Benchmarking: An International Journal

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Article information:

To cite this document:
Pekka Töytäri , (2015),"Assessing value co-creation and value capture potential in services: a management framework", Benchmarking: An International Journal, Vol. 22 Iss 2 pp. 254 - 274
Permanent link to this document:
http://dx.doi.org/10.1108/BIJ-07-2013-0075

Received 31 July 2013
Revised 8 September 2013
Accepted 10 October 2014

Assessing value co-creation and value capture potential in services: a management framework

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Abstract

Purpose – The purpose of this paper is to investigate the managerial practices to assess value creation and value capture potential in longitudinal buyer-seller relationships, and proposes a framework for evaluating such potential for maximizing sales function efficiency.
Design/methodology/approach – The research is based on an exploratory multi-case study with seven internationally operating companies from a variety of industries, with the aim of building the framework for sales opportunity management. The framework is then refined in eight workshops with 21 companies.
Findings – The findings suggest that industrial companies need to develop new capabilities to efficiently manage value selling opportunities at different stages of the opportunity lifecycle.
Research limitations/implications – The underlying sales approach of the research is proactive value selling in a service business context. The findings may not be generalizable into other sales contexts.
Practical implications – The paper provides practicing managers with an actionable sales opportunity management framework for an effective management of sales quality.
Originality/value – The research contributes to a previously unexplored area of sales management, and suggests a managerial practice linking strategy to implementation at the customer interface.

Keywords Sales management, Value creation, Customer value, Sales opportunity management, Value capture, Value-based selling
Paper type Research paper

1. Introduction

Creating superior customer value is a key to a company's success (Eggert *et al.*, 2006; Slater, 1997). The capability to consistently implement a customer value-based strategy at the customer interface, by effective management and skillful development of value selling opportunities, may be a source of competitive advantage (Slater, 1997). Recent studies (Aberdeen, 2011; Vitasek *et al.*, 2012) suggest that companies that successfully leverage customer value in their customer approach are also relatively more successful in capturing value and achieving high profitability. While industrial companies are differentiating themselves from cost-driven competition by extending their offering with services, solutions, and outsourcing to escape the commodity trap (Brady *et al.*, 2005; Matthyssens and Vandenbempt, 2008; Vandermerwe and Rada, 1988), their capability to manage value sales opportunities successfully and effectively is lagging behind. Existing managerial practices, skills, and knowledge are predominantly geared toward the final stages of the customer's buying and decision-making processes. The existing practices reflect mature and commoditized exchange of goods and services, characterized by buyer power, comparable offerings, and reactive selling. The new value-based strategies are built on proactively approaching customers (Aberdeen, 2011; Adamson *et al.*, 2012; Lay *et al.*, 2009) to initiate and influence buying processes, building a shared solution vision (Eades, 2004), linking a solution's business impact to

Benchmarking: An International Journal
Vol. 22 No. 2, 2015
pp. 254-274
© Emerald Group Publishing Limited
1463-5771
DOI 10.1108/BIJ-07-2013-0075

salient decision-maker goals (Anderson *et al.*, 2006), quantifying and verifying value created (Storbacka *et al.*, 2011; Vitasek *et al.*, 2012), capturing value based on value created (Hinterhuber, 2004), and often leading to a new division of roles and responsibilities in the value co-creation process (Vandermerwe and Rada, 1988). This change is fundamentally affecting the roles of the sales and sales management functions (Storbacka *et al.*, 2009, 2011).

A common textbook definition (e.g. Jobber and Lancaster, 2006) of the sales management function of industrial companies includes elements such as resource management, territory management, target-setting, coaching, and performance management. These definitions largely reflect a view of sales as an order-taking function (Storbacka *et al.*, 2009, 2011), implementing a relatively straightforward business process (Moncrief and Marshall, 2005). The prevailing sales management capabilities and practices do not really meet the demands of the new situation, with relatively longer sales cycles, suppliers' ability to influence buying, and offerings tailored to specific customer situations.

The existing research on managerial practices focussing on the selection, analysis, planning, and prioritizing of value sales opportunities is non-existent. "There is minimal theory explaining how managers/firms transform resources to create value" (Sirmon *et al.*, 2007, p. 273). Recent reviews of sales literature identified no published research in this area (Geiger and Guenzi, 2009; Williams and Plouffe, 2007). The existing sales research mostly addresses human resource-related management issues; thus, research on the implementation of value-based strategies by the sales function is clearly needed.

This study explores how parties aiming at dyadic value exchange assess the value they, respectively, expect to receive from the longitudinal, relational value-exchange process. The managerial process of selecting, reviewing, analyzing, and planning the value selling opportunities is labeled as the sales opportunity management process. The opportunity management capability of steering customer selection for strategic fit, analysis of value creation and value appropriation potential, and analysis of relationship value and risk may be a source of sustained competitive advantage, owing to the complexity, cost, risk, and duration of the value selling opportunities. The research question posed is:

RQ1. What managerial capabilities and practices are required for effective management of value sales opportunities?

Our results contribute to research in previously unexplored areas, and suggest an actionable management framework for practitioners.

The paper is structured as follows. After the introduction, literature relating to customer value and organizational buying and selling is reviewed. The research process and methodology are described in the next section, followed by a discussion of the dimensions of customer value and their connection to sales opportunity management. The sales opportunity management framework is presented next. Finally, contributions, implications, limitations, and future research opportunities are discussed.

2. Literature review

The sales opportunity management process manages the organizational value selling process to drive the organizational buying process with the aim of creating and capturing value.

2.1 Key characteristics and dimensions of customer value

Companies co-create and capture value in a value-exchange relationship. For the relationship and the value exchange to be attractive, both parties need to perceive the benefits received exceeding the sacrifices made (Anderson *et al.*, 2007). For the opportunity to be realized, the value captured by both parties must compare favorably with alternative available opportunities for capturing value.

Influential stakeholders subjectively evaluate value in their specific context, focussing on salient dimensions of value and comparing alternatives based on value. Key characteristics of value relevant to the current study are described below. Value is subjective: individual stakeholders assess the value offered to them, based on their absorptive capacity (Cohen and Levinthal, 1990) and cognition (Walsh, 1995), individual and organizational beliefs (Tripsas and Gavetti, 2000), institutional rules and normative pressures (Zucker, 1987), values, shared industry norms (Spender, 1989), and goal alignment (Cyert and March, 1992). Value is context specific: value is determined by the buying center (Bonoma, 2006; Johnston and Bonoma, 1981; Webster and Wind, 1972) in the customer's context (Kowalkowski, 2011), based on the customer's specific business situation (Miles, 1972) and guided by institutional rules and belief systems (Cyert and March, 1992). Value perceptions are relative to competition: value facilitates comparisons between alternatives (Gale, 1994). Value is multi-faceted: when assessing value creation and appropriation potential, different dimensions of value are subjectively evaluated by influential stakeholders, and appreciated with different weights.

2.2 Organizational buying

Buying is an organizational decision-making process, in which organizations establish needs for products and services and identify, evaluate, and choose among alternative suppliers and solutions (Kotler *et al.*, 2009). Organizational buying often involves multiple decision makers, establishing a buying center with conflicting goals, varying levels of power, rationality, cognition, knowledge, different decision criteria, and varying process (Johnston and Bonoma, 1981; Lau *et al.*, 1999; Lewin and Donthu, 2005; Webster and Wind, 1972). For many industrial organizations, buying is a key process to manage efficiently, and has become better structured, more sophisticated, and increasingly professional (Hunter *et al.*, 2006). The buying process structure has been widely researched (Eades, 2004; Jobber and Lancaster, 2006; Kotler *et al.*, 2009; Kotteaku *et al.*, 1995; Laios and Moschuris, 2001; McWilliams *et al.*, 1992; Rackham and DeVincentis, 1999; Woodside and Samuel, 1981; Xideas and Moschuris, 1998). While the buying process models proposed generally share the same structure, their level of detail, focus, and aggregation logic of the key tasks varies (Johnston and Lewin, 1996). We synthesize the buying process models into a four-stage process (e.g. Möller, 1985), which are need identification and prioritization; solution vision development to satisfy the requirements and constraints identified; search for and evaluation of the alternative solutions; and commitment to the preferred choice after negotiations. The buyer focus is on different concerns at the different stages of the buying process (Rackham and DeVincentis, 1999), as summarized in Table I. Need identification and prioritization are influenced by search behavior (Cyert and March, 1992; March, 1991), buyer attention (Ocacio, 1997), industrial imitation (March, 1991), benchmarking and competitive forces creating increasing pressure to adapt (Teece *et al.*, 1997), and buying center interactions (Johnston and Bonoma, 1981). Once the perceived gap between current and achievable performance grows sufficiently wide, the buyer focus moves on to building a solution vision, by combining requirements, preferences, and constraints

(Eades, 2004; Rackham and DeVincentis, 1999). During the search stage of the process, at the latest, the buying becomes visible to potential sellers by invitations to tender and similar invitations to participate in the buying process. At this stage, buyers are increasingly applying adversarial procurement practices, such as bidding contests and reverse auctions, to ensure lowest price and highest value capture (Hunter *et al.*, 2006) and avoid dependence on one seller. Finally, the preferred seller is chosen as a result of negotiation, guided by buyer risk management and value (Rackham and DeVincentis, 1999). Perceived risk has a major influence on the decision making (Cooper *et al.*, 2006; Hunter *et al.*, 2004; Kim *et al.*, 2008; Roselius, 1971).

2.3 From reactive to proactive influence

Commoditization increases buyer power, leading to a reduced scope of influence, a lower share of the value created, and generally less attractive business conditions for the supplier (Matthyssens and Vandenbempt, 2008; Ulaga, 2003). Increasing buyer power enables buying organizations to impose their buying and procurement process on sellers and leverage bargaining power to capture a higher share of the value created.

Suppliers fight commoditization by product, process, (Bettencourt and Ulwick, 2008), and business model innovations (Nenonen and Storbacka, 2010; Teece, 2010). Operating at the innovation end of the offering lifecycle process often provides the seller with an opportunity to proactively approach customers with novel, value-based messages to create urgency, initiate a buying process, and influence the solution vision for differentiation and temporary monopoly (Adamson *et al.*, 2012; Haas *et al.*, 2012; Lay *et al.*, 2009). To improve sales efficiency, suppliers are increasingly using value-based selling tactics (Terho *et al.*, 2012; Vitasek *et al.*, 2012) to make the business impact of their offerings explicit and measurable in terms of the buyer's business goals (Eades, 2004). Value-based selling thus supports proactive, early access into the buying process, seller power, and higher profitability (Aberdeen, 2011; Vitasek *et al.*, 2012).

2.4 Proactive value-based selling

In the context of sales research, organizational selling is commonly defined as a seven-stage process (Moncrief and Marshall, 2005), which, despite updates with regard to relationship and solution orientations, has remained largely unchanged since inception, and views the sales process as a tool for the individual seller, rather than as an organizational capability for mobilizing and managing the sales function. Research on the sales process provides only limited advice on how to conduct selling at the activity level, and is contextually positioned in a mature, product selling-dominated market situation. However, there is evolving research (Storbacka *et al.*, 2011; Terho *et al.*, 2012) and widely adopted managerial literature (Anderson *et al.*, 2007; Eades, 2004) on value-based selling and solution selling. Drawing on these, we can see that the organizational

	Incentive	Requirements	Search	Value and risk
Buyer activity	Recognition and prioritization of needs	Development of the solution vision to satisfy the needs within constraints	Concretizing the buying vision and doing the actual buying, comparing alternatives	Negotiating and committing to the best choice
Buyer focus	Reason and urgency to act	Solution requirements	Alternative suppliers	Risk and value appropriation

Table I. Buying process structure and stages value selling capability is manifested by processes (e.g. instructions for customer encounters, customer situation auditing instructions), routines (e.g. customer selection guidelines, customer encounter planning, negotiation planning), documents (e.g. reference stories), and tools (e.g. value calculation templates, checklists) (Storbacka, 2011; Töytäri *et al.*, 2011). The changing paradigm of industrial selling toward proactive value-based selling requires organizations to build new capabilities (Teece *et al.*, 1997) to help transform the sales function accordingly. The cost of sales increases owing to longer sales cycles, customer analysis, and team-based selling.

3. Methodology

The research was conducted as a multi-case study between August 2009 and March 2013, in two phases, and applying an exploratory, abductive research approach (Dubois and Gadde, 2002). The abductive research approach is especially useful for matching existing theory and literature with empirical observations and in guiding the research process and case sampling.

During the pre-research period, an extensive literature review was conducted and seven interviews carried out with carefully selected experts and managers from diverse industries characterized by proactive selling of complex solutions. The companies represented information technology, IT outsourcing, industrial services, and industrial process management solutions. The companies participating in the pre-research, which are described in Table II, were selected based on their proactive sales approach, high cost of sales, and criticality of opportunity selection. The focus was on understanding the managerial practices, processes, and criteria applied when initiating and qualifying sales opportunities. Subsequent interviews were refined following purposive sampling with a semi-structured interview approach (Eisenhardt, 1989; Yin, 2009). The outcome of the interviews was the initial sales opportunity assessment framework. The framework was constantly compared with the literature and discussed within the research team and with industry experts.

During the second phase of the research, the opportunity assessment framework was tested and refined in eight focus group workshops with 21 companies representing ICT, industrial services and medical industries, proactively selling technology, service, ICT solutions, and medical innovations.

Company	Industry	Sales management focus
Alpha	Global IT solutions and outsourcing company	Qualification of projects matching company strengths
Beta	European IT outsourcing provider	Qualification of opportunities and level of sales activity
Gamma	Global industry automation provider	Influencing the industrial investment process proactively and early with value selling
Delta	Global telecom solution provider	Careful selection of projects with ability to differentiate with solutions and value
Epsilon	Global IT services and outsourcing company	Careful qualification of projects matching company strengths
Zeta	Global minerals processing equipment company	Large-scale sales transformation toward value-based selling
Eta	Industrial equipment and services	Early qualification of large-scale investment projects against price-leader competitors

Table II. Profiles of the companies participating in the pre-research phase

The focus group workshops were conducted by two researchers and went through three stages. First, the opportunity management process was presented and discussed. Second, the participants were divided into three or four groups. Third, the groups were assigned two tasks, one at a time. The first task was expressed as follows: "You have to choose one of two sales opportunities, and drop the other one. What information would you use to make your choice?" Answers to the first question were collected before the second question was presented, in order to capture any novel insights. The groups were then handed a description of opportunity assessment questions, and instructed: "Select from a list of sales opportunity qualification questions the five most important questions and the five least important questions, and justify your choices." After the workshops, the opportunity assessment questions were refined, based on the results, until saturation was achieved.

3.1 Assessing trustworthiness, credibility, and reliability of the findings

The unit of analysis of the research was an organizational sales opportunity management capability, which allows companies to manage individual sales opportunities for maximizing utilization of the sales function in achieving their strategic and economic goals.

The data were triangulated by applying complementary data collection approaches, including interviews, analysis of sales collateral, and focus groups. Cross-case analysis was carried out during the first phase of the research to preserve replication logic (Eisenhardt and Graebner, 2007; Eisenhardt, 1989; Yin, 2009). We assessed the reliability and validity of the study by applying two overlapping sets of criteria (Flint *et al.*, 2002). The criteria of fit, understanding, generality, and control from grounded theory (Strauss and Corbin, 2007) were combined with credibility, transferability, dependability, confirmability, and integrity (Hirschman, 1986; Strauss and Corbin, 2007; Wallendorf and Belk, 1989), as reflected in Table III.

4. Value creation and appropriation potential assessment

Central to the sales opportunity management is understanding how the parties involved appreciate the potential for value creation and value capture during the relationship. During the relational buyer-seller process, both parties exchange information, build relationships, and make commitments. The perceived value is the trade-off between benefits received and sacrifices made (Anderson and Wynstra, 2010; Walter *et al.*, 2001). Benefits and sacrifices are combinations of the different dimensions of value (Kothandaraman and Wilson, 2001). Ideally, the benefits and sacrifices are quantifiable and commensurable into a single measure of value such as money (Anderson and Wynstra, 2010).

The existing literature suggests different taxonomies of value (Anderson *et al.*, 2007; Biggemann and Buttle, 2012; Ritter and Walter, 2012; Walter *et al.*, 2001; Wilson and Jantrania, 1994), classifying value dimensions as economic benefits, functional benefits, relationship-related (direct) benefits (such as learning and innovation), and relationship-enabled (indirect) benefits (such as credibility or access to new markets).

4.1 Economic benefits

Economic benefits are the direct economic gains expected from the exchange. For the buyer, the potential direct economic benefits include an increase in revenue, a decrease in lifecycle cost of operation, an improved return on capital invested, or reduced risk in expected economic returns (Cornet *et al.*, 2000; Vitasek *et al.*, 2012). For the supplier, the direct economic benefits include cash flow, to which buyers contribute with varying

Criteria	Explanation	Method of assessment in this study
Credibility	Extent to which the results appear to be acceptable representations of the data	Author has 10+ years of solution selling, 10+ years of solution sales management and 10 years of sales management consulting experience Four years conducting interviews in the field Additional researchers, focus groups, and researcher meetings reviewed analyses and results
Transferability	Extent to which findings from a study in one context will apply to other contexts	Sampling across different positions and business lines within one organization Interviews conducted and results verified in six different industries
Dependability	Extent to which the findings are unique to time and place; the stability or consistency of explanations	The findings across companies were highly consistent; focus on different dimensions of value was controlled by perceived market maturity
Confirmability	Extent to which interpretations are the result obtained from the participants and the phenomenon, as opposed to researcher biases	Results were audited by several key stakeholders in many workshops across different industries and market maturities Large number of companies taking part in the research Confirmatory focus groups refined the results until saturation
Integrity	Extent to which interpretations are influenced by misinformation or evasions by participants	Interviews were professional and anonymous Participants were carefully selected to ensure knowledge and experience
Fit	Extent to which findings fit with the substantive area under investigation	Careful reliability and validity analysis was made across very long duration of research project Case selection was conducted carefully to give a complete picture of the area of interest
Understanding	Extent to which participants buy into results as possible representations of their worlds	Interviewees were offered preliminary findings and asked to comment on them and verify them as accurate. Very large number of industry representatives from different professions have been reviewing and verifying results
Generality	Extent to which findings discover multiple aspects of the phenomenon	Six separate case studies from different industries Interviews were long and open to capture insights from a broader perspective Interviewees were chosen to capture all the viewpoints of the topic
Control	Extent to which organizations can influence aspects of the theory	Participants had an opportunity to refine the theoretical suggestions

Table III. Assessing trustworthiness, reliability, and validity of the study profitability, volume, and stability (Walter *et al.*, 2001) over the lifecycle of the relationship (Venkatesan and Kumar, 2004).

4.2 Functional benefits

For the buyer, the functional benefits are manifested by matching the solution with the expectations. Solution fit reduces adaptation costs and change management effort, and increases perceived solution quality[1] (Walter *et al.*, 2001). For the supplier, the functional benefits are manifested by lower risks, lower cost of sales, and faster sales and delivery cycles.

4.3 Relationship benefits

Apart from the economic and functional benefits, what dimensions of value make one relationship more attractive than another? For a buyer, the supplier may bring learning, skills and capabilities to improve internal efficiency, environmental adaptation (March, 1991), risk avoidance (Hunter *et al.*, 2004), innovation, cooperation efficiency, social bonds and trust, cultural fitness (Wilson and Jantrania, 1994), and motivation (Ritter and Walter, 2012). The relationship may also have negative consequences, such as erosion of own capabilities, reluctance to adopt inputs, limited integration capacity, and risk to competitive advantage by knowledge leakage (Ritter and Walter, 2012). The relationship may also enable indirect benefits due to improved credibility or inclusion into a prestigious community and strategic networks (Kothandaraman and Wilson, 2001). Indirect relationship benefits are those that make the relationship attractive beyond immediate economic or functional benefits, and help ensure long-term survival and profitability.

The positive consequences of a relationship described above apply to the supplier as well. Additionally, some relationships may leverage the core capabilities (Prahalad and Hamel, 1990) of the supplier more than others: "Creation of value depends on the ability to deliver high performance on the benefits that are important to the customer" (Kothandaraman and Wilson, 2001, p. 381). The supplier's current presence in, business understanding of, and expected growth in certain customer segments are also likely to make such segments more appealing than others. Additional indirect benefits include increased credibility, earned by a reputable reference customer that facilitates access to new markets and customers (Ritter and Walter, 2012) with growth potential, and shorter time to market (Wilson and Jantrania, 1994). Inclusion into strategic networks benefits the supplier as well.

4.4 Value exchange

Figure 1 illustrates the flows of value received and value sacrificed. The labels "buyer" and "seller" denote the buying center and the selling team, respectively.

Anderson and Wynstra (2010, p. 31) propose a definition for value exchange from the buyer's perspective: "Value in business markets is the worth in monetary terms of the economic, technical, service, and social benefits a customer firm receives in

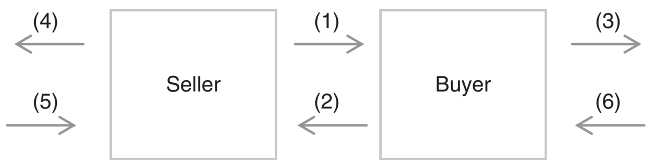

Figure 1. Different flows of value received and sacrificed between buyer and seller

exchange for the price it pays for a market offering. Benefits are net benefits, where any costs[2] that the customer firm incurs in obtaining the sought benefits, apart from purchase price, are included." The buyer thus receives benefits from the seller (1) and potentially from outside the dyad (6). The latter (indirect) benefits may include improved credibility and employer motivation (Ritter and Walter, 2012). The buyer makes sacrifices toward the seller (2), including price and relationship-related risks, such as risks to reputation and knowledge leakage. The buyer also makes other sacrifices (3), including internal and external change management costs, and accepts the relationship management costs and risks (c.f. Walter *et al.*, 2001, p. 366).

The seller, in turn, captures value (2) co-created with the buyer. The seller may obtain other benefits (5) due to the value exchange, which are not directly related to it. These benefits may include learning, internal efficiency improvements, and innovation support. The seller makes other sacrifices (4) as well. The sacrifices made by the seller (4) could include cost of sales, opportunity cost, cost of delivery, and cost of support.

The influential stakeholders on both sides subjectively evaluate the different dimensions of value-for-value appropriation potential, weighing benefits received against sacrifices made, aggregating the different value elements by their perceived weights, and assessing the risk associated with the value appropriation (the risk of actually receiving the value) to arrive at resource allocation and "go-no go" decisions.

4.5 Proof of value, subjective evaluation, and the relationship process

4.5.1 Proof of value. Understanding and influencing the buyer's subjective evaluation of the benefits received from the seller is a crucially important capability for a value selling company. A key goal of the value selling approach is to influence the evaluation by providing compelling evidence and proof of value toward the decision maker's business goals (Anderson *et al.*, 2007). Analyzing the target customer's processes and activities to identify opportunities for co-creation of value establishes such capability. Key activity mapping (Bettencourt and Ulwick, 2008) and customer value research (Anderson *et al.*, 2006) provide a framework for such analysis. Based on the value research, customer segment-specific value propositions can be crafted (Ballantyne *et al.*, 2011; Storbacka, 2011; Terho *et al.*, 2012), designed to support value quantification (Storbacka, 2011). Value quantification is a powerful approach to influencing the customer's evaluation of value. In increasing order of impact, the influencing capabilities include preparing and presenting reference case stories, presenting quantified reference stories, performing value quantification with the focal customer (Anderson *et al.*, 2007), and verifying the value created during the co-creation process at a later time (Storbacka, 2011).

4.5.2 Subjective evaluation. Both parties subjectively interpret the information received, the relationships built, and the commitments achieved. The interpretation is guided and influenced by the institutional rules and normative pressures (Zucker, 1987), industry recipe (Spender, 1989), cognition (Walsh, 1995), organizational beliefs (Tripsas and Gavetti, 2000), search behavior (Cyert and March, 1992), and similar guiding principles. The subjective evaluation of the different dimensions of value has a great impact on the outcome of the process. Parties may appreciate the different dimensions of value differently (Kothandaraman and Wilson, 2001). For instance, a new venture company entering the market with an innovative new offering often appreciates a credible reference and a learning opportunity more than immediate economic value. Similarly, an established company may appreciate renewal, first mover advantage, or new market access provided by an innovative offering.

4.5.3 Relationship process. The evidence of value is assessed by a buying center of decision makers (Johnston and Lewin, 1996). Power wins battles of choice (Eisenhardt and Zbaracki, 1992). In order to understand and influence the decision making and differentiate from alternatives with powerful relationships, the seller needs to deepen the existing relationships and widen the number of relationships, ideally to cover the entire buying center (Bonoma, 2006), with prudent consideration of the cost and marginal benefit of doing so. Assessing the breadth of relationships and the depth and power of individual relationships at the different stages of the opportunity management process is a key task within the opportunity management process that is discussed next.

5. Framework for sales opportunity management

The managerial framework for sales opportunity management includes four interlinked processes, labeled as organizational buying, organizational selling, opportunity management, and funnel management processes, interacting as illustrated in Figure 2. The buying organization and specifically the buying center (Johnston and Bonoma, 1981) implement the buying process. The selling organization manages the other three processes as part of the supplier's overall business model (Johnson *et al.*, 2008; Teece, 2010; Zott and Amit, 2010):

(1) The value sales process seeks to influence the buying process during longitudinal buyer-seller interactions. The buyer-seller interactions commence when the buying and the selling processes engage. The engagement can take place at any stage of the buying process, and, depending on the point of engagement, different sales process models emerge (Adamson *et al.*, 2012; Kaario *et al.*, 2003). Aligned with the buying process focus, the sales process focus moves from creating an incentive to act to building a differentiated solution vision, then to building powerful relationships, and finally to ensuring value capture and management of risks. At every stage of the sales process, the seller's generic influencing routine follows a pattern "understand," "create," or "influence." What actually needs to be understood, created, or influenced is stage specific, and will be discussed below. Trust and credibility mediate the information exchange (Barney and Hansen, 1994) and the relationship building. The information exchange helps both parties to evaluate the value appropriation potential available in the relationship. The longitudinal buyer-seller interactions take place within a relationship process, which seeks to establish and deepen relationships to all members of the buying center, in extent that is relevant and possible. Relationship development serves two goals. Trust and social bonds facilitate the sales activities that aim to understand, create, and influence the buying process, by providing improved opportunities to influence and a better quality of knowledge. The relationship

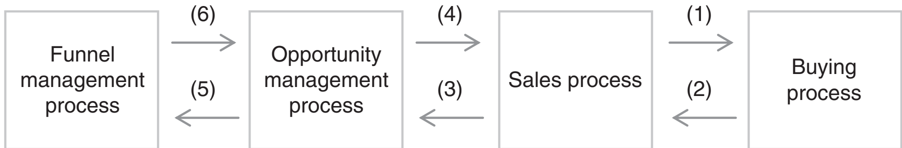

Figure 2. Interactions between buying, selling, opportunity management, and funnel management processes

contributes to the perceived value directly and indirectly. Hence, when the value attributed to the solutions being compared may be deemed equal, the relationship-attributed value may still differentiate alternatives. Best overall value wins.

(2) The sales actions implemented by the value sales process result in knowledge, relationship improvements, and commitments.

(3) The knowledge, relationship information, and commitments are evaluated against stage-specific criteria and goals. Some of the case companies prepare formal and IT-supported opportunity plans to manage opportunity information.

(4) The opportunity analysis results in sales actions to build influential relationships, acquire missing information, manage risks, and seek commitments as evidence of buyer's intentions, agreement to mutual plans, and progressing the process. Some case companies label the commitments they seek as "verifiable" commitments, highlighting the managerially important criteria of reducing the subjectivity of the assessment in order to more consistently identify the correct sales actions and improve sales forecasting accuracy. The evaluation results in decisions by both parties to pursue or drop the opportunity. When pursuing the opportunity, the information, relationship, and commitment needs are identified and acted upon.

(5) The opportunity management process delivers opportunity analysis-based information into a funnel management process (Kotler *et al.*, 2006; Storbacka *et al.*, 2011), including a buying process stage, "likelihood-of-winning" estimates, and an opportunity priority assessment.

(6) The funnel management process is a key top-level sales management process. The funnel management process identifies the individual opportunities requiring attention from the entire portfolio of sales opportunities. The case companies apply varying criteria when selecting opportunities for management attention, including strategic importance, expected revenue and profit, buying process stage, and speed of progress (e.g. "not moving") through the sales process stages.

The sales process and the opportunity management processes are presented here as logically separate processes. In organizational life, the ownership of these processes may reside with the same sales resource, and the application of the sales process and analysis of the results may be inseparable. However, the case companies are increasingly establishing management models with an explicit focus on sales opportunity management, driven by the increasing cost of sales and internal collaboration needs.

5.1 Connecting buying, selling, and sales opportunity management

The stage-specific connections between buying, selling, and sales opportunity management are discussed next. In Figure 2, the processes are connected and labeled stage by stage. The processes may progress linearly, but may also experience fluctuations and iterations between stages (Langley, 1999). For instance, new information acquired during the buyer-seller interactions leads to learning. Buyers may experience a need to revisit the earlier stages of the process to reconsider the incentive to act, to amend requirements, and to implement a new search for alternatives owing to a failure to reach agreement with the preferred supplier. Sellers frequently wish to push the buying process back to the requirements stage to rebuild the solution vision, which is biased toward the seller's differentiators. At any time, it is clearly important to understand where the buyer is in the buying process, in order to be able to apply relevant actions to influence and progress the opportunity. Determining the stage of the buying process becomes successively easier toward the end of the buying process, while the customer is performing visible buying actions toward the seller(s) (Figure 3).

During the relational buyer-seller process, both parties seek to understand the available potential for value appropriation. Information is exchanged, commitments are made, and relationships are built in a cumulative fashion. The case companies perform sequential value assessment, based on the evidence available at the different stages of the mutual process. The different dimensions of value are assessed against qualitative criteria, based on the information acquired, commitments made, and relationships built. The evaluation focus shifts along with the progress of the processes, in line with the previously stated principle that creating value is a prerequisite for capturing value (Brandenburger and Stuart, 1996; Coff and Barney, 1999; Gosselin and Bauwen, 2006). Put differently, both the buyer and the seller must become convinced that there is an attractive opportunity for value appropriation. For the buyer to become convinced, there must be a sufficiently strong incentive to act, a solution matching expectations, trusting relationships, manageable risks and bargaining power. For the seller to find the opportunity attractive, the customer profile must match customer selection guidelines; the value creation potential needs to be sufficiently high; the buyer must admit a pressure to act; the buyer and the seller need to share a solution vision; the value, the solution vision, and the relationship together provide sufficient bargaining power for profitability; and, finally, risks must be manageable. Each of the focus areas connects to specific dimensions of value. The following discussion is developed from the seller's perspective.

5.2 Strategic fit

The initial focus of the opportunity management process is to ensure the right customer selection in line with customer segmentation guidelines, and assess the

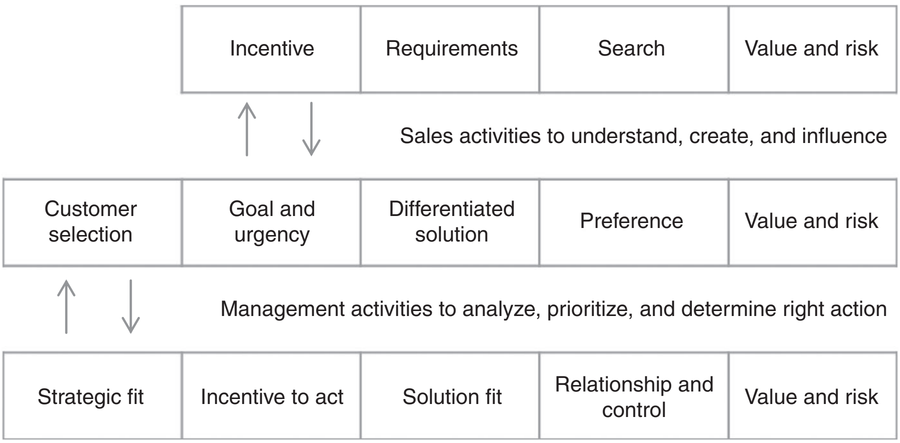

Figure 3. The interconnected buying, selling, and opportunity management processes

potential to create and capture value. Three criteria affecting a seller's ability to create value for the target customers are identified:

(1) a value proposition (Anderson *et al.*, 2006) is designed and directed toward an influential decision maker's salient business goals;

(2) the selling organization's credibility and trustworthiness are sufficient to give access to influential stakeholders (Barney and Hansen, 1994) to communicate the value proposition; and

(3) the buyer's category management approach (Kraljic, 1983) enables such access[3].

5.3 Incentive to act

During the incentive stage of the buying process, the buyer's goal is to identify an incentive to act and determine the urgency of action. High perceived value and internal and external pressures to adapt create urgency to act. The incentive to act is subjectively evaluated by the buying center with difficult-to-predict outcomes because of differing views and power relations. The organizational sales tasks are designed to understand the (potentially) existing incentive to act. If none exists, specific sales tasks are applied to create an incentive to act. If an incentive already exists, it may not fit the seller's capabilities, in which case the seller needs to influence the incentive toward the seller's capabilities. Incentives can be expressed and formulated as individual and organizational goals (Bettencourt and Ulwick, 2008; Eades, 2004; Hinterhuber, 2004). Examples of industrial goals include improving lifecycle cost, improving return on capital employed, and achieving revenue targets (Vitasek *et al.*, 2012). The proactive value selling process employs artifacts, such as segment-specific value propositions, quantified reference stories, and value calculators, to demonstrate the seller's ability to help buyers achieve specific goals (Ballantyne *et al.*, 2011; Storbacka, 2011; Terho *et al.*, 2012). The opportunity management focus at the incentive stage is to determine that there is a sufficiently compelling reason for the customer to act to justify investment of the sales resources in the opportunity.

5.4 Solution fit

During the "solution fit" stage, the buyer focus is on developing a solution vision, the seller focus is on influencing the solution vision, and the opportunity management focus is on understanding if the resulting solution vision is differentiating for the seller. The seller leverages the buyer-seller interactions and the relationship process to understand the solution requirements (such as functionality, technical properties, interfaces, and design), constraints (such as timetable, budget, and resources), and the buyer's solution preferences[4]. If no solution vision exists, the seller goes out to create the solution vision based on the seller's specific capabilities, products, and services for competitive differentiation, and mainly focussing on functional value. The case companies stress the importance of success at this stage, as a differentiated solution vision may provide a temporary monopoly over the competing alternatives, effectively reducing the number of available alternatives during the search stage of the buying process. Offering evidence and proof of value is a particularly effective approach to influence the solution vision (Adamson *et al.*, 2012; Terho *et al.*, 2012). Value provides a tool by which to compare alternative solution visions (Vitasek *et al.*, 2012). As an example, many of the case companies effectively leverage the total-cost-of-ownership analysis as a tool for influencing a customer's solution vision, with the aim of convincing the buyer that the solution minimizing the customer's lifecycle cost is the best solution. The opportunity management focus at this stage is to assess the functional value and differentiation provided by the solution. A verifiable commitment from the buyer at this stage is to agree on a solution vision.

5.5 Relationship and control

During the relationship and control stage, the buyer focus is on identifying a number of alternative solution suppliers with an ability to deliver the solution vision. The seller focus is on building a competitive preference based on a business impact (economic value), a solution (functional value), and the relationship (relationship value). The goal of both parties is to implement their preferred buying and selling processes, respectively. These processes are adapted for a mutually agreed process. The power balance between the parties and the preparedness of the buying-selling processes determines how the mutual process unfolds. The case companies seek to achieve control of the mutual process by agreeing on a shared plan of planning, evaluating, and decision-making activities and milestones covering the remaining part of the buyer-seller process. A shared plan helps the seller to control the buying process by shared activities and a flow of information to influence the outcome. Similarly, buyers seek to control the process by imposing their procurement process and category management practices (Kraljic, 1983) on sellers.

The goal of the opportunity management process at this stage is to achieve a preferred supplier status. To evaluate the competitive status, the companies apply two criteria:

(1) verify the success of the relationship process in building powerful relationships with the buying center; and

(2) verify the success in agreeing on a shared plan of milestones (verifiable commitment from customer).

5.6 Value and risk

During the final selection stage of the buyer-seller process, the mutual focus is on value capture and risk management (Rackham and DeVincentis, 1999). Ultimately, the bargaining power determines how the value co-created will be shared the parties (Bowman and Ambrosini, 2000; Coff and Barney, 1999). Buyers build bargaining power by finding competitive alternatives and arranging competitive biddings (Bello and Zhu, 2006; Kotteaku *et al.*, 1995). Sellers build bargaining power by excluding competition with differentiated solutions and best overall value. In the best case, the parties are interested in and/or assign different weights to the different elements of value, in which case a true win/win can be achieved. The perceived risk has a major influence on the decision making (Cooper *et al.*, 2006; Hunter *et al.*, 2004; Webster and Wind, 1972). The risk assessment covers all dimensions of value. The economic value expected can be lost for a number of reasons, the solution may fail or the solution vision be found lacking, and the relationship risks may be realized.

During the final stage of the opportunity management process, the focus is on ensuring a profitable agreement, with identified and manageable risks.

Table IV illustrates the opportunity management maturity of the companies participating in the pre-research. The usual order of development progresses from defining and implementing a proactive sales process as a tool for the sales function, to defining and implementing the opportunity and funnel management processes, defining and implementing the management system to mobilize the processes, and, finally, to building an IT support for the processes. The depth of the IT support varies from simple data management to sophisticated reporting and analytical tools. The implementation maturity of the companies varies, but all companies are actively progressing all the identified steps along the development path. Owing to the length of the research period, most of the case companies made significant progress during the research project toward an extensive implementation of all the elements of the opportunity management framework.

6. Discussion

In this study, we have derived a value sales opportunity management framework, grounded in customer value literature and empirical findings from a four-year study. The research responds to calls to improve sales productivity (Ledingham *et al.*, 2006), develop actionable managerial frameworks for practicing managers (Avlonitis and Panagopoulos, 2010), provide insight into how managers leverage sales resources to create value (Sirmon *et al.*, 2007), and add to the research on managerial capabilities. The transformation of businesses toward proactively approaching customers to avoid the commodity trap (Brady *et al.*, 2005; Matthyssens and Vandenbempt, 2008; Vandermerwe and Rada, 1988) increases the costs, complexity, demands, and risks of sales projects. The change requires careful selection of the right customers and right opportunities, combined with skillful sales implementation and proactive management.

6.1 Contributions to theory

The research contributes to the strategic management, sales, and customer value literature by investigating previously unexplored managerial capabilities and practices in guiding the sales function in strategy implementation at the customer interface. The research integrates the organizational buying, selling, and management processes into an opportunity management framework, and illustrates the flows of information, relationship processes, and commitments among the processes involved. The opportunity management process derived and the embedded evaluation criteria, which were built by systematically combining empirical evidence and literature, inform managers in the design of company- and business-specific tools.

6.2 Managerial implications

Successful implementation of value selling at the sales force level is a major challenge for case companies. Analysis and active coaching of individual sales opportunities are effective managerial practices in enforcing best practices and right behaviors at the

Table IV. Opportunity management maturity of the case companies

Company	Formal FM process in use	Formal OM process in use	IT support for OM/FM	Formal sales process documented	Formal sales process in use
Alpha	Varies	Varies	In progress	Yes	Varies
Beta	Yes	Yes	Yes	Yes	Yes
Gamma	Yes	Yes	In progress	Yes	Yes
Delta	Yes	Yes	Yes	Yes	Yes
Epsilon	Yes	Yes	Yes	Yes	Yes
Zeta	In progress	In progress	In progress	In progress	In progress
Eta	Yes	Yes	In progress	Yes	In progress

customer interface. In the light of the empirical evidence, opportunity management is an underdeveloped area of managerial practices and capabilities. The existing managerial capabilities and practices are geared toward shorter and reactive sales cycles and human resource management. The framework presented in this manuscript provides tools for managers to link strategy and implementation. It offers guidelines to ensure efficient use of the sales function to focus on the right customers, high-value creation potential, differentiated solutions, powerful relationships, high-value appropriation potential, and manageable risks.

Table V is an example of an opportunity assessment framework. The example is laid out following the staging of the opportunity management process. Most case companies apply a stage-gate model for opportunity planning, in which opportunities are qualified against given criteria at every process stage to prioritize and justify resource allocation decisions.

6.3 Limitations and future research opportunities

The dominant business model of an industry likely affects the opportunity management focus. For instance, Nenonen and Storbacka (2010) identify five classes of business models. Research is needed to investigate the impact of the business model on opportunity management.

This research focusses on the management of relatively long, proactive value sales cycles that engage early with the buyer's process. Anecdotal evidence implies that,

Stage	Example evaluation questions
Right customer	How good is the match with our customer selection criteria? What is their supplier management approach and how are we positioned? (What is their buying history?)
Incentive to act	How compelling is their reason to buy? Is there a deadline for a decision? Is the buying center in agreement on the incentive to act? How powerful is the person who wants to act? Can we provide evidence of value?
Solution fit	Have we been able to influence the solution vision? How good is the match between our solution and the solution vision? Who is the competition and how do they compare to solution vision? Can we quantify solution value? How is our solution connecting the business goals of the buying center? Does our solution have unique differentiators connecting to the business goals of the buying center?
Relationships	Who belongs to the buying center associated with this opportunity? What is our relationship to every member of the buying center? Do we know their individual business goals? How is our relationship positioned against competition?
Control	Can we agree on a shared plan to proceed? Whose plan is it? Can we compete? (Do we have the resources and skills to meet the customer's requirements and timetable as laid out in the shared plan?)
Value	What is the short-term and long-term economic value of the opportunity (profitability, deal size, and lifecycle revenue)? How strong is our bargaining position?
Risks	What are the risks for profitability (bargaining position to capture value, cost of sales, cost of modifications, cost of delay, cost of delivery)? What are the relationship-related risks (reputation, IPR)?

Table V. A generic sample opportunity assessment template when the seller engages the buying process late ("specification-based selling"), much of the buying work and related decision making has already been completed. The opportunity management focus is then on qualifying the existing incentive to act, solution vision, and buying center relationships. Often, in these cases, the qualification reveals a non-matching solution vision and shallow relationships. Research is needed to advise managers on choosing the right route in such decision-making situations, i.e., whether to disengage, proceed and accept the deficiencies, or attempt to influence the gaps.

Notes

1. Solution quality also contributes to economic benefits through lower lifecycle costs. It is clearly possible that a less fit solution incurring higher adaptation and change management costs could in turn bring higher economic benefits, making value optimization a less trivial exercise.
2. The sacrifices made by the buyer may include sacrifices other than pure costs, including risks for delivery, risks to reputation, and reduced negotiating power.
3. The category management is a structured approach to ensure supply network performance (Kraljic, 1983). Buyers evaluate the attractiveness of potential suppliers by applying category management criteria.
4. One area where the buyer's solution preferences differ relates to the division of responsibilities within the coalitition actually implementing the solution (typically the buying and the selling organizations). The seller's role may extend from simply providing products into the buyer's process to taking over the entire selling process in an outsourcing arrangement.

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