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Co-creation in new service development: Towards a new definition of co-creation

Fengjie Pan

**The University of Manchester/Alliance Manchester Business School
Manchester Institute of Innovation Research
fengjie.pan@postgrad.mbs.ac.uk**

Ian Miles

**The University of Manchester/Alliance Manchester Business School
Manchester Institute of Innovation Research
ian.miles@manchester.ac.uk**

Hugh Cameron

**The University of Manchester/Alliance Manchester Business School
Manchester Institute of Innovation Research
hugh.cameron@manchester.ac.uk**

Abstract

Co-creation in new service development: The case of the advertising industry Authors: Fengjie Pan, Hugh Cameron, and Ian Miles Affiliation: Manchester Institute of Innovation Research, Alliance Manchester Business School, the University of Manchester, UK Year of enrolment: Sept., 2014. Expected final date: Sept., 2017 Email Address: fengjie.pan@postgrad.mbs.ac.uk As the business environment is becoming more competitive, co-creation has been recognized as an effective approach to develop new services or new products. Nevertheless, co-creation is still an underdeveloped research area (Zhang and Chen, 2008). There is limited attention to how to formalise the co-creation process in detail (Payne et al., 2008) and to techniques employed to involve customers in co-creation (Durugbo and Pawar, 2014). While knowledge-intensive business services (KIBS) have been given considerable attention in the last two decades, and are recognised as more innovative than most other services and manufacturing sectors (e.g. Muller and Doloreux, 2009), and feature considerable interaction between suppliers and clients, research on their innovation processes is limited. This is particularly so for those KIBS that are also located in the creative industries - such as advertising (e.g., Miles and Green, 2008), and the role of co-creation is neglected. This research uses the UK advertising industry as a basis from which to explore these issues. Co-creation is ill-defined in the literature, where it often appears synonymous with co-production. The lack of a sound theoretical foundation creates difficulty in understanding its role and

significance. Therefore, to address the topic, we propose the research questions: 1) How do KIBS firms co-create with their business customers in the aspects of activities performed and roles played by clients? 2) What is the nature of co-creation in KIBS (and how should we differentiate co-creation and co-production)? Many services are co-produced, in that the customer inputs are essential to the production and delivery of the service. (This is in line with the thinking of service-dominant logic, which sees service offerings as the common dominator of exchange co-produced with social actors, such as customers; and sees all firms as being both service providers and service receivers (Vargo and Lusch, 2004, Lusch and Vargo, 2006b, Lusch and Vargo, 2006a, Vargo and Lusch, 2008, Vargo et al., 2008, Baunsgaard and Clegg, 2015)). Co-creation implies something more than this. Co-production involves the activity of the third party (in this case we focus on the business customer, rather than the final audience for the advertisement in producing a service which has already largely designed by the supplier. Such customer involvement may result in some degree of customisation, personalisation or assembly of the service from a menu of options. Co-creation, additionally, involves the third party in more upstream activities, such as creation, design, and elaboration of the service concept, together in some cases with more engagement in service production and other activities. Additionally, co-creation enables customers to co-construct the service experience with their service/product suppliers, to suit their contexts and emphasizes the feature of joint problem definition and problem solving with customers (Prahalad and Ramaswamy, 2004). Therefore, innovations are the outcomes of the interactions and behaviours between the involved members (Perks et al., 2012). There is liable to be substantial novelty (something new or different is co-created), while co-production does not necessarily generate something that is substantially new or different. The research involved multiple case studies methodology, with twenty five companies from the top 100 creative advertising agencies (as listed by Campaign) as the cases where interviews were conducted. Some forty two elite interviews (and generally lasting from one to two hours) were conducted, from summer 2014 to spring 2016. The interviews were recorded and transcribed, resulting in hundreds of pages of text that were analysed using template analysis. The process of service production was found to involve a sequence of several steps, in all of which elements of co-creation could be detected. Therefore, co-creation is a dynamic interaction process and involves (varying degrees of) active involvement of the third party in upstream activities - creation, design, elaboration, production, and other activities - to create something new or different. However, the degree of co-creation, and the approach taken to co-creation by the parties involved, is contingent on the task performed in each development stage. Clients undertake different roles in different stages. In the problem definition phase, clients are the co-diagnoser and strategy co-developer. In the creative process (the idea generation phase), they play the role of co-selector. (In a very small number of projects, they may also undertake the co-creator role, helping to develop innovative ideas.) In the idea development process, clients act as the co-amplifier of the core idea. In the final phase, that of evaluation and learning, clients are the co-evaluator of the whole project. This research contributes to the new service development, service innovation, and co-creation literatures by providing a more thorough understanding of the role of co-creation in the overall new service development process. It is demonstrated that co-creation should be regarded as a dynamic process. The research sheds light on how co-creation changes over the course of the service encounter, by identifying the co-creation activities and tasks, elaborating the roles of service firms and their clients in each specific stage of service production. Thus, these findings contribute to the co-creation literature, clarifying the role of clients and the task they perform - problem co-diagnoser, strategy co-developer, idea co-selector (but generally not co-creator), idea co-amplifier, and project co-evaluator - across the service development process. Key words: Co-creation, co-production, KIBS, advertising, interaction process, stages

Co-creation in new service development: Towards a new definition of co-creation

Fengjie Pan, Ian Miles and Hugh Cameron

Alliance Manchester Business School

Abstract

As the business environment is becoming more competitive, co-creation has been proclaimed to be an effective approach for developing new services or products. It is difficult to say how widespread co-creation is, not least because the concept remains ill-defined. In scholarly literature, it often appears synonymous with co-production. Taking the advertising industry as the case, our aim is to investigate how firms engage in co-creation, and thus to clarify the meaning of co-creation. The research involved multiple case studies methodology, with forty two elite interviews conducted across twenty five companies from the top 100 UK advertising agencies. The process of service production here involved a sequence of several steps, in all of which occasions of user involvement in the creative process could be detected. We thus view co-creation as a dynamic interaction process, involving (varying degrees of) active involvement of the customer in upstream activities - creation, design, elaboration, production, and other activities - to create something new or different. Though industries are liable to vary, the depiction of various constituents of co-creation, and examination of its role in the overall new service development process, are of relevance beyond advertising.

Key words: Co-creation, service innovation, upstream activities

Introduction

Reflecting the growing importance of service innovation in the changing and competitive environment, the research concerned with new service development has seen a dramatic growth in the last two decades (Papastathopoulou and Hultink, 2012, Biemans et al., 2015). Many studies suggest that involving customers in the service innovation process can generate more, and more successful, service innovation (Alam and Perry, 2002, Slater and Narver, 1994). While the term "co-creation" is widely used, this topic remains underresearched (Zhang and Chen, 2008). The service-dominant logic approach accentuates the importance and the collaborative nature of value creation, but empirical studies investigating the interaction process and the joint activities remains underdeveloped (Payne et al., 2008, Grönroos, 2011, Vargo and Lusch, 2008, Matthing et al., 2004). There is little study of how to formalise the co-creation process (Payne et al., 2008) and assessment of methodologies of involving customers in co-creation (Durugbo and Pawar, 2014).

The literature on services has long stressed customer involvement in the service production process. Many services are to some extent adapted/customised to suit the users who are playing a co-production role; in some cases this may involve extensive modification of the service, or even the creation of a new service. Co-creation, in this light, may be seen as the joint creation of value between the firm and the customer wherein customers co-construct the service experience with the suppliers to suit their contexts; it goes beyond co-production in that it involves the feature of joint problem definition and problem solving with customers (Prahalad and Ramaswamy, 2004a). Service innovations are then the outcomes of the interactions and behaviours between the involved members (Perks et al., 2012). But in the literature, "co-creation" is ill-defined; many scholars use the term as

synonymous with "co-production" (which need not involve substantial innovation) (Payne et al., 2008).

Knowledge-intensive business services (KIBS) have been given a lot of attention in service innovation research; not least because these sectors are widely recognised to be more innovative than many other services and manufacturing sectors (Muller and Doloreux, 2009, Miles, 2005). Research on KIBS innovation – and especially on innovation in the creative industries, like advertising - is still very limited (Miles and Green, 2008). This is unfortunate, since evidence suggests that these are also among the services with highest levels of customisation and, presumably, co-production (Tether et al., 2001). The value of studying one industry is acknowledged by numerous authors (Cooper and Brentani, 1991, Barczak, 1995), since focusing on one industry provides more in-depth understanding of the research topic. While there are bound to be industry specificities, the insights developed are likely to have broad applicability to a wide range of industries. The advertising industry is chosen as the research object for these and other reasons.

This paper aims to identify the key activities and roles performed by advertising clients and suppliers in the interactive innovation process, and to understand the nature and features of co-creation over the course of the service encounter. We begin with the research questions: 1) How do KIBS firms co-create with their business customers across the service innovation process? 2) What is the nature of co-creation in KIBS (and how may we best differentiate between co-creation and co-production)?

Literature review

Conceptualization of co-creation

While "co-creation" has been in use for decades, scholarly attention to the topic seems to have been triggered by the article written by Prahalad and Ramaswamy (2004a). In their definition, co-creation is defined as "joint creation of value by the company and the customer", with the emphasis on the interaction between the company and the customer. Interaction can be regarded as reciprocal collaboration and is comprised of the activities of meeting, memos, teleconferencing, standard documentation exchange, and conference calls (Kahn and McDonough, 1997). Research on co-creation has seen a significant growth in the last decade (alongside other ideas such as user innovation and user-driven innovation). Several scholars have provided definitions of co-creation (see the following table), but a sound theoretical foundation is still lacking, and much writing treats co-creation as effectively the same as co-production (Payne et al., 2008).

The important role of customers as contributing to products has been recognized for several decades (von Hippel, 2005, von Hippel, 1986, von Hippel, 1988, von Hippel, 1978, Lovelock and Young, 1979). Co-production is been recognized as a necessary and central construct in the service literature (Wilson et al., 2012, Chathoth et al., 2013). It refers to the involvement of customers or other parties in producing services or goods and is usually used to reflect active customer involvement (Chathoth et al., 2013, Auh et al., 2007, Brandsen and Pestoff, 2006). In a sense, co-production is about how customers or consumers work with their service suppliers during the service exchange mechanism to co-develop better service experience or to customize the service (Bendapudi and Leone, 2003); this highlights the simultaneous consumption and production characteristic of many services (Chathoth et al., 2013). In this perspective, co-production can be regarded as customer participation in co-producing services and goods (Bendapudi and Leone, 2003). Table 1 displays the definitions of co-production and co-creation.

Table 1 Definitions of co-production and co-creation

Definitions of co-production		Definitions of co-creation
(Wilson, 1994) (Ostrom, 1996) (Alford, 1998) (Ramirez, 1999) (Lengnick-Hall et al., 2000) (Rice, 2002)	The Definitions of co-creation are the same with co-production.	(Kambil et al., 1999) (Bonsu and Darmody, 2008) (Ramaswamy, 2011) (Grönroos, 2012) (Chathoth et al., 2013)
(Joshi and Moore, 2004) (Brandsen and Pestoff, 2006) (Bovaird, 2007) (Etgar, 2008) (Pestoff, 2009) (Armitage et al., 2011) (Chathoth et al., 2013) (Chen et al., 2014)	The definitions of co-creation are different from co-creation because they take innovation into consideration in their definitions.	(Prahalad and Ramaswamy, 2004a) (Sanders and Stappers, 2008) (Kristensson et al., 2008) (Ordanini and Pasini, 2008) (Kohler et al., 2009) (Zwass, 2010) (Perks et al., 2012) (Gummesson et al., 2014) (Santos-Vijande et al., 2015) (Konu and Komppula, 2016)

Source: Author

The ideas of co-production and co-creation both emphasize customers' active involvement in producing products or services, but some researchers treat them as differing in important ways. Co-production involves the activity of the customer (in this case we focus on the business customer, rather than the final audience for the advertisement) in producing a service which has already largely designed by the supplier. Such customer involvement may result in some degree of customisation, in more superficial "personalisation", or in assembly of the service from a menu of options. Co-creation, however, additionally involves the customer in more upstream activities, such as creation, design, and elaboration of the service concept, together in some cases with more engagement in service production and other activities. A focus on co-creation brings to the fore the feature of joint problem definition and problem solving with customers (Prahalad and Ramaswamy, 2004b). Service innovations can emerge from the interactions and behaviours between the involved members (Perks et al., 2012). Substantial novelty may result from co-creation (something new or different is co-created), while co-production does not necessarily generate something that is substantially new or different.

The present study is based on KIBS (specifically advertising services) and focuses on the role of customers (business clients) rather than other partners. Co-creation is concerned with the interaction between service suppliers and customers in the innovation process; their interaction contributes to the development of new services. Such interaction does not occur at a fixed or single point. It is dynamic, may extend throughout the process, with different degree of intensity in different stages of the process of service design and delivery. Co-creation involves various degrees of active involvement of customers in such upstream activities as creation/ideation, design, elaboration, production, and the like, to create something new together. The study identifies and labels these upstream sub-activities that constitute co-creation.

Co-creation/customer involvement

Research on new service development is increasingly concerned with the outcome of inter-firm collaboration (Perks et al., 2012), particularly in KIBS firms where interaction between professional

service providers and clients is a locus of and a source of innovation (Gadrey and Gallouj, 1998). Additionally, in KIBS firms' innovation processes, the client's problem is the starting point and the driving force (Sundbo and Gallouj, 2000). Thomke and von Hippel (2002) noted that creating successful innovation requires two types of information: the "need" information about customers and the "solution" information about how to satisfy customer needs. The former information resides with customers, while the latter depends on the service or product providers, between whom information asymmetry thus exists (von Hippel, 2005). One approach to bridging this asymmetry is to provide opportunities for customers to play proactive roles in the new service or product development process (Thomke and von Hippel, 2002, von Hippel, 2005). The ideas generated by involving users as co-creators in the innovation process are seen to be more easily implemented, creative, and highly valued by users (Kristensson et al., 2004). Service providers can not only just regard customers as information source to develop successful services, but also as co-creators alongside them (Sundbo and Toivonen, 2011). Insight into how customers and suppliers co-create value may well be vital for understanding service innovation (Huang and Ribeiro-Soriano, 2013).

Most of the previous literature concerned with co-creation has concentrated on the outcome (Kristensson et al., 2008), rather than the process of co-creation. Payne et al. (2008) proposed a process-based framework, recognising of the central role of processes in co-creation. Though most recent studies indicate that co-creation creates opportunities for service suppliers and customers to create value with each other (Payne et al., 2008, Svensson and Grönroos, 2008), these studies do not articulate the interaction process comprehensively. For example, there is little explication of the activities performed, roles played and the co-creation intensity.

Since the focus of the paper is to understand how suppliers conduct co-creation, it is better to have a brief review of models of the innovation process and new service development. Sundbo (1997) divides the innovation process in service firms into four main phases: idea generation, transformation into an innovation project, development, and implementation. Similarly, Gadrey and Gallouj (1998), based on the study of the consultancy industry, segment the innovation process into four main steps, which are: identification of the problem, studying the problem, advice to the problem, and implementation. These are rather abstract steps, however, and a more detailed analysis of stages in developing the new service would be helpful (Bowers, 1989). Scheuing and Johnson (1989) proposed a more comprehensive new service development model for financial services, featuring fifteen stages. Alam and Perry (2002) drew on Bowers (1989) and Scheuing and Johnson (1989) to develop two stages models. In the advertising industry, some practitioners who have outlined their project working process have used parallel approaches. Of particular value, Burgoyne (2013) developed a framework for analysing the stages of advertising projects, which included the stages of developing client brief, proposing the brand positioning, research, developing creative brief, developing job plans, start-up meeting, begin work, developing creative concept (revising old projects, or planning the media), create the creative, schedule the media, produce, and bill. However, people have not talked a lot about these stages with innovation. Therefore, we develop the new service development model at first before we discuss co-creation.

To successfully develop services with customers requires the clarification of customers' and service providers' roles and responsibilities (Bettencourt et al., 2002, Bitner et al., 2008). Based on the practice-based view, Gummesson et al. (2012) frame innovation as a co-creation process and propose the five "Co-s" model: co-ideation, co-valuation, co-design, co-test and co-launch. The five "Co-s"

are embedded in different phases of innovation process in which individuals interact, collaborate and integrate the necessary resources. However, the five “Co-s” model neglects the importance of diagnosing the right problem in the innovation process and does not consider differences between the product (goods) innovation process and service innovation process. In line with Gummerrsson et al. (2012), Sheth and Uslay (2007) also point out that the concept of value co-creation can be extended to a set of co-creation activities, which they describe as co-conception, co-design, co-production, co-promotion, co-pricing, co-distribution, co-consumption, co-maintenance, co-disposal and co-outsourcing.

So, co-creators may play different roles in different phases. Aarikka-Stenroos and Jaakkola (2012), conceptualize the roles of customer as co-diagnoser, co-designer, co-producer, co-implementer, co-marketer, and co-developer at different stages based on some KIBS firms. They break up the process into five main steps: diagnosing needs, designing and producing the solution, implementing the solution, managing value conflicts, and organizing process and resources; but they do not identify detailed stages of the co-creation process.

While co-creation is widely seen as important, the intensity of customer involvement in different innovation phases needs more exploration. According to the view of Gadrey and Gallouj (1998) and Doroshenko (2012), clients and service providers have a high level of interaction in the early stages of service development, which involve the exchange of knowledge between them and diagnosis of problems. Sundbo (1997) claims that most of the customer involvement is in the idea generation stage and the prototype testing stage as customer is a core source of new ideas and may provide some inspirations to employees. Alam (2002), sees the intensity of customer involvement in service innovations as varying across a continuum; describing four different levels - from passive acquisition of input from customers, through collecting information and feedback on specific issues, extensive consultation with users, and finally inviting users to join the new service development team to make user presentations. Across these four levels, where the intense of user involvement is increasing, the participants involved in each level are typically different. Miles (2012) points out that there are some “touchpoints” between KIBS firms and clients, which are where the interactions between them happen. The “touchpoints” occur in doing initial problem presentations, aligning understanding of problems, having interactions around features of problem and potential solutions, formulating solution and relevant tasks, adopting the solution, and in ongoing implementation. All these imply that the interchanges and the people involved in these touchpoints are different. In terms of how service suppliers and customers interact with each other, service blueprinting has been introduced as a process control technique to help service suppliers identify when and where interaction occurs (Bitner et al., 2008). It is utilized to distinguish onstage and backstage activities and can be helpful to explain customer role in the service process; but it is more often used for routine services (to improve their efficiency and effectiveness), than focusing on developing new services.

Co-creation plays a significant role in influencing the success of service innovation, but knowledge of how firms conduct co-creation in their innovation process - what activities are performed and what roles are played by clients with what intensity of co-creation - remains underdeveloped. Therefore, in order to get deep understanding of these issues, an exploratory investigation of how advertising firms conduct co-creation in their innovation process is undertaken, aiming to identify the sub-activities constituting co-creation.

Methodology

With the aim of investigating how firms conduct co-creation in detail in the advertising industry, multiple case studies methodology was adopted to conduct the empirical research (Yin, 2009, Voss et al., 2002). Case study is an appropriate approach to explore micro level activities and exchange processes and is designed for exploratory investigation where the phenomenon is not well understood (Meredith, 1998).

In order to make the selection of cases in a systematic way, a purposive sampling strategy was leveraged. The top 100 creative advertising agencies listed on the “Campaign¹” are used to select the appropriate interview companies. The criterion used is the creative capability that these potential interview companies have as the focus of our study is how to develop new and innovative services. Therefore, in order to ensure the interviewed companies’ innovative capability, the interviewed companies should have experience of getting creativity awards in some competitions, such as Cannes Lions, Campaign, Showcase, D&AD etc., almost every year. Firm size is another criterion. In order to ensure the variety of advertising professionals’ perspectives, the targeted interview companies should include small, medium and large advertising companies. As advertising companies are geographically clustered in the UK (Chapain et al., 2010), thus, the author selected the two largest clusters of advertising firms in England, Manchester and London, to conduct the research (Chapain et al., 2010).

Data collection and analysis

The primary research method of data collection was elite interviews. Elite interviews are a research data collection method whose research targets are usually decision makers (Dexter, 1970). Elite interviews are particularly helpful when the purpose of the research is to understand complicated interactions, diffuse processes, perceptions and beliefs of people (Dexter, 1970, Miles and Huberman, 1994). Because of the nature of advertising services and by the recommendations of some interviewees, the types of interviewee who are key decision makers and influence and participate in the service innovation process a lot are identified. The respondents were chief executives, founders, and the directors of the department of account, strategy, creative, and production as these respondents had rich experience in creating creative advertising campaigns. The potential informants were identified from advertising companies’ websites and from ‘Campaign A list’ (Campaign, 2014) and were contacted through e-mails.

The format was one-to-one semi-structured interview as it help interviewers do in-depth discussions with interviewees on the raised issues (Arksey and Knight, 1999). In order to help analyse the interview data in a consistent way, a research protocol was developed to guide the interview (Yin, 2009), including questions of how to develop new services and the detail stages and activities related to the development. The author treated the first three interviews as a pilot study. After that, the author made some minor changes to the interview questions and developed a new interview protocol. All the interview questions were open-ended questions. After several rounds of revision, the first draft of the interview protocol was confirmed, and then the drafted interview protocol (Table 2) was used to interview people. The interview protocol acts as an interview-guide rather than containing detailed interview questions and structured interview orders (Arksey and Knight, 1999). In a semi-structured interview, the order of asking interview questions is dependent on the interviewees’ answers and the

¹ Campaign is the world’s leading business media brand.

answers are open-ended and emphasize on interviewees' elaborating points of interest (Denscombe, 2003). Moreover, the author kept revising the interview protocol as there were some new patterns emerging from the interviews with managers.

Table 2 Some important interview questions

Number	Interview questions
1	Can you describe how your company develops new services/advertisements with your clients? What is the innovation process in your company to develop new advertisements?
2	How do you think of co-creating innovative or creative advertising ideas with your clients?
3	When you co-create with your clients? What are the related activities and procedures? How does your company interact with your clients in different innovation stages?
4	What are the possible effects of co-creating with your clients?

Source: Author

The interview began with some general introduction to the topic, like the purpose and importance of the research. Next, the interviewees were asked to answer some predetermined questions which were in the interview protocol. Sometimes, the answer of interviewees were incomplete, at these times, the author would ask some questions to guide them to finish the original research question. For instance, in the interview question of exploring their innovation process, after their description of their innovation process, they may leave out or forgot to interpret some stages. Thus, in order to get complete answer to the research question, the interviewer would ask some complementary questions based on their answers to further explore their innovation process, such as the questions: How about media planning stage? Do you have any testing stage during the process of developing the new advertisement? How do you think of the evaluation stage? Therefore, the interview questions for every interviewee were completely based how interviewees answered each predefined interview question.

In total, twenty five companies were selected and forty two elite interviews were conducted from 2014 summer to 2016 Spring. Generally, these interviews lasted from one to two hours. In addition to interviews, this paper also used published documents, information in databases, industry journals, and the information in companies' websites to enable triangulation as by getting data from different sources, it can enhance the validity of the data (Yin, 2009).

Data analysis

All the interviews were recorded, and in the meantime, the interviewer would write down some key words or key sentences to help the analysis. The effective way to enhance the reliability of the data set is by transcribing all the interview recordings (Creswell, 2012) and organizing the transcripts into a table according to different themes to help analyse the data. Therefore, shortly after every interview, the author transcribed the recording verbatim, resulting in hundreds of pages of transcripts. The data were analysed by using template analysis.

Before doing interviews, we had a "start list" of codes which was developed from the research questions, key variables involved in the research and the conceptual framework (Miles and Huberman, 1984). In terms of how to name different stages, it was based on some previous work of advertising

working process and service innovation process, for example, the production process developed by Burgoyne (2009) for advertising firms and the new service development models developed by Alam and Perry (2002). This list is not fixed which means that it is expanded during the analysis process when meeting some emerging themes. Then, the next step is to using the code list to codify the data and categorize them by different themes (Miles and Huberman, 1994) and to check how the transcript can match with the predefined code list and whether there were any new codes emerging from the transcript.

Findings

Stages of co-creation

Before identifying the sub-activities constituting co-creation and elaborating how firms conduct co-creation in their innovation process, we need to understand the innovation process and the detail stages of each innovation phase. Based on the advertising working process proposed by Burgoyne (2009) for advertising firms and the new service development models developed by Alam and Perry (2002), the author conceptualised the new service development model into fourteen stages, including client brief, understanding client business, problem diagnosis, strategy planning, creative brief, idea generation, idea testing, idea selection, idea amplification, production, testing, launch, evaluation, and learning. The model is idealised. In practice, the working process does not proceed in such a linear order but rather moves back and forth between the phases or stages. Furthermore, in some projects, advertising agencies may leave out some stages, such as the stage of doing test. Or in the projects which are the extension of previous project and where clients only have the requirement of apply the advertising idea developed in another media channel, the stage before idea amplification are all left out. Therefore, these stages are the general stages used to develop new advertisement. Most of the interviewed companies will go through these stages in their new projects.

Overall, customers are involved in most of these stages. Based on some previous work of innovation process (Heusinkveld and Benders, 2002, Sundbo, 1997, Gadrey and Gallouj, 1998, Aarikka-Stenroos and Jaakkola, 2012) and the description of respondents, these development stages can be classified into different phases: the problem definition phase, the creative phase, the production phase, the commercialisation phase, and the evaluation and learning phase. The following analysis is based on these five phases.

Problem definition phase

The problem definition phase encompasses five stages, including client brief, information collection, problem diagnose, strategy planning, and creative briefing. The main task of this phase is to diagnose the advertising problem or the client needs, and develop service development strategy. According to the respondents' perspective, this phase plays a crucial role in determining the success of the new service development as it sets the direction of how to develop the new service for their clients.

First, in the stage of understanding client businesses, agencies need to obtain as much information as they can from their clients because no one is better than the client in understanding their business. Therefore, at this stage, clients elucidate what they know about their business to the agency, such as the knowledge about their businesses, their products or services, their industry, their market, their competitors, etc. Meanwhile, the agency does some market research to further solve what they feel

confused about. Then, the agency integrates all the information they have and distil the most important information.

After having a comprehensive understanding of the client business, then the agency needs to diagnose the advertising problem with the client. In some projects, clients are very clear of what their problems are, whereas in some other projects, clients may find it is difficult for them to diagnose the problem by themselves, thereby needing the help of their agencies. In the latter situation, the client needs to act as a co-diagnoser to co-diagnose the problem or the advertising gap with their agency. Although we divide the process into different stages, the involved activities occurs in a consecutive way, indicating that the tasks of understanding client business and diagnosing problems may take place together.

Problem diagnosing is a significant stage in the process. Clients should take the responsibility of providing necessary information to the agency, assessing the ideas provided by the agency, and discussing and providing suggestions and feedback to the agency. Identifying the right problem lays the foundation for the service success since the following activities, such as the strategy development, the idea generation and the implementation, all rely on the nature of the problem. Hence, clients should take an active role in this stage and work very closely with the agency. As described by one respondent:

“.....the quality of solution is directly related to the quality of the problem. Great problems get you get great solutions. There is always a problem, maybe a really scary problem.....so, I said we have conversations very early stages with one of supermarket discounters. They have a media business problem, their business is fantastic shaped. But I think everybody is sort of wondering whether their great is gonna to slow down, where the next great comes from....there is always a problem to solve. I would generally suggest, the agency like us, are really brilliant when we got good problem and are really quite lame when we got average problems.....” (The head of strategy, Company “S”)

Following the stage of problem diagnosis, the next stage is to develop the appropriate strategy. Strategy plays a paramount role in the whole process since it acts as the guidelines of the whole project. The function of strategy is to shed light on the routes of how to develop creative ideas. The information gleaned and distilled in the information collection stage lays the foundation of developing effective strategy.

Apparently, the client involvement plays a crucial role in developing an effective strategy, yet in terms of whether they need to co-develop the strategy. Here, co-develop refers to that they need to sit together to develop the strategy together, the opportunity is rather rare. The regular way of working the strategy is that at first, the agency and the client have some discussions together with the aim of exchanging ideas and sharing information. Then, the agency goes away and synthesises the information that they obtained to develop the strategy. In the words of interviewees that the reason of not co-developing the strategy together is because the strategy team needs some space to think about how they develop the strategy in a creative and original way. Undoubtedly, the inputs from the client is critical in developing a creative and effective strategy, yet without having the time to digest and synthesis the information that they have, they would find it difficult to develop a creative strategy. Having sufficient information is important, yet the more important thing is how you relate the discrete information together and how you refine the information you have. Otherwise, too much unrelated and useless information is likely to make the strategists feel confused and stifle their creativity.

Consequently, clients should leave some space for the agency to absorb the information that they have and give some time to them to think creatively. As the view of one of the respondents:

“So, again the strategy is developed here. So, we would listen to all of our client problems, then we would develop the strategy internally, then, we would go back to the client and say: this is what we think is the solution to your strategic problems.....Well, we will learn as much as we can.....we would have many meetings with clients...got a lot of information, but the development of strategy would be done here, then we take it back to the client for approval. Because, obviously, the client are not going to buy a strategy that they haven't been approved.” (Creative Director, Company “E”)

In a sense, strategy is developed to show to the client, while creative brief is developed for the creative professionals (copy writer and art designer). In general, the language used differs in shaping the strategy and in developing the creative brief. The creative brief is used as the guidance to develop creative ideas. As the purpose is to give specific requirements of how to develop ideas to the creative professionals, client involvement is not necessary. After the problem diagnosis phase, then it is the creative phase.

The creative phase

The creative phase is the most important part of the process in which the core idea of the developed (advertising) service is generated. As the nature of advertising services, idea is commonly regarded as the core of any campaign. The creativity of the final service is largely dependent on the idea developed in this phase.

The reason of choosing the advertising agency to develop the service rather than doing the job by themselves is that the agency is the expert at developing the idea producing significant and long-lasting influence. Therefore, creative teams have the responsibility of generating creative ideas for every client. Though, how the client engages in this stage remains unknown. According to the literature discourse of co-creation, if the agency co-creates with their clients, they need to co-develop the creative idea with the client, which means that they need to take part responsibility of generating creative ideas. However, in practice, the cases that the agency co-develops the creative idea with their clients are very rare. In the light of the view of managers in advertising companies, clients should be excluded from the idea generation process to some extent since the creative people need some space and time to think creatively and originally. Too much client involvement in the stage of idea generation inclines to stifle the agency creativity. Although the client does not have to involve in the process, when the creative teams have any question or need any help, they need to try their best to help them. In a sense, the client still needs to collaborate with the agency, yet compared with the first innovation phase, the degree declines a lot. The following is the view of one respondent:

“Such collaboration is very important to happen before the idea generation stage and not so necessary happening in the idea generation stage. Because the idea is for creativity, is for originality. So, it's better to leave some space for the creative people to do what they want..... when the creative people draft the idea, they don't need to work very closely and collaboratively with clients, because they need some space to think originally. ...having too many people's opinions on the original idea, it becomes not a very original idea any more. It becomes a little bit boring. So, it's to protect the

simplicity of an idea, you don't want to have too many people.” (Creative Director, Company “A”)

Therefore, in terms of the issue concerning whether the client should get involved to assist their agency in generating creative ideas, the answer tends to be no. The client should provide their assistance before the creative teams begin to generate the creative ideas. Up to the point of developing creative ideas, it is better to step back and give the agency some space and time to think originally. After the agency has generated some good ideas, clients are likely to have more involvement in selecting the core advertising idea. Sometimes, they may decide to test the potential ideas to select the best one. Sometimes, clients only need to give some feedback of how to revise the core idea to the agency, and then co-select the core advertising idea. Actually, the regular working way in this process is that the creative teams generate some ideas based upon the creative brief, then have some internally meetings with the involvement of decision makers, like the creative director, the account director, and the strategy director, after that, present the selected ideas with evidence (qualitative or quantitative) to their client, and make some recommendations to seek feedback from their client. Then, during or after the presentation, the client gives their feedback to the agency to ask them to further revise the idea or show their preference among the presented ideas. Consequently, there are many backward and forward steps. Expecting a linear way to work out the creative idea is impossible.

Thus, ideally, what the agency expects their client to do in this stage is giving help when necessary and giving some space and time for them to develop the creative ideas by themselves. They can assist agencies in narrowing down the possible routes of how to develop the creative idea. Upon the empirical evidence, co-creating the creative ideas with clients tends to limit the agency creative capability. Put another way, the more people from the client involved in the stage of developing the creative idea, the less creative of the generated idea. Therefore, the role of client in this phase is the information provider and idea selector rather than co-creator of creative ideas. The client role is to judge the ideas with the illustration of their agencies and the knowledge they have. Thus, the effect of client involvement is more on the idea selection stage rather than on the idea generation stage.

The idea development phase (The production phase)

The idea selected in the creative process is just the core idea of the advertising campaign which can be applied into a wide range of media channels. Thus, the next task is to further develop the core idea to make it apply into different channels. In the idea amplification stage, the idea can be amplified into different types of ideas. Although the core thought of these ideas are the same, they are behaved through different ways. Therefore, the role of producers is important in the whole process. Their role is about how to implement the idea.

In a sense, the idea amplification stage is about confirming the script or the detail of how to bring the core idea into life before beginning to produce it. However, before further developing the core idea, the agency needs to confirm with the client of the media channels which can be used to visualize the idea or to implement the idea. Thus, the task of the media planning and the task of amplifying the core idea are kind of combined together.

At first, the creative team will diffuse their core idea to other people involved in this stage to make them understand the essence of the developed creative idea. Then, the creative team, the account handlers, the producer, the client, and the production company will discuss how to further develop the creative idea. Although there are some minor changes among the scripts used in different channels,

these scripts share one core idea. Such minor changes may be suggested by producer, by the creative team, by the client, or by the production company. Therefore, how these people further develop the core idea can make a big difference in the creativity of the completed solution, which highlights its importance.

When it comes to the production stage, everything has already confirmed, reflecting that the involvement of client is very limited. The client may assign someone to keep in touch with the agency on a day-to-day base, but they do not have much collaboration with the agency. In a sense, agencies still do not have much to do in this stage. Much work is undertaken by the production company.

The commercialisation phase

Before launching the new advertisement, some agencies may decide to undertake, or some clients may require, some testing to ensure the effects of the advertisement to in case that the launched advertisement cannot meet the expectations. Therefore, sometimes, before the launching stage, another stage is testing the accomplished advertisement. This decision is co-decided by the agency and the client.

After the idea production and the testing stages, it is time to put the accomplished advertisement into the market. Traditionally, this is the ending point of innovation process, yet the development of technology enables the agency and the client to obtain real time data of consumer responses, which makes the launching stage as no longer the ending stage.

The evaluation phase

The evaluation stage is to check whether they need to make some revisions of the campaign and how consumers respond to that campaign. Thus, sometimes, further revising of the launched campaign is required. In such cases, advertising agencies and clients will have some meetings together for discussing what types of changes should be made, and how they make it. The role of the client is to assist their agency in confirming the revising aspects. The agency undertakes the task of revising the campaign idea or the script to make it become better.

The intensity of co-creation

According to the above description, the co-creation activities performed by clients are co-diagnosing the project problem, co-developing the strategy, co-creating the creative ideas (very limited), co-selecting the core idea, co-amplifying the idea, co-developing the media plan, co-developing the production plan, co-deciding the marketing test, and co-evaluating the project. The difference is that the client takes a more active role and has more involvement in diagnosing the problem, evaluating the project, developing the strategy, amplifying the idea, developing the media plan, but a more passive role in generating creative ideas and developing production plans.

Additionally, interview respondents claim that clients should not intervene too much in the creative process since they cannot be able to generate original and creative idea with too much client involvement. This indicates the importance of the timing of client involvement. Knowing when should co-create and when should not is critical to achieve better project result. Since the idea is the core of developing advertising solutions, the client should not have too much involvement in the creative process suggest that the development or generation of professional knowledge remains in the

hand of professional workers. Though clients contribute a great deal of knowledge in the generation process, professionals undertake the role of knowledge generation.

The author also used a survey by using seven Likert scale to further identify the intensity of these co-creation activities. The detail of the average score of each co-creation activity is as follows:

Table 3 The intensity of co-creation

Co-creation activities	Average Score
Co-diagnose project problem	6.25
Co-develop strategy	5.1
Co-develop media plan	4.15
Co-create creative ideas	3.35
Co-develop production plan	2.6
Co-evaluate project	6.05

Source: Author

According to the survey results, in the stage of diagnosing problems, the agency and client have the most intense co-creation. Then, in the evaluation stage, the agency and client also have a high degree of co-creation between them. From the above table, we can see the co-creation in generating creative ideas and in the production stage is rather limited.

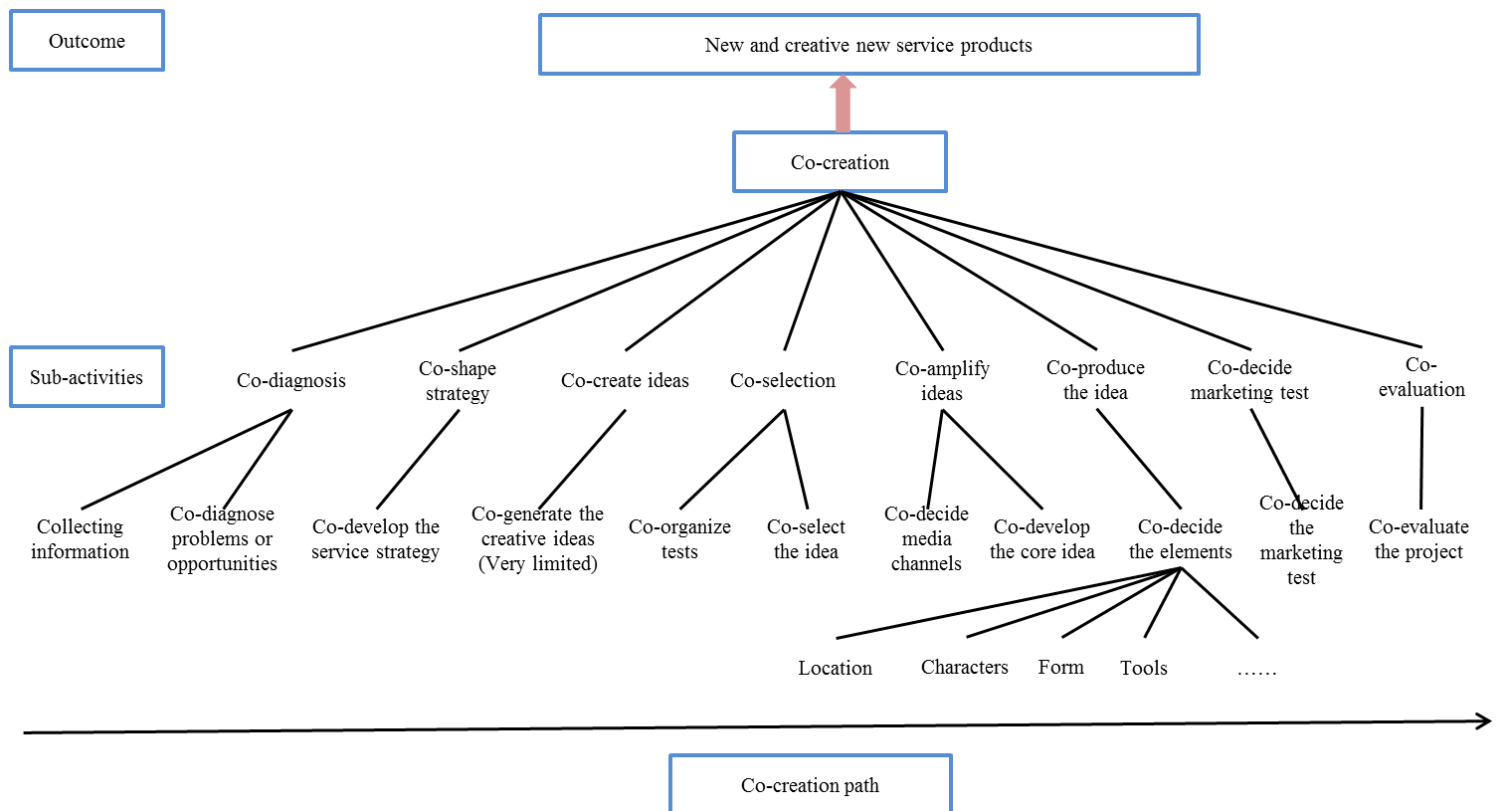
Therefore, the following table displays the activities performed and roles played by clients and suppliers:

Table 4 the activities performed and roles played by clients and suppliers in the co-creation process

Stages	Co-creation roles played by suppliers	Activities performed by suppliers	Activities performed by clients	Co-creation Roles played by clients
Client brief	Brief inducer	Guide the client to write a feasible brief.	Write a clear and precise brief.	Brief provider
Information collection	Information collector	Collect information from clients, from the database they have and from external sources.	Provide as much information as they can to assist their agency, behave actively in the process and answer agency questions.	Information provider
Problem definition	Problem diagnoser	Diagnose the advertising problem or find out the advertising opportunity with clients.	Co-diagnose the problem with the agency.	Problem Co-diagnoser
Strategy planning	Strategy creator	Have in-depth discussions with clients at first, then, propose the suitable advertising strategy.	Have many discussions with the agency before the strategy is proposed; After adequate discussion, give space and time for the agency to think creatively and originally.	Strategy co-shaper
Creative briefing	Creative Brief developer	Develop creative brief and discuss with creative teams.	Maybe just need to sign some documents.	
Idea generation	Idea generator (Creator)	Generate creative ideas and may need to have some discussions with clients.	Should not get involved in this stage too much; Give adequate time and space to the agency to think creatively and originally.	(Very rare) Idea generator or Idea co-creator
Idea testing	Idea Testing organizer	Sometimes, their clients may require them to test several ideas.	Sometimes, they may require to do the test by themselves.	(Maybe) Idea testing organizer
Idea selection	Idea selector	Review all the potential possible ideas with their clients; do presentations and make some recommendations of the best idea.	Review all the potential options together with the agency; Co-select the one which fits with their company the best.	Idea co-selector
Idea amplification	Idea amplifier	Amplify the core idea into different media channels with the client and the production company.	Co-amplify the core idea confirmed above with the agency and the production company.	Idea co-amplifier
Idea production	The organizer for idea production or the idea producer	Transfer ideas into real advertisements by themselves or working with external companies to produce those advertisements.	Have rather limited involvement in this stage; Most of the involvement is for signing documents or controlling the work progress.	Document approver
Marketing test	Marketing test decision maker and organizer	Organize marketing test and discuss the result with the client and decide whether the solution needs any revision with them.	Discuss the test results with the agency and co-decide whether the solution needs any revision.	Co-decider
Launch	Advertisement releaser	Release the advertisement into different media channels	Sign some documents to approve the release	Document approver
Evaluation	Advertisement evaluator	Evaluate the development process and the project performance with the client	Co-evaluate the development process and the project performance with the agency	Co-evaluator
Learning		Learn from the process	Learn from the process	

The above table does not only provide a complete picture of the sub-activities constituting co-creation and the activities performed and roles played by customers and suppliers in the innovation process, but also show how co-creation change over the course of the service encounter and the nature of how suppliers and clients interact with each other in each stage. From the table, we can get that the roles played by suppliers are brief inducer, information collector, problem diagnoser, strategy creator, creative brief developer, idea generator, idea testing organizer, idea selector, idea amplifier, the organizer for idea production or the idea producer, marketing test decision marker and organizer, advertisement releaser, and advertisement evaluator, and the roles played by clients are brief provider, information provider, problem co-diagnoser, strategy co-shaper, idea co-creator (very rare), (maybe) idea testing organizer, idea co-selector, idea co-amplifier, document approver, co-decider, document approver, and co-evaluator. Therefore, figure 1 displays the co-creation sub-activities:

Figure 1 Co-creation sub-activities



Source: Author

Conclusions

The empirical case confirms the value of the idea that co-creation, involves active client/customer involvement in a range of activities in the innovation process, to create substantial novelty together. The degree of co-creation is contingent on the development stages involved.

Although many academic studies discuss co-creation, significant theory generation and detailed explanation of co-creation behaviour and activities has remained underdeveloped. This research contributes to the conceptualization of co-creation. It is demonstrated that co-creation should be regarded as a dynamic process and is constituted by a range of upstream activities. The research

sheds light on how co-creation changes over the course of the service encounter, by identifying the co-creation activities and tasks, elaborating the roles of service firms and their clients in each specific stage of service production.

Specifically, clients undertake different roles in different stages, which are contingent on the task performed there. In the problem definition phase, clients are the co-diagnoser and strategy co-developer. In the creative process (the idea generation phase), they play the co-selector role. Only in very few projects, do they undertake the co-creator role of developing innovative ideas. In the idea development process, clients act as the co-amplifier of the core idea. In the last phase, the evaluation and learning phase, clients are the co-evaluator of the whole project. Therefore, they are the problem co-diagnoser, strategy co-developer, idea co-selector (very rarely co-creator), idea co-amplifier, and project co-evaluator. Thus, these findings clarify the role of clients and the task they perform - problem co-diagnoser, strategy co-developer, idea co-selector (but generally not co-creator), idea co-amplifier, and project co-evaluator - across the service development process.

Our research supports earlier findings (Gadrey and Gallouj, 1998, Doroshenko, 2012) by showing that service suppliers and clients have the most intense interaction at the beginning of the process. In our KIBS sector at least, client co-creation is important at the beginning of the process; the research explicates why, how and when co-creation takes place. By earlier involvement in the process, clients find it easier to understand the creative ideas generated by their agency. However, client co-creation in the idea generation stage is not necessary. Having too much co-creation activities in the idea generation stage tends to develop uncreative ideas - or so the KIBS specialists believe. The intensive co-creation at the end of the innovation process is also necessary for the new service development. Because after selecting the core idea for developing the solution, they need to work together to amplify the idea; after the service solution is produced, they still need to co-evaluate the whole project to check whether they need to revise the solution, how they can improve the solution and how they can collaborate in a better way in the future.

The research findings derive from the advertising industry, but are likely to have resonance in many other creative services and indeed KIBS, where much is shared in terms of the nature of innovation and working patterns (Miles and Green, 2008).

Managerial implications

Our research findings should assist managers in how to conduct and manage co-creation with business customers in KIBS contexts. Managers can outline the resources that should be provided by clients, the activities clients should perform and their role at each stage of the co-creation process, to enable clients to have an explicit understanding of what they can contribute to the process.

This research highlights the importance of co-creating with clients at an early stage, particularly in the stage of information collection and problem diagnose. Our results suggest that these two stages have the most intense active collaboration between the parties. Involving clients in the process at an early stage in the problem definition phase is beneficial to achieve a mutual understanding of how to develop the innovative solution and to make clients feel "ownership" of the idea developed, which, in a further step, facilitates the development of more innovative solution. Therefore, our study suggests that the managers from the client-side should encourage their team members to collaborate closely with the service company at the beginning of the process.

This article also suggests specific insights of the timing and degree of co-creation in the process. Too much client co-creation in certain stages may tend to stifle the creativity of their service providers and lead to less innovative solutions. Co-creation requires the aggregation of different types of expertise. Service providers and their clients should have an explicit understanding of their role, their expertise, and what they can contribute to the process. Therefore, having a clear understanding of the timing of customer involvement is critical to the success of co-creation. At least, in the idea generation stage, clients should not be cautious about intervening too much; the agency needs some time and space to generate ideas creatively and originally. In fact, clients almost have the least active involvement or interaction in the idea generation stage. Therefore, the manager in the client side should realize when they need to contribute their knowledge and when should not.

Limitations and recommendations for further research

The data here derives from interviews with managers in advertising companies, and future research should also examine customer companies' perspectives on involvement in the advertising innovation process, since the focus is on interactions between customers and advertising companies.

It might also be of value to go beyond interviews, and employ quantitative surveys to examine statistical patterns in the behaviour of a wider sample of advertising companies - and indeed, other creative services and KIBS. Innovation surveys have largely neglected examination of distinct stages in the innovation process, and this is a vital area for further development of techniques.

As suggested earlier, further research should be extended at least to other KIBS industries, to further investigate the issue related to co-creation. This may also be valuable where other types of organisation - including public services and some parts of manufacturing - featuring high levels of customer involvement - are concerned. Such work may establish yet more variety in the forms and processes of co-creation.

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