Co-creation as a Market Entry Strategy

Key areas to consider when entering a market by co-creating digital HR-tools

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Master of Science Thesis INDEK 2017:6
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Co-creation som Marknadsinträdesstrategi
Näckelområden att ta hänsyn till vid inträde på en marknad genom co-creation av digitala HR-verktyg

av

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Abstract
Due to digitalization, companies face a wide range of opportunities and challenges when it comes to attracting, recruiting and retaining talents. To meet these, companies need to present and achieve originality regarding values and corporate culture. One possible solution to this may be customized Human Resource tools.

Co-creation is an increasingly common product development strategy to create customized tools. It is based on collaboration and joint production of value between a supplier and customer. Co-creation may be a favorable strategy for early stage companies to gain customers and enter the market. While there are a variety of market entry strategies, this study is based on the insufficient attention among these to the customer as a possible collaborator when entering. This lack of attention is noteworthy since theory shows that the customer is gaining increased power over a supplier’s business decisions, largely due to digitalization.

There is a need to introduce a strategy that defines how companies co-create with their customers and regards them as an allied. This close relationship provides mutual benefits, sustainable relationships and networks. Consequently, this study aims to investigate if a co-creation strategy can be used to enter a market for an early stage company.

The study is based on inductive reasoning and qualitative research methods. It uses semi-structured interviews, active participating observations and a literature study to collect primary and secondary data. The study proposes that co-creation is a new type of market entry strategy and suggests three key areas to consider for an early stage company when entering. These areas are: development approach, ownership and product protection, and expectation and communication.

Key-words: Market entry strategy, co-creation, human resources, human resource management, network approach, strategic alliance, early stage company, business strategy, product development, digitalization
Sammanfattning

Digitalisering har skapat både möjligheter och utmaningar för företag när det gäller att locka, rekrytera och behålla talanger. För att möta dessa måste företag presentera och uppnå originalitet kring företagskultur och värderingar. En lösning till detta kan vara företagsanpassade Human Resource-verktyg.


Det finns ett behov av att införa en strategi som definierar hur företag samverkar med sina kunder och anser dem som allierade. Denna nära relation ger ömsesidiga fördelar, hållbara relationer och nätverk. Följaktligen syftar denna undersökning till att undersöka om en strategi baserad på co-creation kan användas för att komma in i en marknad för ett företag i tidigt stadie.


Nyckelord: Marknadsinträdesstrategi, co-creation, personalfrågor, personalavdelning, network approach, strategisk allians, nyföretagande, affärssstrategi, produktutveckling
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Abbreviations

HR - Human Resources
QDA - Qualitative Data Analysis
RQ - Research Question
SQ - Sub-question
R&D - Research & Development

Glossary

Early stage company - A company that is seeking capital to invest in product development, building a team of employees, and formalizing customer acquisition strategies (Microventures, 2017).

Co-creation - A product development strategy commonly used to customize products and services through joint creation between a company and its customers.
Acknowledgements

We would like to thank Britta Forsberg, the founder of Playitfair. She introduced us to the company and believed in our ability to perform this study. She has been truly supportive and we have valued her positive mood and energy throughout this study.

We also want to thank our supervisor Terrence Brown for being to our disposal when in need of feedback and further perspective. He has contributed with expert knowledge in the field and given us confidence during the entire process, from initial phase to final findings.

Finally, this study would not have been possible without all the participants during our interviews and observation. We are highly thankful for their given time, knowledge and experience.

Moreover, we want to send a warm hug to each other, for making this thesis a period to remember as developing and challenging, filled with laughter.
1. Introduction

This chapter introduces the reader to the overall topic of the thesis. It presents the underlying background and problematization, along with purpose, research questions, points of departure and contributions of the study. The chapter ends with a description of the thesis outline.

1.1 Background

Human Resources (HR) is a business area that includes searching, recruiting, educating and managing talents in an organization (Lewis & Heckman, 2006). Companies with successful HR practice can provide enduring competitive advantages, deliver better results than competitors (Heinen & O’Neill, 2004) and this can be associated with increased economic returns (Huselid, 1997).

Due to digitalization, HR faces a wide range of opportunities and challenges when it comes to attracting, recruiting and retaining talents (B1; B3; B6; B7). Digitalization is drastically changing the activities within HR and has created new ways to achieve a more personalized and engaged experience for both current and prospective employees (Wilkes, 2016). However, it also generates an increased pressure on HR to develop, manage and maintain effective and user-friendly IT systems (B1; B2; B5; B6; B7).

To meet these challenges, companies need to present and achieve a unique and attractive corporate culture, for example through customized products (B1; B3; B6; B7). According to a new study, 39% of talent leaders want to invest in new technology to improve their work, and predictions show that 34% believe that innovative interviewing tools will be a focus in the coming years (Linkedin, 2017).

It is common that companies start with their own product development. However, to keep the development inhouse may be time consuming and labor intensive. As good technology is now available on the market it may be recommended to be open for external solutions to work more efficiently (B4; B6; B7). The role as a potential customer have gained increased power and influence of a supplier’s business decisions. This shift of dynamics in the marketplace between customers and suppliers is especially due to the increased communication opportunities through digitalization (Swass, 2010; Prahalad & Ramaswamy, 2004).

A report from the World Economic Forum puts Sweden in third place of countries in the world that can make best use of digitization possibilities. Sweden is well equipped to embrace the Fourth Industrial Revolution, with a strong score on technological readiness (World Economic Forum, 2016) and is ranked as the second most innovative country on a global scale (Global Innovation Index, 2016). These circumstances make Sweden a favorable market to enter for a company that wants to create innovative digital HR tools.
1.1.1 Meeting the challenges through co-creation

A supplying company that has identified the opportunity to meet the challenges of HR is the Stockholm-based company Playitfair AB. Playitfair is an early-stage company with a product idea to develop innovative and digital HR tools. The company aims to use a product development strategy called co-creation to manage the demands of their customers. Through co-creation, a customer and supplier jointly develop a product (Prahalad & Ramaswamy, 2004; Payne et al., 2006) and the strategy is commonly associated with product customization.

For a company aiming to enter the market, the strategy to enter is one of the most critical decisions (Root, 1994). Since co-creation may be a favorable strategy to gain customers, it may be a possible strategy to enter the market. This raises the question: Besides being a product development strategy, can co-creation be used as a market entry strategy?

1.2 Problematization

There are few models and limited work on how companies can work with co-creation processes to create value (Payne et al., 2006; Schrage, 1995). There is a clear need to find more theoretical approaches to help companies identify best practices on co-creation (Bolton, 2006). The main model available is DART by Prahalad and Ramaswamy, that provides a holistic view of the co-creation process. Another model is a conceptual framework for value co-creation presented by Payne, Storbacka and Frow (2006), that presents in more details the co-creation process.

Common market entry strategies are defined and described differently in previous literature. However, a mutual factor is insufficient attention to the customer's role as a possible collaborator when entering. This gap may be filled by aligning a co-creation strategy with a market entry strategy, since co-creation involves collaborations between companies and customers to create value (Prahalad & Ramasamy, 1996; 2000; 2004). This identified insufficiency, to see the customer as a potential collaborator when entering a market, indicates the need to concretize and define the alignment between a co-creation strategy and a market entry strategy.

1.3 Purpose

The purpose of this study is to identify key areas to consider when using co-creation as a possible market entry strategy.

To fulfill the purpose, the underlying theories of market entry strategies and co-creation will be studied and the most relatable market entry strategy to co-creation will be identified and analyzed. The possible alignment between market entry and co-creation aims to generate an understanding of how to successfully enter a market with a co-creation strategy.
1.4 Research questions

In order to fulfill the purpose, the following research question (RQ) has been created:

RQ: Can co-creation be used as a market entry strategy for an early stage company? If yes, how should it be used when developing digital HR-tools?

To answer the RQ, sub questions (SQs) have been created:

SQ1: Which are the most relevant market entry strategies to consider when using co-creation?

SQ2: What are the success factors and pitfalls when using co-creation as a possible market entry strategy with an HR department as customer?

1.5 Points of departure for the study

The presented problem has been studied from a supplier perspective as it is commissioned by a supplying company. To further narrow the scope, the perspective is from an early stage company that wants to enter a market by using a co-creation strategy. However, since the study deals with co-creation between a supplier and a customer, both have been considered.

1.5.1 Commissioned study

This study is commissioned by Playitfair AB. Playitfair is a technology driven startup and one of many players within the HR industry that deals with HR software tools to attract, develop and retain top talents in an efficient and a sustainable way. The business idea of Playitfair is to optimize and improve, through gamification, both recruitment and high-level educational processes for their customers.

By request from the management team of Playitfair, the study aims to understand if and how the company can enter the market with a co-creation-based strategy. The study is also a master thesis for the Industrial Management master program at KTH Royal Institute of Technology in Stockholm, Sweden. The study thus has two stakeholders: the management team of Playitfair and the examiner of this thesis at KTH.

1.5.2 Co-creation

The definition of co-creation used in this study is defined by Prahalad and Ramaswamy (2004), which can be found in section 2.1.3 in the literature study. The study deals with HR software development, where the aim of co-creation is to customize and develop the top layer and interface of the software in a mutual collaboration between the supplier and customer. Co-creation is the strategy to make the product unique and adapted to the company's demands, culture and values. In other words, the interpretation of co-creation should not be confused with customization of a whole product, from idea to finished product. Instead, co-creation should be the interaction between a supplier and a customer and the joint product development added to the software's standardized core basis.

Based on the findings in the literature study, co-creation can be used as a market entry strategy in the sense that it is a customer acquisition strategy. Customers want customizable products, which companies working with co-creation aim to provide.
1.5.3 Market entry strategy

The strategy of entering a market is commonly associated with how to enter a foreign market. However, a market entry strategy per definition provides the plan of entering a new market. Thus, it is fundamental to consider for an early stage company aiming to enter a market for the first time, which is the point of departure for this study.

Market entry strategies are commonly associated with the mode of entry, which can be seen as the key element of a market entry strategy. However, there is no clear difference between strategy and mode. A mode may possibly be seen as the “position” or “situation” which a company has or starts from when entering a market, whereas a strategy is the “plan” of how to enter. To avoid misunderstandings, the study with use the term strategy rather than mode.

Furthermore, this thesis’ points of investigation are based on when an early stage company has decided to enter a specific market, in this case Sweden. Therefore, it involves how to enter successfully, rather than whether the company should enter. Moreover, there are different understandings regarding when a company has entered a market. For the sake of the study, a company has truly entered a market when a customer has paid money for the service or product being offered.

1.6 Contributions

This thesis will contribute with knowledge within the area of Industrial Management by analyzing and identifying key areas to consider when using co-creation as a market entry strategy. Hence, it will contribute to knowledge of how to link co-creation to a market entry strategy. Bolton (2006) states that there is a clear need to find more theoretical approaches to help companies identify best practices of co-creation. The goal is to provide a guide with key areas to consider, as well as success factors and pitfalls when using co-creation as a possible market entry strategy. Therefore, the study also contributes with new theory and practices of using co-creation.

The main topic of the study is innovation and entrepreneurship, which is covered since the thesis investigates product development of new solutions for an early stage company which has not yet been fully introduced to the market.
1.7 Thesis outline

To give a brief overview of the study, a thesis outline has been constructed with a short summary of each chapter, see below Table 1.

Table 1. Thesis outline of the study

<table>
<thead>
<tr>
<th>CHAPTER</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Introduction</td>
<td>This chapter introduces the reader to the overall topic of the thesis. It presents the underlying background and problematization, along with purpose, research questions, points of departure and contributions of the study. The chapter ends with a description of the thesis outline.</td>
</tr>
<tr>
<td>2 Literature study</td>
<td>This chapter presents the theoretical background of the study. It involves the main topics co-creation and market entry strategy, followed by the importance of networks and relationships. The chapter ends with an alignment of the topics to present the identified gap in literature.</td>
</tr>
<tr>
<td>3 Method</td>
<td>This chapter presents the methodology behind the research of this study. It describes and motivates the research design, empirical data gathering and analyzing methods. This is followed by a discussion of the quality of the analysis, working process and ethics. The chapter ends with a discussion of sustainability.</td>
</tr>
<tr>
<td>4 Results</td>
<td>This chapter presents the results from the interviews and observations based on the different areas identified through the interviews and observations. The identified areas are translated into pitfalls and success factors.</td>
</tr>
<tr>
<td>5 Discussion</td>
<td>This chapter analyzes and discusses the results from interviews and observations in relation to the theoretical frameworks presented in the literature study. First an analysis is presented of the results, then the findings as well as the robustness of the study are discussed.</td>
</tr>
<tr>
<td>6 Conclusion</td>
<td>This chapter presents the key findings from our research related to the research question and reconnect to the purpose of this study. The study’s limitations and contributions to knowledge are presented and future work is suggested.</td>
</tr>
<tr>
<td>Appendix</td>
<td>Interview questions for the conducted 10 interviews.</td>
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</table>
2. Literature study

This chapter presents the theoretical background of the study. It involves the main topics co-creation and market entry strategy, followed by the importance of networks and relationships. The chapter ends with an alignment of the topics to present the identified gap in literature.

2.1 Co-creation

Managers and researchers have been focused on strategic alliances, networks and collaborations when speaking of the dynamics of a business (Prahalad & Ramaswamy, 2000). But there has been a shift in dynamics as the customer has gained an increasingly important role in business decisions. This shift has led to a phenomenon called co-creation which is a form of collaboration between a company and its customers (Prahalad & Ramaswamy, 1996; 2000; 2004).

This subchapter will describe the changing role of customers and companies in the marketplace, different types of collaborations and how co-creation is defined in this study, the advantages and disadvantages of using co-creation as well as co-creation frameworks.

2.1.1 The role of customers

Previously, customers were passive and not a deciding factor. They had a predetermined role of consumption and were regarded as statistics in predetermined groups by the company (Prahalad & Ramaswamy, 2000; Payne et al, 2006). In the 1970s and 80s, “the customer” was a predetermined group with communication based on one-way channels from the company to the customer, often through help-desks and call centers. Innovation came from large internal R&D programs that were considered vital to survive, and only the big ones did (Chesbrough, 2003). This slowly shifted in the late 1980s to a relationship-based marketing style with two-way communication through observations of users that led to improved solutions. In the 1990’s companies started viewing customers as persons that could be gained and retained through cultivated trust, relationships and bonds (Prahalad & Ramaswamy, 2000). Companies also put lesser focus on large R&D departments and shifted focus to the startup scene. Many even left their own research behind in order to acquire external discoveries instead. This marked the shift of companies moving from closed innovation when innovation was achieved in house, to open innovation where both internal and external ideas were combined (Chesbrough, 2003).

This traditional market was identified by the distinct roles of a company and its customers where the customers were considered to be ‘outside of the firm’ and the creation of value happened inside the firm. This market had a locus in the value exchange rather than the value creation process. The traditional market was company-centric, meaning that the focus was on company-specific processes regarding their locus, which was value extraction (Prahalad & Ramaswamy, 2004). Customers were not seen as a source of value creation (Norman & Ramirez, 1994; Wikstrom, 1996). A visualization of the traditional marketplace can be seen in Figure 1.
Figure 1. The traditional market where companies deliver value to the customer with a focus on value extraction (Prahalad & Ramaswamy, 2004)

Major business impacts such as deregulation, globalization, technological convergence and the fast evolution of Internet have changed the roles and relationships that businesses have with each other (Prahalad & Ramaswamy, 2000; Payne et al, 2006). But there has been a shift of dynamics in the marketplace, especially due to the increased communication opportunities through Internet (Swass, 2010; Prahalad & Ramaswamy, 2004). Despite having a larger variety of products than before, customers are dissatisfied with the offerings. And despite company's efforts to increase product variety, it is becoming harder to differentiate themselves from competitors. There is a shift in focus from the product and firm to personalized customer experiences (Prahalad & Ramaswamy, 2004).

Customers have gone from passive bystanders and consumers of products and services, to active co-creators and consumers of value (Prahalad & Ramaswamy, 1996; 2000; 2004). Thanks to customers’ new ability to interact with firms, companies and producers can no longer design products, control sales channels, craft marketing messages or develop production processes autonomously. Instead, the customer has become a part of the value chain where companies need to find a sustainable co-creation experience in order to continue creating value (Prahalad & Ramaswamy, 1996). This shift is best dealt with by participating in it and companies have started converging with their customers in the value creating role. Thus, the market focus has shifted from a firm-centric view to personalized experiences where interaction is the locus (Prahalad & Ramaswamy, 2004). This new market based on company-customer interaction is visualized in Figure 2.
Firm-Consumer Interaction

(1) Interaction is the locus of co-creation of value and economic value extraction by the consumer and the firm
(2) Co-creation experiences are the basis of value

The Firm: Collaborator in co-creating value and competitor in extracting economic value
The Market: Co-creation Experiences of Unique Value in the context of an individual at a specific moment
The Consumer: Collaborator in co-creating value and competitor in extracting economic value

The market is integral to the value creation process

Figure 2. The new market consisting of close company-customer relationships and interactions (Prahalad & Ramaswamy, 2004)

2.1.2 Different types of collaborations

The co-creation of value from customers to a company varies and exists as different concepts and principles. The most commonly spoken about concepts are open innovation, crowdsourcing and co-creation (Majchrzak & Malhotra, 2013; Piller, 2010; Neumann, 2014; Lee, 2016; Geiger et al, 2011; Piller et al, 2012; Füller et al, 2011). While the areas overlap, the scope of this thesis focuses on co-creation. But to avoid misunderstandings and confusion with the similar concepts, crowdsourcing and open innovation are presented to provide the reader with an understanding of the differences and similarities.

Open innovation combines external and internal ideas to form new structure and systems that require a certain business model to succeed (Chesbrough, 2003). In the 90’s, companies recognized that large R&D departments were not enough to generate innovation in the new dynamic business environment. It became clear that good ideas would not always come from within, and not all good ideas generated internally would be successfully implemented (Chesbrough & Crowther, 2006). The business model of a company dealing with open innovation should create value by incorporating both internal and external ideas. The value created should mainly be internal, but can also contribute to external users. Just as external ideas can be used internally, internal ideas should be distributed externally as well to generate value externally (Chesbrough, 2003). This often happens naturally as an employee leaves a company to create a startup based on a problem experienced by the larger company, or as they move on to a new company. It can also happen through external licensing of products and services or as employees leave and join another company (Chesbrough, 2003).
Crowdsourcing is the phenomenon of people coming together, combining their resources to achieve a goal. The term is an umbrella term for a varied group of approaches when using contributions from a crowd, or a network of people. Crowdsourcing can generally be seen in four different categories: collective intelligence, crowd-creation or user-generated content, crowd voting and finally, crowdfunding (Howe, 2009). Examples of companies that have successfully implemented crowdsourcing include Wikipedia, Kickstarter, Threadless, Airbnb and UBER. Example of another use is the successful allocation of resources and disaster relief when an earthquake hit Haiti in 2010. Howe argues that the new generations to enter the workforce see crowdsourcing as something perfectly intuitive as it is integrated into their life in the form of collaboration, shares and remixes (Howe, 2009).

Co-creation consists of sponsored co-creation and autonomous co-creation (Zwass, 2010). Sponsored co-creation is initiated by a producer that uses the activity of a consumer to drive or support the business model. Examples of this are companies such as Procter & Gamble and IBM. Autonomous co-creation amounts to the consumer-side of value production, where consumers are becoming a force in production and are creating marketable value without any input from established organizations, even though they may use platforms from an established organization to do so. An example of this is Wikipedia (Zwass, 2010). Hence, Wikipedia comes up as an example both under crowdsourcing and co-creation, because the concepts overlap and are quite newly introduced to the market. Co-creation can be seen everywhere from co-created medical treatments for patients, the software industry where Microsoft co-creates with users, the car manufacturing company Ford that co-creates with suppliers, and financial trading communities that co-create with traders (Prahalad & Ramasamy, 2000).

2.1.3 Definition

The definition found in literature of co-creation may vary, which has been noted when performing the literature study. However, the scope of this study can accurately be described through the definition of co-creation given by Prahalad and Ramaswamy (2004):

"high-quality interactions that enable an individual customer to co-create unique experiences with the company [to unlock] new sources of competitive advantage. Value will have to be created by both the firm and the consumer."

They define co-creation as joint creation of value, by both the company and the customer. Their definition is chosen due to their research style that provides a holistic view of co-creation, which is fitting when considering managerial implications. They also provide arguments for customized experiences and how this is reached through value co-creation (Payne et al., 2006). The following list summarizes the definition of co-creation as presented by Prahalad and Ramaswamy (2004) in “Co-creation experiences: the next practice in value creation”:

- Co-creation is about joint creation of value by the company and the customer. It is not the firm trying to please the customer
- Allowing the customer to co-construct the service experience to suit her context
- Joint problem definition and problem solving
- Creating an experience environment in which consumers can have active dialogue and co-construct personalized experiences
- Experience variety rather than product variety
• Experiencing the business as consumers do in real time
• Continuous dialogue
• Co-constructing personalized experiences
• Innovating experience environments for new co-creation experiences

The study will from now on focus on the concept of co-creation according to the description above.

2.1.4 Advantages and disadvantages

The implementation of co-creation comes with both advantages and disadvantages for a company. To achieve a better understanding better get an understanding of the effect, both tangible and intangible effects are presented in Table 2.

Table 2. Advantages and disadvantages of implementing co-creation into an organization.

<table>
<thead>
<tr>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
</tr>
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<tbody>
<tr>
<td>Can help achieve competitive advantage (Payne et al., 2006)</td>
<td>Managerial implications include ability to manage across customer and supplier, more focus on capacity planning and agile scaling of networks and processes (Prahalad &amp; Ramaswamy, 2004)</td>
</tr>
<tr>
<td>Because stakeholders are involved in each step, less time and resources are wasted (Jansens, 2012)</td>
<td>Managers needs to continually learn about co-creation behaviors (Payne et al., 2006)</td>
</tr>
<tr>
<td>Creates personalized and customized experiences and products for customers (Prahalad &amp; Ramaswamy, 2004)</td>
<td>Long-term relationships affect short-term financial goals (Payne et al., 2006)</td>
</tr>
<tr>
<td>Creates long-term relationships (Payne et al., 2006)</td>
<td>Investment in technology and socializing managers to manage rapid and transparent communication while maintaining operational efficiency (Prahalad &amp; Ramaswamy, 2004)</td>
</tr>
<tr>
<td>Outcomes of a co-creation process are relevant and attractive for participants (Jansens, 2012)</td>
<td>Customers may not be willing to perform tasks (Verleye, 2013)</td>
</tr>
<tr>
<td>Company gains customer understanding and insight (Payne et al., 2006)</td>
<td>Employees may not approve of shift in responsibility (Verleye, 2013)</td>
</tr>
<tr>
<td>Because participants and stakeholders are aware of the value proposition, a marketing and resonance advantage is created (Jansens, 2012)</td>
<td></td>
</tr>
</tbody>
</table>
Relevance of outcome is credible since customers have co-created it (Jansens, 2012)

Because stakeholders are directly involved in the co-creation process, their support is guaranteed (Jansens, 2012)

Co-creation provides new opportunities for participants to inspire, innovate, address issues and be heard (Jansens, 2012)

Innovative insights, cohesive teams and faster results (Bain, 2017)

Customization

A major positive effect of co-creation is the opportunity of customization for customers. Before the use of co-creation between companies and customers, customization often meant mass customization where companies provided their product to a single consumer at a lower cost through mass production, with only slight changes in features usually made at the end of production. However, this kind of customization tends to mostly favor the company, and not the specific preferences of the consumer (Prahalad & Ramaswamy, 2004).

Customization through co-creation is based on individual dialogue with a consumer that can put their own preferences forward. Dialogue during each stage of production and design creates an iterative learning process where the company and customer learn together while creating value through customized products (Payne et al., 2006). To do so, personalized interactions between the consumer and company need to be involved. The locus has shifted from economic value extraction in a traditional market to the interaction between consumer and company in a market that is a part of the value creation process (Prahalad & Ramaswamy, 2004).

Implications

For a company to adapt to this new competitive space for a company, it needs to adapt its strategy. New infrastructure capabilities, functional capabilities as well as governance capabilities are needed to compete in this new space. These are capabilities that are centered around co-creation to create a personalized experience for a consumer. To manage this shift, the company must move away from a ‘firm-centric’ view to a ‘co-creation’-based view (Prahalad & Ramaswamy, 2004). Value co-creation processes are dependent on the company’s ability to manage across and within customer and supplier processes. The company needs to act like an extended enterprise with managers acting across supplier chain value processes (Payne et al., 2006).

In this new market, the consumer can no longer be considered as a prey by the company. Instead they have a larger position of power that challenges the old view of the market with predetermined roles. The new market is a forum for co-creation experiences where the company and consumer
converge. Here, they collaborate to co-create value, and compete for extraction of economic value (Prahalad & Ramaswamy, 2004).

Because consumers lack the capability of predicting their experiences and will have shifting desires in customization, companies will not be able to do traditional forecasting anymore. To run a sustainable business, companies must instead shift focus to capacity planning, agile scaling of networks and reconstruction of resources (Prahalad & Ramaswamy, 2004). The work processes should be viewed as agile rather than static. Activities related to product design and development should include both tangible and intangible elements, such as product features and customers experience. To find new innovative solutions, prototyping is an attractive option where observations of customer behavior in relation to the product can be held. Managers, employees and customers should be encouraged to do this on an ongoing basis (Payne et al., 2006).

Companies involved in co-creation should strive for long-term relationships with their customers. This tends to affect the short term financial goals and planning cycles that many companies have. To fully adapt to each customer, the communication scheme and values should be adapted as projects progress (Payne et al., 2006).

Throughout the development process, the customer should be involved in all steps (Payne et al., 2006). The interaction between customer and company can be implemented anywhere in the value chain, not just through sales, but through marketing. This puts a focus on the transparency and access building blocks of the DART model. This dialogue demands time and effort and needs underlying support systems to rapidly reach agreements. To do this, the company must invest both in new technology and socializing managers that engage in dialogue and are transparent without failing to maintain operational efficiency (Prahalad & Ramaswamy, 2004; Payne et al., 2006). Finally, managers need to teach their customers about co-creation behaviors and constantly seek new ways to improve this communication (Payne et al., 2006).

2.1.5 Holistic framework

The approach of co-creation allows for the customer to co-create the experience that fits them the best through joint problem definition and problem solving. To conduct value co-creation, Prahalad and Ramaswamy (2004) defined dialogue, access, risk-benefit analysis and transparency (DART) as building blocks for consumer-company interaction. This system represents the interactions between a company and its consumers in a co-creation experience.

Dialogue is the set of conversations, interactions and the ability and willingness to act on both sides between a company and its consumers. This dialogue happens between the company and customer during all stages of product design and delivery (Payne et al., 2006). To fulfil this, the company and its consumers must become equal and joint problem solvers. This involves centering around mutual interests while maintaining clearly defined rules of engagement. To successfully maintain dialogue, transparency and access to information from both parts are needed. Access to information and tools is needed by consumers in order to efficiently co-creation value. Transparency offers the customers understanding of the true costs, processes and value of a product. This honest approach attracts consumers that want to make an educated decision. Both access and transparency are necessary for the consumer to assess the risk-benefits of a decision. They want to be aware of the risks of the product to make the right decision for themselves. When
this process works well, it is beneficial for both the company and its consumers (Prahalad & Ramaswamy, 2004). The DART model is visualized in Figure 3.

Figure 3. The building blocks of interaction for co-creation of value as presented by Prahalad and Ramaswamy (2004).

2.1.6 Conceptual framework

Payne et al. (2006) created a conceptual framework of value co-creation that can be used by companies to achieve competitive advantage. This framework focuses on the central processes of co-creation and includes procedures, tasks, mechanisms, activities and interactions. This view of the processes emphasizes the need for the relationship to be longitudinal, dynamic and interactive regarding experiences and activities. The processes consist of three themes: customer value-creating processes, supplier value-creating processes and encounter processes.

The customer value-creating processes are the processes used by a company’s customer to manage their activities. The supplier value-creating processes are the processes used by a company to manage its activities, customers and stakeholders. The encounter processes are the processes of interaction needed between a company and its customers to co-create value (Payne et al., 2006). Further details of the framework are presented in “Managing the co-creation of value” by Payne et al. (2006). The framework is presented in Figure 4.
2.1.7 Tactical level framework

Looking at a tactical level of co-creation, there are some practicalities that can be performed. Verleye (2013) suggests that managers implement the following tactics for managing value co-creation:

- “Designing managerial processes that encourage, socialize and support the customer into service interfaces.
- Developing a good understanding of customers and their various needs and situations and adapting interfaces accordingly.
- Taking the broader network of customers and/or other stakeholders into consideration.
- Ensuring that frontline employees are open to and/or able to deal with customer engagement in the creation of value.
- Enabling customers engaged in the creation of value to perform well — by, for example, giving them the right tools and opportunities to share their ideas and support each other.
- Evaluating whether service interfaces both reflect the needs of the customer and generate productivity and efficiency gains.”

These practical suggestions may help companies with the implementation of successful co-creation processes at a tactical level. The framework includes managerial implications such as creation of new processes, adapting to new situations, changing perspective and measure of employee activity. This framework provides managers and co-creators with tools and activities to perform in day to day work of co-creation.
2.2 Entering a new market

This chapter aims to generate an understanding regarding which entry strategy/strategies may be most relevant and applicable to a co-creation strategy. It starts by describing general definitions of market entry strategies, followed by an overview of the most commonly discussed entry strategies found in literature as well as a discussion of choice of entry strategy. The chapter ends with a discussion regarding how a co-creation strategy may be aligned with an entry strategy.

A market entry strategy is the plan developed by a firm on which strategy to use when entering a market (Littler & Wilson, 1995; Nakos & Brouthers, 2002). Root (1994) argues that the choice of entry strategy is one of the most critical decisions for a company.

The strategy of entering a market is commonly associated with how to enter a foreign market, where the plan to run international activities is defined by a global operation strategy (Root, 1994; Nakos & Brouthers, 2002). Companies aiming to enter more than one foreign market, like MultiNational Enterprises, need to develop an internationalization strategy, which defines the target foreign markets, the priorities in entering them as well as possible geographical boundaries (Nakos & Brouthers, 2002). Connected to a company’s internationalization, two key strategic decisions stand as the basis for the strategy choice: international market selection and choice of entry strategy (Bradley, 1995).

2.2.1 Market entry strategies

Companies employ different strategies and there are various types and definitions. Depending on authors, different strategies are seen more fundamental than others. According to Carter (1997), the three main ways to enter a market are by direct or indirect export or production in a foreign country.

This study will emphasize the identified most common entry strategies found in literature, which are all examples of entry strategies and international expansion according to several authors, including Carter (Carter, 1997; Jeyaseeli, Levi, 2007; Harzing, 2017). These involve:

- Exporting
- Licensing
- Franchising
- Joint venture
- Strategic alliance
- Wholly owned subsidiary/Ownership

There are a variety of ways and approaches for organizations to choose an entry strategy and the optimal strategy depends on the company. According to established economic practices, firms should choose strategy by analyzing risks and costs based on market characteristics while considering the firm's resources (Hood & Young, 1979). It is commonly related to level of risk, investment, ownership and control, as Figure 5 illustrates. A company may start with a low-risk/low-control option and thereafter advance to higher levels of risk and control as it builds confidence and gains experience (Jeyaseeli, Levi, 2007; Miller, 1998).
Exporting

One of the most established and simplest method of foreign markets operations is exporting. Exporting is the transfer of goods or services across national boundaries. There are two types of exporting: direct and indirect. Direct exporting may involve use of a distributor, an agent, act via a Government agency or overseas subsidiary (Jeyaseeli, Levi, 2007). Indirect exporting involves the use of trading companies (common for products like cocoa, cotton, soya), export management companies, piggybacking and countertrade. Piggybacking is a method where companies with limited exporting skills may use the skill and services of another company. The method is also associated with consolidation of orders by several companies to take advantage of bulk buying. Furthermore, another method associated with indirect exporting is countertrade, which is the largest indirect exporting method, where goods or services are exchanged for other goods or services, rather than for hard currency. This method is more common in lesser-developed countries with limited foreign exchange or credit facilities.

Licensing

Licensing is an arrangement by which the licensor or the international company gives the right to the licensee or the national company to use one or more of the following: patent rights, trademark rights, copyrights, or product or process know-how. This in exchange for specified performance and payment from the licensee (Jeyaseeli, Levi, 2007).

Licensing is defined as "the method of foreign operation whereby a firm in one country agrees to permit a company in another country to use the manufacturing, processing, trademark, know-how or some other skill provided by the licensor". Foreign licensee buys the rights to produce a company’s product in the licensee’s country for a negotiated fee (Carter, 1997).
Franchising

Franchising is similar to licensing. It is an agreement where the franchiser sells limited rights to the franchisee to use its brand name and business model in return for a lump sum payment and a share of the franchisee’s profits, often in the services and trade sectors.

Joint Venture

Joint venture involves sharing of ownership stake and operating control by both parent companies. Joint ventures can be defined as "an enterprise in which two or more investors share ownership and control over property rights and operation". (Carter, 1997)

A joint venture may be defined as a venture between a national and an international company. The equity share can vary, however the most typical form of venture is 50/50 in which each party takes 50% ownership stake (Jeyaseeli, Levi, 2007). Companies who decide to license may keep the options open for extending market participation, through joint ventures with the licensee.

Strategic alliance

A strategic alliance is an agreement between two or several independent organizations to pursue agreed objectives. In general, a strategic alliance is developed between two companies when each possesses business assets or expertise which will to enhance both businesses and mutually beneficial. Companies may form strategic alliances with a wide variety of players such as suppliers, competitors, non-profit organizations, universities, government agency etc. (Holmberg and Cummings, 2009; Coles, 2013).

According to Buckley (1992), a strategic alliance is defined as “an inter-firm collaboration over a given economic space and time for the attainment of mutually defined goals” (Buckley, 1992) Chan-Olmsted (1998) means that it involves “business relationships in which two or more companies working to achieve a collective advantage, attempt to integrate operational functions, share risks and align corporate cultures”. In other words, the core principles of strategic alliance are the presence of mutually beneficial and common objectives. (Chan-Olmsted, 1998; Tavana, 2014)

Consortia / Partnership

A strategic alliance may also be a strategic partnership/consortium. A consortium (Latin word for "partnership", "association" or "society") is an association of two or several individuals, companies, organizations or governments (or any combination of these entities) with the objective of participating in a common activity or pooling their resources for achieving a common goal (Tavana, 2014).

Wholly owned subsidiary/Ownership

A wholly owned subsidiary is an entry strategy where the parent company has 100% ownership of the subsidiary's stock (Jeyaseeli, Levi, 2007). Participation with fully ownership and the greatest commitment in managerial and capital and effort. The ability to communicate and control to 100% may outweigh any of the disadvantages of joint ventures and licensing. On the other hand, with fully ownership, capital and repatriation of earnings must be carefully controlled. The more unstable the environment the less likely is the ownership pathway an option. (Carter, 1997)
If this equity based entry strategy is chosen, the issue of whether to acquire an existing firm (acquisition) or developing a new entity (greenfield investment) must be decided (Harzing, 2017; Mitchell & Capron, 1998). Compared to an acquisition, a merger is when two or more firms combine to develop a new firm, where the two firm’s resources are shared and joined together for the new firm to be created.

The case when the customer has the whole ownership is not relevant for the sake of this study. This may occur when developing something from scratch, entirely based on the customer’s idea.

2.3 Importance of networks and relationships

Studies indicate that firms are regularly involved in different close and lasting relationships with key clients and suppliers (Håkansson, 1989; Cowley, 1988), hence operates in networks connected to business relationships (Hägg & Johanson, 1982; Cook & Emerson, 1978). Various of studies have highlighted the importance for companies to develop lasting and close relationships with their clients. The approach to interact, with focus on adaptation and exchange, between clients and suppliers are key for sustainable business relationships (Kelley & Thibaut, 1978; Johanson & Vahlne, 2009).

Aligned with an increased understanding of the complexity of the market, a model was introduced by Johanson and Mattson (1988) known as the “The Network Approach”, which emphasizes the importance of relationships with suppliers and clients as well as market, for a firm to go global (Johanson & Mattsson, 1988; Masum & Fernandez, 2008). The network approach is dealing with a view of business network facing a firm. This emphasizes the key argument of business network research, which involves two sides: networks of relationships and learning and building commitment and trust.

Firstly, markets are networks of relationships where firms are connected to each other in complex, various and invisible patterns. Thus, insidership in business networks is key for a successful internationalization and the aim for the process of network entry (Johanson and Vahlne, 2009). A company with successful insidership has managed to develop one or a set of customer relationships in the business network (Blankenburg, 1995). Hence, an insider company has developed favorable bonds, links, as well as resource ties with actors in the business network, resulting in an increased network legitimacy. Due to this, insider companies are connected to low uncertainty and can identify expansion opportunities related the business network (Hilmersson, 2011). On the other hand, company’s which have not achieved an insider position need to deal with liability of network outsidership. This may involve high uncertainty of network developments and decreased abilities to identify expansion opportunities (Hilmersson, 2011).

Secondly, relationships generate possibility for learning and building commitment and trust, which are preconditions to expand globally. Trust is a pre-condition for firms to share information, and promotes the building of joint expectations (Madhok, 1995). Building trust and knowledge gathering are key aspects for a greater commitment according to studies of relationship marketing. They agree that an increased joint productivity can be a result of turning one-sided dependence and weak ties to two-sided interdependence and strong relationships (Morgan & Hunt, 1994; Dwyer, Schurr, & Oh, 1987; Anderson & Weitz, 1992). The relationship building involves the process when two parties learn interactively and have a mutual commitment. With a gradually increased commitment, both sides learn about their own sources and capabilities as their
counterparts (Hägg & Johanson, 1982). To feel trust is important in times and situations of uncertainty as well as in the early stage of a relationship. Its importance may be permanent if the relationship demands ongoing efforts to exploit and build opportunities (Johanson & Vahlne, 2009).

2.4 Identified gap

There has been a shift in the marketplace where customers have gained increased power in the value chain process. Through the phenomenon of co-creation, customers and companies are collaborating to create value (Prahalad & Ramasamy, 1996; 2000; 2004). To understand how co-creation can be used as a market entry strategy it is relevant to reflect upon the extent to which current entry strategies consider and adapt to this issue.

Several studies indicate that companies are regularly involved in different close and lasting relationships with key customers and that these network relationships have an impact on the entry strategy. However, common entry strategies covered in literature are not discussed in terms of the customer as a potential collaborator. Hence, the literature is believed to be insufficient to describe and emphasize the customer as a collaborator when entering a market.
3. Method

This chapter presents the methodology behind the research of this study. It describes and motivates the research design, empirical data gathering and analyzing methods. This is followed by a discussion of the quality of the analysis, the ethics and anonymity of the research. The chapter ends with a discussion on sustainability.

3.1 Research design

Aligned with the purpose, which is to identify key areas to consider when using co-creation as a possible market entry strategy, the most suitable method of research design, data gathering and analysis was chosen. The research design is a framework for generating empirical data to answer the RQ, SQs and fulfill the purpose (Bryman, 2011).

The choice of empirical research methods to understand the stated problem was made between a quantitative and qualitative research method. Qualitative methods are often associated with semi-structured data gathering such as semi-structured interviews, participating observations, an inductive approach, contextual understanding and soft, rich data. Whereas quantitative methods are associated with numbers, structured empirical gathering and interviews, a deductive approach, generalizations and hard, reliable data (Blomkvist & Hallin, 2015). And according to Bryman (2011) qualitative studies has a main theory focus on inductive reasoning and generating theory, while quantitative has a main theory focus on deductive reasoning and testing theory. Similarly, qualitative studies focus on constructionism while quantitative focus on objectivism.

To investigate the chosen area, a qualitative method was deemed appropriate as the study is based on inductive reasoning with empirical data gathered from real life situations. A fundamental goal of a qualitative research is described as “... the development of concepts which help us to understand social phenomena in natural (rather than experimental setting)” (Pope & Mays, 1996).

The research was exploratory, which is performed when few or no previous studies exist on the subject. The intention is to examine patterns, ideas or hypotheses which can be tested and stand as a basis for further studies. Research techniques closely related to an exploratory research are case studies, observations and analysis of previous related data and studies. (Collis, Hussey, 2014)

Exploratory research provides the opportunity to discover new dimensions. It entails choosing one or several specific cases to say something about the phenomenon to be studied. The gathered information should be able to investigate, explain and describe the phenomenon. Finally, the research needs to be conducted systematically, which means that both the choice of phenomenon needs to be motivated as well as the methods performed.

When working with an exploratory research, an inductive process is suitable since it has been conducted based on the identified problem, where theory can emerge from the collected empirical material and help to gain understanding of the findings. The new generated theories, tends to be empirically valid due to their source in empirical data. Empirical data reflects in what is verifiable by experience and observation and the process of establishing a general proposition in this study is based on facts (Zikmund, 2013).
An inductive process indicates that in parallel with the analysis work, more literature will be added as increased understanding of the material arise through interaction between the gathered empirics and existing theories. The results are broad generalizations from specific observations. It involves several observations, generalize, recognize a pattern and conclude a theory or an explanation. (Blomkvist & Hallin, 2015).

A visualization of the overall research design can be seen in Figure 6. As seen in the figure, the chosen primary sources consist of semi-structured interviews and participating observations, while secondary sources consist of a literature review. The different research method for gathering primary and secondary data will be further described in the following chapter.

![Visualization of research design in relation to research method and data sources.](image)

**Figure 6.** Visualization of research design in relation to research method and data sources.

### 3.2 Data collection

The data gathered consisted of both primary and secondary sources. The primary data sources were semi-structured interviews, and participating observations during meetings and events in the Bicky Chakraborty entrepreneurial program, while the secondary sources consisted of a literature study.

#### 3.2.1 Interviews

To gain insight in the stated problem and answer the research question and sub questions, semi-structured interviews were held with experts in each relevant area. The questions were created beforehand with focus of being introductory, probing and interpreting, as proposed by Blomkvist and Hallin (2015), which have been complemented with the opinion stated questions, as proposed by Haregu (2012).

*Introductory* functioned as the first step that set the specific investigated area going, where the interviewee was asked to tell and describe something. The *probing* questions had the aim to search into and examine thoroughly the investigated area, by asking for examples and explanations. The *interpreting* questions was stated to bring out the meaning and verify particular interpretations and understanding. Furthermore, as proposed by Haregu, *opinion* questions have been used to get a specific opinion. Examples of questions from each area is presented in Table 3.
Table 3. Question types with matching examples

<table>
<thead>
<tr>
<th>QUESTION TYPE</th>
<th>EXAMPLE QUESTIONS - HR FOCUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introductory</td>
<td>Can you tell us about your background?</td>
</tr>
<tr>
<td></td>
<td>Can you describe how HR departments have changed historically?</td>
</tr>
<tr>
<td>Probing</td>
<td>Can you give an example of a possible successful development of a digital HR tool?</td>
</tr>
<tr>
<td></td>
<td>Can you describe what you mean?</td>
</tr>
<tr>
<td>Interpreting</td>
<td>Do you mean that HR are facing strategic challenges?</td>
</tr>
<tr>
<td>Opinion</td>
<td>What do you think about collaboration a digital HR tool together with the product supplier?</td>
</tr>
</tbody>
</table>

The question types which were avoided were more specifying questions, since it was not believed to be relevant to know how the interviewee acted or reacted in a situation. Hence, questions involving personal feelings were omitted, to generate a professional outcome.

The interview process

In the beginning of each interview, the purpose of the study and interview was presented. A confirmation of the anonymity of the interviewee and approval of recording was made. Thereafter, each interviewee was asked a few questions about their background to warm up and provide necessary information to confirm the validity and reliability of their respective answers and knowledge in the area (Zorn, 2005).

The asked questions were defined in beforehand each interview and grouped under different topics. The questions were open ended to encourage detailed answers and constructed not to be leading. For example, ‘co-creation’ is a wide concept and many have different understandings of how it is used and defined. To avoid personal biases on the topic, the questions were formed without the term co-creation. Instead, the concept was presented and all answers was based on this same concept. Depending on the response during the interview, the questions were redefined, added and removed to gain as much insight and understanding as possible based on the specific situation. Some interviews ended with questions that contained the term co-creation directly to ensure complete answers and get opinionated answers.

All interviews were approved to be recorded and notes were taken during each interview. The interviews were transcribed and thereafter summarized to key findings and topics to make it easier to find data during the analysis. The transcribed interviews were shared with the interview subjects after each interview. Each interview took between 35 - 50 minutes to perform.

In total, 10 interviews were held: 3 within Business Development and Strategy, and 7 within HR and TM. The interviewees are presented in Table 4 and the interview questions are presented in Appendix I.
Business Development and Strategy

To consider best practices and avoid pitfalls, interviews were held with field experts in business development and strategy for technology based companies. Questions were created based on what an early stage company should have in mind when entering a new market, particularly when using co-creation and developing a digital product. In total, 3 interviews were held with experts in business development and strategy. The experts were chosen based on their experience in the field and all worked with business development and strategy in the form of coaching and consulting.

HR

To pinpoint current strategies and opportunities, interviews were held with field experts in HR. These were conducted both internally at Playitfair and externally at other target companies, to understand the situation in HR services. The aim of these interviews was to find out the current and future trends, threats, opportunities and needs that experts in this field are facing, to understand what kind of value can be delivered to them. Additionally, insights connected to co-creation were important to cover in these interviews. In total, 7 interviews were held with HR managers and directors from key actors in different industries.

Table 4. The form of reference presents title and years of experience in their respective fields, as well as main topic and further details of the interview. When discussed and presented in the study, the interviewees are presented with their reference: e.g. A1, A2, etc.

<table>
<thead>
<tr>
<th>REFERENCE</th>
<th>TITLE</th>
<th>YEARS OF EXPERIENCE</th>
<th>TOPIC</th>
<th>DETAILS</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>Business Coach, Investment Manager</td>
<td>14</td>
<td>Business Development &amp; Strategy</td>
<td>Market entry strategies, co-creation and entrepreneurship</td>
</tr>
<tr>
<td>A2</td>
<td>Business Lawyer</td>
<td>20</td>
<td>Legal aspects, Market Strategies</td>
<td>Market entry strategies and legal aspects of co-creation and entrepreneurship</td>
</tr>
<tr>
<td>A3</td>
<td>Project Manager</td>
<td>27</td>
<td>Co-creation Product development</td>
<td>Success factors and pitfalls</td>
</tr>
<tr>
<td>B1</td>
<td>HR director</td>
<td>21</td>
<td>HR</td>
<td>Tools, trends, challenges and opportunities</td>
</tr>
<tr>
<td>B2</td>
<td>CEO in HR services</td>
<td>14</td>
<td>HR</td>
<td>Tools, trends, challenges and opportunities</td>
</tr>
<tr>
<td>B3</td>
<td>HR Manager</td>
<td>5</td>
<td>HR</td>
<td>Tools, trends, challenges and opportunities</td>
</tr>
<tr>
<td>B4</td>
<td>HR Manager</td>
<td>5</td>
<td>HR</td>
<td>Tools, trends, challenges and opportunities</td>
</tr>
</tbody>
</table>
3.2.2 Observations

Playitfair is participating in the Bicky Chakraborty entrepreneurial program. The authors of this study were provided with the opportunity to interact and be a part of Playitfair’s participation in the program. This functioned as a great source of inspiration and further knowledge gathering for the thesis.

Active participation in 5 observations was made when the CEO of Playitfair met with entrepreneurial mentors, investors and clients, as well as participated in workshops. Relevant data was gathered and transcribed and used together with the results from interviews during the analysis of results. Observations was also used to gather data in preparation for the semi-structured interviews. This was done so that an understanding of the topic could be developed before creating the interview questions, as proposed by Cohen and Crabtree (2006). The observations are presented in Table 5.

Table 5. The form of reference presents title and main topic and goal of the meeting. When discussed and presented among the results, the observations are presented with their reference: e.g. O1, O2. etc.

<table>
<thead>
<tr>
<th>REFERENCE</th>
<th>TITLE</th>
<th>TOPIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>O1</td>
<td>Art director and Communication Expert</td>
<td>Communication platform</td>
</tr>
<tr>
<td>O2</td>
<td>HR Manager</td>
<td>HR, pedagogy</td>
</tr>
<tr>
<td>O3</td>
<td>Education Expert</td>
<td>HR, gamification</td>
</tr>
<tr>
<td>O4</td>
<td>HR Manager</td>
<td>HR, education</td>
</tr>
<tr>
<td>O5</td>
<td>HR Manager</td>
<td>HR, recruiting, gamification</td>
</tr>
</tbody>
</table>

Quality criteria for observations

Observation is, by definition, subjective, since it is the observer's subjective perspective that shape the key findings and outcome of the analysis. Manage observations is demanding since it is necessary to document the experience during the observation. It is critical to document in a systematic way which is both credible and authentic. The documentation needs to be enough genuine and detailed to draw credible and convincing conclusions. Furthermore, criticality is another quality criteria connected to observations, involving impartial and inquisitive questioning. (Blomkvist & Hallin, 2015)
3.2.3 Literature study and theory review

To answer the research question and fulfil the purpose that is to identify key areas to consider for a co-creation as a possible market entry strategy, an extensive literature study was performed. It was of interest to find already existing research and findings in the area, both to ensure that the study generates new value and to gain valid arguments and find valid data (Bryman, 2011). The goal of the literature study was 1) to identify what was already known in the research area, 2) the concepts and theories relevant to the area, 3) the methods and research strategies previously used in the area, 4) find important disagreements, 5) find contradictions and inconsistencies, and finally 6) find out what needs to be answered still.

To conduct a thorough study, some recommended practices by Bryman (2011) were used. Firstly, notes were taken during data gathering with own thoughts, ideas and citations of sources. Secondly, a critical approach was used when analyzing all literature. Not just about the content, but also about its validity and reliability. When evaluating the sources, a main factor was number of citations. Thought was also placed on the purpose of each text, it’s age and quality of work. Biases were considered and discussed from different angles. Literature that was not considered interesting or directly applicable to the topic was not presented in the study. And finally, the literature was studied in an iterative manner along with interviews and discussion of findings.

Three main topics were covered in the literature study: **HR**, **market entry strategies**, and **co-creation**. While the topic of HR was mostly covered through the semi-structured interviews, it was still an interesting area to examine. Specially to identify concepts and theories not defined in the interviews and to find potential inconsistencies. To answer the RQ and SQs it was necessary to identify relevant areas, pitfalls and success factors of co-creation as a market entry strategy. For each of the three categories, and sometimes overlapping, relevant keywords were created. The following are some examples of keywords used in the search terms:


These keywords were then combined into search phrases that are reviewed and edited in iterative searches to create valuable combinations, such as the ones presented in Table 6. The main databases used for searches was KTHB Primo, which has multiple external databases, and Google Scholar. Approximately 75 articles and books was analyzed to answer the RQs.
Table 6. Examples of performed search phrases and iterations in the Google Scholar database.

<table>
<thead>
<tr>
<th>SEARCH PHRASE</th>
<th>RESULTS IN GOOGLE SCHOLAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Human resource management” AND strategy AND trends</td>
<td>114 000</td>
</tr>
<tr>
<td>“Human resource management” AND strategy AND trends AND processes</td>
<td>95100</td>
</tr>
<tr>
<td>“Human resource management” AND strategy AND trends AND processes AND SWOT</td>
<td>6150</td>
</tr>
<tr>
<td>Co-creation AND strategies</td>
<td>52800</td>
</tr>
<tr>
<td>Co-creation AND &quot;market entry strategies&quot;</td>
<td>134</td>
</tr>
<tr>
<td>&quot;Market entry strategy&quot;</td>
<td>5090</td>
</tr>
<tr>
<td>&quot;Market entry strategy&quot; AND software</td>
<td>1790</td>
</tr>
<tr>
<td>&quot;Market entry strategy&quot; AND software AND co-creation</td>
<td>85</td>
</tr>
<tr>
<td>&quot;Market entry strategy&quot; AND co-creation</td>
<td>99</td>
</tr>
</tbody>
</table>

3.3 Qualitative data analysis

The Qualitative Data Analysis (QDA) was anticipated when the empirical study was designed, for it to match the choices made concerning data collection (Davidsson, 1995). The QDA involves procedures and processes which translate the collected qualitative data to interpretation, understanding and explanation of the investigated situations and issues. The key of the analysis is to examine the meaningful content of the data and aims to bring insight and uncover the overall picture. It involves labelling and detailed examination of the elements, to identify differences and similarities.

The analytical process was facilitated by continuously summarizing key points and take-aways that emerge from undertaking the data collection activities, as well as self-memos which allowed to make records of ideas occurred during the research. Points of focus when analyzing the text data has been the primary message of the content. If the content aims to represent group-shared or individual ideas, the speaker’s evaluative attitude towards the message and the degree to which the speaker represents hypothetical versus actual experience.

3.3.1 Content analysis

There are different ways of analyzing qualitative data. One of the most common is called content analysis, or thematic analysis, which this study will follow. From a broad perspective content analysis can be described as a method where the content of the message forms the basis for conclusions and reasoning’s of the content (Nachmias, 1976). A more specific definition of the term content analysis follows:
“...a research technique for making replicable and valid inference from texts (or other meaningful matter) to the contexts of their use.” (Krippendorff, 2004)

Content analysis is one of the most important and common research techniques in the social sciences (Krippendorff, 2004). What distinguishes content analysis from other research methods is that it sees data as representations, rather than physical events, which involve texts, expressions and images which are to be read, acted on and interpreted for their meanings. (Krippendorff, 2004)

Qualitative content analysis is relevant to consider when analyzing empirical data from interviews and observations (Blomkvist & Hallin, 2015). Qualitative content analysis can involve any kind of analysis where communication content (text, speech, interviews, images etc.) is categorized and classified. Hence, it involves categorizing the empirical material to answer the stated questions. The chosen areas or themes was chosen based on both the purpose of the activity, as well as what the outcome. (Blomkvist & Hallin, 2015)

Similar to other research methods, content analysis involves three basic principles of scientific methods; (Prasad, 2008)

1. Objectivity - the analysis is formed based on explicit rules, for other researchers to get the same results.
2. Systematic - the exclusion and inclusion of content is made based on consistently applied rules, thus the chosen content is not limited to support the idea of the researcher.
3. Generalizability - the findings from the research is applicable to other similar studies.

The process of the analysis was dealing with four main methodological issues; selection of units of analysis, developing categories, sampling relevant content, and checking reliability of coding (Stempel, 1989). The steps are visualized in Figure 7 as the way this study has implemented the process.

![Figure 7. The process of qualitative data analysis](image)
3.4 Quality of analysis

The following section discusses the quality of the analysis which depends on the validity, reliability and generalizability of the study.

To manage scientific quality, it is crucial that the work is logically consistent. To manage this, several requirements was considered, such as; working systematically to make thoughtful choices for a successful method, be impartial as staying neutral to the area of investigation. To create high credibility, the investigation must be valid, reliable and generalizable (Blomkvist & Hallin, 2015). Validity involves studying the right thing related to the problematization, purpose and research questions (Blomkvist & Hallin, 2015). Reliability entails studying in the right way, so that the same method and tools will create the same result a second time and the findings can be achieved again (Bell, 2006). To reach high validity, high reliability is a prerequisite (Blomkvist & Hallin, 2015). Finally, generalizability is the means of finding an answer from a sample population that is representable, or generalizable, for an entire population (Collis & Hussey, 2014). The concepts and use of these three concepts are discussed below.

3.4.1 Validity

The study was based on multiple data gathering methods: interviews, observations and a literature review. These needs to be valid to make the entire study valid.

Concerning the interviews, validity was ensured through multiple practices. Firstly, the questions were created in an iterative process, this way they were adapted based on the knowledge gained from theory and earlier interviews. In the beginning of each interview, the interview subjects were informed about the purpose of the study as suggested by Collis and Hussey (2014). This was done by providing a background of the study leading up to the purpose of the study and why the interview was needed.

Validity can also be affected by the interpretation of a question by the interview subject. This was particularly important for the concept of co-creation which has a wide array of different definitions. Therefore, the concept of co-creation was firstly described, without using the term. Then the questions regarding the concept was asked. This way, the interview subject had the defined concept in mind rather than a biased concept different from the one being used in this study. The use of semi-structured interviews can also affect the interpretation of the questions. To avoid this, probing questions was used when it was necessary to clarify, as proposed by Collis and Hussey (2014) to understand what the interview subject responded. Finally, since all interview subjects are anonymous in this report, along with their respective companies, there is a negative impact on the validity of the study.

A similar strategy was used during the active observations. By participating actively in the situation, the outcome will differ from when the situation is left undisturbed. The downside with active participation in observation is loss of objectivity and bias by the observer, as the observer's worldview influences the analysis of data gathered (Schwartz & Schwartz Green, 1995). To gain as much information as possible from the observation, probing questions were used and notes were taken actively. The observations were not structured, they were also fully anonymous which impacts the validity of the gathered data.
The data gathered from literature was based on the subjects involved in the problematization, purpose and research questions. These were in turn fitted with the choice of data gathering method for the literature and theory as proposed by Blomkvist and Hallin (2015). The validity of used literature is high due to the acclaimed organizations behind it. Articles used have been extensively peer reviewed and cited by prominent researchers, which also strengthens the validity. Nevertheless, the data and theory collected from literature was reviewed critically and systematically in iterations to gain an objective understanding.

Some data was gathered from sources such as PwC, LinkedIn and other company specific information. This data was used alongside literature and articles to strengthen and back up certain statements. This kind of data is to be regarded critically and questioned in the sense of what it represents, and how it was created. While this data is not very valid, alongside theory and modern research, it provides partial arguments and proof and increases the validity.

3.4.2 Reliability

To reach high reliability, it is important that each of the data gathering methods used is based on reliable sources and is handled in an impartial and objective way. Interviews, observations, literature review and data analytics all needs to be reliable to make the entire study reliable, and for the study to have high validity (Blomkvist & Hallin 2015). For the study to be reliable, it needs to be repeatable with the same outcome. But as the data has been interpreted by people, the authors of this study and everybody who has been involved in interviews or presenting the data used in this study, the data is subjected to different interpretation and thus, different outcome.

In the interviews data can be interpreted both from the interview subject about the questions asked, and when analyzing the data given in the interview. Misconception is a main issue, especially due to the nature of the subject which is in soft values and opinions. This type of data is based on the interview subjects experience and personal view. While this is a strength and valuable source of information, it is also something subjected to misinterpretation.

For a question to be reliable, it must be easy to grasp and asked in the same way to each interview subject. But as the interviews were semi-structured, the questions were stated in slightly different ways to each interview subject. This affects the reliability as the interview subjects had different preconditions and since the questions are not standardized (Trost, 2012). Reliability in semi-structured interviews can be increased by having two persons listening during the interview, while taking notes which can be compared after the interview (Patel & Davidson, 1994). During the interviews, both authors of this study was participating and the findings discussed directly after, to increase reliability. Recordings and transcriptions were used to create the opportunity to regard the data again and in this way, increase the reliability (Patel & Davidson, 1994).

Because the interview subjects and observation participants remain anonymous alongside with their respective companies, reliability was affected since it makes it difficult to replicate the study with the same outcome.

The reliability of the literature review is high, since it is possible to study and use the same data again. The data and theories are however subjected to misinterpretation based on personal bias of the reader. All secondary sources in this study is presented among the references to increase the reliability and repeatability of the study.
Furthermore, this study uses triangulation, which means that the concepts derived from the data is robust based on the from multiple sources that validate it. This study gains data from interviews, observations and theory presented in literature.

3.4.3 Generalizability

Generalizability is the means of finding an answer from a sample population that is representable, or generalizable, for an entire population (Collis & Hussey, 2014). However, the nature of this study is to study a specific case, which does not focus on a general phenomenon in a population. Leung (2015) states that in a qualitative study, generalizability can still be reached by systematic sampling, triangulation, constant comparison, proper audit and documentation, and multi-dimensional theory. Generalization can be reached by comparing another study about time, place, people and other social contexts. Because findings in this setting can be generalized to work in another setting, generalizing to some cases is possible. However, it is important to note that exploratory research does not result in a statistical generalizability (Blomkvist & Hallin, 2015).

3.5 Working process

To answer the RQ, the SQs first needed to be answered. The answer to SQ1 was the most relevant market entry strategies to consider when using co-creation.

Secondary and primary sources were combined to analyze the gap discovered in literature. The secondary data sources answered SQ1, while both primary and secondary were combined to answer SQ2. The answers from SQ1 and SQ2 were then combined and analyzed to answer the RQ, and fulfill the study’s specific purpose to define the key areas to consider when using co-creation as a market entry strategy. The overall process can be seen in Figure 8.

![Figure 8. The overall process of answering the SQs, RQ and fulfilling the purpose](image-url)
3.6 Ethics

Ethics involves many layers and perceptions on how to define it varies. However, a common definition it that ethics are “moral principles that govern a person’s behavior or the conducting of an activity” (Oxford dictionaries, 2017). Ethical aspects are important in research and social science, as research has a crucial impact on society in the long perspective (Vetenskapsrådet, 2015).

Ethical aspects connected to this study is closely related to the issue of managing dual clients and the authors independence as researchers. When doing such research, it is crucial to act ethically correct and make sure that no one gets harmed by the work. (Blomkvist & Hallin, 2015)

On national level, the ethical codes stated by the Swedish Research Council’s principles of ethical research for the humanities and social science have been reviewed and considered. They include four key requirements which has been met in this thesis: information requirement, content requirement, confidentiality requirement, and good use of requirement (Blomkvist & Hallin, 2015).

Information requirement - When holding interviews all participants were informed about the purpose of the study, with the aim to be transparent and not mislead or confuse the interviewee.

Content requirement - Those which were studied or interviewed agreed to participate and be studied.

Confidentiality requirement - The material created and collected has been treated confidentially. It has not been shared without approval and all participants and involved companies have been anonymous during the whole process. The findings and result from each interview have been shared to the participants in written form, for them to be able to read through, comment on and approve.

Good use of requirement - The gathered material has exclusively been used for this study that was communicated when collecting the material.

Another performed key activity during this project, which is also connected to ethics, was to make sure to use correct references for the various sources used. This is important since it enables the reader to control and decide to what extent the study is built on already existing knowledge, as well as the level of originality. Hence, when conducting the report, quoting, referring and own summaries has been separated and specified (Blomkvist & Hallin, 2015).

3.7 Sustainability

This study generated key factors of using co-creation as a market entry strategy. To be relevant, these factors need to be sustainable over a period. Sustainability is generally spoken about in three dimensions; Social, Financial and Ecological (UN, 2016).

Social sustainability considers how to live in a way that is socially sustainable, now and in the future (Dillard et al., 2009) which considers identification and management of business impacts on people. It includes human rights, labor, equality, children, indigenous people, people with disabilities and a people-centered approach to business impact on poverty (UN, 2017). This describes the manners in which governments, organizations, and citizens address the duties of
accountability to different stakeholders about social and environmental impact of individuals and institutions (Dillard et al., 2009).

**Ecological sustainability** considers how to live in a way that is environmentally sustainable or viable of a long-time period (Dillard et al., 2009). For a company, it includes total quality environmental management, ecologically sustainable competitive strategies, technology transfer through technology-for nature-swaps, and reducing the impact of populations on ecosystems (Shrivastava, 1995).

**Financial sustainability** considers how to live in a way that is economically sustainable, maintaining living standards over a long-time period (Dillard et al., 2009). León (2001) defines financial sustainability as strategic and financial planning, income diversification, sound administration and finance, and own income generation.

In the business world, these three dimensions are commonly referred to by companies as the **triple bottom line** (Dillard et al., 2009) and was introduced by John Elkington as a means for companies to not just consider profits, return on investments and shareholder value, but also to include environmental and social dimensions. For short: it considers profits, people and the planet. While this concept has been around and increased in popularity since the 90’s, it is still considered hard to measure. Common methods include measuring financial sustainability in monetary value, while ecological and social sustainability is often measured in indexes, which provides the opportunity to compare and analyze each component (Slaper & Hall, 2011).

It is in the company’s best interest to take care of its ecosystem. When considering co-creation of a product: if a diverse group of people, symbolizing the users of the product, have been included in the development of the product, it will be more valid and have higher usability. Working with a heterogenous group of testers will generate better results than a homogenous group will. If not, the product will not be fully adapted to the users and the solution will then not be sustainable. To drive a sustainable business, the co-creation strategy needs to be sustainable. If the collaboration fails, then a business based on co-creation will fail. The identified key factors were evaluated through both an empirical and theoretical setting to make sure that they were sustainable and promoted a sustainable co-creation. A sustainable co-creation strategy will result in a sustainable business, since this will help the company to maintain their clients and use their success with one client to find a new one. This creates financial sustainability which is needed to run a business for a longer period. To run a sustainable business, the company cannot just look at the needs for today, but also support future needs. This includes the needs of the company, which is to fulfill the needs of their customers.

A part of social sustainability is to sustain a healthy community. This could, for example, be supported in the onboarding process of a client using the product on their new employees. By early on helping their employees to fit into the community, values can be shared and important networks created. This is a need from the client, which the product can solve if co-creation of the product is successful and fulfills the need of a good onboarding process. Social responsibility is also a part of social sustainability, which means that a company that wants to co-create a product with their clients cannot mislead their client to gain a collaboration. They need to be able to deliver what was promised, which means that transparency is needed.

This study mainly focuses on the financial and social sustainability dimensions. They run in parallel through the study as both are needed to reach the other. Since the product in this study is
a software platform there is no major impact on the ecological dimension since production and development is on a small scale and requires little material to be produced. But co-creation might lead to more sustainable resource management, supply chains and value chains which in turn can affect the ecological impact that a business generates. This study will find guidelines for co-creation as a market entry strategy. This includes the very first steps of the business when it enters the market and will not be a very long process. But good practices on social and financial measures will help create a sustainable business model, which will be necessary to run a sustainable business.
4. Results from interviews and observations

This chapter presents the results from the interviews based on the different areas identified through the interviews and observations. The identified areas are translated key areas.

4.1 Current trends

HR has become a well-established corporate function in Sweden and the country is way ahead of others in capturing the soft values and competence in a company. This is mainly due to HR’s growing impact within a company, involving access to decision making forums and top management (B7).

Trends in HR tend to go up and down. It has been centralized, decentralized and vice versa (B1). Today companies are reorganizing and moving towards decentralized organizations. Due to this, HR is moving closer to the organization, people and top management (B4). Some believe that companies will never be able to make HR fully centralized and believe more in a decentralized system. This means that HR must be more strategic and more up-to-date (B1; B6). HR will be the face of the company and the company must be onboard with that strategy (B1). Despite these reorganizations, HR departments have not changed enough over the last few decades (B2). HR also tends to follow trends that are not always scientifically proven (O1).

The development of the HR department’s work process and tasks depends on a combination of time and generation. Historically, it was very important for employees to advance and became a manager. But since the millennium, more employees choose to become a specialist. Now it’s the applicant’s market and employees wants to find a balance in life. New questions have risen which were not pronounced in the same way in the late 90's have emerged. Employees wants to know about company values and who will be managing them. Companies need to be sustainable and without a sustainability focus they will be left behind. Employees are more aware about their rights, and do not accept things blindly in a company. Companies must offer benefits, take care of and protect their employees, to not end up in situations of disagreement (B1).

Looking at trends when recruiting, companies have an increased focus on entrepreneurial profiles, rather than candidates with a classic career path. They should be academic educated, be entrepreneurial and commercial as well as understanding IT. In other words, companies are looking for business-oriented analysts. As a result from all startups, it’s about the person, the capacity to deliver and to be results-oriented. It has become a startup world with a focus on tech and companies need to be at the forefront. Companies holding on to old tools and ways of thinking lose their customers (B3).

4.2 Future prospects

Generally, HR will take a larger and more important role in the company (B6). There will be an increased focus on HR issues in the top management team, as well as an increased budget (B3). Also, there will be an increased focus on strategic thinking (B2) and the people who work with HR will be more involved in IT and Tech (B3). It is also important for HR to participate in digitalization (B1; B3; B7). HR software will become more important, which is connected to
increased digitization (B6). Successful tools in the future are those that follow social trends, which are, as everything else, increasingly digital (B1) and smartphones will be used more (B1; B5; B7). Employees will be able to use their time better than they are today, taking a course via the smartphone and level up through small short exercises may be one example (B1).

“More products and services will be accessible through our phones. Today in our private lives we can easily control banking, finances, shopping and planning through our personal phones. But when we come to the office we are faced with complex systems that requires more bulky processes regarding logging in and using them. This is something that has to change.” - B7.

By going from a factoring model with hardware to companies valuing people knowledge and capabilities, human aspects will become more important (B6). HR is realizing that there is an emphasis that needs to be put on employer’s satisfaction and caring for people in the organization (B2). Focus will be on the employee experience, driving change and defining the corporate value and environment (B7). Looking at requirement, the experience needs to be quick, agile and visually appealing (B7). It needs to shift away from the company’s needs to also include and improve the experience of the candidate.

In general, the traditional patterns and structures will be questioned. Perhaps to look more like 'knowledge-clusters', with leaders having more informal roles with less hierarchical views of leadership (B6). However, the change may be rather incremental than disruptive - “realistically, I don’t think a lot will change, but the change will happen in the right direction” (B2).

4.3 Challenges

While some aspects of HR such as recruitment and talent management is well established, HR currently faces a wide range of challenges in everything from the digitalization, strategies and administrative systems and tools. Challenges involve all areas within HR; employer branding, recruiting, pre-boarding, onboarding, educating, retaining, rewarding and firing, among others. The main issue however has been identified to be the administrative systems that are closely related to the departments strategy and digitalization.

4.3.1 Digitalization

A major challenge is digitalization (B1; B3; B6; B7) and using it in the right way, without removing the personal meeting while automating administrative processes (B6). Keeping up with the digital development is tough, yet fundamental. The recruitment process is one area which must a large extent been digitized. It is the candidate's market and companies want the best of the best (B1; B3; B7). It often involves well applied and reliable online tests that make fair assessments based on large groups of candidates (B3). Digitalized processes in recruiting saves time for both parties and often makes the process more efficient (B3).

4.3.2 Strategy

HR departments must become more strategic and have a lot to contribute with in this area (B6). They must figure out how they can gain an increased impact on top management. It may be done through broadening their questions and see how HR can contribute from a larger perspective. Analysis of workforce planning can be done to look at current and future trends. By doing this it is possible to identify strengths, weaknesses and issues (B6).
When it comes to working strategically, educated HR specialists and administrators need to be differentiated. HR specialists should be working strategically with people, compared to administrators which should work on a more practical task level (B5).

4.3.3 Administrative systems and tools
Currently, HR is experiencing insufficient processes and IT systems, specifically administrative systems and tools (B1; B2; B5; B6; B7). Too much time is spent on managing the administrative, which instead should be managed digitally in a fun and easy way (B1).

User-friendliness
It is common that HR systems are lacking user-friendliness as they are heavy, complicated and may differ depending on if it is for salary, reward, education, recruiting, time cards etc. (B2; B4; B5; B7). Some large Swedish companies have up to a dozen different HR administrative systems. Even though, the number of tools at their disposal may be adequate separately, the main issue is that they are not speaking with each other (B2; B5; B7). There is a need for a simple system (B6) that takes care of the entire lifecycle of an employee at a company: from hiring to retiring (B5).

“These systems do not communicate with each other and need to be connected manually by an administrator. This is a burden for the company and HR department. It’s hard to measure the exact amount of administrative work around this as it’s divided among countless people in different departments and countries” - B5

Generate reliable and valid data
A prerequisite for HR to become more strategic is that analytics needs to be brought into their processes (B2; B5). However, with the current systems it is difficult to generate statistics and data reports (B2; B4; B5; B7). Further on, the systems need to provide reliable and valid data involving trends and statistics. *Are we measuring what needs to be measured? Do we get the same results each time?* - (B5)

Managing several markets
HR systems face a challenge to manage and make a cohesive regarding different regulations and laws across different countries. There is a need for a system that can gather and consider many different regulations and agreements (B4), including adaptability to different languages geographies to run more effective communication. Coping with a global organization is a challenge for many suppliers (B6; B5).

Product specific success factors
When it comes to the product, there are a wide range of factors and functions that is requested by HR departments. The main areas involve that the product:

- Is more effective (B6)
- Is safe and confidential (B5; B6)
- Is flexible (B5)
- Is more user friendly and easy to use (B2; B3; B4; B5; B6; B7)
- Is lower maintenance (B3; B5; O2; O3; O4)
• Is unique for the customer about values and culture (B3; B6; O2; O3; O4)
• Solves a real problem (B2; B4; B5)
• Has consistency in language, graphics, layout and interface (B5; B6; B7; O1; O2; O3; O4)
• Helps customer achieve recognition and uniqueness (B6; O2; O3; O4)
• Replaces more than one existing system (B5)
• Provides high validity and reliability (B5)
• Handles large amounts of data (B5)
• Enables analysis and strategic focus (B5)
• Does not bore the user (B5; B6; B7; O2; O3; O4)

4.3.4 Developing administrative systems and tools

It is common that companies start with their own product development. One aspect why companies might not assist their development process with any external developers, is that they want to keep it within the company (B3). However, to keep the development inhouse may be time consuming and labor intensive and now as good technology is available on the market it may be recommended to be open for external solutions to work more efficiently (B4; B6; B7).

“Previously, development of HR tools was done in house. But we have noticed that it was a big and costly mistake. We brought an administrative employee system that we customized ourselves, but as an upgrade came along, it was not possible to upgrade due to all the changes we had done. If it is possible to buy a customized system we would rather do that.” - B4

The suppliers must be the ones that change and upgrade the system, this cannot be delegated to the customer (B6; O3). It is important for the supplier to hold on to their offerings, build lock-in and contribute with further improvement and development. The supplier is the specialist, not their customers (B6). But it is important that the development team involve and interact with HR as well as end users, to develop a relevant and customized solution. Sometimes the development team can be on completely wrong paths and therefore it is important to keep pace with each other (B3) through testing (B6). It is not difficult for HR to assist in digital process development processes (B3; B7).

Financing

The challenge remains to motivate top management why to investment in HR systems, as it usually involves a lot of money and the need might be difficult to concretize. Companies rarely prioritize HR systems, but it is always under discussion internally (B3; B7) and it is important to have support from top management to succeed (A1). Even though, the development may be costly and time consuming (B3), efficient HR tools and systems is core for a sustainable business and should be of higher priority (B6; O2; O3).

4.4 Using co-creation

For a company that has gaps, one possibility is to get external help through collaborations (A1). One type of collaboration is between a supplier and a customer to co-create a product or service to fit the customer’s needs. This may generate a positive experience for the customer, as they may feel like the product is made and customized for them (B6; O2; O3; O4).
In general, companies get external help for best results and to save time (B3). It may be seen that companies use co-creation to sell and develop their products or services as well a way to gain customers. But they generally do not have an explicit co-creation strategy (A2). In the case of early stage companies, virtually everyone works with collaborations in the form of pilot projects to get feedback and further develop the product. In other words, it might be they co-create with potential customers (A1).

4.4.1 Personalization and customization

It is good to offer personalized products and services to suit the company (B6; B7; O2; O3; O4) as customers want more tailor made and unique solutions (B3; B6; B7). Looking at software, a standardized and well proven base is favorable, where the content is decided and formed in collaboration with the customer. For the system to be as good as possible for the customer, co-creation of the top layer is necessary (A2). Companies want to add the uniqueness, which generally does not have to be so much (B1). They want to feel that they are offered exclusivity (B3).

“Companies want to think that they are unique, which they really are not. As a supplier, one must be open for the customer to put their mark on the product, which is something HR loves to hear. The superficial things like design, corporate value and value-based words are important.” - B1

4.5 Key areas

The results are divided into three key areas identified from the interviews and observations: development approach, ownership and product protection, and expectation and communication. For each area, success factors and pitfalls are presented from the perspective of an early stage company using co-creation as a market entry strategy.

4.5.1 Development approach

When creating a software system, it is important to start small to ensure it to be proper, relevant as well as unique compared to other systems. Common pitfalls are to have a too high speed in the development process, being too ambitious and underestimate requirements (A1; B1; B5). It takes time and patient to establish digital HR tools (B1).

Early stage companies should dig where they stand and use the contacts they must get pilot customers and test their product (A1). It might be easier to start a pilot project if the product is niched and agile (B7). Small businesses can benefit from creating a pilot and thus have an impact by using it as reference for further customers (B6).

It is not preferable to target a large company without testing the product before, since they will probably not cooperate with an early stage company that cannot present a sustainable solution (B6). Instead it is preferable to first develop the product, test it, and then use it as a case when selling (B6; B7).

Someone from the customer’s business that works towards their end users must be involved in the development process. This is a big and common pitfall when developing HR tools, to only consider HR’s point of view (B1; B4; O2). The end users should be the designing committee for these platforms (B2; O2; O3; O4).
When aiming for development collaboration, the trick is to find which person that can be a way into the company and has the power to take decisions and make the project move forward (B7). It should be considered to target multiple levels within the company, both on top managerial level and lower corporate level, however it depends on the product and its purpose (B6).

A pitfall when targeting the right person is to exclusively use silo mentality, instead of taking advantage to learn from different levels and departments. It is good to find areas that are more general and relevant to a larger group within the company. Initially, it is difficult to reach the group of top management, as opposed to the corporate level. Also, on higher levels there's a longer decision-making process (B6). To ensure support from the top management team it might help to have an internal project manager from the customer (A1).

Finally, the supplier needs to be present and offer continuous development and maintenance so the product and relationship will be sustainable in the long run (B6).

4.5.2 Ownership and product protection

Ownership is complex and need to be thought through. The level of ownership varies from case to case and there is a spectrum of different scenarios. From the development of something from scratch to purchase of a finished product. However, all collaborations should have agreements that regulate who owns what (A1; A2).

Case: Customer has no ownership - the supplier owns the whole product

From a supplier perspective, having complete ownership of the product is highly preferable. An early stage company should make sure to be in complete ownership of the product, otherwise it might risk giving away unique value and knowledge (A2). A company that is unique can set their own prices and have a shot to enter the market (A2; B6). Also, if the company does not own everything that is being created, they run a risk that their customers may start a competing business (A2).

In most cases, customers will not be the owner of the product which they have ordered, but are entitled to use the ordered product. When working with outside suppliers, which has developed the customers products modules, they as a customer has in general no reason to have ownership, it is rather a matter of price. Ownership may also include sales of the product, which may not be the deal and something that the customer wants (B6). Usually, the order is based on something that the supplier already has, whereas the customer cannot expect the entire ownership. If the supplier owns the product, one can create preferential agreements where the customer can buy the same product again in future for a fixed and favorable price from the company (A3).

A pitfall is when the supplier is losing their standardized basis and core business to the customer. A reason for this may be that the customer gets too strong and have too many requirements, which can be a disadvantage and difficult to adapt to for a small business (B6).

Case: Customer has some ownership

If a customer has put a lot of effort and time in the product development, one must consider whether the customer want something for it, in form of ownership or a part of the future profit related the product (B6). The risk of having a collaboration as a market entry strategy, where the customer is involved and contributes through co-creation, may be that the customer feels that it
wants to own some of the results (A1; A2). This may not be preferable for a company, an early stage company, as they want to commercialize the product. If the customer owns the product then they do not need the startup any more (A2).

Sharing ownership of the common interface, which is not the core base of the product, may be an alternative, but at the same time it should not limit for the supplier when going to the customer's competitors (A1).

**Product protection**

It is important to keep sensitive information secret and be clear about what information both parties can share. This comes down to being aware of what needs protection and through what means it can be protected. For an early stage commercializing company, it is incredibly important to protect intellectual property (IP) through patents, copyright or industrial design rights with all players in the value chain (A2; A3).

When it comes to software it is important to remain in control of the software system and code. Remove the possibility for customers to change the code, unless you want them to be able to (A2). If not protecting the product, then the customer may claim their rights when the product gets profitable. In this case, with software as a base, a non-disclosure agreement is one possible way for protecting the product (A3).

A scenario involving a non-disclosure agreement may occur during the co-creation phase, when sensitive information and intellectual property (IP) have been shared. A non-disclosure agreement clarifies what information that should not be spread further, to prevent this being spread out of control to competitors or being published (A2). This can be unique drawings, designs or other sensitive information connected to the company (A1; A3). A very common pitfall is that companies fail to regulate who can share what, risking that sensitive IP may leak (A2). However, in practice, this uncleanness may not need to be such a big problem. It is good with clarity to avoid discussions further, but not as often as it is at its peak and it will be a big problem (A3).

**4.5.3 Expectation and communication**

A company may have high expectations or preconceptions connected to the term co-creation, involving time, ownership, commitment etc. Hence, it is important that the supplier clearly defines what is meant and included with co-creation to avoid misunderstandings (A1).

Another aspect related to communication is to have a clear requirement specification from the customer. However, it is common that the customer cannot precisely specify what they want and it turns out that a lot of details have been forgotten. (B3; A3) It is important to be observant and aware of the customer’s needs (B3; B4), the actual needs may not be what the customer initially expressed (B3). Therefore, good follow-up and close cooperation during the process may be even more important than the initial requirement specification for a successful collaboration and end product (A3). Following up on the user's experiences and other tangibles that measures results are good ways for a supplier to constantly improve the product. To give continuous feedback and updates regarding the product are a key success factor to ensure satisfied customers. This is important about sustainability to be able to motive the cost and value received (B7).
Budgeting and costs

The collaboration agreement needs to specify what is included and all costs (A2), involving possible costs for updates or changes. An attractive offer considers how to avoid large additional costs for updates. Unclear budgeting can lead to disappointment and failed collaborations (B1). If the customer feels fooled, it will probably make it a onetime effort and that it will be forgotten or not prioritized. (B7) This could result in large costs without any rewards for the customer. There is a need to create and implement a sustainable solution that is agile and adaptable when the situation changes and content needs to be updated (B7). HR may not have the technical competence involving IT development, hence it is important to be clear with what is included in the price.

A pitfall is when a “price war” between the supplier and customer, takes too much attention, where prices are being pushed down by one party while the other wants to get as much as possible in the price. A successful collaboration is when instead of a fight, there is a win-win situation for both, where one builds a common interests (A3).

External consultants and suppliers may be very costly, hence need to deliver a clear business case with cost and benefit analysis (A1; B1; B7). A strong selling argument should include: cost, value and uniqueness (B6). Present a winning concept from start that is straightforward (B4) which they easily can present to the top management (B1). The presented solution should be scaled and shown to what extent it will affect the whole organization. Set the cost of the system against the alternative cost available today (B1).
5. Discussion

This chapter analyzes and discusses the results from interviews and observations in relation to the theoretical frameworks presented in the literature study. First an analysis is presented of the results of SQ1, SQ2 and RQ. Then the robustness of the study is discussed about sustainability of the findings, proposals and the overall reliability and validity of the study.

5.1 Analysis of results

To find the most relevant market entry strategies when using co-creation, which is requested in SQ1, it is necessary to first reflect upon the extent to which current entry strategies consider and adapt to this concept. This is mainly answered through the performed literature study and an alignment between co-creation and market entry strategies is made in the following answer to SQ1. For SQ2, the findings in literature is aligned with the results from interviews and observations to identify success factors and pitfalls when using co-creation as a possible market entry strategy with an HR department as customer. The answers from SQ1 and SQ2 are then combined to analyze the results for the main RQ. Finally, the answer to the main RQ include proposals and motivations for the findings of this study.

5.1.1 Answering SQ1

Which are the most relevant market entry strategies to consider when using co-creation?

As the network approach suggests, companies with strong business networks can successfully enter new markets due to the resources and relationships in their network. In theory, this approach may go well with a co-creation strategy that is also based on close relationships between a company and its customers. Connected to a network approach, a company with a co-creation strategy may be an insider company, with the aim of developing close relationships and building strong links, bonds and resource ties with actors in the business network. Like co-creation, a network approach can generate a high level of trust, learning and commitment which can result in successful joint productivity. Das and Teng (2000) state that joint production is flexible and a long term oriented strategy often used to acquire certain technology. This is a cooperative form of a strategic alliance that tends to be more flexible than equity based alliances. There is a need to further define flexible alliance strategies through a collaborative paradigm (Holmberg & Cummings, 2009) which is something that a co-creation strategy can provide.

Furthermore, Tidd & Bessant (2009) argue that a strategic alliance is a common alternative in a network of actors that aim to create innovation together and it is increasingly important for a company’s strategy to sustain and develop their competitive advantages in dynamic market environments (Holmberg & Cummings, 2009). Based on this, a strategic alliance may be the most applicable entry strategy to align with a co-creation strategy, see Figure 9.
**Figure 9.** Strategic alliance may be the most applicable entry strategy to align with a co-creation strategy

However, as seen from the earlier described definitions of strategic alliance by Buckley (1992) and Chan-Olmsted (1998), the focus of a strategic alliance involves “inter-firm collaboration” or “business relationships in which two or more companies working to achieve a collective advantage”. In other words, it is discussed in the context of a company-to-company business relations, similar as exporting, licensing, franchising, joint venture and wholly owned subsidiary.

Co-creation can be seen as a form of strategic alliance, partially due to the various types and definitions of strategic alliance by different authors. According to Tavana (2014), strategic alliance may take one of these forms: joint venture, merger and acquisitions, licensing agreement, consortia/partnership and combined marketing efforts. However, a more common approach is to discuss strategic alliance and joint venture together (Jeyaseeli, Levi, 2007; Doole et al., 1994), where strategic alliance may be a less involved and permanent form than joint venture (Carter, 1997; Hill, James, 1998). Other authors define strategic alliance based on its purpose (Porter, 1998).

Based on above Figure 9, the most similar types of market entry strategies to align with co-creation are: strategic alliance, wholly owned subsidiary and joint venture. However, these types of strategies do mainly emphasize a collaboration between two companies when entering a market, rather than between company and its customer, see Figure 10.
Regardless if co-creation is viewed as a new subtype of strategic alliance or as a totally new entry strategy, there is a need to introduce a strategy that defines how companies co-create with their customers. This gap in the literature is believed to be noteworthy and underlines the argument to introduce co-creation as a strategy relevant when entering a market, where the focus to enter has shifted from a traditional firm-centric view towards joint creation of value by a company and its customers.

This new dynamic between a company and its customers is visualized in Figure 11. There is a clear differentiation to even the most similar types of market entry strategies: strategic alliance, wholly owned subsidiary and joint venture. In the case of co-creation, the market has shifted and that the customer has become an active participant in the value creation.

5.1.2 Answering SQ2

What are the success factors and pitfalls when using co-creation as a possible market entry strategy with an HR department as customer?

The identified success factors and pitfalls of an early stage company using co-creation as a market entry strategy have been categorized into three areas. Each area emphasizes a key area to consider for a successful collaboration when developing a digital HR tool: development approach, ownership and product protection, and expectation and communication.
Development approach

For a company aiming to enter a market with a co-creation strategy, a key success factor is to have an incremental approach. The company should start small and co-create an agile pilot project, to test the product, get a sufficient reference and a strong core business. According to literature, an incremental approach is also important to let the customer adapt their collaboration processes to fit the co-creation strategy. For example, a co-creation strategy demands flexible processes and managerial education in transparent communication (Prahalad & Ramaswamy, 2004) and co-creation behaviors (Payne et al., 2006). A successful collaboration is built on mutual trust and benefits, which is something that demands time and patience. This is something which also can be connected to literature. Since the customers and stakeholders of the project is involved in each step of the project, there is an opportunity to create mutual trust and benefits. Such relationship may help to build joint expectations and commitment (Madhok, 1995). Literature also states that for a company facing an uncertain situation, such as an early stage company, two-sided interactive learning helps to build commitment (Hägg & Johanson, 1982) and trust (Johanson & Vahlne, 2009). This may in turn affect the short term financial goals of both parties (Payne et al., 2006).

If not having an incremental or thoughtful approach, a possible pitfall is to underestimate requirements. High ambitions are key to success. However, it may be even more important to be responsive and thoughtful to meet the actual market needs and demands. This pitfall is also important as it can be connected to risk-benefits in the DART framework. Where customers want to be fully aware of the risks involved to make educated decisions (Prahalad & Ramaswamy, 2004).

Moreover, a development approach should consider who to target on the customer side. A success factor related to this is to include multiple perspectives related to the identified gap and to have an open mindset when targeting, especially in the initial phase. To have multiple perspectives, may ease to identify more comprehensive gaps and areas of improvement, as they may be relevant to a larger group. If managing to identify such an area, the selling argument to proceed is likely more convincing. However, connected to having an incremental approach, the collaboration should start to be successful in one smaller area, prior to target the whole possible target group. When aiming to target the right person, a pitfall is to have a silo mentality instead of taking advantage to learn from different levels and departments. Related to this, one possible pitfall is to solely consider HR’s point of view, as HR departments are the prior target in this study. Another pitfall is to not involve the end users in the development process. Failing on these pitfalls, may risk result in an irrelevant product that does not meet the actual needs.

Related to including multiple perspectives in the development process, it is of high importance to target the customers through its all levels of hierarchy, from the lowest level to top management. By gaining support from top management, the project will likely be more convincing and able to succeed. These aspects align with the literature, stating that by including stakeholders from multiple levels of the hierarchy in the co-creation process, their support is guaranteed (Jansens, 2012).

The DART framework developed by Prahalad and Ramaswamy (2004) states that transparency is required for the customer to understand the delivered value. This is something that could result both in mutual trust and responsiveness. Access is also an important building block that should be considered in the development approach to ensure the development approach. Finally, the
customer should be involved in all steps of the development process to ensure satisfied customers (Payne et al., 2006). This also corresponds to how the managerial processes should be shaped to drive successful co-creation according to Verleye (2013). By including a broader network, their needs can be reflected and their engagement will further improve the co-creation experience. A broader set of processes and interactions could also positively affect the relationship encounter processes and relationship experiences as suggested by Payne et al (2006). On the other hand, it is also a disadvantage since it creates the need to manage across both customers and suppliers and have more agile processes (Prahalad & Ramaswamy, 2004).

Ownership and product protection

Ownership and product protection are complex areas, however critical to consider when using co-creation as a market entry strategy. Aspects of ownership and product protection are closely related and a key success factor to have clear arguments on ownership and sensitive information related the co-created product.

If not regulating who owns what and what can be shared, a pitfall may be that IP, sensitive value and knowledge leak out without control and to possible competitors. This may lead to that the customer starts a competing business, which is a pitfall to avoid.

Connected to a high level of product control, comes a success factor to aim for high level of ownership. A high level of ownership may ease to gain a strong and independent position on the market. This is important for initial positioning to be able to resist possible competing businesses and ensure that no customer gets too dominant.

When having a co-creation strategy, where the customer is involved and contributes through the development process, a possible pitfall is that the customer wants to own some of the results. This may not be preferable for a company, an early stage company, as they want to commercialize the product.

Neither ownership nor product protection are covered in the literature on co-creation. This is most likely since this study is looking from the perspective of an early stage company. This is a time when ownership of IP is crucial to consider for the developing company, to prevent possible leak out. After all, focus on co-creation in literature is on the product developing process, rather than on more holistic business decisions or organizational structures and implications (Prahalad & Ramaswamy, 2004).

Expectation and communication

Communication may be a seemingly worn out and vacuous term related to successful projects and collaborations, hence necessary to further concretize in relation to a co-creation strategy. One aspect of its importance, which also applies to expectation, relates to the definition of the term “co-creation”. Different interpretations regarding its meaning occur, both from suppliers and customers, when developing a product. The concept is relatively new in the context towards HR departments and product development in general. Hence, a key success factor is to have common clarity of the term “co-creation”, what its meaning is related a specific collaboration between a supplier and its customer. Moreover, besides having clarity of the term co-creation, other success factors involve clear expectation and communication regarding timeframe, ownership, commitment and costs. Without a clear and common understanding, it might result in pitfalls of misunderstandings related the collaboration, hence limited ability to develop a sustainable
relationship and product. Furthermore, for a co-creation strategy to achieve a long term sustainable solution, a close cooperation with continuous feedback and follow-ups are key success factors. If not being able to offer clarity in communication and expectations, and the collaboration lack of close interaction and follow-ups, a probable pitfall is that the initiative becomes a one-time effort.

Since HR departments may be unfamiliar with the concept of co-creation, their traditional way of budgeting the development of an HR tool may need to adapt to this new approach. It is therefore fundamental to clearly specify what is included in the project and all costs.

Communication and expectation also involve budgeting and costs. HR departments may be unfamiliar with how to budget a co-creation development process. This align with external consultants and suppliers being costly, it is necessary to deliver a clear business case with cost and benefit analysis. A strong business case should include: cost, value and uniqueness. Present a winning concept from start that is straightforward which they easily can present to the top management.

Cost of development and maintenance was a hot topic among the interviews, while not so common in the literature regarding co-creation. Jansens (2012) stated that since stakeholders are involved in every part of the development process, less resources are wasted when using co-creation. The type of long term relationship that co-creation leads to may have a negative effect on short term goals as education of both parties is needed (Payne et al., 2006) and there might be a need for investment in co-creation friendly technology (Prahalad & Ramaswamy, 2004). The results from interviews and observations show that there is a need to be clear about all costs regarding the co-creation process. This might be a particularly sensitive topic since it was clear that HR often has more limitations in its budget compared to other departments. This would make the cost of a project especially important.

The area expectation and communication is directly translatable to the findings in literature. In the DART framework presented by Prahalad and Ramaswamy (2004), dialogue is one of the building blocks. Their description of dialogue corresponds well to the area communication. It also fits well with the interaction processes defined by Payne et al (2006) and tactical managerial processes defined by Verleye (2013). Managerial implications of co-creation include the education of managers in precisely this: rapid and transparent communication (Prahalad & Ramaswamy, 2004) and co-creation behaviors (Payne et al., 2006). Through a healthy dialogue between supplier and customer, expectations can clearly be defined by both parties.
Success factors and pitfalls

Based on above presented areas, a summarized answer to SQ2 consisting of success factors and pitfalls when using co-creation as a possible market entry strategy are presented in Table 7.

**Table 7. Success factors and pitfalls for using co-creation as a market entry strategy with HR as a customer**

<table>
<thead>
<tr>
<th>DEVELOPMENT APPROACH</th>
<th>OWNERSHIP AND PRODUCT PROTECTION</th>
<th>EXPECTATION AND COMMUNICATION</th>
</tr>
</thead>
</table>
| **SUCCESS FACTORS**   | • Start small and co-create an agile pilot project  
|                       | • Multiple perspectives on gap  
|                       | • Support from top management  | • Clear agreements on ownership and sensitive information  
|                       | • High level of ownership  | • Clarity of the term “co-creation”  
|                       | • Clarity of the term “co-creation”  
|                       | • Clear expectation and communication regarding timeframe, ownership, commitment and costs.  
|                       | • Close cooperation with continuous feedback and follow-up  
|                       | • Business case including cost, value and uniqueness  | • Misunderstandings  
|                       | • IP, sensitive value and knowledge leak out  
|                       | • Customer starts a competing business  
|                       | • Customer wants to own some of the results  | • Initiative becomes a one-time effort  
| **PITFALLS** | • Underestimate requirements  
| | • Silo mentality  
| | • Solely HR’s point of view  
| | • Not involving end users  | • Misunderstandings  
| | • IP, sensitive value and knowledge leak out  
| | • Customer starts a competing business  
| | • Customer wants to own some of the results  |

5.1.3 Differences between primary and secondary data

There are gaps between what is covered in literature in relation to what came up during interviews and observations. One of the reasons for this is that the literature does not cover the use of co-creation as a market entry strategy. Thus, the existing frameworks regarding co-creation is focused on the perspective of product development and do not take market entry strategy issues into account. This gap shows that the current models for co-creation need to be adapted to the issues that companies face when entering a new market.

Another reason for the different findings between literature and interviews/observations, is that the literature study is based on established and approved definitions of the co-creation concept. The people that participated in the interviews and observations did not have the same interpretation and experience of the concept. As the participants understandings of the concept were different, they also highlighted different aspects. It is believed to be favorably to consider various of perspectives to fulfill the purpose of the study.
The interviews and observations aimed for identifying success factors and pitfalls when using co-creation as a possible market entry strategy with an HR department as a customer. Since the meaning of the term “co-creation” may vary depending on interviewee, the focus was on “collaboration” and how a supplier with a strategy to collaborate in the development process of a digital HR tool may successfully gain and sustain customers. Such a collaborative strategy is believed to correspond to a co-creation strategy.

5.2 Discussion on findings

Based on above answers and analysis of SQ1 and SQ2, the main RQ can be answered, which involves the question if co-creation can be used as a market entry strategy for an early stage company? If yes, how should it be used when developing digital HR-tools? From the findings, SQ1 shows that co-creation can be used as a market entry strategy for an early stage company, while SQ2 gives recommendations of how it should be used, by identified success factors and pitfalls.

5.2.1 Co-creation as a market entry strategy

In a market that is transforming from a firm-centric view to a creation-based view, the old methods of creating value face the need to be updated to the new circumstances. Traditional strategic alliances, joint ventures and partnerships view the alliance as an interfirm collaboration to develop a product for a consumer. In the new market where the locus is on co-creation of value and economic extraction by the consumer and the firm, there is a need for a strategy that considers the consumer as an allied.

In the scope of this study, it is believed to generate added value to distinguish similar market entry strategies from each other, to be able to emphasize their core element respectively. Due to this, this study differentiates co-creation from strategic alliance, which is the identified most applicable entry strategy related to co-creation. Similar reasoning is found in Figure 12, where the strategies are presented separately even though they may align to each other to some extent. In other words, this study proposes that co-creation is a new type of market entry strategy for companies that aim to co-create value with their customers.

In this proposal, the consumer is considered as a collaborator for a company that uses co-creation to enter a market. Since the co-created value is created for the customer, the customer should also be the allied. This close relationship provides mutual benefits, sustainable relationships and networks. Since co-creation is now seen as a new type of entry strategy, it has been added to the framework by Miller (1998), see Figure 12. This modified and new interpretation of the framework illustrates the position of co-creation in relation to the most common entry strategies in literature.
Co-creation demands high level of ownership and control. A co-creating company, in particular an early stage company, should aim for a high level of ownership of the co-created product, to gain a strong and independent position on the market. A successful co-creation strategy enables an increased ownership and control of a company’s operations and decisions. Companies with strategies on a lower level may not to the same extent control and own their operations, as they may have more restrictions of their operations and decisions due to their partnering company.

With a higher level of ownership and control, comes a higher level of investment and risk. A co-creating company may not be able to fall back on any partners in the same way that a joint venture or strategic alliance can. Based on this, co-creation is positioned above all strategies, except the strategy wholly owned subsidiary. Co-creation is believed to have a lower risk than wholly owned subsidiary due to its close interaction with customers, which may result in fewer misunderstandings and failed projects. A co-creating company may have an increased opportunity to ensure the customer’s satisfaction, due to the customer’s larger power to affect through co-creation of the products. Connected to this, a co-creating company needs to be more agile and responsive to specific needs, thus they have lower control, while maintaining full ownership. A wholly owned subsidiary may be the most independent strategy of all. This may be preferable, however may also lead to less responsiveness towards customers.

5.2.2 Success factors and pitfalls
Since the study shows that co-creation can be used a market entry strategy, the next question to reflect upon is how it should be used. To be able to answer this, SQ2 aimed to identify success factors and pitfalls to consider. This resulted in three main areas which were highly relevant to gain knowledge about for a company facing this situation. As mentioned previously, these three areas are: development approach, ownership and product protection, and expectation and
To further concretize these areas, success factors and pitfalls were chosen, which were believed to be extra interesting and fundamental related co-creation, see above Table 7. However, these success factors and pitfalls are not believed to be sufficient to solely limit to, they rather aim to give an idea of which situations may arise. To run a sustainable business, best practices related the specific type of product development and industry should be applied as well.

It is interesting to consider if these success factors and pitfalls are unique for a collaboration with HR as a customer, or if they are applicable to other types of customers as well. For example, clear communication and similar expectations must surely be a requirement in many different types of development projects. The less understanding and communication, the bigger the risk of misunderstandings and failed projects.

**Development approach**

The pitfall of considering only HR’s point of view is particularly interesting. HR needs to connect to each part of the company and understand what each part needs. This is a challenge that might be applicable to some other projects, but not all. As stated in the interviews, HR often believe that HR knows all and sees all. But that is rarely the case and many organizations face problems due to centralized organizational structures that create distances between HR and the rest of the company. However, the challenge of knowing what the customer really need may apply to many product development companies. In the case of this study, the supplier would simply use HR to understand the company’s problem and then in turn use the end users when co-creating. But HR’s job is to know what the company needs. If HR’s view is incorrect or insufficient, how will that affect the outcome of the co-created project? Would it be better to collaborate with an HR specialist company? Is it a problem that co-creation initially occurs with HR, and not the end user?

Is support from top management particularly important for an HR department since they regularly have a tighter budget than other departments? This may be a biased opinion from HR, as small budgets could be issues for other departments as well. However, support from top management does not only mean a more generous budget, it may also ensure a high level of engagement to increase impact of the project.

When it comes to starting small and co-creating an agile pilot project, this was related to having an incremental development approach. This is not to be confused with incremental innovation. Co-creation may preferably be used to create both radical and incremental innovations. This success factor is related to the overall approach of the projects. A common mistake for early stage companies is that they try to do too many things at once, but due to their limited capacity they end up with low quality solutions, or fail altogether. An incremental development approach can be used to gradually take on a gap, which has been seen from multiple perspectives. Once the core of the product is in place, the company can start expanding.

**Ownership and product protection**

When discussing co-creation and collaborations, ownership becomes a topic of interest. From a supplier’s perspective, they need to create a sustainable business. To do so they must ensure its finances. This can be done through sustainable sources of income and ensuring their rights to their products. When discussing an early stage company this becomes a natural area that must be considered and dealt with, before moving on to other areas of interest. It is not particularly unique to co-creation, it rather affects any company that has IP, sensitive information and valuable
knowledge. The likelihood of HR starting a competing business with a company that co-creates digital HR tools may be low. But if the HR department belongs to a software development company that has the skills and knowledge to build similar products, there might be a risk. However, if the early stage company is firm and direct in its communication and protection of what is theirs, these factors will not likely become an issue.

**Expectation and communication**

The somewhat overused term of communication might seem like it has lost its value, since it is a part of many best practices. However, it remains a vital building block in co-creation as clearly defined in literature of co-creation frameworks as well as through interviews. Bad communication is the source of many failed projects. When it comes to a relatively new method, such as co-creation, it is even more important to ensure that both the supplier and customer knows what to expect from the relationship. Communication is a key factor of running a successful co-creation and comes with many positive benefits. It creates clear expectations and removes the risk of misunderstandings, unexpected costs and short-term relationships.

**5.2.1 Sustainability of the proposal**

A successful co-creation entry strategy aims to generate competitive and sustainable products. Since the customer has been involved in the process of creation in accordance to their preferences and needs, the product has most likely an increased credibility to respond to the market and be relevant. In turn, this generates sustainable product solutions as well as relationships to customers. Long term relationships are highly considered by companies, even though its potential negative effect on short term financial goals. By building sustainable relationships through a co-creation strategy, financing will be ensured. This in turn will generate a sustainable business build on a network approach, with trust and mutual benefits. Ensuring sustainable relationships will also include social and ethical aspects, the supplier cannot mislead their customer when collaborating.

**5.3 Robustness of the study**

This study is based on triangulation and gathered data from over 75 scientific articles and books, 10 interviews and 5 observations. Donald Warwick (1973) stated that “every method of data collection is only an approximation to knowledge. Each provides a different and usually valid glimpse of reality, and are all limited when used alone”. By gaining multiple perspectives on the subject, it became easier to maintain objectivity and draw a bigger picture of the actual situation, positively affecting the validity and reliability of the study.

The study followed standardized data gathering methods and the gathered empirical material were processed in a critical manner. However, both when gathering and analyzing the data, there is a risk that not every important area is identified.

When conducting the interviews, the focus was to cover HR’s points of view. This approach might be considered to relate to a business’ perspective, since it puts focus on the potential customer. However, it seemed important to make sure that the potential customer would consider the kind of collaboration that co-creation implies. To address the opportunities and challenges on a larger scale, more focus could potentially be put on the processes of co-creation and its implications for both supplier and customer. By highlighting the potential viewpoints from such approach, a deeper
analysis can be performed. This would gain further insights involving co-creation as a possible market entry strategy and increase the validity of the study.

Another aspect of the interviews is that they were semi-structured, affecting the outcome of each answer as it implies that questions might be stated in different ways, at different times, depending on interview. This may lead to different interpretations and outcomes of the questions and answers, lowering both the validity and reliability. Another factor that affects the reliability in a negative manner is the anonymity of interviewees and observed situations. Because the interviews were held with potential customers, and because they shared sensitive information, they were all kept anonymous. This makes it difficult to replicate the interviews, thus affecting the reliability. This was however necessary to protect the participants and their companies and a requirement from several of them.

This study is based on some strict definitions. The first is of an early stage company. The second is that the study only analyzes market entry strategies, not market entry modes. Both restrictions may cause a distorted picture of reality. This might also create confusion in literature as there are different definitions of a market entry strategy compared to a market entry mode.
6. Conclusions

This chapter presents the key findings from the research related to the purpose of this study. The study’s limitations and contributions to knowledge are presented and future work is suggested.

6.1 Research purpose

The purpose of this study was to identify key aspects to consider when using co-creation as a possible market entry strategy. To identify if it is possible to consider co-creation as a market entry strategy, a literature study on co-creation and current market entry strategies was performed.

The definition of co-creation which stands as the basis of the study was as follows: “high-quality interactions that enable an individual customer to co-create unique experiences with the company [to unlock] new sources of competitive advantage. Value will have to be created by both the firm and the consumer”. This means that the customer is seen as a collaborator of value when it comes to creation of products that the customer wants. The customers can give input on exactly what they want to the supplier, which enables companies to provide them with customized and highly relevant products.

When studying market entry strategies, a theory called the Network approach was analyzed. It suggests that companies with strong business networks can successfully enter new markets due to the resources and relationships in their network, for example, through a strategic alliance or joint venture. In theory, a network approach may go well with a co-creation strategy that is also based on close relationships between a company and its customers. Similar to co-creation, a network approach can generate a high level of trust, learning and commitment which can result in successful joint productivity. Based on a network approach, a strategic alliance becomes a natural alternative in a network of actors that aims to create innovation together. It is increasingly important for a company’s strategy to sustain and develop its competitive advantages in dynamic market environments. Based on this, it is believed that a strategic alliance may be seen as the most applicable entry strategy to align with a co-creation strategy. Some authors mean that strategic alliance may take one of the forms such as: joint venture, licensing agreement, or partnership. However, a more common approach is to discuss strategic alliance and joint venture together, where strategic alliance may be seen as a less involved and permanent form of joint venture.

However, this study found that current definitions of strategic alliance are “inter-firm collaboration” or “business relationships in which two or more companies working to achieve a collective advantage”. In other words, it is discussed in the context of a company-to-company business relationship. This study shows that there is a need to introduce a strategy that considers how companies can enter a market by co-creating with their customers. This insufficiency in the reviewed literature is believed to be noteworthy and underlines the argument to introduce co-creation as a strategy relevant when entering a market, where the focus has shifted from a traditional firm-centric view towards joint creation of value. Therefore, this study presents a modified framework based on the one originally created by Miller (1998) in Figure 12, where co-creation has been positioned as a new market entry strategy.
The results from the semi-structured interviews and active participating observations show that HR is requesting more customized solutions by external suppliers that manage the maintenance of the system for them. They also indicate that co-creation is a favorable strategy to use when developing digital HR tools. The study identified three main areas to consider for an early stage company that wants to enter with a co-creation strategy. These are: development approach, ownership and product protection, and expectation and communication. These key areas were identified as fundamental to consider for a successful market entry, in the specific case of co-creating a digital HR tool.

To conclude and answer the RQ, co-creation is a new type of market entry strategy for companies that aim to co-create value with their customers. The study fulfilled its purpose to identify key areas to consider when using co-creation as a possible market entry strategy.

6.2 Limitations

The study has been limited based on time constraints and a few strict definitions made in order to delimit the study.

One limitation was that not enough interviews were held with experts and professionals with insights into co-creation. It would also have generated added value to have close interactions with product development teams with experience from various collaboration projects. This would have generated deeper insights to the possible success factors and pitfalls when developing a digital HR tools and significantly improved the validity and reliability of the findings. However, due to time constraints this was not possible.

Related to time constraints is also the findings related the framework by Miller (1998), which were modified by adding co-creation as a new market entry strategy. The Mill framework is not necessarily a perfect match related co-creation with regards to the measured factors of level of ownership and control and level of investment and risk. There may be other factors that would be more fitting and relevant to measure. However, since the time frame was limited it was not possible to identify those potential factors or to create a new framework.

When it comes to strict definitions, the supplying company was defined as an early stage company. This limits the study in the sense that it does not deal with companies in other stages that wants to enter a market using a co-creation strategy. The definition of an early stage company may vary and different definitions may generate various outcomes. Furthermore, the customer was defined as an HR department which limits the study to be solely applicable to HR. Finally, the definition of a market entry was delimited from mode of entry and focused on the definition of strategies. This limit the study regarding emphasizing their possible differences, which might have affected the outcome of the study. These chosen definitions to investigate together create a specific case, where the results may not be generalizable.

6.3 Contribution to knowledge

As stated by Bolton (2006) in the beginning of this study, there is a clear need to find more theoretical approaches to help companies identify best practices of co-creation.

The findings of this study show not only that co-creation can be used when developing digital HR tools, but also that it can been seen a new market entry strategy. This study proposes that co-
creation can be used as a strategy of entry, where the customer is not just a consumer but also a part of the product development. Hence, the study contributes to new ways in which co-creation can be used. Since the study is commissioned by a company, it is not only interesting in the academic sense. There is also a need in the market to discuss and highlight such knowledge.

Furthermore, the study contributes with a new type of market entry strategy with a discussion of its differences and similarities to other market entry strategies, for example a strategic alliance. Identified success factors and pitfalls are other contributions that serve as propositions for companies that want to enter a market with a co-creation strategy. Finally, a modified framework by Miller (1998) is presented, where the market entry strategy of co-creation has been positioned.

6.4 Future work

There is a need to continue researching the different aspects of co-creation and its possible use. Presented below are a few examples relevant for future work:

- Once a company has entered a market, it needs to start growing to reach a critical mass, among other KPIs. An idea is to investigate how co-creation can be used as a growth strategy, or complement a growth strategy. In order to truly build sustainable relationships, research can be done on sustainable co-creation processes to identify best practices.

- Future research may also investigate other possible positions for co-creation in the framework by Miller (1998). Comprehensive research may result in another position for the strategy; for example, it might lead to co-creation being applied to the whole span of existing strategies, as illustrated in Figure 13.

![Figure 13. Suggestion on future work and how co-creation may be related to different entry strategies, based on the framework by Miller (1998)]
• Future studies might investigate the possibility of another framework being more suitable to apply to a co-creation strategy, or possibly develop a whole new framework. Connected to this may be to investigate the use of other values than *level of risk and investment* in relation to *ownership and control of foreign operations*, as presented in the framework by Miller (1998). There might be other measures that would generate different results when looking at co-creation as a market entry strategy.

• This study has looked at co-creation of digital HR tools, which means that the results from interviews and observations, together with HR professionals, are delimited to the field of HR. It would be interesting to consider how generalizable the findings are, involving to what extent the target of HR has affected the findings.

• As the interviews and observations were conducted in Sweden, the data has most likely been affected by corresponding cultural influences and biases. To improve the concept of co-creation as a market entry strategy, it is necessary to include a more diverse sample group.
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Articles


Books


Tavana M. 2014. *Developing Business Strategies and Identifying Risk Factors in Modern Organizations*. La Salle University, USA


**Websites**


Online document


Interviews and observations

A1 - Business Coach, Investment Manager
A2 - Business Lawyer
A3 – Project Manager
B1 – HR Director
B2 – CEO in HR services
B3 – HR Manager
B4 – HR Manager
B5 – HR Professional
B6 – President Human Resources
B7 – Head of Recruitment
O1 – Art director and Communication Expert
O2 – HR Manager
O3 – Education Expert
O4 – HR Manager
O5 – HR Manager
Appendix A - Interview questions

Interview questions within the topic of HR

Based on the interviews B1 - B7 as presented in Table 4, chapter 3.2.1.

Background & Career
- Can you tell us shortly about your background in HR?

Strengths & Weaknesses
- What working areas does HR consist of at [the specific company]?
- Within what HR area at [the specific company] do you consider to be the strongest?
- Why do you think that is?
- Where can you see weakness in your work?
- Why do you think that is?
- What area within HR at [the specific company] do you think needs innovation?
- What kind of innovation?

Challenges
- What are the biggest challenges that HR departments are facing based on your experience?

HR-tools
- How do you work today at [the specific company] with selecting HR tools?

Developing HR-tools
- How do you work with developing HR tools?
- Do you develop in-house or do you collaborate or buy from external suppliers?
- Who needs to be involved in the development process of an HR tool?
- Would you consider collaborating with a company to develop an HR tool?
- What do you consider to be important to know for a company that collaborates with an HR department to develop HR tools?
- For a successful collaboration?
- What challenges can you see with this kind of collaboration?

HR in the future
- Looking ahead, how do you think that HR departments will change?
- What future trends can you see within HR?
- Will there be a shift in the needs of HR?
- What tools do you think will be used?
Interview questions within the topic of business development

Based on the interviews A1 & A3 as presented in Table 4, chapter 3.2.1.

**Background & Career**

- Can you tell us shortly about your background in business development?
- What is your experience when working with early stage companies?

**Market entry strategies**

- How do you work with development and selection of market entry strategies?
- What should be considered when choosing a market entry strategy?
- What common success factors and pitfalls have you noticed?
- What are the most common market entry strategies that you have encountered in the IT sector for early stage companies?
- How should a company choose a market entry strategy?

**Co-creation**

- We are investigating how co-creation can be integrated with a market entry strategy. What challenges and opportunities can you see with this kind of integration?
- How about when the customer is an HR department?
- Do you know of any market entry strategies that are related to co-creation?
- What are the biggest mistakes that can be done when co-creating?
- What are the most relevant market entry strategies to consider when using co-creation?
- What pitfalls can you see when using co-creation as a market entry strategy?
- What success factors can you see when using co-creation as a market entry strategy?

**Trends in market entry strategies**

- Looking ahead, how do you think that market entry strategies will change?

**Partnership and collaborations**

- What is your definition of partnership?
- What similarities can you see between a partnership and co-creation?
- Does partnership need to include owning rights?
- What are advantages and disadvantages of partnerships?
- Out of the two, which entry strategy would you recommend?
Interview questions within the topic of legal rights

Based on the interview A2 as presented in Table 4, chapter 3.2.1.

**Background & Career**
- Can you tell us shortly about your background in law and entrepreneurship?
- What is your experience when working with early stage companies?
- Have you worked with companies when they are about to enter a market for the first time?

**Market entry strategies**
- What should be considered when choosing a market entry strategy?
- What common success factors and pitfalls have you noticed?
- What are the most common market entry strategies that you have encountered in the IT sector for early stage companies?
- How should a company choose a market entry strategy?

**Co-creation**
- What is your definition of co-creation?
- We are investigating how co-creation can be integrated with a market entry strategy. What challenges and opportunities can you see with this kind of integration?
- How about when the customer is an HR department?
- What are the biggest mistakes that can be done when co-creating?
- What pitfalls can you see when using co-creation as a market entry strategy?
- What success factors can you see when using co-creation as a market entry strategy?

**Ownership**
- What do you think are aspects to consider when it comes to ownership of a co-created product?

**Trends in market entry strategies**
- Looking ahead, how do you think that market entry strategies will change?

**Partnership and collaborations**
- What is your definition of partnership?
- What similarities can you see between a partnership and co-creation?
- Does partnership need to include owning rights?
- What are advantages and disadvantages of partnerships?
- Out of the two, which entry strategy would you recommend?