therefore, facility management is regarded as less essential to these organizations. Of course, if the building plays a major role in satisfying customers and employees, then this is not the case; then facility management is regarded to be key just as it is the case in some large organizations.

5.1.6 What else is valued?

Finally, regarding the offer of COO, question 2 brought forth some additional insights. First, all respondents mentioned the value of specific management reports in which it is explained and quantified what COO achieved. This also has to be related to agreed SLAs. Furthermore, according to five experts COO could get a real competitive advantage if these reports were also to discuss opportunities to improve facility management, both in terms of costs and quality. A real pro-active mindset is something which is missing with many facility organizations according to these experts, or as one respondent said: *“facility service organizations lack a real customer-mindset, they are not flexible, not willing to think with the customer, and not willing to change...”* Finally, according to four experts COO should provide transparency regarding the process and risk assessment/sharing; for example open calculation.

5.1.7 To conclude

From the results discussed so far, it can be concluded that in some cases, especially within large organisations, many of the services of COO are internally dealt with and that those organizations are often reluctant to outsource these, especially to parties without references. Furthermore, regarding the question whether or not an organization wants to outsource this, it is important to note that some organizations consider their building to provide competitive advantage (in order to attract/retain employees and/or customers). In such cases, facility management is considered strategic and will not be outsourced at all. Based on this, figure 5.1 could be made in which it becomes clear on what elements to focus given certain customer characteristics. In the figure, the question ‘‘Is the organisation in need of janitor-COO?’’ should be answered in three ways: is there a need for a caretaker, are they willing to outsource this, and can COO deliver this in a mutual valuable manner.

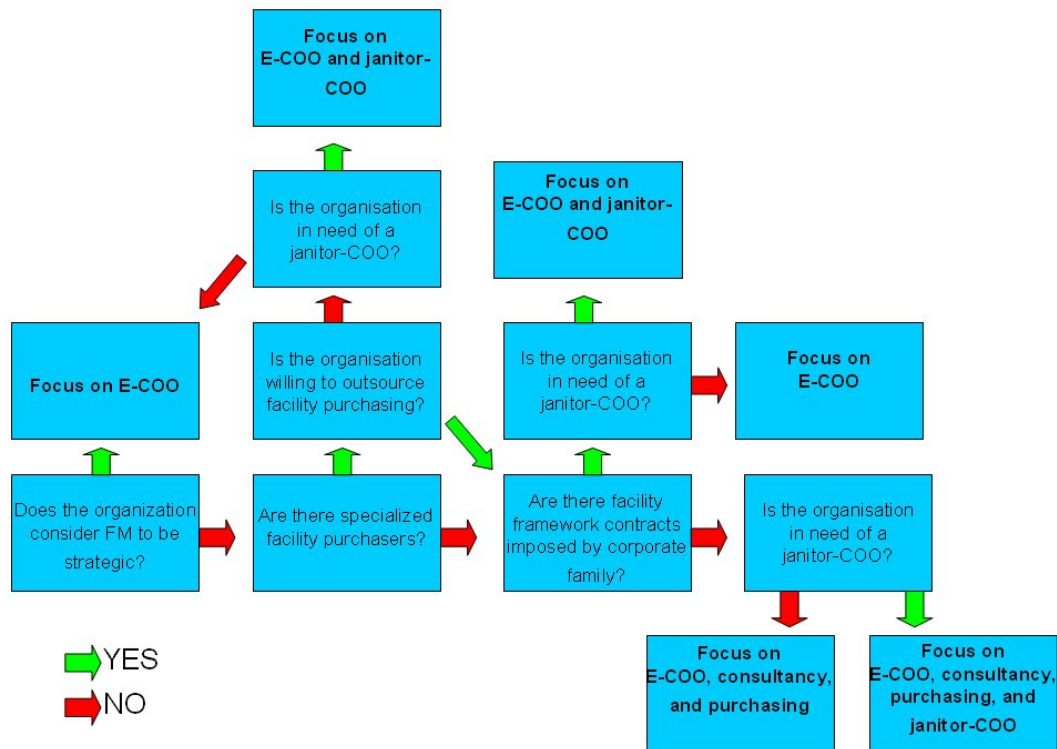


Figure 5.1: where to focus on given certain customer characteristics

Concerning the offer of COO, it can be concluded that E-COO is valued highly by especially large organizations. If cost reductions can be achieved and proven up-front, SMEs will also be interested.

The janitor-COO concept was said to be not as innovative as claimed and probably not mutually attractive in relation to large organizations because of several reasons (among others it was said that this is often internally managed and tasks could be very diverse). For SMEs, and especially business parks and centres, janitor-COO could be of value. Finally, it could be said that although the market for both purchasing and consulting is potentially attractive in terms of margins and demand, large and established parties in each of these two fields exist which would make it hard for COO to acquire large organizations as customer.

Regarding the SERVQUAL-model, it can be concluded that assurance, reliability and the willingness and ability to help with prompt services are most important. Although valued least, empathy is still valued relatively high, particularly towards the end user. These findings are thus in line with the theory that all elements of the model are important.

Other conclusions are that there no fundamental content-wise differences between the sectors COO is aiming for. However, within SMEs and large production organizations, facility management is less central to organizations. The chances that a situation comes up which is similar to the bottom-right corner of figure 5.1 are therefore relatively high in these organizations. But just as with all large organizations, large production organizations tend to rely heavily on official references. Within the SME-sector, it was said that relying on references is less formal. Given the good reputation of one of the founders of COO, this may prove to be beneficial to COO.

To finalize, it can be concluded that detailed management reports which include pro-active advice on what can be improved, a flexible and customer-oriented attitude that enables customized solutions, willingness to change, and the ability and willingness to think along with the customer are all aspects that could lead to a competitive advantage.

5.2 Attracting the interest of the customer

This second section will zoom in on how COO can best come into contact with the customers according to the experts. The section ends with a conclusion.

5.2.1 Getting in touch with the customer

In order to get in touch with a client-organisation, all the respondents said that in most cases COO should contact the purchasing director and/or the facility manager (whoever has the decisive say in the matter). It could also be beneficial, especially with SMEs, to enter the organization on board-level. However, two experts stated that entering on board-level within large organizations is not only hard; it is also not the common way to pursue. Because if an organization is professional, the board would just refer COO to the facility and/or purchasing department and going to the board first, can then be perceived as trying to outmanoeuvre these departments. However, in case COO wants to take over purchasing and consultancy and there are facility managers and/or specialized facility purchasers in place, it may be necessary to enter the organisation on board-level according to four experts. Otherwise, a situation exists which is described by one experts as: “...*then they (COO) contact the people to whom they say that COO will do a better, more efficient job than they do themselves... such an acquisition strategy is not really a good way to start a relationship.*” Three experts stated that if COO takes over the purchasing and consultancy in an integrated facility management way, then they have to contact the purchasing directors.

An addition made by four of seven experts is that COO should try to, independently of customer's input, come up with a clear, customized and detailed pre-perspective on main cost (absolute numbers) within the facility field, main cost savings COO can offer, and main areas in which quality improvements are possible. This way it is better to attract the attention of organizations. Because these four experts stated that organisations receive many proposals of facility service providers. So to stand out provides a major advantage. Of course, such a process of independently coming up with a detailed report before the first contact is made requires in-depth knowledge of customers and segments, the four experts said. But according to them, COO should be able to do this because of the knowledge and experience of Novon and SITA. Also, two of the four experts explicitly mentioned the extensive network and knowledge, especially regarding SMEs, of one of the founders of COO; they said this should help with contacting customers and developing a pre-perspective of

potential cost savings and quality improvements. In line with the literature, such pre-perspective reports can be said to make the service more tangible.

Another striking result is that seven out of seven experts stated how important word-to-mouth is. Also the importance of references and testimonials was mentioned. This is in line with the literature. Five of them said that regarding SMEs, this is probably even more important.

Five experts also mentioned that the timing is another point of interest in attracting customer's interest; examples mentioned were if organisations are moving to a different building, if they have to deal with reconstructions, and the opening of new office buildings and business parks. According to the experts such organisations will be more susceptible to the offer of facility service providers. This is in line with the literature that states that within the B2B-market, there is a heavy problem-solving focus; the examples are all situations in which an organization experiences a certain highly visible facility problem first-hand. According to the experts, especially COO, who promises to relieve the customer of all facility issues, could be an attractive partner in this sort of times. Therefore, such situations should provide a good way in. Two of these five experts mentioned that especially in Zwolle there lies potential here since many new office buildings are built just like new business parks and centres. These business parks and centres provide an additional benefit in that they are beneficial to word-to-mouth since COO satisfies several organizations at once this way, one expert stated.

Regarding question four of the interview framework, all seven experts stated that both costs and quality are important. In some time-periods, quality is the focal point. There are also times when the focus is more on costs. Either way, none should ever be neglected entirely, or as one expert stated it: "...it is important to focus on costs with the initial contact nowadays, but customers should not get the idea that quality is skimmed upon."

5.2.2 To conclude

So the experts seem to agree that attracting the customer's interest is balancing between cost- and quality-oriented communication. This is in line with the pre-perspective reports as suggested by four of the experts. Together with the mentioned importance of word-to-mouth, references, and testimonials these can be seen as a way to make the service more tangible. This is important either way. But since SMEs often lack the resources to analyze all alternatives, word-to-mouth becomes even more important. To finalize, it can be concluded that there is not a single best option on who to contact within a prospect organization. Sometimes it is good to contact the purchasing director, but it may also be necessary to contact the facility manager or even enter the organization on board-level.

5.3 Managing the relationship

This section first discusses the way COO should manage communication with the customer according to the experts. Then, it will zoom in on respectively the use of RMIs and management reports. Finally, the section ends with a conclusion.

5.3.1 Managing communication with the customer

If an organisation decides to become a customer of COO, contact should be organised in different ways according to the experts. All experts mentioned that contacting COO virtually is preferable in most situations. Some examples mentioned of situations in which contacting COO by mail or website was preferred were the ordering of new ink cartridges and other office suppliers, catering issues, and fixing a broken lamp. Three of the experts said that sending text messages could also be a way to contact COO in these situations. Important addition is that six experts explicitly mentioned the importance of conformation replies and prompt actions. Three of them also mentioned that these replies should contain an estimated timeframe of the process, for example how much time it takes before the ink cartridge is replaced.

In case of calamities, personal contact with the janitor-COO (if there is one) or with COO's headquarters is preferred by all experts. Examples mentioned were fixing crucial things like the elevator or the lack of catering at certain meetings. It depends on the seriousness of these calamities whether face-to-face contact or contact over phone is preferred.

All experts mentioned that more tactical and strategic situations like discussing whether or not to upgrade the frequency of cleaning and whether or not to switch to different operational service providers (in case COO takes care of purchasing) should be done face-to-face. Finally, it was said that the suggested ways of communicating would not be different the four sectors and/or between large organizations and SMEs.

5.3.2 *The use of RMIs*

Regarding managing relationships with the help of type I and II RMIs, all experts said very unambiguously that social RMIs should not be used before the contract is signed. However, three of them admitted that it does happen and that it sometimes pays off. However, it could also backfire and hurt your reputation.

Four of the experts suggested that after the contract is signed, it may be good to interact with the client in a non-business fashion. The importance of this depends on with whom COO deals. If COO deals primarily with the board and less with professional purchasers, social RMIs are more important all four experts said. If it is the other way around, the price-oriented mechanisms are more important according to the four experts.

The experts were unclear on whether or not the importance of both types of RMIs would differ between SMEs and large organizations. Six of them struggled with the argumentation that social RMIs would probably be more influential regarding SMEs because decision making is often less formal and more person-dependent. On the other hand, it could be argued that SMEs are more susceptible to for example price discounts because they, in general, have less financial resources.

Striking result furthermore was that six of seven experts said that although RMIs could be beneficial, the most important thing to develop and maintain a relationship was meeting the agreed upon SLAs and contracts (which have to be mutual satisfying).

5.3.3 *The use of management reports*

Another result regarding the relationship with customers was that every expert that mentioned the potential competitive advantage of specific and pro-active management reports in which COO constantly comes up with potential areas to improve, again stressed the importance of including such reports within the service of COO. According to them, these reports could heavily benefit the development of a fruitful relationship.

Finally, all experts stated that COO should not contact a client organization too often. Four of them suggested to do this four times a year; the other three preferred six times a year. Furthermore they all agreed that although this has to be specific in the way that results have to be related to SLAs and concreted numbers have to be provided, it does not have to be very detailed. Regarding to this, one expert summed it up nicely: *“COO promises to deliver a total relieve solution, so they should not bother customers with all kinds of detailed facts and numbers about facility management... COO just needs to provide them with the overarching picture and be clear and specific about that”*.

5.3.4 *To conclude*

To conclude, there is no single best way in which contact should be managed according to the experts. In some situations face-to-face contact is the single best option. In other situation it is fine to just send an email. However, confirmation and prompt actions are always important regarding communication with the customer. Regarding type I and II RMIs, the conclusion is that one should be very cautious with social RMIs before a contract is signed. After the contract is signed, the experts agree that, in line with the literature, none of RMI types should be ignored entirely. However, the general consensus is that the most important thing to bind customers is setting up mutual satisfying contracts and SLAs and live up to these. Finally, specific and pro-active management reports are an important aspect of communication with the customer. This communication should however not be too detailed and should not happen too often.

5.4 Being different than the competition

This section will first focus on how COO could get a competitive advantage according to the experts. Just like the other sections within this chapter, the sections ends with a conclusion.

5.4.1 Getting a competitive edge

During this part of the interviews, five experts mentioned that they thought the competitive position of COO is not correctly depicted within figures 1.2 and 4.1; other organization also focus more or less on tactical facility management. Combined with the already identified conclusion that the janitor-COO concept is not innovative, it can be said that COO is not operating in the niche they aim for. However, all experts stated that it is possible for COO to position itself in such a niche if they have a clear competitive advantage. To achieve such a competitive advantage, one experts said: “...if they (COO) are personal in their approach, if they are able to provide continuity, and if they really know the customer in both a technical and social sense, they should be able to deliver value other facility service providers do not deliver right now.” Another expert stated: “COO should strive for a mindset in which they really think along with the customer and also react on this...they should be willing to change...other facility service provider do not have this willingness.” A third expert mentioned: “COO should be constantly trying to improve the service...and they should excel in tailoring the service to the customer.” Finally, a fourth expert suggested: “they (COO) have to excel in knowing the customer and reacting to their needs in a personal and customized manner in order to totally relieve the customer of facility management issues thereby offering quality and outperform the competition.” The three remaining experts named similar things.

Another striking result is that COO positions itself with the help of the terms operational, tactical, and strategic facility management. However, none of the experts did use such terms in describing how they think COO should create a competitive advantage.

Furthermore, five experts stated that they realized that COO is about premium value. However, they stated that prices are a major trigger within the facility market and therefore COO should not let costs rise too much. The relation to the diverse tasks of large organizations was mentioned here explicitly. Because it is hard to keep costs controlled when COO, as a small party, has to perform very diverse tasks for clients. In line with this, two experts said that COO should be able to analyze upfront if the tasks of certain prospect are too diverse. In these cases they should sell no according to the experts and not try to handle it anyway. Again, a link was made between this difficultness of large organizations and the large possibility that within SMEs, these problems would be smaller. Also, two experts stated that COO should keep costs controlled, but they should not compete on costs as main competitive advantage. This is not in line with their strategy, but because large facility providers have both economies of scale and scope it would impossible for COO to outperform them on costs. One expert also stated that large facility service providers have comprehensive systems and procedures in place to reduce costs as much as possible. In other words, competing on costs would be a battle COO can not win. Regarding suggestions on how to keep costs manageable, it was mentioned three times that having a good supplier base in place could make a huge difference. Specifying the customer base clearly and knowing the competences of one’s own organization (knowing what you can deliver and what you can not deliver in a mutual valuable way) was suggested twice. Most mentioned was the use of a clear accounting system. One expert explicitly stated the use of an activity-based cost accounting method.

To finalize, five experts saw opportunities to provide consultancy and purchasing services within the field of facility management because margins and demand in these areas are still high. Two experts claimed that if such services are accompanied by knowledgeable project managers, COO can surely provide high value. However, if one is to target large organisations with this, difficulties arise because COO then has to attract specialised knowledge (e.g. about European tendering) and compete with major parties that have extensive references and are specialized in each of these two fields. According to the experts, the SME-market is therefore more attractive given COO’s current situation; it is however still a difficult market to enter, the experts stated. Therefore, according to them, COO should make good use of their current network and provide for real, unique value as suggested earlier.

5.4.2 To conclude

To conclude, the results of this section show that COO could have a competitive advantage if they are pro-active, flexible, able to provide continuity (especially regarding janitor-COO), and customer-oriented. The results also showed that it is preferable for COO to position itself with these terms, not based on the innovativeness of the janitor-COO concept or with terms like operational, tactical, and strategic facility management. Also, costs have to be controlled even though offering premium value is at the core of COO. However, given the characteristics of both COO and the large facility service providers, COO should not try to compete on costs alone as this is not in line with their chosen strategy and also very hard to achieve. Premium value should therefore be their weapon of choice, as they decided already. This overall reasoning is in line with the literature that states that choosing one generic strategy, does not mean that all elements of the other generic strategies can be ignored; a threshold level regarding the two other generic strategies has to be achieved. In case of COO, the threshold level regarding operational excellence is thus high, but they should excel in customer intimacy. Furthermore, regarding purchasing and consultancy, the experts think that the SME-market is attractive for this, especially if COO is to approach it like projects and can provide knowledgeable project managers to guide the process.

5.5 To conclude

Based on the results as described in the previous sections, some conclusions can be made. First of all, it can be concluded that the SME-market is particularly attractive for COO. Secondly, regarding the offer, the experts said that E-COO was valued very highly, but there are some uncertainties on the role of COO after everything is installed. Also the customer-orientation of E-COO is lacking. Janitor-COO could be of value if COO can provide continuity and high level personalized service. Especially the SME-market is attractive regarding this because among other things, the tasks one has to perform for SMEs are generally more manageable. Concerning the purchasing and consultancy, COO should not try and compete directly with specialized parties in each individual field. However, the market is attractive in terms of demand and margins. Furthermore it could be concluded that in terms of the SERVQUAL-model, and in line with the literature, especially reliability, assurance, and the willingness to react promptly are most important. Also, it became clear that specific management reports in which COO comes up with suggestions on what to improve in terms of costs and quality could provide for real value.

In attracting customer's interest, it is best for COO to contact the purchasing director, facility manager or in some cases it is good to enter the organization on board-level. It is preferable to use specific pre-perspective reports on what COO can deliver. Besides this content-wise suggestion on how to contact customers, the experts also suggested to focus on the timing. For example when organizations move to other office buildings would be a good moment to come in contact with them.

To maintain the relationship with a customer, the single most important thing is to set up mutual satisfying SLAs and contracts and live up to these. In line with the literature, the experts also stated that both social and price-oriented RMIs could be beneficial. However, before contracts are signed, COO should be very cautious with social RMIs. Furthermore, multiple methods of communicating were identified for specific situations. For example face-to-face contact for discussing strategic issues.

To achieve a niche-position and thus get a competitive advantage, the experts stated that COO should aim for being pro-active, flexible, able to provide continuity and customer-oriented. Furthermore, it can be concluded that COO should strive for excellence regarding customer intimacy and threshold levels for the other two generic strategies. Especially regarding operational excellence it could be concluded that this threshold level needs to be high.

Chapter 6

How to design the business model

In this chapter the literature and the results from the interviews will be combined in order to describe how the initial ideas about COO in terms of the integrated business model could best be altered and specified with the aim of increasing coherence and alignment given COO's situation of being a B2B-focused service provider pursuing a customer intimacy strategy within the facility market. Combining the literature with field-results has the advantage that a theoretical framework (based on mostly empirically tested articles) forms the fundament which is then customized to COO's market of facility management with the help of what market-experts think; the best of both worlds is combined this way. The chapter is again categorized with the help of figure 2.2, which means that the sections match the different perspectives. The chapter ends with a conclusion.

6.1 Customer perspective

The customer perspective consists of the elements value proposition, target customer and relationship. As said in chapter 2, it focuses on what value an organization offers to whom within the context of a certain relationship.

6.1.1 Value proposition

This subsection will first discuss the janitor-COO concept. After this, it will zoom in on E-COO and then focus on purchasing and consultancy. The subsection ends with a paragraph to conclude.

The janitor-COO

The interviews revealed that the janitor-COO is not as innovative as claimed. However, the experts stated that if COO is to really customize and personalize the service and totally relieve customers of their facility management issues in a constant and pro-active way, COO could still be operating in an innovative way. In other words, COO could best stress that the value it offers lies in a personalized, customized facility service that relieves the customer of all facility issues in a pro-active way with a stable, high level of service. COO ought to position itself accordingly, not with the help of the terms strategic, tactical, and/or operational facility management. In line with the literature, it could be argued that terms like customized make the service more tangible than terms like tactical; thus the former type of terms are preferable for service organizations.

If COO markets itself (influencing expected quality) and operates (influencing experienced quality) in this suggested way, the value offered will be different than that of competitors and it will also be valued by the market according to the experts. So COO should focus on the personalized, pro-active, and customized aspect of the service, along with the continuity and total relieve promise; the janitor-COO concept in combination with consultancy and purchasing will provide this total relieve. This shows that the way the janitor-COO concept is positioned, should be acting like a guide on how to position COO as a whole; it could be seen as its value proposition in which the janitor-COO concept could act as a front man for the entire service offer. Therefore, COO should not offer to train existing employees of customers to be a janitor-COO. Since it is so fundamental, it is better to keep this within the organization in light of the core competence theory.

E-COO

The E-COO service was said to be unique; all experts agreed that this concept is one of its kind and that it does provide value for customers, especially large organisations who are willing to invest in sustainability. It was also said that if E-COO can really provide (and prove that it can provide) cost reductions, smaller organizations will also be very interested. However, the disadvantages of a lack of customized service (and consequently, the misfit between COO's general strategy that therefore exists), no lid to reduce smells, and the high price of leasing the E-COO containers along with uncertainty of customers about what the role of COO will be after everything is installed brings forth some areas that have to be rethought. Based on the expert-interviews, the best way to offer E-COO is to market it as a combination of unique knowledge of Novon and SITA. So to led customers believe

that it is the exclusive combination of these organizations that is making the E-COO concept possible and it is COO that has brought these two together. Besides the fact that COO provides value for its parent organizations this way, it also eliminates a high risk. If COO is to train competitors of SITA and Novon on how to use the E-COO concept (as it does now), it is only a matter of time until COO is cut out as middle man. Because when the knowledge is transferred, COO is actually not needed anymore. And since the customer has a direct link with their own cleaning and waste service providers, communication is bound to happen and if so, it is only a matter of time until one asks if it is possible to implement E-COO without COO. As the concept is not patented, nor can it be patented, they will come to the conclusion that this is possible. Also, during several interviews, it was mentioned that an organization could just as well go to another party to order the E-COO containers; according to some experts, this is possible because these containers are not hard to make and because the leasing-price is high. So a leasing-structure also seems to be a suboptimal solution. Finally, it was said that for offering management reports regarding E-COO, COO also was not necessary as waste management suppliers could also provide these. In other words, if E-COO is provided without SITA and Novon, nothing is ensuring the position of COO. Therefore, they should ensure its position as unique middle man by only offering the E-COO concept in combination with Novon and SITA as suppliers. Also it is preferred, in line with the value proposition, to make customizing the containers to fit interiors and to make sure a lid can be added. This is important to accomplish as the lack of this customization will create a misfit between E-COO and COO's main strategy which may lead to undermining of the customer intimacy promise. Because if COO can not deliver customer intimacy in one area, customers will doubt if COO can really provide flexibility, customer-orientation, and a proactive mindset in other areas. So it is preferred for COO to change the E-COO service to facilitate better alignment with the overall strategy.

Purchasing and consultancy

The final specific services within the value proposition are purchasing and consultancy. For both aspects, a potentially attractive market exists; especially the regional SME-market. Important to note is that it is preferred for COO to clearly distinguish between the consultancy and purchasing offer and the janitor-COO offer; the customer needs to know that the consultancy and purchasing will not be done by a janitor-COO, but by experts. Furthermore, chapter 5 showed that in each of these two areas, large and established parties exist which have many references in place. It is therefore hard for COO to compete within these areas separately. Therefore, it could be valuable to combine both aspects into one service. This way, the total relieve promise is upheld very clearly and it is a way of differentiating between COO and other parties.

To conclude

The previous paragraphs showed that it is better to focus within the value proposition on flexibility, customer-orientation, pro-activeness, continued level of service (e.g. even if a janitor-COO gets the flu, COO is able to still provide continued service), and on the total relieve promise. This should be the way COO positions itself as organization and then they could use the janitor-COO as front man for this. Regarding the E-COO concept it was said that is best to offer this service only in combination with SITA and Novon. Furthermore, it was argued that it would be good to alter the service and align it better with the overall strategy. Finally, it was recommended that COO should first offer three services, not four. So E-COO, janitor-COO, and consultancy and purchasing. This means consultancy and purchasing are combined, because splitting them would suggest specialized expertise; expertise COO does not have yet. Also, by combining these two, the service is different than that of specialized organizations and more in line with the total relieve promise.

6.1.2 Target customer

This subsection starts with, as the literature suggested, specifying the target customer more clearly. Since E-COO is a special case in light of the target customer, the subsection will discuss it separately before the subsection ends with a conclusion.

Specifying the target customer

Within the initial business model, COO targets organizations with fifty employees or more. This means that large organizations are also targeted. In fact, based on the customers COO is targeting at the moment, it seems that large organizations are the focal point of COO. However, this does seem to bring forth some disadvantages as discussed already. With janitor-COO, the problem lies within the total relieve promise. Large organisations tend to have placed comprehensive tasks within their facility management department. It is questionable if a start-up like COO can provide qualitative, customized service with so many diverse tasks. Regarding the consultancy and purchasing service of COO, similar problems arise. For example, with purchasing facility services for large organisations, European tendering is often compulsory. This requires specific knowledge that some established parties already have. Add to this that large organizations want extensive references and it becomes clear that it is a difficult market to enter directly.

The solution for all this lies in altering the target customer, or better said, in specifying it more. In general, SMEs will not have such comprehensive tasks within the facility field. This will make the work of janitor-COO more manageable. Regarding consultancy and purchasing, SMEs will be less vulnerable to dealing with large and/or established organizations exclusively. In addition, SMEs do not normally have extensive framework contracts in place and the purchasing will not often require European tendering. In other words, COO should not yet aim for large organizations. They should first focus on SMEs alone. This is not just better in line with the possibilities regarding the value proposition at the moment; it also is in sync with figure 5.1. The optimal situation in which all products of COO could be offered is more often the case with SMEs than with large organizations (no framework contracts, no specialized facility purchasers, et cetera). Furthermore, targeting SMEs makes better use of the earlier mentioned extensive network of one of the founders. Finally, to specify it even more, some of the experts stated that prospects that undergo a certain facility change are most susceptible (because they experience a problem, so the need is there already, it does not have to be created by marketing); for example moving to a new office building, gathering in a business centre and/or park, ending contracts with current facility service providers, et cetera. So COO should first target SMEs within the region and focus specifically on organizations that undergo a facility change. In addition, figure 5.1 should be used to determine which services need to be offered. When COO has gained a good market position within this specific market, knowledge, experience and references can be used to expand to other markets. Finally, like the literature suggested, an ABC-classification is useful to implement in order to categorize the customer base. This is not just valuable in clarifying which customers deserve the most retention efforts, but also to shed light on which type of customer is most valuable and are therefore most attractive for future targeting.

Target customers of E-COO

The E-COO concept was not mentioned yet because it is a special case in light of the target customer. Because whereas the other parts of the value proposition seem to be more applicable (at least at the moment) to SMEs, the E-COO concept is also very suited for large organizations. Better yet, especially large organizations are concerned with sustainability and image according to the experts. The experts also stated that SMEs will be more attracted by the potential cost savings of E-COO. So both could be targeted, but with a different marketing focus and also with a different rationale. Large organizations can for example be targeted not just to increase revenue for COO and add value for the corporate parents, but also with the rationale to add big names to the clientele which can directly be used as marketing tool in persuading SMEs. Also, in the future, COO may develop itself in such a way that it is able to effectively target large organization with their entire offer. Then, the E-COO contacts could prove valuable. The SMEs can be targeted with the rationale to provide for a way in to offer the entire service package and of course to increase revenue and add value to the corporate parents. However, as already argued, COO should not target any organizations not willing or able to end contracts with their current cleaning and waste service providers.

To conclude

In light of the current situation of COO and the characteristics of the market, it is preferable for COO to focus on regional SMEs within the sectors service, production, healthcare, and education and focus specifically on those organization that undergo a facility change. Figure 5.1 acts as a guideline here on

what services to offer. E-COO could be offered to both SMEs and large organizations, but only those who are able/willing to switch to SITA and Novon as service providers. After a customer base is set up, an ABC-classification should be established not just to make clear which customers deserve most retention efforts, but also to shed light on which type of customer is most valuable for future targeting.

In time, the accumulation and creation of knowledge and experience may allow for expansion to other markets; first SMEs outside the region, then large organizations operating within the production sector, and finally large organizations within other sectors. This means that the process of gathering data about customers and markets is a continuous process that is to be used to specify (new) targets customer increasingly better.

6.1.3 Relationship

In line with the literature, the experts stated that a long-term focus, and thus customer loyalty, is essential for COO. In order to accomplish this, several aspects were identified by both literature and experts: specific management reports, complaint management and communicating with the customer, RMIs, the perceived quality, and the use of the brand. In the remainder of this subsection these aspects will be discussed. The sub section ends with a conclusion.

Management reports

As the founders of COO already foresaw, management reports could be valuable; especially if these are specific management reports that focus on the big picture but also mention concrete numbers and relate this to the agreed SLAs. But, according to the experts, the real value regarding these reports lies within a pro-active mindset. Focusing on customer intimacy value means that COO has to tailor the service to the specific needs of an individual customer and then constantly try to improve the service in that specific case. COO should therefore frequently inform the customer of things that can be improved regarding facility management. Thinking along with the customer and analyzing where benefits, both in terms of costs and quality, can be obtained would provide this value according to the experts. This mentioning of improvements should be done continuously (i.e. in every report). The frequency of these reports should be four or six times a year as the experts stated. So in line with the literature, it can be concluded that frequent personalized communication is important.

Complaint management and communicating with the customer

The literature stated that solid complaint management should help in establishing a relationship. Based on what the experts stated about communication, pro-activeness is essential. This is in line with the theory that states that actively lowering the complaint threshold is important. So COO should pro-actively ask customers if anything can be improved, they should anticipate on problems, and if complaints do come in, responses should be quick and effective with the help of the measures discussed in section 2.3 like for example empowering the employees, use confirmation replies, prioritise complaints, and use follow-ups.

However, complaint management should be supplemented with a communication system for general requests and remarks. Regarding this, the experts wanted to see multi-faceted communication initiatives. In case of strategic and tactical issues, face-to-face contact is preferred. When calamities arise, personal contact (both phone and face-to-face) is favoured. In regular, operational-oriented communication, virtual contact was said to be ideal.

Using RMIs

To establish and retain a relationship, RMIs could be used. The literature discussed two types of RMIs: social and price-oriented. In line with the literature, both types were said to be important. However, based on the experts, it could be argued that the level of importance varies. If COO is to deal with the board, social RMIs are more important than if COO deals with purchasers. Also important to note furthermore is that social RMIs should not be used before a contract is signed. However, all experts agree that although of influence, both types are less essential than living up to mutual satisfying SLAs and contracts; doing this really contributes to creating loyalty according to the experts.

Perceived quality

Balancing between experienced and expected quality thereby generating a certain level of perceived quality was another way of creating loyalty according to the literature.

Based on both literature and experts it could be argued that experienced quality depends on, among other things, living up to mutually satisfying contracts and SLAs, the level of pro-activeness, flexibility, customer-orientation (personalization and customization), willingness of COO to change, the use of specific management reports in which recommendations are made, a solid complaint management system, and of course the functional qualities of the value proposition (which in case of B2B means the level of need-fulfilment). Also, the domains of the SERVQUAL-model were said to be important regarding quality, especially the willingness to help with prompt reactions, reliability, and assurance.

The expected quality was said to depend on the references and first impressions made by for example competence of staff and flexibility during initial meetings. The literature also indentified word-to-mouth, image, marketing, and tangibles as important factors. According to the experts, for B2B-focused service providers, references are extremely important. This is line with the literature that states that a service is intangible and therefore hard to assess upfront; consequently, it has to be made tangible. Tangibles can be used for this, for example certain certificates that represent quality. Word-to-mouth also provides for this since it is an indirect way to experience a service. Based on what the experts state, especially SMEs rely on word-to-mouth because they do not have the resources to compare all alternatives in a more formal manner. In other words, it is preferred for COO to focus their external communication - and thus their influence on expected quality - on the importance of need-fulfilment regarding facility management, clearly communicate their brand identity which should be based on the value proposition characteristics (e.g. personalization and reliability) to establish an image accordingly, and focus on stimulating word-to-mouth. For example put testimonials (indirect word-to-mouth) on the website and stimulate customers to tell their relationships about COO.

Balancing between these two is important for COO to both attract and retain customers. In other words, it is crucial to align both thereby strengthening the two. So the expected quality factors COO aims for should reflect the valued aspects of experienced quality.

The brand

The brand is an important aspect within the relationship. The literature stated that a brand hierarchy is valuable in some cases. Based on the experts, it can be concluded that this is relatively easy to accomplish since no fundamental content-wise differences exist between the four sectors. Based on this, it could be argued that no segment-branding is needed. On the other hand, just changing the name to personalize it to certain segments is an easy way to add a more personal touch; it creates the illusion that a certain tailoring-process is added. In other words, is recommendable to have COO in place as the main brand and then education-COO, healthcare-COO, service-COO, and production-COO as sub-brands offered by COO. Internally, this is not to be seen as a different value proposition as was argued during the interviews with the founders, but as a personalized brand within the main value proposition. E-COO should not be positioned as a brand at all, but as a specialized service offered by COO, just like janitor-COO and consultancy and purchasing. Furthermore, the literature stated that a B2B-focused customer intimacy strategy should position its brand identity as superior, tailored, and problem-solving. Based on the experts, reliable (constant high level of service), personal, and pro-active should be added to that.

To conclude

Given the current situation, it is best for COO to focus on long-term relationships thereby creating customer loyalty. It is to achieve this by aiming for high levels of perceived quality though the aligning of factors influencing expected and experienced quality, by being pro-active, by communicating four or six times a year with strategic management reports that also provide recommendations on how to improve things further, by developing a low threshold and multi-channel complaint system that allows for quick and effective responding, by using social and price-oriented RMIs, by living up to mutual satisfying SLAs and contracts, and by having a brand hierarchy in place with one main brand and four sub-brands based on the four sectors COO is aiming for.

6.2 Process perspective

The process perspective is best to focus on getting results regarding each of four perspective-specific goals: increasing value for existing customers by strengthen the relationship; getting new customers through diversification, market and/or product development, and attracting new customers in existing markets with existing services; increasing operational excellence by for example improving supply chain management; and developing good relationships with external stakeholders in light of corporate social responsibility. As argued in chapter 2, all four goals are important. But for COO, the first can be said to be most important. Based on what the experts stated, the third goal should also play a major role. Within the remainder of this section, the elements distribution channel, value configuration, and partnership will be discussed.

6.2.1 Distribution channel

This subsection will first zoom in on the customer buying cycle. Then, the DART-model will be discussed and the subsection ends with a conclusion.

The customer buying cycle

The first phase of the buying cycle is attracting the interest of the customer. According to the literature, this is best done by focussing on need-fulfilment in case of B2B. So COO has to convince customers that there is a need for qualitative facility management within their organisations. The experts state that this is best achieved by developing a detailed pre-perspective report (before first contact) in which potential areas are indentified that could be improved, both in terms of cost and quality and expressed in concrete numbers. It was said that COO could best contact the facility and/or purchasing department or if possible and useful, it could be better to enter the organisation on board-level. Furthermore, attracting the customer's interest is in COO's case best based on selective, zero-level marketing. This is more personal and therefore better in line with the value proposition. It also stresses the fact that COO should not try and obtain as many customers as possible, but be selective of the customers to whom they could really offer maximum value in light of the value proposition and discourage other types of demand. Finally, as argued in section 6.1, attracting customers in influenced by increasing expected quality as suggested in subsection 6.1.3. Of course, as already mentioned, this should be backed up by enhancing experienced quality factors in order to retain customers.

The second phase of the distribution channel is the evaluation phase. Based on the experts, it could be stated that it is important here that the customer is actively involved in aligning their needs and wants with the value proposition. COO has to be flexible as much as possible regarding this process. This means tailoring services to customers and not trying to sell standardized offers if these are not in line with what the customer really wants. Also, if COO is unable to deliver high quality for a certain price, they have to come up with alternatives. So be flexible and pro-active. This will help in increasing experienced quality. It is important to realize here that COO should not try to deliver certain things if they are uncertain about the delivered quality of this. To prevent bad word-to-mouth, COO should reduce the risk that they bite off more than they can chew; this is why targeting the right customers is even more important. In other words, COO should be very transparent and clear in what they can offer and what they can not offer (in the pre-perspective reports) and come with alternatives if they can not offer a specific service in a mutual satisfying way. Be transparent about this is important because it, as said, reduces the risk of COO biting off more than they can chew. This in turn will reduce the risk of having to sell no after several steps of the process are already taken and it reduces the risk of a decrease in quality because tasks are too diverse; both reduce the risk of bad word-to-mouth.

Based on both the literature and experts it can be concluded that in the third phase, purchase, it is crucial for both the customer and COO to set up detailed, comprehensive (anticipate contingencies) SLAs and contracts. This is essential because it is these contracts and SLAs (and living up to them) that are a major element in determining whether or not experienced quality will be high and if a relationship will be successful or not. For COO, this underlines that negotiating does not revolve around obtaining maximum results in benefit of COO, but to reach a mutual agreement that is satisfying for both parties.

The final phase, after-sales, is already discussed within the relationship element; because complaint management and frequent communication are significant elements here. To further assist customers in obtaining maximum value of COO's offer, COO should make it easy for the customer to come in contact with COO as also discussed in subsection 6.1.3. Finally, in this phase, it is also important to actively gather customer data with for example questionnaires of phone calls (or with the help of janitor-COO if there is one) about the performance. This will not only help to improve the service-level at the individual customer, but also the quality of COO in general. Good to notice is that this should not be done too often. COO should not be harassing customers. Important to note regarding this is that it is preferred by the experts that COO communicates this performance data to the customer within the management reports and relates it to agreed SLAs and contracts.

The DART-model

To finalize the discussion about the distribution channel, it is good to zoom in on the DART-model. In line with the DART-model, transparency and risk assessment were mentioned explicitly by some experts. Especially transparency regarding costs was valued and of course regarding the pre-perspective reports just mentioned. If all this is combined with open calculation, a form of risk assessment emerges. Although not mentioned explicitly, dialogue was also valued very much. The pro-active mindset and thinking along with the customer can be seen as a dialogue: two equal partners that work together to come up with the optimal solution. The access-element of the DART-model could be concluded to be important because the experts preferred a virtual way of communicating with COO if one wanted to for example an ink cartridge.

To conclude

It was argued that detailed pre-perspective reports on what COO can and can not offer are useful in targeting the right customers and attracting them. Within these reports COO is best to zoom in on need-fulfilment regarding facility management and underline this with concrete numbers. Other key aspects of these reports and other aspects of the distribution channel are transparency, risk assessment, and dialogue. COO should try to find the optimal solution for each case by going into a dialogue (be flexible) and create a equal-partner situation by being honest and transparent about the risks and about what COO can offer and what they can not offer. Finally, the importance of balancing between experienced and expected quality was again shown.

6.2.2 Value configuration

The promise of COO is providing tailored solutions within the field of facility management with the ultimate goal of relieving the customer in achieving high-quality workplaces. The elements discussed so far already identified several steps necessary to achieve this. This element will go deeper into these steps by discussing the value shop of COO in case of a customer that is susceptible to the total offer of COO. This is done so because these are the type of customers COO should primarily focus on. After this, the subsection describes a blueprint of this process and ends with a paragraph to finalize.

The value shop of COO

In case a customer is attracted by the total offer of COO, the value shop starts after attention of the customer is attracted; it starts with acquisition and problem-finding. Here, COO should go into a dialogue with the customer to see where the initial pre-perspective reports used to attract interest have to be specified and/or altered. In other words, together with the customer it is determined what the exact facility management problem is and what overall approach will be used. Within the second phase, problem-solving, COO is to generate a transparent report on alternatives to solve the problem including details on costs, advantages, and disadvantages of each alternative (e.g. about E-COO and certain service providers). The choice-phase is about choosing between these alternatives. It is important that COO is flexible here, willing to change, and pro-active. Since COO has a consultancy function, being flexible does not mean that COO has to be obedient to everything; sometimes to resist a little and come up with smart, useful arguments to ground this resistance is what a customer wants according to some of the experts; they want fresh insights. In other words, COO is preferred to play an active role during this phase; this is in contradiction with their current way of operating during this phase. Within the next phase, called execution, the most important thing for COO is performing high

on the factors that influence experienced quality as described earlier (e.g. the SERVQUAL-domains). Finally, the last phase, control and evaluation, is about the after-sales process (e.g. complaint management and performance measurement) which is, as argued, important to achieve high levels of service quality and thereby customer loyalty. Important contribution made by one of the experts was that this whole process should be handled with a single point of contact within COO as much as possible. This is in line with the single point of contact promise and also strengthens the personal and customized character of the service. Because dealing with one person helps to create a relationship and to accumulate customer-specific knowledge.

Blueprinting

With the help of blueprinting, figure 6.1 illustrates the general steps of both the distribution channel and the value configuration, thereby giving a general overview of the COO-process.

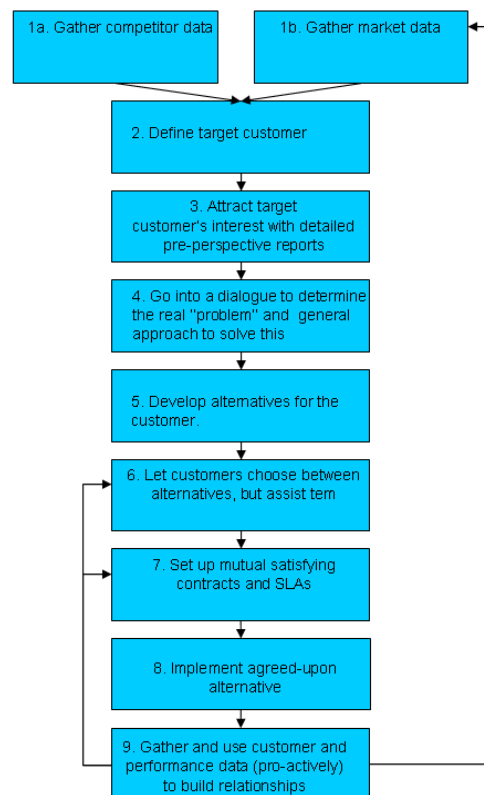


Figure 6.1: The main process of COO

The process begins with gathering, analyzing, and using both customer and market data (steps 1a and 1b) in order to specify the target customer (step 2). This is a continuous process, hence the feedback loop from step 9. After this, COO has to attract the customer's interest with the detailed pre-perspective reports that are developed independently from the customer (step 3). Based on an active dialogue with the customer (step 4), COO develops alternatives on how to solve the problem (step 5). With assistance of COO the customer eventually chooses between the alternatives (step 6); COO has to be unambiguous and transparent here. Then, the customer and COO agree on mutual satisfying SLAs and contracts (step 7), after which COO implements these and lives up to them (step 8); for example by choosing the right operational service provider for this individual case. Step 9 consists of gathering, analyzing, and using customer and performance data in order to allow for improving the service thereby creating high experienced quality, loyalty, and a long-term relationship; for example complaint management is part of this. Finally, this data should be used pro-actively, thus COO has to constantly communicate potential areas that can be improved, hence the feedback loops to steps 6 and 7.

To finalize

This subsection showed the use of blueprinting in addition with the value shop model. Blueprinting depicts the value shop in clear way, but it also allows for embedding the process within the context of the entire distribution channel. Figure 6.1 depicted such a blueprint for COO.

6.2.3 Partnership

Regarding this element, the literature stated that an organization should not outsource activities that provide the organisation with a competitive advantage or have a negative balance in light of the transaction cost theory. But the literature also mentioned that strategic outsourcing could be a competitive advantage on its own. Based on this, there are two main recommendations here. The first is about the outsourcing of acquisition. The second discusses outsourcing operational facility services.

Outsourcing acquisition

COO said that in time they wanted to outsource acquisition. However, based on the discussion so far, it could be concluded that attracting the right customers with the help of detailed pre-perspective reports is something that requires specific customer and market knowledge. Using these reports were said to be essential since such an approach will help COO in targeting the right customers (those who value the value proposition most) by limiting the risk that too many diverse activities have to be provided. In other words, if these reports are transparent, they prevent COO from biting off more than one can chew. It was already argued how important this is in order to prevent bad word-to-mouth. In light of all this, it is not wise to outsource acquisition since it could play such a vital part in achieving organizational objectives. Therefore it is better to keep it in-house. This also is more in line with the personalization aspect of COO.

Outsourcing operational facility services

COO does have to outsource a significant element of their service: operational facility services like cleaning, maintenance of coffee machines, catering, et cetera. This is best to be outsourced because in light of the transaction cost theory, it is impossible for COO to do all these services themselves with a high service level and still have a positive balance for this internal option in relation to outsourcing in terms of the sum of production and transaction costs.

Since this is such a vital part of COO's service and since it has a lot of potential to increase the experienced quality of the service, COO has to pay great attention to this. The experts even stated that having a network of suppliers in place that can deliver high quality for good prices will give COO a competitive advantage. Also, this network can become a revenue stream on its own if COO is to receive a percentage of every customer it delivers to a certain service provider (economies of scale). And as long as COO chooses the right parties for this network (those that deliver a high price/quality ratio) and offers transparent alternatives outside the network, customers can not complain about a conflict of interest because they will see that it is this network that provides that high price/quality ratio. But to prevent any controversies or misunderstandings, this fee could also be left out.

So having a good supplier base in place can offer great value. To achieve such a good and qualitative network, COO has to consciously move through the three phases of purchasing process and apply supplier relationship management as described in subsection 2.4.3. For example COO could use a classification to categorize suppliers and develop CSFs regarding which suppliers to choose in terms of characteristics. The classification of suppliers could be used to manage and direct efforts in satisfying suppliers. Because supplier relationships have to be managed not unlike customer relationships, there are those that are essential and deserve a lot of resources (in case of COO, e.g. operational facility service providers), and there are those that are less crucial and deserve less resources (in case of COO, e.g. a supplier of office supplies for COO's head office).

To finalize

This subsection showed that it is preferred for COO to not outsource acquisition. However, they have to outsource a significant other part of the service: the operational facility service aspect. Recommendations were made on how to do this effectively and efficiently. For example, COO could use a supplier's classification system to guide supplier management.

6.3 Learning and growth perspective

This perspective forms the foundation of the business model and consists of the elements capability, IS, and corporate culture; it is the perspective on which the other perspectives lean and in which all innovative, learning, and growth abilities reside.

6.3.1 Capability

Regarding capability, section 2.5.1 discussed that it is important for an organisation to have a clear and accurate picture of the competence-capability-resource hierarchy in place and/or needed. As said already, this study focuses on the core competencies and capabilities and unique resources. Figure 6.2 depicts this hierarchy in light of the needs identified based on this chapter.

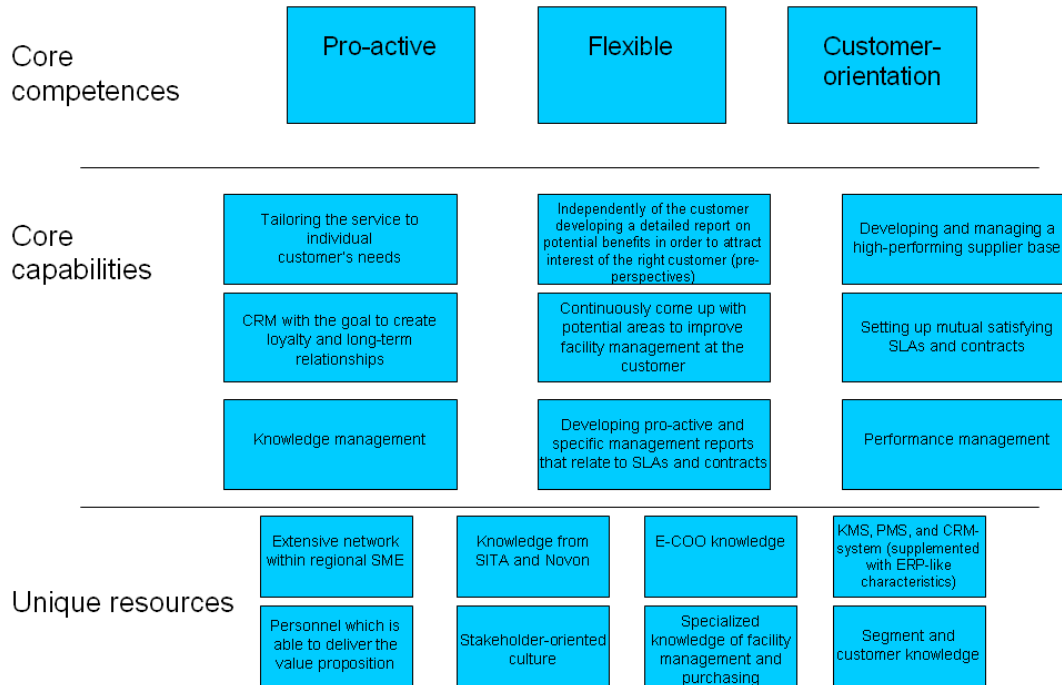


Figure 6.2: The competence-capability-resource hierarchy

Based on the literature and the experts, it could be argued that the overarching core competences of COO should be pro-active, flexible, and customer-orientation (the ability to offer personalized and customized services). This should lead to the core capabilities of tailoring the service to individual customer's needs, independently of the customer developing a detailed report on potential benefits in order to attract interest of the right customer (pre-perspectives), continuously come up with potential areas to improve facility management at the customer with the help of specific management reports, setting up mutual satisfying SLAs and contracts, CRM with the goal to create loyalty and long-term relationships, knowledge management (e.g. to ensure knowledge about customers does not reside into a single person as this would endanger the continuity promise), performance management, and developing and managing a high-performing supplier base. The unique resources that should underpin these are the extensive network within the regional SME-market, knowledge from SITA and Novon, segment and customer knowledge, E-COO knowledge, CRM-systems, PMS, KMS (all supplemented with ERP-like characteristics), supplier network, stakeholder-oriented culture, specialized knowledge of facility management and purchasing, and personnel that is able to deliver the value proposition in the intended way; in other words, employees which are in line with the other elements of the integrated business model. Not all of these resources are discussed yet. Therefore, this section will now zoom in on IS and ends with discussing corporate culture.

6.3.2 Information systems

In chapter 2, four types of IS that seemed useful for B2B-focused service providers pursuing a customer intimacy strategy were identified. The recommendations regarding these four will first be discussed in more detail. The subsection ends with a conclusion.

ERP-systems

Regarding ERP-systems, it was concluded that these systems could contribute to the coherence within an organisation, but that they may also limit an organization's flexibility. Based on the experts, flexibility was concluded to be very important. And since COO is not a large organisation yet, creating coherence must be possible without implementing a complete ERP-system. However, it is preferable to link certain aspects of the organisation to each other with the help of the software package COO already acquired. First of all, it is useful to link accounting information to customer and performance data to allow for activity-based costing and for determining an ABC-classification. Furthermore, customer, supplier, and accounting data may be linked to performance measurement systems to allow for both financial and non-financial monitoring. Finally, in time it may be efficient to link customer and supplier systems to COO's own planning system in order to allow for better forecasting to make planning more efficient. However, for the short-term, this may not be beneficial yet because of the complexity of such a system.

CRM-systems

The literature already provided good arguments for COO to implement a CRM-system. But as discussed, this should be implemented as supportive towards a clear customer retention and acquisition strategy. With the help of the discussion so far, it could be argued that the customer acquisition strategy should be selective and exploiting the network of COO's founders by focusing on regional SMEs particularly those that undergo a certain facility change. The retention strategy should be aimed towards creating long-term relationships with the right customers based on an ABC-classification. Combining this with the discussion so far, the chosen CRM-system should therefore be able to help determining an ABC-classification, to gather customer data in order to allow for improvements of the service and to ease attracting similar customers, to integrate a low-threshold complaint system, and to keep management reports (and other external communication) individualized. Finally, the CRM-system should provide the customer with the means to contact COO. In line with the DART-model, the customer has to be given the possibility to access COO's system and for example order a new ink cartridge and inquire about costs.

Knowledge Management Systems

The usefulness of KMS is high for COO. First of all, COO could use a janitor-COO to supplement customer data. This not only helps in improving the service at the customer and similar customers, but it also supports the continuity promise. If KMS are used to store knowledge about certain customers, it would not be any problem if a janitor-COO is unable to attend to a certain customer because of for example the flu. An easily accessible KMS will then allow for another janitor-COO to quickly absorb knowledge about a customer, thereby keeping the service personal. Furthermore, both the acquisition and consultancy and purchasing part of COO could use this type of knowledge strategy to make sure knowledge is systematically accumulated and does not stay resided within a single person. Also, because of the importance of SLAs and contracts, COO would do wise to gather and store knowledge about this process in order to develop and improve concept-contracts which can be used a starting point in customizing a contract to the customer. Finally, COO should create a network between janitor-COOs, the purchasers, and the consultants in order to develop a community of practice in which knowledge circulates and is generated. So in line with the literature, COO should use a codification as well as a personalisation strategy.

Performance Measurement Systems

Based on the discussion so far, it can be concluded that the PMS of COO are best to be oriented towards both financial measures like profit and non-financial measures like customer and supplier satisfaction. Also, the core values of tailored, personal, reliable, pro-active and problem-solving services should be part of the PMS. If these are linked to employee-assessment, it will allow for

creating a culture in which these values are truly acted upon. An important addition is that the PMS of COO should also have an external aspect. They should allow for monitoring performance of contracted operational service providers at the customer. Because it is COO that should monitor, evaluate, and improve this performance in order to totally relieve the customer of facility management. Finally, it is important for the PMS of COO to not be too rigid in order to allow for flexibility. So PMS should also be seen within its broader context of performance management and as supportive to the organization. For example, a specific recommendation for this is that it is possible, as argued in section 2.4, to measure one's own performance by the purchasing percentage of a commodity one has at a certain customer. Since COO offers a total relieve promise within the field of facility management, this ratio seems particularly useful because 100% is what they aim for. So relating the organizational objective to this ratio means relating it to 100% purchasing percentage.

To conclude

The previous paragraphs showed that there is no need yet for COO to implement a full ERP-system. However, ERP-like characteristics are useful, just like KMS, PMS, and CRM-systems. Important to notice is that all these systems have to be perceived within their broader context and as supportive to the organization.

6.3.3 Corporate culture

Regarding the culture, the literature already identified that it is preferable for COO to try and create a culture that has a long-term stakeholder approach accompanied with a focus on customer and supplier satisfaction. More concrete, the culture should be based on the values of the brand identity: customized, personal, reliable, pro-active and problem-solving. Practice-wise this means that employees are to be empowered in such a way that they are allowed to react on customer's needs and that the performance measurement is based on both financial and non-financial measures like supplier satisfaction. This performance measurement has to be linked, as argued already, to employee assessment in order to steer behaviour. Furthermore, as argued in section 2.5.3, the importance of employee satisfaction to service providers emphasises the fact that the culture should also be aimed at creating satisfied employees that act in accordance to the overall strategies. Activities identified to achieve this were for example clearly communicated mission statements and corporate values, training, selecting employees who are capable to deliver the service in the intended way (e.g. hiring people who are extrovert and flexible to deal with customers), the earlier proposed communities of practice, and using physical arrangements like interior deliberately (e.g. set up the office in such a way that employees can easily communicate with each other).

To finalize this element, it is again essential that coherence between this element and the other elements is created. For example, the brand identity should reflect the corporate values. Also coherence within the element is important. For example, selecting employees should be in line with the corporate values.

6.4 Financial perspective

The final perspective can be seen as the monetary quantified results of the other perspectives. It comprises the revenue model and cost structure.

6.4.1 Revenue model

Within the initial business model, there were a lot of different revenue streams making it all a bit complex. Therefore, it is recommendable for COO to design its revenue streams more in line with the discussion so far. First, the revenue streams from E-COO should not be based on leasing the containers, but it is preferable to have Novon and SITA pay COO a fee for providing them with customers, sell the containers, and to bind the customers with qualitative management reports that do require a subscription fee of the customer. Secondly, the revenue streams of janitor-COO are better to be based on a mark-up on the costs of a janitor-COO. Finally, it is preferable to base the revenue streams from purchasing and consultancy on an annual fee for organizing facility management and providing management reports supplemented with a mark-up to cover special costs (so both usage and

subscription fees). Also, COO could demand a percentage of revenue generated for suppliers (i.e. they could demand a part of economies of scale gained by the suppliers).

Furthermore, in line with the literature and the experts, it is important to set up long-term contracts and use price bundling for binding customers and increasing purchasing volume. Finally, attracting customers should not be based on immediately maximizing prices, but in line with the strategy, the focus should lie on CLV. Prices have to be aligned with this which means that prices should not be aimed at immediately re-earning every euro spent; something which is emphasized by the experts which stated that prices are a major trigger within the facility market.

6.4.2 Cost structure

The literature identified that the cost structure should be monitored by activity-based costing in terms of activities related to the customer. This way, the accounting method is in line with the other perspectives. For example, determining an accurate ABC-classification becomes easier this way. Furthermore, because of the need for open calculation in some cases, activity-based costing is essential since wrong budgeting may cost COO money. Also, the risk of over- and under costing and pricing is reduced this way. As prices are a major trigger in the facility market, this becomes even more important.

Prices being a major trigger also make it important to have a high threshold level in place regarding the cost-driven business model perspective. As discussed in chapter 4, the founders currently have such a perspective, better yet; they seem to focus on this perspective. However, in line with the other business model elements, this perspective should be altered towards a more value-driven business model perspective with a clear eye for costs. In other words, COO should move more to the right on the cost-driven and value-driven continuum: they should focus on the value, but acknowledge that the costs play a major role, especially if one is to target SMEs. This is in line with the earlier mentioned importance of focusing on customer intimacy, but not neglecting operational excellence.

6.5 To conclude

Within this chapter, the results of chapters 2, 4 and 5 were combined to develop recommendations in order to improve coherence and alignment within COO's integrated business model given the B2B-focused customer intimacy strategy they pursue. It became clear that this is not a pure alternation from the initial business model to an entirely new proposed business model. It is more that the initial business model of chapter 4 provided a starting point and that this chapter gave suggestions on how to move on from that starting point. Table 6.1 gives a summary of these recommendations. The table is again categorized alongside the four perspectives.

Perspective	Element	Recommendations
<i>Customer</i>	<i>Value proposition</i>	Focus on offering a customized, pro-active, reliable, and personal total relieve promise regarding facility management by offering three services: <ul style="list-style-type: none"> - janitor-COO (with special focus on continuity and personalized service). - E-COO (focus on cost reduction regarding SME and sustainability regarding large organizations). - consultancy and purchasing (focus on tailored and pro-active service). - Use figure 5.1 to determine

		which services to offer to whom.
	<i>Target costumer</i>	<ul style="list-style-type: none"> - Target regional SMEs within the four sectors and particularly those organizations that undergo a certain facility change. - Develop and use an ABC-classification not only to manage retention efforts, but also to determine what future customers to target.
	<i>Relationship</i>	<p>Create loyalty and long-term relationships by:</p> <ul style="list-style-type: none"> - meeting mutual satisfying SLAs and contracts. - using solid complaint management (low threshold and quick, effective responses). - using type I and II RMIs. - communicating a clear brand identity of customized, personal, pro-active, need-fulfilling, and reliable services.- - using specific and pro-active management reports. - aligning expected and experienced quality as much as possible to achieve high levels of perceived quality. - for COO, high expected quality is especially created by stimulating word-to-mouth. - for COO, high experienced quality is created by being pro-active, flexible, and personal and by paying attention to the SERVQUAL-elements (especially assurance, reliability, and the willingness to offer prompt reactions).
<i>Process</i>	<i>Distribution channel</i>	<ul style="list-style-type: none"> - In attracting the customer's interest use zero-level, selective marketing, pre-perspective reports, and focus on the valued dimensions described by the relationship and value proposition elements. - Use pre-perspective reports also to prevent biting off more than one can chew. - Make it easy for the customer to come in contact with COO (depending on the situation this

		<p>is preferred to happen face-to-face, by phone, or virtually)).</p> <ul style="list-style-type: none"> - Live up to SLAs and contract and even try to outperform these without adding costs. - Pay attention to the DART-model domains.
	<i>Value configuration</i>	<ul style="list-style-type: none"> - Be aware of the value shop of COO in relation to the distribution channel (see figure 6.1).
	<i>Partnership</i>	<ul style="list-style-type: none"> - Do not outsource the attracting of customers. - Consciously use supplier management and the purchasing process to develop a high-quality supplier base of operational facility service providers.
Learning and growth	<i>Capability</i>	<ul style="list-style-type: none"> - Use, exploit, and develop figure 6.2.
	<i>Information systems</i>	<ul style="list-style-type: none"> - Use ERP-characteristics within the existing software but do not yet implement a complete ERP-system. - Use personalization and codification strategies in combination with KMS to store and generate knowledge. - Implement CRM and support this with a CRM-system that allows for an ABC-classification, a complaint management system, and for individualized communication. - Implement PMS with financial and non-financial measures like customer and supplier satisfaction, but also with the possibility to monitor suppliers at the client. - Link PMS to employee assessment.
	<i>Culture</i>	<ul style="list-style-type: none"> - Aim for a stakeholder-oriented culture in which employees are empowered to act upon customer needs and are not just assessed based on financial performance, but also on non-financial performance like customer and supplier satisfaction. - Be aware of the link between employee satisfaction and both customer satisfaction and

		<p>competitive performance.</p> <ul style="list-style-type: none"> - Be aware of the role culture can play in creating employee satisfaction. - Create coherence between culture and other elements by using for example clear missions statements based on the corporate values and brand identity, aligned selection procedures, and HR-practices like training.
Financial	<i>Cost structure</i>	<ul style="list-style-type: none"> - Use activity-based costing in relation to customers to develop an ABC-classification (figure 6.1 can be used to support this process). - Create a value-driven business model perspective, but with a clear eye for costs.
	<i>Revenue model</i>	<ul style="list-style-type: none"> - Use long-term contracts and price bundling. - Revenue streams from E-COO should come from a fee for management reports, a fee from SITA and Novon, and from selling the containers. - Revenue streams from janitor-COO should be based on a mark-up on costs for implementing them. - Revenue streams from purchasing and consultancy should be based on an annual fee, mark-up on additional costs, and could include a fee from suppliers. - Prices should not be based on maximizing profits immediately, but should be in line with the CLV-concept.

Table 6.1: The recommendations

Chapter 7 Conclusion

The final chapter of this research has multiple functions. In section 7.1, the conclusions of chapters 2 and 5 will be briefly discussed. Following from this, the recommendations of chapter 6 will be concisely summarized in section 7.2. The third section will zoom in on the limitations of this research whereas section 7.4 will focus on the contributions. The chapter ends with recommendations for future research.

7.1 The conclusions

Two types of conclusions could be made based on this study; theoretical conclusions and practice-oriented conclusions.

7.1.1 Theoretical conclusions

Based on chapters 1 and 2, it could be concluded that the business model is a useful tool in answering the two fundamental questions to organizations: *What are the important elements of the service to be provided for the customer?* and *What efforts does this suggest in terms of designing, delivering and marketing the service?* Although useful as guide in answering these two questions, the business model as proposed by Osterwalder (2004) was argued to have disadvantages which could be solved by integrating the model with the strategy map. This new integrated business model was used as framework for answering the research question. In answering this question, the literature showed that pursuing a B2B-focused customer intimacy strategy as service provider has many consequences for all business model elements, or at least, it should have consequences for all elements. Because the main challenge of designing business models is to create coherence and alignment between the perspectives, within the perspectives, and with the environment. For example, offering customer intimacy value propositions means that the focus is preferred to be on CLV and therefore on long-term relationships. For long-term relationships to develop, creating loyalty is crucial which is achieved by, among others, scoring high on the SERVQUAL-model domains, being flexible, and by using frequent individualized communication. More abstract, creating loyalty is correlated with perceived service quality which in turn depends on balancing between expected quality (influenced by e.g. marketing) and experienced quality (influenced by e.g. characteristics of the service and by being reliable). Furthermore, since not every customer is equally important in terms of revenue generation, it is preferred to use a classification system like the ABC-classification to categorize customers and manage retention efforts. A sound cost accounting system designed with the help of activity-based costing in terms of the customer could support this classification. Finally, to improve coherence even further, this all should lead to a revenue model which uses price bundling a long-term contracts as pricing mechanisms and a cost structure that is mainly value-driven. More theoretical conclusions are summed up in table 2.1 on page 36.

7.1.2 Practice-oriented conclusions

The other type of conclusions refer to the specific situation of COO. Based on what the experts stated on what would be important for COO, several conclusions were made. First of all, regarding the value proposition, COO was said to be not as innovative as they claim. However, regarding the overall value proposition of COO, a facility management provider that is pro-active, willing to change (flexible) and has a real customer-orientation in the sense that they are willing and able to personalize and customize the service could be concluded to be unique in the market and therefore considered to offer competitive advantage. Furthermore, regarding the SERVQUAL-model, it was concluded that all domains mattered (in increasing experienced quality), but reliability, assurance, and the willingness to help aspect of the responsiveness-domain were said to be most important. Also the use of personalized, pro-active communication was valued. It was stated by the experts that this overall assessment of the value proposition did not fundamentally differ between the four sectors COO is aiming for or between large organizations and SMEs.

The janitor-COO concept, although not unique, could be of value if COO can provide for a constant high level of personalized service. However, this would be hard to achieve with mutual satisfying results within large organizations because of the diversity of tasks that some large organizations have categorized as facility related activities and because of the small margins. Regarding E-COO, the conclusions were that it is unique and that it does offer value in terms of sustainability (especially valuable for large organizations) and cost reductions if these can be achieved (especially valuable for SMEs). However, things like the lack of flexibility and uncertainties about the role of COO after the service is installed created some doubts. Finally, concerning purchasing and consultancy, it could be concluded that within each of these areas large parties with extensive references exist. It is therefore hard to compete with them directly, particularly in relation to large organizations because these rely heavily on references and established parties. However, the market for these areas was said to be attractive in terms of demand and margins.

The experts also stated that the total relieve promise of COO, so the combined offer of all services, is often internally managed within large organizations and/or organizations that perceive facility management to be strategic. In these cases it is hard or impossible to take over all of the facility management tasks, or even part of these tasks. Therefore, figure 5.1 could be made in order to make clear what to offer to whom. In general, it could be concluded that SMEs are a more attractive market for COO at the moment than large organizations because of for example the heavy dependence of large organizations on extensive, formal references and the diversity of facility tasks within large organizations. Another result regarding the target market was that according to the experts, no fundamental content-wise need-differences exist between the four sectors COO is aiming for, only the relative importance of facility management could differ. Again, figure 5.1 is therefore useful.

Finally, the expert-interviews resulted in some conclusions regarding specific aspects of COO. For example, it was concluded that it is preferable to use detailed pre-perspective reports in order to attract the right customers, to use multiple ways of communication, and to enter the organization by contacting the purchasing director, facility manager, or the board. More practice-oriented conclusions can be found in chapter 5.

7.2 The recommendations

Starting from the initial idea about COO of being a B2B-focused customer intimacy service provider, chapters 2, 5 and 6 are used to provide insights on what aspects COO could focus on within the integrated business model given the generic value proposition and general target customer and with the intention to increase coherence and alignment between the elements of this model as depicted in figure 2.2. First of all, in light of the customer intimacy strategy and the B2B-focused service, it is preferable to perceive the specific value proposition of COO as offering customized, personalized, pro-active, reliable, and problem-solving (need-fulfilling) services aimed at totally relieve the customer of all their facility issues. Furthermore, it was argued that the value proposition is best to be split up in three distinct services: janitor-COO, E-COO, and purchasing and consultancy. Regarding E-COO, it was concluded that it is best to only offer this service in combination with SITA and Novon. Furthermore, given the value proposition, the current situation of COO, and the market characteristics, it is preferable for COO to first focus on regional SMEs, especially those that undergo a facility management change. If COO has developed a solid customer base and accumulated knowledge and experience, expansions to other markets is possible. Based on the experts and the literature, it can be concluded that delivering this value proposition to the targeted customer in a valuable way requires for customer-orientation (able to personalize and customize the service), being pro-active, and being flexible in relation to especially the key-activities of problem-solving and execution. This means that to achieve alignment, COO should focus on these aspects in their communications and neither on the claimed innovativeness of their service nor on the terms operational, tactical, and strategic facility management. Also, as the founders of COO already foresaw, specific management reports are of value. Particularly reports in which a pro-active mindset is shown by constantly coming up with potential improvements, both in terms of costs and quality. Another crucial element for COO is developing and managing the supplier base of operational facility service providers as well as the customer base with the help of classifications. The former is important because the quality of suppliers has a significant influence on the experienced quality aspect. The latter is important because COO is

not to generate revenues from as many new customers as possible, but they should aim for CLV. So developing long-term relationships and thus creating loyalty by balancing between experienced and expected quality is key. Another recommendation which could be made is that COO should use its network and knowledge to develop detailed pre-perspective reports on what they can offer for certain types of customers. These pre-perspective reports are a way of attracting the customer's interest and they help preventing COO for biting off more than they can chew. Also it was recommended that both IS and corporate culture are used in such a way that they support organizational objectives. For example, PMS were recommended to measure both financial and non-financial measures. If this is then linked to employee-assessment, behaviour could be steered into the desired direction and a contribution could be made to the favoured stakeholder-oriented culture. Furthermore, it was recommended that COO deliberately tries to form a corporate culture not just to steer behaviour, but also to satisfy employees as satisfied employees were linked to customer satisfaction in chapter 2. More recommendations can be found in chapter 6 which is summarized in table 6.1 on page 71.

7.3 Limitations of the research

This research focused on how to best design a business in order to become a viable organization. It did this by trying to find an answer to the two fundamental questions to service organizations: *What are the important elements of the service to be provided for the customer?* and *What efforts does this suggest in terms of designing, delivering and marketing the service?* To answer these questions, the business model concept was used as a tool to guide the answering process; to make sure no important aspects were overlooked. Although such an approach is useful, it limits the study in terms of scope. Because the business model is just one tool and it could be argued that this one tool acts as a sort of blinkers in answering the questions. Related to this is that the study described eleven elements of an integrated business model. It is very well possible to fill up entire books with research on each individual element. Instead, this study used slightly more than twenty pages to describe all of them. Of course, focusing on B2B-focused customer intimacy strategies pursued by service organizations provided some clear boundaries on what to describe and what not. But since the model as suggested in figure 2.2 and the general conclusions of table 2.1 are not yet extensively tested in the field on comprehensiveness, it could be argued that a limitation of the study is the lack of certainty whether or not figure 2.2 and especially table 2.1 are complete both in terms of the number of elements and the content per element.

Furthermore, there are many different ways to describe business models. Within this study, I just used one. Although I used a recent synthesis-model as starting point, it is still just one way to describe the business model. So a limitation is that it may be limited in scope in this way. But being a synthesis-model and by combining it with the strategy map, this limitation is probably limited.

A third potential limitation lies within the sample. Instead of doing a comprehensive market research with many potential customers throughout the entire nation, I interviewed seven experts (who were also potential customers) within the region. As argued in chapter 3, this approach is justified for this specific study. However, it does limit the practice-oriented results of this study to the very specific case of COO and its region. This means that based on this study, no generalisations can be made about the facility market within the Netherlands.

Another limitation is the fact that this research was performed by someone with a specialisation in information management. Therefore, there may be a bias towards IS. However, I did try to limit this bias by not drawing conclusions too fast, being aware of the bias, and by using the data as a starting point as much as possible which means that I did not knowingly start with a certain perspective and tried to fit in all the data in that perspective, but I used the data to form the perspective.

A final limitation, which is related to the previous one, lies within the process of designing some elements in an indirect way. For example, I did not gather specific field data about the cost structure, but I used the field data about other elements to infer its recommended design. This means that I as a researcher was influential in the outcome. This influence is limited by the fact that theory is used to guide this inferring-process, but it is still there. So the consistency of results across researchers could be low regarding these indirect-elements. Although a research limitation, one has to notice that

it could very well be that in a practice-oriented study like this, the commissioners are after such a research approach because they want personal knowledge and inferring/analyzing skills of the researcher to play a role.

7.4 Contributions of the research

This study has both theoretical and practical contributions. The first theoretical contribution of this study is the proposed way of integrating the business model with the strategy map as depicted by figure 2.2. This new integrated business model has the advantage that links between different elements and different perspectives are quite clear; something which is, as argued in chapter 2, less clear in the model of Osterwalder (2004). Furthermore, the hierarchical links between the perspectives make it easier to perceive elements within their context and relate them to perspective-specific goals and the overarching goals. Also, it includes two additional elements that proved to be useful during this study. In other words, the integrated business model provides for a better comprehension of links and dependencies within organizations; it provides for a systematic way of looking at the individual elements within their context. This increase in analytical capability of the new model was shown by using it during this study. Because whereas the model of Osterwalder (2004) was said to be, for example, lacking in adding support on how to design the IS, the integrated business model made sure that potential IS-designs followed quite naturally from the analysis as discussed in chapter 2; within the different elements, needs and CSFs were indentified which were then used to determine four main IS that could prove useful. So not only does the new structure of the model contribute to increased understanding, the addition of a separate IS-element was also beneficial. The same argument goes for including the corporate culture-element. This element makes it clear that corporate culture is not a fuzzy concept, but that it can be shaped to contribute to organizational goals. They way how this could be achieved did again follow quite naturally from the discussion. So the new model did, in this study, live up to its promise of providing a more comprehensive and systematic way to analyze and design organizations. Furthermore, the new model showed that if used as starting point for interview frameworks, the model allows for customizing a general business model to a specific market and organization with the help of interviewing market-experts. So throughout this study, the integrated business model proved its use in terms of analyzing and designing the organization. Furthermore, the addition of the internal and external analysis layer accounts for acknowledging the emergent nature of organizations and strategies and the dynamics of it all. It also shows how important it is to constantly analyze and improve alignment between internal and external aspects.

The second scientific contribution is the comprehensive theoretical overview that is provided of literature on B2B-focused service organizations with a customer intimacy strategy; an overview framed by the integrated business model. This could be used as a reference to researchers.

The practical contribution lies in providing support to the, as argued highly valued, management tool of strategic planning. As said, chapter 2 provided a comprehensive overview of literature on B2B-focused organizations with a customer intimacy strategy. This, largely based on empirically tested articles, framework can be used for managers in the same situation, even though they are not operating in the facility management market. More specific, this research has a major practical contribution for COO. It analyzes the current internal and external situation to come with clear recommendations regarding the design of the integrated business model. As argued in chapter 2, this business modelling helps to improve the understanding of the business, it allows for easy sharing of the underlying business logic, it helps analyzing this business logic, it allows for improved management of the business logic, and it may stimulate innovation and increase readiness for the future.

7.5 Future research

First of all, as said in chapter 3, the limitation of time inhibited the implementation and testing phase to be executed. In other words, this study did not test whether the recommended business model actually proved to be contributing to COO. This is what Sandberg (2005) calls pragmatic validity. So future research should test this pragmatic validity. In a more general context, future research could test

if organizations pursuing a B2B-focused customer intimacy strategy perform better if table 2.1 is met in relation to organizations which are not in line with table 2.1.

Another useful additional to this study would be a research in which the completeness of the new integrated business model will be tested. As argued in chapter 2, two elements were added to the proposed business model of Osterwalder (2004). Future research could test whether the new model is now complete or that other elements should be added. Such a study could also test if adding the two elements is as valuable as this case study suggested. Similar studies could be executed to shed light on the question whether or not table 2.1 is complete, if things could be left out, or if things should be altered.

In relation to the two suggestions made already, future research could compare the results of using the business model of Osterwalder (2004) with results of using the integrated business model to see if the new integrated business model really does provide additional valuable insights in multiple cases.

Furthermore, future research could use this study as a starting point to compare business models of all three value propositions in both B2B- and B2C-markets to analyze if there are similarities and differences. In other words, future research could focus on designing a table just like table 2.1 for operational excellence and product leadership value propositions both for B2B- and B2C-markets and one for customer intimacy B2C-markets. This could really improve insights on how to design a business model in certain cases.

More practice-oriented research recommendations are directed towards COO. The preliminary results show that there are no fundamental content-wise differences in needs between the sectors COO is aiming for. Comprehensive market research should give a definitive answer about this and should also provide insights in whether or not there are regional differences regarding facility management within the Netherlands. In short, future research should be aimed at making valid generalisations about the market.

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Appendix A Interview framework I

Based on chapter 2, this interview framework was developed. It was used to gather data in order to describe the initial ideas about COO in terms of the integrated business model. The clarifications between brackets were used as additional explanation if necessary.

Perspective	Element	Questions
<i>Customer</i>	<i>Value proposition</i>	<ul style="list-style-type: none"> - What needs/wants of the customer are being served? / What value is delivered? - What is the reasoning behind this value? - When is the value being delivered? (with purchase, ownership, etc.)
	<i>Target costumer</i>	<ul style="list-style-type: none"> - Which characteristics are used to segment the market? (geography, business priorities, etc.) - Which market segments are targeted?
	<i>Relationship</i>	<ul style="list-style-type: none"> - How is customer data gathered/analyzed/used? - What is the preferred brand identity?
<i>Process</i>	<i>Distribution channel</i>	<ul style="list-style-type: none"> - How is attention of the customer attracted? - How are the needs/wants of the customer being aligned with the value proposition? (advice, information, etc.) - How does the transaction process take place? (negotiation, contracting, etc.) - How are customers helped/assisted after the sale?
	<i>Value configuration</i>	<ul style="list-style-type: none"> - What activities are necessary to create value? (problem-finding, problem-solving, choice, execution, control and evaluation)
	<i>Partnership</i>	<ul style="list-style-type: none"> - What activities are outsourced?
<i>Learning and growth</i>	<i>Capability</i>	<ul style="list-style-type: none"> - What core capabilities and competences are necessary to offer the value? - What resources ground these core capabilities and competences?
	<i>Culture</i>	<ul style="list-style-type: none"> - What kind of culture do you strive for?
	<i>Information systems</i>	<ul style="list-style-type: none"> - What kind of IS do you want

		to implement? - What do you expect of IS?
Financial	<i>Cost structure</i>	- What are the main cost objects in creating/delivering/marketing the offer? - What cost accounting system do you use?
	<i>Revenue model</i>	- What are the revenue streams? - What pricing mechanisms are used for these streams? (market, fixed, differential)

Appendix B

Interview framework II

First, explain that the goal of this research is to determine how certain elements of COO should be designed. This means there are not right or wrong answers. Furthermore, results will be kept anonymously.

Second, explain that COO is a Business-to-Business focused service provider within the field of tactical facility management and offers a wide range of products within this field: consultancy, purchasing and contracting of operational facility service providers, caretakers in the form of janitor-COO, and a specialised product called E-COO. The goal of COO is to create an optimal working environment (healthy, sustainable, safe, and comfortable) for the customer in which facility issues are managed by COO. Fundamental thought within this is a single point of contact which to address for all facility issues (e.g. refilling the coffee machine): the janitor-COO.

Special case is E-COO. Within this product, COO combines knowledge of cleaning and waste management to separate waste streams at the core thereby reducing residual waste (the most expensive one) and maximizing recyclable waste streams. This not only helps cutting back carbon dioxide emission and the use of (natural) resources, but also to reduce costs.

Given the discussion of COO just mentioned, how do you think about the following questions and do you believe that this differs between SME and large organizations and across the sectors education, healthcare, service, and production:

1. A: The characteristics of the service...? (score 1-5)

... janitor-COO?

... E-COO?

... consultancy?

... purchasing and contracting operational facility service providers?

B: Tangibles like clothing et cetera (score 1-5)

C: Reliability; delivery within the agreed timeframe and at the agreed specification, flawless delivery, et cetera? (score 1-5)

D: Responsiveness; willingness to help with prompt reactions, level of accessibility et cetera? (score 1-5)

E: Assurance; courtesy of staff, competence of staff, ease of use of for example IT, et cetera? (score 1-5)

F: Empathy; personal attention, knowledge about what is going on in the organisation, the ability to relate to the client-organization? (score 1-5)

2. Are there any other aspects you think are important for COO to do in order to improve the value of the service? And which score (1-5) would you give these?

3. What is the best way for COO to come into contact with your/an organization?

4. If contact is made, what do you think are the main reasons to go further with the purchasing process? Is this primarily based on costs, on quality, or on other things?

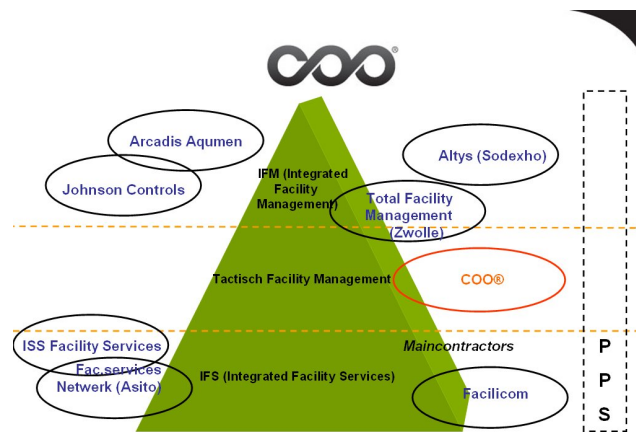
Imagine you are a customer of COO.

5. A: What is the best way for you to come in contact with COO and does this differ per situation?

B: If COO contacts you, should this contact be based on strategic or operational issues? And what type of contact do you prefer regarding this? With what frequency?

6. *Based on the literature there are two types of methods to maintain a commercial relationship, social ones and price-oriented ones.* What do you value most? Are there other valuable means?

The current situation of COO as perceived by COO itself:



7. Based on the discussion so far, how do you think COO differentiates itself from the competitors? What do you think is a good way for COO to differentiate from the competitors?

8. Are there any other things you think are important for COO? What do you miss within the field of facility management?

Appendix C
Abbreviations used

Abbreviation	Meaning	First used
B2B	Business-to-Business	pp. 2
B2C	Business-to-Consumer	pp. 20
CLV	Customer Lifetime Value	pp. 19
CRM	Customer Relationship Management	pp. 31
CSF	Critical Success Factor	pp. 28
DMU	Decision Making Unit	pp. 21
ERP	Enterprise Resource Planning	pp. 31
IOC	Inter-organizational cooperation	pp. 9
IOS	Inter-organizational system	pp. 33
IS	Information Systems	pp. 15
KMS	Knowledge Management System	pp. 31
PMS	Performance Measurement System	pp. 31
RMI	Relationship Marketing Instrument	pp. 22
SISP	Strategic Information System Planning	pp. 30
SLA	Service Level Agreement	pp. 27
SME	Small- and Medium-sized Enterprise	pp. 2