

## Customer solutions – new sources of sustainable competitive advantage in times of global economic crisis

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**Abstract:** *The global economic crisis changed the competition game in any marketplace. Faced with increasing competition, declining margins or decreasing demand due to crisis, the firms are looking for new ways to compete at global level. Considering Peter Drucker's argument that the reason the firms exist is to satisfy the customer, they are trying to differentiate themselves by moving their focus from simple stand-alone products and/or services and instead developing customer solutions. They are defined in the extant literature as a combination of goods and services designed to satisfy a customer's business needs and therefore they are difficult to imitate and thus they have the potential to be used as a source of sustainable*

*competitive advantage. Much more, firms are facing a demand change from their customers as a response to address new business requirements imposed by the economic crisis. But the shift towards developing, selling and implementing customer solutions is not an easy journey. The firms have to transform many aspects of their business. The question that arises is what are the major challenges firms are facing in creating effective customer solutions to achieve sustainable competitive advantage and how they could address these challenges.*

**Keywords:** customer solutions, competitive advantage, value co-creation

**JEL:** L10, D40, M10

## 1. Introduction

In different industries across various geographies the firms are looking for new ways to differentiate from the competition in the markets they are operating in by offering customer solutions rather than stand-alone products or services (Nordin & Kowalkowski, 2010). They are defined in the extant literature as integrated combination of goods and services designed to meet a customer's specific business needs (Miller et al, 2002). Much more, customers themselves are pushing them in that direction, as their needs become more extensive (Davies et al, 2006). This paper is an investigation into the potential of using customer solutions for creating sustainable competitive advantage within the boundaries defined below.

Customer solutions – as a complete subject for discussion – are beyond the scope of any single paper. The field of inquiry in this paper is thus narrowed to the discussion of customer solutions from a value creation process perspective. The reason is that, as several authors argue, providing solutions that address a customer's needs means that firms have to understand how value is created "through the eyes of the customer" (Wise & Baumgartner, 1999, p. 135). The firms evaluating the option to switch towards customer

solutions have to consider a comprehensive change in many areas of their business from strategies and positions in the value stream to their organizational capabilities, structures, cultures and even people mind-sets (Davies et al, 2003; Brady et al, 2005a). Therefore, even if the driving forces provide opportunities for firms to offer customer solutions, it is not always an easy task to design, develop and sell these new offerings, especially for firms that have traditionally focused on selling products or simple services (Bowen et al, 1989; Brown, 2000). Not few are the questions a firm might have in finding the most effective way to grasp these market opportunities and many are the challenges this firm would face when making the decision to follow the road towards providing customer solutions. Therefore, the general focus research question of this paper is "what are the major challenges firms are facing in creating effective integrated solutions to achieve sustainable competitive advantage?"

The paper takes a managerial perspective for the discussion of the customer solutions. The reason is the one Harreld et al (2007) suggest. They argue that managers need to be able to accomplish two tasks: "first, they must be able to accurately sense changes in their competitive environment, including potential shifts in technology, competition,

customers, and regulation" (p. 24) and "second, they must be able to act on these opportunities and threats; to be able to seize them by reconfiguring both tangible and intangible assets to meet new challenges" (p. 25).

As there is no single best way to become an integrated solutions provider (Davies et al, 2006) and the approaches varies from industry to industry, this paper narrows further the discussion to one single industry, specifically Romanian Information Technology (IT) sector. The main reason explaining the selection of this industry is that the Information Technology (IT) sector is one of the first sectors that started the transition towards customer solutions (Cerasale & Stone, 2004). The provision of customer solutions in the IT sector is a better option for a firm in terms of added value creation when compared to simple hardware or software products (Ceci & Prencipe, 2008). Much more, as these authors argue, the development of the related internal capabilities towards offering customer solutions provides the firm higher advantages against competition.

The rest of this paper is organized as follows. A review of the extant literature on the main concepts of this paper is performed in Section 2. The following section (Section 3) covers an empirical study of the customer solution in the particular context of the Romanian IT industry including the research objectives, the research design and the demographic data analysis. The findings from literature review and research results are discussed together afterwards in this section. At the end of this section, the conclusions from these findings are provided and based on them a set of recommendations are proposed in Section 4. The research limitations and the opportunities for future research are covered

in Section 5. The overall conclusion is provided in the last section of this paper (Section 6).

## 2. Background

### 2.1. The concept of sustainable competitive advantage

"What exactly constitutes sustainable competitive advantage is a question rarely asked. Most corporate strategists [...] know a sustainable competitive advantage when they see it – or so they assume. [...] A sustainable competitive advantage is not always so easy to identify. Perhaps it is because the meaning of sustainable competitive advantage is superficially self-evident that virtually no effort has been made to define it explicitly" (Coyne, 1986, p. 2).

Regarding the history of concept of competitive advantage, Selznick (1957) can be attributed with linking advantage to competency. The next major development belongs to Hofer & Schendel (1978) who viewed competitive advantage as something that can be used within the firm's strategy and thus competencies and competitive advantage are independent variables and performance is dependant variable. Day (1984) and Porter (1985) provided the next generation of conceptualization. Rather than being something that is used within strategy, these authors saw competitive advantage as the objective as strategy, the dependant variable. Only in 1991 Barney (1991) provided a formal definition: "A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors. A firm is said to have a sustained competitive advantage when it is implementing a value creating strategy

not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy" (p. 102). Based on both Barney's work and the definitions of each term provided in the dictionary, Hoffmann (2000) offered the following formal conceptual definition: "A sustainable competitive advantage is the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by any current or potential competitors along with the inability to duplicate the benefits of this strategy" (p. 1).

## 2.2. The concept of customer solutions

A number of definitions could be found in the academic and practitioner literature related to the solution concept that requires some discussions in terms of commonalities and discrepancies among these definitions.

Extant literature views the solution as a customized and integrated combination of goods and services for meeting a customer's business needs (Davies et al, 2006; Sawhney, 2006). Regardless the terminology used, three aspects are common across. First, a solution is a combination of goods and services. Second, solutions have both an integrative and a customization aspect. Third, the definitions point out the importance of addressing customers' needs in their definitions.

Beyond these commonalities, a number of differences could be observed. The first is the term of combination in the solution's definition. For instance, Hax & Wilde (2001) refer to a wider offering of products and services that satisfies most if not all the customer's needs. Second, several authors don't use the term solution itself. Stremersch et al (2001)

refers to the full service as a "comprehensive bundle of products and/or services, that fully satisfies the needs and wants of a customer related to a specific event or problem" (p. 1). Third, some definitions are more specific, including details about the constitutive elements. According to Sawhney et al (2006), "a solution is a customized, integrated combination of products, services and information that solves a customer's problem" (2006, p. 78). "The companies following a solution strategy bundle their products together and add software and services" (Galbraith, 2002a, p. 194). Sheperd & Ahmed (2000) refers to integrated products (hardware and software) and services. Other particularities in the definition refer to the targeted customer set or the nature of customer's needs. Miller et al (2002) view solutions as "integrated combinations of products and/or services that are unusually tailored to create outcomes desired by specific clients or types of clients. Or the solution means bringing together products and services in order to address a customer's particular business or operational requirements (Brady et al, 2005a). The outcome of the solutions is included some definitions. For example, Johansson et al (2003) argue that "a solution is a combination of products and services that creates value beyond the sum of its parts... , it is the level of customization and integration that sets solutions above products or services or bundles of products and services." (p. 118).

To summarize, scholars and practitioners offer various definitions and interpretations of the solution concept. These definitions are often context-dependent (Storbacka & Pennanen, 2014) meaning that they can vary according to, for example, the size and scope of the offering, the type of

elements integrated into the solution and the type of industry that a firm operates in.

For consistency, the term used in this paper is integrated solution (IS).

### **2.3. Main characteristics of customer solutions**

Penttinen & Palmer (2007) point out two main characteristics of integrated solutions (IS) which differentiates them from pure products, pure service offerings or pure (traditional) product-service bundles: the completeness of the offering and the nature of customer-provider relationship.

First, a central characteristic of integrated solutions is that they are more focused on specific customer problems than simple products (Stremersch et al, 2001). The higher the degree to which a customer problem is identified and addressed by providing the most effective solution to this problem and less the work required from the customer to solve that problem, the higher is the degree of completeness of the offering (Burianek, 2011). Thus, customer solutions usually comprise in the IT field physical products, software and services like basic installed services, maintenance services, professional services and operational services supporting and/or operating the hardware/software or a whole business processes of the customer (Oliva & Kallenberg, 2003). Similarly, Shepherd & Ahmed (2000) argue that companies have to focus on the processes and operations of their customers instead of their own products and spare parts.

Second, for meeting customer specific needs a more relational provider-customer relationship is needed and such a higher degree of interaction between both parties

(Burianek, 2011). This author argues that the better the relation between customer and provider is developed the better the specific customer needs can be analyzed, discussed, and thus be met. The intensity of the relationship can be measured by using different concepts: information exchange, operational linkages, legal bonds, cooperative norms and relationship specific adaptations by the seller or the buyer (Cannon & Perreault, 1999). As Doyle (2002) argues, the two-way communication between customer and provider allows an accurate definition of the customer's specific needs and problems in such a way that the benefits of implementing the customer solution can be tailored to meet the customer's requirements.

### **2.4. Customer solutions – a value creation process perspective**

Considering the solutions' characteristics highlighted in the previous section, the move towards integrated solutions is not only about offering additional services, but also about shifting from a product-centric to a customer-centric organization to provide integrated combinations of products and services focusing on a customer's business need (Galbraith, 2002; Hax & Wilde, 1999; Tuli et al, 2007; Wise & Baumgartner, 1999). In contrast with the product-centric mind-set based on what a firm is successful in the market it operates by enhancing the features of existing products or by (Sawhney, 2006), in the solution-centric mind-set, the provider's focus lies not on the product itself but actually on the customer and his requirements and these are the basis of defining all the value creation activities (Galbraith, 2002; Sawhney, 2006).

"A process perspective on a business is the customer's perspective [...] A process



perspective requires that we start with customers and what they want from us and work backward from there" (Hammer, 1996, p. 12). In line with this view, Tuli et al (2007) argue that across different definitions of integrated solutions, there is little evidence in the extant literature to suggest that these definitions reflect provider's or customer's perspective or both. As such, Tuli et al (2007) argue that, given that the purpose of an integrated solution is to satisfy a customer's business needs, it is useful to view integrated solutions from customer's perspective and to focus on the customer's value creation processes, defined as a series of activities performed by the customer to achieve a particular goal (Payne et al, 2008).

Most researchers proposed sequential processes to describe the development and implementation of an integrated solution. According to Sawhney (2006), the solution development process begins with the analysis of a customer problem by defining customer outcomes and mapping customer activities and ends with the identification of products and services needed to solve the entire problem, before moving on the integration (implementation) stage. Similarly, Davies et al (2007) argue that an integrated solutions supplier should (a) provide an in-depth analysis of a customer's business; (b) identify and diagnose problems in a customer's organization; (c) offer solutions based on its experience of working with a number of customers facing similar situations; and (d) coordinate the integration of components into a solution. In more recent developments, Storbacka (2011) proposes a four-stage process to create integrated solutions: develop solutions, create demand, sell solutions and deliver.

Based on an empirical research, Tuli et al (2007) demonstrated that an integrated solution involves "a set of customer-supplier relational processes comprising (1) customer requirements definition, (2) customization and integration of goods and/or services and (3) their deployment, and (4) post-deployment customer support and all of which are aimed at meeting customers' business needs" (p. 5). These authors observed that the difference resides in two relational processes that many suppliers underemphasize, but considered crucial by the customers: requirements definition and post-deployment support. They are in agreement with Brady et al, 2005b) who propose a four-stage process for developing and deploying an integrated solution throughout its lifecycle that include: strategic engagement phase (pre-bid activities); value proposition phase (bid or offer activities); systems integration phase (project execution activities); and operational service phase (post-project activities). Based on the work of Tuli et al (2007), Burianek et al (2011) derived a four-step iterative process of value creation comprising (a) analysis/consulting, (b) design/configuration, (c) implementation/delivery, and (d) support/operation.

## 2.5. Integrated solutions and sustainable competitive advantage

Considering the shift of focus from the goods exchange towards a solutions-oriented view (Tuli et al, 2007; Vargo & Lusch, 2004), White & Ponder (2008) extends Hoffman's (2000) work on sustainable competitive advantage – as highlighted in section 2.1 – by proposing a sustainable competitive advantage model through the co-creation of value. The starting point for the value co-production

process is the participation of both provider and customer for sharing and combining the knowledge to create together the solution (Lusch et al, 2007). In this approach, the degree of the interaction between the provider and the customer influences how the solution is created as a result of the work performed together by both parties and this could lead to a competitive advantage for the firm (White & Ponder, 2008). Furthermore, these authors argue that the nature of integrated solution itself affects the solution's sustainability. In particular, the solution's inimitability and immunity to substitution likely influences its sustainability. Indeed, as outlined in section 2.2, the integrated solution definition highlights two key dimensions, the degree of integration and the degree of customization. As immunity to substitution refers to the absence of available alternatives, while inimitability consists of two components, customization and complexity, it could be argued that assuming the solution meets the customer's needs, the provider will likely enjoy the competitive advantage created from the relationship for a prolonged period of time (White & Ponder, 2008).

### **2.6. Major challenges for integrated solutions providers**

Even though a number of driving forces provide opportunities for firms to shift towards integrated solutions, the challenges of moving into integrated solutions should not be underestimated (Davies et al, 2006). IS providers have to transform many aspects of their business such as their organizational structure and culture as well as operations and interdepartmental collaboration (Davies et al, 2007; Tuli et al, 2007). Therefore, the

major challenge to firms wanting to move into integrated solutions is how to shape their organizations in order for them to design and implement effective solutions (Davies et al, 2003).

According to Tuli et al (2007), solution effectiveness refers to the extent to which a solution meets customer's needs. Because a solution comprises four relational processes, solution effectiveness is a function of the extent to which (1) a customer's requirements are well defined, (2) goods and/or services are customized and integrated to address customer needs, (3) goods and/or services are deployed to address customer needs, and (4) post-deployment support is provided as the customer needs it. These authors argue that an IS provider must perform all four processes well to deliver a solution that a customer will consider effective. Indeed, Grönroos (1984) points out that, in many cases, customers' perceptions of service delivery processes may be more important determinants of their assessment of service quality than the outcomes derived from the service delivery.

Considering the four step value creation process – detailed in section 2.4 – Burianek et al (2011) argue that two central capabilities are main determinants for the IS offering success. In line with this author, Storbacka & Pennanen (2014) argue that an IS provider should focus on the key elements of success, namely capabilities. They are so critical because it is a challenge to manage a profitable integrated solution business.

According to Burianek et al (2011) IS providers have to develop capabilities both outside and inside their organization. Considering the external perspective, the aim is to acquire deep customer understanding about broad current and future needs such as

its internal processes, its business model and the markets the customer is operating in. To achieve this goal, these authors argue that the IS provider must build a closer relationship with the customer and this interaction with the customer must span the entire lifecycle of the solution. In regards to the internal perspective, IS providers also have to build capabilities within the organization, especially in organizing the internal value creation process in an efficient and effective manner, by establishing an internal project management. Adopting a customer's perception of solutions as relational processes requires for the IS providers to design the mechanism capable to foster a strong coordination of all the departments that are involved in the development and the implementation of the integrated solution

(Davies et al, 2007; Tuli et al 2007). These authors argue that a project in the IS business requires more than the traditional cycle of concept, definition, execution and close. An IS project involves also a pre-project phase and also a post-implementation phase towards the operational stage. In addition, the effects of each stage on the subsequent processes should be also considered and continuously monitored. Both internal and external capabilities span the entire solution lifecycle and, for that reason, they could be seen as absolutely crucial for selling integrated solutions to run a profitable business (Burianek, 2011).

A number of authors (Davies, 2004; Davies et al, 2006; Brady et al, 2005a) argue that these critical capabilities have to be combined with other competencies within system integration (to design and integrate systems composed of hardware, software and services) and operational services (to

maintain, operate and upgrade a solution throughout its operational life cycle), and sometimes business consulting as well as financing services in order to deliver problem solving offerings.

### **3. Customer solutions in the IT industry**

As highlighted in section 1, the focus industry of this paper to conduct the empirical study is the IT industry in general and Romania market in particular.

#### **3.1. Research objectives**

Following the literature review as well as based on the findings of other similar research projects such as Tuli et al (2007) in the U.S.A. and Burianek et al (2011) in Germany, in order for firms to address the major challenges they are facing in creating effective integrated solutions, it was proposed that IS providers should focus on the value creation capabilities, namely customer interaction related capabilities and project management related capabilities.

Green et al (2004) suggest that too often it is assumed that practices from one sector can be simply transferred to others and that the managerial practices are universally applicable irrespective of context. Therefore, the main research objective is to determine the value creation capabilities Romanian IT integrated solutions providers should focus to create sustainable competitive advantage. For this purpose, a descriptive research study was conducted to examine the validity of the findings outlined in the previous paragraph



by collecting and analysing the data from the integrated IT solutions providers operating in Romania.

According to Remenyi et al (1998), the starting point in a research undertaking is to focus clearly on the fact that the ultimate purpose is to add something of value to the body of accumulated knowledge. Starting with the empirical investigation of current practices in designing, developing and implementing integrated IT solutions in Romania, this research aims to provide Romanian IS suppliers a number of recommendations for creating effective integrated solutions. As a result, this research study includes also some exploratory elements as the authors of this paper is looking to find out "what is happening; to seek new insights; to ask questions and to assess phenomena in a new light" (Robson, 2002, p. 59).

### 3.2. Research design

The approach selected for the research study was mainly deductive, as existing theory was used to conduct the empirical research (Saunders et al, 2009). Some inductive elements were included to gain some insights from respondents about the current IS practices in Romanian IT sector. As proposed by these authors, considering the deductive approach for this research study, it has been adopted a survey strategy, being a popular and common strategy in business and management research. As previously outlined, the purpose of the research study is a descriptive one with some exploratory elements and therefore the survey strategy was a good choice, considering that "it is most frequently used to answer who, what, where, how much and how many questions" (Saunders

et al, 2009, p. 144). As the objectives of this research study are qualitative in nature, primary qualitative data were collected and "quantitized" afterwards, "converting it into to numerical codes so that it can be analysed statistically" (p. 153).

In terms of time horizon, considering the defined research objectives, a cross-sectional perspective was used. According to Saunders et al (2009), cross-sectional studies are "seeking to describe the incidence of a phenomenon" which is the case of this research study. This type of studies often employs the survey strategy (Easterby-Smith et al, 2008; Robson, 2002).

As the research project takes the perspective of IS providers and because there was no extant IS providers database – due to the novelty of IS concept – a procedure was developed to estimate this population and to extract a sampling frame from that population. Considering that, in fact, integrated solutions are services led (Cerasale & Stone, 2004) the population was set as the Romanian IT services companies. Due to the small size of Romanian IT services market, a purposive sampling was selected using author's judgement to select cases that will best enable to answer the defined research question and meet the research objectives (Neuman, 2005).

As outlined in section 2.2, an integrated solution is a combination of goods and services designed to satisfy a customer's needs and such they are included in the offering of small Romanian IT services providers only on exceptional basis. Ceci & Masini (2011) observed that IS provision is significantly more common among large firms. These authors argue that there are at least two good reasons for this phenomenon. First, the resources and capabilities to offer integrated solutions may

not be available to small firms on a large basis. Second, small firms may even deliberately decide to concentrate all their efforts on one specific offering based on the assumption that the specialization could provide them a clear advantage over larger firms (Ceci & Masini, 2011). Furthermore, the Romanian IT market is consolidated around few players (Top 10) controlling in total more than 50% of the market in terms of market share according to the last available report at the preparation date of the research study published by Pierre Audain Consultants (2013). Based on these considerations, the sample was set as Top 10 leading IT services providers.

The selection of the participants was made based on a number of criteria to facilitate a useful output for data analysis. First, the research focus was on the integrated solutions from a managerial perspective and therefore people on higher management positions (general and senior management) were selected for the sample. Second, the target participants at director level were carefully chosen to ensure appropriate experience, background and familiarity to participate to the research study in a thoughtful manner proven through their direct and personal involvement in selling, developing, deploying and/or supporting integrated IT solutions.

For the primary data collection, a structured questionnaire was selected as the research instrument.

The questions included in the questionnaire were developed by the authors of this paper based on the findings from the literature review. As proposed by Saunders et al (2009), a data requirement table was prepared for the research objective containing (a) the specific investigating questions, (b) the variables to answer each investigative question,

(c) the detail required from data for each variable, and (d) the measurement questions included in the questionnaire for each variable. Attribute variable were used to check that the demographic data collected are representative and opinion and behaviour variables to collect data about the current practices on integrated IT solution in Romania.

As paper-based questionnaire was used for data collection, the data transfer from the completed questionnaires was done manually using Microsoft Excel. As data analysis was planned to be performed by computer, data coding was an important task for the research study. A coding scheme was established prior to data collection and incorporated it into the questionnaire (Saunders et al, 2009) by assigning a number to each response for a particular question. The data analysis was performed using descriptive statistics.

### 3.3. Research results and discussion of findings

The research results were grouped for discussion for each of the two value creation capabilities under analysis, namely customer interaction related capabilities and project management related capabilities.

Customer interaction related capability.

In regards to the first value creation capability, the empirical study revealed that Romanian IS providers started to move into the direction of the participation of both customer and provider for the value co-creation when developing integrated solutions and this was based on learning from past implementations. Indeed, the respondents provided positive answers to 11 out of the total number of 14 questions related to this topic.

This is in line with the extant literature that customer interaction has to change from a transactional perspective to relational processes (Johansson et al; 2003; Ballantyne & Varey, 2006; Cova & Sale, 2008a).

The study revealed that Romanian IS providers started to develop a closer “bonding relationship” with the customer (Hax & Wilde, 1993, p. 13) in order for them to be able to identify customer’s current needs and also anticipate future needs (Davies, 2004) from the early stage of the engagement. There is room for improvement in this area, as a process-oriented perspective has to be put on the relationship in order to cover the whole customer life-cycle (Sawhney, 2006). In the particular case of the Romanian integrated IT solution providers, only half of the respondents confirmed that both IS provider and customer are involved in the requirements’ discovery process.

The results also showed that an assigned team composed by people from different departments inside IS provider organization is involved in specific activities to get to know the right people in the customer organization (Burianek et al, 2011). But only few survey participants (30%) validated through their positive responses that the assigned project team makes use of customer knowledge when customizing and integrating products comprising an IT solution to suit the customer’s operating environment. Defining a “solution space” for the integrated solution’s design and configuration was reported by 91% of the respondents as crucial for an efficient internal coordination. But when asked about the current practices on internal coordination only a bit more than half of respondents reported that an efficient coordination of different functions finds the needed

support inside their organization. As expected, this support is higher inside Romanian companies (64%) compared to local subsidiaries of international companies (33%).

A high number of respondents provided additional comments at the end of the questionnaire about the customer interaction in the Romanian integrated IT solutions’ context. In the opinion of the survey participants, not only the provider and its customers should be considered, but also a larger network of other actors. These other actors may include the IS provider’s supplier network, the customer’s network, government agencies and research institutes (Storbacka, 2011). These results are in alignment with Spencer & Cova (2012) who argue that “a solution situation is not a buyer-seller dyadic ‘island’. It is multi-partite and not isolated from the ‘rest’ of the market” (p. 1582). A second set of comments on customer interaction capability being collected through the survey was related to past experiences of integrated solution related projects that took much longer than initially planned, involved higher costs than expected and even raised some risks for project cancellation. Despite a high degree of interconnectedness and a long history of collaboration with some traditional customers, the responses from the survey revealed that Romanian IS providers were in the position to argue that a strong relationship really emerged, in contrast with Tuli et al (2007) and more recently Amit & Zott’s (2012) characterizations of customer solutions.

### **Project management related capability**

The empirical research revealed that Romanian IS providers started to adopt a customer-centric thinking by acknowledging

the fact that gaining a detailed understanding of the activities a customer performs to achieve a particular goal is crucial in the IS business, as it is highlighted in the extant literature (Wise and Baumgartner 1999; Foote et al 2001; Galbraith, 2002). The research showed good results regarding the shift to a customer-centric approach not only when designing and implementing an integrated IT solution, but also during post-implementation. Indeed, positive results were obtained regarding the need for Romanian IS providers to think in life-cycle processes instead of solving service incidents, as this was the opinion of 61% of the respondents. A similar positive output the respondents provided, but in a slightly lower number (57%), about staying engaged after implementation in an on-going relationship with the customer compared to a "one-off" project approach. There is still a room for improvement for the Romanian IS providers towards the move away from the traditional product-centric approach to value creation when – as Davies (2004) outlines – beyond the basic technical support and short-term warranties, after the product was "handed over the wall" to the customer, the provider turned back the customer and left him to take care of the post-warranty maintenance of the product.

Furthermore, based on the history of already implemented integrated IT solutions, Romanian IS providers understood how critical it is to provide customer a clear understanding on the scope of services during post-implementation. This result is explained by the fact that traditionally Romanian IS providers are IT services companies with a good history in the project management business. This is in alignment with Ballantyne & Varey (2006) who argue that the dialogue

and learning is needed also during the support stage for the value co-creation. The data collected through the questionnaires provided above average support for this need of two-way communication aiming to influence the customer and supplier practices in such a way to foster a better resource utilization – both customer's resources and those of Romanian IS provider.

Modest results were provided in regards to the use of multiple, flexible hierarchical structures inside the organization for implementing an integrated IT solution by the assigned project team from the provider organization, as only 39% of the participants provided positive responses in this regard.

Related to degree of applying standardized modules when for an IS implementation (Burianek et al, 2011), a bit more than half of the respondents validated it as being a current practice in Romania, that is, IS providers started to acknowledge that the developing and even successfully implementing integrated solutions does not guarantee customers' loyalty (Biggemann et al, 2013). Instead, according to these authors, the customers prefer an integrated solution that might be standardized to lower their proportion of the development costs and avoid being locked into a relationship with a single supplier. Much more, Romanian IS providers started to recognize the importance of standardization on long run which is in line with Davies & Brady's (2000) view that succeeding solutions should be possible to be delivered at significantly lower costs than the first solutions. Related to this topic, mixed results were obtained through the data collected through questionnaires. The Service Delivery Directors from the selected companies to participate to the survey reported positive

results about the application of standardization in an overwhelming proportion (88%). Quite opposite, less than half of the Sales Directors (44%) were positive about standardization when designing integrated solutions. In between, the Managing Directors reported mainly being uncertain (67%), but more towards standardization (33%). As a result, the alignment between different stakeholders inside Romanian IS provider organization should be addressed in order for them to design and implement effective integrated solutions.

### 3.4. Conclusions from findings

Integrating the results from the empirical research study with the findings from the extant literature review, few managerial conclusions could be drawn. The integrated solutions are the outcomes of value creation processes between customer and provider (Brady et al, 2005b; Davies et al, 2007; Tuli et al, 2007; Storbacka, 2011). According to these authors, these processes consist in definition of customer requirements, integration and customization of the integrated solution elements, the deployment of these elements into the customer's process, and the various forms of customer support after delivery of the integrated solution. The empirical evidence in the Romanian IT sector provided a good support for that relational and value creation nature of the integrated solutions. This change from being product-oriented to becoming customer process-oriented involves a shift in the value proposition from offering physical products, spare parts and support services to the delivery of performance, optimization and productivity (Oliva and Kallenberg, 2003; Ng et al, 2009).

In line with prior studies (Tuli et al, 2007; Burianek et al, 2011), this research project strengthens the fact that a relational nature of customer-provider relationship is a necessary prerequisite of creating effective integrated solutions, considering that a solution is developed, delivered and supported in the post-implementation stage through a long-term process with the customer, not just to the customer (Johansson et al; 2003; Tuli et al 2007; Ballantyne & Varey, 2006). According to these authors, both the provider and also customers have a significant role in this process of value creation. Customers contribute by providing input to all phases of the process and by integrating the components of the provider's solution into their own processes. Thus, organization of value creation becomes a critical capability of the firm (Normann, 2001; Ng et al, 2009) and this research project provided an empirical support in this regard.

An integrated solution provider should be "client supporting" as opposed to "product supporting" and the focus should be on "how the firm can support the customers' business process" (Storbacka & Pennanen, 2014, p. 6). This undertaking is not easy and the empirical evidence of this research in the Romanian IT sector reveals that IS providers started this journey, but there is room for improvement, mainly in the area of aligning different stakeholders inside provider organization.

Prior research projects and as well as this research study suggest that those customers who participate and cooperate in the process of developing and implementing an integrated solution will optimize the solution's co-created value (Bettencourt, 1997). Similarly, the providers who fully cooperate and participate will enhance solution's value



as well. This has a positive impact on the integrated solution's likelihood of leading to a sustainable competitive advantage for the firm (White & Ponder, 2008).

#### 4. Recommendations

Based on the conclusions drawn upon the literature review as well as the research results, this paper provides a set of practical recommendations at managerial level for the Romanian IT providers to follow as a response to address the main area of improvement. This was suggested through the empirical study, namely the flexibility to manage conflicting interests of multiple stakeholders within the provider organization.

One general recommendation across all Romanian IT suppliers is provided as an organizational design related proposition based on the works of Sawhney (2006) as well as Galbraith (2002): adopt a "front-back" hybrid organization to develop and deploy solutions. This design consists of "front-end" solution units and "back-end" product units, the first responsible for intensively interacting with the customers as well as developing and delivering integrated solutions and the second responsible for the support to be provided to the front-end units by developing product and service components for the solutions and to ensure repeatability of solutions by productizing them (Davies, 2004). Additionally, a center of command at top management level has to be implemented to provide the coordination and the negotiation between the front-end and the back-end units and to define a clear solution-focused strategy to ensure that the strategic direction is followed by both units. The implementation plan for this recommendation should

be a specific one for each of the IS providers, as they largely differ in terms of current practice of internal IS value creation process, size of company and also type of company (Romanian company or local subsidiary of an international company). The plan should include activities to be performed, key roles definition, important milestones and contingency plan to mitigate the associated risks during implementation.

#### 5. Future research directions

As any empirical work, this empirical study is subject to certain limitations, based on what several opportunities for future research on the topic of integrated solutions are provided.

A first limitation refers to the unit of analysis. This research project took the perspective of IT solutions providers, as the defined general research question was to identify "what are the major challenges firms are facing in creating effective integrated solutions to achieve sustainable competitive advantage".

Some other limitations arise from the research design. First, as the research study is cross sectional it offers a static view of the IS phenomenon with limited information about the impact of time perspective. Second, the survey strategy provided limitations as well in regards to the collected data that are limited to the number of questions included in the questionnaire. Third, as outlined in this paper, the integrated solutions are a complex phenomenon and thus the research narrowed the empirical study to one industry raising limitation issues in regards to the generalization of the results. It can be argued though that the contextual analysis

could enhance learning about integrated solutions at more general level. Forth, the selected research method was also a source of limitations. The chosen quantitative method could result in getting insights about only tangible and visible aspects of IS phenomenon. Two open questions were though added at the end of the questionnaire to gain deeper insights about the current practices of integrated solutions in Romania.

These research limitations and the respondents' comments collected through the open questions included in the questionnaire were the sources for future research on IS agenda.

The research took the perspective of IS provider. As recent conceptualizations of integrated solutions recognize the need to consider the broader business network and other parties that potentially influence or are influenced by integrated solution (Spencer & Cova, 2012; Gebauer et al, 2013), a future research avenue could take a network perspective on IS agenda to empirically investigate the extent to which network companies could have more potential for becoming value co-creators than when acting alone. In addition, the questionnaire offered the respondents the opportunity to highlight the main issues they are facing in the current practices of integrated solutions business. The comments of respondents provided an interesting avenue for future research. Romanian IT sector is a small market with few players having a short history in IS business and as a result having limited generic/specialized capabilities. Thus, the competitors get together quite often in a form of contractual partnership to respond to complex integrated IT solutions. In this case, the competitors become actors in the value-creation process. According to

Bengtsson & Kock (2000), cooperation is the simultaneous appearing of competitive and cooperative relations between competitors. This practical situation suggests as potential future research the cooperation phenomenon in the context of integrated solutions.

## 6. Conclusion

The extant literature on business strategy argues that firms should concentrate less on making stand-alone physical products or services and more on delivering customer-focused solutions (Wise & Baumgartner 1999; Galbraith, 2002; Tuli et al, 2007). These authors argue that competitive advantage is not simply about providing goods or services, but how products and services are combined to provide integrated solutions that address a customer's business or operational needs. In designing and deploying integrated solutions, through knowledge combination, the provider and the customer become partners in the co-production of a solution for the customer, which will result in a competitive advantage for the firm (Prahalad, 2004). Integrated solutions are bundles of benefits (Day, 2004) that represent potential sources of competitive advantage because they are difficult to create and even harder to imitate due to their unique combinations of both tangible and intangible resources (Hunt, 2000; Day, 2004).

The major challenge firms are facing in their attempt to move into the IS business is how to organize themselves to design and provide effective and efficient solutions to meet growing customer demand (Brady et al, 2005a). As a way to address this major challenge, one proposed approach is to focus on the value creation process. Penrose (1959)

emphasizes that the value creation results not from the possession of the resources but from their use and how much value is created would depend on how these resources are deployed and more precisely how they are combined within the firm.

The customers are not being consumers anymore, but co-creators of value (Gummesson, 1998; Vargo & Lusch, 2004). In this customer value co-creation process, the customer-provider relationship has shifted from the firm creating value for the customer to the firm creating value with the customer (Slater, 1997). As a result, the provision of integrated solutions requires a four-step relational value creation process between provider and customer (Tuli et al, 2007, Burianek et al, 2011). Within this process two main capabilities – customer interaction capabilities as well as project management capabilities – are required in order for the firms to develop superior customer value propositions for their customers and build competitive advantage in the market they operate (Cova & Sale, 2008a; Vargo & Lusch, 2004).

Finally, the review of the extant literature outlines that the IS complexity experienced within specific industries and contexts seems to be easily overlooked in empirical studies that focus on a variety of different industries. The market opportunities, the structure of the competition and the main drivers towards IS provisioning could differ considerably among industries, countries and particular contexts. This paper highlights that the contextual dimension has to be considered in order to capture the complexity of integrated solutions phenomenon. This is in line with the contingency theory, where “the effectiveness of an organization is dependent on the congruence between its structure and

its context, including the characteristics of the internal organization and the characteristics of the organization’s external environment” (Lakemond, 2001, p. 5).

This paper provides an empirical evidence that the Romanian IT sector shares in a considerable extent the characteristics of other capital goods sectors from more developed countries where the provision of integrated solution has emerged. As highlighted in this paper, the IT sector was one of the first industries where integrated solutions emerged. The literature review suggests that after years of implementation, procedures and routines are now becoming standardized, and therefore it is possible to identify common paths in the capabilities managed by integrated solution providers (Ceci & Prencipe, 2008). Considering the short history of both Romanian market economy and the firms operating in this marketplace in the integrated solution business, few areas of improvements have been identified in order for these Romanian companies to become successful IS providers. Therefore, based on the findings from the extant literature review and the results of the empirical study conducted in the Romanian IT industry, this paper provides few practical recommendations at managerial level for the firms operating in this industry in order for them to grasp the market opportunities towards integrated solutions and address the major challenge they are facing to create effective integrated solutions, that is configuration of their organization around customers. The reason is the one Tuli et al (2007) suggest: the customers consider the fulfilment of their business needs a key metric for evaluating a solution’s effectiveness.

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