

# **Customer orientation: The case of creating value in ecosystems**

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**Abstract:** Innovations in technology, business models, and value propositions create changes in value chains and ecosystems. Companies operating in ecosystems and networks can create value for customers in novel ways. Moreover, value creation in ecosystems is theoretically interesting because of the multiple interrelated and overlapping roles that actors can take. For instance, two companies can at the same time be considered competitors and complementors while also being in a customer–supplier relationship. In such a context, the terms “customer” and “customer orientation” become complex and nuanced because it is not always easy to identify who ultimately is the customer and how value is being created. Therefore, the purpose of this chapter is to identify and analyse how managers understand customer value creation in the ecosystem context and to elucidate activities through which managers advance customer orientation in their organisational contexts. Theoretically, we build upon the literature on business models, customer orientation, and customer value. Empirically, we interviewed 34 managers from companies growing by using networks and ecosystems. Our findings illustrate the different ways in which managers create value for customers. These methods vary across contexts and depend on the dimension of value promised to customers. The chapter contributes by providing insights into how customer orientation is understood and managed in ecosystems. We discuss the findings and research limitations, as well as recommendations for future research into the reconfiguration of business models and ecosystems, concluding with implications for managers navigating value creation in ecosystems.

**Keywords:** customer orientation, customer value, ecosystems, qualitative research, value creation, managerial perspective

# Customer orientation: The case of creating value in ecosystems

## Introduction

Scholars have been increasingly turning attention to customer value created in ecosystems instead of individual competing companies (e.g., Adners 2006; Clarysse *et al.* 2014; Gyrd-Jones and Kornum 2013). The ecosystem perspective on value creation is concerned with the interrelated and interconnected firms or entities that collaborate with each other to create value (e.g., Kapoor 2018; Frow *et al.* 2014). The ecosystems consist of multiple actors, such as customers, partners, suppliers, and other stakeholders (Iansiti and Levien 2004), specialising in specific parts in the value production chain (e.g., Gyrd-Jones and Kornum 2013). To make the ecosystem work, the actors adopt different interrelated and overlapping roles in which firms can simultaneously be competitors and complementors while also being in a customer–supplier relationship. The underlying premise is that in the modern world, firms lack the resources and capabilities to provide up-to-date customer value individually (e.g., Frow *et al.* 2014).

However, due to the multiple interrelated and overlapping roles firms have to adopt within the ecosystem, the traditional understanding of the customer has become outdated. In such circumstances, managers face considerable challenges in identifying who the customer is and how value is being created. This is problematic because the added value of an ecosystem can be hampered by its inability to effectively foster and manage customer relationships and value creation processes. Inadequate understanding of the customer increases the risk that the organisation will become irrelevant in the eyes of its customers, miss important external threats and opportunities, and ultimately lose its ability to operate in the ecosystem (Day and Moorman 2013). Conversely, organisations that achieve a customer orientation tend to be rewarded with superior financial performance (e.g., Hortinha *et al.* 2011; Narver and Slater 1990; Shah *et al.* 2006). Despite the highlighted role of customer orientation in ecosystems, we know relatively little about how managers make sense of customer value creation within ecosystems.

In this chapter, our purpose is to explore the ways in which managers understand customer value creation within ecosystems and how managers foster customer orientation in their organisational contexts. We address this question by drawing from iterative and abductive research

approaches and examining the managerial understanding of customer value creation within 34 companies embedded in ecosystems or networks. Based on our analyses, we identify four ways managers view customer orientation: (1) as culture, (2) as a strategy, (3) as a mental model, and (4) as customer intimacy. Thereafter, we further explicate the different managerial ways of understanding customer orientation as well as their interrelations based on their structural composition and whether they emphasise individual- or organisational-level aspects of customer orientation.

The rest of this chapter is organised as follows. First, we review the literature on customer orientation and value creation in ecosystems, which is followed by an explication of our methodological choices. Thereafter, the findings are explained and supported with empirical case data. Finally, we conclude by discussing our contributions and their implications.

## **Theoretical background: Customer orientation, customer value, and ecosystems**

### ***Customer orientation***

The customer orientation of companies and managers has spurred much research and discussion (Morgan *et al.* 2018). Multiple definitions and conceptualisations exist. Authors have used the concepts of customer orientation (e.g., Angulo-Ruiz *et al.* 2014; Bettencourt and Brown 2003; Deshpandé *et al.* 1993; Hartline *et al.* 2000; Homburg *et al.* 2000; Hortinha *et al.* 2011; Kohli and Jaworski 1990; Narver and Slater 1990; Schwepker 2003), customer-centricity (e.g., Chang *et al.* 2010; Gurau *et al.* 2003; Lamberti 2013; Shah *et al.* 2006; Sheth *et al.* 2000; Trainor *et al.* 2014), demand orientation (e.g., Morash *et al.* 1996), customer intimacy (e.g., Treacy and Wiersema 1993), and customer focus (e.g., Lindic and DaSilva 2011; Said *et al.* 2009; Zhao *et al.* 2001).

Customer orientation has been studied in terms of information gathering and sharing, cultural values and norms, and customer perceptions of an organisation's service and interaction (Deshpande *et al.* 1993; Korunka *et al.* 2007). Moreover, customer orientation can be analysed from the perspective of individuals or the organisation (Whelan *et al.* 2010). On an individual level, customer orientation refers to individual employees' or managers' tendency to think and act in ways that recognise and meet individual customer needs (Brown *et al.* 2002). On an organisational level, customer orientation refers to the organisations' atmosphere, culture, and

practices that contribute to meeting customer needs (Grizzle *et al.* 2009). Organisational-level customer orientation, therefore, is thought to promote individuals' customer-oriented attitudes and behaviours (Grizzle *et al.* 2009).

In this chapter, we define customer orientation as an organisational tendency to emphasise the importance of customers with the implicit or explicit assumption that creating customer value is a priority for organisational success in the long term (Korunka *et al.* 2007; Grizzle *et al.* 2009; Morgan *et al.* 2018). This tendency can be visible in various organisational elements, such as attitudes, norms, processes, routines, and decision-making. Instead of focusing our attention on individual elements, our focus in this chapter is to uncover how managers understand customer orientation in their own contexts. The managerial perspective is important because previous studies have shown that adopting a customer orientation is difficult and complex (Yrjölä 2020) and that managers are key to its success (Lamberti 2013). For instance, managers show a systematic tendency to fail in their efforts to take customer preferences into consideration (Hattula *et al.* 2015) and to overestimate customer satisfaction and loyalty (Hult *et al.* 2017). Implementing a customer orientation puts great pressure on the organisation and its members, which is why top management involvement is crucial (Lamberti 2013). Moreover, implementation is likely to fail without the adequate support and training of frontline personnel (Reich and Benbasat 1990). Managerial involvement and actions are crucial in the implementation of a customer orientation because the implementation process might otherwise lead to conflict in employees' roles and role ambiguity, which, in turn, can lead to a decrease in customer-oriented behaviours (Bettencourt and Brown 2003).

Through an emphasis on customers, the objective of a customer orientation is to create a competitive advantage for the business or to ensure long-term profitability in general (e.g., Deshpandé *et al.* 1993; Narver and Slater 1990; Shah *et al.* 2006; Reich and Benbasat 1990). Studies have shown that customer orientation improves the financial performance of companies (e.g., Shah *et al.* 2006). The logic behind customer orientation is that a better understanding of customer needs enables organisations to better customise offerings to individual customers or customer segments, which in turn means that these organisations can create superior value for customers (e.g., Kohli and Jaworski 1990; Korunka *et al.* 2007; Lamberti 2013; Lindic and

DaSilva 2011; Morash et al. 1996; Narver and Slater 1990; Sheth *et al.* 2000; Slater and Narver 2000; Zhao *et al.* 2001; Treacy and Wiersema 1993; Zhou and Li 2010).

Customer orientation has been found to affect multiple aspects of organisations. First, it affects organisational processes directed towards customers, especially the gathering and analysing of customer or market information (Hult *et al.* 2005) and customer relation management processes (Trainor *et al.* 2014). For example, customer orientation allows the organisation to maintain more durable customer relationships (Rapp *et al.* 2010). Customer orientation has also been found to improve service quality (Said *et al.* 2009) and innovation capabilities (Hortinha *et al.* 2011). Second, customer orientation affects and manifests itself in organisational culture, including organisational members' shared beliefs and ways of acting in relation to the customers (Chang *et al.* 2010; Day 2003; Hult *et al.* 2005; Narver and Slater 1990; Slater and Narver 2000; Strong and Harris 2004). Third, customer orientation can also be visible in the organisational structure (Day 1999; Homburg *et al.* 2000; Mukerjee 2013). A customer-oriented organisation is one that is structured around the needs of different customer groups or segments (instead of being organised around product categories) (Homburg *et al.* 2000), and all functional activities are integrated and aligned in the delivery of superior customer value (Day 1999), enabling a firm to overcome functional barriers and share customer information (Wang and Feng 2012).

In summary, managers, as actors that shape organisational processes, culture, and strategies, are critical in the implementation of customer orientation. Customer orientation involves the assumption that creating customer value is a priority for organisational success in the long term, but how this priority is operationalised in different contexts is the responsibility of management. Although customer orientation can involve multiple aspects, such as individual, cultural, structural, and informational considerations, we know very little about how individual managers understand customer orientation in an ecosystem context.

### ***Customer value creation in ecosystems***

In recent years, there has been an increase in the popularity of the ecosystem metaphor among industry practitioners, research scholars, and politicians (Audretsch *et al.* 2019; Spiegel 2017). The ecosystem idea, derived from the natural sciences, examines the interdependence and interconnection of entities involved in the value creation process (Frow *et al.* 2014; Kapoor 2018).

The term ecosystem is a mix of two terms: “eco” refers to the natural environment, and “system” refers to the degree of complexity (Cavallo *et al.* 2019). Moore (1996) was the first to introduce the notion of ecosystems into the realm of management. The management ecosystem comprises numerous participants, including customers, partners, suppliers, and other stakeholders (Iansiti and Levien 2004).

Each company in an ecosystem specialises in supplying a certain good or service component, and value is co-created through the intricate interplay of a network of stakeholders (Gyrd-Jones and Kornum 2013). This is in contrast to the typical linear approach to business and customer value creation, in which a company offers value directly to the customer (Vargo and Lusch 2004). Adner (2006) claimed that no single company can deliver value alone; companies must collaborate to create value for customers (Clarysse *et al.* 2014). Frow *et al.* (2014) emphasised that no single company possesses all the necessary resources to operate autonomously. There is a mix of collaboration to create value and competition to capture value inside the ecosystem’s firms (Bremner *et al.* 2017). As a result, businesses form an ecosystem and become reliant on one another for survival (Overholm 2015).

Companies are interconnected and interdependent, and the activities of one company affect the performance of other companies (Amit and Zott 2012). The ecosystem is dynamic and ever-changing (Mack and Mayer 2016), with companies’ roles and positions continually changing (Adner 2017). This requires supply-side companies to align their objectives with the ecosystem (Zahra and Nambisan 2011). Actors in the ecosystem are tasked with connecting value creation to customers (Overholm 2015). Customers are increasingly becoming the primary focus of businesses in which companies collaborate with customers to create value (Grönroos 2011; Prahalad and Ramaswamy 2004).

Customers exert a significant amount of control over the environment, even though they do not consciously control it (Voima *et al.* 2011). Customer involvement in the value co-creation process increases the efficiency and effectiveness of the value creation process (Agrawal and Rahman 2015). According to Fuller *et al.* (2011), involving customers in value co-creation results in higher product quality. Feng *et al.* (2019) asserted that businesses can gather and disseminate information that enables them to provide enhanced services to their clients. Similarly, Tether and Tajar (2008) claimed that high-tech companies could enhance service/product

development and innovation. In general, consumer involvement in value co-creation increases consumer satisfaction (Marzocchi and Zammit 2006).

### ***Synthesising framework***

Figure 10.1, based on a synthesis of the literature, illustrates the preliminary framework of this chapter.

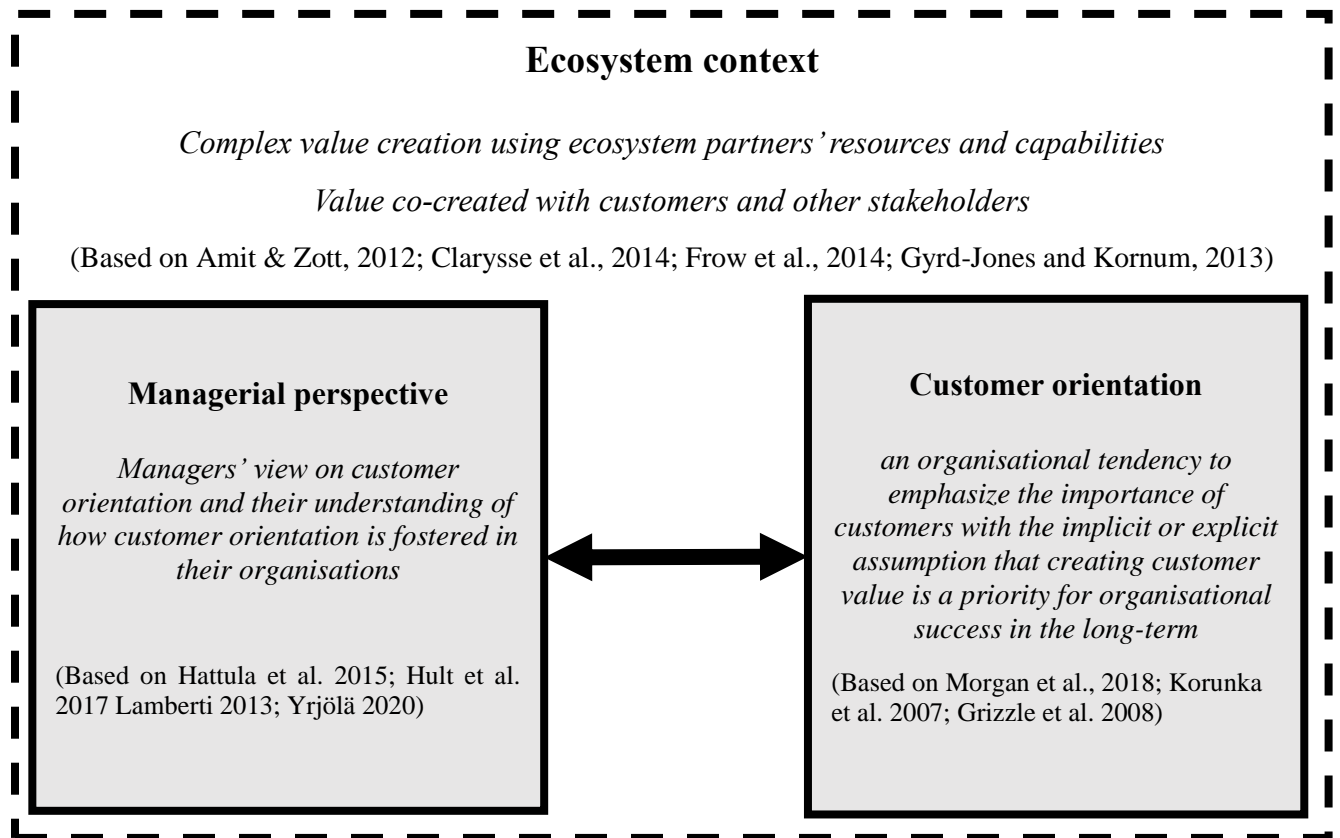


Figure 10.1 Preliminary framework for customer orientation in ecosystems

Source: The authors

### **Methodology**

Our purpose in this chapter is to develop a better understanding of how managers understand customer value creation while operating within ecosystems and networks—a context in which the



boundaries between customer, collaborator, and complementors can easily become blurred. Studying managerial perceptions and different ways of understanding customer value is challenging, as it requires capturing mental representations of the managers, which are notoriously hard to observe (e.g., Huff 1990). To meet this challenge, we adopted a case study approach due to its suitability for addressing the perceptions and representation of managers (e.g., Maitland and Sammartino 2015).

We collected data from 34 companies heavily embedded in networks and ecosystems by utilising semi-structured interviews as our primary means of enquiry. One top manager from each of the case companies was interviewed, resulting in 34 interviews. The interviews were audio-recorded and transcribed. The transcribed interviews totalled 377 pages.

The companies were selected for the sample because they all operate within networks or ecosystems, thus providing access to a setting where firms in the ecosystem have multiple different roles simultaneously (i.e., customer, collaborator, complementor). We pursued breadth instead of depth in our sampling because we observed that how managers perceive customer value creation becomes quickly apparent, but a certain breadth is required to create convincing categorisation.

Table 10.1 Participants in the study

<b>Participant</b>	<b>Position/title</b>	<b>Industry</b>	<b>Revenue in million euros</b>	<b>Number of employees</b>
1	CEO	Health services	9	48
2	CMO	Software	2	20
3	Executive VP of international sales	Health services	8	53
4	CEO	Healthcare	30	50
5	CEO	Health services	13	30
6	Chairman of Board	Construction	30	80
7	CEO	Health services	11	32
8	CMO	Healthcare	30	130
9	Managing Director	MedTech	11	50
10	CMO	Interior textile	5	30
11	CEO	MedTech	7	18
12	CEO	Media	350	2000
13	CEO	MedTech	3	9
14	CEO and Founder	Software	2	20
15	Quality and Regulatory specialist	Health services	2	7
16	Chairman of Board	Construction	30	100

17	CEO	MedTech	5	15
18	Founder	Services/Franchising	20	300
19	CEO	MedTech	4	10
20*	Business Area Director	Construction	150	1000
21*	Business Area Director	Construction	150	1000
22	CEO	MedTech	12	27
23	CEO	Machine industry	25	100
24	CEO	MedTech	17	38
25	International inquiries	Software	50	500
26	CEO	MedTech	5	12
27	VP of Sales and Marketing	MedTech	35	109
28**	COO	Food industry	80	80
29**	CFO	Food industry	80	80
30	CEO	Health services	6	25
31	CEO	Health services	5	23
32	CEO	MedTech	4	20
33	CEO	Health services	6	28
34	CEO	Health services	25	95

\*Participants from the same firm who were interviewed separately.

\*\*Participants from the same firm who were interviewed together.

*Source:* The authors

In our analysis, we drew from iterative and abductive research logic, which provided a coherent backdrop for our study while enabling flexibility to utilise features from multiple different qualitative approaches instead of committing to any structured ‘template’ of qualitative enquiry (e.g., Eisenhardt 1989; Gioia *et al.* 2013). The abductive logic allowed the interplay and back-and-forth movement between existing theory and emergent empirical insights to guide our research process instead of rigid methodological procedures (e.g., Piekkari and Welch 2017). Indeed, the redirections and changes in our research process were the source of the theoretical insights and allowed us to explicate the structures and interdependent relationships (e.g., Dubois and Gadde 2014). This was an especially suitable approach for our purposes because customer value creation has been studied from multiple perspectives and the existing theoretical understanding provides a solid starting point, but the complexities of customer value creation within ecosystems and networks are not covered by the existing theoretical understanding.

Based on our analysis, we uncovered four ways managers can understand customer orientation while operating in networks and ecosystems: (1) customer orientation as culture, (2) customer

orientation as a strategy, (3) customer orientation as a mental model, and (4) customer orientation as customer intimacy. We then turned these four emergent categorisations into a fourfold table illustrating the interdependent relationships between the themes based on their structural composition and whether they emphasised individual- or organisation-level aspects of customer orientation.

### **Findings**

Our findings illustrate four ways in which managers view customer orientation: as culture, as a strategy, as a mental model, and as customer intimacy. These views differ in their assumptions regarding the sources of competitive advantage as well as in perceptions of how customer orientation is fostered in organisations. Two of the views on customer orientation involve an organisational focus, whereas two depict a focus on the individual. Moreover, two of the approaches involve a more abstract view of customer orientation (psychological or cultural), whereas the two others involve a more concrete one (strategic or operational).

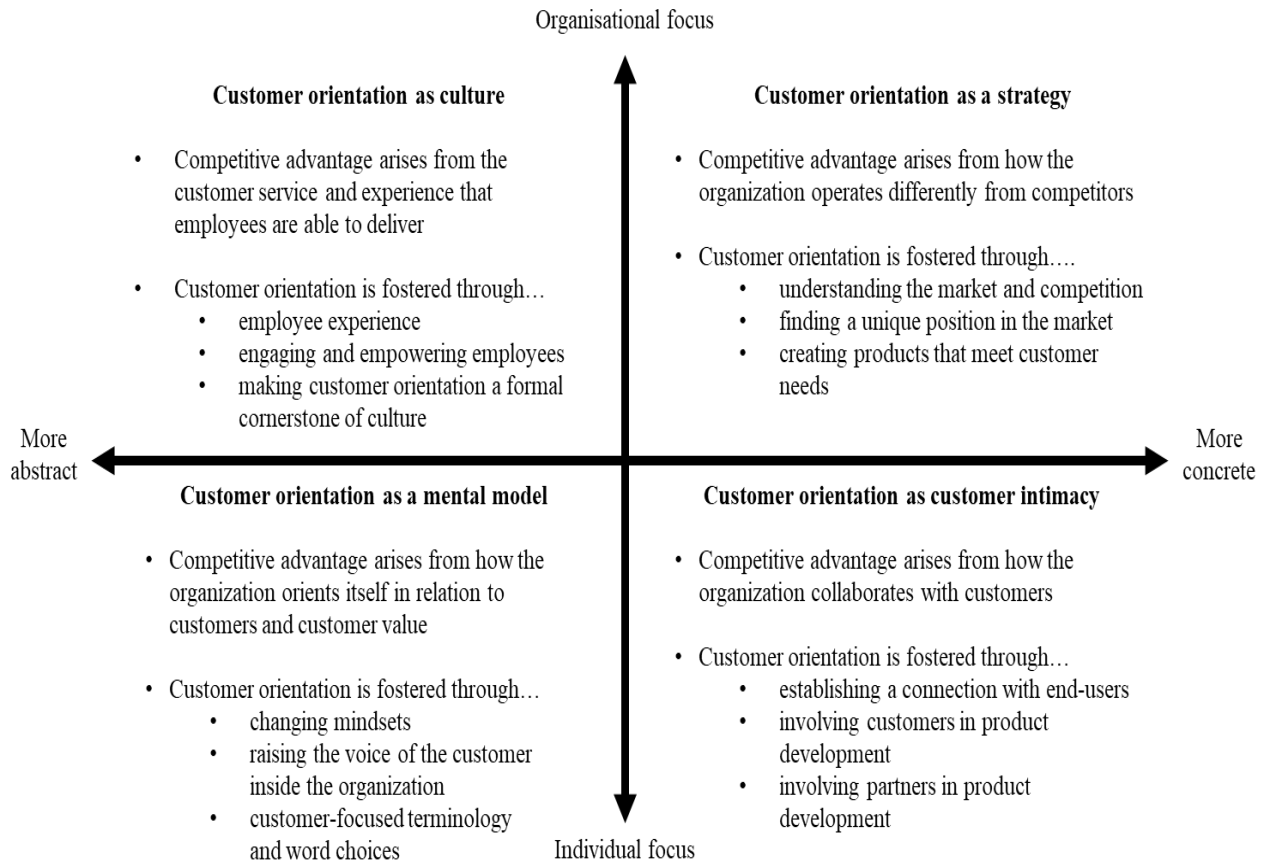


Figure 10.2 How managers understand customer value creation in the ecosystem context and activities through which managers advance customer orientation in their organisational contexts

Source: The authors

### ***Customer orientation as culture***

The first view of customer orientation considered it inherent in the organisational culture. According to the managers, a customer-oriented culture would be the best way to create a competitive advantage because the advantage lies in the customer service and experiences created by the company's personnel. Customer service or customer support could mean, for example, *"tools and processes where we very quickly kind of respond to whatever question of concern the customer has"* (Participant 3). Further, it involved the idea of being flexible towards customers: *"Making everything easy way for our customers. We are very flexible, as we are small companies."* (Participant 13). Participant 8 summarised this view:

*Our competitive advantage comes from the processes and operations; for example, how things are operating, how quickly we can ship products from the factory, and, of course, price is nowadays the baseline from which we start planning. But in my view, the service and the processes are where competitive advantages come from. [...] Now that our situation is changed after acquiring a competitor, we are starting strategy work. And I plan on making a statement regarding how we shouldn't forget the customer and the core... [...] We must not forget the customer or be too self-confident. (Participant 8)*

Customer-oriented culture can be fostered through improving employee experience, engaging and empowering employees, and making customer orientation a formal cornerstone of culture. First, managers underlined how the personnel working with customers are critical to success: *“I like to think that the salespeople working at the grass roots level also have a surprisingly large impact. The quality of their sales work matters, which can be seen in certain ways, such as ...how they are able to translate our products into value for the customer”* (Participant 8). This creates an imperative to make sure they are satisfied and motivated to deliver excellent customer experiences. Participant 18 used the term employee experience:

*In our thinking today, it is quite clear for us that the individual service person is the most important piece of the puzzle. [...] The customer experience is totally reliant on that person. Even if everything else is excellent, it won't matter if the customer encounter isn't good. And in the other case, even if everything else is lacklustre, the individual service person can save the experience by being a wonderful person, the happiest person in the world, and delivering the best experience imaginable. [...] The same way we have customer experiences, we talk about employee experiences. [...] As I said, employees are even more important than customers. (Participant 18)*

Second, the managers fostered a customer-oriented culture by engaging and empowering employees in customer-related tasks and activities. For example, Participant 25 explained how their organisation involved employees in defining target customer groups:

*We have made strategic choices regarding which markets we want to operate in and which types of customers we want to work with. [...] Together with employees, we have these discussions so that we can all agree on these choices and that we could*

*all understand, for example, why we're trying to get certain types and certain sizes of customers from specific markets. [...] So, when a customer relationship has begun, we try to evaluate at a certain point that should we invest more in this relationship, is this aligned with our strategy. (Participant 25)*

Third, the managers used a more formal means of fostering a customer-oriented culture. For instance, Participant 21 indicated that in their organisation, customer orientation was made a formal part of culture:

*We have defined the cornerstones of our culture. [...] 'Customer is king', meaning that we operate close to the customer, understand customer needs, and, importantly, who we define as our customer. The end user can be seen as the customer but also the company delivering that final solution. (Participant 21)*

In summary, the first view of customer orientation involves paying attention to organisational members' shared beliefs and routines regarding customers. Viewed in this way, customer orientation as an organisational culture could be fostered by focusing on the experiences and involvement of employees, as well as signalling the importance of customer orientation in formal company documents relating to culture.

### ***Customer orientation as a strategy***

The second view of customer orientation perceived it as a strategy or strategic choice for the company. Here, the managers underlined the need to understand how the markets, especially competitors, operate. By operating differently from competitors, companies can be perceived as unique and attractive choices by customers. The goal is to stand out from competition, whether established through a unique operational model or a compelling customer experience:

*The world has changed compared to how it was when we started twelve years ago. When we launched, our competitive advantage was that we had such a unique operating model; we stood out from the competition very strongly. [...] But in the last five years, I think it all comes down to the customer experience. Previously, we focused on our unique concept because the industry was so fragmented at the time. [...] So, currently I believe that our competitive advantage now and in the future lies*

*in customer experience, customer insight, and technology. I dare say there are not many companies that are as tech-oriented as ours. We know very much about our customers and how our personnel are operating; we know everything in real time; and we have multiple metrics, such as average service times for each service and what are the waiting times. We are very data-oriented, which is not typical in our industry. (Participant 18)*

*At the heart of the strategy is getting an answer to the question of what the business's purpose is. Why could we grow, and what allows us to internationalise? What is the added value that we can produce for the market and customers? [...] [In creating a competitive advantage], it is important to understand customer needs. What creates value for the customer? Competitive advantage is best built around things that are meaningful to customers. (Participant 20)*

Moreover, some of the interviewees talked about challenging industry standards. For instance, Participant 25 remarked that their company was profiled as a challenger in the industry:

*Our industry is growing so fast that even without competitive differentiation, we can achieve a ten percent yearly growth. In terms of competitive advantage, an advantage can arise from even very small nuances. What we perceive our advantage to be is that we're challenging the large incumbents with more agile operating models... [...] Our advantage is based on agile software development methods and user-centred operations. [...] We've made a conscious choice of doing things differently... [...] In the customers' eyes, the differentiation comes from the fact that we develop software very differently from our competitors; we have profiled ourselves as challengers in the industry. (Participant 25)*

Customer orientation as a strategy can be developed further by analysing and understanding the market and competitors, finding a unique positioning in the market, and creating products that meet the needs of customers. Relating to the first method, managers highlighted the need for market research: “*This is a fundamental question: you have to know the market, conduct market research, visit the market, and thoroughly figure out what the best way of entering the market is and what we offer as solution*” (Participant 6). Participant 10 added:

*The first thing to do is market research and getting to know and understand the market. ... It would have been impossible for us to grow without knowing the market well. For example, we went to the main trade fairs in Europe so that we could understand our competitors, you know, who are offering similar products. We should know what they are manufacturing and what they are capable of producing. That's how we found our own segment. I am a firm believer in doing your own thing, not trying to copy what others are doing. ... We have to know who the market leader is, who is operating in the market, and try to spot some good and bad things in what others are doing, and eventually find our own way of doing things and our own clientele. (Participant 10)*

As the above quotations highlight, “market research” included both structured and non-structured ways of analysing the market. Using this intelligence, the managers were able to create unique value propositions, as illustrated in the following quotation:

*We've really tried to find what kind of unique customer value we can produce for our customers... [...] What could be the unique element that we could produce to create customer value? That's what we were defining. We were also testing out our value proposition very broadly to home in on how to best communicate that customer value. (Participant 2)*

Moreover, the interviewees highlighted that customer orientation is successful if the products match customer needs. For instance, Participant 3 informed us that their company tried to offer a “*superior product that fulfils the explicit and implicit needs and wants that our customers have. I would say that would be our main and key advantage*” (Participant 3). Participant 5 offered a similar opinion, reporting that their company was “*making sure that the product is competitive, and we meet the customer expectations*” (Participant 5). Participants 4 and 23 both emphasised that customer orientation should create products that are favourably different from competition in the eyes of customers:

*There's no point in entering a market if the product does not have a demonstrated competitive advantage. The advantage doesn't have to be remarkable, but there has to be real demand for the product. (Participant 4)*

*You can't enter a market with a “product-first” orientation. Without a good product, it is useless to go there, no matter your entry strategy. (Participant 23)*



To summarise, customer orientation as a strategy emphasises the need to understand the competitive reality in the market. Such an understanding is achieved through various market research methods that enable companies to identify a unique position in the market and develop products that meet customer needs in a way that is superior to competition.

### ***Customer orientation as a mental model***

The third way of viewing customer orientation involved perceiving it as an individual-level phenomenon, a mental model. This involved sharing the belief in the importance of being customer-oriented, as Participant 13 stated: “*We have nothing but customers. If we do not have customers, we have nothing. It is the key element and nothing else than customers*” (Participant 13). Here, the interviewees described how changes in the way organisational actors think about customers can open up possibilities for improving competitive advantage. For instance, Participant 2 described how to orient the organisation towards creating customer value:

*Our [competitive advantage] lies in how we are orienting ourselves to building growth and producing unique customer value. [...] It is not common in our industry. [...] We think about both short- and long-term customer value creation, which in turn affects customers' willingness to pay. For example, if we add this feature, will it improve conversion now and will it increase customer-perceived value in the long term, thus improving customer lifetime value. [...]? A key strength for us is that we only add features to our product that create more value for customers in the long term.* (Participant 2)

Participant 21 agreed about the importance of mental models by referring to “a kind of a mindset question”. “Flipping the situation around”, their organisation changed their product development to a more customer-oriented model:

*No, we've started investigating the end users' needs in more detail. We ask more specific questions, and, for example, open up our product development to customers to specify the specific usage for the products, the problem that the customer wants solved, whether it's a general problem or a niche need. This is opposed to starting*

*from our product portfolio and trying to sell what we already have. So, it is a kind of mindset question. We flip the situation around.* (Participant 21)

The interviewees recognised multiple ways to foster customer-oriented mental models. First, they underlined the need to change organisational mindsets and decision-making processes (as indicated in Participant 21's quotation above). Second, the interviewees referred to their own roles in bringing the voice of the customer to the boardroom: "...to raise the voice of customers inside the organisation and drive changes to be done are most according to the customer needs that sometimes can be challenging" (Participant 13). Finally, Participant 20 highlighted that a change in thinking can be achieved by focusing on word choices and terminology regarding customers. For their organisation, the key to moving away from product orientation was to adopt the terminology of value propositions:

*When I started in this post three years ago, the first impression or the first observation I made was that thinking in terms of value for customers wasn't as widespread as it could have been in the organisation. I mean that we should think in terms of value propositions to start the thinking from what creates value for customers and how we could make it concrete, turn it into euros, and translate our activities into added value for customers. My first impression was that the organisation had a product-oriented way of thinking and acting back then. I hired a partner to hold an internal two-day workshop with me and our international sales personnel to develop a value proposition. That's how we managed to adopt this terminology—this sort of philosophy.* (Participant 20)

Thus, customer orientation as a mental model involves managers paying attention to how organisational actors think about and make decisions regarding customers. The participants believed that changing thinking and decision-making to being more outside-in rather than inside-out would be the key to building competitive advantages. According to this view, managers can foster customer-oriented mental models by changing mindsets, ensuring that the customers' voice is present in discussions, and introducing customer-oriented terminology (e.g., customer value and value propositions).

### *Customer orientation as customer intimacy*

The fourth view of customer orientation viewed it as customer intimacy: close relations and collaboration with customers. Some interviewees equated customer orientation with customer information collecting: “*We are all time going towards more customer orientation in that sense that we get more and more customer feedback*” (Participant 7). According to the interviewees, competitive advantage arises from how closely the organisation works with its customers. The interviewees clearly saw value in this. For example, Participant 12 observed that the best customer knowledge and capabilities reside at the customer interface:

*The personnel can decide what they do. We here at the conglomerate level don't implement anything. The people [at the customer interface] design and implement everything because they are in the know about the customer interface and the technologies there. ... I don't micromanage them; they can design the timetables and required personnel and how they are going to pull it off. It's our company principle that decisions are made where they will be implemented. There are no top-down orders.* (Participant 12)

Customer intimacy can be employed, according to the managers, by establishing and maintaining direct contact with the end users of the product or service. It can also be strengthened by involving customers and partners in product development to ensure that the products meet customer needs. The importance of establishing a connection with the end user is illustrated in the following quotation by Participant 16:

*Our goal is to always have contact with the end user of our products, but in our industry, it is now always possible. There's often a middleman, which means that the competition will likely be purely on price. That is not our strength... We aim for projects where we can design, produce, and build everything ourselves.* (Participant 16)

According to the interviewees, a connection to end users is important to ensure that the company can remain relevant in the market by gaining access to data and information regarding customers. The following quotation illustrates this: “*... companies want to get in position where they have their own customers. That there is no one between the company and its customers*” (Participant 3). Similarly, Participant 19 reflected:

*Every operation, every product, and every idea start from customers. The best idea is that you hear about the need from customers. Then you turn it around as a product and solution. Then you start a project to create it. And then you need to have your*

*whole organisation think for customers. Everything comes from customers. The customer is the king. (Participant 19)*

The companies used various means of gathering customer intelligence; for instance: *“Every time we meet the customers, we try to have short memos of the meeting. It could be something something short memo or something like that.” (Participant 11)* and *“Our customers are teaching us. We have various customer contacts every single day. We have happy customers and some unhappy ones, as well. We want to learn from both every single day. Different stories” (Participant 15)*. The gathered customer insight is then used to improve the offerings:

*We actually directly and indirectly always try to listen to our customers to try to understand how to further develop our offering, because today, from certain perspectives, our offering is superior to the competition. (Participant 3)*

*First, you need to listen to customers. You need to have an understanding once thinking about continuous products and how we can improve our products over time. That is, listening to and discussing with the customers. Then customer orientation is now building up. This is what we are talking about accessibility to customers. (Participant 17)*

The second way to improve customer intimacy is through collaborating with customers and customers (end users). As one interviewee put it, *“It is very important to develop in close relation with the customers. [The product] needs to meet the customers’ expectations” (Participant 17)*.

*[In creating customer insight], our basic method is talking to customers and listening to them. As a recent example, we have started using a service design approach, so we are involving them right at the beginning... – even before we make an offering, we involve the customer in defining what kind of service would fit them. There’s usually a product involved, but very often, service elements as well. This process secures a better chance of success for us when the customer is already involved in the solutions we are about to offer. (Participant 20)*

*As a goal, we must follow the amount of time product developers have visited our customers. It’s one indicator. [...] Our product development works very close to the customer and the commercial side, as it should. [...] I adhere to the school of thought*

*that the balance between product development projects that come from the customer versus those that come from in-house should be something like 80-20 or 75-25. In my view, it is more fruitful in generating sales. (Participant 20)*

The final way in which the interviewees reported fostering customer intimacy was through collaboration with partnering companies. As Participant 1 put it, cooperation with customers and partnering companies should be done by thinking “*what is the best for customer*” and they went on to share that this was relatively easy because “*I think everybody respects the customer*” (Participant 1). Participant 3 added: “*Because by yourself, you will ever never be able to build the complete solutions that satisfy the customer needs, what you need to do is partner up. You should collaborate with companies*” (Participant 3).

*...if we recognise a potential customer and we are engaging conversation with the potential customers, we need to create a joint offering. We need to create that documentation in such a manner that it has all the products in the ecosystem and some sort of integration and that it appears as one brand, etc. Something we need to generate together. (Participant 5)*

One reason for partnering up is to improve the credibility of the offering in the eyes of customers:

*“...if you are partnering with some well-established companies that give you very much credibility rather than you go by yourself as alone, as a small company. And, in relation to the customer base, I think as a small Finnish company we need to have help of the big guy to get access to the customers. It is a bit easy and kind of through the established partnership.” (Participant 5)*

As the following quotations highlight, partnering is more successful when all the companies working together understand how they can jointly improve customer value or the customer experience:

*We try to convince them that we have something that does not compete with their existing portfolio. We try to convince them that we care about complementing their own portfolios and bringing value to their customers. (Participant 9)*

*We analyse the actors in the target market to understand which ones have the most potential for us. In international markets, I've noticed that there is a lot of competition. For example, in [the market], there is a lot of competition, and these actors are very keen on finding product features that increase their competitive advantages. [...] They are very interested in investing in a better customer experience. [...] They have figured out that a better customer experience will be more profitable in the long run. (Participant 14)*

In summary, the fourth view on customer orientation involves perceiving it in terms of how closely the company operates with its customers and how deep the cooperation between the company and its customers and/or end-users. According to the interviewees, customer orientation as customer intimacy could be improved through establishing and maintaining contact with end users as well as collaborating with customers and other companies in the ecosystem.

## **Discussion and conclusion**

This chapter sets out to explore the ways in which managers understand customer value creation within ecosystems and how managers believe they can foster customer orientation in their organisational contexts. We identified four ways in which managers view customer orientation: (1) as culture, (2) as a strategy, (3) as a mental model, and (4) as customer intimacy. These ways of viewing customer orientation can be organised according to their focus on the individual- or organisational-level aspects of customer orientation. As explained in the theoretical chapter background on customer orientation, some authors have made this distinction between individual and organisational levels in research (e.g., Brown *et al.* 2002; Grizzle *et al.* 2009; Whelan *et al.* 2010). Thus, it is interesting to observe how the managerial views of customer orientation in this study exhibited a similar distinction. Moreover, these managerial views on customer orientation could also be categorised based on how abstract or concrete the approach to customer orientation was.

The chapter was motivated by the theoretically interesting problem of how customer orientation should be understood and managed in an ecosystem context, where organisations can take multiple, simultaneous, and even conflicting roles (e.g., competitors can also be suppliers,

partners, and customers). The four views on customer orientation provide a tentative answer to this problem. First, they demonstrate that there is no single right answer to how organisations should orient themselves towards customers in ecosystems. For some managers, customer orientation is visible in concrete ways, such as in new product development activities or product features (customer orientation as customer intimacy). For others, customer orientation is present in more strategic considerations, such as in the organisation's competitive profile. Second, being customer-oriented in an ecosystem context will likely require balancing these four views as situations change. We hope that managers will find it useful to use Figure 10.2 as a starting point for changing their views. For instance, they could attempt to change perspectives from the organisation to the level of individual employees or from concrete aspects to more conceptual ones. Third, the four views uncovered in this research might reflect different roles in the ecosystem. For example, customer orientation as customer intimacy emphasises collaboration with customers and partners, which can reflect the ecosystem role of the complementor or value co-creator. As another example, customer orientation as a strategy is very competitor-focused, likely reflecting a different role in the ecosystem.

As explained in the theoretical background section, there are multiple interpretations of customer orientation in the literature. Some of these interpretations are close to the views of the interviewed managers. For instance, customer orientation can be understood in terms of information, culture, or interaction. The interpretation of customer orientation as a culture or business philosophy was also present in our findings, especially the notion that customer orientation should be visible in the organisation's culture, values, and norms (see also Deshpande *et al.* 1993). Nonetheless, this study is among the first to investigate how managers view customer orientation. We hope our findings will spark further research into customer orientation from a managerial perspective. We especially want to highlight that customer orientation is not a unidimensional concept; instead, it should be analysed as a multidimensional concept.

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