

Managerial Pitfalls in Co-Creation Projects:

When Design Clashes With Organisation

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ABSTRACT

This paper aims at investigating the major barriers and pitfalls in the adoption of “new generation” co-creation approaches and methodologies within companies. These questions are addressed based on the carrying out of a longitudinal research related to the exploration of a set of multifunctional and multi divisional innovation projects run an Italian media company. It has been conducted a processual research of the case adopting an interdisciplinary theoretical orientation. This has implied a longitudinal analysis of the case study which uses the body of literature regarding the evolution of the notion of co-creation and on the other that which concerns the concept of corporate culture. Field research has involved the collection of data directly on the field through in depth semi-structured interviews on a representative sample of key managers and in a selected sample of project participants.

KEYWORDS

Co-creation, organizational change, culture, organizational risk, complex organisations, limits to innovation.

INTRODUCTION

Co-creation practices became a managerial hip after Prahalad and Ramaswamy article in HBR, “Co-Opting Customer Competence” (2000). Authors suggested that break-through innovation and product and service amelioration could be achieved by hiring customers as internal resources to support ideation and product and service design processes . This

engagement and involvement might, in turn, reduce costs and speed up processes (Bendapudi et al. 2003; Payne et al., 2008).

Ramaswamy and Gouillart (2010) recently advised companies on a third stage of co-creation seeking to improve how companies operate throughout their organisations, and in all their systems and processes. This "full theory of interactions" goes beyond the forms of co-creation of the customer experience and co-creation of products and services and transforms traditional corporate practices such as training, performance management, and communications into co-creative interactions, sparks innovation, cuts costs, increases employee engagement, and generates value. Despite the big promises offered by this new approach to people's involvement in change processes and the enthusiast literature supporting it, there seems to be some major managerial barriers to the adoption of this new vision that might compromise its success within organisations.

This paper aims at investigating the major barriers and pitfalls in the adoption of "new generation" co-creation approaches and methodologies within companies. These issues are addressed carrying out a longitudinal research related to the exploration of a set of multifunctional and multi divisional business model innovation projects run by an Italian media company using a co-creative approach and techniques. It has been conducted a processual research of the case adopting an interdisciplinary theoretical orientation. This has implied a longitudinal analysis of the case study which uses the body of literature regarding the evolution of the notion of co-creation and on the other hand that which concerns the concept of corporate culture. Field research has involved the collection of data directly on the field through in depth semi-structured interviews on a representative sample of key managers and project participants.

CO-CREATION PRACTICES IN AN ITALIAN MEDIA COMPANY

The impact of digitalisation is particularly dramatic for media companies. This disruptive change redesigns the core of media products such as newspapers, magazines and books by means of new forms of content creation and distribution through digital media and channels. These changes force media companies all over the world to re-think the nature of their business models and the processes through which they might maintain their position on complex markets and fulfil evolving customer needs. The uncertainty about the future of the media industry is widespread and despite the evidence of some best practices in transforming editorial products into digitalised offers, there is still no clear vision about the paths a company should undergo to adapt to the new environment. In order to face this dramatic change and improve its readiness to compete in new

environments one of the largest media and publishing Italian company decided to exploit the potential offered by co-creation approach to generate new and alternative visions on the business model and the value proposition in all its divisions (i.e.: newspapers, magazines, books and advertising). This radical decision pushed the company to select an external partner to support its effort by providing a set of models and tools that allow employees to “see” the present challenges differently and then design possible alternatives. The requested set of tools was selected with the following goals in mind: Overcoming organisational and cultural dogmas and beliefs; Seeing the big picture and discovering new customers’ insights and latent needs; Visualising alternative value propositions and business models; Designing innovative business models with a clear perception of the changes required and the constraints to overcome.

The set of techniques and models that seems to offer a new span of innovation relies in the design practice and in its integration with business model functioning and structure (Bucolo, 2011). The works of Schön (1983), Polyanyi (1998) and Ehn (1988) has formed the foundation of the Design Led Innovation model which has been developed. Central to this approach is the ability of the designer to construct and visualise multiple futures of an unknown complexity, which are then deconstructed to reveal needs and opportunities.

The co-creative effort of the company was based on the massive involvement of a large part of the employees at managerial and operational levels (300 people) in a series of 30 innovation workshops in the different company's divisions, designed and facilitated by the author and a team of four consultants, aimed at designing possible business models for new services and products that might lead the company to a new leadership role in digital environments. These workshops were managed through the support of facilitators familiar with the Design Led Innovation approach and the media industry dynamics and have been structured around two phases: (i) Overcoming organisational dogmas and envisioning the future; (ii) Designing a possible business model for the new business opportunities. The techniques adopted in the different phases are related to: scenario building and storytelling to generate insights related to the needs and expectations of customers in digital environments and overcome dogmas limiting the ability to see customers and their needs under a different perspective; business model definition through the use of the model proposed by Osterwalder and Pigneur (2009).

The project phases

The project was composed of two different phases that involved different subjects within the organisation and generated different results.

Setting the agenda for change

The first step was the definition of the overall goal of the innovation process and the expected impact of the ideas generated on the whole company performance. This part of the project consisted in a series of meetings with company's divisional top management to establish a proper agenda to foster innovation, gain a clear vision of company markets, structure and present business model and commit top managers to the final outcome of the project. The goal of these meetings was to: Identify the lines of business development depending on the amount of resources available and the overall corporate and division strategies for the years to come; Select an area of development that could be addressed through innovation workshops and establish a goal for the innovation teams that might be at the same time challenging and yet accessible. The different areas of development, depending on the different functions involved, were linked to: The creation of a multichannel vertical platform for leisure magazines; The re-design of a book publishing company business model shifting from paper to digital publishing; The identification of multichannel marketing potentials for gossip magazines that could exploit the co-creative potential of readers;

Building and managing innovation workshops

The innovation workshop was designed to last four days, involving groups of 10 people coming from different roles and functions in an attempt to integrate the digital and the paper part of the business in the definition of new paths of growth.

Each workshop was divided into four separate parts, strictly connected between them. The different phases were designed to help people overcome organisational and industry dogmas that might limit their ability to foresee areas on innovation and new business, reshuffle their present knowledge about products, customers and markets and define new possible scenarios for their offer to add value to customers, generate new ideas and eventually structure them in adequate business models. The need to force people to formalise not only new ideas but also the business model to support them was originated by the belief, shared with managers, that in many cases even existing products in the digital format, already offered by different players in the marketplace, could be innovated through a radically new business model to deliver them.

Each module lasted from two to four hours and generated a specific output that was functional to the success of the following parts of the workshop. The different module structures and the techniques adopted could be described as follow:

Overcoming organisational dogmas

This was the first module for the participants after an introduction on the workshop goals and agenda and some definition of digital and multichannel publishing offers and present competitive and consumer scenarios and business model. In this stage, participants are asked to generate an adequate amount of company and market elements that they perceive as possible dogmas limiting their ability to innovate and then report them. After this part is over, with the help of a facilitator dogmas are clustered together in macro groups depending on their content and commented in order to develop an open-minded approach.

Scenario building and knowledge generation

Participants were asked to depict a possible scenario for the next three years for their business. The technique used was the billboard one. In a first stage participants, divided in sub groups and using photos, images and drawings were asked to represent the major changes that would take place in the different macro environmental categories (political, economic, social, technological, etc.) in the near future. A second activity, with the same tool, is devoted to the representation of the micro-environment, taking into consideration the evolution of competition, demand and distribution for the company clients. In this second case, a set of researches and other sources of professional information were prepared and presented in order to support the participants with some quantitative background on the subject.

Billboards are then presented to all the groups and discussed in a plenary session. After the description of the possible trends in all the different aspects of the external environment, groups are asked to put all these information together creating story with a dominant theme that has their present and potential customers as main characters using storytelling techniques as the backbone of this activity. The story could be represented through drawings or simply text but has to contain all the dimensions of the macro scenario and have the customer and its organisation as the main character.

Insights identification

On the base of the different stories presented, participants, always divided in small groups, define the insights related to the main concern and interests of the characters depicted. The tool that has been adopted was the empathy map of Xplane (Osterwalder and Pigneur, op.cit.). This map has forced participants to act and think like the customer they depicted imagining, on the basis of the environmental dimensions they used to tell the story, what he sees, feels, hears, thinks, which are the main activities he/she undergoes. On the basis of these perceptions participants were able to identify the pains and the gains that their customers want to avoid and

achieve and turn them into valuable insights. As a result of this process the various groups were able to identify latent needs and wants of their potential customers overcoming their product based corporate culture and the over simplified perception of their effective needs.

Idea generation

Using the Empathy map as a starting point, participants generated ideas of possible products or services that might help their customers satisfy their emerging needs and avoid their major threats about the future scenario. During the different workshops various creativity techniques were adopted (visual thinking, storytelling and prototyping) providing on the whole very similar results. The idea generation stage was divided into two different parts: i) in the first part participants generated a huge amount of ideas related to the needs identified having as a goal to create the highest number of ideas as possible; ii) in the second part of this activity the ideas generated were clustered in families and used to develop “second level” ideas that might then be selected by the group following a grid of evaluation that helped to rank the ideas in terms of innovativeness, scalability, differentiation, new value for the market and time to imitation from competitors.

Business model design

The Business Model Canvas is strategic management tool, which allows to develop and sketch out new or existing business models. It is a visual template pre-formatted with the nine blocks of a business model initially proposed by Alexander Osterwalder (2009). On the set of ideas selected participants were asked to draw the possible business model to support their products or services or systems and the expected outputs and resource needs. After the fast prototyping of the business model the groups belonging to a single innovation stream presented it each other and opened a discussion on areas of amelioration or improvement.

On the whole each workshop generated not less than two different and alternative business models to address the innovation issue and all the business models were presented to the divisional top managers in an open session for discussion and implementation. On the whole top managers declared to be satisfied with the outputs and sometimes even surprised by the high level of innovation of specific proposals. Despite the declarations of interest and the overall level of engagement of the structures involved the business model that were turned into real innovation processes and projects are almost equal to zero.

RESEARCH ACTIVITY ON THE PERCEPTION OF WORKSHOP OUTPUTS

This sort of “organisational oxymoron” led the author to run a longitudinal research to identify the possible pitfalls of the process adopted and the possible limits to co-creation practices in complex organisations.

The research was conducted using the following tools:

In-depth semi-structured interviews with all the team leaders to collect their perceptions and feeling on the workshops, the output and the implementation and follow up processes that took place.

In-depth semi-structured interviews with divisional top managers in order to have a better vision of the critical aspects of the outputs presented to them, the reason for such a poor follow up to the projects and their perception of the teams that took part to the workshops.

The interviews aimed at collecting an adequate amount of information on the following aspects:

- 1) perception of the team performance and responsibilities. This area of concern was addressed with questions related to the definition of team members' and managers' responsibilities in the whole innovation process with regard to economic, organisational, communication and leadership dimensions.
- 2) evaluation criteria adopted for the assessment of the output quality. This part implied a set of questions not only related to the existence of adequate (or considered so) metrics to evaluate the quality but also on the description of the whole evaluation process and its formal and informal stages.
- 3) team members expectations and managers expectations on the whole innovation process. The definition of a formal beginning and end of the innovation process, its time span and stages together with the different roles involved were investigated through a set of questions.
- 4) co-creative tools evaluation and their usefulness in the innovation process. Ability to allow participants to perform their tasks, usefulness to clarify the innovation results for managers and stakeholders, ability to create positive attitudes towards working together were the items investigated in this part of the interviews.

The results of the interviews were analysed and clustered in different issues that appeared to be critical in explaining the lack of organisational impact of the whole co-creation activity. The findings highlighted how the organisational context and culture was responsible for most of the critical

aspects of the innovation process. The tools adopted were, on the whole, considered excellent boosts for the innovation process but their contextualisation in the organisational culture and routines deformed their significance and transformed them into separated episodes in the organisation life more than seeds of change that needed to be cultivated. Innovators found it difficult to “sell” their vision internally and draw company attention on their ideas. The reason is related to the fact that new ideas of value have an impact on all the layers of an organisation: the strategic context, the organisational context and the emotional context, too (Doz and Thanheiser, 1996). These impacts are often underestimated by managers that focus more on the results of the innovation process and less on its level of acceptance and on the creation of an adequate environment to support and implement it. In these conditions resistances from the established culture might be overwhelming. As stated by Mintzberg et al. (1998) quoting Hurst: “Changes in destination might be made by the captain even less frequently, for they require a total value change in the organisation. And discoverers may find a new world only once in a lifetime”.

Organisational pitfalls and their impact on co-creation effectiveness

During the research activities some common pitfalls emerged from interviews with both project participants and managers promoting the projects. These pitfalls could be clustered into different categories and might partially explain the difficulties encountered in developing a co-creative culture and approach within the organisation and the lack of follow up of the different business ideas presented and shared during workshops.

- a) Co-creation and organisational risks. Project leaders and top managers shared a positive evaluation of the workshop outputs in regard to their feasibility and ability to bring new competitive rules in the market. A critical aspect, on the contrary, emerged in association with the risk perception related to the deployment of the projects and the allocation of resources needed. While project leaders expected the company to support the projects with adequate resources to let them cut it through, divisional managers were, on the whole, not at ease with the idea of negotiating resources with the board or their peers on the basis of internal projects lacking of “experts” support and the reassurance of a complete success. Behind these declarations a deeper motivation could be seen: the risk of generating organisational “turmoil” with the birth of potentially new leaders that might shape company future compromising the role and leadership of top managers in the future. Another aspect highlighted by top managers was the risk

of splitting their organisation between innovators and followers, generating a decrease in the motivation of their divisions and possible internal conflicts that might undermine their authority and organisational prestige. While project leaders evaluated their outputs using project related metrics (probability of success, cost-benefit ratio, scalability, protection from competition), top managers often used expressions such as “a good opportunity to learn for the future” or “a break in the routine that allowed people to think outside the box” somehow considering co-creation more as a team building tool or a rewarding instrument than a way to challenge status quo.

- b) Co-creation and cultural risk. In evaluating workshop outputs, most of the people interviewed highlighted the ability of the tools used to represent clearly possible business ideas and share them in an almost intuitive manner. This same aspect was perceived as critical by top managers in sharing the projects with other functions or the board, as the representation was too off track when compared with usual business documents that are used for this purpose. They did not feel at ease in using such tool to generate a larger commitment within the organisation. Project leaders, on the other hand, stated that the use of such tools would not be possible outside such unique kind of occasions as the rest of their colleagues “would not take them seriously” and they would feel like “showing off” if using them. A manager, in particular, said that he would not feel comfortable in explaining the projects to other colleagues since that would force him to reveal the use of tools that were “too funny” and showed that people “had fun while doing their job” under his responsibility. The birth of a sort innovation jargon during the workshops was well described by project leaders that in many cases reported their difficulty in explaining to their functional colleagues what took place during the project.
- c) Co-creation and the risk of grey areas. In many cases there has been a lot of misalignments within the group and with project sponsors on the level of detail, the ownership and the allocation of resources. This fact cannot be attributed to poor managerial and project skills but more probably to the fact that in multi functional and multi divisional teams the lack of a common background limited the ability to define the expected output in a comprehensive way. Managers, in particular, expected teams to come up with solutions that might not challenge their role and responsibilities. On the other hand groups expected managerial support to bring on the projects outside the ideation phase. This pitfall is a good representation of the areas of ambiguity that co-creation processes generate in complex organisational environments.

d) Co-creation and the risk of organisational failure. The heterogeneity of teams, with many competencies and skills represented, generated some unexpected effects that could be summed up in the willingness to postpone the critical aspects of the projects to further work from single functions and divisions. Team leaders admitted that this attitude somehow reduced the quality of the project output in more than one case. In particular, managers underestimated the skill issue when creating multidisciplinary teams in favour of a balance of organisational powers and roles. Project teams felt that operational issues should be a responsibility of top managers in the deployment phase once they approved the overall concept. Project teams tended to use tools for detailed descriptions of the expected output and its operational implications (process flows, customer journey maps, etc.) more as tools to foster new creative solutions or just to check the availability of the ideas without too much attention to the present organisation implications. Many project leaders interviewed declared that they perceived as “frustrating” the attempts to introduce too many feasibility issues all through out the process as this might split the group in functional parties supporting different technical solutions and limit the overall ability to come up with something that could be agreed upon at group level and please top management.

Misconceptions about co-creation and managerial implications

On the whole, people interviewed showed some common misconceptions about what co-creation is that could undermine its success as an effective managerial tool. In particular, the cultural and organisational implications of the use of co-creation tools in structured and organised environments were largely underestimated. Many managers perceived the project on the whole as a massive set of brainstorming sessions implicitly assuming that a bottom up approach to innovation would not be feasible for complex and hierarchical organisations. This was evident in the way they evaluated the different projects: in many cases one of the most common area of confrontation with the teams was on their motivation after the project and how they felt. They were ready to recognise groups’ efforts in bringing new ideas and less to accept the organisational challenge beneath those ideas. Many managers interviewed interpreted co-creation workshops as tools to motivate more than opportunities to innovate. This perception was very much depending on the idea that innovation is a technical and elitist process involving specialised personnel. On the other hand, workshops were described by participants as a cost reduction solution from company compared to traditional innovation tools and processes. This meant that also their commitment should be proportional to the overall perceived investment. The reason of this belief was, again, related to cultural and

organisational dogmas that drove their behaviour in the past. Their adherence to the project was enthusiastic but somehow suffered this cultural bias.

Co-creation literature has two main domains: design tools and corporate strategy. The first one refers to the quality of the tools that better support co-creation processes, while the second highlights the competitive advantages that could be derived by the engagement of “collective brains” in the innovation processes. The cultural and organisational studies are not equally developed on the subject of co-creation while it appears that co-creation has a strong impact on the way organisations work and define their role and values. The attitude towards this fact is very often oversimplified with a simple suggestion for companies and managers to “think out of the box” (Prahalad, 2004), without taking into consideration the cultural and deep organisational implications of such a stance. Most of the cases of co-creation reported in recent managerial literature (e.g. Ramaswamy, 2009; Rawley et al., 2007) are based on the assumption that while managing workshops and other kind of initiatives employees will somehow automatically learn the new rules of the game and accept them implicitly. As highlighted in the case described in this work this is not the case as many organisational implications related to the dimensions of risk, power and roles are involved in co-creation activities and might seriously undermine their effectiveness.

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