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On the marketness of markets

Suvi Nenonen and Kaj Storbacka

Hanken School of Economics
P.O. Box 479, FI-00101 Helsinki, Finland

Dr. Suvi Nenonen is a post-doctoral researcher associated with Hanken School of Economics, Finland. Her research interests include market driving strategies, business model design, customer asset management, and customer portfolios. Her research has been published in journals such as Industrial Marketing Management, European Journal of Marketing, and Journal of Business & Industrial Marketing.
Email: suvi.nenonen@hanken.fi

Dr. Kaj Storbacka is Professor, Market Strategy, Hanken School of Economics, and a board member of CERS, Centre for Relationship Marketing and Service Management at Hanken School of Economics, Finland. He is also a board member of the Strategic Account Management Association, Chicago, Illinois. His main research interests include market driving strategies, business model design, solution business models, and customer asset management. His research has been published in journals such as Journal of the Academy of Marketing Science, Journal of Business Research, Industrial Marketing Management, European Journal of Marketing, Journal of Marketing Management, and Journal of Service Management.
Email: kaj.storbacka@hanken.fi

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Purpose: The importance of reconnecting marketing to a theory of markets has recently been acknowledged by academic commentary, and arguments are raised for the need to better understand central facets of market emergence. The purpose of this study is to contribute to the development of a general theory of markets by investigating how the 'marketness' of networked markets evolve and how value co-creation develops during market evolution.

Methodology/approach: The topic is approached by systematically combining reviews of literature with learning from field-based action research with managers. The field-based approach, conducted in cooperation with two international manufacturing firms, utilized interactive research.

Findings: Marketness is defined as a continuum describing the level of configurational fit between market practices. In high marketness situations, market practices are established and accepted, they reinforce each other, various types of market actors are involved in the market practices, and value co-creation is on an optimal level. In low marketness situations there is poor fit between the market practices, few market actors participate in them, and some of the market practices are non-existent.

Research implications: The study provides an overview on how markets evolve from low marketness to high marketness: what market practices support new market configurations and how market practices change as market mature. Additionally, the paper discusses the relationship between marketness and value co-creation, which seems to be non-linear.

Practical implications: A firm can radically improve value co-creation by promoting the development of market practices that increase the marketness of the firm's market configuration.

Originality/value: For a scholarly audience the article contributes to the discussion on how markets emerge, evolve and facilitate value co-creation. For a practitioner audience it offers ideas on how firms can shape their markets in their favor.

Key words: Marketness, markets, value co-creation, market evolution

Paper type: Research paper

Introduction

The importance of reconnecting marketing to a theory of markets has recently been acknowledged by academic commentary, and arguments are raised for the need to better understand central facets of market emergence (Peñaloza and Venkatesh, 2006; Araujo *et al*., 2008; Vargo, 2007). Several researchers have pointed out that in order to truly understand service systems, there is a need for a new theory of markets that includes both exchange and use value (Venkatesh *et al.*, 2006; Lusch and Vargo, 2006; Grönroos, 2008; Vargo and Lusch, 2008) and acknowledges the social and systemic nature of the markets (e.g. Granovetter, 1992, Krippner *et al*., 2004, Vargo *et al*., 2008).

One interesting avenue to a better understanding of markets and market dynamics is the recent contributions that have proposed a practice approach to markets (Andersson *et al*., 2008; Araujo *et al*., 2010; Kjellberg and Helgesson, 2006, 2007; Storbacka and Nenonen, 2011a, 2011b; Vargo and Lusch, 2011). A central tenet in the practices approach is that markets are always in the making, they are perpetually shaped by market practices. According to Storbacka and Nenonen (2011a), the implication of viewing markets as socially constructed is that markets in the objective sense do not exist; i.e. there is no objectively given market. Markets are what actors make them to be. There are no given structures 'out there' (Jenkins and MacDonald, 1997), in which actors compete for positions. Markets are not – they become (paraphrasing Vargo and Lusch, (2004)).

This paper answer to a call by Kjellberg *et al*. (forthcoming) for "a systematic study of different types of market practices, how they emerge and evolve in conjunction with one another, and how they contribute to the formation of markets". Kjellberg and Helgesson (2006) identify three inter-connected market practices: (1) exchange practices, i.e. activities carried out in connection to consummating individual economic exchanges; (2) normalizing practices, i.e. activities resulting in norms in the market, which enable market actors to stabilize their business models and, thus, enable effectiveness in terms of e.g. long production runs and learning-curve effects; and (3) representational practices, i.e. activities by which the business models of market actors are represented through shared images and common language, such as firm presentations and market analyses.

Our interest has focused on further elaborating and typologizing the market practices and creating a language to describe how markets evolve. Typical constructs used to describe market development are "maturity" or "readiness". We argue that neither of these terms are appropriate for our purpose. Market maturity is not a suitable construct due to its association with market growth rate. Market readiness has its shortcomings, as it implies that at some point markets would be 'ready'. As discussed above, the market practices literature argues that markets are always in the making. Even the most stable markets can re-invent themselves through technological disruption (photography and associated services due to digitalization), or innovative value propositions (Starbucks and the coffee experience). Many firms apply deliberate market-driving strategies, with the aim to disrupt existing patterns and offer new value propositions (Kumar *et al*., 2000)

Building on Storbacka and Nenonen (2011a), we suggest that a usable construct to depict the evolvement of market configurations is 'marketness' - a construct originally suggested by

Block (1990) - and define marketness as a continuum describing the level of the configurational fit between market practices.

Building on the above this paper aims to contribute to the development of a general theory of markets by *investigating how the marketness of networked markets evolve and how value co-creation develops during market evolution*. The paper is structured as follows. First, we describe the research process and the used methods. Second, we develop the argument around market practices. Third, we elaborate on the evolution of markets, building a marketness framework. Fourth, we discuss how focal actors can influence the marketness of markets. Fifth, we illustrate the developed framework with two case descriptions. Lastly we discuss the implications and contribution of the research, future research opportunities and managerial implications.

Research process

The research discussed in this paper is one output of a twelve-month research process on industry-independent market definitions carried out between May 2007 and May 2008. Other outputs are e.g. Korkman *et al*., (2011), Storbacka and Nenonen (2011a, 2011b).

Reibstein *et al.*, (2009) suggest that it is valuable for marketing academics to engage with practitioners who are experimenting with difficult problems. This research involved a consortium of eight multinational companies operating in different industries (see Table 1 for characteristics of the participants). The companies participated in the process as they have a keen interest in exploring new ways to define and shape their markets, either because the existing markets (as they are defined today) are mature, or because the dynamics in the markets open up numerous (and sometimes confusing) opportunities for redefinitions. Two of the companies involved in the research process will be used as case illustrations.

Insert Table 1 about here

The research process builds on a qualitative action research tradition that can be labeled ‘clinical research’, as described by Normann (1977) and Schein (1987; 1995). Gummesson (2001, p37) views action research as a “situation when researchers assume the role of change agents of the process and events they are simultaneously studying. In contrast to the mainstream researcher who is serenely detached, the action researcher is deeply involved”. Active participation and collaboration between the researchers and the organization, the aim for holistic and systemic understanding, a focus on change and goals, the use of multiple types of data gathering methods, and a systematic dialogue between action and reflection distinguish action research from other forms of social research (Coughlan and Coghlan 2002; Gummesson 2000; Dickens and Watkins 1999).

Normann (2001) refers to the reflection part as being concerned with our ‘own consciousness of our process of design and learning’. Based on the experience from the interventions (interviews, reporting sessions, workshops, definition and implementation of new practices, etc.) the researchers spend time and energy on reflecting on the tensions between the initial framework (i.e. pre-understanding) and empirical reality, between researcher and representatives of the client organization. Reflection is a non-linear, non-sequential, iterative process of systematic combination aimed to match theory with reality (Dubois and Gadde

2002). Within this process, the key is 'combining': The aim is to combine data gathering with data analysis, compare the evolving framework with existing literature-based theory, and match up the evidence and experiences from many simultaneous interventions in order to determine emergent patterns, and sharpen the constructs used to describe reality (Eisenhardt 1989).

Clinical research focuses on creating change by using language, typologies and metaphors as intervention tools. According to Schein (1987, p39) clinical research is focused towards the dynamics of change and improvement. "It is therefore normative in its orientation and requires underlying theories that provide normative direction - concepts of health, effectiveness, growth, innovation, integration, and the like". Change addresses learning, whilst learning, in turn, is about changing the frame of reference of key actors (Normann 1977). Based on this assumption, the key intervention tool of the clinician is language or metaphor development, by which the clinician tries to open new aspects of reasoning regarding the specific situation.

The interaction with the participating firms involved senior level executive vice presidents and their direct reports. We placed considerable effort on involving "reflective practitioners" (Schön, 1983; Gummesson, 2002) who had expressed interest in being included in the conceptual development of market definitions. The research process consisted of three phases - pre-understanding, model development, and model refinement. Each phase included a full-day research workshop with 2-3 representatives from each participating firm.

During the pre-understanding phase, the researchers developed an initial framework for market definition based on a literature review combining findings from several research schools (primarily economic sociology, Nordic school of marketing, industrial marketing and purchasing group (including markets-as-networks), actor-network theory, and the work by Vargo and Lusch (2004, 2008), and Normann (2001). Following this, the first research workshop was held. This workshop was directed at identifying additional viewpoints in the participating firms' practices related to market definition. After a briefing the participants were divided into groups and asked to describe their extant market definitions and possible ideas for new market definitions. During the workshop, the researchers documented the group work results and the consequent discussions, and this formed a crucial input for the model development phase.

During the model development phase, the researchers analyzed the output of the first workshop with reference to a further literature review (focusing on evolutionary economics), data from the interviews and other data collected from the firms during the first phase of the research. Based on this analysis, we developed a first version of a framework describing how markets evolve and how this evolutionary process can be influenced which was refined further during the second interactive research workshop. This workshop adopted a similar process as the first one and focused on evaluating and critiquing the emerging framework components, and on identifying best practices among the participating firms.

During the model refinement phase, we synthesized the output from the second workshop where participating companies identified key themes and best practices. In the third interaction research workshop, we presented the revised model and asked participants to test the model in the context of their firms. Many of the organizations had utilized some of the model components in the time between the second and third workshops and applied them in their own company's development work

A practice approach to markets

The market practice view is based on a combination of the actors-network theory (Callon, 1998), the markets-as-networks approach (Mattsson, 1997), and practice theory (Reckwitz, 2002; Schatzki, 2001). The concept of practice refers to 'a way of doing' which is embedded in a context of interlinked subjective and objective elements. It is important to note that practice is not synonymous with action, but it enlarges the unit of analysis to the system that fosters action (Dourish, 2001).

The extant market practice literature identifies three distinct and interconnected market practices through which markets are enacted: normalizing practices, exchange practices, and representational practices. Kjellberg and Helgesson (2006) define exchange practices as activities that are involved in consummating individual economic exchanges of goods. The exchange practices impact how the object of exchange is being defined and how the buyer-seller interaction is configured. Andersson *et al*. (2008) use the terms prescribing and subscribing to illustrate the concrete interactions between the market actors, and propose that the sequence of prescribing and subscribing is used to define the actors involved in the exchange and to negotiate the limits of their abilities (cf. Akrich and Latour, 1992). Drawing on the existing studies on market practices and on S-D logic, Storbacka and Nenonen (2011a) define exchange practices as practices through which value propositions are being communicated, refined, and agreed upon – leading both to the re-configuration of resources within the network to actualize the value proposition, and the potential financial transactions.

Efficient configuring of resources and capabilities for enhanced value co-creation requires norms and rules. The normative practices form the foundation for firms making investments that ensure long productions runs and enable learning curve effects. Norms and rules may take the form of e.g. technological standards, socially accepted codes of conduct, or formal rules and laws. Commonly accepted norms and rules facilitate efficient exchange practices as market actors are much more likely to be involved in a market in which there is no ambiguity regarding the dominant technological standards or the laws to be applied. According to Kjellberg and Helgesson (2006), such norms and rules guiding the actions of market actors are a result of normalizing practices. Similar practices are also described by Akrich and Latour (1992) and Andersson *et al.* (2008) under the term 'inscribing'. According to Andersson *et al.* (2008), inscribing refers to efforts to pre-configure actors so that they are ready to perform economic exchanges in accordance with a particular set of rules and/or norms. Drawing on these definitions, Storbacka and Nenonen (2011a) propose that normalizing practices are conducted in order to define/redefine norms and rules to be applied in a particular market. Through normalizing practices, market actors seek to stabilize their business models, as the relative stability of the business models is a prerequisite for efficient operations, enabling e.g. long productions runs and learning curve effects.

Market actors need a common language and concepts to describe markets and actions within them. Exchange practices must be supported by a common language to symbolize the objects of exchange, price, the market actors involved, and the activities conducted by the market actors. Additionally, the exchange practices are further supported by market research and media coverage of the market. According to Kjellberg and Helgesson (2006), representational practices are activities that represent economic exchanges as markets: representational practices portray markets and the way they work and thus produce shared images of the

market. The representational practices are also linked to the process of ascribing as described by Akrich and Latour (1992) and Andersson *et al*. (2008). Ascribing is a process through which actions are attributed to some entity ex post – which is an integral part of any accurate portrait of a market. Additionally, the representational practices perform the activities needed in order to make goods and services calculable. According to Callon and Muniesa (2005), in order to facilitate market transactions, goods and services have to be made calculable via objectifying and singularizing them as well as co-elaborating their properties. Based on these definitions, Storbacka and Nenonen (2011a) define representational practices as practices through which the business models of market actors and the market configuration are represented through shared images. Such shared images could for example be firm presentations and market analyses. Therefore, representational practices are the means for market actors to make their business models visible, also for those market actors with which they currently have no direct interactions.

As market practices are routine, micro-level actions that take various forms in different market configurations, in many instances the market practices are best observable through their outputs, such as transactions and technological standards. In the research the participating firms identified fifteen manifestations or outputs of market practices that they viewed as central for developing the marketness of their markets. These are illustrated in Table 2.

Insert Table 2 about here

Marketness as a construct to understand market evolution

Market configurations are - depending on how they have evolved – 'more or less markets' in terms of their maturity, stability of norms, how established the product definitions are, the acceptance of price formation mechanisms etc. In a high marketness situation the market configuration is established and acknowledged, the market practices reinforce each other, and resource integration is effective. Hence, there are universally used norms for trade, exchange objects are singularized (Callon and Muniesa, 2005), price formation mechanisms are set, there are non-economic actors, such as associations and/or other institutions that measure the market or create rules, there is a defined set of competitors that know each others' strengths and weaknesses, and definitions of market boundaries are shared among actors.

Even though not explicitly stated, it can be assumed that the existing studies on market practices (Kjellberg and Helgesson, 2006; Andersson *et al*., 2008) describe the content of market practices in market configurations characterized with a relatively high marketness. In high marketness situations exchange practices have shaped market actors' business models and value propositions into relatively stable patterns. Similarly, the normalizing practices have produced a set of norms and rules that are agreed to by all market actors. Also, the representational practices generate shared images of the market, which make indirect communication between market actors possible via press releases, market analyses, and so on.

In exceptionally high marketness cases, the majority of social action can be eliminated and transactions can be repeated mechanically based on rules. An example of such a market is a commodity market. Commodity markets (such as the gold market) are characterized by a huge number of monetary transactions, the basic sales unit is commonly accepted (ounce),

customers are capable to purchase and use the product, the network readiness is high, there are several competing firms in various network positions (producers, intermediaries, etc.), the norms and rules are there, and the market is discussed continuously in the press – at least in the form of the closing rates.

In a low marketness situation there is poor fit between market practices. Density of resources is low, little value is co-created, and market actors are engaged in market creation activities, and influencing other actors in the market (potential customers, providers, and competitors) so that they start to view the suggested market configuration as an attractive source of resources for their value creation.

Market practices in low marketness market configurations are considerably different from the examples presented above: in the extreme low marketness cases, market configurations might temporarily lack some market practices altogether. First, in a state of low marketness, the exchange practices require a long time and various iteration rounds before market actors can agree upon the unit of exchange, their value propositions and market boundaries – or the exchange practices can also stop short of actualizing the exchanges altogether. Second, normalizing practices in low marketness market configurations are characterized with competing viewpoints and lack of commonly accepted norms and rules. Finally, representational practices in low marketness situations concentrate on making the market actors and the unit of exchange visible through symbolic representations.

An example of a low marketness market can found from the area of social media. Social media applications have a low level of marketness due to the almost complete lack of monetary transactions. The absence of monetary exchange can perhaps be explained by the lack of commonly agreed sales item definitions, and the resulting ambiguity in earnings logics. However, social media applications seems to have the potential to evolve into economic markets: they create considerable value for customers, many customers are highly competent in using social media, the needed technologies are in place, and the social media as a phenomenon is widely discussed in the media.

The majority of the markets are, however, somewhere in between 0 and 100% marketness: they possess various characteristics of functioning markets, but they are not ‘perfect’ markets in all marketness dimensions. It is important to realize that high marketness does not necessarily indicate higher value co-creation potential. Sometimes firms may want to deliberately change their market definition in order to decrease the marketness of their market. This is especially evident if the high marketness situation creates an inertia against new form of value creation and ultimately against growth. An actor can choose to become a market shaper, involving itself in activities aimed at changing the existing market practices. Similarly, firms engaging in low marketness market can choose to become market makers, attempting to form market practices in such a way that they fit the business model of the firm, and enable that the market works in favor of the firm’s objectives.

Becoming market driving, i.e. influencing the marketness of market configurations, may according to Storbacka and Nenonen (2011a) require a change of mindset, in terms of focusing less on competition and more on value creation. Firms may want to engage in ‘co-opetition’ (Brandenburger and Nalebuff, 1996) with other market actors (suppliers, customers, and partners) in order to improve the market configuration and, hence, improve firm performance for several actors at the same time. In co-opetition actors co-operate to redefine a market (in order to increase the size of the pie), and compete in dividing it up. One

example of such co-opetition is the creation of the GSM standard. The GSM standard itself was developed as a long-term cooperative exercise between policy makers and all major communication equipment providers. However, the equipment manufacturers entered a fierce competition for market shares right after the GSM market was created through the common standard.

Influencing marketness: market design roles

Paraphrasing Kurt Lewin, we argue that if you want to understand a market, the best thing to do is try to change it. The networked, dynamic, and inter-subjective nature of markets is probably best visible through the processes aimed at changing them.

Viewing market evolution as a continuous movement between lower and higher marketness brought about by changing market practices opens up interesting managerial questions. As market actors participate in market practices, they can also influence and change the market practices according to their subjective objectives. However, as markets usually encompass multiple and often conflicting efforts to shape them by various market actors, the actions of a single market actor seldom have a complete, Austinian performativity (MacKenzie 2004) towards the market practices. Instead, the extent to which a market actor can influence a market practice is, for instance, dependent on the actor's performative power or clout (cf. MacMillan *et al*., 2003). Storbacka and Nenonen (2011b) suggest that the performative power of any market actor is dependent on the actor's network position, the relative strength of the actor's business model, and the actor's ability to author compelling meanings related to the market.

Drawing on Pitt *et al*. (2002), we propose that focal actors should adopt different market design roles depending on their clout and the market configuration's marketness. In high marketness situations the focal firm aims to promote its own relevance by 'market shaping'; by re-defining its network to improve its position against other actors, and moulding its business model to influence market practices so that the market changes in a way that enables increased value creation for all market actors. Low marketness situations relate to 'market making' or market creation, where the focal actor is involved simultaneously in developing market practices and promoting its subjective market view by proving to market actors that the market configuration entails opportunities for value co-creation. When the marketness aspect is integrated with the focal actor's clout, five types of market design roles emerge: market maker, market activist, market consolidator, market shaper, and market specialist. There market design roles are illustrated in Figure 1.

Insert Figure 1 about here

Market maker is a market design role available for those focal actors with high clout seeking to influence a low marketness market. The main objective of the market maker is to establish the new emerging market and the actor's position within that market. In order to do this, successful market makers involve other market actors in collective sense-making and mental model co-creation. Market makers usually start discussions and trials with a few trusted customers early on – even before they have pilot products or marketing materials to show. They seek to initiate iterative offering development process together with the pilot customers and in so doing they are willing to re-define the product and the target market based on the

customer response. Additionally, market makers also seek to utilize their strong clout to fasten the market creation process. In particular, they look for ways to utilize their existing business ecosystems of suppliers, channel partners and providers of complementary products and services also within the new, emerging market.

The market activist is faced with the same challenge as the market maker: they both need to co-create mental models in order to support the evolution of a low marketness market. However, the market activist cannot leverage the same strong clout as the market maker. Thus, market activists should adopt for even more cooperative market design role: they should pay special attention to creating educated competition and enthusiastic lead customers. Direct competitors are also often fostered by market activists: competitors can share the burden of making a new market and the availability of alternative providers is likely to encourage customers to test the new market. In addition to competitors, enthusiastic lead customers can be used to promote the new market definition alongside the market activist firm.

The evolution towards higher marketness is often characterized by consolidation and rationalization. Some firms have adopted a clear market consolidator role in relation to innovation and new markets. These firms intentionally avoid entering low marketness markets. Instead, they scan continuously new emerging markets that are related to their current core business or core capabilities. When these markets are evolving towards medium marketness, the market consolidators seek to acquire the most likely winner in each market. This role requires active mental matching from the focal actor: the market configuration that the market consolidator enters is likely to have dominant mental models and meanings and the focal actor has to be skilled in integrating these models in its mental model canvas.

After a market reaches a state of high marketness, the opportunities for market design are not over. Quite the contrary, there are several examples in which incumbent players have succeeded in transforming a high marketness market by adopting a market shaper role. For example, many B2B firms have expressed their keen interest in moving forward in the value chain, transferring themselves from equipment or raw material providers into solution providers – and thus changing the entire market in which they operate. The market design efforts of market shapers are supported by their strong clout. However, strong clout in itself is not enough: successful market shapers are usually highly skilled in mental model communication, creating compelling market shaping stories that communicate effectively how their new market vision improves the value creation for all parties involved.

Also focal actors with low clout can design high marketness markets by adopting a market specialist role. Like market shapers, market specialists engage in mental model communication, but with different approach: they understand that communicating mental models that are contradictory with stronger firms' mental models is unlikely to be successful. Therefore the market specialists seek to leverage the positions of the dominant players: they aim at becoming either complementary (leveraging the main players' strengths) or truly alternative providers (leveraging the main players' weaknesses) in the existing market set-up.

Case GS-Hydro: increasing the marketness of a new market configuration

GS-Hydro is a leading global supplier of non-welded piping solutions for hydraulic and other application. GS-Hydro was founded in Finland in 1974 around an innovative way of assembling piping systems without welding. Even today, the core of GS-Hydro's offering is

built on three innovative flange systems that allow piping systems to be assembled without welding, yielding from 10 to 690 bar working pressures. In addition to piping materials and components, GS-Hydro offers a wide range of services including engineering, prefabrication, pressure testing, flushing, commissioning, and project management.

GS-Hydro's first foreign subsidiary was established in Norway in 1982 and the business was primarily directed towards the marine industry. The oil industry in the North Sea expanded during the 1980s and the offshore industry became an increasingly important customer segment for GS-Hydro. During the 1990s new subsidiaries were opened in Europe to serve metals & mining, pulp and paper, and testing-equipment customers for the automotive industry for example. Today the GS-Hydro Group consists of seventeen wholly-owned subsidiaries providing service globally in 17 countries including USA, Canada, China, Korea and Singapore. In addition to its own operations, GS-Hydro has partners and agents in 9 geographical areas. In 2009, GS-Hydro Group generated a turnover of over 140 million euro and employed over 600 piping specialists.

At the moment, GS-Hydro conducts business in three main application segments: offshore, marine, and land-based applications. On offshore, the GS-Piping System is used in a wide variety of applications on all different type of offshore drilling and production installations ranging from fixed platforms and jack-up rigs to semisubmersible rigs, and floating production, storage and offloading systems. Additionally, GS-Piping has also been used successfully in vessels associated with offshore production, such as in supply, research, and seismic vessels. For the offshore industry, GS-Hydro supplies piping for hydraulic systems, air-tensioning systems, mud and cement lines, water injection and process lines, as well as for seawater, cooling water, and fire mains systems. In marine applications, the GS-Piping system is used in a wide variety of applications in different types of ships ranging from tankers, supply ships and roro-vessels to luxury cruise ships and specialty sailing boats. GS-Hydro's piping solutions are especially used in the shipbuilding industry for hydraulic, seawater, and other piping systems such as fire water, air, sewage, fuel oil, grey water, and fresh water systems. Since 1974, the GS-Piping system has been fitted onto more than 6000 ships all over the world. Regarding the land-based applications, GS-Hydro piping systems are installed in a number of different environments such as pulp & paper, steel mills, recycling stations, sugar plants, and test systems for car manufacturers.

GS-Hydro faces competition from a wide range of companies, from global providers of piping systems to local ‘mom-and-pop’ operatives providing piping installation services to shipyards. From a competitive viewpoint it is important to notice that in many instances no “non-welded piping system market” exists: GS-Hydro’s customers are in the market for piping systems and such piping systems can be constructed either by using welding or by non-welded applications. GS-Hydro’s non-welded piping systems are especially competitive when the application places high demands on quality, reliability, and cleanliness. Additionally, as welding is both time and labor consuming, GS-Hydro’s non-welded solutions are competitive in geographical areas and industries characterized by high labor costs and fast project schedules.

From the marketness perspective, is can be said that the “non-welded piping systems market” in which GS-Hydro operates is in a state of relatively low marketness. It is possible to identify all three main market practices from the market configuration in question, but their configurational fit is still less than perfect. The exchange practices have resulted in a number of transactions within the “non-welded piping systems market” and the sales item definition

as well as the price formation mechanism are relatively clear and shared with the majority of market actors. However, the potential customers are still relatively unaware of the non-welded technology and therefore on average their readiness to buy or use non-welded piping systems is still relatively low. Additionally, the majority of the competition that GS-Hydro and the other non-welded piping systems companies face comes predominantly from another market configuration, i.e. the welded piping systems market. The normative practices have already resulted in type approvals for the non-welded applications from all major classification societies. On the other hand, the social norm among the buyers and users of piping systems is still the welded technology instead of the non-welded technology. The representational practices are yet to generate widely-acknowledged representations of the "non-welded piping systems market": at the moment there is almost no market research conducted on non-welded piping systems, there are no associations promoting this area, and non-welded technology is quite rarely discussed in the specialist media.

In order to improve the marketness of the "non-welded piping systems market", GS-Hydro influences actively all main market practices: exchange, normative, and representational practices. In exchange practices, GS-Hydro seeks to convince its customers and their business partners of the superiority of "non-welded piping systems market" compared to the competing market configurations. Especially noticeable is GS-Hydro's commitment to getting involved with its customers as early as possible in the purchasing/sales process. As GS-Hydro's products and services are most commonly used in large investment goods (such as ships, oil rigs, or paper machines), the planning phase related to these investments is the most fruitful period for GS-Hydro to communicate its market view to all relevant actors. For example, the initial plans related to offshore rigs can be drafted up to 10-12 years before the actual construction is started. During this planning period, GS-Hydro is very active in influencing the specifications of the ships, oil rigs and other relevant investment goods. The benefits of this are twofold: first of all, it ensures that GS-Hydro is able to respond to the forthcoming requests for quotations as the specifications do not exclude the use of non-welded technology. Secondly, continuous communication with various parties (owners, end-users, design houses, engineering companies, etc.) involved in issuing requests for quotations means that gradually GS-Hydro is able to communicate the benefits of "non-welded piping systems market" to all relevant market actors – and thus this particular market configuration becomes increasingly shared among these actors.

The normative practices related to quality standards and type approvals from classification societies are of utmost importance in creating and maintaining market configurations related to piping systems: most customers are not willing to purchase piping components without appropriate type approvals. Thus, GS-Hydro has been very active from the beginning in order to get type approvals for its components for different end-use industries and geographical markets. Currently, GS-Hydro's products are approved by classification societies such as Det Norske Veritas, Lloyds Register, Germanischer Lloyd, American Bureau of Shipping, Bureau Veritas, Registro Italiano Navale, Russian Maritime Register of Shipping, Nippon Kaiji Kyokai, China Classification Society.

GS-Hydro is also becoming increasingly active in promoting "non-welded piping systems market" in various representational practices. As there is very little market research conducted which relates directly to piping systems, GS-Hydro's main activities are not directed towards market research – as is the case in many other industries. Instead, GS-Hydro seeks to affect the representations of the piping market by giving presentations at selected industry exhibitions and by issuing statements and articles to leading industry media.

Additionally, during the last years GS-Hydro has considered the possibility of creating a specialized industry consortium around non-welded piping. This consortium would be accessible to all companies interested in non-welded piping. Such a consortium would mean that GS-Hydro would create a new representational practice together with its main competitors, aimed at transferring the dominant welded market view towards a non-welded market view.

The case study illustrates how a technology-driven company has promoted its innovative market definition in different market practices over the course of 27 years. During this time, the marketness of "non-welded piping systems market" has improved but it can still be said to reside on the lower side of the marketness continuum. This suggests that introducing a new market configuration and advancing it to the state of high marketness is a lengthy process, especially if there are competing market configurations and the advocates of the new market configuration have relatively limited competitive clout. Additionally, it is interesting to observe how GS-Hydro's relative activity in influencing different market practices has varied over time. Initially, GS-Hydro spent considerable time and energy in affecting normative practices in order to get type approvals for their technology and components. As soon as the necessary type approvals were granted, GS-Hydro started participating in exchange practices. The representational practices have gained the interest of GS-Hydro only during the last few years as the top management feels it is difficult to push the marketness of "non-welded piping systems market" higher without actively influencing the representations of the market as well.

Additionally, the case study supports the notion of different market design roles. Given the low marketness of the non-welded piping systems market and GS-Hydro's limited clout within that market configuration, GS-Hydro has adopted the market activist role – initially unconsciously and after the intervention process more knowingly. As a market activist, GS-Hydro seeks to also cooperate with its direct competitors in order to advance the marketness of the "non-welded piping systems market". The cooperative market design role is especially visible when GS-Hydro seeks to affect representational practices as this is an area that is perceived "safer" for competitors to cooperate without the fear of anti-trust legislation.

Case KONE – transforming into a lower marketness market configuration

KONE Corporation was founded in 1910 and today it is one of the four leading elevator and escalator firms in the world. In addition to providing elevator and escalator equipment, KONE has also an extensive maintenance and modernization service business. KONE is headquartered in Finland and it has operations in ca. 50 countries worldwide. In 2010, KONE generated annual turnover of 5 billion euro and employed approximately 33,800 people.

KONE provides its equipment and services to a wide range of end-use applications or buildings. KONE considers residential buildings, office buildings, retail industry, public transportation, and airports as their main end-use areas. In addition to these, KONE provides equipment and services to hospitals, leisure centers, hotels and industrial buildings. Within each of these end-use segments, KONE conducts business with various types of customers such as builders, building owners, facility managers, and developers. In addition to these direct customers, KONE maintains close relationships with the main influencer groups such as architects, technical consultants, project management consultants, city planning authorities, and non-governmental organizations.

The global elevator and escalator market is dominated by four players: Otis (originating from the US), Schindler (Switzerland), ThyssenKrupp Elevator AG (Germany), and KONE. Even though other major corporations such as Mitsubishi are present in the elevator and escalator marker, none of the other market actors have similar global presence in all major end-use applications compared to the leading four companies.

In their most recent new strategy some years ago KONE introduced a new market definition for the company: moving forward from the previous "elevator and escalator market", KONE would in the future concentrate in driving the "People Flow market". The new market definition is significant from at least three perspectives. First, it changes the focus of attention from the products (elevators and escalators) to the use value experienced by the customers (smooth and fast people flow). Second, it widens considerably the spectrum of products and services KONE is able to offer: for example access control solutions fit well under the "People Flow" market definition whereas they would have been excluded by the "elevators and escalators" market definition. Third, the definition opens up for dealing with people flow also horizontally.

From marketness perspective the elevator and escalator market is relatively high marketness market: there are well established technology standards, rules and regulations govern the installation and functions of elevators, customers can purchase both simple elevators and spare parts on the web, there are industry associations and media coverage, etc. On the other hand, the "People Flow market" has much lower marketness: few customers are still ready to opt for a complete people flow solution, there are no clear price formation mechanism beyond the pricing of various components, there are no regulations or standards covering or even defining people flow, and there are no reliable statistics about summarizing the actions and developments of the different actors – as many actors in the people flow market configuration come from different industrial arenas.

In order to drive the people flow market, KONE has changed its approach to exchange practices considerably during the last few years. First, KONE has investigated its various customer segments and identified those segments that are especially interested in smooth and fast people flow. After pinpointing the 'people flow minded' customer segments, KONE has generated special people flow value propositions for these segments, tailored to address the specific people flow needs of each segment. In order to support the creation of segment-specific people flow value propositions, KONE has researched extensively how customers co-create value: what are the customers' value creating processes and practices and how people flow solutions could support this value creation. An example of the customer value research efforts is the People Flow Day that KONE organized on October 27th, 2010. During the People Flow Day, 800 KONE employees observed the people flow processes, opportunities and challenges as well as interviewed customers and end-users in various customer sites ranging from metro stations to hotel building. Based on the detailed insight on focus customer segments' value creation, KONE has started the work to create entirely new people flow services and solutions for the focus customer segments.

The change in market definition from elevators and escalators to people flow has also initiated some changes in the way KONE participates and influences normative practices. In recent years, KONE has been especially active in practices related to environmental issues, urban planning and special interest groups such as disabled and elderly. KONE's participation in the normative practices has taken various forms, such as presentations at conferences, participation in committees, and producing studies. As modern people flow

solutions are capable to reduce energy consumption, alleviate the challenges associated with rapid urbanization, and to improve the quality of life of e.g. disabled and the elderly, KONE has concluded that participation in the above-mentioned normative practices is an efficient way to promote the people flow market.

Representational practices have had a considerable role as KONE has promoted and built the people flow market. In fact, the people flow concept was first presented to the public during one specific representational practice, the capital markets day. From early on, KONE has been very active in making the people flow concept known in both general as well as in specialist media. KONE's work with the media has not been limited to the traditional media houses; also the social media has been acknowledged. For example, KONE has created a Wikipedia site for people flow (http://en.wikipedia.org/wiki/People_Flow). At the moment, the third-party market research still discusses the elevator and escalator market, and the people flow concept and the market configuration is at best mentioned as an anecdote. However, KONE is contemplating about creating new metrics to represent the people flow market and the customer value creation within the new market configuration (e.g. people flow efficiency). Time will tell if these development actions will have an impact to the third-party market research as well.

This case study example illustrates how a major player has initiated efforts to transform an established and high marketness 'elevator and escalator market' into a lower marketness 'people flow market'. As the process has been on-going for only a couple years now, it is too soon to tell whether KONE has succeeded in transforming the market configuration. However, already at this stage it is possible to observe how KONE has influenced different market practices in order to change the prevailing market configuration. Compared to the case GS-Hydro, KONE has been very active in representational practices from the beginning of the market transformation process. On the other hand, the normative practices less crucial to KONE than to GS-Hydro in promoting the new market definition. The exchange practices have been equally important to both GS-Hydro and KONE and both case example companies started influencing the exchange practices immediately.

As a major player with a well-established 'elevator and escalator market', KONE has been able to adopt a market design role close to a 'market shaper' in its efforts to drive the market configuration towards a 'people flow market'. As a market shaper, KONE has been especially focused in mental model communication: crafting a compelling people flow market story, communicating it to various stakeholders ranging from customers and sub-contractors to investors and journalists, and in explicating through segment-specific value propositions how the people flow market improves the value creation of the customers.

Discussion

This research responds to calls to better understand central facets of how markets emerge and evolve (Peñaloza and Venkatesh, 2006; Araujo *et al*., 2008; Vargo, 2007), and how market practices contribute to the formation of markets (Kjellberg *et al*., forthcoming). Furthermore, it also creates new knowledge about market-driving approaches, identified as an area for further research by Jaworski *et al*. (2000).

Main contributions

The research contributes in three ways to the recent wave of research within marketing that has attempted to generate a better view of how networked markets work. First, the

identification fifteen manifestations of market practices creates a foundation for a more practical approach to creating market driving strategies, by altering market practices. This adds to the suggestions provided by Jaworski *et al*. (2000), who focus on two methods to shape the behavior of market participants: direct and indirect. Both of these, however, focus on influencing customers or competitors, but not the practices that govern their behavior. The market practice approach to driving markets aims at changing the market context, and by doing so influence the actions of the actors in the market. The research suggests that one of the key practices that firms can immediate influence is singularization, or the definition or of the sales item. This accentuates the role of value propositions (Kumar *et al*., 2000 call this revolution in value proposition) and particularly reciprocal value propositions (Ballantyne *et al*., 2001) as a key ingredient in market-driving strategies.

Second, the marketness construct opens up new opportunities deepen our understanding of the connection between marketness and value co-creation. The case-evidence indicates that the relation is only partially linear. Building on Normann (2001), Storbacka and Nenonen (2011a) suggest that one way to understand value creation within market configurations is to analyze the available density of resources for the participating actors. The argument is that actors interact in a market in order to increase their density of resources. Greater density of resources, relevant to a specific actor, time, situation and space combination, corresponds to more value. According to Lusch *et al*. (2010, p. 23), "maximum density is reached when, at a given time and place, an actor provides and integrates all the resources necessary to co-create the best possible value in that context". Therefore, value co-creation can be expected to increase as the market configuration moves from lower marketness to high marketness: in a high marketness state all market actors are capable in participating in exchange practices, the integration of resources is as efficient as possible within the context of the particular market configuration, and the normative and representational practices support efficient resource integration. However, new market configurations, even with lower states of marketness, may provide greater resource integration opportunities and thus facilitate higher value co-creation, as shown in the KONE case description. In fact, we argue that high marketness may sometimes hinder the integration of resources if, for instance, the prevailing sales item definition is 'narrow', making it difficult for a provider to make all its relevant resources available to customers in the market. In the KONE case, a redefinition of the market moves KONE into a low marketness market, where it is possible for KONE to use its knowledge about people flow optimization in order to co-create more value with its customers.

Third, this paper takes a managerial perspective, aiming at offering guidance to firms wishing to engage in market-driving strategies, either by increasing or decreasing marketness. Market design situations and roles are dependent on the designing actor's aggregated market power, the development stage of the market, and the type of change situation. Based on the various market design situations, the designing actor can adopt one of five different market design roles: market maker, market activist, market consolidator, market shaper, or market specialist. Each market design role is characterized by different means to affect the market actors' mental models. Therefore, market design situations and roles frame the means for market design that are available for the designing actor.

Limitations and further research

The analysis in the research has been focal actor focused: we have analyzed marketness from the point of view of a firm wishing to alter market conditions. This is an obvious limitation; the notion that multiple actors are involved in market making implies market multiplicity (Kjellberg *et al*., forthcoming). There will be, at any one given time, multiple understandings

of what a market is, held by multiple actors. Dealing with marketing multiplicity is an important research avenue, and we echo Kjellberg *et al*. (forthcoming) in their identification of possible research questions: how can market interpretations converge in markets, and how are multiple enactments of markets aligned in market practice?

Additionally, further research is needed on the role of economic exchange in defining market configurations. The extant literature on how markets emerge and evolve (e.g. Peñaloza and Venkatesh, 2006; Araujo *et al*., 2008; Vargo, 2007) does not discuss directly the economic exchange. However, during the research process the managers of the participating companies pointed out frequently that from the managerial perspective market configurations are considered markets only if they provide opportunities for direct economic exchange. However, if markets are classified as markets only in the presence of monetary transactions, further conceptualization is needed to describe the difference of 'real markets' with economic exchange and the 'non-monetized' spaces for resource integration. After all, much resource integration and value co-creation takes outside the domains of monetary transactions. Barter is still a valid exchange tactic in many developing countries. Similarly, much value is created through hobbies, between family members, or voluntary work. The concept of 'non-markets' provides one possible avenue of describing the differences between market configuration with and without direct economic exchange. At the moment 'non-markets' are defined as spaces for resource integration (similar to markets) within which no monetary transactions take place (contrary to 'real' markets). The preliminary research indicates that 'non-markets' are highly important to firms as e.g. resource providers or learning spaces to other markets, or as future monetized markets.

Further research is also needed as to the role of different marketing and sales practices. Simakova & Neyland (2008) suggests that marketing departments should be engaged in authoring and presenting an organizing, tellable narrative – a tellable story that helps to configure a new technology and prepare it for the market. Marketing departments need to work towards two audiences: the other functions inside the firm and the other market actors in order to influence marketness.

The notion of a market that is perpetually in the making opens up interesting questions related to learning. Most research about market learning builds on the assumption that the market is given and that the objective of the firm is to identify opportunities in the market, i.e. learn about the market. This view can be said to be a typical representation of a G-D logic, whereas firms wanting to design markets, in a S-D logic, are more likely to focus on learning 'with' the market. This highlights the idea of network learning (Knight and Pye, 2005), i.e. learning by a group of organizations as a group, aiming at changing the market configuration. The research indicates that that collective learning occurs only through action, which indicated that meanings in market networks also can be changed by introducing behavioral elements into the market (i.e. new value propositions, new incentives, new standards), and invite market actors to experiment with the new elements. Further reseach is need in order to understand what elements are likely to create more effecive and lasting effects.

Managerial implications

The most important managerial conclusion of the approach discussed in this paper is that markets cannot be seen as given structures where actors simply compete for positions. This suggests that opportunities are not precursors of strategy - they are outcomes of deliberate market driving efforts. As firms engage in market driving activities, opportunities occur and firms need to be nimble at capturing the value emergent from these. The focus of strategy

should not be so much on competing against competitors. Instead, the focus should be on securing the firm's value to customers, and its readiness to make adjustments to its business model when required.

During the research process the managers of the participating companies several times alluded to the fact that most companies will be involved in many market configurations at the same time. Some market configurations may be evolving, low marketness configurations, whereas others may be stable, high marketness configurations. A managerial conclusion from this may be that companies need to have a mix of market configurations with different levels of marketness corresponding to different development horizons. Some serve the immediate short-term performance, while others build platforms for future performance.

As the business model of the focal actors defines how it interacts with other market actors, the business model will be the interface through which all interactions between market actors are being conducted. All interactions between market actors are in fact interactions between actors' business models. Thus, when market actors attempt to design markets to fit their resources, they do so by changing their business models.

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Table 1 Characteristics of the participating firms

Industry	***Industry ranking*** *(within top 5 …)*	***Primary strategic concern***
Forest products	Globally	Mature market
Elevators and escalators	Globally	Many different markets, many opportunities for redefinition
Industrial component manufacturer	Globally	Fast growing market, globally dispersed customers
Financial services	Northern Europe	Mature market
Electricity generation and distribution	Northern Europe	Mature market
Pharmaceuticals	Globally	Complicated market structure with turbulence
Construction	Northern Europe	Many different markets
Outdoor media	Globally	Mature market, customers exploring alternative media

Table 2 Market practices and examples of their outputs

Exchange practices	***Normative practices***	***Representational practices***
Practices through which value propositions are being communicated, refined, and agreed upon.	Practices that are conducted in order to define/redefine norms and rules to be applied in a particular market.	Practices through which the business models of market actors and the market configuration are represented through shared images.
• Financial transactions. • Commonly agreed sales item definition. • Price formation mechanisms. • Customer readiness (e.g. to participate in the market and to use the product/service). • Network readiness (e.g. to participate in the market). • Competitive alternatives.	• Technological standards (agreed or established). • Legislation. • Official rules and regulations. • Social and relational norms.	• Commonly agreed terminology. • Market research. • Coverage in media. • Official statistics • Market / industry associations.

Figure 1 Market design roles