Innovation Through Co-creation: Strategies To Manage The Challenges Of Co-Creation

Authors: Darein Wadeisa, Abubakar Sada

Supervisor: Gert-Olof Boström

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Umeå School of Business and Economics
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ABSTRACT

Co-creation has become an important source of competitive advantage for many businesses in the modern world. Therefore, managing co-creation has become an important topic among practitioners and researchers, but there has been little research done on addressing and managing the challenges faced by co-creating companies. The purpose of this study is to build a conceptual framework that identify the key challenges companies face when co-creating with consumers, and how to best manage them to foster a successful co-creation process. In this thesis a challenge is defined as anything that hinders or obstructs the smooth facilitation of the co-creation process between firms and their consumers. Our research focus is on companies that are engaged in business-to-consumer co-creation process.

With the purpose in mind, we were motivated to collect primary data through a qualitative study using in-depth semi-structured interviews with Interviewees already engaged in co-creation from different industries. The objective of the interview was to gain a comprehensive and reliable perception of the problem setting and situation. We gathered and analyzed our interview data using an inductive thematic analysis approach and tested our concepts and categories that emerged from our empirical findings.

The information we gathered from our Interviewees shows that our initial perception appeared to be appropriate, however, not all-inclusive. Through the analysis of the interview data we realized that the key challenges of co-creating with consumers are: word of mouth, consumers lack skills and knowledge, intellectual property rights, information overload, integration of knowledge and skills, time consuming process and biased consumers. Our initial thought of the strategies to manage the challenges of co-creation were mostly supported and proven relevant. Thus, we have identified outsourcing of co-creation as an additional strategy.

To improve this research we suggested using a mixed methodology to investigate the consumer’s experiences and perceptions. A quantitative study would help in gaining a solid understanding about the co-creation experience and challenges from consumer’s perspective beside that of the firm. We thought that conducting a longitudinal study could have revealed how the complex relationship between the company and consumers change overtime. In addition, we thought that examining the relationship between co-creation and accelerating growth in SME’s would be an interesting area for research. Last but not least, since our research covered different industries, future research that are less broad and limited to a particular industry would be of interest.

Keywords: Co-creation, mass customization, designs innovation, co-creation challenges – Consumer participation, consumer-generated content – online innovation communities–collaborative innovation – value co-creation.
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1. INTRODUCTION

In this chapter we will introduce the background and our chosen research problem of interest. We will discuss general findings of previous research about the importance of this topic and what yet remains to be found, giving a brief introduction about our choice of theories. We will end this chapter with our research questions and purpose.

1.1. BACKGROUND

A seminal article by Vargo and Lusch (2004, p. 15) suggests that marketing has evolved from goods dominant logic, with the focus shifting towards that of the process of the exchange. With operant resources such as skills, capabilities and know-how of various consumers, they envisioned that the service dominant logic have a significant role in marketing rather than focusing on the goods-dominant logic. Value co-creation supports this view, Prahalad & Ramaswamy (2004, p. 6) argue that its no longer true that organizations and consumers have different parts to play, where organizations offer products and services that have value and exchange this value with consumers. Businesses are facing a great shift; the value creation process is changing from linear to more of an interactive model (Hippel, 2005, p. 1). The value co-creation strategy confronted the old traditional paradigm in which firms and consumers hold different responsibilities. Today, consumers and companies syndicate efforts to produce products and services. Nurturing collaborative effort by leveraging consumer’s skills and competences to help firms produce better results and generate better value.

Co-creation is considered as a trend situated to social or mutual achievements, and sometimes it is seen as an opportunity for firms to address the needs of their consumers (San Cornelio & Cruz, 2014, p. 4). With the introduction of technology and the various means of communication, innovation is becoming democratized, as people are capable to innovate for themselves. Therefore, companies need to continuously reinvent their businesses and adapt to the dynamic and fragmented markets. We trust that a strong competitive advantage and value proposition require firms to innovate by encouraging high levels of participations through an effective co-creation approach. As addressed by Alberti et al. (2007, p. 36) the dynamics of the market place is progressively fluctuating, necessitating firms to come up with competing, strong and high-technological solutions in a high and rapid pace compared to the past. In that sense, Haro et al. (2014, p. 76) recognize that the co-creation of value is a significant strategy that encourages innovation practices and competitiveness. Given that consumer needs are quickly evolving the normal traditional model of closed innovation, creating novel ideas within firms and showcasing them gradually through a solitary way is no longer efficient (Han et al., 2012, p. 292).

Co-creating with consumers create new pathways and sources in creating values that other companies might not be able to tap into if they merely collaborate with other firms. Ind et al. (2013, p. 5) discuss that co-creation with consumers have strong advantages for companies, as it leads to fruitful and effective innovations and new chances in business. In addition, Ohern & Rindfleisch (2010, p. 86) explain that successful innovation rely on understanding consumer needs, and then making products and services to meet those needs.
In today’s rapidly changing business world, we believe that co-creation is becoming a central strategy for success and innovation. The old paradigms of doing business are becoming outdated. There are growing challenges and limitations of conventional strategies that make them incompetent to help companies innovate and outperform rivals.

In this thesis we believe that co-creating mutual value yields better results than trying to meet the consumer needs the traditional way, however, we also believe the process won’t guarantee long-term success. The reality is different; co-creation is not a one-time thing but it happens on a continuous basis, the continuous nature of the process provokes considerable challenges. Shifting to a consumer-centric mindset is not an easy process and it incorporates many challenges for co-creating firms. We believe that the more the consumers realize the advantages they are bringing to the firm the more they become protective of their ideas and intellectual property rights. Furthermore, the wide and easy access to different technology and social mediums makes it easier for consumers to express their negative opinions openly and ultimately creating a challenge for firms.

We believe that defining the key challenges that co-creating firms face during the co-creation process will increase the advantages that arise from encouraging collaborative efforts. The failure in managing the process effectively will lead to chaos that is likely to threaten company’s position in the market and prevent them from innovating. Building a collaborative culture that is characterized by unity, balance in autonomy, continuous motivation and maintaining that in the long term is a daunting task and requires firms to be ready and well aware of how they can be in control.

Based on the above-mentioned background, we reviewed relevant theories so as to understand the practical challenges of co-creation and how they are managed.

1.2. PROBLEM STATEMENT

In our opinion, a challenge in co-creation is anything that hinders or obstructs the smooth facilitation of the co-creation process between firms and their consumers.

Various authors address the challenges of co-creation. Ohern & Rindlfeisch (2010, p. 93) highlight that the lack of necessary skills and knowledge of a product or service hinders consumers from being part of a co-creation process. Several others discuss that concealing of ideas by parties involved create impediments in the co-creation process (Fuller, 2006, p. 640; Hoyer et al., 2010, p. 289). Likewise, the possession of intellectual property rights requires firms to adapt difficult circumstances. Even though a small number of consumers are open to share their knowledge and capabilities without receiving reward of any sort, other consumers may request to own their ideas and in such situations the challenge of intellectual property rights arise for firms (Hoyer et al., 2012, p. 289). Fisher and Smith (2011, p. 325) argue that autonomy slowly drifts from the firm to consumers where power become no longer centralized to firms. With production shifting from the traditional approach to consumer centric approach consumers are given the freedom to select features and designs of their choice. Additionally, the incorporation of know-how and competences between firms and consumers fosters difficulties as some ideas brought up by consumers might require some adjustments by the firm and vice versa. (Ford et al., 2012, p. 281).
Hence, tacit knowledge could also be a challenge in co-creation (Borgers et al., 2010, p. 860).

In addition, various authors discuss that consumer word of mouth create a threat. Firms are unable to filter what consumers’ share on online platforms. Consumers can share negative and positive perspective of a product or service, which might tarnish the firm’s image (Gebauer et al., 2013, p. 1517; Romero & Molina, 2011, p. 448)

Based on the aforementioned challenges it is clear that co-creation is harder to accomplish in business-to-consumer context and therefore, it is suggested that failure could be considerably superior. However, various authors have developed various strategies for successful co-creation process.

Different aspects can influence the value of co-creation, Prahalad & Ramaswamy (2004, p. 6) discuss the different four components of their model, which encompasses four key factors: dialogue, access, risk and transparency. They believe that these four components are very important and can facilitate value creation in firms. In terms of management and systems, Zhang & Chen (2008, p. 248) highlight the importance of engaging the management of a firm to foresee the process of co-creation with consumers. While Haro et al. (2014, p. 75) highlight that adopting a flexible system and the right culture in a firm facilitates co-creation.

Moreover, Martinez (2014, p. 135) address that firms need to adopt attributes of openness in both communication and mind in order to balance the link between the entirety of ideas offered in the marketplace and the production of ideas for developing products. Firms are able to gain lots of novel opportunities if participants are urged to think in different ways. Ultimately, the inflow and outflow of insights will aid in the creation of novel idea. The importance of platforms and virtual environments to foster the interactions between firms and consumers has been discussed in different literature. Such platforms and environments significantly generate mutual value (Ramaswamy, 2010, p. 22; Nambisan & Nambisan, 2008, p. 60; Romero & Molina, 2011, p. 450; Sawhney et al., 2005, p. 3). Furthermore, the awarding of rewards to consumers either monetary or non-monetary such as status and recognition facilitates the generation of novel ideas (Sawhney et al., 2005, p. 8; Romero & Molina, 2011, p. 465).

Our research is delimited to business-to-consumer, and fundamentally responds to the call for a new view on how companies could manage the complexities of co-creation. Hoyer et al. (2012, p. 293) stresses the need for recommendations that will enable firms to integrate co-creation successfully by overcoming the challenges that arise during the process. Also, Zhang & Chen (2012, p. 248) call for the need of having a ready and established co-creation management plan. They claim that it is essential to have an improved co-creation outcome since managers are often discouraged by the uncertainty presented from the interactions with consumers during the co-creation process, which they were not ready to cope with and manage. Furthermore, Hoyer et al. (2010, p. 284) clarifies that customer integration is harder to accomplish and that failure is considerably superior in B2C market. This spurred our interest as it became clear to us that there was little study conducted on the key challenges of co-creation in the business-to-consumer context. Therefore, we decided
to fill the gap by studying the key challenges and strategies to manage those challenges in business-to-consumer context. In order to expand the knowledge in this area we will focus on companies involved in co-creation with consumer. More precisely, we will examine experts and senior managers in charge of co-creation processes.

1.3. RESEARCH QUESTIONS

Considering the knowledge gap and the problem background our research aims at addressing the following question:

*What are the key challenges companies faces when co-creating with consumers?*

*How do companies manage key challenges of co-creation?*

1.4. PURPOSE

The overriding purpose of this thesis is to identify the key challenges that co-creating firms face when co-creating with consumers and more importantly, to study the strategies companies’ use to best manage the challenges. Since previous researchers have solely focused on strategies for successful co-creation, we see that research on managing the challenges of co-creation is still limited. Since little research has been done in this area, our goal is to offer insights to the academic field study of marketing and innovation management. Our aim is to make a study that will inspire an interest for future research in this area by offering a framework to departure from. From a practical perspective, this thesis will serve as a guiding tool for businesses that are engaged in or will start using co-creation in a business-to-consumer context to understand the challenges of the process and successfully manage those challenges.
2. METHODOLOGY

In this chapter we will discuss how the research for this thesis was conducted. We will discuss why this subject was chosen, our pre-understanding and source criticism. This chapter will also include explanations of our philosophical standpoint. By reviewing and examining different research techniques we will motivate the reasons behind our chosen research approach, research strategy and design.

2.1. CHOICE OF SUBJECT

We are two business development students currently enrolled at Umeå School of Business and Economics. We both have taken a course in innovation management, and this course contributed to our desire to investigate new ways through which companies can innovate and create value. We are both genuinely interested in the creation of good experiences and creativity. Furthermore, we believe that the engagement in co-creation can bring about innovation because it brings a vast number of unique creative ideas to the disposal of companies. Companies are looking for methods and strategies that help them compete, innovate and create value. They aspire to create a base for long-term relationship with consumers and build strong value propositions to maximize profit. The one-sided creation of value by companies in the past is becoming obsolete. We trust that co-creation with its central theme of creating value with and not for consumers can bring about change. Co-creation is not a challenge-free activity and it will only deliver a great deal of solutions if it’s managed properly. In research papers like this, the strategies for managing the challenges of co-creation haven’t been addressed before in this niche. Therefore, we think it would be interesting to investigate the kind of challenges companies face and how companies manage the challenges.

As for our choice of theories for this thesis we have selected relevant conceptions in co-creation research, such as the DART model, theories about motivation, strategies and challenges. These theories are examined and explained further in this thesis. Upon reviewing the theories we were interested to incorporate more about the levels and examples of co-creation, and the different environments since we think they are vital to ease the reader’s understanding about the topic before we discuss the challenges and strategies that are the main point of this thesis.

2.2. PRE-UNDERSTANDING

Pre-understanding is a deliberate structure of sentiments and considerations, which is initiated when something is regarded as something (Nyström & Dahlberg, 2001, p. 339). A general presumption within scientific philosophy posits that research without basic previous knowledge will alter the understanding of the world (Nyström & Dahlberg, 2001, p. 345). Our prior understanding will allow us to understand the subject and the social world better, hence pre-understanding is significant in order to attain the full understanding of the research we want to carry out (Nyström & Dahlberg, 2001, p. 345).
As discussed, pre-understanding can be referred to as prior encounters, understanding and experiences that researchers have attained about what they are about to study (Bryman & Bell, 2011, p. 414). Our choice to study co-creation in business-to-consumer context was driven from our pre-understanding, especially from our working experience and our education in business administration.

As writers we have some previous educational knowledge and working experience about the field study of marketing and innovation management, starting from various courses in business during our bachelor, working experience with one of us having done an internship in a company that have used co-creation as a strategy. And finally, with more progressive courses in our master’s program. Having studied courses like strategic management, marketing and innovation management we believe that the topic of co-creation fits our scheme. However, coming from different education background and experience we realized that our prior knowledge in this field might perhaps have an impact in our thesis. We decided to keep these differences in mind during the process and engaged in continuous discussions to ensure or pre-understanding didn’t affect our perception of the topic. We remained as impartial as possible when conducting the interviews to evade directing our interviewees towards a specific response, which might affect the credibility of our results. Furthermore, we scrutinized the transcript of our Interviewees together, as we intend to interpret the reality of the circumstance based on what was said by the interviewees. Even along these lines, we believe that our distinctive backgrounds and understandings of co-creation on the academic and experience perspective could be of use for our thesis, as they can ideally contribute with two separate but supplementing perspectives.

2.3. SOURCE CRITICISM

Source criticism in an important aspect of ensuring credibility of a study, the criticism of a research concerns both the primary and secondary sources. These sources need to be reviewed on how they supplement the thesis. The primary sources of this thesis will provide us with comprehensive understanding of our study, they were chosen based on their expertise and their involvement in co-creation in their organizations. The secondary sources are a combination of books, peer-reviewed articles and journals that will provide relevant theories, and models. The secondary data were accessed via Umeå University’s library databases such as: Wiley Interscience, Jstore, Emerald, EBSCOhost, ELSEVIER, Taylor & Francis, SAGE and more. In addition, in searching for academic articles we utilized Google Scholar. We considered Peer-reviewed scientific and academic articles as the main sources of our literature, as one could argue experts in the area of the study have reviewed the articles.

In order to develop a transparency in a literature review, authors should clarify precisely how they searched and selected the literature by delineating the choice of keywords and databases used (Saunders et al., 2009, p. 66). Keywords are a central part in planning a review, they are simple terms that depict and define your research question and goals (Saunders et al., 2009, p. 76). We used keywords like: Co-creation, mass customization, design innovation, consumer participation, consumer generated content, online innovation communities, collaborative innovation, and value co-creation. We choose articles after reading the summary, parts of the article, and conclusion. We also reviewed the
bibliography and references of articles that led us to other articles. Some of the authors were recurrent, like Hoyer et al. or Ramaswamy & Prahalad. Hence, we investigated their work further because they appeared as pioneers in our field of study.

In our thesis, we used classical literature, old and new, in order to show how different researchers have supported the notion of co-creation and how it evolved. The literature and previous research will provide us with insights about value co-creation, the different examples and environments of the phenomenon, the, challenges and proposed strategies for success. In our methodology we used numerous books and several articles from different years. Because we believe the use of several sources will give our thesis credibility. The academic sources we chose were considered reliable after comparing them to external articles.

2.4. PHILOSOPHICAL POSITION

Our philosophical standpoint is an elaboration of our problem statement and purpose. There are two modes of research philosophy epistemology and ontology. They individually contain differences that influence the way the researcher think about the research procedure (Saunders et al., 2009, p. 109). In other words, the philosophical standpoints adopted by researches contain significant assumptions about how they see the world and consequently underpin their research approach and methods (Saunders et al., 2009, p. 108).

According to Bryman & Bell (2011, p. 20), ontology is the enquiry of whether social objects can or must be regarded as objective or real entities with a reality separate from social actors, or whether they can or must be regarded as social constructions shaped by the views and actions of social actors. Ontology focuses on the nature of reality and the expectations scientists have about the world and the way it functions (Ponterotto, 2005, p. 130). Epistemology on the other hand, signifies what represents acceptable knowledge (Bryman & Bell, 2011, p. 15; Saunders et al., 2009, p. 112). It is used to signify to the theory of logic and knowledge and mainly focus on the basis, nature, parameters, approaches and rationalization of human knowledge (Schraw, 2013, p. 2). It is the fundamental enquiry if the social world can or must be investigated in relation to the same attitudes, processes, and ethos of natural sciences or not (Bryman & Bell, 2011, p. 15).

2.4.1. ONTOLOGY

Ontology has two positions objectivism and constructivism (Bryman & Bell, 2011, p. 20). Constructionist is an ontological stance that suggests that social properties are results of the exchange among people and it doesn’t represent merely the phenomena out there with exclusion of those who are responsible of its formation (Bryman & Bell 2011, p. 386). It suggests that social facts and classifications are not just shaped through interaction and contact, but that they are continuously revised (Bryman & Bell 2011, p. 22). On the other hand, objectivism signifies the view that social entities exist in reality separate from social actors (Saunders et al., 2009, p. 110). It fosters the belief that social phenomena confront us as external realities that are outside our reach (Bryman & Bell 2011, p. 21).
In our thesis we are taking an ontological standpoint of constructivism. Our data collected are excessively gathered through conducting oral interviews. The interviews are characterized by a continuous nature between the interviewers and the interviewees, and the social situation of the interview will change with every question and answer during the process. If we put this in relation to objectivism, we will view that the phenomena of co-creation is separate from the intervention of social actors, and thus objectivist approach is not appropriate to follow in this thesis.

We aspire to investigate the challenges and how the firm manages co-creation successfully; the constructionist stance will back up our goal to explore the identified challenges and strategies that needs to be recreated by the social actors. The phenomena of co-creation in our believe is only achievable and exist within companies because the social actors are part of the phenomena. If there were no social actors to co-create mutual value there will be no phenomena to investigate. As explained earlier, co-creation is a collaborative work that requires all actors to participate in the process of value creation, which is not pre-existing. Generally, the approaches of an Interpretivist and constructivist driven from epistemological and ontological standpoints are complementing each other. Due to the complementarity they have been applied in this thesis.

2.4.2. EPSTOMOLGY

Positivism, realism, Interpretivism, and pragmatism are four central orientations of epistemology (Saunders et al., 2009, p. 108). Positivist research usually presumes that reality is objectively given and can be explained by quantifiable properties, which are separate from the researcher and his own instrument. It usually attempts to test theory in order to increase the predictive understanding (Myers, 2013, p. 38). It focuses on an objective shape of knowledge that identifies the exact nature of rules, uniformities, and relations among standings of social facts (Morgan & Smircich, 1980, p. 493). Realism have two similar characteristics with positivism: a conviction that the natural and social science must apply the same method to the gathering description of data, and a pledge to the opinion that there is an external reality to which researchers direct their awareness. That is to say, there is a reality that is independent from our interpretation (Bryman & Bell, 2011, p. 17). Furthermore, pragmatism is when the researcher feels that choosing among one or another position is rather unrealistic, however, the research question is the most central determinant for the philosophical standpoint (Saunders et al., 2009, p. 109). Interpretivism emphasizes that there is a variation among the object of natural science and human beings, thus necessities social scientist to understand the meaning of social action (Bryman & Bell 2011, p. 17). In other words, it advocates the difference between objects and humans considering their responsibility as social actors (Saunders et al., 2009, p. 116).

Interpretivist oppose the impression that there is a form of objective understanding that can be identified and transferred intangibly - like in positivism. As the knowledge is usually not more than a manifestation of the approach in which the researcher as a human being has subjectively forced an individual orientation on the world that is falsely seen as a distinct realm (Morgan & Smircich, 1980, p. 493). It stresses on the understanding of the social world and phenomena through an investigation and explanation of the world by its contributors and members, which is contrary to embracing the natural scientific style of the
quantitative research method (Bryman & Bell, 2011, p. 386). Therefore, Interpretivist approach of epistemology will be more appropriate and open a room for interpretations that are not achievable by a positivist approach.

We are collecting data by conducting oral semi-structured interviews with an inductive line approach so the epistemology for our research is best suited to Interpretivism. We believe that knowledge is created through an on-going dialogue, where participants communicate different views and interpretations. Therefore, our research will take an Interpretivist epistemological standpoint, since our objective is to interpret our interviewee’s answers so as to comprehend their meaning and fulfill our purpose. Through adequate conversations with experts and seniors responsible of co-creation processes we will be able to gain a profound and critical understanding about the challenges and strategies used to manage the challenges of co-creation. We will be able to understand what kind of challenges companies face, and how they confront and manage those challenges. We as researchers are part of the social world so we aim to create an interactive and cooperative relationship with our Interviewees to interpret the phenomena of co-creation.

2.5. RESEARCH APPROACH

A deductive approach is when researchers develop a conceptual framework that they then investigate by collecting data. The literature is used as a base to help researchers recognize theories and concepts to be examined (Saunders et al., 2009, p. 61). An inductive approach is when researchers develop theories and relate them to existing literature after investigating the data collected (Saunders et al., 2009, p. 61). In other words, it is when theory is developed subsequent to data collection (Saunders et al., 2009, p. 41).

That is to say, a deductive approach is when a theoretical stance is made before the collection of data (Saunders et al., 2009, p. 41). The researcher assumes a hypothesis based on his knowledge about the field and based on theories that must be subject to an analysis. The hypothesis will include concepts that have to be converted into researchable objects (Bryman & Bell, 2011, p. 11). Deductive analysis is a data examination process that is fixed to investigate whether data are reliable compared to previous propositions, assumptions and theories formed by researchers (Thomas, 2006, p. 238). Induction is a systematic process of examining qualitative data in which the examination will be led by certain evaluation objects. Hence, the inductive analysis indicates the method that mainly uses comprehensive readings for raw data to develop concepts, topics or models through analyses by a researcher of the raw information (Thomas, 2006, p. 238).

The aim of the literature review in the inductive approach is not to merely offer a summary of all that has been studied in your research topic, but instead, to review the most substantial and appropriate research on your area of study (Saunders et al., 2009, p. 61). The initial drive of the inductive method is to allow research results to arise from the common, central, or substantial premises in-built in raw data, minus the limitations forced by structured approaches. Deductive method that are used to test hypothesis or central themes are frequently complicated, reframed, or hidden because of the biases in the processes of data gathering and analysis by researchers (Thomas, 2006, p. 238).
Deduction has the propensity to build a rigid approach that does not allow different descriptions of what is happening. Therefore, there is a possibility of conclusiveness about the selection of theory and description of the proposition (Saunders et al., 2009, p. 126). Less rigid structure is likely to reveal alternative description (Saunders et al., 2009, p. 123). As we intend to establish a probability deductive approach will limit our research. We focus on building different description of the challenges faced in the co-creation process, and how they are managed. The adoption of a definite description of the concept is open for further interpretations. According to Saunders et al. (2009, p. 126) if the aim to understand not describe why something is occurring, it is more suitable to follow an inductive rather than a deductive approach. However, as discussed, in qualitative approach, once the theoretical reflection and the collection of information is done, the researcher will collect further information to determine whether or not the theory is accurate and in which situation it holds true. This process is known as iterative meaning iteratively going back and forth between theory and data (Bryman & Bell, 2011, p. 13).

The chosen practice for this thesis is an inductive approach. This means our theory will be the outcome of research (Bryman & Bell, 2011, p. 13). Our objective is to gain a practical understanding of the phenomena of co-creation and not merely describe it, so we base the foundation of our understanding mainly on our participants’ spoken language. We don’t aim to test hypothesis, however, we want our interviewees to express their own perception and perspective about the key challenges and strategies to manage the challenges. Although we are referring to existing theories to serve as foundation for further research. Our conclusion is going to be based on our empirical findings. Additionally, one disadvantage of using an inductive approach is that our results may be difficult to follow or replicate since different investigators may have different interpretations. According to Fox (2008, p. 429) since induction is built on researcher’s interpretation, results are never conclusive. Theories developed using an inductive approach will not survive in situations or settings different than those where they were originally developed (Fox, 2008, p. 429).

2.6. RESEARCH STRATEGY & DESIGN

A research design is a broad positioning of business research and can either be qualitative or quantitative. Quantitative is understood as a research approach that emphasizes the use of numbers (Bryman & Bell, 2011, p. 26). The stress is on evidences and what triggers a behavior. The data is in the form of numbers that can be measured and reviewed. The numerical procedure is the standard for analyzing the information and the end result is communicated in a statistical terms (Golafshani, 2003, p. 597). On the other hand, qualitative frequently emphasizes the use of words in the collection and investigation of data (Bryman & Bell, 2011, p. 27). It practices real-life approach that seeks to comprehend facts in exclusive setting like the “real world setting.” The investigator does not try to influence the phenomena that he is interested in (Golafshani, 2003, p. 600). In simple term, findings from a qualitative type of research evolve naturally.

The investigator takes the decision of the research design based on the knowledge beliefs. The methods of investigations offer a certain direction for processes in research design (Creswell, 2003, p. 13). In other words, research design is connected to research methods.
The research design signifies a structure that directs the implementation of the research chosen and the analysis of following data (Bryman & Bell, 2011, p. 41). Selections of research design or approach has to be derived from the research question being examined. If a researcher is interested in studying the triggers of a certain phenomenon, a quantitative strategy will be appropriate. However if a researcher is interested in observations and interpretations of participants of a social group, qualitative approach is suitable since it is subtle to the way members understand the social world (Bryman & Bell, 2011, p. 35).

Quantitative researchers pursue instrumental determination, projection and generalization of results. On the other hand, qualitative researchers are more interested in explanation, understanding and estimation of comparable settings (Golafshani, 2003, p. 600). In quantitative approach researchers tend to separate themselves from the process, while in qualitative they embrace their participation and position (Golafshani, 2003, p. 600). The social world is not stable; it changes with time, therefore, qualitative researchers need to be present to witness the changes and document those changes as they happen (Golafshani, 2003, p. 600). A qualitative research is related with the production of theory and not testing, therefore, it attends to the researchers need better than the quantitative approach (Bryman & Bell, 2011, p. 35).

Since the choices of strategy, method and design are all subject to the research question, we were motivated to choose qualitative as our research design. From our research question we want to acquire an understanding of the identified key challenges of co-creation and how they could be managed so a qualitative approach is the most suitable as it will help us understand the social world. As researchers, we believe that, in order to understand the phenomenon of co-creation and answer our research questions we need to immerse in the study and capture the meaning of words and language used to describe the phenomena by our participants and how they perceive it.

There are different methods associated with the research design. Descriptive study is when a researcher investigates a particular profile of an individual, occasions or circumstances. Descriptive study could be an addition to exploratory research, however, it is important to have vivid understanding of the phenomena on which you intend to study prior to the collection of data (Saunders et al., 2009, p. 140). The research of an individual or circumstance is not the aim of our research therefore the descriptive study is not ideal for our research.

Case studies are an intense investigation of an activity, program, individual or a group of people. The case is usually limited by time and event. The researchers gather comprehensive data using different data collection method throughout a constant period (Creswell, 2003, p. 15). It is difficult to find a case study that suits different situation. Case study are time consuming and aren’t the best medium for us due to also the short period of time we got. Explanatory however, is the study that builds up the causal relationship between variables. The aim of this research is to study a circumstance or an issue in order to clarify the relationship between variables (Saunders et al., 2009, p. 140). This method of study is unsuitable for our research because we are conducting a qualitative study and our aim is not to clarify relationships between variables.
Furthermore, *Exploratory* study is a method of figuring out what is going on, seeking new insights, making inquiries and evaluating a phenomena in a new perspective and is specifically useful in situations for clarifying the understanding of a problem (Saunders et al., 2009, p. 139) The research is directed in three ways: the search of literature, interview of experts in the subject and conducting focus group interviews. Since we aim to gain more insights on the subject, the exploratory study is the most suitable for our research. As mentioned earlier, the selection of a research design has to be derived from the research question being examined. Since our aim is gain more understanding on what are the key challenges of co-creation in business-to-consumer context, and how can the challenges be managed we believe the exploratory study fits our research. We intend to review literature, engage in formal approaches of conducting in-depth interviews with firms and experts in the field of co-creation.

### 2.7. ETHICAL CONSIDERATION

The choice of research is usually governed by a set of theoretical consideration. The general ethical dilemma is that the research design conducted by the researcher ought not to and ways through which he can gain access, all the initial thoughts for the research area may fail and be impossible and challenging once commenced (Saunders et al., 2009, p. 168). In writing this thesis we paid great attention in following the guidelines of ethics in research. In this section we will discuss topics within ethics and argue how we as researchers have attempted to follow the ethical guidelines.

#### 2.7.1. HARM TO PARTICIPANTS

Harm has different sides; it could be through effecting the participant’s confidence and growth, creating tension, harm to their views and opportunities and promoting topics to start unacceptable performances (Bryman & Bell, 2011, p. 128). Prior to sending our interview request letter, we have asked our supervisor to verify and read it. The reason we did that is to ensure that our letter deliver a proper and reliable impression. We wanted the letter to sound professional stating a clear purpose and objective so that our Interviewees are aware of our intentions. By doing so, we ensured that we are not causing any harm. In addition, according to Saunders et al. (2009, p. 189) a researcher may cause harm by not considering the time in which he contact his participants. We sent the email request during working hours and not weekends. We ensured that we conduct the interviews in a proper time and not reach out to those participants in inappropriate times specially that some of our participants are from different countries and time zones.

#### 2.7.2. LACK OF INFORMED CONSENT

According to Saunders et al. (2009, p. 190), if participants agree to participate with providing the researcher with data, this doesn’t mean that they show consents about how the data is going to be used next. Therefore, we stated in our request letter and briefly during the interviews that all the data collected is only going to be used for academic purpose and that we will not reveal personal data.
Bryman & Bell (2011, p. 133) discussed that it is very hard and challenging to present potential participants with all the data needed in order for them to make a decision about their participation. Small lapses could disturb the research, like intentionally miscalculating the time required for conducting the interview so interviewees don’t lose their interest in participating. Also, not giving all the information for reasons like, fear of the possibility that it will affect respondent’s answers. During the period of requesting access, we ensured that our interview request letter included a short description of our research topic stating our purpose and objective and how our participants are going to be significant and increase the value of our study. We ensured transparency and were clear about the length of the interview. They knew beforehand how long the interview will take, however, we were also honest and informed them that we are asking open questions so the interview time will depend highly on their responses.

### 2.7.3. INVASION OF PRIVACY

Maintaining the privacy and anonymity is essential to achieve access to companies and participants. A researcher must ensure that all the information gathered stay private. This is also critical when it comes to names and personal data (Saunders et al., 2009, p. 194). The problems of privacy and secrecy increase certain difficulties for any qualitative research design. Researcher must be cautious and avoid any probable connection or identification of Interviewees or the company (Bryman & Bell, 2011, p. 130). In certain situations it is important to choose if it is suitable to record specific kind of data that are considered to be sensitive (Bryman & Bell, 2011, p. 136). Since revealing data can be considered invasion to company’s or individual’s privacy. We didn’t disclose any of our participant’s names per to their request. We coded the content of the data gathered through the interviews so that or participants identity remain confidential. Since we recorded the interviews we have ensured our Interviewees about the secrecy and privacy of the recordings and only continued to carry the recordings after taking their permission. Overall, we have followed most of the essential ethical guidelines while taking our respondent’s needs and concerns into consideration.

One of the central ethical considerations is that a researcher shouldn’t pressure participants to get access (Saunders et al., 2009, p. 188). Everyone has a right to privacy and should not be pushed or burdened to take part in the study. If a researcher forces his initial participants to take part in the research he might be causing harm. Therefore, one should take the rejection of participation (Saunders et al., 2009, p. 188). In our request letter and interview, we made sure that we are not pressuring our participants. We gave them the freedom of choice, they had the choice to participate and answer certain question or not. We have also sent a personal thank you letter to all our participants to show gratitude towards their help in our research, and even to those who rejected our request.
2.7.4. DECEPTION

Deception is dishonesty about the main objective of the research, like the presence of private sponsorship or connection with another company that will access the data and use it for business advantage (Saunders et al., 2009, p. 190). In addition, once researchers have access they should not change the objective of their research without informing the research participants. This will be considered a deception if the researcher doesn’t inform his participants that the shared objective has changed (Saunders et al., 2009, p. 190). Even though our research doesn’t gain anything from using deception. We were completely honest and open about our purpose. Our Interviewees knew about our purpose from the beginning and we made sure we communicate our objectives clearly during the process. The interview and follow up questions that we asked during the interview were the ones we analyzed, therefore, there was no deception involved.
3. THEORETICAL FRAMEWORK

The aim of this chapter is to examine the theories supporting the realization and the success of co-creation. We will discuss literature to provide insights on the current view of value co-creation, providing insights about the challenges that arise and strategies suggested in the field that influence the success of co-creation. This chapter will help us build on those theories and strategies to come up with our conceptual framework.

3.1. THE CONCEPT OF VALUE CO-CREATION

The concept of co-creation is examined in two parallel contexts, business-to-business and business-to-consumers. Roser et al. (2013, pp. 23-24) highlights two particular streams: supply chain and strategic alliance innovation. Supply chain co-creation focuses on vertical associations and co-innovating among merchants and consumers as a more reliant and proportional quality creation. On the other hand strategic alliance is about cultivating a more collaborative and trust based modes of co-innovation between two or more firms co-operating in either a contractually based or value based relationship. As explained earlier in this thesis we are examining the first context of co-creation that is business-to-consumer.

Prahalad & Ramaswamy (2004 p. 6) explain that the term co-creation is often confused. Co-creation is not the relocation or outsourcing of actions nor is it the personalization of services and products. It is neither the “staging” nor “scripting” of consumer actions across the company’s numerous donations. The concept revolves around the creation of value. Ulaga (2001, p. 316) discussed the consumer value viewpoints. He discussed three viewpoints, consumers viewpoint, is the value produced from services and products. The seller viewpoint is the value of possible income generated by the consumer purchase, and the consumer-seller viewpoint, is the value created through the exploitation of connections during the process of value creation. The last value creation form is the one that signifies the cooperative nature of co-creation that we are discussing in this thesis.

Roberts et al. (2014, p. 149) define value co-creation as the mutual contribution among consumers and a company in an innovative process. The participation occurs in differing degrees in the processes of ideation, designing, development and formation of new services and products. It is not limited on marketing exercises (Zhang & Chen, 2008, p. 284). This value co-creation definition goes in line with Ind et al. (2013, p. 5), is about making consumers, managers and company’s employees contribute in development to generate new services and products. Haro et al. (2014, p. 70) represent co-creation as whichever activity consumers engage in an effective and direct way with the firm to propose and improve new procedures, products and services.

Co-creation differs in various firms; they are not homogenous in nature. The query for most firms is how they can best include co-creators, and what methodologies or apparatuses can be used to manage the relation (Roser et al., 2013, p. 21). The essence of co-creation is that it carries mutual benefit to its participants and many authors agree with this belief (Ramaswamy & Gouillart, 2010; Roser et al., 2013). Contrary, conventional thinking focuses on benefiting one part of the ecosystem, it suffers from uncertain circumstances.
that hold back the definition of strategy. Co-creation though is a discovery process. It starts by identifying the main goal the company aspire to achieve and how to meet the need of the target consumer they are pursuing. The procedure of discovery is prearranged by the company but led and managed by the consumers (Ramaswamy & Gouillart, 2010, p. 106). As consumers benefit from better personalization, customization and value through co-creation, companies on the other hand, can shape a competitive advantage by directing “Just-in-time” knowledge from co-creating consumers into “Just-in-time” learning for their company (Roser et al., 2013, p. 23). Hence, the marketplace doesn’t solely focus on attracting high demand for their offerings, but instead is responsible to organize an opportunity around their consumer’s experience (Prahalad & Ramaswamy, 2004, p. 6).

Based on the aforementioned literature and definition we choose to define co-creation as building consumers experience and mutually creating value in different phases of the product and service development.

### 3.1.1. DIFFERENT ENVIRONMENT OF CO-CREATION

When defining an abstract construct like co-creation. It is necessary to clearly distinguish it from conceptually different, but closely related constructs. Below we discuss how different authors used open innovation and crowdsourcing in association with co-creation. However, through out the paper we will address the concept as co-creation.

*Open Innovation* based on Martinez (2014, p. 132) represents cooperative innovation across firm’s connections and environments with inputs from network of collaborators varying from suppliers, research organizations and consumers that produce value. Open Innovation is a purposive inflow of learning to quicken inner innovation, and extend the businesses for outer utilization of innovation (Chiaroni et al., 2011, p. 34; Han et al., 2012, p. 292). Romero and Molina (2011, p. 448) address co-innovation and open innovation as a value creation practice founded in the continuous nature of collaboration between companies and consumer groups. They go on to discuss that the new approach of open innovation is about incorporating consumers in active roles throughout different innovation activities starting from the idea creation stage to final testing. The goal is to produce effective and innovative products and services (Romero and Molina, 2011, p. 450).

In addition, several authors have used the term *Crowd-sourcing* in association with co-creation. Romero et al. (2014, p. 386) has termed crowdsourcing as the process of co-creating online. He argues that companies use their consumers to suggest novel and developed versions of their product and services. Djelassi & Isabelle (2013, p. 684) describe crowdsourcing as a method of co-creation and consumer-driven type of innovation. It’s not merely a promotion instrument, but rather a company’s approach to absorb peoples’ innovative ideas. When the task is carried out in cooperation then it represents “peer-production” (Brabham, 2008, p. 76). Through crowdsourcing a company can seek answers for certain tasks from different groups of people and specialists (Whitla, 2009, p. 16).
The abovementioned expression might be difficult to distinguish since they are closely related with one another depending on the article that has been studied. In this paper the complementary of these two terms with co-creation is observed. Therefore, to avoid confusion the terminology will focus on co-creation and will be used in a consistent way.

Furthermore, a closer investigation of the two classifications above one can conclude that since co-creation fundamental goal is to mutually create value then the term goes beyond open innovation and crowdsourcing and could include any collaborative activity. Open innovation and crowdsourcing are an inclusive social approach of refining and enhancing processes in order to produce mutual value through external and internal collaboration. Therefore, we suggest that those concepts share similar challenges as they all fall under co-creation.

### 3.1.2. THE LEVELS OF CO-CREATION

It is proposed that the S-D logic is the ideal option in today’s market. Firms are considering the necessity of co-creating with consumers, which leaves them in a challenging situation. The level of co-creation depends on the scope and the intensity of the activities. Hoyer et al. (2010, p. 288) discuss that the scope imply the importance of firms to collaborate with consumers in all the phases of producing a novel product, which starts from the ideation to the product post launch. Firms with high scope involve consumers in all phases of the process. Intensity on the other hand refers to the degree at which firms depend on consumers in a specific phase of novel product development. Therefore, firms with high intensity in a specific phase depend solely on consumers in their product development phase (Hoyer et al., 2010, p. 288). Since our purpose is to address the key challenges and strategies to manage those challenges, we are focusing on examples of co-creation that has high levels of intensity and scope as we believe that the higher the scope and intensity of collaborative efforts the more the firm will encounter challenges. Below we will discuss the examples of co-creation that we are investigating in this thesis:

![Figure 1. The Levels of Co-Creation](image)

### 3.1.3. DIFFERENT EXAMPLES OF CO-CREATION

There are different settings of co-creation that reflect diverse uses of idea production and innovation. They differ in application but similar in directing the attention to the richness and depth of engaging consumers in creating better value. Scholars have recognized different degrees of collaboration with consumers. Value co-creation takes various forms.
such as: ideation, product co-design, product testing and promotion, consumer experience, self-selecting, and self-service.

Co-creation of value is said to be a result of engaging clients in the ideation process. Consumers are engaged in different circumstance, as the possessors of knowledge and experience. They can generate new ideas, elaborate on the ideas created by firms and also aide in assessing the viability of suggested novel products. Procter & Gamble facilitates such process by deploying its “Connect + Develop website to organization with ideating consumers and has a 3M implemented process of innovation established in co-creation” (Zwass, 2010, p. 25). In creating a new product, companies engage consumers to come up with new idea and also evaluate existing ideas before developing the idea into a product or service.

Product co-design is characterized as a process in which a customer provide a firm with greater content of a new product or designs, while a large number of customers aide to select what content or designs should be adopted by the firm (Ohern & Rindfleisch, 2010, p. 95). Nike uses this type of co-creation where they give customers the liberty to choose from various designs and colors (Ramaswamy, 2008, p. 12; Fisher & Smith, 2011, p. 330). Co-design requires a high degree of collaboration with consumers. It is an example of co-creation where companies highly involve the consumer in designing the specifications and features of products and service.

Product testing & Product promotion is the process where consumers gain product information and share their experience of such products and services via electronic word of mouth (Zwass, 2010, p. 26). The engagement of consumers in testing & promoting a product necessitates a substantial degree of collaboration with consumers. Hence, we believe the abovementioned examples: ideation, co-designing and product promotion have high degree of scope and intensity.

Payne et al (2008, p. 84) discussed an arena where a high degree of collaboration is adopted is the creation of experience for consumers from the companies. An example is the Disney Theme Parks, which place great significance of clients’ experience. “Employees follow a scripted roles to create an experience for their audience” (Payne et al., 2008, p. 84). The engagement of consumers in the creation of their experience harbors a high degree of collaboration, which might create a high level of scope and intensity. Nevertheless Prahalad & Ramaswamy (2004, p. 7) claim the staging of experience is not co-creation, rather a way companies involve consumers in activities that may build loyalty and commitment of engaging your consumer in activities that may increase loyalty and commitment. Therefore, we decided to exclude the creation of consumer experience as an example of co-creation.

Self-selecting is the point at which the customer chooses services utilizing the suppliers recommend process, to tackle a specific issue. An example is Citibank “Citibank the worldwide bank offers voice and keyboard response systems for clients in need of their services” (Payne et al., 2008, p. 84). However, Prahalad & Ramaswamy (2004, p. 7) argue the providing of good customer service or pampering the consumer with excessive customer service is not co-creation, rather a way of bringing consumers close to the
offerings of the company. Therefore, we excluded this example as we also believe the self-selecting doesn’t have a high level of scope and intensity.

**Self-service** is the point at which the companies transfer labor to the consumer. For instance IKEA actively involves consumers in key activities such as transportation and assembling of flat pack furniture and offer their products at a low price (Payne et al., 2008, p. 84). However, according to Prahalad & Ramaswamy (2004, p. 7) the transfer of activities from the companies in form of self-service is not co-creation rather a way of connecting consumers to a company’s offerings. Therefore, we decided to exclude the example of self-service, because we believe that self-service has a low level of the scope and intensity as the customer is not highly involved in the process.

Since our aim in this thesis is to investigate the key challenges that arise from co-creating with customers, and how they can be managed. We are going to focus on the examples of co-creation that have high level of scope and intensity as we believe the higher the scope and intensity of co-creation the more firms experience challenges. Therefore, in our thesis we are going to take into consideration the examples of ideation process, co-design and product testing & promotion, as we believe they have a high degree of collaboration that creates a high level of scope and intensity.

### 3.2. THE CHALLENGES OF THE CO-CREATION OF VALUE

As we discussed in the beginning of the thesis, co-creation drives sustainable value through tapping into different consumer’s knowledge. Based on the literature we have read and identified several challenges. In order to maintain effectiveness the challenges need to be revisited and updated throughout the co-creation process.

Fisher and Smith (2011, p. 325) posit that when liberty is given to consumers to decide on product design details *autonomy shifts and power decentralize* from the firm. The authors discuss that value could only be created when there is a good relationship between firms and consumers; firm’s management of the relationship during the co-creation process certifies foreseeable good result. Since co-creation is a process where firms involve consumers willingly, we can make the assumption that firms with centralized power are less likely to co-create. That is because in order to meet the specific needs in the market, consumers have to be involved in making decisions of a product or service. However, we are going to explore if this represents a challenge

According to Fuller (2006, p. 640) *Secrecy* creates a challenge for co-creating firms. He argued consumers begin to conceal their ideas because they believe their incentives for their endowment are not properly recognized so they rather sell their ideas. In addition, Hoyer et al. (2010, p. 289) classifies secrecy as a challenge, companies that depend significantly on secrets to guard exclusive knowledge in their new product development procedure are rarely engaged in strong and extensive co-creation. Hence, when both participants are concealing ideas collaborative efforts won’t thrive. As co-creation is a collaborative approach this permits us to realize, if secrecy is paramount in co-creation it
makes the process almost impossible. Therefore, we believe the lack of sharing between firms and consumers is detrimental to co-creation.

Consumers are important in a company’s success, they use the Internet as a means to market a company’s products and services. However, Gebauer et al., (2013, p. 1517) point out that, the negative and positive perception of consumers can be shared through word of mouth online. In an online base consumers may share negative perspectives of a product or service and as it is open to vast array of people it could tarnish the image of a firm in comparison to an offline base since it may be there for a long period of time. Romero and Molina (2011, p. 448) also discuss word of mouth as a challenge. Consumers meet up on Internet platforms where they share their encounters with products and services, and consequently assessing the adequacy of manufacturers. They compare and give feedbacks on each other’s experience and as a result they influence buying choices and brand loyalty. With technology at everyone’s disposal firms are unable to filter or stop comments made by consumers on online platforms. Modern day consumers are more prone to be communicative and share negative comments. Therefore, we believe this becomes detrimental to the product and services of a firm. Additionally, Lack of skills and knowledge from the consumer side prevent them from contributing effectively in a co-creation process. In order to drive innovation participants must possess high knowledge and competence (Ohern and Rindfleisch, 2010, p. 93).

Furthermore, Hoyer et al. (2010, p. 289) discusses ownership and possession of intellectual property rights necessitates firms to cope with complex situations. Despite the fact that some consumers willingly share and give their skills and work to the co-creating company without the need for acknowledgment, other consumers would ask for the ownership of their ideas. He further explains, if firms lack stability in their rules about intellectual property, this may lead contributing consumers to preserve the firm as unfair and may cause difficulties. Hence, companies that hold most of the ownership are less involved in co-creation. Ind et al. (2013, p. 8) agrees that ownership may arise as a challenge. Opportunity of satisfaction empowers individuals to add value in the co-creation process, though it can be exploitative as consumers are requested to transfer the ownership of their protected innovation rights, which is considered a benefit to the market. Concisely, when consumers generate ideas to firms and the firm develops those ideas, they have the perception they own it and the consumers also seek to own the developed idea. Therefore, we believe the issue of ownership obstructs the creation of value.

Firms also experience information overload. In the ideation phase, the selection between millions of ideas from consumers is a demanding task. Some firms try to overcome this difficulty by engaging consumers in assessing the ideas. However, information overload is mainly difficult in the later stages of the ideation phase of the new product development because most of these phases are sensitive towards deadline (Hoyer et al., 2010, p. 289). The process of co-creation facilitates the generation of diverse and unexpected ideas. We can assume that if the inputs of generated ideas are too much for a company with a small structure, this might lead to confusion and clamor. However, we are going to explore if this represents a challenge for co-creation.
Ford et al. (2012, p. 281) posited that the integration of knowledge and capabilities is not a problem free process. They argue that incorporation of a firm and consumer’s know-how are means of achieving a successful co-creation. The incorporation of knowledge and skills of both the firm and the consumer might lead to radical or incremental product or services. Accordingly, differences in knowledge and skills will lead to the learning of new competences internally within the firm and also educating the consumers on such products and services so as to facilitate the process of co-creation (Ford et al., 2012, p. 282).

Table 1 summarizes the key challenges of co-creation based on the theory we have read. We intend to use the content of this table when we are analyzing the data collected to see if our perception of the key challenges of co-creation proves relevant.

Table 1. Key Summary Of The Challenges Of Co-Creation Based On Literature

<table>
<thead>
<tr>
<th>Authors</th>
<th>Challenges</th>
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</thead>
<tbody>
<tr>
<td>Fisher and Smith (2011, p. 325)</td>
<td>Autonomy shift and power decentralization</td>
</tr>
<tr>
<td>Gebauer et al. (2013, p. 1516)</td>
<td>Word of mouth</td>
</tr>
<tr>
<td>Romero &amp; Molina (2011, p. 448)</td>
<td>Consumers lack of knowledge and skills</td>
</tr>
<tr>
<td>Ohern and Rindfleisch (2010, p. 93)</td>
<td>Companies and consumers conceal ideas</td>
</tr>
<tr>
<td>Fuller (2006, p. 640)</td>
<td>Complexities of intellectual property rights and ownership</td>
</tr>
<tr>
<td>Hoyer et al. (2010, p. 289)</td>
<td>Information Overload</td>
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<td>Ind et al. (2013, p. 8)</td>
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<td>Hoyer et al. (2010, p. 289)</td>
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<tr>
<td>Ford et al. (2012, p. 281)</td>
<td>Integration of knowledge and skills between firms and consumers</td>
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3.3. STRATEGIES TO MANAGE THE CHALLENGES OF CO-CREATION

In a recent study by Martinez (2014, p. 135), the author explains that a firm’s aptitude to get involved in effective discussion and interaction with consumers is very essential to the process of value creation. He asserts that an essential variable to achieve a consumer-driven innovative culture is to have a culture where the purchaser opinion is important since it support the organization's system and exercises. He clarifies that firm’s need two characteristics “open mindedness” and “open communication” so they can balance the link between the sums of ideas offered in the marketplace and the production of ideas for developing products. Firms will be able to realize new opportunities when its members are encouraged to think in various ways. Open communication entails a larger exchange of insights that assist the generation of new ideas and the execution of these new insights is dependent on the firm’s structure if it is formal, specialized or centralized. We believe the openness of a firm is an important aspect in co-creation. This is because the process of co-creation with consumer necessitates good level of communication in order to provide consumers with exact needs and improve products based on feedback.
Any co-creation activity requires a firm to build a space where participants can interact. According to Ramaswamy (2010, p. 22), enterprises that have learnt the proficiency of managing the co-creation of value with consumers have established engagement platforms and procedures that foster interactions between all participants in different positions in the system, with the aim of creating a significant value by developing rewarding experiences. Such enterprises emphasize on rising mutual value by engaging all consumers like; consumers, chiefs, front-line staff and partners.

In line with this, Nambisan & Nambisan, (2008, p. 60) emphasize on the importance of building a virtual environment and making them a central part of the consumer’s management activities framework. An effective way to do this is to arrange innovation meetings and summits that gather chosen consumers from the virtual environment staff and managers in one place. Also, virtual environment fests, which basically means activities that starts in the virtual environment and then continue in the form of offline events. Sawhney et al. (2005, p. 3) also address company’s ability to get involved with various consumers without substantial sacrifice and negotiation on the richness of the communication through the use of “Internet-based virtual environments.” Positive experiences on virtual environment is more likely going to encourage consumers to increasing the intensity, standard and caliber of their participations (Nambisan & Nambisan, 2008, p. 57). By integrating key design topographies and features in their virtual environment like; “content rating systems, product knowledge centers, social translucence, consumer recognition, exclusive consumer forums and clean technical designs and flow technologies” firms can foster better innovative environments and improve consumer’s experience (Nambisan & Nambisan, 2008, p. 57). Also, by providing instruments and toolkits to build service and products (Romero and Molina, 2011, p. 450; Hoyer et al., 2010, p. 290).

Instituting intellectual property rights is very essential for companies, Sawhney et al. (2005, p. 5) argue that this will allow a proper way through which a firm can utilize consumers ideas. In addition, Hibbert et al. (2012, p. 257) addressed that giving a proper learning and knowledge support by companies can enhance consumer’s know-how and bond. Knowledge support is a great foundation through which a company can distinguish itself through and it needs to be managed purposefully. Thus, qualities of the learning environment that affect consumers’ learning incorporate different learning opportunities, means and encouragement like; training, mentoring, assistance, and response (Hibbert et al., 2012, p. 252).

A robust top management involvement is needed for guiding the co-creation process. However, the involvement of the management shouldn’t limit consumer’s interactions (Zhang & Chen, 2008, p. 248). Since the involvement of consumers is a new way of leveraging consumers’ skills and know-how, we suppose it needs top management involvement to facilitate the process. Furthermore, Haro et al. (2014, p. 75) discussed the importance of flexible system and network of proficiencies that facilitate consumers to co-create and customize fruitful outcomes. He emphasize that the type of culture a firm has, decides whether the firm can encourage innovations, surpass expectations and be
competitive. Hence, a firm needs a *culture with internal cooperation* in order to accelerate outside collaborations (Haro et al., 2014, p. 74). Collaborative cultures provide a sense of connectedness and trust. This clearly demonstrates that, the most successful and effective co-creation happen when all consumers are on similar level and share the problems and information they possess.

To save money and minimize risk of failure in introducing novel products Hoyer et al. (2010, p. 290) suggest *including consumers in the beginning stages of new product development*. A high participation from consumers in the co-creation at the ideation and development phase can help greatly to the firm’s and product performance. In the idea generation stage, companies can turn to social media immensely to expand breadth and intensity of contributions, it can gain from consumers at a low cost. Additionally, he addressed that *consumer-to-consumer communication* can help companies comprehend what the product represent and how it can be utilized. This is vital because the experience and reviews of other consumers is significant for prospective buyers than insights given by the producing firm. Responses of consumers to product qualities or cost can help businesses administer any possibly bad opinions and adjust qualities before they turn to a serious setback (Hoyer et al., 2010, p. 291). To sum up, the perception of consumers in regards to a product or service is important because this helps the company to better serve their needs or improve the quality of their offerings, therefore we believe it is vital for firms to monitor the insights shared by consumers with other consumers to better comprehend their needs.

Furthermore, Romero and Molina (2011, p. 460) discuss some traits that companies should consider when looking for co-creators like; characterizing the sort of collaboration to be created, making the purpose clear with an understandings of the joint objectives. Additionally, they argue that the *selection phase* is an integral part in building a successful co-creation. They address two things to keep in mind during selection; a good co-creator is the one who has complementary capabilities, proficiencies and knowledge, not all co-creators are fit. Passion and motivated attitudes are essential characteristics beside experience (Romero and Molina, 2011, p. 460)

### 3.3.1. REWARD STRUCTURE & MOTIVATION

In the business-to-consumer context of value co-creation, co-creators have different motives behind their collaboration. In order for the company to optimize and manage their co-creation process and produce superior value they need to consider the factors that stimulate consumers to participate in the co-creation process. Considering the aspects that stimulate consumers to participate in co-creation is very vital for superior value creation. Authors recognize that rewarding consumers foster an active behavior during co-creation. In line with this, Hoyer et al. (2010, p. 290) argues that companies can entice consumer to co-create by increasing benefits. The motivating factors of monetary, social, emotional or technological can be combined creating a successful approach of multi motivating aspects that aim towards several stimulators. Similarly, Nambisan & Nambisan, (2008, p. 57) highlight if something was behind the consumer’s motivation to participate, a slight drop in
it would highly affect the consumer’s attitudes. Therefore, it is apparent that having a reward structure scheme could serve as a strategy that will help mitigate the challenges.

Different authors have discussed different type of reward schemes. According to Sawhney (2005, p. 7), proper incentives whether monetary or non-monetary rewards will enhance idea creation and cooperation. Intangible enticements like acknowledgments are a way through which a company can encourage consumers to collaborate (Sawhney et al., 2005, p. 6).

Likewise, Hoyer et al. (2010, p. 288) distinguishes between different sources of motives psychological, financial, social, and technological. People participate in a sense of selflessness because they sincerely trust in the purpose while others are participating due to their disappointment with the end product by the firm. Certain co-creators are encouraged by monetary rewards, directly like profit from the company that they engage with, or indirectly by recognition. Some aren’t encouraged by the rewards: they pick to share thoughts and spontaneously contribute with effort. Social benefits that come from co-creation gives consumers increased rank and status, social respect, and strengthening networks. Others are enthused by an aspiration to increase their intellectual benefit, knowledge, and learning experience about technology by contributing in development communities and settings managed by the firm. Romero et al (2014, p. 387) approves to the intellectual motives, since it allows consumers in gaining a profound knowledge about products and its units. He also discussed the social integrative benefits of belonging that consumers’ gain by taking part in an online co-creation activity, where socially bonded consumers create products and at the same time improve other products with different consumers and employees. By contributing in online platform consumers implore a high feeling of self-efficacy while they are contributing to a firm’s development (Romero et al., 2014, p. 386).

Furthermore, Fuller (2006, p. 640) explains that consumers partake in co-creative exercises because of intrinsic and extrinsic intentions. The intrinsic is when consumers take an interest in co-creation based on their enthusiasm and the enjoyment they will derive from the process, the activity to them is rewarding and not the outcome. Extrinsic inspiration on the other hand is when consumers are motivated to participate in co-creation because of the rewards they get from these activities. These rewards are usually money and status (Fuller, 2006, p. 640) In line with the intrinsic motives, Ind et al. (2013, p. 8) discuss that consumer’s perception on a brand increases their desire to co-create, and as the process develops, it impacts how they create and assess ideas. Through the perception of the brand, consumers see co-creation as a vehicle for adding value and satisfaction for themselves. Co-creation offers a venue through which individuals can manufacture closer connections with brands, grow new conceivable outcomes, and expand on the ideas of one another.

Consumers are encouraged to participate in co-creation when there is a possibility of achievement and actual value outcome. As far as the objective is achievable within the boundaries of the individual capabilities then consumer’s motivation to engage in co-creation is highly dependent on company’s management of the co-creation activity (Robert et al., 2014, p. 155). Concisely in co-creation it is important to actively inspire consumers and keep them motivated to deliver value. We believe the recognition, gratitude, rewards
and acknowledgement of consumers increases their willingness of participating in co-creation. However, we are going to explore to see if this represents a strategy.

3.3.2. DART MODEL

Prahalad & Ramaswamy (2004, p. 6) have introduced the four key components of the DART model of value creation, dialogue, access, risk and transparency. Dialogue, represents the engagement and inclination to act from both sides. It is about communal learning and interaction among two problem solvers rather than merely listening to consumers. It fosters and preserves loyal community. Access is about confirming that all participants can access a platform to develop idea, usually it starts with insights and tools. Risk denotes to the possibility of damage to the consumer. If a consumer is to engage with a firm they are entitled to be informed about the risks, not only give information but suitable procedures for evaluating the personal and social risk related to the product and services. Transparency knowledge asymmetry among the consumers and business create an advantage for the firm. Companies now are challenged, as asymmetry is no longer possible, it’s hard for them to keep the secrecy of prices, expenses and incomes. It is required to develop new heights of transparency since the access of technology and system is increasing nowadays. As authors we decided to discuss the DART model in this paper because we believe it discusses all the fundamental and significant features of value co-creation. Every component in the DART model can represent a key strategy that will help companies overcome challenges.

In line with the Transparency component in the DART model, Nambisan & Nambisan, (2008, p. 60) explains three different degrees of transparency: role transparency as the view consumers have about a certain role they are holding in the virtual environment. Process transparency is related to precision and clearness of a certain innovation procedure. It is about the time order, of who is involved and how it links to other parts of the firm’s processes. Outcome transparency is keeping the consumers notified about what’s happening to the ideas they participated with. For an effective collaboration process, a firm can combine the key components of the abovementioned model. Combining access with transparency improves the consumer's aptitude to make knowledgeable choices. Linking dialogue with risk evaluation develops the skill to debate and co-create policies. Joining access with dialogue boosts the capacity to improve and preserve thematic groups. Blending transparency with risk evaluation enriches the capability to co-develop trust (Prahalad & Ramaswamy, 2004, p. 8).
3.4. SUMMARY OF OUR THEORETICAL FRAMEWORK

Based on our literature review we were able to develop a conceptual framework. Although we are referring to existing theories, the purpose of the conceptual framework is to assist us in our inductive qualitative approach and be a starting point for further research and the development of theory. The empirical findings from conducting the interview will help us enrich our understanding of the topic and eventually modify our framework based on the data gathered and analysis. The data we collect from the interviews will help us identify the key challenges and strategies to manage each of the challenges based on our interviewee perception.

Our inference from the aforementioned theories is that co-creating firms are challenged by autonomy and power shift, concealing of ideas, word of mouth, consumer’s lack of skills and knowledge, intellectual property rights, information overload, and integration of knowledge and skills. These challenges are depicted in the left side of our conceptual framework Figure 3. Furthermore, in order to overcome the challenges different authors identified that firms need features like: Open mindedness and open communication, building platforms and virtual environment, instituting intellectual property rights, proper learning and knowledge support, top management involvement, collaborative culture and flexible system, engaging consumers early in ideation stage, monitor consumer-to-consumer communication, clarify purpose and joint objectives, promoting transparency, communicate risk, and rewarding structure.

As we wanted to include all the theories in our framework we noticed some complementary. Prahalad & Ramaswamy (2004, p. 6) discuss that dialogue is about shared learning and communication between both participants. In line with this, Martinez (2014, p. 135) clarifies the importance of open mindedness and communication and how it is essential for firms to get involved in active and effective discussion with consumers. Therefore, we decided to bring the dialogue component under the strategy of open mindedness and open communication in our model. Likewise, the complementarity
between access and the strategy of building platform and virtual environment is observed. Access means confirming that all contributors can access a platform (Prahalad & Ramaswamy, 2004, p. 6). In line with this, Ramaswamy (2010, p. 22) argue that companies with great expertise in managing co-creation have established platforms and procedures that foster interaction between all contributors, with the purpose of generating a greater value by developing rewarding experience. Hence, as you see in the conceptual framework we used promoting transparency and communicating risk from the DART model as two separate strategy while the dialogue and access are combined with strategies: Open mindedness & communication, and building platform & virtual environment. These strategies build the middle part of our conceptual framework.

Having clarified the challenges and strategies, we want to stress that it is common sense that when a co-creating company successfully manage the key challenges of co-creating in business-to-consumer context both participants will benefit from the process. With regard to this reasoning we express the final outcome of our conceptual framework as successful co-creation process. By successful we mean a challenge free process and mutual benefit for participants. The goal of the conceptual framework is to serve as a guiding tool for companies that are already engaged or going to engage in co-creation in business-to-consumer context. Ultimately, the framework will help them understand the challenges that arise and successfully manage those challenges to warrant a successful and challenge free co-creation process.

**FIGURE 3. CONCEPTUAL FRAMEWORK FOR MANAGING THE CHALLENGES OF VALUE CO-CREATION**
4. PRACTICAL METHOD

So as for the reader to understand our research, in this chapter we explain how data was collected. We start by introducing and arguing for the methods we choose to collect the data, the sampling technique, and the method of analysis and then how we went about by conducting the interview.

4.1. QUALITATIVE DATA COLLECTION METHOD

There are two types of data primary and secondary data (Saunders et al., 2009, p. 256). These data can be collected depending on the nature of the research, when collecting a new data for a specific purpose; primary data is used (Saunders et al., 2009, p. 256). Data that has already been collected for other purposes than the one at hand are known as secondary data (Bryman & Bell, 2011, p. 312). There are various sources of secondary data that can be for example payroll details, and copies of letters (Saunders et al., 2009, p. 256). Some of the advantages of secondary data are that they save enormous resources such as time and money (Saunders et al., 2009, p. 268). However, the disadvantage is that the secondary data might have been collected for a specific purpose which is totally different from the study you intend to accomplish, thus the data may not be useful for the particular study (Bryman & Bell, 2011, p. 320; Saunders et al., 2009, pp. 269-270).

Based on the aforementioned reasons, we surmise it will be necessary to collect primary data, as we feel that it will be inappropriate or will not be possible for our research question to be answered using secondary data. As we intend to identify what key challenges does companies face, and how they can manage the challenges we believe it is most appropriate to carry out a primary data collection.

Primary data can be collected using interviews as you get the information first hand. There are various types of how the interviews are administered (Bryman & Bell, 2011, p. 467). The type of the interview that is used needs to be linked with the research question, research design and research strategy that has been acquired (Saunders et al., 2009, p. 318). The qualitative data collection method may be highly formalized and structured or informal and unstructured pending on the kind of question asked (Saunders et al., 2009, p. 320). Structured interviews, at times referred to as standardized interview, allows for the carrying out of an interview by an interviewer which aims at giving interviewees precisely the same set of questions (Bryman & Bell, 2011, p. 202). When the sole aim of an interview is to acquire findings, which are generalized over a group of people, standardized interviews with the same sets of question are more suitable to be used (Bryman & Bell, 2011, p. 204). On the other hand, the unstructured interview is applied when the purpose of the questions is to understand the point of view of the Interviewees (Bryman & Bell, 2011, p. 466).

The semi-structured interview is a term that covers broad set of examples. It normally alludes to a setting in which the interviewer has a sequence of questions that are in general form of an interview schedule but is able to vary the sequence of questions. The questions are persistently to a degree more general in their frame of reference than that commonly found in a structured interview schedule and the interviewer has some possibility to ask more question in light to what are seen as noteworthy answers (Bryman & Bell, 2011, p.
Semi-structured can be portrayed to some degree as structured, as there are certain themes or areas that the interviewer covers, though the Interviewees can answer the questions as they desire and the interviewer can ask subsequent questions (Bryman & Bell, 2011, p. 467).

After evaluating various methods that are available at our disposal, we concluded upon using semi-structured interview as we intend to allow Interviewees to express themselves freely, as we want to understand the key challenges of co-creation and how they can be managed successfully. We believe that this sort of interview would be the most ideal approach to gather our qualitative data, as we could ask the same questions to all Interviewees so that we may be able to distinguish conceivable examples in the answers from our investigation, but in the meantime get the richness of open questions in regards to our themes where Interviewees can freely elaborate on issues brought up in the interview.

4.2. QUALITATIVE SAMPLING TECHNIQUE AND ACCESS

The realization and success of any research topic is highly depended on considering ethics and access. The capacity to acquire data whether primary or secondary is highly dependent on acquiring access to a proper source. The relevance of the source is dependent on the research question, goals of the research and the research strategy and design (Saunders et al., 2009, p. 169). Since the formation of the Internet retrieving secondary data has become a whole lot easier. But for secondary and primary data granting a physical access is very challenging and difficult (Saunders et al., 2009, p. 169).

Gaining access is challenging for several reasons like: the nature and sensitivity of the research topic, firms are protective of their privacy and type of information they reveal, and opinions about a researcher reliability and capability (Saunders et al., 2009, p. 170). Willingness from the company and its participants is what external researchers have to depend on at every stage of entree. A researcher needs to stay sensitive towards the problem of goodwill and look to nurture it at every stage. Researchers’ capability to clearly show competency, reliability, and ability to describe the research task sufficiently is very important at every stage (Saunders et al., 2009, p. 170). As full time students we were operating as external researcher, hence, confirming that we display reliability was one of our main concerns. In order to do that, we had ensured that our research idea is ready before contacting our Interviewees. Also, we had made sure our objectives are clearly stated to avoid perplexity.

According to Bryman and Bell (2011, p. 473), gaining access and scheduling an appropriate time to interview managers or employees holding senior level is difficult. In our case, this wasn’t a difficulty most of our Interviewees that showed interest in our topic were willing to dedicate sometime to answer our questions. Additionally, in initiating the communication and call for access it is advisable to send an email or letter that summarizes your research and requests. The letter should include description of the objective of the research, and how the participants are expected to help (Saunders et al., 2009, p. 179). In addition, before gaining access it is important that the researchers acquaint themselves with the features of the company and staff (Saunders et al., 2009, p. 174). In this case, we had a
list of potential Interviewees in mind and we have conducted several calls and sent our request letter via email describing our objectives and research area. Also, we made sure we read about the companies we targeted to ensure that they are fit for our research. One way we did that was by visiting the website of those companies and reading about them and their staff and teams before requesting the interview.

Bryman & Bell (2011, p. 441) argue that probability sampling is almost never conducted especially in the qualitative approach that is guided by interviews. It’s often not practical to choose probability sampling because of the limitations of continuous research. Also because it is hard to have an overview of the participants from which a causal sample might be selected. However, the researchers make sure they can access a variety of population that can have a potential ability to address the research question, so that different point of views and choices of activities are the center of attention. On the other hand, purposive sampling is a type of nonprobability sampling. The goal of the researchers is to sample the population in a structured way in order to ensure that the participant’s chosen can provide the answers to their research question. Researcher want to ensure diversity in their sample, therefore, they make sure that their chosen samples differ in certain characteristics (Bryman & Bell, 2011, p. 442). Purposive sampling assist the researcher to use his opinion in choosing the cases that will ultimately answer his question and help him achieve his research goals (Saunders et al., 2009, p. 273). However, as purposive is a non-probability sample method it does not permit generalization of results (Bryman & Bell, 2011, p. 442).

Since we aim for generating accurate results and proper representation, purposive sampling is the sampling technique we choose for this thesis. Deciding in advance what type of companies and respondent we aim to target will not only help us generate accurate results, but also, save time and cost. Furthermore, since our topic is about co-creation we took into consideration the type of potential requirements and knowledge that will support our purpose, therefore, we based our sampling on judgment and targeted Interviewees in senior levels that work closely with co-creation.

The numbers of interviews are not set for any research. A lot of research books suggest carrying on with collecting data by carrying extra interviews until no more data create new insights (Saunders et al., 2009, p. 235). Theoretical saturation is when researchers continue on sampling till the categories they formed are filled with data. Meaning there is no more new data that seem to be developing for that category. The category at that point is well developed in its scope and represents a high variety. Also, the associations between the categories are recognized and proven (Bryman & Bell, 2011, p. 443). Therefore, we continued to collect data till we felt that all our categories were filled by the time we conducted our eighth interview.

4.3. PARTICIPANTS SELECTION

To begin with, we would like to clarify that due to complex protocols, shortage of time and resources, many of our target Interviewees were busy. Thus, we needed to come up with a technique that will make up for the lack of Interviewees and at the same time obtain high quality responses to address our research questions. So we decided to be open to interview participants internationally. We used the resources available to us, and contacted people
internationally through LinkedIn or personal contact. Additionally, since contacting more than four companies in this short period deemed impossible we resorted to four experts in the field of co-creation. To reduce the complexity that is likely to arise from expanding Interviewees geographically we had several criteria that we took into consideration in the selection process for both companies and interviewees.

**Company Criterion:** An essential criterion that would make the company eligible for our research is for it to be a multinational company. The reasoning behind this was to ensure that cultural differences between the countries wouldn’t affect our data interpretation. Multinational companies have a unified culture; a Swedish company operating in Africa would create a community culture across all offices. Furthermore, we required that our selected companies operate in business-to-consumer context and engaged in somewhat high level of intensity and scope to ensure they are well aware of the challenges faced during co-creation.

**Interviewee Criterion:** Another criteria is to ensure all of our interviewees have an adequate level of English. Since both authors speak English this criterion was essential to be able to process and analyze data precisely. Also, only interviewees holding a senior levels and working closely with co-creation were regarded suitable for the study, because those are the Interviewees that will have a good overview of the challenges and strategies. The experts we choose operate in the verge of business-to-business and business-to-consumer. However, they were chosen because they have engaged in different types of co-creation with consumers in the past. The experts have to portray sufficient knowledge on how co-creation happens with consumers to be able to contribute.

In sum, we have contacted seven Interviewees. Three of our Interviewees were selected from the automotive industry, one from the music tech industry, two from retail industry, and two from the telecommunication industry.

### 4.4. INTERVIEW GUIDE

The main objective behind preparing an interview guide is to guide the interviewer in the process of collecting data. As mentioned earlier, even if qualitative research interviews are unstructured in nature, they are hardly so unstructured to the point that the researcher can’t decide on a research concentration (Bryman & Bell, 2011, p. 475). Without some concentration and focus the research will lose reliability in its objective and will have no clear direction (Saunders et al., 2009, p. 329). What is important is that the questions make it possible for the interviewer to gather the views of the participators about the world and promote flexibility in the process of carrying the interview (Bryman & Bell, 2011, p. 473). The basic structure of the interview guide will be formed around the researcher’s question (Bryman & Bell, 2011, p. 475). A researcher needs to have a rough thought of the subjects that he would like to discuss even if the objective was to carry a comprehensive interview (Saunders et al., 2009, p. 329). The questions included in the interview guide should revolve around the topics the researcher need, however, the standpoint of the participants must be considered (Bryman & Bell, 2011, p. 475). Therefore, we decided on our questions that we would like to include in our interview guide beforehand. The questions were built around our theoretical framework, research question and objective. However, because we
didn’t want to direct our Interviewees towards certain response, our questions were asked in a broad-spectrum. We included some probing question in case we needed them, but still we were open towards what our Interviewees found important.

One of the central features in formulating the interview guide is to avoid asking leading questions (Bryman & Bell, 2011, p. 475). Consequently, we formulated our questions in a way that would encourage fluid response. We started our interview by simple questions and gradually went deeper into the topic. We didn’t want to raise bias and made sure our questions are lucid. According to Saunders et al. (2009, p. 329) a researcher needs to confirm that the questions in the interview guide are set in an order that is rational and consistent to Interviewees. Also, that the language used is understandable. Our questions were organized in an order that we felt won’t confuse the reader. We first started by asking questions of co-creation and whether they think it’s always successful then moved towards asking about the challenges and strategies. While constructing our questions we used our methodological books as a guide to help us determine the ways through which we can construct questions that will successfully help us answer our research questions. The first version of our questionnaire was shared with our thesis supervisor and his recommendations were taken into consideration. A full version of our interview guide can be found in Appendix 1 & 2.

As mentioned earlier, our Interviewees were classified into: three automotive companies, music and tech company and four experts in the field of co-creation. We developed two versions of interview questions that were reviewed in order to receive effective response. According to Bryman & Bell (2011, p. 467) the method of interviewing is flexible; the importance revolves on how the respondent comprehends and frames the questions and incidents and what he/she sees significant in describing behaviors and events. For the questions developed for experts we focused on identifying their views of the key challenges faced by co-creating firms in business-to-consumer context and how can they be managed.

The interview guide is divided into three topics: Background questions, the process of co-creation, the challenges of co-creation and the strategies to manage the challenges. The first set of questions is on basic background information such as, the position of the interviewee and how long he or she has been co-creating with customers. The aim is to assess whether the interviewee is suitable or not for the study. The second set of questions is supposed to gather information about company’s objective behind co-creation and how the process takes place in the company. The third set of questions aims to gain a deeper understanding of the challenges. Therefore, this set of question aim to gather data about the different challenges defined by the authors in Table 1 chapter 3. For example, Question 7 is based on Ford et al. (2012, p. 281) challenge about the integration of knowledge. The fourth and last set of questions is directed towards the strategies to manage the challenges. For instance, Question 9 is in relation to (Sawhney et al., 2005, p. 5) strategy of instituting intellectual property rights. For further details see Appendix 3.
4.5. CONDUCTING THE INTERVIEWS

Only one of our interviews was conducted face-to-face while the rest of our interviews were conducted through a phone call since it was impossible to meet in person due to remote location. According to a study conducted by Abascal et al. (2012, p. 529) investigating the response difference in face-to-face and phone survey, the results show no variation and common results regardless of the setting. Although we employed two different methods of data collection, we can argue that our results were not affected and still reliable.

In comparing phone interviews to face-to-face interviews, phone interviews are cheaper in cases when it’s hard to reach group of Interviewees (Bryman & Bell, 2011, p. 489). Also, telephone interviews might be suitable when access is hard due to distance, and when you were able to form a reliable contact through a formal email clarifying that the requisite are rational and directed by ethical attitudes (Saunders et al., 2009, p. 349). However, conducting phone interviews carry some disadvantages. Recording the phone interviews might be accompanied by some technical complications. Certain tools might be required, and it’s always likely that the call is not clear (Bryman & Bell, 2011, p. 489). To overcome this obstacle we used phone-recording application and then emailed our recording to make sure we have an extra copy of our interviews to avoid losing our data.

During the interviews we used follow-up question. According to Bryman & Bell follow up questions are the types of question that urge the Interviewees to elaborate and explain their answers (2011, p. 477). Terminology and complex theoretical concepts were avoided, since the use of such terms may lead to confusion due to difference in understanding between the interviewer and interviewees (Saunders et al., 2009, p. 330). To make sure our Interviewees from both categories understood our questions we avoided complex terms so there is no bias in answers. Moreover, in the end of the interview we decided to include a key question that would offer the opportunity to the participants to add any additional information they find relevant. This enables the interviewees to understand that the interview is coming to an end and give them a final chance to express their opinion about the topic. This interview guide was very helpful while conducting our interviews.

As explained, in conducting qualitative interviews the length and time of every interview vary (Bryman & Bell, 2011, p. 482). Our shortest interview was half an hour long, yet still quite revealing and enlightening. Table 2 below represents a summary of our interviewees, how was the interview conducted and the duration of the interview. Since some of our Interviewees asked to be anonymous, the information we provide about them in this thesis will be short and conscious only describing the position, years of experience in co-creation, and in some cases the department they operate in.
Table 2. Respondent’s Summaries And Characteristics

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<th>Country</th>
<th>How</th>
<th>Time</th>
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<td>Copenhagen</td>
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<tr>
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<td>48 mins</td>
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<tr>
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<td>Music Tech Industry</td>
<td>Founder/CEO</td>
<td>Sweden</td>
<td>Face-to-face</td>
<td>44 mins</td>
</tr>
<tr>
<td>R5</td>
<td>Retail Industry</td>
<td>Senior Brand Manager</td>
<td>Kuwait</td>
<td>Phone</td>
<td>30 mins</td>
</tr>
<tr>
<td>R6</td>
<td>Retail Industry</td>
<td>Co-Creation Specialist</td>
<td>Nigeria</td>
<td>Phone</td>
<td>42 mins</td>
</tr>
<tr>
<td>R7</td>
<td>Telecommunication Industry</td>
<td>Executive Director</td>
<td>Sweden</td>
<td>Phone</td>
<td>31 mins</td>
</tr>
<tr>
<td>R8</td>
<td>Telecommunication Industry</td>
<td>Executive Director</td>
<td>Kuwait</td>
<td>Phone</td>
<td>36 mins</td>
</tr>
</tbody>
</table>

4.6. TRANSCRIBING

While conducting an interview in qualitative research, it is a prerequisite to record the interviews (Bryman & Bell, 2011, p. 482). Transcribing and recording an interview after the interview is conceived is better so that interviewers don’t lose their concentration of what is being said by the Interviewees, which may be a result of taking down notes during the interview (Bryman & Bell, 2011, p. 482). In the transcription, it is vital to incorporate important features such as the pause and non-verbal signals in a written documentation as they are considered essential features in analyzing the data later (Saunders et al., 2009, p. 340). Prior to the interview it is important to check with Interviewees if they are comfortable with being recorded (Bryman & Bell, 2011, p. 482). However, sometimes Interviewees tend to hesitate when asked about being recorded. When faced with such incidents, it is allowed to take notes and afterwards show them to the respondent to validate the accuracy (Bryman & Bell, 2011, p. 482). Thus prior to the interview as it is a prerequisite, we asked the Interviewees if being recorded is okay with them. It is also important to ensure the anonymity of Interviewees, as this is considered a very useful measure that makes Interviewees feel more convenient when opening and talking freely (Saunders et al., 2009, pp. 333-334). We transcribed the interviews right after the interview to see if we needed to follow up with our Interviewees for extra information, clarification and feedback. Moreover, in our transcription we excluded personal information as per requests.

4.7. QUALITATIVE ANALYSIS

Qualitative research easily produces a substantial amount of data, and there are few well-established and widely accepted rules for the analysis of such data (Bryman & Bell, 2011, p. 571). According to Saunders et al (2011, p. 490), the analysis of data is based on the nature of research one is conducting; there is no standardized way of analyzing the data. The research question, research design and approach are all to be considered when adopting a method. The choice of the analysis method to use is usually connected to the research whether it is a deductive or an inductive approach (Saunders et al., 2009, p. 489). Bryman & Bell (2011, p.571) argue that the technique, which is general in nature, and one of the
most used methods in qualitative research methods, is the thematic analysis. Thematic analysis can be applied in numerous or most of the qualitative research type, and coding is a central theme of this type of analysis (Bryman & Bell, 2011, p. 572).

According to Braun & Clarke (2006, p. 79) thematic analysis is a technique for “identifying, analyzing, and reporting patterns within data”. It slightly arranges and categorizes your data set in rich detail. These authors highlighted that this type of analysis aids researchers to move their analysis from a large data sets to discovering patterns and developing themes. Roluston (2001, p. 280) recognized thematic analysis as common approach utilized by most researchers conducting a qualitative study as it allows the researcher to get closer to Interviewees so as to attain data and gain profound evaluation of the content.

Based on the scheme of thematic analysis we compared our empirical findings with our theoretical framework. We identified two main categories the challenges and strategies. The key challenges in business-to-consumer context of co-creation were identified and categorized according to: word of mouth, consumers lack knowledge and skills, Intellectual property rights, information overload, knowledge integration, time consuming process, and biased consumers.

In addition, the strategies of overcoming the key challenges of business-to-consumer context of co-creation were identified and were categorized to: monitoring consumer to consumer communication, proper learning & knowledge support, instituting intellectual property rights, building platforms & virtual environments, clarifying purpose and joint objective, rewarding structure, top management involvement, collaborative culture and flexible system, promoting transparency, open mindedness & open communication, selection phase and outsourcing of co-creation. A deep analysis was carried out in comparing the overall empirical findings to the theoretical framework, with the aim of discovering if the key challenges and strategies were in line with what we assumed when analyzing the existing literature. During the process of analyzing we compared every challenge with every strategy and vice versa. Regardless of the fact that our analysis was based on our theoretical framework we were also flexible to new theories.
5. QUALITATIVE EMPIRICAL FINDINGS

In this empirical section we will introduce the findings of our research. The aim is to present the results of our research on co-creation in business-to-consumer context, showing similarities and contradictions with theory recognized in the Interviewees’ answers.

Our Interviewees represent three car companies from the automotive industry, one from the music tech company, and four experts in the field of co-creation that operate in both retail and communication industry. The experts we choose operate in the edge between business-to-business and business-to-consumers. Table 2 represents a summary of our respondent’s details.

Table 2. Respondent’s Summaries And Characteristics

<table>
<thead>
<tr>
<th>Code</th>
<th>Industry</th>
<th>Position/Title</th>
<th>Country</th>
<th>How</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1</td>
<td>Automotive Industry</td>
<td>Senior Prototype Engineer</td>
<td>Copenhagen</td>
<td>Phone</td>
<td>38 mins</td>
</tr>
<tr>
<td>R2</td>
<td>Automotive Industry</td>
<td>Marketing Manager</td>
<td>Kuwait</td>
<td>Phone</td>
<td>32 mins</td>
</tr>
<tr>
<td>R3</td>
<td>Automotive Industry</td>
<td>Senior Brand Manager</td>
<td>South Africa</td>
<td>Phone</td>
<td>48 mins</td>
</tr>
<tr>
<td>R4</td>
<td>Music Tech Industry</td>
<td>Founder/CEO</td>
<td>Sweden</td>
<td>Face-to-face</td>
<td>44 mins</td>
</tr>
<tr>
<td>R5</td>
<td>Retail Industry</td>
<td>Senior Brand Manager</td>
<td>Kuwait</td>
<td>Phone</td>
<td>30 mins</td>
</tr>
<tr>
<td>R6</td>
<td>Retail Industry</td>
<td>Co-creation Specialist</td>
<td>Nigeria</td>
<td>Phone</td>
<td>42 mins</td>
</tr>
<tr>
<td>R7</td>
<td>Telecommunication Industry</td>
<td>Executive Director</td>
<td>Sweden</td>
<td>Phone</td>
<td>31 mins</td>
</tr>
<tr>
<td>R8</td>
<td>Telecommunication Industry</td>
<td>Executive Director</td>
<td>Kuwait</td>
<td>Phone</td>
<td>36 mins</td>
</tr>
</tbody>
</table>

Throughout the empirical findings and analysis we will refer to our Interviewees by the codes representing them in table 2 for ethical purposes. For example, the answers of our first respondent will be referred to by R1.

We will present the finding following our theoretical framework structure mainly the two categories the challenges and strategies of value co-creation, providing the answers to our research questions: What are the challenges of co-creation? How do companies manage the challenges of co-creation?

5.1. INTERVIEWEES DESCRIPTION

5.1.1. AUTOMOTIVE COMPANY (R1)

Our first interview was with a Senior Prototype Engineer based in Copenhagen. He works closely with co-creation projects with consumers. He has three years’ experience with the consumer experience competence center that mainly focuses on the consumer experience and co-creation. His company’s objective is to cultivate sustainable solutions and foster participants’ development. The design and development in their company is consumer centric and revolves around the consumer experience. Together with the consumer s they draw sketches of the new concept and build paper prototype that stimulate conversation around the product. The consumer s are involved until the car is realized through prototypes.
and industrialization. The process is split to different long phases before the final product gets to the market and consumers are typically involved for one month depending on the duration and intensity of the project. One example of a co-creation project is in relation to health. They learnt from Chinese consumers that people in big cities in China like, Shanghai and Tianjin are concerned about pollution. The front-line staff was able to design and develop with consumer instruments and appliances in cars to help the Chinese community stay aware of the atmosphere around them. The outcome of the collaboration served their consumers with air filtering system for both the emission and filtered air in the cabin.

5.1.2. AUTOMOTIVE COMPANY (R2)

Our second interview was with a senior manager based in Kuwait. He has almost thirty years of experience in the automotive industry. His company’s main goal behind co-creation is to build a good experience for consumers characterized by an interactive relationship and resulting in mutual value. They co-create by using virtual labs, which represent an online environment where consumers get to experiment with different designs online. People with different interest of cars get to interact, and decide on how to design the interior or the suspensions of the car. The lab offers a scope of alternatives for design from simple mode-offerings to popular bundled items. The features and designs offered are mainly in development and are only available virtually, permitting both the company and its consumer’s insight in the selection.

5.1.3. AUTOMOTIVE COMPANY (R3)

Our third interviewee was a senior brand manager based in South Africa. He has been working in his field for almost four years. His company worked on several co-creation projects. One project revolved around designing and testing a utility truck. The project was referred to by the “ranger challenge”. Participants shared ideas addressing commercial and normal lifestyle needs. The company engages consumers in communicating what is needed before the launch and after the launch of the car. Consumers showcase, test and also suggest improvements. In addition, another project was in relation to social media. It is a campaign used to promote one of their cars to a younger demo using key representatives in social media with a large base of followers.

5.1.4. MUSIC AND TECH COMPANY (R4)

Our fourth respondent is the CEO of a company established in 2000 and currently based is Sweden. She led a number of creative workshops and has been awarded for encouraging collaborative efforts. The company promotes collaborative projects with consumers through music festivals for instance musicians and hackers come together to create prototypes. The individuals supplement each other in creating prototypes by combing music and technology. They also engage in events such as hackathons where individuals from diverse industries meet for the first time to create prototypes in games and technologies. Their main objective revolves around mutual value creation and experience building.
5.1.5. EXPERT IN CO-CREATION (R5)

Our fifth interview was with a Brand Manager based in Kuwait. She has four years of experience in the field of co-creation. The company solicits different inputs to create new products or modify existing product in joint and collaborative efforts. Their main objective is to create products mutually that will corresponds to clear needs.

5.1.6. EXPERT IN CO-CREATION (R6)

Our sixth interview was with a co-creation specialist based in Nigeria. She has been working on co-creation projects for five years. They co-create with other companies as their consumers where everything they do is designed collaboratively. They don’t involve companies as end consumers rather they involve them in designing. Their overriding objective is to create an experience, get loyalty and build a competitive advantage by designing products and services that fits consumer’s needs.

5.1.7. EXPERT IN CO-CREATION (R7)

Our seventh interview was with an Executive Director based in Sweden. He has 5 years of experience in the field of co-creation. His company was previously engaged in co-creation in business-to-consumer context; however, they are now operating in the edge between business-to-business and business-to-consumer. They process of co-creation is facilitated by making sure that everyone is involved and on the same direction. Their main objective is to create mutual value for the parties involved.

5.1.8. EXPERT IN CO-CREATION (R8)

Our eighth interview was with an Executive Director based in Kuwait with five years of experience in the field of co-creation. When co-creating they collaborate with companies as their consumers. They engage them in developing solutions that would address their needs. The main aim is to provide solutions to consumers’ problems and increase value.

5.2. THE CHALLENGES OF VALUE CO-CREATION:

The key challenges in business-to-consumer context of co-creation were identified and categorized according to: word of mouth, consumers lack knowledge and skills, Intellectual property rights, information overload, knowledge integration, time consuming process, and biased consumers. Below we present our empirical findings in the same order:

Two of our Interviewees discussed that social media represents a threat to their company. This was a big concern to R3, who said: “Word of mouth is one of the biggest conundrums!” and further stated, “despite the benefits the online campaign brought us we couldn’t control what consumers shared online. Consumer’s generated online content was a source that helped our brand build strong authenticity through honest reviews but some others were dissatisfied and shared negative comments that threatened our image”(R3).
R2 also acknowledged social media as a challenge: “For us and many others, social media is a double edged sword!” He continued, “When consumers are dissatisfied by the result of the co-created concept or if they experienced difficulty on our virtual lab, they used social media to express their negative opinion” (R2). He showed concern that this would influence other potential buyers’ opinions or other co-creators decisions.

Half of our Interviewees recognized that some consumers lack knowledge and skills (R2, R4, R5, R6), however, everyone expressed this challenge differently. R2 talked about the difficulty they encountered: “Consumers weren’t able to use the features and design in our virtual lab to its full potential. It required us to teach them how to use the features and designs online” (R2).

R4 supported R2 mentioning how some consumers lack expertise: “Certain consumers don’t have their thinking developed in an innovative way or in ways that address all consumers. Their know-how could only be utilized in a certain context” (R4).

Furthermore, R6 noticed that the lack of skills could be a challenging factor since consumers will not be able to collaborate effectively: “When some consumers jump on board companies have to allow them some time to get familiar (...) not everyone knows what to do” (R6). R5 also commented, “Some brands engage consumers and they don’t really measure the consequences in advance so they fall in taking consumers inputs into consideration. The co-created product might be complex requiring special features that your average co-creator don’t understand and can’t address” (R5).

Most of our Interviewees share the perception that an ownership complexity is a major challenge when co-creating with consumers (R3, R4, R5, R6, R7, R8). R7 recognized this challenge and suggested that companies have a secure and standardized agreement: “Consumers feel they lack the legal power when companies end up taking away the co-created concept under their name. The lack of understanding and legal framework where everybody could share the equity of the co-created concept is probably the biggest challenge and need to be secured by an agreement or a contract” (R7).

R8 also acknowledged this challenge and said: “If a consumer comes up with a very good idea and the resources and time to nurture such idea is provided by a firm, the firm would expect to own the idea. The consumer may also wish to own the idea” (R8). He further elaborated that this situation put both parties in a dilemma. The same comment was made by R6: “If someone has a passionate investment into something there is the likelihood that he or she would protect it more and would want to see more of it. [Consumer’s] believe they own the content they create” (R6).

R3 expressed the same challenge: “Scenarios like ownership issues took place. Many during the ranger challenge asked that their ideas would be credited to them” (R3). Additionally, R5 discussed the complexity that arises from ownership: “I believe that the concept of intellectual property rights is very difficult to seize” (R5). According to her companies are part of the co-creation process, and that they are the ones responsible of putting the co-created concept in place, still, consumers demand exclusive rights of their ideas. In line with this R4 discussed the same issue: “Consumers register their creations
and avail it to our disposal, however, if the ideas they come up with are great, they will want to own the outcome of the idea” (R4). She also added: “With the idea being developed with our company’s resources, we feel that we are also rightful owners” (R4).

Three of our Interviewees share the perception that the ideas generated from co-creation are many, sometimes even more than what companies can handle. R1 expressed: “In developing a new concept we [Consumers and staff] usually gather six people and involve them three times in the conception phase, after each round we develop the concept and the prototypes for it till it reach a stage where the concept is fulfilling and ready to be handed over to the department that can realize the project within the car development process. We came to realize that storing and gathering all the data and insights is overwhelming. Distributing and spreading those insights within the organization is discouraging” (R1).

Similarly, R5 recognized: “Consumers convey a range of insights up to the point of overwhelming the management team. Some of those inputs are sometimes irrelevant!” (R5). This challenge was also recognized by R7, “Companies are at risk of exercising weak judgments. They lose track while assessing big amount of ideas because they take ten times the amount of insights while co-creating than they normally do when they develop concepts internally. They [the sum of ideas] are more than what they are configured to handle” (R7).

Three of our Interviewees mentioned that they find it hard to effectively use the sum of ideas and information available to them. R1 mentioned a need for a structure that could help them incorporate the learning they gain from the process while at the same time share their company’s experience and knowledge. He said: “Every time we have a co-creation project we try to cover all that we have learnt through presentations. We need a formalized system to help us implement the knowledge within the company. We find it hard to incorporate knowledge” (R1).

R3 supported that by saying: “When we rolled out a developer program where some individuals participated in developing codes. The individuals’ task was to rework some of the car technologies so it can fit their needs. Participants went above and beyond suggesting much greater changes beyond the scope that the company requested” (R3). He continued, “We learnt so much from our participants, even things that we weren’t expecting. It was a reality that we were exposed to and struck by having opened up our self to co-creation in the first place” (R3). Other respondent had a corresponding point of view:

“Accommodating and transferring new insights in light of current knowledge is not easy” (R6).

Four of our Interviewees expressed that co-creating with consumer is a lengthy and time-consuming process. R1 was among the first who mentioned this as a challenge: “It takes many years to develop a car before you start industrializing it and even more when more than one consumer is involved. If one process is delayed then it delays other processes (...) having more than 2-3 people involved with you make the process even longer” (R1). He further expressed that this is defiantly the biggest concern when you try to work in a consumer centric way. Similarly, R6 recognized that the process is extensive and long, she
says: “What is supposed to take four months might extend to six months. I think it’s faster to design something in your office and put it out for your consumers” (R6).

R8 supports the idea: “Not only do consumers take time selecting the features and designs. The process is too long, it requires firms to go back and forth in order to address issues aiming to satisfy consumer’s needs” (R8). In addition, R7 had a similar point of view, he noticed that the more people join, the slower the process gets: “people pull on opposite directions and sometimes speed is essential as there might be competing alternatives and you need to focus on getting your designed concepts out soon as possible” (R7).

Three of our Interviewees expressed that they think it’s difficult to find unbiased co-creator who address the majority of needs in the target market. R1 commented that in his company they experience a hard time in finding co-creators that are not bias. He says, “We struggle in finding people that have needs that address and represent the majority of our target consumers. When we decide to engage consumer s, the consumer s have to be representing and chosen from within that market we are targeting and their needs have to address the majority of needs in that market” (R1). He expressed that when they developed a context addressing Chinese people they needed to target a representative group of Chinese participants with careful selection criteria to ensure they will address the majority of their Chinese consumers and this was challenging for them. Other respondent had a similar point of view, she expressed that certain consumers put forth the strongest ideas, however, most firms find that the generated concept wouldn’t necessarily work with others.

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“Some consumers put forth the strongest ideas, however, most firms find that the generated concept wouldn’t necessarily work with others.... This requires firms to look into other groups of individuals to develop the product further to address other’s needs” (R4).

The idea of biased consumers with limited needs was also addressed by R8: “Even though [participant’s] solutions are good, they are often only utilized by a single party” (R8).

5.3. STRATEGIES TO MANAGE THE CHALLENGES OF CO-CREATION

In addition, the strategies of overcoming the key challenges of business-to-consumer context of co-creation were identified and were categorized to: monitoring consumer to consumer communication, proper learning & knowledge support, instituting intellectual property rights, building platforms & virtual environments, clarifying purpose and joint objective, rewarding structure, top management involvement, collaborative culture and flexible system, promoting transparency, open mindedness & open communication, selection phase and outsourcing of co-creation. Below we present our empirical findings in the same order:

In discussing the strategies that firms need to adopt only one of our Interviewees, R3 talked about the importance of managing consumers online reviews. In describing an incident he said: “One of our participants expressed his disappointment online about the Bluetooth system in the car he bought from us. The system wouldn’t connect to his devise. We expressed that it is unfortunate. We provided a solution and further improved on our
product. One strategy we used is to catch up with consumers online posts and conversations by turning something negative to a fair assessment” (R3).

Three of our respondent (R2, R4, R6) recognized the importance of educating and training consumers. R2 explained the step they took towards teaching consumers: “We offer rich illustration and training to educate consumers on the various features and designs in our virtual lab. Mainly we provide information on the virtual lab that guide co-creators and aid the design process by explaining product features” (R2).

R4 stressed on the importance of facilitating a learning environment by mixing skilled and unskilled individuals together to assist each other. She explained: “It’s important to have brilliant people in the process that promote and facilitate learning (...) Mix people with different brains, skills and enthusiasm and let them support each other” (R4). She further explained, “We mix our best staff and participants together with other participants to entice learning. Because when such a group meet in a creative and free space, they mix organically and stimulate learning” (R4).

R6 also iterated the importance behind firm’s investment in training consumers in order to reap the benefits of their insights and build their capacity: “Training and learning shouldn’t happen once. There is also that iterative learning around different exercises when consumers can discover emerging issues around co-designing and continuously get insights. There is that need of ongoing capacity building of consumers around co-creation and it’s kind of taken for granted” (R6).

The practices of issuing intellectual property rights are perceived important by most of our Interviewees (R3, R4, R5, R6, R7, R8). Almost all of our Interviewees mentioned the same set of practices to protect ownership. However, one mentioned a different practice to protect intellectual property. R4 commented that: “It is important to have an open product system where people can register what they create and other people can build on their ideas, comment and attribute it to them (...) But incase the company decides to use participants ideas state some qualification before hand” (R4).

R3 expressed, “We focus on having scenario planning stating who hold what in the structure to ensure that there are no complexities attached to ownership in the future. We address ownership under our compliance so the legalities that might arise are under control. The reasoning behind our strategy is to ensure that everyone from the very beginning hold a clear position” (R3). Other Interviewees had a similar point of view:

“It is important that everyone signs the terms and agreement in relation to who is going to own the idea” (R7).

Both R6 and R5 talked about the importance of establishing contractual and explicit agreements stating who own the concept and what to expect. In addition, R8 addressed the dispute of ownership and suggested: “A company needs to state clear rules from the inception of the co-creation process. There should be a clear documentation defining the rights for each party involved in the process of co-creation” (R8).

Two of our Interviewees (R1, R2) developed online platforms to encourage co-creation. R1
highlighted the need of engagement modes that facilitate collaborative work. He explains that in order to relieve some of the challenges they faced, they saw the need to accelerate engagements and learn from consumers. They met with consumers online and offline regularly to collaborate. He gave an example, about a platform through which they gather insights from global communities and consumers mainly from university students, and also, by inviting people present in Copenhagen to their working space. Specifically he says, “Through the use of the platform we were able to extract frugal insights to build products addressing China’s environmental challenges” (R1).

R5 further believes that companies need to have the right mechanism and interaction channels in place to gather the inputs, respond and collaborate effectively. She expresses, that when a company co-create with consumers, they are promising them that they are going to be part of something valuable: “As a company that focus on consumer experience you need to keep your promise by providing channels that stimulate collaboration” (R5).

Two of our Interviewees recognized that co-creation is driven by shared objective. R3 identified this need: “Ensuring internal alignment within an organization is very important” (R3). R7 also stressed on this point: “keep your objective clear and always revise your company’s and consumer’s core values and goals” (R7).

There was a general agreement from our Interviewees about the importance of rewarding systems (R1, R2, R4, R5, R7). R1 mentioned that they compensate participants for one full day of work: “fixed monetary rewards go to participants and the amount differs between the people depending on the project.” R4 elaborated further on that point:

“The goal behind consumer’s participation usually comes down to what they are able to benefit from the process. Rewards can be in form of benefits consumer drive out of their experience...In our company we create experiences that gives consumers’ excitement, passion, enthusiasm and potential growth of status” (R4). R2 also perceived that the process of co-creating could be self-rewarding and enjoyable: “Our consumers participate because they find it playful and enjoyable, some even find it educating. This has resulted in high amount of participation. Beside the experience we still focus on compensating consumers with small gifts” (R2).

In addition, the concept of incentivizing consumers was something R7 emphasized a lot: “If somebody gives something to you, you have to give them something back. Everyone should be getting something to ensure mutual benefit” (R7). Moreover, R5 explained that the idea of being part of the co-creation process is very exciting to consumers especially if the end result would be relevant to their needs. But the company is responsible to invest in so many techniques to incentivize them. She suggested: “Even if the company owns the idea attribute the idea to them, and name it after them. Give them the exclusivity to be the first to test the product” (R5).

R6 emphasized that team leaders are responsible for planning the co-creation phase and ensuring that everyone is on board and heard:
“Team leaders and managers have to be on board. Different participants have different perceptions that may eventually lead to imbalances that impede co-creation. Managers are moderators they need to address these disparities, encourage, support and guide co-creation” (R6).

Two of our Interviewees communicated the importance behind having an adaptable system and cooperative culture. R3 expressed: “The management of an organization must inculcate a culture which encourages sharing and adaptability. It is important to have a collective group of proficiencies so that everyone on board is knowledgeable and encouraged to co-create” (R3). This was also reflected by R6:

“Going through co-creation development process is like a journey. The creative process of co-creation starts from within the firm then extends to encompass external consumers. Any company that wants to foster co-creation, should encourage collaborative efforts internally from the very get go, and make it their DNA” (R6).

Three of our Interviewees identified that the best method in managing the difficulties of co-creation is to constantly ensure a trusting and well-defined environment. R1 stressed the importance of full disclosure: “Clarity is essential from the company even in regards to their arrangements. Everyone has to be knowledgeable and on the same page” (R1). Likewise, R2 highlighted the importance of having an accountable ecosystem where the company is clear to its participants: “Clarity is essential from the company even in regards to their arrangements, income and expenditures. Everyone has to be knowledgeable and on the same page” (R2).

In line with this R5, discussed that companies should be able to manage consumer’s expectations:

“Companies are accountable for communicating to the participants why their inputs are irrelevant to a specific co-creation project. I think companies can store consumer’s ideas and use the inputs in the future if something is not relevant today it might be relevant tomorrow, and if it is not relevant to one department is might be relevant to another department” (R5).

R1 discussed a good strategy is to consider participant’s view. He uttered, “When we are co-creating we pay great attention to consumers, if something is not working, or if it’s not the right way to do it, we change direction, tools and methods” (R1).

In addressing the strategies to manage the challenges, R5 highlighted If a company is engaged in co-creation they are opening a room for criticism and changing certain processes internally by external key players: “People will intervene in order to contribute. The company needs to be open and willing to except the intervention” (R5). He expressed that all the input counts, whether positive or negative. The company shouldn’t be biased or subjective and should be open to learn from consumers.

R3 explained some additional managerial efforts in managing co-creation. He mentioned that his company extensively planned each step before the online campaign. They knew that the movement would take place in a digital environment, He said, for example:
“If you are one of the influencers we picked we look at your prior online posts to get a sense of your character, we try to sense if you are frank, open, easy to engage and collaborate with before we give you a car. After all we addresses the possibilities of negative reviews. If you only have good reviews they would seem designed buy the organization and people will question your authenticity” (R3).

Additionally, two of our Interviewees agreed that instituting clear guidelines are vital in the process of co-creation, however certain guidelines prove not to be sufficient. R7 expressed:

“If a company wasn’t ready to confront the challenges, it is best that they select a third party outside the firm to facilitate the process. This way the company will not risk loosing its participants and at the same time realize the benefits of the process”(R7).

R8 had a similar point of view: “Sometimes co-creation partnerships fall apart and the reason is because the management is too busy with other projects and wasn’t able to predict or notice the challenging signals. It is essential to have the right people and resources that can foresee and manage the challenges or the company will have to appoint someone exclusively to supervise the process” (R8).
6. QUALITATIVE ANALYSIS

In this section we will provide an outline and analysis of the data we gathered from our research aiming to fulfill the purpose and answer our research questions. The results of our analysis are based on our theoretical framework, which was developed in chapter there. Furthermore, we categorized our findings following a thematic analysis.

Our aim from analyzing the empirical data is to determine the key challenges of co-creation in business-to-consumer context, and to understand how companies manage those challenges, which are the research questions of this thesis. This analysis will allow us to increase our understanding of the co-creation process in business-to-consumer context by identifying the key challenges and strategies used to manage the challenges.

We analyzed our empirical findings collected from our Interviewees using a thematic analysis as it was stated in chapter four. As Braun & Clarke (2006, p. 79) indicated, thematic analysis is a method that categorizes a researcher-arranged data collection in rich detail. Our analysis will be consistent with our empirical finding presentation in the previous chapter for the two main category and sub categories. We will follow the same two recognized main categories, which are the challenges of value co-creation and strategies to manage the challenges of co-creation. Our empirical finding in each category is compared and connected to the theories in our theoretical framework.

The results from our analysis regarding the key challenges of co-creation and the strategies to manage the challenges are presented in the following modified conceptual framework, Figure 4. The findings that are in addition to literature are marked in bold.

![Figure 4. Modified Conceptual Framework for Managing the Challenges of Value Co-Creation](image-url)
6.1. THE CHALLENGES OF VALUE CO-CREATION

The empirical finding of this thesis illustrates that our interviewees have a cohesive view of the challenges that arise in value co-creation. The knowledge that the majority of our respondent illustrated about the challenges implies that in reality the process of value co-creation is not flawless.

To begin with, as depicted in Figure 4 we have modified our conceptual framework. We excluded autonomy shift and power sharing from our modified conceptual framework, because most our respondents did not see it as a challenge. According to them they feel it is necessary to empower customers to come up with ideas and also evaluate existing ideas in order to create mutual value. In addition, the challenge of concealing of ideas was also excluded because based on our empirical findings and our participant’s perception we came to understand that co-creation is all about sharing willingly. Anyone who engages in co-creation must inculcate the habit of sharing otherwise the creation of mutual value is almost impossible. Furthermore, in our modified conceptual model of strategies we excluded engaging customers early in the ideation stage and the communication of risk, as none of our respondents mentioned or stressed these strategies as a means of overcoming the challenge of business-to-consumer context of co-creation.

When discussing the key challenges that arise from co-creating with consumers, two of our Interviewees agreed that word of mouth is challenging since it can highly influence buyers and participants choices. R3 discussed the challenge attributed to them by consumer’s negative comments on their social media movement when some of their chosen agents shared negative reviews online about their car expressing system dysfunction that influenced what other people thought about the brand.

The company couldn’t control their reviews and feared that it will ultimately change people’s perception about their brand. In addition R2 discussed the same:

“For us and many others, social media is a double edged sword!” (R2).

He expressed that the negative reviews were due to the difficulties that arose when they were using the virtual lab features or when they were unsatisfied with the developed concept.

This challenge mentioned by two of our Interviewees corresponds to Gebauer et al (2013, p. 1517) argument about word of mouth online as a challenge. It also further relates to (Romero and Molina, 2011, p. 448) when they affirmed consumers ability to influence buying choices when they meet on online platform, where they share, compare experiences and constantly evaluate company’s competence.

Consumers need high levels of skills and know-how to help companies generate innovative products. Nevertheless, consumer’s lack of skills and knowledge prevent them from co-creating successfully (Ohern and Rindfleisch, 2010, p. 93). This is exemplified by half of our Interviewees (R2, R4, R5, R6). For example, R2 said:
“Consumers weren’t able to use the features and design in our virtual lab to its full potential. It required us to teach them how to use the features and designs online.” (R2)

This quotation highlights that consumers don’t have high levels of knowledge and skills that qualifies them to co-create innovative products with companies. In addition, R6 demonstrated that some consumers that engage in co-creation need time to acquaint themselves to the processes of co-creation in a firm.

Furthermore, many of our Interviewees brought up issues regarding the ownership of ideas as a key challenge faced by firms. Five of our Interviewees illustrated the contentious issue of passing on one’s mind creation during the process. One of the experts stated:

“If a consumer comes up with a very good idea and the resources and time to nurture such idea is provided by a firm, the firm would expect to own the idea. Similarly, the consumer may also wish to own the idea” (R8).

In many cases, the exploitation of intellectual property rights is vague between partners. Companies think that their responsibility of transferring consumer’s ideas to something tangible grants them the right of ownership. Similarly, consumers believe they are entitled to have full rights of their mind creations. Likewise, R3 discussed the hardships recognized while working on the ranger challenge where some consumers asked to hold full rights to their ideas that were used to develop the co-created concept. This supports the literature and the views of (Hoyer et al, 2010, p. 289) and (Ind, 2013, p. 8) regarding ownership issues. Hoyer et al (2010, p. 289) not only declare ownership as a challenge, but also argue that a company that poses ownership are less involved in co-creation. He claims that if firms are not clear in their policies this will lead consumers to identify the company as unfair. The result of Hoyer et al (2010, p. 289) shows that information overload is a challenge faced by companies in value co-creation. At the early stages of the ideation stage, choosing between million of ideas is demanding, to the point that some firms include consumers in evaluating the validity of ideas. Thus, at the subsequent stages of the ideation, information overload becomes more challenging because most of the following phases have deadlines (Hoyer et al, 2010, p. 289). Our empirical finding concerning three of our respondent shows agreement. R1, R5, and R7 all mentioned this as a challenge. For instance, R1 spoke about the challenge they faced when they involved six consumers in developing a new car concept. He discussed the hardships they encountered in gathering and distributing consumer’s ideas to the departments that realize the final project. R7 also spoke about this challenge by saying that some companies are in jeopardy of losing track because the amount of ideas shared by consumers are beyond what they can handle, and the same was stated by R5.

In another scenario, co-creating firms are challenged by integrating knowledge between them and their consumers. Ford et al. (2012, p. 281) addresses this challenge by contending that disparities in know-how will foster learning of new competences, however, assimilating knowledge and skills is not an easygoing process. This applies to the challenge mentioned by three of our Interviewees (R1, R5 and R7). R1 expressed that their team try
to cover all the knowledge they gained from consumers through presentations to communicate it to companies members. He expressed that the lack of a formal method to incorporate knowledge within the firm is challenging. R3 however, discussed that challenge when they engaged consumers in revising and designing some of the car technologies, consumers went above and beyond the companies request, and shared ideas that were very innovative and new. R3 conveyed that the company found it hard to bridge the knowledge gap between them and their consumers. R6 states the same when she said that knowledge transfer in view of present and current knowledge is not easy.

Co-creating a concept jointly necessitates longer periods of time; Thus, the process appears as time consuming for most firms. This potential challenge is highly supported and identified by half of our Interviewees (R1, R6, R7, R8), although it is not clearly mentioned in theory. As illustrated by R1, producing a car is a lengthy task and having more than 2 to 3 people involved in co-creating a car concept slows down the process of industrializing even more. R7 stresses on the same challenge by saying that individuals participating in co-creating pull in different directions that ultimately end up slowing down the process of co-creation. Companies find that challenging because at times they are required to release their designed concepts before their competitors. In line with this, R8 address the same challenge. She expresses that companies have to go through endless iterative processes to address the problems in products to satisfy consumer’s needs. Also, as R6 one of our experts states describing the time span of co-created project:

“What is supposed to take four months might extend to six months. I think it’s faster to design something in your office and put it out for your consumers” (R6).

Her statement proves that co-creating a concept with a firm takes longer than it normally does when a firm develops a concept internally without external players involvement. Therefore, based on our Interviewees answers we identified time as an additional challenge.

Also, interviewees lay emphasis on biased consumer and niche market as one of the key challenges. In pursuing co-creators firms struggle in finding representative consumers. Companies normally look for consumers or early adopters who have needs that will eventually address the majority of needs in the market. Bias consumers represent the minority of needs in the market; their needs rarely address the majority of needs. Hence, it is challenging because when a company co-create with them they only address a niche market. This is discussed by R1 when they tried to address the air pollution problem in China; they were searching for Chinese people from big cities like Shanghai and Tianjin to ensure that those people could address the need of consumers in those big cities. However, avoiding bias when choosing them was challenging. Likewise, R8 expressed that although the results from co-creation are good, a particular group only uses them. That is to say, only few other consumers find it attractive. Furthermore, R4 explained, although some co-creators come up with strong ideas, the ideas don’t seem to fulfill different needs. Hence, companies search for other participates that can develop the product further to address their needs. This bias in consumer needs and niche market represents a potential challenge of value co-creation in addition to literature.
In summary, based on the insights we have gathered from theories, we have identified seven key challenges, five of which was similar to the responses we gathered from our research Interviewees: word of mouth, consumer’s lack of skills and knowledge, intellectual property rights, information overload, integration of knowledge and skills, autonomy and power shift and concealing of ideas. Though after analyzing our findings that we gathered through semi-structured interviews, it is apparent that although these challenges are important factors they are not the most challenging. After gathering our data we found that most of our Interviewees identified word of mouth, consumer’s lack of skills and knowledge, intellectual property rights, information overload, integration of knowledge and skills as primary challenges, which corresponds to the challenges mentioned in our theoretical framework. This makes it safe to assume that five out of our seven challenges are considered significant. However, for the other two challenges our participants agreed more on challenges like: Time consuming process, and biased consumers.

6.2. STRATEGIES TO MANAGE THE CHALLENGES OF CO-CREATION

As a number of our Interviewees were actually operating in the verge of business-to-business and business-to-consumer, not all of them were able to identify the strategies that could manage the challenges they addressed. However, they gave general strategies that they thought were essential when co-creating with consumers.

When asked about the strategies that manage the challenges of co-creation, our Interviewees suggested different strategies. As mentioned earlier, consumer-to-consumer interaction online helps firms understand what their product signifies and how it can be developed. Other buyers highly consider other consumer’s reviews more than what firms say about their products. Consumer’s feedback to product features, quality and cost can help firms control negative reviews and develop their product further (Hoyer et al., 2010, p. 291). The empirical findings regarding R3 improvements of their product quality after monitoring consumer’s feedback after engaging their consumers in the social media movement emphasize this and further stress this as a strategy to manage the challenges and specifically, word of mouth.

Providing knowledge support was another strategy determined by our Interviewees. According to R2, their consumers initially found it difficult to use their virtual online lab since they lack skills and knowledge about the features on the website. As a result, they found that it was beneficial to offer information on the website that can educate and aid consumers in the designing process. R6 and R4 discussed the same. R6 expressed the importance of investing in training and educating consumers and making it a continuous process. Also, R4 talked about mingling enthusiastic, skilled and smart people together to boost learning. The importance of this strategy was mentioned in the results of Hibbert et al (2012, p. 257) that knowledge support is a great foundation through which a company can improve consumer’s competences and connections.

Additionally, our analysis has recognized some common answers. All our Interviewees regarded the concept of ownership as a challenge and suggest that companies must address rights ahead of time before any co-creation project take place. In order to properly eliminate this challenge R3 suggested that companies have to report the possession of rights
under their compliance so they are able to control future conflicts. He refers to scenario development through which a company highlights whether they decide if they want to share rights or not and define that in terms of the Intellectual property. R6 mentioned the same, in her opinion companies and consumers can sign a contract and take it as a base to move forward with their negotiations. Moreover, R4 stated that since they experienced intellectual property issues, the company developed an open system where individuals can register their ideas online and other people get to comment, improve, and attribute the product to the original creator. Nevertheless, in case the companies are going to utilize the ideas to their benefit they need to state qualifications of what they are willing to pay. In accordance to this, the existing literature highlights the importance of establishing intellectual property rights. According to Sawhney et al. (2005, p. 5), when companies institute ownership rights this will allow them to appropriately exploit consumers ideas.

Firms that know how to professionally manage the co-creation process establish platforms and online virtual environments and make them a leading part through which they encourage co-creation and communication with all the contributors (Nambisan & Nambisan, 2008, p. 60; Ramaswamy, 2010, p. 22). This was demonstrated by the examples of R1 and R2. They both provide their consumers with a platform to engage them in co-creation. For instance, R1 discussed the benefits they gained though establishing their online platform. They were able to extract insights that helped them in developing new products as well as accelerating the process. R5 further support this strategy when she expressed that firms working in a consumer -centric way need to provide channels that encourage collaboration. The essence of building such platform also supports the access aspect mentioned in the model developed by Prahalad & Ramaswamy (2004, p. 7) where all consumers get to participate in the co-creation process.

Characterizing the type of cooperation to be formed and clarifying the purpose and shared objective is fundamental when seeking to co-create, in accordance to Romero & Molina (2011, p. 460). Both R3 and R7 support this strategy. R3 highlighted internal alignment in regards to what participants want to achieve. Like wise, R7 states:

“Keep your objective clear and always revise your company’s and consumer’s core values and goal” (R7).

Through this the strategy of clarifying purpose and objective is supported, because it displays the possibility of aligning people to establish a problem free co-creation.

Instituting rewards was the second most mentioned strategy by our Interviewees (R1, R2, R4, R5, R7). They believe that motivating consumers is a central strategy that firms need to take into consideration. A mix of reward structure and enticements when running a community can help firms overcome many of their challenges. As mentioned earlier, authors have recognized that compensating consumers promote active behavior. For example, Intangible inducements like acknowledgment and tangible like financial or non-financial reward can enhance idea formation and collaboration (Sawhney et al., 2005, pp. 6-7). This was exemplified through R1, their company reward co-creators by paying fixed amount of money as a way to show gratitude of the long working hours they invested with the company. R2 specified that the company reward its participants using two approaches;
warranting a satisfying experience and through small gifts. Their consumers enjoy their experience of co-creating because they find it entertaining and enlightening. R4 states the same:

“We create experiences that gives consumers’ excitement, passion, enthusiasm and potential growth of status.”

All the above mentioned proves evidence to intellectual and intrinsic motives identified by Romero et al (2014, p. 386), Hoyer et al (2010, p. 288) and Fuller (2006, p. 640). This permits us to recognize that, by having a mix of reward structure that includes different sources of enticement will positively affect consumer’s attitudes as described by (Hoyer et al., 2010, p. 290). If the company decides to hold full rights of the co-created concept, one way they could compensate for that is by striking the right balance by motivating their participants with rewards, though as, R5 suggests, even if the firm holds full rights for the co-created products companies can reward consumers by attributing the concept to them by naming it after them or by giving them the chance to be the first to own or test the concept

Moreover, R6 emphasized leaders and managers role in co-creation. She believes that they are held accountable for arranging the co-creation process so that all participants are encouraged, supported and guided. This corresponds to the results identified by Zhang & Chen (2008, p. 248) where they argue that managers should guide co-creation, however, to an extent that won’t limit exchanges and collaboration between consumers.

R3 and R6 lay emphasize on promoting cultural of internal collaboration. R6 stressed the idea of inculcating a culture within the organization that inspire contribution and flexibility. Similarly, R3 mentioned that the process of co-creation starts from within the company. She stated:

“Any company that wants to foster co-creation, should encourage collaborative efforts internally from the very get go, and make it their DNA” (R6).

This back up the view of Haro et al. (2014, p. 75), companies need an adaptable system and network of proficiencies that encourage consumers to co-create. Companies need to nurture a collaborative culture inside the organization to help increase and accelerate external collaborations (Haro et al., 2014, p. 74).

R1 claimed that honesty is essential in working with consumer s. He believes all the policies, procedures, and future plans of a company should be available to consumers in order for everyone to work on the same direction. Correspondingly, R2 mentioned, companies ought to be clear with their consumers even about information regarding income and expenditures. In loosing rigid control and structures a company can increase their co-creator’s loyalty by revealing vulnerabilities. In turn, value created mutually will increase and participants will be able to serve a common goal. This support the literature of Prahalad and Ramaswamy (2004, p. 7), regarding transparency and knowledge asymmetry among the firm and its participants asserting that the level of access resulting from technology advancements also makes it hard for companies to remain private. Correspondingly, R5 mentioned the prominence of managing consumer expectations by communicating to
consumers why certain ideas were not taking into consideration in relation to a specific project. This supports a different degree of transparency mentioned in the results of Nambisan & Nambisan, (2008, p. 60), which further state outcome transparency as the need of informing consumers about what’s happening to the ideas they contribute with.

Moreover, as mentioned by Martinez (2014, p. 135), Open-mindedness and communication are essential characteristics of a consumer-centric culture. This type of culture should highly consider purchaser’s opinion and entail a large exchange of insights that assist the production of ideas. In line with this, our empirical findings concerning R5, and R1 shows agreement. R5 discussed that companies need to be open to criticism from consumers and be willing to consider all inputs and learn from them without being subjective and biased. R1 suggested the same, regarding their processes they are always willing to change directions and methods based on their participant’s requests. This strategy is also supported by the dialogue variable in Prahalad & Ramaswamy (2004, p. 7) where a collective learning and interaction is favored over merely considering the opinion of one-side participants in the collaborative process.

Selection is one of the most fundamental parts in a successful co-creation. The selection is mainly based on two things: a participant who has complementary knowledge, expertise and resources along with a passion and driven attitude (Romero and Molina, 2011, p. 460). This was supported by R3, he discussed that their company under their online movement carefully planned every step because they knew that the movement would take place on a social medium. So they picked their Interviewees beforehand. They looked for digital savvy consumers and they selected them after assessing their profile, and based on their prior posts.

Additional to the theoretical findings, outsourcing the co-creation activity can be identified as a strategy for co-creating firms. This was verified by R7, in his point of view if a company couldn’t address and assume the challenges of co-creation they should resort to a third party that can oversee and manage the process. Otherwise, if they continue to fail in managing the challenges they will be at risk of loosing their co-creators. R8 indicated the same when he suggested appointing someone to manage the process in cases where companies are too busy to make co-creation a priority. Even though outsourcing is not supported in existing literature, our empirical finding concerning two of our experts shows agreement with this strategy since companies fail to address their challenges for reasons beyond their control.

In summary most of the strategies of managing the challenges of co-creations suggested by existing literature is supported. We identified twelve strategies: Monitoring consumer-to-consumer communication, proper learning and knowledge support, instituting intellectual property rights, building platforms and virtual environments, clarifying purpose and joint objectives, rewarding structure, top management involvement, collaborative culture and flexible system, promoting transparency, open mindedness/open communication, and selection phase. In addition, based on our empirical findings we identified outsourcing co-creation as a strategy in addition to literature.
7. CONCLUSION & DISUSSION

In this section we answer our research question that has directed our research and address the purpose of this study. We will offer recommendation for managers in particular those who aspire to engage in co-creation. We also discuss sustainability of value co-creation and address the limitations we encountered in this research and present recommendation for future research.

The purpose of this study was to determine the key challenges of co-creating with consumer, and understand how companies manage the key challenges that arise. In order to fulfill this purpose we conducted a qualitative study using semi-structured interview as a data collection method. We were able to answer our research questions, which were:

**What are the key challenges companies’ faces when co-creating with consumers?**

**How do companies manage key challenges of co-creation?**

We will answer our research questions with solutions collected from the analysis of our empirical findings and theoretical framework. Although all our answers are valuable our aim was to investigate the key challenges faced by co-creating firms, and how they are managed. We assessed the importance of the challenges based on their recurrence in our empirical findings.

7.1. THE CHALLENGES OF VALUE CO-CREATION

According to our analysis we came to know that the key challenges are only somewhat different than what we identified through literature. Generally, the key challenge faced by co-creating firms is in relation to intellectual property rights, however, it is not the only challenge. We also identified further challenges such as: consumers lacking skills and knowledge, time-consuming process, information overload, Integration of knowledge, biased consumers and word of mouth. Below we will describe each challenge and suggested strategies to manage them.

7.1.1. INTELLECTUAL PROPERTY RIGHTS

After analyzing our empirical findings we identified that intellectual property rights is a key challenge to most of our Interviewees. This challenge signifies ownership rights given to the original creator. Most companies choose to hold full rights of the co-created concept after investing time and resources in producing it. In such cases, consumers feel like they diluted their intellectual property from the start so they start asking for full credit. Based on our findings most of our Interviewees approved that the best strategy to manage this challenge is to tackle it in an early stage. Establishing intellectual property rights and ensuring that ownership issues are clearly communicated and addressed under terms and agreement beforehand will reduce complexities.

Whether or not the company decides to maintain full ownership rights, there are different strategies to tackle this challenge. One way is by rewarding consumers, and this could take
many forms whether monetary or non-monetary. In addition, attributing the product to the co-creators by naming it after them or giving them exclusivity of being the first to test or own the co-created concept can also be rewarding. Additionally, as one of our Interviewees suggested initiating an open product system where people can register what they created giving others a chance to attribute the concept to the initial creators. We feel these two strategies can be good in striking a good balance to compensate consumers.

7.1.2. CONSUMERS LACK SKILLS AND KNOWLEDGE

It was discovered that, some consumers lack certain skills and knowledge about certain processes and product features. This is typically a challenge for most firms because consumers are unable to utilize the features or processes efficiently to produce successful results. This can quickly become an obstacle that prevents consumers from contributing efficiently in the process.

We found one possible strategy to this challenge, which is providing consumers with proper learning and knowledge support. This strategy requires firms to provide assistance, mentoring and training. This could be done through guiding Interviewees during the process of co-creation, facilitating a learning environment where co-creators can mingle, and by both training and providing an ongoing capacity building. Since co-creation is all about collaborative efforts, we believe that it is essential that all parties involved are able to contribute effectively; therefore, it is the company’s responsibility to develop and execute training programs for their consumers. Through learning and knowledge consumers can challenge ideas and produce better results. Additionally, there should be some sort of iterative learning. That is to say, learning should be supported continuously during the process of co-creation and shouldn’t happen only in the initial stages of co-creation.

7.1.3. INFORMATION OVERLOAD

Based on our analysis and empirical findings, we have determined that information overload is another challenge faced by companies. Many companies find it challenging to develop a new concept with consumers because the numbers of ideas are overwhelming. The inability of firms to appropriately gather the ideas becomes jeopardizing for them as the amount of ideas generated by consumers are beyond their capacity.

We found three possible solutions in overcoming this challenge. We recognized that it is important to develop platforms to foster the co-creation process. These platforms can help in facilitating collaborative efforts with consumers by making it easier for firms to review and select the best ideas. We suggest transparency, and especially outcome transparency as a strategy to mitigate this challenge. Keeping consumers notified about what is happening to their idea is important. When a company is screening among different ideas they need to inform their consumers which ideas were insignificant or significant. If consumers are not notified they will loose interest in getting involved with the company. Also, if the company didn’t screen those insignificant ideas they will experience overload.

Another strategy and possibly the least advantageous, is to outsource the co-creation process. This would be in situations where the company is unable to effectively manage the
sum of ideas co-creators contribute with. Allowing a third party to monitor the activity and assist in evaluating those ideas will be the ultimate solution for firms to reap the benefits of consumer’s contribution.

7.1.4. INTEGRATION OF KNOWLEDGE

Our findings highlighted that firms are challenged and find difficulty in integrating knowledge between them and their consumers. Companies and consumers have different skills and knowledge, and leveraging new knowledge is sometime challenging for firms and vice versa. Theoretically, integrating knowledge facilitate co-creation, however, it is not a problem free process.

Therefore, we found four possible strategies for this challenge, the first strategy requires top management involvement, because managers act as moderators they can address differences, support and guide the process of co-creation. They generally play a vital role in facilitating and assisting knowledge integration. Nevertheless, their support shouldn’t limit interaction between co-creators. Moreover, company’s system and culture must be re-evaluated. Companies need to encourage a collaborative culture and flexible system internally that is all about collaboration, adaptability and sharing. We believe that collaborative efforts foster the sharing of experience and knowledge.

Some firms lack formal methods that support the integration of knowledge within firms’ boundaries. So, we recommend the creation of platforms that facilitates collaborative work. Platforms will serve as an interaction arena where firms gather inputs that are feasible for them to integrate within their firm. Furthermore, open-mindedness and open-communication is an important strategy to help overcome this challenge. Encouraging active discussion and taking consumers’ opinion into consideration will help firm recognize new opportunities. We propose that the more the company encourages communication and openness the more they will be able to learn and leverage knowledge.

7.1.5. TIME CONSUMING PROCESS

Based on our findings, co-creation was proven to be time consuming for most firms. This was not a challenge we had originally considered, but it was a challenge we thought was important after it was supported by half of our Interviewees.

Co-creation is portrayed as time-consuming because when two or more people are involved in co-creating a concept, they tend to pull in opposite directions. In addition, co-creation requires firms to go back and forth in order to address consumer’s needs. This is especially challenging for firms because at times they are required to meet certain deadlines in releasing their products. In order to prevent this challenge, we suggest that firms should clarify the purpose and the joint objective of co-creation. Although this may seem as a broad strategy, however, we feel that a lack of a clear objective is one of the main reasons why people pull on different directions. Mindfulness of the mutual objectives will help reduce time and accelerate the process. However, since this challenge is newly identified we suggest that more studies should be dedicated to manage this challenge.
7.1.6. BIASED CONSUMERS

This challenge was also not a challenge we had originally considered until three of our Interviewees mentioned it. The challenge is exemplified in the difficulty firms face in finding co-creators that can address the majority of needs in the market. That is to say, that co-creating firms are struggling in finding early adopters. Addressing only a niche market is something co-creating firms try to avoid.

In order to manage this challenge we recommend co-creating companies to use systematic search that goes beyond the traditional information sources they use to search for qualified co-creators. It is important to study emerging trends in their market and choose carefully their co-creators from outside and within their targeted markets. However, we believe that the strategy for dealing with this challenge depends on the type of market, and industry the company operate in and the type of consumers they are targeting. Therefore, each condition should be dealt with a different strategy. Based on this finding we also suggest that more studies should be dedicated to address the challenge of biased consumers.

7.1.7. WORD OF MOUTH

It was found that consumer’s negative comments on social mediums create a challenge for firms. Companies are incapable of controlling consumer’s generated content online, which might influence the opinion of potential buyers’ and co-creators. As companies engage consumer s in co-creating, especially in promoting and testing their products they are at risk of getting assessed negatively. Theoretically, online generated content travel fast and is accessible by different consumers for a long period of time. In this case, companies are challenged since consumers are highly affected by each other’s perceptions and experiences.

However, after collecting our empirical findings we found two possible strategies to manage this challenge. The first strategy requires firms to monitor consumer-to-consumer communication online and effectively respond to what consumers are saying. Besides monitoring conversations online, it is important that the company respond effectively in a short time span. Responding could be done in two ways: turning a negative comment to a fair evaluation incase consumers misjudged the product or by modifying the product. This strategy will help firms uncover flaws in their products early by making the most out of consumer’s feedback and at the same time increase loyalty and consumer satisfaction. We recommend the use of support software and alerts for those facing this challenge in order to follow up with complaints quickly.

The second strategy is initiating a selection phase. In the case of R3, they were exposed to this challenge when they launched their online campaign where consumers shared reviews about their product online. One way they tackled this challenge was by selecting the influencers ahead of time. By choosing upfront the qualifications of those who are going to promote the products based on their character and profiles firms will be able to somehow control negative reviews.
7.1. THEORETICAL CONTRIBUTION

It is important to know that a number of researches focus on co-creation with consumers as a determinant for success in firms. Firms are now moving away from the conventional way of production. That is to say, rather than focusing on increasing their efficiency internally they are focusing on leveraging consumers’ knowledge and competence in creating a product or services (Zhang & Chen, 2008, p. 242). In a number of articles it was highlighted that consumers generate ideas that serves their needs and increases a firm’s competitive advantage (Hoyer et al., 2014, p. 283).

However previous studies highlight the need for further research. Zhang & Chen (2008, p. 248) stress the need of having an organized and established co-creation management plan. They claim it is vital for an improved co-creation outcome because managers are often discouraged by uncertainty that arise during the co-creation with consumers. Furthermore, Hoyer et al. (2014, p. 293) suggest a future research should be done on “How firms can integrate co-creation in their strategic planning, given the complexities and potential loss of control?” (Hoyer et al., 2014, p. 293). We realized this was a gap and decided to fill this knowledge gap. Therefore, our research is a contribution in the field of marketing and innovation management. We identified the key challenges and strategies that can mitigate those challenges in the business-to-consumer context of co-creation.

7.2. MANAGERIAL IMPLICATION

Managers should understand the conventional way of doing business is shifting, thus, they need to constantly attain new strategies that facilitates their success and competitive advantage. The findings of our study have enabled us to propose managers with a framework showing what key challenges arise when co-creating with consumers, and how they can be managed.

Since the aim of this thesis was to determine the key challenges of co-creation, and gain an understanding on how companies manage the co-creation process. We are able to provide recommendations to managers on how co-creation can be improved and how the challenges can be mitigated. In overcoming those challenges it is important for managers to recognize them early in order to properly mitigate them. We identified key strategies managers can employ to facilitate a successful co-creation with their consumers. Managers need to have a written documentations’ to address the issues of ownership arising in advance before taking further steps in the co-creation. Managers need to support and encourage learning. Also, the clarification of purpose and objectives before engaging in the co-creation process with consumers is important. In addition, open-mindedness & open communication with consumers are two important ways through which a company can facilitate a successful co-creation. Consequently, building platforms and channel to encourage co-creation is another strategy. In addition, rewards influences consumers to take part in the co-creation process. This highlights the importance of rewards to consumers in co-creation. Hence, it is a necessity for managers to incorporate a rewarding structure in order to entice their consumers to co-create. Furthermore, the adequate provision of knowledge and support to consumers helps in facilitating the process, we therefore, recommend managers to invest in
facilitating the teaching of consumers. Finally, co-creation is driven by transparency; thus we recommend the need for managers to align the driving forces of transparency in order to facilitate a successful co-creation.

7.3. SOCIETAL IMPLICATIONS

Sustainability is a rising issue that producers are experiencing, from the standpoint of meeting different consumers’ necessities and on promoting economic growth while guaranteeing the safety of the society and environment at large (Badurdeen & Liyanage, 2011, p. 181). Co-creation facilitates the development of better and more sustainable products (Badurdeen & Liyanage, 2011, p. 181). According to Zhang & Chen (2008, p. 244), the more the company interacts with consumers, the more they will be able to understand preferences, demands, and address consumer’s exact needs. The company will be able to recognize effortlessly the need for optimization in the procedure of decision-making and demand fulfillment, therefore, dispose activities and resources that do not enhance value for consumer (Zhang & Chen, 2008, p. 244). This illustrates that value co-creation have positive influence on company’s capabilities and companies with better service competencies have superior consumerization competencies to meet consumers specific demands. This highlight that the concentration on co-creation will increase new capability and foster competitive advantage (Zhang & Chen, 2008, p. 248).

The benefits for engaging consumer in developing products are becoming more and more visible. There are many companies that succeeded in maintaining a sustainable growth through co-creation. Nokia Crop by communicating with consumers was able to get introduced to new innovative concepts and also increase their sustainability (Nambisan & Nambisan, 2008, p. 53). In addition, co-creation raises output and effectiveness through cost-reduction, since staffs’ contribution can be replaced with consumers’ feedback in the stages where services and product are maturating (Hoyer et al., 2010, p. 292). Thus, it is evident in the evolving business world today that in order for companies to be fruitful they need to adopt co-creation. Co-creation will not only give them a competitive edge but also can make them more sustainable. Nevertheless, the importance of our topic resides in identifying and managing the key challenges of the process because the reality of co-creation is not impeccable. There are so many obstacles that might confront co-creation practitioners along the process and without addressing and managing them it will be impossible for the process to be sustainable.

7.4. LIMITATION AND FUTURE RESEARCH

When conducting our research, there are certain factors that restricted our study and may constrain the accurate results: Therefore, we think the readers should take these limitations into consideration:

Given that this thesis is a first year master thesis we were only given limited time to complete it during the end of the spring semester. Many of our potential Interviewees were hard to reach due to time limit. Since so many Interviewees declined our interview request we were forced to compensate and expand to Interviewees internationally. This limited our time further and affected other aspect of our thesis writing.
In regard to our interviewees, many of them were very protective about revealing in-depth information about their strategies. Co-creation is considered as a competitive strategy. Most of the companies are secretive about the tactics they use to manage their challenges. We live in a highly competitive world, every enterprise try to come up with new strategies to remain competitive. There is this possibility that even with implementing ethical interview methods our participants were still protective about their company’s secrets.

Since in our study we focused on different examples of co-creation like, promotion, testing, co-designing etc. as mentioned in our theoretical framework. Future study could focus on one type of co-creation and address the key challenges and strategies under that specific example. In addition, the Interviewees we studied were geographically dispersed and from different industries future research that are less broad and limited to a particular industry or a region may be conducted. We believe that we could have gained a solid understanding about the co-creation experience and the key challenges that arise if we studied the perceptions of consumers. To address this limitation, we recommend a mixed-methodology where beside the qualitative study of internal management perceptions, a quantitative study addressing consumer’s perception and views about issues of intellectual property rights for example would be interesting. We believe this would provide measurable data for determining the key challenges of co-creation.

Furthermore, since there has not been much research done in this field, we believe that a longitudinal study can reveal how the complex relationship between the company and consumers change overtime. We believe it would be of interest to business owners and academia to understand how the relationship between consumers and firm develop given that the process is characterized by high interaction and collaboration. This may help in addressing further challenges and long-term strategies of co-creation. It could also be interesting to examine the relationship between co-creation and whether it plays part in accelerating growth in start-up companies. In addition, since we focused on strategies to manage the key challenges in B2C context, strategies to manage the key challenges in B2B context would also be interesting.
8. TRUTH CRITERIA

Evaluating the quality of the research is important to every researcher. In this chapter we explain how our research met the standards for quality. We will start by discussing and introducing the terms that determines the quality of a qualitative research. Then we will evaluate the truth criteria for our research.

According to Bryman & Bell (2011, p. 43) qualitative studies ought to be judged and assessed based on different standards from those used in quantitative studies. Quantitative research is assessed by criteria such as trustworthiness and authenticity. Trustworthiness is categorized into four different criteria such as: credibility, transferability, dependability, and confirmability (Bryman & Bell, 2011, p. 395). Below we will explain how the criteria of this research has been enhanced:

8.1. CREDIBILITY

The effort and capability of the qualitative researcher is the cornerstone that determines the credibility of the research (Golafshani, 2003, p. 600). Credibility demands the assurance that the study undertaken is based on the principles of good practice and submitting research results to the individuals of the social world who were studied for the validation that the researcher understood the social world (Bryman & Bell, 2011, p. 396). According to Lecompte & Goetz (1982, p. 43) credibility focuses on whether a researcher measured or observed what was supposed to be studied. The credibility of our study is high basing on the fact that we employed semi-structured interviews, which allowed us to ask more clarifying questions based on the response of our interviewees. Furthermore, in protecting our credibility we engaged in respondent validation, where we provided the result of our research to Interviewees’ to ensure we understood them properly without misinterpreting what they had said. Through this procedure they ensured us that all we had taken down was in line with what they had said. However, in some cases we verified our understanding by summarizing what our participants said at the end of the interview, giving them the opportunity to correct and evaluate our understanding to avoid any bias or partial interpretation (Saunders et al., 2009, p. 334).

8.2. TRANSFERABILITY

Transferability refers to when a research ordinarily involves a fierce investigation of a particular set of groups, or people with similar attributes, qualitative research have a tendency to be orientated to the context of noteworthiness and uniqueness of the social world being researched (Bryman & Bell, 2011, p. 398). In other words, Transferability refers to the degree to which the results of a research can be applied to different contexts and sceneries (Krefting, 1991, p. 216). Bryman & Bell (2011, p. 395) argue qualitative research findings are normally not generalized in settings other than the ones initially studied. In this case, the challenges may differ from firm to firm and even if the challenges were to be similar. The suggestions to overcome these impediments and the suggested strategies for managing the challenges of co-creation in a business-to-consumer context might be different based on the management, industry and the location et cetera. However in strengthening the transferability of our research. We employed a non-probability
sampling to enable us liberty in choosing the subjects of our study, which cover different contexts, settings and times.

### 8.3. DEPENDABILITY

Dependability involves guaranteeing that the complete records of all the phases of the research are kept in an accessible manner (Bryman & Bell, 2011, p. 398). We the writers can bear witness to the dependability of our research, which involves our ability to ensure the trustworthiness of our research. We were able to achieve it through an approach of auditing (Bryman & Bell, 2011, p. 398), by keeping a complete documentation of all the necessary information of our research process the interview guide, choosing of interviewees, records of interviews, transcripts of our interview and our analysis of data. According to Bryman & Bell (2011, p. 398) dependability parallels reliability in quantitative research. Internal reliability is the degree at which various observers are sufficient on portraying phenomena in the same way it was seen and heard (LeCompte & Goetz, 1982, p. 41). In line with this, Bryman & Bell (2011, p. 158) states that the reliability of a research can be compared by inter-observers consistency where researchers agree on choices in regards to data categorization and different matters. Since we have kept up an open dialogue all through the process of writing our thesis and constantly discussed about issues, which needed consideration, we can confirm we have maintained a maximum internal reliability.

### 8.4. CONFIRMABILITY

Confirmability in qualitative study is a criterion that assesses the objectivity of a research (Bryman & Bell, 2011, p. 395). The objectivity of our research is hard to assess. However in increasing the confirmability of our research, we used open-ended questions in our interviews to limit the prejudice of interviewees’ answers. Furthermore we tried as much as possible to avoid the manipulation of our participants. We can attest that by conducting most of our interviews through phone we minimized the possibility of manipulating the answers of our Interviewees in comparison to face-to-face interview (Bryman & Bell, 2011, p. 207). In addition to ensuring our confirmability, we made sure we used information and perceptions we deemed important in the best objective manner and avoided using our personal opinion.

### 8.5. AUTHENTICITY

Authenticity is an important aspect in discussing the truth criteria of a qualitative research. In order to guarantee fairness Interviewees must present distinctive perspectives form various standpoints (Bryman & Bell, 2011, p. 399). The fairness of our thesis may not be the best, but we can attest that we have tried to be as fair as possible, we had the aim of knowing more from firms and experts’ perspective what challenges are faced when co-creating in business-to-consumer context and how these challenges are managed. With that purpose in mind, we made sure we present all different prospective and opinions shared by
our Interviewees. In addition, catalytic and tactical authenticity is concerned with inspiring actors to take part in activities that change the circumstances and empowering them to engage in actions respectively (Bryman and Bell, 2011, pp. 379-380). Although we can’t say that this was secured completely, but through our discussions of co-creation challenges and how to manage these challenges we can say that the actors are more mindful of places in which they have challenges and the profits they can get from proper management of the challenges in the co-creation process. Having carried out our assessments diligently with the use of the necessary criteria’s, we would argue that this thesis is justifiable as a good study.
Reference List:


APPENDIX 1

INTERVIEW QUESTIONS (FOR COMPANIES)
The purpose of this thesis is to identify the challenges that arise from co-creating with consumers and how to best manage the challenges of co-creation.

THEME 1: BACKGROUND QUESTIONS:

1. What position do you have in the company?
2. How long have you been working with co-creation projects?

THEME 2: THE PROCESS OF CO-CREATION:

3. How can you describe co-creation in your company? (Ex. of a project)
4. Why did your company start with co-creation?

THEME 2: THE CHALLENGES OF CO-CREATION:

5. Would you describe the process as always being successful?
6. What challenges did you company encounter during the process?
7. Would you describe knowledge integration as a challenge?

THEME 4: STRATEGIES TO MANAGE THE CHALLENGES OF CO-CREATION

8. How does your company facilitate co-creation?
9. How does your company protect intellectual property rights?
10. How does your company motivate consumers to co-create?
11. What strategies does your company take to manage the challenges that arise from co-creation?

General Question: Is there something I forgot to ask about and you think I should know about, regarding what we have been discussing?
APPENDIX 2

INTERVIEW QUESTIONS (FOR EXPERTS)
The purpose of this thesis is to identify the key challenges that arise from co-creating with consumers and how to best manage the challenges of co-creation.

THEME: BACKGROUND QUESTIONS:
1. What position do you have in the company?
2. Have you been engaged in co-creation projects before?

THEME: THE PROCESS OF CO-CREATION:
3. How can you describe the co-creation process?
4. Why do companies start with co-creation?

THEME: THE CHALLENGES OF CO-CREATION:
5. Would you describe the process as always being successful?
6. In your opinion, what challenges you think companies encounter during the process?
7. Would you describe knowledge integration in value co-creation as a challenge?

THEME: STRATEGIES TO MANAGE THE CHALLENGES OF CO-CREATION
8. How do you think companies can facilitate co-creation?
9. In your opinion, how can co-creating companies protect consumer’s intellectual property rights?
10. How do you think companies can motivate consumers to co-create?
11. What strategies do you think are crucial in managing the challenges of co-creation with consumers?

General Question: Is there something I forgot to ask about and you think I should know about, regarding what we have been discussing?
<table>
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<tr>
<th>Theme Number</th>
<th>Literatures</th>
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<tr>
<td><strong>Theme 3</strong></td>
<td><strong>Question 7</strong></td>
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<td></td>
<td>- The integration of knowledge and capabilities is not a problem free process. They argue that incorporation of a firm and consumer’s know-how are means of achieving a successful co-creation (Ford et al., 2012, p. 281).</td>
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<td><strong>Theme 4</strong></td>
<td><strong>Question 8</strong></td>
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<td>- Enterprises that have learnt the proficiency of managing the co-creation of value with consumers have established engagement platforms and procedures that foster interactions between all participants in different positions in the system, with the aim of creating a significant value by developing rewarding experiences. (Ramaswamy, 2010, p. 22)</td>
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<td>- Building a virtual environment and making them a central part of the consumer’s management activities framework. An effective way to do this is to arrange innovation meetings and summits that gather chosen consumers from the virtual environment staff and managers in one place. (Nambisan &amp; Nambisan, 2008, p. 60)</td>
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<td>- Access is about confirming that all participants can access a platform to develop idea, usually it starts with insights and tools (Prahalad &amp; Ramaswamy, 2004, p. 6)</td>
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<td><strong>Theme 4</strong></td>
<td><strong>Question 9</strong></td>
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<td>- Instituting intellectual property rights is very essential for companies. This will allow a proper way through which a firm can utilize consumers ideas (Sawhney et al., 2005, p. 5)</td>
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<td><strong>Theme 4</strong></td>
<td><strong>Question 10</strong></td>
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<td>- Companies can entice consumer to co-create by increasing benefits. The motivating factors of monetary, social, emotional or technological can be combined creating a successful approach of multi motivating aspects that aim towards several stimulators (Hoyer et al., 2010, p. 290)</td>
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