

A qualitative research on proper methods of marketing, pricing, and outsourcing relationship of Consulting-as-a-service

A case study of an IT consulting firm

BY

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Abstract

Servitization is a trend with the help of which the companies transfer their tangible products accompanied by service offerings. Consulting can be offered in a variety of models, from pure service like pure advice-giving to hiring out consultants as a real asset who will work in clients' premises for several months and years. There is a trend in the consulting industry that is making consultants more involved in decision making and distancing them from being an adviser.

The case company is a Scandinavian consulting firm, providing different consulting services, especially in IT. CaaS is a model in which the consultant as tangible assets who work in clients' premises, will be provided as a service. Meaning that the clients will not get to choose a consultant based on the CV to work for them in a period; instead, they will acquire the result of the consultants' job, and it is the consultancy's task to find appropriate consultants for reaching the defined outcomes.

CaaS, with all its benefits for the customer, contains several challenges in the marketing process. The most important factors to be considered in the sales of CaaS are 1)to manage the brand image and preconceptions of the clients, 2)gaining their trust, 3)controlling and consider the irrational factors such as likeability of the contact persons, 4)understanding the clients' needs, and 5)Managing the clients' understanding of the offered service.

Pricing is one of the first areas that clients consider. However, it does not mean that low prices are fascinating. The study based on the results concludes that CaaS is a highly tailored and complicated service model, and therefore needs to consider value-based pricing strategy and use innovative revenue models. Furthermore, the suitable pricing policies, as like other service offerings, are negotiated pricing and differentiated pricing that considers the clients and their purchase situation.

There are several governance structures, and each of them is suitable for some relationships with particular specifications. Due to the high demand levels of trust and transparency, the flexibility of CaaS that makes it a win-win model by reducing the risk and increasing the flow of the projects, and the cooperative, and communicative attributes of model and case company, the Vested outsourcing was recognized to be a suitable relationship management model.

Keywords: Consulting, Consulting-as-a-service, Servitization, B2B Marketing, Pricing, Outsourcing, Vested Outsourcing

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Table of Contents

Abstract	v
Acknowledgment	vii
Table of Contents	ix
List of Figures	xiii
List of Tables	xiii
List of Abbreviations	xiv
1. Introduction.....	1
1.1 Background.....	1
1.2 Problem Formulation	3
1.3 Research objectives.....	3
1.4 Research question	4
1.5 Delimitations.....	4
2. Literature and Theories	5
2.1 Consulting.....	5
2.2 Service and its challenges	7
2.2.1 Service.....	7
2.2.2 Product/Service system.....	8
2.2.3 Challenges.....	10
2.3 Business to Business (B2B) Marketing	12
2.3.1 B2B market overview	12
2.3.2 Selling service in the current era.....	13
2.3.3 Decision makers.....	13
2.3.4 B2B communication (rational and irrational factors)	14
2.3.5 Important factors in the marketing of service	15

2.3.6 Use of Change agents.....	16
2.4 Pricing.....	19
2.4.1 Price setting.....	19
2.4.2 Pricing strategies feature.....	20
2.4.3 Pricing policies.....	23
2.4.4 Revenue models.....	24
2.5 Outsourcing.....	25
2.5.1 What is Outsourcing.....	26
2.5.5 Vested outsourcing.....	26
2.5.6 Vested outsourcing, not a universal cure!.....	29
2.6 The case company.....	33
3. Research Methodology.....	35
3.1 Research Approach.....	35
3.1.1 Case Study.....	36
3.2 Data collection.....	37
3.2.1 Research process.....	37
3.2.1 Semi-structured interviews.....	37
3.2.2 Coding the data.....	38
3.2.3 Reporting.....	39
3.2.3 Ethics and anonymity.....	39
3.3 Quality.....	40
3.3.1 Reliability.....	40
3.3.2 Validity.....	41
3.3.3 Generalizability.....	41
4. Results.....	42

4.1 CaaS model	42
4.1.1 Reducing transaction cost	42
4.1.2 Higher flexibility.....	42
4.1.3 Cooperative planning.....	43
4.2 Marketing	45
4.2.1 Selling process	45
4.2.2 Personal relation.....	47
4.2.3 Challenges	48
4.2.4 Tailored solutions.....	50
4.2.5 Experience and Brand	50
4.2.6 Quality.....	51
4.2 Pricing	52
4.2.1 Cost changes	52
4.2.2 Price influencers.....	54
4.2.5 Charging method.....	57
4.3 Business Relation.....	59
4.3.1 Duration	59
4.3.2. Communication.....	59
4.3.3 Quality assurance (QA).....	63
4.3.5 Trust	64
4.3.6 Exit strategy	64
4.3.7 Regulations	65
5. Discussion	66
5.1 Marketing.....	66
5.1.1 Challenges.....	66

5.1.2 Irrational factor control	67
5.1.3 Understanding customers’ needs	68
5.1.4 Harder sales process.....	69
5.1.5 Key take away.....	69
5.2 Pricing.....	70
5.2.1 Pricing strategy and pricing factors	70
5.2.2 Revenue model and pricing policy	72
5.2.3 Key take away.....	72
5.3 Business relations.....	73
5.3.1 Important factors.....	74
5.3.2 Business relation	75
5.3.3 Key take away.....	77
6. Conclusion	79
6.1 Research questions.....	79
6.2 Limitations and further research	81
Bibliography	83
Appendix – Interviews transcript.....	90

List of Figures

<i>Figure 1. “Main and subcategories of PSS” (tukker, 2004)</i>	9
<i>Figure 2 Comparison between Goods and Services (Rushton & Carson, 1989)</i>	10
<i>Figure 3 marketing fundamentals (Keyes, 2010)</i>	16
<i>Figure 4 Cost-based and value-based pricing comparison (Nagle & Holden, 2002)</i>	22
<i>Figure 6 Relationship models (Vitasek, 2013)</i>	28

List of Tables

<i>Table 1 List of interviewees with the interview details</i>	39
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List of Abbreviations

B2B	-	Business to Business
B2C	-	Business to Customer
CV	-	Curriculum Vitae
CaaS	-	Consulting-as-a-service
EU	-	European Union
HR	-	Human Resource
HSSE	-	Health, Safety, Security, Environment
IaaS	-	Infrastructure-as-a-Service
IT	-	Information Technology
ICT	-	Information and Communication Technology
KPI	-	Key Performance Indicator
NYSE	-	New York Stock Exchange
PaaS	-	Platform-as-a-Service
PSS	-	Product-Service System
QA	-	Quality Assurance
QASP	-	Quality Assurance Surveillance Plan
ROI	-	Return on Investment
RQ	-	Research Question
SaaS	-	Software-as-a-Service
SLA	-	Service-level Agreement
TCE	-	Transaction Cost Economic

1. Introduction

1.1 Background

Expanding the outsourcing activities is a trend within the firms at the present time. Firms are outsourcing a variety of tasks. It does not matter if it is the product design, assembly, R&D, or even the marketing, distribution, and after-sales of the product (Grossman & Helpman, 2003). Outsourcing of IT services has become a common phenomenon in the current economy, and a majority of all the companies, big or small, have started to outsource their IT projects.

In the meantime, more and more firms are adding to their value by offering services together with their pre-offered products. This activity of adding service is done to cope with the competitive pressure in the market. This trend is called “servitization” and is considered as a powerful strategy implemented by big size firms (Vandermerwe & Rada, 1988).

While firms were trying to gain profit through outsourcing and servitization, a trending type of outsourcing emerged in the IT industry, which was based on offering services through the internet. The trend was called cloud computing (Dhar, S., 2012) or known as IT-as-a-service. The arrival of cloud computing is considered as a disruptive innovation in the IT industry by allowing the remote deliverance of physical IT products (Sultan, 2014). Cloud computing can be divided into three different layers. All of these three layers follow the same business logic: deliverance of IT product remotely such it can be considered as a service. These three layers are Software-as-a-Service (SaaS), Platform as a Service (PaaS), and Infrastructure as a Service (IaaS) (Mell & Grance, 2010).

SaaS is the online delivery of available software. The provider has complete control over the program. An example of SaaS is office 365, with which several services are provided through the internet. PaaS is the delivery of a platform with which clients can develop their applications. The critical difference between PaaS and SaaS is that PaaS provides a platform for application development, and SaaS is providing the app itself. IaaS is the delivery of virtual infrastructure like network, firewalls, storages, etc. (Gorelik Eugene, 2013)

Not only within the IT service, but servitization has gotten a lot of attention in many industries, and is also prevalent within other sectors. For instance, Players of the industrial sector started to offer different layers and types of services. Services among industrial players vary from products related service (customer service) to non-product-related services (IT consultancy of Ford) (Brax, 2005). Even in a more innovative way, some manufacturers started selling their tangible products as-a-service, like leasing or renting (Tukker & Tischner, 2006). Several benefits such as facilitation, customer relations enlightenment, creating the opportunity of growth, etc. are the reason that companies move toward servitization (Brax, 2005).

Actions within the sales functions and sales strategy management are stated to be of great importance by Reinartz et Al. (2008). They discuss companies that have experienced a successful transition have put some effort into the marketing section, for instance, in the training of the sales force. In line with the mentioned area, Reinartz et al. (2008) state that there is a need for an instrument to document and communicate the value of the service. (Reinartz W. & Ulaga W., 2008) Likewise, the significant role of the sales team in presenting an innovation to the client is addressed by Rogers (1983). (Rogers, 1983)

Moreover, finance is also an essential aspect of every sell/buy relation (Reinartz W. & Ulaga W., 2008), and the price is amongst the first discussed topics (K. Vitasek, Ledyard, & Manrodt, 2010). Pricing has an impact on the company's profit in the current competitive market. Product-oriented companies or low profile discrete service suppliers usually focus on the "*input-based-indicators*" like the time used for pricing. The use of this method is suitable as long as the firm is product supplier or services are product-related services, yet, companies should reconsider their pricing method when they shift toward a more sophisticated service offering. In such cases, companies need to focus on the values brought to customers by new services. It means pricing is going to be a much more complicated procedure. (Reinartz W. & Ulaga W., 2008)

Bouvet is a Scandinavian consultancy providing design, development, and advice within the IT and ICT sector. They have a cross-disciplinary approach, and their workforce consists of more than 1550 employees specializing in a variety of subjects, from technical engineers to copywriters, psychologists, and economists. They cooperate with several clients operating in a diverse area, from oil and gas to small retailers and the public sector. ("Bouvet Website," n.d.) Bouvet is

experiencing a transition to the as-a-service model, and Bouvet needs to broaden its knowledge about the as-a-service market.

1.2 Problem Formulation

Due to the information from the contact person in the company. The shift to as a service started by noticing a set of problems in one of the client's projects. Therefore Bouvet devised an innovative plan to settle those problems by the offering of "consulting as a service." The contact person states that this idea was triggered by the customer's needs and expectations, as well as the benefits of giving more competence power and robustness to the company. He continues that the successful implementation and satisfaction of the client made Bouvet think about a transition toward Consulting as a service, for which we use the term "CaaS" from now on.

The study of several successful and unsuccessful companies experiencing servitization has shown that changes within the sales force and pricing strategy are two of the most critical factors. The study suggests that changes in these areas are one of the key differences between successful and unsuccessful firms, and strongly advises companies to consider it (Reinartz W. & Ulaga W., 2008). As an example, the sales team need to gain more in-depth knowledge about the new offerings to communicate them better.

The shift to consulting as a service (CaaS) delivery model can be a challenge to the company. Bouvet is currently experiencing the complexity of its business model, as there is no guideline or previous studies within this field. The articles studying CaaS in general, as well as researches connecting the business relations of CaaS, Pricing models for CaaS, Marketing of CaaS are scarce.

1.3 Research objectives

The purpose of this research is to recognize the essential factors in the pricing and marketing of the CaaS model. Then, by help oh them, the study can give suggestions about the ways to increase the sales of the CaaS model in a consulting firm and profit increase. Furthermore, the study seeks a suitable outsourcing model for the CaaS model that the case company can use to introduce its CaaS model with.

1.4 Research question

To accomplish the above-stated objectives in part 1.3, the following research questions are going to be answered.

RQ 1. What are the crucial factors in the marketing of CaaS?

RQ 2. What are the critical factors in pricing the CaaS, and what is the appropriate way of pricing the CaaS?

RQ 3. What is the suitable outsourcing model to introduce the CaaS?

To gather the data for the questions mentioned above, this research will cooperate with an IT consulting company experiencing a shift toward CaaS.

1.5 Delimitations

The focus of this research will be on business to business (B2B) relations of Bouvet with its clients. The vendor's point of view and attitudes will be reviewed. There are lots of exciting areas to be explored about the transition to CaaS; however, this research will only focus on the marketing of CaaS, pricing strategies, and the proper type of partnership. Due to the scarcity of literature on the CaaS in the IT sector and CaaS in general, this research will be based on the literature of servitization, business to business marketing, and outsourcing context.

The focal point of this master thesis is to look into the primary factors a company should consider while the transition to CaaS. Nevertheless, defining a practical roadmap to achieve this has not been noticed so much in the literature. This is due to the limited time for writing a master thesis. The plan for the analysis unit is on an individual level. Hence implications concerning the industrial scale will receive less notice during the project.

2. Literature and Theories

This chapter is dedicated to the literature and theoretical models. First, it will start with background literature concerning consulting and services. Then three main sections related to the research questions will follow. The three main sections are marketing, pricing, outsourcing, respectively. At the beginning of each section, the related literature about the background of the topic will be discussed, followed by the models needed to answer the research questions. Last section will provide some information about the case organization.

2.1 Consulting

There are many definitions of consulting, and of its application to problems and challenges faced by management. Fritz Steele defines consulting as "... any form of providing help on the content, process, or structure of a task or series of tasks, where the consultant is not responsible for doing the task itself but is helping those who are. (Kubr, 2002 p.3)" However, consulting in the area of interest in this study can be divided into two categories: Management consulting and engineering consulting.

Consulting engineers' main job is to provide services to the customer. Thus it can be considered as a professional service industry that is highly dependent on different professions such as project management, construction management, structural engineering, mechanical energy engineering and etc. (Machite, 2016)

Management consulting can be defined as providing advisory service through a qualified, trained person. The consultant assists the client in identifying the problems and suggesting solutions independent of the client's organization, and implementing the settlement in case of request. Management consists of two dimensions—first, the technical aspect, which is related to the processes, problems, and management. Second, the human aspect, which relates to the interpersonal relationship of consultants and its client. (Kubr, 2002)

The consultant job is to intervene in companies in different ways. For instance, they provide information, provide contacts and business linkage, provide expert opinion, they training many staff and managers, and they develop action proposals, etc. Furthermore, sometimes, a consultant is used as a supplement to the organization staff. Usually, these consultants are an expert in the area that the client needs for a short time. This procedure is called "interim management," and it

has become more widespread between the companies recently. Some clients borrow the consultant to occupy their management position with the consultancy staff temporarily. (Kubr, 2002)

Based on Kubr (2002), typically, consultants are only advisers with limited influence. It means they will not be used for running the organization, and cannot make decisions. Their responsibility is to provide high-quality advice and integrated it into the organization. Thus, To explain the consulting, sometimes the term “assistance” or “help” is used. However, consultants’ job sometimes goes beyond just giving advice when they are being recruited as temporary staff.

He further notes that the assistance does not only embrace services that are consulting per se. It also contains some services that are on the edge of being consulting and other business services. For instance, outsourcing is an excellent example of this. Nowadays, some IT consultancies are providing services. To name some, we can say record-keeping, information processing, bookkeeping, etc. on a long term basis.

Thus, there has been an increasing movement between clients toward using consultants for more than an advice-giver. The trend is leaning more and more toward considering consultants as assistants, helpers, service provider, etc. Even in cases, consultants are working with clients on several issues, as long as it is necessary until tangible or measurable results are achieved. Furthermore, clients tend to show more interest in compensating consultants’ work based on their achievements rather than their time spent on the issue. Especially when there is a big project, more specifically in management or IT, clients prefer to have a shield against the intensifying costs with low reliability of the outcome. They prefer to have assurance for meeting the pre-set parameters and promised performance. (Kubr, 2002)

Therefore, by increasing the number of clients looking for complete integrated first-hand services from a provider who can keep up with the technology and market changes, many consultancies started moving from management consulting (which was defined at the beginning with narrow services) toward consulting to management, and organizational consulting. Organizational consulting is adjusting a flexible portfolio of services to the client’s needs based on their demands and changes in the market. (Kubr, 2002)

However, the change in the consulting market even went further, and consultants started providing outsource services. Kubr (2002) states that especially the advancement in IT and ICT has been a

significant influence on this factor. Through developments in IT, more business processes became possible to outsource. IT developments increased reliability, security, transfer speed, etc. making more opportunities for consultants. Outsourcing has become the fastest-growing section and most reliable income in larger IT consultancies.

2.2 Service and its challenges

One potential competitive strategy is to shift toward providing service (Bowen, Siehl, & Schneider, 1989; Roscitt & Parket, 1990), and due to the same reason, companies are moving toward servitization. For studying servitization related concepts, understanding two concepts are essential, i.e., service characteristics, and service challenges, thus this part is dedicated to this.

2.2.1 Service

In the 1990s, service became of the most critical factors in business relations (Clark, 1993). Berry and Yadav (1996) categorize services as a particular type of product family and believe that it should be treated as such. The general differences that separate products from services vary in different sources. For instance, Blut et al. (2014) names four general separators: 1) intangibility 2) inseparability 3) Heterogeneity 4) Imperishability (Blut, Beatty, Evanschitzky, & Brock, 2014) while Rushton et al. believe that differences are three: 1) Intangibility, 2) Inseparability, 3) Perishability (Rushton, A. & Carson, D. J., 1989). However, the factor that is universally believed to be the difference between service and products, and is named in all categorizations is the intangibility of service (Blut et al., 2014; Chowhan, 2015; Rushton, A. & Carson, D. J., 1989). Thus we will study the aspects of intangibility and challenges caused by it.

Kotler and Bloom (1984) define intangibility as a concept that cannot be tasted, felt, heard, touched, smelled before being bought (retrieved from Flipo, 1988). However, Schemenner (1995) bases “service” definition based on what it is not (i.e., a product) rather than what it is (Schmenner, 1995). These definitions embrace a vast area of products from computer software to airlines and researches. Therefore, it is needed to separate services into different categories. Services can be categorized into different levels and types based on their type and level of their intangibility.

Mathieu (2001) divides services into three categories: customer service, product service, service as a product (Mathieu, 2001). Customer service is the relation between the customer and supplier;

the service company gives to the buyer after selling a product is customer service. After-sales and guarantees are the second type. For instance, customer assistance offered by a company falls within this category. The last type is selling a service as an independent concept, apart from the tangible product of a company. A good instance of this is Fiat's IT consultancy service. It has nothing to do with the most known products of the company, which is cars.

The term "offering" applies to anything that a company offers to its customers to satisfy customers' needs regardless of the tangibility of the offering (Brax, 2005). The spectrum of the offerings varies from services that are most intangible to pure tangible goods. Kotler (2003) specifies five types of offerings or product levels based on tangibility:

1. pure tangible good;
2. tangible good with accompanying services;
3. hybrid;
4. major service with accompanying minor goods and services;
5. pure service (Kotler, 2003).

2.2.2 Product/Service system

Since the industrialization era, product supply started escalating, and now the amount has exceeded the demand in many of the markets (OTTOSSON, M. & PARMENT, A., 2015). The oversupply ended in a competition between companies selling products. As it was mentioned earlier, the competition in the market is one of the reasons for the servitization trend.

According to Tukker (2004), the business models that offer their customers a bundle of services and products simultaneously are referred to as "product-service systems" (PSS). He continues many companies see PSS as a great way of making a competitive advantage. In figure 1, the different types of PSS are categorized. The difference in PSSs is by the amount of service they offer. (Tukker, 2004)

Product-oriented firms focus on physical products and services. Consultancies and product producers are part of this section. Here the focus is toward selling the products. However, some services are also added. Use oriented systems' focus on sales of the physical product is lower than the previous model. Their concentration is on the offering of product usage for a limited time. The maintenance of the product is often by the provider, and the customer pays a usage fee to the

provider. Leasing companies are placed in this category. A result-oriented system focuses on the performance instead of the product. Some examples of this system could be pay-per-service offerings where customers pay only for the functionalities provided by the service, like the number of pages printed by a copy machine (Tukker, 2004).

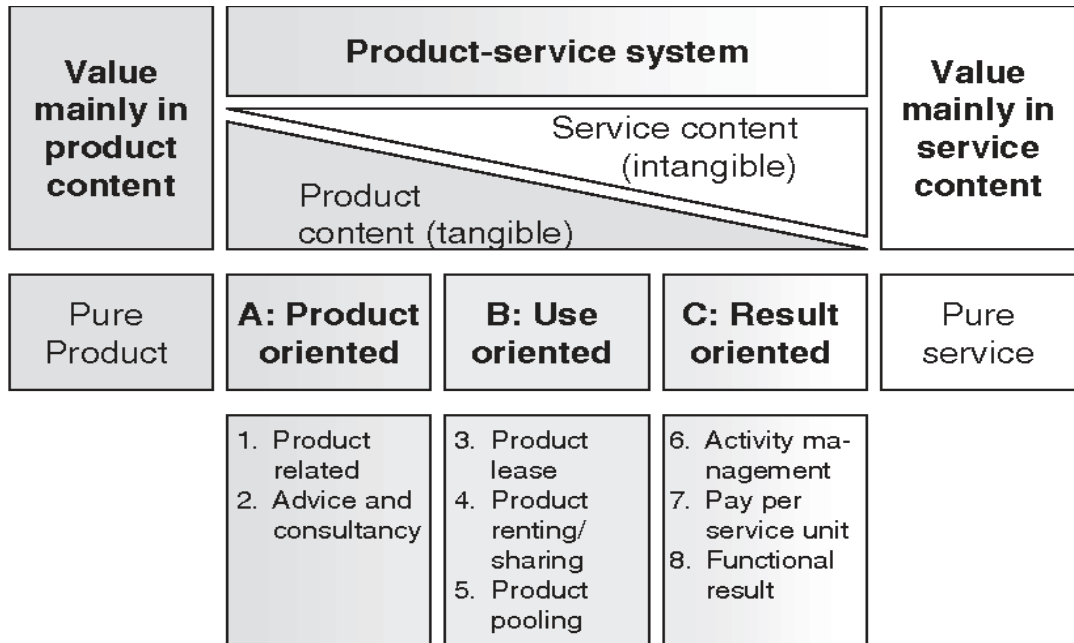


Figure 1. "Main and subcategories of PSS" (tukker, 2004)

As was noted in the previous section, the main difference between service and product marketing stems from this fundamental difference: Products are produced, but services are performed. The main characteristics of services that make service marketing different from product marketing were named before and intangibility is a common factor in all of them.

Intangibility is the factor that makes the quality evaluation of services more challenging than products. Heterogeneity, which was named by Blut et al. means that services depend on their employees for quality. Second, services cannot be produced/performed and being stored for the time of demand (perishability). Last but not least, services are consumed when products are being built (Inseparability). (Rushton, A. & Carson, D. J., 1989)

These characteristics were the reason that several authors believe the services' intangibility is a crucial concept showing the need to have separate marketing in comparison to product marketing

(Gronroos, 1978; Rushton, A. & Carson, D. J., 1989). However, Gordon et al. (1993) believe that service or product, whatever the company offers, they should provide the customers with what they need. If a company wants to be successful, whether it is a service provider or product producer, the company should realize how the customer evaluates the service/product (Gordon, Calantone, & di Benedetto, 1993). Figure 2 depicts how evaluation ability differs between goods and services. It shows the more intangibility is, the greater difficulty of assessment is.

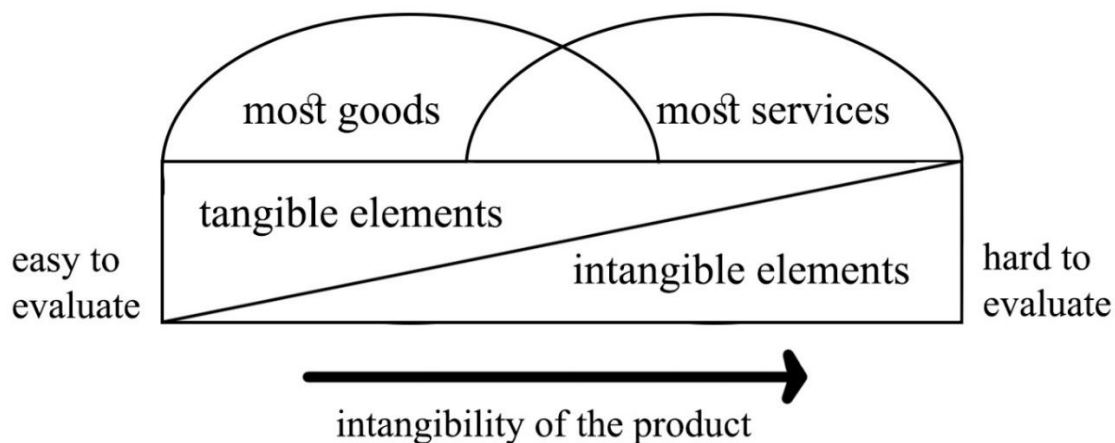


Figure 2 Comparison between Goods and Services (Rushton & Carson, 1989)

2.2.3 Challenges

As it was mentioned before, intangibility is the main difference between product and service. Berry and Yadav (1996) believe that service is a special type of product, and thus it makes special challenges that should be treated special. They discuss that intangibility of the product is what makes the service marketing hard. By purchasing a product, people obtain a product and usage of the product, but purchasing service will just provide them the usage. Notwithstanding the intangibility of the services in nature, some services have tangible outcomes. For instance, using a dry cleaning service has a more tangible effect than car insurance. Realizing this fact can help marketers of services to base their strategies and understanding. (Berry & Yadav, 1996)

As we read in the Business Buying process, evaluation is an important factor in the purchase of a product. Morris and Johnson (1987) state that the evaluation criteria of services are different

among different customers (As cited in Baines et al., 2009). Berry and Yadav (1996) discuss, Evaluation happens in two stages, before and after the purchase. Companies and even final consumers prefer to test a sample of the product before buying a product, yet, this can not be done for services. Thus, services can only be evaluated after the purchase. In some extreme cases, evaluation is not possible even after the purchase. An example of such a case is lawyers' services. Lawyers' clients can never be confident that their lawyer has done his or her best to win the case. Therefore Berry and Yadav (1996) divide services evaluability into three different groups. "Search" group, "Experience" group, and "Credence" group are the above-mentioned groups, respectively. The more services move toward credence features; the more customers become cautious and suspicious. (Berry & Yadav, 1996).

Reputation and trust are of great help to service marketers. Baines et al. (2009) notes the importance of trust. He states that services are rarely inspectable or triable before the purchase; thus, service providers need a higher stage of trust than product manufacturers (Baines et al., 2009). Gebauer et al. (2005) also argue that a firm reputation plays the role of a proxy in the service evaluation process (Gebauer, Fleisch, & Friedli, 2005). In line with previously mentioned researches, Berry and Yadav (1996) also note the positive effect of "word of mouth" [reputation] and pricing on customers' perception and evaluation of a service. They state that customers consider pricing as an indicator of quality, which means more expensive services are of higher quality. (Berry & Yadav, 1996)

The lack of tangibility also effects on pricing of the service. The pricing challenges can be studied from two different perspectives. One is the challenge of pricing for the service provider, and the other is the problem of understanding the price for the customers.

The intangibility of services makes the price comparison between different services harder. One of the most important factors in service marketing is the equivalency of service costs and value to the customers. Not every customer is looking for the cheapest option, yet, everybody looks for a service with good value for the price. Value is the benefit that customers gain in return for their costs. Costs are categorized into two types: monetary and non-monetary. Non-monetary costs are time, energy, etc. that someone spends to gain something. The value to cost ratio of buying service from provides for a customer should not be less than the value to cost ratio that customers can gain by doing it themselves. (Berry & Yadav, 1996)

On the other side, firms also experience some problems with pricing the service rooted in the cost structure of services. For instance, services have more fixed costs than variable costs or more indirect costs than direct costs (Anderson & Narus, 1995). thus, the traditional cost-based is argued to be not effective in service-oriented businesses (Anderson & Narus, 1995; Kindström, Kowalkowski, & Sandberg, 2013). Ulaga and Reinartz (2011) suggest having a simple template for cost evaluation of simple services (Ulaga & Reinartz, 2011), However, for tailored and sophisticated services, pricing cannot be this much straightforward. Huber and Spinler (2012) comment that more advanced calculations are needed for pricing a full-service contract (Huber & Spinler, 2012).

2.3 Business to Business (B2B) Marketing

A business that is conducted between two organizations is called B2B. Thus the market in which firms have to satisfy their needs is called business to business market and has its own characteristics of marketing. This part will provide information on the aspects of business to business marketing, and some essential concepts related to B2B sales process will be introduced. These concepts will be used in future chapters to figure out the sales process of the case company and investigate the crucial factors for them.

2.3.1 B2B market overview

B2B markets consist of businesses that sell products and services to other companies. This is different from the business to customer market that includes companies selling services and products to the end-user customers (Pfoertsch & Scheel, 2012). The features that separated these two sections are consist of the number of customers, length of decision cycles, and different communication channels. B2B markets usually have a fewer number of customers, which are geographically concentrated, yet in the B2C market, there are lots of customers spread geographically. B2B marketing has longer decision cycles with a more considerable monetary amount due to the higher number of transactions. (Pfoertsch & Scheel, 2012)

On the contrary, it takes a shorter time for end-user customers to decide on purchasing the product/service, and the monetary amount is less. Communication channels in the B2B market strongly rely on personal selling. Yet, it is mostly mass marketing advertisements and websites

that play a significant role in the B2C markets (Tanner, J. & Raymond, M. A., 2010). These differences specify that firms should exert different marketing strategies according to their operating market.

2.3.2 Selling service in the current era

The business environment is in constant change, and salesperson roles are being affected by it. One of the aspects of this change is customers' expectations. For instance, customers expect more knowledge, quicker response, and broader communication. The information-gathering used to be done by communicating with customers; however, customers expect marketers to gather the needed information from publicly available data. Even though technological development has helped marketers to cope with this challenge, it has made some new challenges. The increasing complex innovations and products have left marketers with a broader range of customers to support and communicate. Customers are also becoming more involved in the co-creation of the selling service and products. This cooperation adds a new role to sales department tasks. Salesforce has to ensure that customers know their responsibilities in the process and fulfill their part, as clients' attitudes affect the final service/product. (Jones, Brown, Zoltners, & Weitz, 2005)

Uлага and Loveland (2014) have researched the challenges and how to face the challenges to gain more profit. They argue that when the company adds the service to the previously offered product, the salesforce has a high chance of succeeding in both types of offerings after some training course. They further discuss that documenting value is an essential part of the sales process during development. The successful customers' case studies, white papers, or even simulation software or are some excellent examples of such documentation. They set SKF manufacturing as an example. They have developed an application with which the salespersons could explain the benefits of their service. The app could compare the best practices of SKF clients and calculate the return on investment. (Uлага & Loveland, 2014)

2.3.3 Decision makers

There is often a *purchase center* section in the large companies which has the responsibility of all the purchases. These employees are professional buyers called a variety of names like purchasing

manager or procurement officer. Purchasing managers' have a broad responsibility. They are responsible for finding product suppliers, service providers, and even outsourcing vendors. The outsourcing items are not only tangible products but also include items like product innovation, design services, customer service, IT, and networking services, to name a few (Tanner, J. & Raymond, M. A., 2010).

Purchasing managers, nevertheless, are not the only decision-maker in the buying process, and also not the first person that salesforce contacts. In some cases, there is a committee deciding. Whether it is a committee or a person, we will call it Decider. Several roles are influencing the Decider's conclusion, one of which is the purchasing agents. They are responsible for a specific part of the purchase model. Purchasing agents are the first evaluators, and their feedback has a significant effect on the Deciders' conclusion. Another group is users. Users are the consumer of the product/service. Purchasing agents and users necessarily do not decide base on pure rationality. They will sometimes include their interest in the consideration. Thus it is essential to know the purchase procedure of the potential customer and establish good communication with the related positions in the purchase process. (Tanner, J. & Raymond, M. A., 2010)

2.3.4 B2B communication (rational and irrational factors)

Personal selling has been considered as one of the most critical elements of effective communication in B2B marketing in many sources (Lynch & Chernatony, 2004; Tanner, J. & Raymond, M. A., 2010; Tyrväinen & Tyrväinen, 2011). This effectiveness is rooted in the fact that B2B suppliers and vendors have a limited number of clients. Therefore having a strong marketing and communication channel to strengthen the brand is critical. The most common communication ways are face-to-face, which is the traditional one, together with salesforce, trade magazines, sales material, public relations, and lobbying. (Pfoertsch & Scheel, 2012)

Pfoertsch & Scheel (2012) argue that regardless of the vital role of the business buying process, some consumer-related buying patterns affect the professional decision-makers. Purchase managers and buying centers receive a constant huge number of overwhelming offers, information, and data from different suppliers. Regardless of purchase managers' experience and their professional level, personal factors are a part of decision making. (Tanner, J. & Raymond, M. A.,

2010) Therefore it can be said that B2B marketing has been experiencing a shift toward a more behavioral approach than the traditional rational approach. Now factors like emotion, motivation, irrationality also affects the purchase process. (Hadjikhani & LaPlaca, 2013) For benefiting from the above-mentioned theory suppliers need to push toward using more than only economical and rational factors in their sales and marketing strategies. (Pfoertsch & Scheel, 2012)

Keeping track of some irrational factors such as salesperson's likeability can be challenging for the companies. However, creating a reliable, strong brand is one of the ways to control the fuzzy area of the irrational side of B2B marketing. Sales representatives can use the brand to manipulate the client's decision. There may be better products available in the market, yet salespersons by a professional advocate, the brand can make the client think this product from this company is what we need. An excellent example of a strong brand is IBM, where its marketers would use the phrase: "Nobody has ever got fired because of buying from IBM." (Tanner, J. & Raymond, M. A., 2010)

The most significant capacities that a brand brings for the company in B2B markets are information efficiency increase, reducing the risk, and creating image benefits (Kotler & Pfoertsch, 2007). Even though business branding in B2B has gotten less attention than B2C markets from the academics, some researchers like Lynch et al. (2004); Tanner et al. (2010); Hadjikhani et al. (2013) have shown more interest in studying this area. Their experiments have confirmed a positive effect for the salespersons who advocate the brand and communicate rational factors (organization's functional) with irrational factors (emotional) (Hadjikhani & LaPlaca, 2013; Lynch & Chernatony, 2004; Tanner, J. & Raymond, M. A., 2010).

Besides, Lynch et al. 2004 emphasize that the brand's value should be communicated internally first. In this manner, the brand's value can be transferred more effectively. The success of the buyer-seller relation often depends on the behavior of the salesperson and whether it is in line with the brand's value. (Lynch & Chernatony, 2004)

2.3.5 Important factors in the marketing of service

The constant development of the technology, along with the increase of the competition has increased the importance of having an effective marketing strategy (Latusek, 2010). In a study by Sarin (2012), it was stated that the marketing of services mainly within the IT section is an uncovered topic in marketing literature. However, the literature in the marketing of IT as an

individual concept is available. Keyes (2010), notifies that regardless of the type of service/product a firm offers, the fundamentals of marketing are constant (Keyes, 2010). In the figure below, value creation and communication essential factors identified by Keyes (2010) are pictured.



Figure 3 marketing fundamentals (Keyes, 2010)

Constant changes and globalization in the IT industry, together with the digitalization trend, escalated the number of players in the market. In such a competitive market, the main element helping companies to direct the customers away from the competitors is differentiation. Common sources of differentiation for service/product based on Keyes (2010) is

1. Product innovation: Making a new service/product to stay ahead from the competitors
2. Customer intimacy: Developing a good relationship with the customer to gather high-quality knowledge about customers' needs and find out what satisfies them.
3. Operational excellence: Delivering the products and services with acceptable quality and lower prices than competitors.

2.3.6 Use of Change agents

Based on Rogers' theory about innovation diffusion (1983), different actors are involved in the diffusion process. The innovative organization, the adapting organization, and the people who

affect adopters' opinions about the purchase decision. The organization that owns the innovation is called the change agency, the adopter organization is called the client, and the influencers are called change agents. Change agents' influence is in favor of change agency and, in most cases to increase adoption of the innovation. As it was mentioned before, Rogers (1983) considers a vast broad of people as change agents, to name some, we can say, consultants, teachers, salesforce, etc.

Change agents play different roles in the business relationship. One of the most critical tasks of them is to ensure a smooth flow of innovation from the change agency to the client. However, the effectiveness of the relation highly depends on its correspondence level with the client's needs. However, this flow should not be a one-way persuasion. A proper feedback transformation is also essential for a more effective process. (Rogers, 1983)

In other words, Rogers (1983) sees the change agents as a bridge between the client and the change agency. They are most needed when there is a social or technical chasm between the client and the change agency. Usually, there are some persons in the company with a high level of know-how, that cannot be an excellent person to transfer the real value of the innovation. Rogers (1983) believes this problem has roots in personnel expertise. Thus this task should be assigned to change agents. However, this does not mean change agents will not face communicational issues. Two main challenges in communication are differences in social and technological aspects and information overload. Change agents are loaded with lots of information, and they have to filter them according to each customer's needs and preferences.

For a better innovation introduction, Rogers (1983) considers seven roles and step for the change agents. These steps enhance the flow of the innovation from the change agency to the adapting organization.

1) Developing a need for change

Rogers (1983) states that the change agent has the responsibility of informing the clients about their need to change their behavior. They can do so by recognizing and assessing the problem, dramatizing the difficulties (in some situations), and then help the customer to find how this problem can be solved.

2) Information-exchange relationship establishment

In line with the previous sections of the thesis, Rogers (1983) also states that the perception of the client about the innovation heavily relies on the client's judgment of the change agent. Hence, the change agent should make a good rapport in the second stage with the client. The best way to reach that is by creating credibility, trustworthiness, and showing empathy.

3) Problem diagnosis

The change agents should put him/herself in the client's shoes and get an overview of the situation through the client's eye. Then, he/she can do an excellent analysis to identify which current practices does not meet the client's need and should be changed. (Rogers, 1983)

4) Creating the intention to change

The change agents in this step should work on motivating the client to buy the innovation instead of other previously suggested solutions. The motivation should be done through a client centered point of view with a concentration on the client. Innovation should not be the focus of change agents in the motivation process. (Rogers, 1983)

5) Transform the intention into action

Having a desire to change is not enough, and it needs to be transferred into action. As was mentioned before, personal connections have a massive impact on persuading the clients and their decision for adopting an innovation. Therefore trying to establish a close-peer network with opinion leaders of the client company is what change agents mostly do. (Rogers, 1983)

6) Adoption stabilization and discontinuance prevention

Rogers (1983) believes that an effective way for change agents to stabilize the innovation adoption is sending reinforcing messages during the implementation period as well as the confirmation stage.

7) Getting to a terminal agreement

According to Rogers (1983), the ultimate objective for change agents is to attain a self-renewing behavior within the client's system, where the client will be their own change agents.

2.4 Pricing

As it is stated in Indounas (2009), Price management is a critical factor to demonstrate performance quality and is the key to success. The price plays as a determinant of the real value of the product in the market (Indounas, 2009). Profitability and marketing of the company is also highly depends on the pricing. Pricing is one of the elements of E.J. McCarthy's marketing mix and the importance of it is evident. Kottler (2006) notes the importance of pricing also on the profitability of the company and considers the survival of the company dependent on price (Kotler & Keller, 2006, p. 475).

In this section, first, a background about effective factors in pricing will be reviewed, followed by theories related to the ways of pricing of complicated services. The pricing strategies, pricing policies, and revenue models will be introduced. These pricing methods will be the base of the research to find the most suitable way of pricing CaaS.

2.4.1 Price setting

Keyes (2010) states that regardless of the selected pricing strategy, the procedure that a firm experiences for pricing their product/service can be split into eight different phases. These universal factors are fundamental to deciding a price and consists of:

1. **Costs.** Firms determine all the costs to figure out the lowest price a product can take. Costs consist of R&D, marketing, distribution. However, some firms may choose a lower price than the cost due to marketing reasons.
2. **Pricing objectives.** The goals of a company should be considered. Is it targeting a specific return on investment (ROI) or undermine the competitors?
3. **Organization and marketing objectives.** The price is always aligned with the organizational mission, vision, and strategies. For instance, a brand is known as luxurious always chooses a high price for its products.
4. **Other marketing mix variables.** Factors such as production, promotion, and distribution are also active on the pricing. The economy-priced products distribution channel is different from premium-priced products.
5. **Buyers' perception.** Dependent on the target segment, customers value different aspects of the product. Value-conscious customers care about the quality while price-conscious

customers' focus is on the price of a product. Firms should adjust their prices according to the targeted segment.

6. **Competitors.** Competitors affect the price in several ways. Firms should consider competitors' prices. They should also consider competitors' reactions to the determined price. Some companies might act aggressively with actions that may end in a price war.
7. **Legal and regulatory issues.** Sometimes governments intervene in the pricing process for particular problems such as controlling inflation by dictating specific rules and prices.
8. **Channel member perception.** Channel members are the individuals and organizations contributing to the distribution process. Sometimes they have expectations such as getting a discount to resell the product at a higher price.

2.4.2 Pricing strategies feature

The profitability and long term success of the company and is strongly related to the effective pricing (Calabrese & Francesco, 2014). The pricing strategies should vary depending on the industry, region, and customers. The three primary and conventional methods to pricing strategies are put into three categories by Hinterhuber (2008):

- Cost-based pricing
- Competition based pricing
- Customer-value based pricing

These three strategies were found the most common strategy used by companies based on the research conducted by Hinterhuber, (2008). Indounas (2009) argues that, due to the complexity of pricing decisions in tailored services, the providers should have different pricing strategies for different situations—for instance, a plan for regular clients and one for particular circumstances (Indounas, 2009).

Rapaccini (2015) discusses that the price strategy of a firm has a direct relationship with the complexity of services the firm provides. He continues that firms with extended offerings tend to have their innovative pricing strategy. Since the price are set to the value service delivers to the client, more servitized firms with tailored solution tend to have innovative methods for pricing their offerings. (Rapaccini, 2015)

2.4.2.1 Cost-based pricing

Based on Nagle & Holden (2002), the cost-based pricing, also known as cost-plus pricing, is the most known and used historically. The popularity of this strategy is rooted in the financial prudence it gives. Each product is priced in a way to yield a fair profit after deducting the costs. Notwithstanding, a fundamental problem that prevents this strategy from being used in specific markets is ignorance of economies of scale. They state that a product's fee is based on the numbers produced, yet cost-based pricing assumes a constant price for the production of all the units of a product. To solve this problem, firms should estimate sales volume beforehand. (Nagle & Holden, 2002) Nevertheless, cost-based pricing is considered to be not effective in service-oriented firms. Instead, studies suggest that service price should be based on the impact of the service on the value perceived by the client (Rapaccini, 2015).

2.4.2.2 Competition based pricing

Competition based pricing is when the companies let their price being dictated by the competitive conditions to achieve market share. This strategy is seen as a move toward "strategic pricing" and gaining "competitive advantage" in the eyes of some managers by Nagle & Holden (2002). Indounas (2009) categorize competitor priced strategy in three groups: 1) less than competitors, 2) similar to competitors, 3) higher than competitors. Nagle & Holden (2002) discuss that even though price cut brings more market share to the company, the act of cutting price shows companies have confused their priorities. They are sacrificing profitability for the market share. Even though this method is the fastest way of gaining market share. Nagle & Holden (2002) believe that the cost of this short-term advantage is a long term lower margin. They argue that the balance between market share and profitability should be continuously appraised, and managers should be ready to make a hard decision whenever the balance tilts too much in one direction (Nagle & Holden, 2002).

2.4.2.3 Value-based pricing

It has been stated by Hallberg and Andersson (2013) that the most profitable pricing strategy for pricing the products or services within the firm is value-based pricing (Hallberg & Andersson, 2012). In this strategy, prices are a reflection of the market condition; thus, the authority of pricing is given to sales and product managers instead of financial managers. They understand the value a service/product generates for the customer better than others. The purpose of value-based pricing

is to gain more profit by capturing more value, not by more sales. This strategy is the opposite direction of the cost-based pricing. In the figure below, the difference between these two pricing strategies is shown. (Nagle & Holden, 2002)

As Hallberg et al. (2013) argue, an essential factor for making a value-based strategy to succeed is the customers' perception of the value. If customers do not realize the value, this strategy fails. A misinterpretation amongst marketers is that they think customers find out the value of service/product after using it without being told. The anticipated value by the customer based on Hallberg et al. (2013) consists of the evaluation of the product attributes, performance attributes, and the consequences of using that service/products. The other challenge based on Nagle & Holden (2002) within this pricing strategy is the honesty of the buyer. Professional purchasing agents are seldom honest with how much their willingness to pay is. They are pretty good at hiding the value a service/product brings to their organization. (Nagle & Holden, 2002)

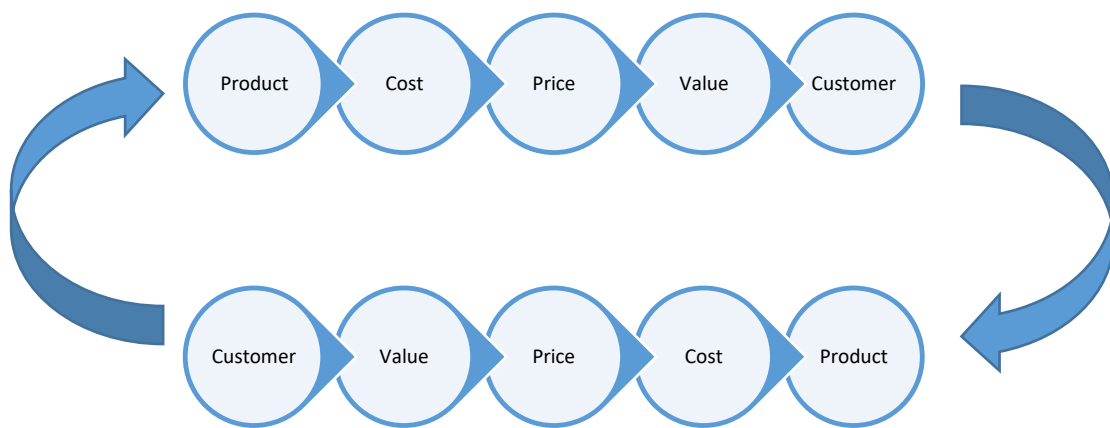


Figure 4 Cost-based and value-based pricing comparison (Nagle & Holden, 2002)

2.4.2.4 Other effective factors

Pricing capabilities are a set of skills, managerial practices, know-how, coordination, etc. that help a company for its pricing. These capabilities are imperative for setting a price that is in line with the firm's price strategy.

Rapaccini's (2015) study confirms that moving toward service, especially in tailored services, needs a precise course of action toward pricing capabilities. The pricing of customized service is more complicated; thus, the pricing process, cost accounting systems, and procedures should be redesigned and centralized if required. The company should also explore the service value from the client's view, and to achieve that, data-driven simulation models are of great help. (Rapaccini, 2015) Improving the pricing capabilities can be valuable for making innovative value-based pricing this part.

The study conducted by Indounas (2009) found that the higher the performance of a service provider was, the higher emphasis on market-related pricing objectives was. Specifically, customers and clients attributed were considered by firms that had higher performance. They had a particular focus on choosing the price based on the customer's perceived value of the service. However, they had not disregarded the cost and profit objectives and tried to have a balanced pricing method. They paid attention to both inward and outward consideration, mostly relying on target-return pricing. (Indounas, 2009)

Rapaccini (2015) argues that firms should differentiate their offerings because of the competition in the market. This is in line with what has been said in part 2.3.5, and he further adds that successful differentiation will lead to being able to charge for a premium price correspond to its high quality. His study suggests that having an innovative pricing method is a sound solution for tailor-made offerings since the company does not need to worry about undifferentiated offerings and price wars (Rapaccini, 2015).

2.4.3 Pricing policies

Based on Indounas (2009), while pricing strategy is a set of exclusive formulas for setting prices, pricing policies are the way of presenting the price to the customer. He has gathered different price policies and studied use of them between various service providers. The studied policies are shown in the following:

- **list pricing**, a set price for all customers.
- **Negotiated pricing**, determine the price individually for each customer.
- **Discount pricing**, giving a discount to particular customers, e.g., those who pay in advance or buy large quantities.

- **Price bundling**, Offering a bundle of services at a lower price, which is used for services with low demand.
- **Differentiated pricing**, Offering different prices to different customers based on pre-determined criteria, e.g., client's location, consumption size, company size, etc.
- **Competitive bidding**, the provider offers a price in a bid held by the client.
- **Loss leader pricing**, lowering the price than competitors, even lower than the production cost to attract customers that are being offered better services.
- **Psychological pricing**, charging odd prices.

In his study, Indounas (2009) found that the three most used pricing policies by service providers are negotiated pricing, differentiated pricing, and list pricing, respectively. However, he states that list pricing has been considered inaccurate in several industries. List pricing disallows discounts and particular considerations that need to be considered for each customer. (Indounas, 2009)

2.4.4 Revenue models

A revenue model is a determiner of how a client should pay for the service (Malleret, 2006). There are several revenue models, each suitable for certain types of service. From a supplier's point of view, three main factors in the traditional revenue models are competition, the willingness of customers to buy the service, and the costs of providing the service. However, in the complicated service offering where the revenue models and pricing strategies become more innovative, the first two stay crucial, but the importance of the cost will be decreased dramatically (Bonnemeier, Burianek, & Reichwald, 2010).

The literature further discusses that innovative models contain more equitable risks and reward in more innovative revenue models. Thus innovative pricing models are more practical in raising customers' willingness to purchase specifically if the advantages are transparent to the customer. Innovative revenue models based on Bonnemeier et al. (2010) are divided into three groups: Usage-based, Performance-based, Value-based. In the following, each of them with their best revenue model is described.

Usage-based is the model when the value proposition provided by the vendor is an input in the clients' production process (Bonnemeier et al., 2010). In such models, the client uses the service for a specific period. For instance, when the client uses a web server or telephone system or any

other rental service. Fixed time rates are best for such models. In these kinds of services, the client will be provided access to the product during a defined period. maintenance and assistance stay with the provider in this model. (Bonnemeier et al., 2010; Rapaccini, 2015)

In performance-based pricing, the vendor ensures a particular outcome or performance and gets paid for providing the promised criteria. Not reaching the guaranteed performance subsequently imposes a compensation from the vendor to the client. For instance, ensuring a specific response rate for support services are considered performance-based (Bonnemeier et al., 2010). per-pay-outcome are best suited where operations of a product are used, such as performance-based contracting. In this model, the provider is accountable for unforeseen events and will take the risk (Rapaccini, 2015).

Lastly, the value-based model focuses on the internal processes at the client-side. The service provider in this model tries to deliver optimization and productivity. Hence, the vendor gets paid for the amount of productivity that its solution brings. For instance, the provider receives some percentage of the cost-saving its solution has made. Moreover, non-monetary factors, such as the client's satisfaction, can also be used. Nevertheless, it should be noted that non-monetary factors are hard to quantify. (Bonnemeier et al., 2010)

Rapaccini (2015) states that the described revenue models are expected to replace traditionally used revenue models. He also quotes from Windahl et al. (2004) that “*servitised companies should shift from pricing of product and service items to comprehensive contracts, based on sharing risks and rewards between the provider and the customer.* (Rapaccini, 2015, p. 5)” The sharing risk and reward model is also discussed in the Vested outsourcing section.

2.5 Outsourcing

In this section, the related literature on outsourcing will be reviewed. First, it starts with a background in outsourcing. Then, different frameworks such as Transaction cost economics (TCE) and a new approach in outsourcing named “Vested outsourcing” will follow. This section aims to review a new sourcing model and its pros and cons. Thus, based on these sections, the suitability of having a Vested outsourcing relationship for the case company will be investigated and figured out.

2.5.1 What is Outsourcing

The term outsourcing started in the 1980s from the subcontracting of information systems, and now it has broadened to other areas in the business (Espino-Rodríguez & Padrón-Robaina, 2006). Espino- Rodríguez et al. (2006) explain the outsourcing as “the action of going out of the organization to obtain certain activities that are not processed internally.” Based on this explanation, they define it as follows:

Outsourcing is a strategic decision that entails the external contracting of determined non-strategic activities or business processes necessary for the manufacture of goods or the provision of services by means of agreements or contracts with higher capability firms to undertake those activities or business processes, with the aim of improving competitive advantage.
(Espino-Rodríguez & Padrón-Robaina, 2006, p. 4)”

Outsourcing is used in a wide range of activities, most of which are IT, Human Resource, Logistics, accounting, etc. Outsourcing relations consist of different types varying from partial outsourcing, such as outsourcing one asset to full outsourcing, which is subcontracting the whole required assets, process, management. (Kate Vitasek, Ledyard, & Manrodt, 2013)

The reasons for outsourcing vary in different businesses. The frequently repeated goal in most of the industries is reducing the operation costs. However, other purposes, such as improving product/service quality, mitigating labor shortage, reducing the risk, and focusing on the core competencies

2.5.5 Vested outsourcing

Despite the two higher stated models that are more used in making decisions about whether to outsource or not to outsource, this subject is more comprehensive about how to make a successful outsourcing relationship. One of the main questions in the outsourcing subject is: “*how can an organization use its suppliers to gain competitive advantage and sustainable value while they are having a buyer-seller relationship* (K. Vitasek & Manrodt, 2012).” One of the challenges in the buyer-supplier relationship is sometimes the increase in supplier’s revenue depends on the decrease in efficiency; thus, being efficient is not good business. The reason is that most of the

companies have the goal of maximizing their own benefit. This problem can be solved by tying both parties to the same purpose. However, the economic benefits of the goal should be strong enough to yield a win-win situation. (Kate Vitasek et al., 2013)

Vistatek et al. (2011; 2012; 2013) provided insight on a new model of outsourcing based on a study of 50 successful outsourcing relationships, some of which are Microsoft/Accenture, Jaguar/Unipart, General Electric/US Navy and a lot more. (Kate Vitasek et al., 2013) They call their model “Vested outsourcing.” It centers around one main rule: *“a company should not win at the expense of its service provider, and vice versa* (Kate Vitasek et al., 2013, p. 14).” In Vested outsourcing firm and its vendor/supplier are Vested on each other’s success; They constantly try to develop a way to collaborate for their mutually desired outcome through a win-win process. (K. Vitasek & Manrodt, 2012).

According to Vitasek et al. (2013), the Vested outsourcing model allows a firm to gain the benefits of an investment without investing. Vested outsourcing is a hybrid model. It goes beyond conventional models based on transaction and outcome and creates value by omitting the non-value adding activities (Kate Vitasek et al., 2013). It combines outcome-based and shared-value based principles. The model works best for firms willing to go beyond a service provider that performs strictly directed transactions. The model needs that parties make a solid cooperative ground for sharing the tasks and value. (K. Vitasek & Manrodt, 2012) Figure 8 shows the place of Vested outsourcing on the hierarchy of business models. (K. Vitasek & Manrodt, 2012)

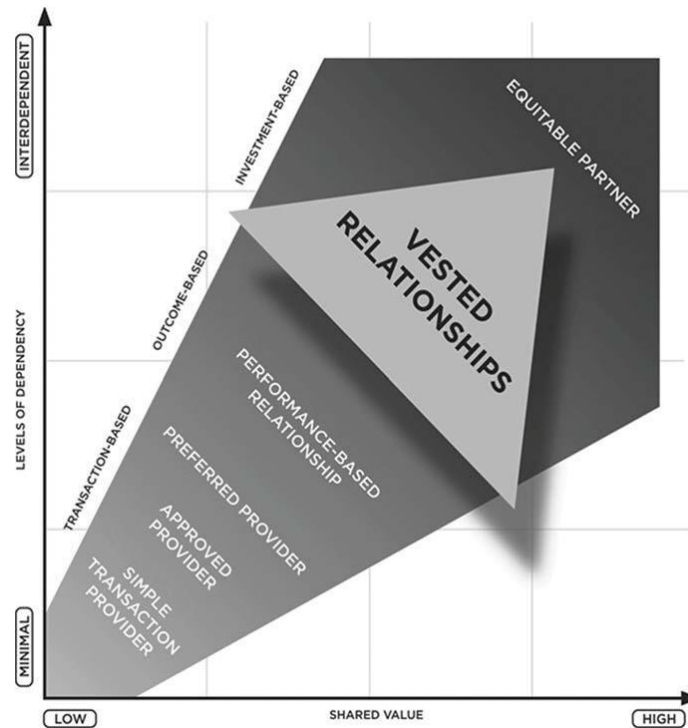


Figure 5 Relationship models (Vitasek, 2013)

To create this model, researchers spotted the common attitudes among all of the studied projects. They could find five common approaches and used them to develop an approach that leads to a successful collaborative outcome-based model. By applying these 5 key rules to a business, the outsourcing will transform the outsourcing relationship to a whole new level, increase the performance, and improve efficiency. (K. Vitasek & Manrodt, 2012)

The principle and the methodology in Vested outsourcing are based on establishing a systematic and collaborative relationship in which businesses mutually commit to each other's success (K. Vitasek et al., 2010). To achieve the win-win collaboration, both the supplier/service provider and the client company need to understand, adopt, and commit to 5 principles of Vested outsourcing. Moreover, ten elements help to ease the implementation of those five rules. The interplay between rules and elements are also outlined in the following. Based on Vitasek (2012) the rules and their elements are:

- “Rule 1: focus on outcomes, not transactions:
 - . Element 1 – business model map.
 - . Element 2 – shared vision statement and statement of intent.

- Rule 2: focus on the what, not the how:
 - . Element 3 – statement of objectives/workload allocation.
- Rule 3: clearly defined and measurable desired outcomes:
 - . Element 4 – clearly defined and measurable desired outcomes.
 - . Element 5 – performance management.
- Rule 4: pricing model incentives are optimized for cost/service tradeoffs:
 - . Element 6 – pricing model and incentives.
- Rule 5: insight vs. oversight governance structure:
 - . Element 7 – relationship management.
 - . Element 8 – transformation management.
 - . Element 9 – exit management.
 - . Element 10 – Special concerns and external requirements.” (K. Vitasek & Manrodt, 2012)

2.5.6 Vested outsourcing, not a universal cure!

Many procurement professionals believe that implementing the best sourcing practice fixes the problems of a business relationship. Even though they are right, there is no such thing as universal best sourcing practice (Jeanne Kling, Karl B. Manrodt, Kate Vitasek, & Bonnie Keith, 2016). Kling et al. (2016) demonstrate that the best practices in sourcing vary among different sourcing business models and different sourcing situations. They specify five main criteria of difference that should be considered in choosing the right method: “Business model, statement of work, performance management, pricing model, and governance structure (Jeanne Kling et al., 2016, p. 69).”

Vested outsourcing, with all the previously mentioned benefits and competitive advantages that brings to a relationship, cannot be seen as a universal remedy for business to business relationships, and it cannot be used in every buyer-supplier relation. (Bonnie Keith, Kate Vitasek, Karl Manrodt, & Jeanne Kling, 2016).

Based on Keith et al. (2016), Vested outsourcing is the optimal method when the potential risks of the market are relatively high, and collaboration with a supplier can help to reduce the risk. Vested is suitable for a buyer who is looking for the best value through transparency and innovation. To become successful, parties should be open to cross-organizational cooperation. They should be willing to work for achieving the outcome, regardless of who does the activity.

Conversely, for a stable market in a low-risk environment with a little capacity of innovation, a transaction based sourcing or a performance-based agreement is more suitable. Likewise, if a company can reach to competitive advantage by maintaining in-house should not consider entering Vested outsourcing. Investment models are better for these types of companies (Bonnie Keith et al., 2016).

Based on Bonnie Keith et al. (2016), trust is the main factor in Vested outsourcing, and it is repeated a lot in the Vested-related literature. Entering a long term Vested relationship requires a high level of trust and compatibility. A high level of transparency is a vital factor, and parties should consider the adaptability of their cultures with each other. The atmosphere in this kind of sourcing relation is profoundly dynamic and desires many changes. Thus, the lack of communication has profound effects.

Moreover, in the end, Bonnie Keith et al. (2016) also note that going through the Vested relationship is not a fast solution for all the sourcing problems; it needs time and investment. There are lots of criteria to be institutionalized for staying at the equilibrium. If one party is not willing to put the required effort and investment, the Vested relationship should not be considered. Here we need to go through the mentioned five rules again from a different angle. In the following comes the requirements of having a successful Vested outsourcing model. It should be pointed out that, despite all the benefits that Vested outsourcing has, it is not suitable for every company. The ones entering it should not do it without the following and above-reviewed considerations.

RULE 1 - FOCUS ON OUTCOMES, NOT TRANSACTIONS

A hybrid model such as Vested outsourcing is efficient for contracts with an increases degree of complexity. Therefore, Vested outsourcing has centered itself around the outcome-based model. (K. Vitasek & Manrodt, 2012) Outcomes should be defined in the first step. In the next rule the necessity of clearly defined documentation of how to measure them will be discussed. The how to do part will also follow on a later stage from the supplier side. The first rule only focuses on the business model, which should be outcome-based. (Bonnie Keith et al., 2016)

RULE 2 - FOCUS ON THE WHAT, NOT THE HOW

As Bonnie Keith et al. (2016) say, The second rule of Vested outsourcing can be summarized in this sentence: “We hired the expert, we need to let them be the expert (Bonnie Keith et al., 2016, p. 149).” Supplier’s capabilities are a matter of concern for buyers. Hence, some buyers prefer to

define the “how” of the process. In Vested outsourcing, not only the importance of documenting “how” is underlined, but also it is emphasized that the vendor should decide about the “how,” not the buyer. However, how to proposal will be sent to the customer as well. (Bonnie Keith et al., 2016)

Moreover, they state that some companies fear losing control by entering in a Vested relationship. It is a wrong belief. By starting the Vested outsourcing, the control does not change; it is the form of the control that changes. In Vested outsourcing, control shifts into the form of a well-managed governance structure instead of a prescriptive statement of work.

RULE 3 - CLEARLY DEFINED AND MEASURABLE OUTCOMES

Bonnie Keith et al. (2016) say concurring on a clear, measurable outcome is a necessity in Vested outsourcing. In Vested relationships, the focus should not be on service-level agreement (SLA) based performance. Yet, parties should focus on succeeding in business outcomes. JLL/P&G relation had five defined results accompanied by ten different result measure level. Similarly, Dell and Gengo also reduced their 100 SLA metrics to only 6 desired outcomes after entering into Vested outsourcing. They further note that the outcomes and measurement factors must be decided mutually. Vested outsourcing is not only about the outcome, but it is also about relationship management, transformation management, and how companies can work toward success together. (Bonnie Keith et al., 2016)

Furthermore, based on Vitasek et al. (2011), having a performance standard is not enough. Vested outsourcing highlights the necessity of having a detailed quality assurance plan (QASP) for monitoring the process. Four essential factors should be considered in the plan:

- 1) Who is responsible for gathering the data,
- 2) Where is the data source,
- 3) How are the metrics evaluated,
- 4) The basis of gathering the data, (Kate Vitasek et al., 2011).

RULE 4 - PRICING MODEL INCENTIVES OPTIMIZING THE TRADEOFF

Rule 4 speaks about pricing. A Vested relationship is designed to share risk and reward. The main reason to share the risk and reward is that parties are tied to the same goal. Working toward

reaching the same goal results in both parties do their best in the relation. This concept is well proofed in game theory that Sharing profit and risk causes motivation. (Bonnie Keith et al., 2016)

Bonnie Keith et al. (2016) discuss that the ideal situation is when parties sit on the same side of the table, working toward a fair price model rather than sitting in front of each other, trying to increase their own benefits. The reason for sitting together is that in such a way, parties will get aware of risks, costs, and hidden costs of each other. It is better to include some incentives in the price model. The type of incentives is not a matter of interest. It only needs to be there. A model that is designed based on the mentioned criteria is going to be motivational.

RULE 5 - INSIGHT VERSUS OVERSIGHT GOVERNANCE STRUCTURE

The previous four rules were based on the business environment, and in rule 5, Bonnie Keith et al. (2016) speak about relationship management. This last one is up to the companies. This final rule is based on the parties' situation, and this is up to them. The four elements in rule 5 accompany the firms in the procedure of building a collaborative and flexible governance structure (K. Vitasek & Manrodt, 2012).

A Vested relationship should be devised based on transparency. In Vested outsourcing, the client should focus on managing the relationship with the supplier, not managing the supplier. System thinking plays a vital role in Vested outsourcing. A well-designed system accompanied by acceptable motivation can take good care of itself. Also, an appendix consisting of a relationship management framework is necessary as it makes each part contractually liable for maintaining the relationship. (Bonnie Keith et al., 2016)

Moreover, in Vested outsourcing, the transformation management in the market is also an essential factor. Thus, the transformation management framework should be developed, and a transformation team should be organized with the presence of representatives from both parties. Otherwise, innovations and transformation will not succeed. (Bonnie Keith et al., 2016)

Bonnie Keith et al. (2016) argue that Vested outsourcing gives parties codependency in three ways. The first is regarding contract time. Vested relations are usually long term (5 years minimum); at the end of each year, suppliers can get some more contract time, let us say one year. For instance, the contract prolongs to be continued in the 6th year at the end of the first year. The second type is the freedom of the supplier to change the "How" of doing the job in a more efficient way to reach

a mutually pre-determined goal. Lastly, since the supplier usually chooses to bundle a works cope, the stake raises for both parties. Thus they have to put more effort and time on the exit strategy to appreciate the risk taken by both parties.

The exit plan should be fair for both parts, and none of the parties should be harmed when contract termination is necessary. In the process of regulating the exit strategy, both parties should respect the other party's perspective. Using the common termination conditions is not the appropriate way of writing an exit strategy in the Vested outsourcing relationship. (Bonnie Keith et al., 2016)

Lastly, they speak about the specific regulations for different businesses. Operating in some markets brings specific needs for some firms. Keeping up with regulatory changes is an example of such situations. The supplier has the responsibility to follow the updates and changes, not the client. (Bonnie Keith et al., 2016)

2.6 The case company

The case company is a Scandinavian consulting firm operating in the IT industry, focusing on design development, and advice-giving regarding IT and ICT. The Bouvet has more than 13 offices in Sweden and Norway. Bouvet Rogaland, which was the contact for this study, is connected with a variety of businesses in different sectors, especially the big oil and gas companies. ("Bouvet Website," n.d.)

Based on the meeting with the case company managers, the case company has four main business models in a hierarchical level.

First, the consultant hire model, in which the clients send a consultant request through specified channels. Thereafter, the case company sends the CVs of suitable people for the position and after a process, the client will hire one or several consultants to operate for a specific period. In this model, the competency stays at the client for a certain period and is not guaranteed to be renewed.

The second model is project delivery, where the clients ask for a specific project, for instance, an application. The case company provides a proposal and budget estimate, and upon approval and acceptance of the clients, they go further in the contract and start the job.

The third model, which is the subject of this thesis is an evolved model of the previous two models. In the service model, the clients will enter into a service contract with the case company and receive scalable, flexible services. In this model, the selection of the consultants stays with the case company, and the case company should deliver the pre-defined KPIs and other metrics. Moreover, the case company is responsible for unforeseen events and other risks. In this model, unlike the second model, the delivery is not fixed, for instance, if the used technology becomes outdated during the project, or a regulation changes, the delivery can be modified respect to that. Plus, this model gets a priority of using the consults. Meaning that if there will be a need for a consultant who is, for example, working in a client premise, the case company might not renew the contract of that person and brings him/her back to use him/her in the CaaS projects.

The last model is the partnership model. Upon having special requirements and contracts, the case company enters into a partnership with some clients. The partners are always on the top priority.

3. Research Methodology

In this chapter, the research design, data gathering method, analysis process will be reported. At the end of the chapter, factors related to the quality of research, i.e., reliability, validity, generalizability, will be discussed.

3.1 Research Approach

Researchers' decision on the method of conducting their research is rooted in their philosophical framework known as "paradigm" (Collis & Hussey, 2013). The epistemological paradigm of this study is interpretivism. The interpretivism approach considers reality as subjective and depends on the context. Thus interpretivism is the appropriate viewpoint for this research. (Denzin & Lincoln, 2011)

Different scholars have different approaches to the study. Deductive, inductive, and abductive are three main approaches. The main differences are between inductive and deductive, and abductive can be categorized in the same category in inductive. Based on Collis and Hussey (2013), the deductive method uses a conceptual framework and tests it with the results of empirical observation to make a specific conclusion. In other words, Deductive reasoning has a top-down logic. Deductive researchers consider some theories and test them to reject or accept that particular theory. However inductive approach does not consider any theory at first. In the inductive method, researches start gathering the data to reach a new theory. The inductive approach goes a bottom-up direction. Lastly, the abductive approach also has a bottom-up direction. The only difference between the inductive and abductive methods is how the conclusion is derived. The abductive conclusion is based on imperfect information. The detectives' work consists of a lot of abductive approaches. (Collis & Hussey, 2013)

Another effecting factor in the methodology of the research is the purpose of the study. Four approaches based on the purpose are 1)Exploratory, 2)Descriptive, 3)Explanatory, and 4)predictive. An exploratory study is done where there are few or no previous studies. The aim is to detect patterns and ideas rather than hypothesis testing. A case study is a typical way of conducting exploratory research—for instance, an interview with a firm's staff to find out what

motivates them. Descriptive studies try to figure out a phenomenon as it is. It usually explains additional info about a particular matter and digs deeper into the problem than the exploratory research. Explanatory research, also called Analytical, is on the next level. In Analytical research, the researcher tries to explain the reasons for a phenomenon happening. Here controlling the other effective variables is important. In one sentence, the exploratory variable is looking for a causal relationship. The last type in this grouping is Predictive research. Predictive research tries to explain what happens in a particular situation. In other words, the predictive study provides an answer to “why,” “how,” and “where” of the events. The answer(s) are generalizable and can be used for current and future similar events

The area of consulting as a service is new in management studies. Researcher’s searches using “Consulting as-a-service,” “consulting as a service,” “Consultant-as-a-service,” and “Consultant as a service” keywords in the databases such as Science Direct, Scopus, Google scholar, and Oria did not show any useful results regarding this peculiar phenomenon. Hence, due to the lack of previously conducted research and related theories, this research’s approach leans toward the inductive method with an exploratory approach.

The goal of this study is to explore the phenomenon of CaaS and find out which previous servitization theories will match the case company’s model. Theories are specifically from product servitization, and IT servitization, which is known as cloud computing.

Due to the breadth and complexity of the subject, a qualitative method was chosen for this study. The study will use a case study since it provides a condition with the ability to gain more in-depth knowledge. However, the choice of doing a case study is not costless. The case study conduction comes with the price of losing a statistical generalizability. (Collis & Hussey, 2013; Runeson & Höst, 2009)

3.1.1 Case Study

Case study, based on Collis and Hussey (2013), is a methodology that helps to explore a phenomenon in a natural setting to gain in-depth knowledge through various methods (Collis & Hussey, 2013, p. 68).

Runeson & Höst (2009) count, three main characteristics for case studies: 1,) it is flexible and suitable for coping with complex traits, 2) regardless of the qualitative or quantitative method, case

study conclusions are based on an explicit chain of evidence that has been collected from multiple sources, and 3) it adds to existing knowledge by both ways of building new theory or being based on the previously established method. (Runeson & Höst, 2009)

Runeson and Höst (2009) consider five steps for conducting a cases study,

1. Designing the case study
2. Preparation for data collection
3. Collecting the evidence
4. Analyzing collected data
5. Reporting. (Runeson & Höst, 2009)

Since the case study provides a flexible, more in-depth knowledge, it was recognized to be the most appropriate method for this research.

3.2 Data collection

The primary source of gathering empirical data for this research is semi-structured interviews. All the interviews followed a template and pre-tailored questions based on each interviewee's role. However, the interviews were not bounded to those questions. Follow-ups or other questions, clarifications, were asked during the meetings. Furthermore, the interview questions were not the same for everybody as it was tailored for each role.

3.2.1 Research process

This research has been done based on an iterative method, with the help of semi-structured interviews. At first, it started with a general, broad point of view with some general literature. Then during the interview times, with the help of interviews, the literature became narrower. Also, along the way, interviews helped in formulating the research questions.

During the study, first, a general meeting was held to investigate the business models, and general pricing, marketing, etc. manners in the case company. Then, the interviews started based on the knowledge gained in the meeting.

3.2.1 Semi-structured interviews

The interviews followed a semi-structured interview format. The interviewees at the case company were chosen based on the supervisor's suggestion, and also the opinion of the contact person in

the case company. The goal was to interview those employees who are in charge of CaaS service deliveries, involved in the introduction and transition process, and are familiar with CaaS's challenges. The intention was to talk with people on the business side, as well as the technical part. In the first meeting with the contact person, it was asked about his suggested people, and based on his suggestion, interviewees were selected. The objective of interviews was to gain in-depth knowledge about the attitudes of the case company regarding CaaS. Specifically, marketing, pricing, and relationship in the CaaS model were the primary matter of interest during the interviews.

All the interviews were conducted based on pre-tailored questions for each of the interviewees. The questions were used mostly as a guideline, and different follow-ups were asked based on the answers. Subjects were made concerning each interviewee's position, and the focus items for every interviewee were different than the others. The topic for the first two interviewees had more concentration on marketing, whereas the last two concentrated more on the business relationship. During the interviews, a mobile phone was used as a microphone for recording upon the permission of the interviewee. Albeit not all of the meetings could be recorded. The first interview, which was on Skype, could not be recorded, and the researcher should have taken notes for further usage.

Regarding the reliability of the interview, the information gathered in the later interviews aligns well with the notes taken from the first interview. Since there was only one researcher in the meetings, both responsibilities of note-taking and asking questions was on one person. Thus, the interviewer focused more on asking questions and used the transcription for analyzing the interview answers. In the following, you can see a list of the interviewees.

3.2.2 Coding the data

To analyze the gathered data, first, the recordings were transcribed, then coded by the researcher. The primary source of the coding process was the book "the coding manual for qualitative research." Plus, educational videos of Dr. Philip Adu (Ph. D.) was also used. First, the transcripts were read thoroughly to get general knowledge as a whole. Then the text was read carefully, and word by word and codes were generated based on the key thoughts they were reflecting. Finally, the codes were categorized based on how they were linked together and how they were related to the research questions' topic.

DATE	POSITION	ASSIGNED CODE	DURATION
24/03/2020 09/06/2020	BUSINESS UNIT MANAGER	E1	60 MINUTES, 50 MINUTES
18/07/2020	PROJECT MANAGER	E2	72 MINUTES
22/07/2020	MARKETING MANAGER	E3	67 MINUTES
10/08/2020	DELIVERY MANAGER	E4	85 MINUTES
14/08/2020	DELIVERY MANAGER	E5	85 MINUTES

Table 1 List of interviewees with the interview details

3.2.3 Reporting

The last step in reporting of this case study is based on Runeson and Höst (2009). They state that a report should have five following format:

1. Clarifies what was the study about
2. Transfers a precise impression of the studies case
3. present a “history of the inquiry,” so the reader knows who and how of what has been done
4. Providing focus formed results, making it easier to ensure the reasonability of conclusions
5. Expresses the researchers’ conclusion and sorts them in the notions they affect. (Runeson & Höst, 2009)

This master thesis has tried to follow all five above-mentioned rules.

3.2.3 Ethics and anonymity

The data gathering for social sciences is often concerned with the use of people through different methods of data collection. Thus, for documentation of these data, privacy, and ethical concerns should have been considered. All interviewees have been given codes such as E1, E2, etc. to keep their anonymity. Only the researcher and the internal supervisor know the interviewees’ names. Moreover, Interviewees were informed about the purpose of the study, and they had consented to

participate in it. They were also given the assurance that their names will stay anonymous. Thus they can speak freely. Furthermore, during the interviews, the name of the clients of the case company came up several times. In order to keep the clients' anonymity, the clients were also given some codes starting with C, such as C1 and C2.

3.3 Quality

In this section, three aspects of this study's credibility will be discussed. The reliability of the study, the validity of the interviews, and generalizability are the following parts.

3.3.1 Reliability

Based on Collis and Hussey (2013), reliability is indicated by the consistency of a measurement, i.e., when an experiment is repeated under the same condition, the result will be the same all the time. They discuss that researches with a qualitative approach have a lower reliability per se. This is rooted in the dependency of the observations and interpretation of how well researchers can explain and understand the phenomenon (Collis & Hussey, 2013). In order to attain better reliability, the interviews have been recorded, transcribed, and attached in the appendix. Furthermore, notes were also taken during the interview session to avoid biased results, and then notes were compared to the transcript of the interviews.

As the aim of this research was to provide reliable results, along with having a more objective view than subjective. With all that done, it is still not ensured that interviewees provide the same answer if they were going to be interviewed again. A reason for that is the interviewee answers depends on his/her knowledge on the date of the interview, which might change until the next interview. Interviewees' mood also can be effective on the answer they provide, and their mood is subject to change based on their personal agenda. Thus it was tried to use the triangulation method to increase the reliability. The anonymity of the interviewees also helps reducing bias since they will feel more secured about expressing their opinions. It was also tried to escalate the reliability by asking several questions from different interviewees, however, since different interviewees had different roles, some questions were designed only for that person and could not be asked from others.

3.3.2 Validity

Researches need to be valid in addition to being reliable. Validity refers to the degree that a study can accurately measure the investigated phenomenon. For instance, having a poor sample choice, or misleading measurements could be a case of low validity. To maintain validity for this study the case study method was chosen. As this topic is new and has not been studied before, thus a more in-depth knowledge was needed to shed some light on the subject. The interview questions were also in-line with gaining more in-depth knowledge about the investigated subject. Besides, to risen the validity it was an attempt to gain both inside and outside knowledge from the company and potential clients that are not using CaaS. However, by having some clients of the case company, the validity could have been improved.

3.3.3 Generalizability

The extent to which findings of the research can be used for a broader perspective is generalizability (Collis & Hussey, 2013). Choosing a case study report for this study will make it impossible to use the conclusions as statistical generalizability. However, Gummesson (2000) argues, using statistical generalizability is only one type of generalizability. He further states that interpretivism can also be generalized to similar cases. He supports the idea of Normann (1970) that even one single case can be generalized, if the research has captured the characteristics of the phenomenon accurately, and this is what this study is looking after, and trying to reach. (as cited in Collis & Hussey, 2013)

4. Results

In this section, the results of the interviews will be reported. The results are grouped into four different categories: CaaS model specifications, Marketing, Pricing, Business relationship. Furthermore in the direct quotes, [...] is used to reduce the quotation length, in a way that does not change the meaning. Also sometimes some words are put in [] for clarification. This means that the word is not from the original transcript and added by the author of the research.

4.1 CaaS model

As E1 stated, The start of the model was triggered by a client's need. The client was facing some problems with having different consultants from different consulting firms. Thus the case company stepped in and offered the model that is known as CaaS (E1). The main benefits of model for the clients are listed below

4.1.1 Reducing transaction cost

E1 and E3 stated that the main driver of the model and benefit for the customer is decreasing transaction costs of having several consultants with heterogeneous cultures. It was stated that the process of sending CV request, assessing each CV, interviewing potential consultants, etc. is too much time and money consuming.

“The main requirement is that they need much more of a continuous delivery of a service. [...] Their main challenges is they are using a lot of time on the contract management and procurement sourcing. (E1)”

“Often you need the several services, several knowledge competence areas and you don't get it with one person, that's costly, and the need is various in time line and to have a team that is led by someone understanding the customer to bring the right competence in the right time, that's vital in order to get every answer to every question and every aspect during the timeline. (E3)”

4.1.2 Higher flexibility

All interviewees claimed that the model gives clients a higher levels of flexibility, making it possible to scale up and down based on needs, business situation, etc.

“We make sure also when times like this coming like the Corona [...] they say Ok maybe we don’t need this much capacity and we will scale down to maybe two for a period of time and then later they can scale it up again. (E1)”

“But when you scale and manage service, you can scale it down to the baseline and to stop all projects related to that but still you have every people, documented it and who knows it. (E3)”

E1 and E5 also note that the CaaS model gives more flexibility than the number of people working on a delivery/service. They admitted that the model is agile and can be changed in terms of delivery specification, etc.:

“[...] instead of specifying a system, we deliver it. First, the customer gets functionality, then we do other parts of it. Most important things come first. Maybe what you have specified three months ago is outdated now, we can change it. So with agile [model] is better. (E1)”

“I think that [change] can be done almost instantly. That is one of the real benefits of using agile in our deliveries. Inspect and adapt all the time. (E5)”

4.1.3 Cooperative planning

Based on E1, E4, and E5, at the beginning of a new delivery, the case company makes some sessions with the client to make the objective clear, and then the case company gives a proposal based on the. E4 further adds that as long as they are complying with the general customer regulation, the mature clients are Ok with the company choosing the way. E5 also adds that the regulations at the customer are there to facilitate the planning, not something to narrow down the vendor’s ability.

“They may have some requirements like how [special things should be], Then we deliver scalable service. [...] Very often you can clearly see that client is a bit unsure about what they want and how it should be delivered, therefore we always have in our offers like a bit on how we have kind of like, understood the task, and how we would typically deliver such a project based on our experience. (E1)”

“the customer has a lot of standards, and ways of doing things that are company general and obviously they expect us to comply with those. So, as long as you comply with the general ways of how to do things at the customer side, they are happy. (E4)”

“That is our responsibility to do that [choosing the how]. There will be some general rules in C1 for software development, and everyone delivering software to C1 need to understand these rules and use them. [...] if you know them well, they will not be an obstacle for you. They will be more like help for you actually as a vendor. Because they say something about how things should be done, what should be done to be trustworthy. (E5)”

E1 and E4, however, said that there are some clients who want everything to be done their way, and the case company has no problem doing so.

“Other times clients really know exactly what they want and they say we want you to do this and we say yeah fine, we agree and we will do that. I think usually in most cases we will make a project proposal in the initial offer. (E1)”

“I think also there are some situations where the customers have, for various reasons, they want to dictate a little bit more, and I don't have a problem with that. (E4)”

In line with the previous part, E2 believed that giving the provider freedom to choose the way of doing job benefits the project and is a better way. But she claims that in such case, the outcome(s) should be clearly specified.

“To give the service provider the flexibility to do the job sort of as I think it's the best, [...], the expectation should be clear in order to make this working and avoiding disappointment.[...] I would say it's to the benefit of the client to leave the solution to the service provider. (E2)”

Moreover, in the importance of finding a precise cooperative outcome, it was stated that the vendor should help the clients to define a clear result. E5 said that usually, the customer just thinks that they know what they want, but in reality, they do not know. Thus it is essential that the vendor steps in to enlighten the outcome and helps to choose the how of the job.

“That's important. When it comes to software deliveries, you might have the customer that has something that they think they need, and I underline think, because when we look at the end result it might be something totally different. Because that is we have this way of delivering software, that includes designers and usability experts that will help the customer to understand what they need. (E5)”

Moreover, based on E1, the planning is a continuous cooperative process, and it does not end at the beginning of the project. The planning in the model is not one-time planning, and there will be a constructive and planning session every month (which will be reported in the communication section, under meetings topic).

“Together we plan, we see the trend in the workload, the competence is needed when, and we discuss that and we take actions to make that happen. [...] customer says I need that one this competence, I want this competence is available from two weeks from now, and then you define the right person. (E1)”

“we tell the customer, Ok, in two month we need to strengthen the user interface guys with one more person there, I think that last for two month, but we can cut down in one section because he is finished now, and then reduce the cost there, that’s my idea and that’s the reason why [...] and customer says, I need that one, this competence, I want this competence available from two weeks from now on [...] (E3)”

4.2 Marketing

4.2.1 Selling process

The selling of CaaS is not like a product that the client recognizes a need, then sends a proposal request. In sales of CaaS, the case company approaches the pre-established clients and tries informing them about their CaaS model, and introducing the model. (E1, E3, E4)

“All of our clients start on step one (steps in first interview with E1) like buying one and one consultants (E1).”

“We have to know the customers before and has to be a good relationship and maybe long term relationship, and we have to think about the customers’ strategy about how are they mature to take into those kinds of services and how are the people in the leading positions and what we know about them. What we know about their attitudes. (E3)”

“We don’t usually start with the service agreement. Because it has to build on trust. So every place that I know we have service agreement we have delivered a lot to the customer already, we have a good relation, we have a lot of people who know the customer, and also the customer side knows us,[...] (E4)”

The selling process was explained as the following. E1 stated that to enhance the selling process and choosing the client, the case company has devised an internal sharing and collaboration platform containing all kinds of information about current customers. The platform comprises a regular type of details about all the clients as well as CaaS clients. The marketing team, by the constant use of this system, try to spot suitable clients for the CaaS model. E1 continues that One of the main criteria for choosing which client to approach is the number of consultants hired by the client. In this situation, CaaS can be a potential benefit for both parties. Thus, the stakeholders of the business unit buying consultants will be invited for a meeting. E1 and E3 state that in the conference, the case company will introduce to the model to clients. E4, furthermore adds that they go to a lot of such meetings, yet not a lot of customers are mature to understand this model.

“What we have is we have an internal sharing and an internal collaboration platform so we have been doing like regular kind of like contains about the delivering as a service. So what we actually do is we go in and we look in our customer list. (E1)”

“We can see, oh look at this client, they are hiring three or four individual consultants, that could typically delivered as a service, we need to talk this client. [...] we will bring the stakeholders of those business units, like business unit managers that are having these consultants there and also the head of sales in Bouvet and then we talk through the concept of the service and then we go and talk to client about it and try to shift them more over to this model. (E1)”

“In the meeting the benefits of having CaaS will be reviewed and sometimes contract will as well to show the client the change in responsibility (E3).”

“I’ve been involved in a few customer meetings... . I attend meetings to present this is the way we do it in this setting, just to show them as an alternative. But to my knowledge none of those sessions has ended with a new contract. (E4)”

Furthermore, it was said that the case company had made an internal training system for the people involved in the marketing of CaaS. E3 also told in the interview that they had made some universal pitches for the introduction of CaaS.

“We also done internal training. That’s so that everybody here is on the same page of what does delivering as a service [...] so everybody is on the same page on that. And also sharing the

frameworks that we have already developed with other customers [...] that and we use that with other clients. (E1)”

“We have to make a concept with selling points and pitches into why they has to do it this way, and we have such a meeting tomorrow with company C1 and telling them about the benefits of doing it this way. (E3)”

4.2.2 Personal relation

Both E1 and E3 considered personal relationships highly significant and claimed to use it in their connection with clients in different manners. They stated that it is essential to go under the skin of clients, feel their feelings and know them very well.

“You can sit here and make fancy presentations and plans and all that stuff but that does not matter if you don’t know the people you are working with. Now during Covid 19 and also of course before but I am trying to get as many meetings as I can. And of course, it should be productive meetings and all that kind of talks, but it’s 10 to 15 minutes, have a cup of coffee and a chat about what’s going on and get under the skin of the client and what is really going on in this company and get the temperature and in that way, only that way you can be able to grow actually. (E1)”

“You should be in a customer’s chair, to feel you are in the same chair, same nerve, you attach to his nerves, he is happy, you are happy, he is crying, you are concerned about that crying, and if he had problem with time issue we would pull in, and we will discuss it, and open dialogue, all the problems, all happy hours, and discuss, be team while solving problems or celebrating the success.(E3)”

The importance of personal relations was mentioned to be as significant that E1 believes the good situation of the case company in the Covid19 time, which has made it a hard time for some companies, is because of the proper personal relation with the clients.

“Not everything is being announced like or sent out on a request for proposal. There might be other opportunities where you can like leverage with the teams and peoples you already have there. (E1)”

E3 further continues that to make a better personal bonds case company arranges several non-working events with the clients.

“We have gathered for the whole teams, conducted by us, it might be football matches, or a dinner, or hockey, or team meetings, where the combined team is having social activities. That’s one thing. (E3)”

4.2.3 Challenges

During the interviews on the marketing, some challenges that the case company is facing was mentioned by interviewees. The challenges are as following:

4.2.3.1 Client’s role

Clients’ role and informing customers about what their role is was brought up a lot in different stages and questions. As interviewees stated, CaaS needs a different level of interaction than usual consultant hire or vendor/client relationship. As E1 said, customers should be a part, specifically in the planning. They should think and help to find ways of reaching specified KPIs. Based on E1, The clients not transparent about upcoming projects is a big challenge. E3 also stated this as the following sentences:

is transparency about future projects and the importance of customers’ role in the planning part

“They have to know what are they expects and what their roles are. [...] You have to be aligned to what the scope is, how the collaboration situation is, meeting, strategic meeting, operational meetings. It’s new for both parties. We have to go adjust it when you go through time line.(E3)”

“We also have that forecast that customers says Ok, this is like how many people we need for the nest three months and the customer says oh that too little, because we are getting this project or something. So there are kind of planning and grooming together. Usually what happens is that they say oh by the way now we need to upgrade the system and we need 5 people to work on this and then we are like, Ok, but where do that comes from?(E1)”

“That is something that we have been working with clients to have that common understanding that we need to be a part of that planning. We can’t just sit and wait, and then suddenly just something come up and we need that people ready and we also need to be a part of that. (E1)”

4.2.3.2 Maturity

Another challenge brought up usually at the same time as the previous one is the maturity of the clients. Based on the interviews, maturity not only affects the understanding of the client about

the model but also it is an essential factor in marketing. Based on E3, Not all of the clients interested in the CaaS are mature enough to understand the CaaS. The lack of understanding can affect in several ways, such as the relationship, introducing the model, contract side, etc.

“The clients need to be on a certain level of maturity before they can start using something like as a service concept [...] so it requires a bit more structure also from the client side and also a bit maturity on the contract side.(E1)”

An E3 and E4 also stated about the problem of maturity on selling the CaaS as:

“They have to be mature and be able to buy such a service. [...] It’s the maturity from the customer’s side, maybe the procurement department don’t understand, they want to do the old way seeing CVs and seeing prices and that. That’s a common obstacle. (E3)”

“I’ve been involved in a few customer meetings where we kind of just to describe the concept and I think a lot of them look at it and [they say] that’s interesting, but I don’t think they are really ready for it. (E4)”

4.2.3.3 Quantity

The quantity was also named as a challenge of selling CaaS by E1 and E3.

“We need to have a certain volume in order for this to be profitable. Client may say I want this as a service, and we say Ok, how many do you like, and they say like, Ok, two. That’s like a bit two little, you know, so we need to be on a certain volume and I think sometimes it can be a challenge. (E1)”

“They have to have a kind of volume in the services. (E3)”

4.2.3.4 More people involved

Another challenge spoken about was being in contact with more people. Even though everybody was on the same page about the trend of being in touch with more people, not everybody agreed on its effect. E1 believed that more people being involved has a tremendous impact on the CaaS marketing and makes it difficult to sell. E1, however, states that this is not rooted in a service model. E1 believes this is rooted in the digitalization trend that more departments are becoming users of IT-based facilities. On the other hand, E3 thought the most challenging part relies on the department managers to whom CaaS is offered. E3 stated that they are responsible for convincing other stakeholders.

“Traditionally, we have been talking mostly to IT, but now we see also there is a shift also talking directly to different business areas. (E1)”

“Not necessarily coming because we are working as a service. I think it is coming more because of the digitalization that we are seeing, that we see that businesses have much more involvement also when it comes to IT technology. (E1)”

“The stakeholders who wants the consultancy as a service, he’s Ok. [...] For him to explain internally that why they are doing this and keep the procurement that might not be easy. (E3)”

4.2.4 Tailored solutions

It was noted in the interviews that the case company tries to provide tailor-made solutions, and this makes a stronger bond with the clients. E2 argued from their own previous client perspective that when big consulting firms come, they just give you several options, and you have to choose between them. E2 believed that the clients do not so much prefer this.

“We don’t want to be that typical consultants that come with a shirt and a suit, and we’re going to fix all your problems, but Bouvet is being more pragmatic. Kind of like down to earth consultants.” (E1)

“It’s really important to really understand the clients’ perspective. This is my approach. What they really want, what they may not say but what do they actually want. To invest and investigate this and spend time on it. [...] I experience Bouvet as very close to the customers and try to provide tailor-made solutions, which is not always the case when you deal with other consultancy companies. (E2)”

“You have to see the expectations in each part and align that, so we are talking about the same thing. (E3)”

4.2.5 Experience and Brand

The interviewees brought up the topic about the case company’s experience and its effect on the brand and hence, facilitating the sales (E1, E3, E4). It was also stated that the case company has a large footprint in the area, and companies know about it (E1, E3).

“We have good experience with this agile project management. We deliver based on this. [...] I think the most important part of that is we are showing that we have the governance in place from before, and we have the experience doing this and setting up the service. (E1)”

“It’s a good sign that other customers and maybe leading customers have experienced a positive thing with that service, and we have excellent survey result from C1, they said the way that service is constructed and performed is excellent both, and the value for the customer is also high rate. We mention the successes to the customer by showing them, and we are allowed to do that. (E3)”

E5 also believes that the company’s reputation is so crucial for getting new clients.

“ ... it will be your reputation that goes in front of you and sells you other projects. (E5)”

4.2.6 Quality

Quality was one of the first topics that came in the interview from the interviewee. The case company claims to have good quality and thus holds a reputation for this in the region.

“We have the competence to put together a team that is delivering the competence the clients need. [...] You have to show that quality all the time.” (E1)

“And then it’s also the competence mix. Of course, if you don’t have the right skills in the team, then you don’t have a chance anyway. (E4)”

E3 argues that a high emphasis by customers is put on the quality, and the excellent quality has more than twice importance than price. E3 also contends that the local market knows the case company for its high quality.

“Our local market knows that we can do things in a good way. [...] I think we are one of those in this area that are best in delivering services. [...] We in the latest year, have increased the prices and they accepted that, because they know that they getting good service and solution. [...] We see that the trend is rising, we have high satisfactory rate when we ask them in surveys and they are happier. (E3)”

E5 believes that it is their quality from previous projects that have a significant impact on their sales.

“But the way that we have sold it, we have not been selling this a lot, it has been the projects and the reputation and the quality of the projects that has sold for us. [...] like I said earlier, nothing beats a good delivery. I think that’s how you gain trust that you in a way show you deliver what you promise. (E5)”

4.2 Pricing

4.2.1 Cost changes

During the interviews, the effects of CaaS during cost was discussed. The results were CaaS has both an increasing impact on costs and a decreasing effect.

4.2.1.1 Increasing costs

Handover costs

E2 mentions the handover costs in CaaS. E2 mentions that this is also an essential factor for clients.

“when you have knowledge exchange, they don’t want to pay for the handover in between roles or positions or people. So this is like hidden costs, this is maybe nothing to the front, but this question I think would come soon. (E2)”

Project management costs

As also was reported in the previous section, the flexibility is higher in CaaS. Thus, it might have a hidden effect on the costs by making project management harder. E2 added that there are higher project management costs in CaaS because of handling a portfolio of the right people. E3 also referred to the higher price of project management in CaaS when the charging topic was discussed.

“They have service administration costs which is project management costs which is higher than more traditional service models because this portfolio of consultants has to be managed. (E2)”

Risk and liability cost

All E2, E3, and E4 state that by providing CaaS, the risk and liability move more on the provider. Thus there is an increase in risk, and therefore, hidden costs will increase.

“Service provider take most of the risk in the service, so you have to deal with require flexibility, you have to deal with changes in scope and be very close up to client’s need, and you have to make sure that flexibility to the client is given and there is no gap in the service delivery. (E2)”

“We have more responsibility than the consultants hire. We are, we have to status on the project, we have to deliver, it’s our service, and we have to deliver when they need it. So we might have a liability of getting the right people and competence when they need it. (E3)”

“They also will be able to push more responsibility on the vendor, so from vendor perspective, there is a whole a lot more commitment to a service agreement, because it’s not like hire out the consultant. (E4)”

4.2.1.2 Decreasing costs

On the bench cost

Based on E4, there is a significant benefit to the CaaS that helps to decrease the company’s cost. E4 stated that hiring out consultants imposes two types of costs: when consultants do not have a project and sit in the company, and the cost of trying to resell them. The opinion of E5 in the price setting also confirms this statement.

“From our perspective, if you have the hiring contracts, there is a lot more uncertainty, a lot more resale. [...] even though the customers are allowed to adjust volume significantly, they tend not to do it. They have a lower tend, it’s easier for them to end the hired contractors. So when markets go like this [Covid-19], the service agreements tend to don’t go as deep as hired contracts. (E4)”

E5 also confirmed the statements of E4 in another way. E5 from a pricing perspective described that when there are lots of people sitting on the bench, company’s cost will raise.

“you can also think it will be the situation in the company. If you have a lot of people, we call it “on the bench.” People that are without work, if you have lots of those, you might go lower to make sure that you win the price. (E5)”

Proficiency costs

E2 believed reaching an optimum level in portfolio management leads to a higher overall gain with the same amount of cost, which means a reduction of the expenses.

“You provide as a service and you actually may cover more clients and more projects as before, because you are not just blocks of services but you can distribute it better, but this is a very challenging job I would say to manage this portfolio and if you are good at this then I can say you can use your consultants more efficiently and then for yourself it’s cheaper. (E2)”

Information gathering cost

When it comes to costs, E3 said that CaaS helps them to reduce the cost of gathering information and competencies from different projects in different companies.

“What you need to have is to gather all the information and learning from all the projects, and in order to do that, you need to summarize and gather all the information. That’s not simple if you have many different companies in which you have one role there and one role there to gather the knowledge. (E3)”

4.2.2 Price influencers

Five main criteria were stated to influence the pricing of CaaS. 1) Organization and Marketing objectives, 2) Competitors, 3) Customers, 4) Market situation, and 5) Staffing situation were the main areas affecting the price. E1 claims that the case company does not use target pricing. E3 also states that the case company does not care about the cost in their pricing.

4.2.2.1 Cost related

As E3 put it, the case company does not care about the cost in their pricing, E2 however, thought the cost of risks, liability, and flexibility should be reflected in the price. Furthermore, E2 also stated that there are lots of hidden costs, and this makes cost-based a hard strategy for pricing CaaS.

“We don’t care so much about the cost. (E3)”

“When you go cost-based, there are lots of hidden costs which makes it risky to measure the costs. As I said, you, as a service provider, take the risk of providing and the handovers, these are the costs to me. Which also makes it difficult to price. (E2)”

“You take a big risk as a service provider, and this should be reflected in the price. So I would rather tend to have a higher package price that would be based on our [risk]. (E2)”

4.2.2.2 Customer-related

E1 and E3 claimed that the case company decides the price based on each client’s situation. E3 states that the pricing of CaaS does not have any specific formula, and it is more like a gut feeling. E5 also said that their position to the client is essential.

“We are like so much accommodating to the context that where the customer comes from. [...] recently we sold a service to a big oil company here [...] and there we had a frame agreement with the customer. Then we saw that what we need to do that is to just use the hourly rates that are already in that frame agreement and bring it into the new service contract and then we give them estimates. This is like how much it will cost approximately every month. (E1)”

“It’s the customer commitment to the way of doing this, is one part. The volume, might be, and also if the customer is in the business that we want to develop product, might be come into a new business area, a market area. [...] we don’t have a rule for this, it’s a gut feeling besides. (E3)”

“it will also be in a way how is your position with the customer. If you know that you have a good card, if you know that you have some advantages with the customers, you have good reputation, you have worked with them before then you might be able to have a higher price than your competitors. (E5)”

“Then you can have this tactical contract meeting in the start where you bring in the management that care, you would bring in sales director, and maybe the leaders that know about the customer. [...] Because then you have in a way an important stakeholder that you have anchored that in your organization. (E5)”

E2 further discussed that calculating the value for the customer is a challenging job because of all the hidden costs and hidden values of flexibility. E3 also said that most of the value lies within the customer side. E5, however, discusses with a thorough evaluation of the proposal request and a team devoting time on the subject, it is possible to calculate the value for the customers.

“I think the efficiency of working in those kind of teams in service, the benefits is most on the customer side. (E3)”

“Customer value-based is very risky because how do you measure the value given. Because there is a value in the flexibility, customer gains with this is kind of service more. With this scalability, (E2)”

“What you need is to analyze what you get from the customer and then really use time on that. And it should be a team, it shouldn’t be just one person. And then do that, break it down, and then use quality assurance in a way. I think it is difficult to measure it for us because that’s what the customer do to put numbers on it. But we can do is to be really thorough in the work. It would be possible to set numbers on it. (E5)”

4.2.2.3 Market-related

E2, E3, E4, and E5 had noticed market-related consideration in pricing. Here, market-related factors are divided into two parts: Market situation, competitors in the market. E4 and E5 stated that the market situation has a significant effect on their pricing. E4 sat a real example on the impact of the market situation:

“When this was renegotiated in 2015, it wasn’t a particularly good market for any business I think, so that original version of the contract was kind of colored a little bit by that. (E4)”

“Of course one is the market, and the market situation. Maybe the price is different now, in this time [CoVid-19]. Even if there are a lot of activity know to, it might be a little lower at least in some areas of the market [because of the market situation of CoVid-19]. (E5)”

Regarding the competitor price, E2 and E3 both stated that price should not be lower than a certain point in the market. Otherwise, the image of the brand and quality will defect.

“You have to have a certain price to be taken serious, so we have to look at the going prices in the market, [but] we don’t have to take that. (E3)”

“I still hear if we come too cheap, you are not seen as expert enough; you are not worth that much, which is not true, I would say. (E2)”

However, E3 and E5 stated that the case company has a price lower than the market.

“Our prices may be on the line from zero to hundred on 40. We are average, slight below average, I think. (E3)”

“Since we are pretty big in the region here, I think we can go lower in the pricing. We do want to, because we are having this large enterprise [...] we can go a bit lower. (E5)”

4.2.2.4 Marketing target

E3 stated that the case company’s most important target is to get into a long term relationship with the client, and they consider it in pricing. Even sometimes, they use price as their winning strategy if they want to enter a new market area. E4 also stated that if you want to have a long-term high capacity relationship with a client, you have to go a little lower in the price.

“We don’t care so much about the cost. We care about having a predictable market, to lock the customer into our service [...]. I think that’s the most important for us. [...] The major [goal] is long term [relationship]. We seldom leave the customer that we have made a contract with them. We stay either in that contract or similar contract with the customer, and the relation is very long term based. (E3)”

“We use the price as a winning strategy when we need to go in a long term relationship with a customer in an area that we want to explore. (E3)”

“So from a vendor perspective, having consultants and service agreements means, yes you would often get a lower rate, (E4)”

4.2.5 Charging method

Based on E1, even though the charging method can vary in different services, the case company prefers to use an hourly rate for charging CaaS. E1 said that some services, such as IT support of a particular program, a fixed price can be used. However, the case company does not use it. E1, E3, E5 all stated that the best charging scheme is based on an hourly rate, which is called “time and material.”

“The most usual model is still charging by the hour. We will have some set categories of levels consultants, and you cost each of them at a particular cost. [...] what we usually do is to make a rate card, [...]also in here it depends on the client, some clients already have a model in place. (E1)”

“We usually price it by the hour or by the day, but if it’s a big contract, we also take a baseline or amount for handling the service as well. [...] we estimate the hourly rate, and we estimate the administrative cost to have the service going, and we use one of the baselines plus the hourly used, so it’s rather similar with a fixed price. (E3)”

“We are on what’s called time and material, and that means that you don’t have a fixed price, you get paid for the hours you have been working. That’s a better way to arrange your contract. (E5)”

E3 also added that the case company is thinking about some other more complicated charging schemes and pricing methods that are based on outcome and sharing.

“We have thought about that to mixture the value with the customer and to take part of certain value for customers in a certain volume. But we haven’t come with it yet [...] when you go into the service you often sell in with the value position, and when you are done, you should measure that. Maybe in front of having a certain compensation story attached to it, but we are not there yet. (E3)”

4.2.5.1 Fixed-price

E1, E3, E4, and E5 all state there are lots of changes and hidden costs during the project that makes fixed pricing and shared pricing not suitable for CaaS. E1 and E3 stated that the charging scheme of the CaaS is charging by the hour based on a rate card.

“I don’t think a fixed price is good, no matter what you do. [...] It’s difficult to price consultant as a service with a fixed price, so you have to use by the hour or something to match with the volume. (E1)”

“It’s difficult to price consultant as a service with a fixed price, so you have to use by the hour or something to match with the volume. (E3)”

“I’m very skeptical with fixed price deliveries because it usually ends up with vendor having to work unpaid hours, and it also ends up with the customer not getting what they want. [...] there will be business needs that arise during the project, [...] If you have a fixed price, you have to redo everything, and you have to do a lot of extra work with negotiation, ... (E4)”

“If you have an enterprise contract that is in a way that you get a chunk of money each year for delivering a service [fixed price]. [...] you may bump into a situation where you need so much updating in the applications that you, in a way, run over the budget. If it’s the fixed price, then you might come over what you get from the customers. (E5)”

4.2.5.2 Sharing expenses pricing

E1, E3, E4, and E5 all agreed that sharing is not a suitable pricing scheme. They state that because of the specifications in CaaS, this type of pricing imposes lots of risk on the vendor. They believed the agility of the project and several changes make it hard for parties, specifically client, to evaluate the numbers precisely.

“It’s not used that much. I think more when we are working in the projects we can say that, let’s say maybe we are going to deliver, e.g., a new cutting edge software or something like that, [...] These are kind of risky ... (E1)”

“We don’t. We are familiar with those kind of, that’s more for short term hiring personnel companies. [...] We have that profit and loss sharing mostly in development project, not so much in management services. (E3)”

“In the domain I work, I don’t think it would be realistic. It will be hard to measure. There will be so many factors that can impact. Market prices let’s say it’s on the benefit of a certain new feature of an application that you can use to earn more money in certain market situations. (E4)”

“I think those kind of contracts might be working in some places, but the experience here is that the more intricate you build a contract and agreement, the higher is the risk that you get issues afterward. So that means that the simpler is, the better. (E5)”

However, E2 believed that if the case company could find a solution to overcome hidden costs and make sharing pricing suitable, it will help to the effectiveness and efficiency of the cooperation.

“I love the idea of sharing the profit because it attracts both sides to work productively. and by to compare the value gained with the different services, it is difficult to compare since we talk about extras in the as-a-service model. [...] It [value brought to the table] is difficult to be priced, and it comes with uncertainty. (E2)”

4.3 Business Relation

4.3.1 Duration

During the interviews, it was said that the best result and profit from a CaaS relationship is in long term projects. E5 Also, during the interview pointed the long-term being of CaaS contracts several times in different sections.

“The benefit of consulting as a service is actually that you can use it as a long term relationship because, as a client perspective, you can adjust, you can scale up and down, you can adjust the scope and still get the right people, [...]. (E2)”

“The master agreement lasts for years, but the projects [...] have a shorter timeline. Most of our delivery services are long term, is maintain, is managing systems because you make the system, then you manage it, you support, and further development, [...](E3)

“You don’t say that this kind of contract to have it going for six months, you do it for a long term, and it usually wouldn’t be a small contract, it would be a larger contract. (E4)”

4.3.2. Communication

Non-personal communication

Communication and the ways of communication came several times as a crucial factor during the parts of interviews about the CaaS model, how of the deliveries, and essential elements of relation.

“I don’t think there is a magic model or any magic governance of framework or anything that you can put in place. I think that is important, but you have to be extrovert, you have to work with them all the time, you have to follow up and see what’s going on because if not they don’t have time to talk to you and you will lose track of what’s going on, so that, of course, is an important thing. [...] the most important is you having a regular and quite rapid often contact with the client and people who are working there. (E1)”

“We have very close relationship to our users, to our user representative, to our product owner, so we talk each day several times, we talk, we use things like slack, like sort of permanent chat into action with the users and with the product owners and this is essential when, so that’s why I say we are in a good way with this. (E2)”

Based on E3 statements, the case company has lots of knowledge about the clients’ situations and needs, and this knowledge is rooted in the good communication they have.

“and often we are most able in the on board of the customer than themselves, because [...] we have advantage because of the dialogue that we get when we have a service, more in team dialogue, what more brings on the table, what plan is on the table, more like a partnership with the customer, more than when a contractor, so we come underneath the skin of the customer in a good way. (E3)”

Meetings

By and large, the answers to communication can be divided into two sections: personal communication and non-personal. Personal communication was related to the marketing part; thus, this section will focus on non-personal communication.

Three main types of meetings were noted during interviews by all interviewees:

“We have strategic meetings, tactical meetings, and operational meetings. (E1)”

All interviewees opened these types of meetings. The sessions were: daily standups usually without the client, Weekly or bi-weekly meetings that client is involved, Monthly or bi-Monthly constructive/reporting meetings, and strategic meetings that are every 3 to 6 months that is mostly reporting. There is another type of meeting after the end of a service, which is an assessment meeting. Furthermore, E3 said that the customers could request meetings or visiting the vendor whenever they want. Thus sessions can be divided into three categories: 1)constructive, 2)reporting, 3)assessment.

“... in scrum project, we have daily standups, without the customer maybe, [...], once a week we have status meeting, [...] we have sprint in every four weeks, [...] and we have strategic meetings, relational meetings, maybe per quarter. [...] They see the progress, and they can visit us whenever they want. And we are going to mix teams with customer’s people and our people on our premises. (E3)”

From the interviewees’ answers, the company aims to spend more time on planning and constructive meeting rather than providing only results in a meeting without doing mutual planning. E5 even names the reporting planning as “waste” in itself.

“I would, in terms of communication, when you turn that into meetings, [...] I would rather go for productive problem solving meetings, which isn’t, status meetings, where reporting is mainly done, but doing hands on meeting were problems are solved. [...] status can be provided as a put it information [...] on a website or whatever solution, [...] I think it helps to improve the relationship [...] because you are not two sides reporting to each other but you are solving problems together and that makes it a closer relationship. (E2)”

“Because reporting in itself is waste. It’s much better to have stakeholders so close with the meetings that are operational, [...] to hear what’s happening. Maybe not each day, but at least once a week. (E5)”

Constructing meetings

It was said that constructive meetings consist of managers of both sides, and the planning is done mutually. However, based on E3, most of the suggestions come from the case company as they have an overview of what is going on and what is needed. Clients will also give their opinions and especially if there is a new need coming.

“We have regular [monthly] meetings where we estimate the need for the next period, and often that comes from us, we know the situation as well as the customer while we’ve been service provider for a time. And together we plan (E3)”

“And I also have weekly or bi weekly meeting with the line manager, more detail stuff, practical stuff. [...] and a lot of practical stuff related to deliveries. (E4)”

Report meeting

As it was said higher, the company tries to decrease reporting meetings; however, it was mentioned in the interviews that some reporting meetings still exist. E3 and E5 spoke about reporting

meetings, which usually happens every three to six months. These meetings are with high levels, and it is more like reporting and assessing their satisfaction.

“Strategic meetings, relational meetings, maybe per quarter [...]. it’s people who talks very seldom at top level, that you have just an overview of the situation, are you satisfy, are we f!”#α with your money, and are people happy, any obstacle in the cooperation area, those kind of questions. (E3)”

“you know these tactical meetings. it will be stakeholders [...]It’s more like a formal meeting where you have certain points on the agenda, that’s more like a reporting meeting. That’s not often, it might be one or two of those kind of meetings in the year. (E4)”

E5 also pointed out that there used to be monthly reporting meetings with stakeholders. However, the case company included stakeholders in weekly meetings to increase trust.

“Before, when we did it, it might’ve been only this monthly meetings, maybe even less, that gave information to the customer, and then the customer didn’t well understand what’s happening and then you get issues always. So we try to keep them close and so they see that they can trust us. (E5)”

Assessment meetings

E1 expressed that after the projects, they do an assessment with the client and try to check the results and outcomes. However, in the interviews with E4 and E5 it was mentioned that there is no specific evaluation metric to measure the delivery success. The deliveries are evaluated based on confirmation of the users, not from a metric set beforehand.

“usually when we do projects with the clients we do a session together with them to look at the benefit realization, this was the initial scope, this is what we said we are going to deliver, and this was maybe and there is always changes along the way in the project so this are the changes that we had and this is the outcome. And we have like doing an assessment with them about the overall project and how happy they are with the project we have done together. (E1)”

“We actually don’t use metrics for evaluating the project. We do a lot of user testing, and the users need to accept that the project delivery actually solves the problem, or is easy enough to use. [...] So we probably should have had some kind of evaluation metrics, but we don’t have that other than the cost. (E4)”

“These measurements are more meant for raising the quality of the product, much more than measuring us as a vendor. It’s more like if you think in the right way, in my opinion, it’s a way of helping the project and product being a success. (E5)”

E4, however, stated that in run and maintain services, there are factors such as KPIs and happy factor as evaluation metrics.

“We have KPIs to follow, and we have also something called the happy score, anyone that reports some kind of request or tickets they could be able to score how is the delivery, but that’s on run and maintain area only. So we probably should have had some kind of evaluation metrics, but we don’t have that other than the cost. (E4)”

4.3.3 Quality assurance (QA)

As it was stated in the interviews, the case company has the same plan for QA. The QA is done through a team of 2-3 persons. E5 said that the quality is evaluated based on the clients’ governing documents. As E5 said, quality assurance is the same for every delivery. E4 further adds that the quality evaluation plan is subject to lots of changes during the delivery. E4 stated that as the project goes further, the team will understand more about the details of the delivery and how its quality can be evaluated. Moreover, E1, pointed to other quality control factors such as KPIs, HSSEs, etc. that will be checked with the client on a basis.

“we will then present Ok, this month we had this amount of HSSE. [...] And we talk about our performance matrix, [...] then we are which of these KPIs are green and somebody/something is yellow, somebody need to take a look at that there [...]. (E1)”

“That’s something that you have to; some will have to have a dedicated responsibility to quality assurance in all project deliveries. There are two to three people in the team that only work with quality assurance. [...] we also have a lot of automated tests as well, that developers do. [...] (E4)”

“Sometimes we start writing test quite early, but very often we need to change them as we go, because as the project evolves, we know more about, understand more about, how we actually need to test in order to verify that it works as its service purpose. (E4)”

“Each team do have a quality assurance specialist. That, in a way, are responsible for the quality of the delivery. [...] they will do that and they also align what they do with the vendors quality process and again the governing documents. [...] For us it will be like in a way

implementing it the way that we do it in other projects, so we do have it before start on the project. And it should be done that with new clients. (E5)”

4.3.5 Trust

Trust came up in several parts of all interviews. E2 believed trust helps both parties having a better service delivery and that they gain trust through being open. As E4 stated, to establish trust, they are very open as far as they even report their mistakes to the client instead of trying to fix it secretly. E5 also aligned with E4, spoke about the fail reporting and importance of trust as we have read E5’s statement about increasing trust in the reporting section.

“This is easier when relationship is based on trust, [...] the more open this sharing is, the better this service can be because then we do talk business and just not hiding things from each other wondering what the other side is actually after. (E2)”

“... tell the customer: actually, we f!#% up here a little bit. We have fixed it now, and we do this and this to make sure it doesn’t happen again. [...] It does not feel good to go to customers and say that we actually failed here, but in the long run, you have to do it. (E4)”

“The most important thing is trust. That’s the one word that beats every other word, in my opinion. You need to gain trust with your client. They need to know that they can depend on what you say and what you do and what you deliver. [...] that’s how you gain trust that you show you deliver what you promise. You deliver projects on schedule, on [budget] estimate with good quality. (E5)”

4.3.6 Exit strategy

As E4 stated during the interviews, the case company never wants to burn any bridges for the future cooperations. Thus, they have some options with the help of which client can terminate the contract even without reason. E5 also states that the case company is entirely aware that most of their client’s budget comes from the oil price, and this may make them exit some contracts. However, none of them were utterly aware of the contents of the exit strategy in their ongoing service contract.

“There will always have to be a time frame, typically you get a fixed time frame and maybe some optional extensions. So you don’t need any specific reason to exit the contract if you meet any of these option exercise points in time. [...] you don’t want to burn any bridges. At some times, no contract will last forever. So, contracts will end, and I also guess at some point in time

they want to try the prices in the market, just to make sure they don't pay too much, and that's natural. (E4)''

''It can be a variation for the client about how much money they can use on IT. We know that it all depends on oil price, so we know, and we have been working with our clients for so many years. [...] It is also in the contract that they can scale the teams just as they want, it's just based on the demand. If there is no demand, then there is no size. (E5)''

4.3.7 Regulations

Regarding special regulations in business areas, E4 and E5 stated that the case company is responsible for following the rules and implementing them in their tasks and reports. E4 said that there are lots of regulations change specifically in the area that E4 works with, but it is the client that informs the vendor about the rules on a website or holds sessions about new regulations, etc.

''The domain that I work with is subject to a lot of regulations. So there is a lot of documentation that we have to read and understand. [...] when regulations change, there would be courses that the customer organizes, and there would be typically someone from an audit company that would facilitate training sessions. (E4)''

''We, as a vendor, will be responsible for keeping track of governing documents, processes, regulations, [...]. But, then you can say that the company you are working for, they will be responsible for informing you [...] the company can say, please follow this slack scandal, please follow this site where we have all our regulations. (E5)''

5. Discussion

In this chapter, the findings will be analyzed and discussed with the previously introduced models. Thus, the following chapter will be organized based on the three areas of interest in research questions. The information in this chapter will be used to answer the research questions. Moreover, there is a section “Key take away” at the end of each section with some managerial implications and suggestions regarding CaaS.

5.1 Marketing

This section aims to explore the essential factors in the marketing of CaaS. This part will be a base for answering the first research question. The reviewed literature will be discussed and compared with the answers of the case company. The discussions on this part will be the basis of a managerial suggestion concerning the marketing of CaaS.

5.1.1 Challenges

Jones et al. (2005) recognize two main challenges for the marketing of a service. First, the customers prefer that salesforce gather the data needed about the customer from beforehand. Second, defining the customers what their roles are and ensure they have understood it. The first case has not been a challenge for the case company. As all the clients of CaaS are pre-established customers, and the case company has been giving them service for many years, knowing the client well is not a challenge for the case company. However, the interview results show that the second challenge exists in the marketing of CaaS, and the case company has experienced it. As the results show, the client not knowing what their roles are and what their expectations are, is a challenge.

Furthermore, in line with the literature of Jones et al. (2005), which stresses the new role to the marketing group that should follow-up the client to ensure they have done their part, the case company’s experience confirms that. An interviewee said that the clients need to understand that we should be a part of the planning to know the future demand and get ready for that. To solve the problem case company is trying to have more constructive meetings with clients and strives to involve them more in the planning progress. The case company has attempted to fix this problem by sitting with clients every month and planning for the next period. In this way, clients become more involved in the progress.

The need to re-train salesforce is another essential factor for selling in the contemporary market when a company is adding services to its offering. Ulaga and Loveland (2014), recognized this challenge, and it stems from two factors: 1)The decision about buying services is taken at higher levels with more people involved, 2)The need for the sales force to update themselves about the new offering. As the empirical findings show, the challenges exist in selling CaaS as well. Based on the interview with E1, the case company has designed a system to share all the cases of CaaS and everything related to the CaaS deliveries; thus, salesforce can keep themselves updated. In addition, some training and pitches are also provided about CaaS to keep everyone on the same page.

Another challenge brought up during the interviews was the maturity of the clients. The maturity of the clients based on the interviews can affect the case company in two ways: 1) understanding and fulfilling their role, which is already discussed 2) being ready to understand such a model when it is introduced. As E4 believes, the clients do not understand the model and are not mature enough for implementing such a model, which is because of a chasm between the case company and the client. Thus, applying the Rogers Changers (1983) change agents model can help to first to make the potential clients aware of their need, then informing them about the solution, which is the CaaS model.

5.1.2 Irrational factor control

As it was stated in the literature, the irrational factors have a significant effect on the customers' decisions (Pfoertsch & Scheel, 2012). Factors such as the likeability of salespeople are effective, especially when they are accompanied by some factors like the brand (Lynch & Chernatony, 2004).

In line with the literature mentioned above, during the interviews, it was stated several times that the case company put importance on establishing a personal relationship with the clients through work-related and non-work-related channels to raise the likeability of the company and contact persons. The case company puts much pressure on the importance of irrational factors as well as rational factors. The importance of irrational factors for the case company is so much that one of the managers believe the good situation of the company in a crisis-era of Covid-19 is due to their personal connection with the clients. Plus, in line with the literature, it was stated that consultants working in the client's premises, speak about company values and culture, and communicate positive aspects of the case company. The effect of such behavior was identified in the literature

by (Hadjikhani & LaPlaca, 2013; Lynch & Chernatony, 2004; Tanner, J. & Raymond, M. A., 2010). They showed the positive effect of communicating the company's value internally first and then advocating the brand and the company's values by salespeople.

5.1.3 Understanding customers' needs

Understanding customers' needs, being innovative, and high-quality delivery is recognized as an essential factor in the marketing of every service and product by Keyes (2010). However, he states that in the markets with more players and higher competition, these factors become more critical. The interviews also confirm this and can be concluded that this is also right in the CaaS model.

Based on Keyes (2010), understanding the clients' needs is essential. This means that service providers need to access intimate knowledge about what satisfies the client's needs. The term "what satisfies the client's needs" can be seen in two aspects: what is the need itself, and what level of quality satisfies it. The former requires in-depth knowledge about the client and their market, while the latter is more complicated. Based on Blut et al. (2014), services are intangible per se, and therefore, quality evaluation is more complicated. The complicatedness of evaluation is the case in the CaaS model. In the CaaS model, a tangible asset (consultants with CV to evaluate) has been transformed into service (which is a competence made by a group of consultants). Thus, customers rely on using other factors as a proxy for quality evaluation, such as company reputation and price (Baines et al., 2009; Gebauer et al., 2005) or feelings and perception (Gordon et al., 1993).

The statements of senior managers of the case company align well with the above-mentioned literature. They stressed the significance of knowing the customer and using their knowledge in different steps such as marketing, pricing, relationship, etc. The interview results show that the case company profoundly understand clients need as far as one of the interviewees stated: you should be concerned when there is a problem in the client company. Furthermore, it was recognized that the CaaS model is designed based on clients' needs, and the service for each client is highly tailored for them. The number of consultants working on projects is highly dependent on short term and long term targets and needs of the client. Apart from the model, the company also is said to be well-known for its quality and tailor-made solutions.

5.1.4 Harder sales process

Uлага and Loveland (2014) claim that the more complex an offering becomes, the more complicated the sales process becomes. One of the essential factors in their study is the importance of documenting successful cases and presenting them to new clients. In line with the stated studies, it was observed during interviews that the survey results and other available documentation would be used in the marketing of the CaaS model to new customers. Besides, success stories and experience of the prominent players of the region are always presented in the introduction sessions. Furthermore, Uлага and Loveland (2014), even suggest an application able to simulate the benefits of shifting to the new offering. Having a simulation showing the benefits not only helps the marketing of CaaS but also helps to price the model (Rapaccini, 2015). The latter will be further discussed in the next section.

Tanner et al. (2010) also determine another factor that makes marketing harder as the decision team. They state that decisions are not based on a single person; rather, the opinion of all the service users affects the purchasing decision. The Uлага and Loveland (2014) research also confirm that complicated service offerings need the opinion of higher-level management compared to product offerings. The interview result does confirm that and E1 and E3 both agree that more people influence the CaaS buying decision. Even though that E1 does not believe this happens because of CaaS per se, however, they are facing it. The opinion of E3 that says, the stakeholder who needs the CaaS is the one who has the responsibility to satisfy more people on the client-side, also aligns well with the literature. Step 5 of Rogers's (1983) theory about change agent points out about affecting the valuable and effective people in the client organization and can be used for this matter.

5.1.5 Key take away

The key take away from this section can be as followed. The results from interviews confirm all the challenges and essential factors of the literature. The results show that the case company is aware of such conditions in the marketing of CaaS, and seems to have reasonable control over it except for two factors: understanding the model by immature clients, and being in touch with more people. Both of the situations can be addressed in the change agents model of Rogers (1983). Rogers's theory is a practical model for situations that the gap of understanding an innovation

affects the marketing of it. It can also be useful for the second challenge as well. Thus, it is suggested that the case company establishes it into their marketing strategy.

5.2 Pricing

In this section, a variety of pricing models will be discussed and compared to the pricing model of the case company. As it was said in the literature, pricing is an essential factor in the marketing mix, which directly affects the sales and profitability of the company both. This section will be used to answer the second research question and managerial suggestion regarding how to price the CaaS offering.

5.2.1 Pricing strategy and pricing factors

The interviewed conducted with the case company showed a lack of a defined exact strategy for pricing CaaS offering. The literature emphasis having a pricing strategy and holds the necessity of having even more than one pricing strategy for different situations (Indounas, 2009). Indounas (2009) considers pricing as a complicated procedure and argues that service providers should have diverse strategies to use in different conditions. However, as it was mentioned in the interviews, the case company does not have a pricing rule, neither has a pricing strategy. As it was said in the interview, the case company prices its offering based on gut feelings.

The literature further emphasizes the importance of reconsidering and redesigning pricing strategy when the service offerings are complicated and tailored to customer needs (Rapaccini, 2015). It is argued that the more complicated a service offering becomes, the more innovative and complicated the pricing strategy should get (Rapaccini, 2015). However, as we saw in the interviews, the case company has not reconsidered its pricing strategy. As one of the interviewees says: *“Recently we sold a service to a big oil company [...] and there we had a frame agreement with the customer. Then we saw that what we need to do that is to just use the hourly rates that are already in that frame agreement and bring it into the new service contract. (E1)”*

However, based on the answers from the interviewees, it could be seen that the pricing of the case company is not cost-based. It was directly said that the case company does not consider costs in its price. Even though the literature bewares the cost-base strategy, it does not mean that costs should be ignored in pricing. As Bonnemier et al. (2010) state, whatever the strategy service

provider chooses, the cost is still a crucial factor in ensuring profitability. Still, it should not be considered as a unique setting.

The interviews show, with all the cost reductions that the CaaS model has, some direct and indirect cost increments also happen for using CaaS. The responsibility and risk are higher, and therefore, the case company needs to consider these costs into their pricing. In line with the statement, Bonnemier et al. (2010) argue that where the solution provider takes over the responsibility of customer performed activities, risk some risks will be transferred to the customer, and the price of risk should be involved. Indonous (2009) also shows that even though the high-performance service providers have their focus on outward pricing (market and customer), They do not neglect the cost and profit in their pricing. It should be noted that the focus of the case company should still be on moving toward more strategic pricings like competition-based and value-based and gives a higher weight to them while considering the costs (Rappacini, 2015).

During the interviews, it was said that the case company has a lower price than the competitors, and the case company does this deliberately. It was also mentioned that the case company uses price as a winning strategy to gain new customers and enter new markets. Based on the categories by Indounas (2009), the case company has a lower price than the competitor, which is perceived as not useful by Nagle & Holden (2002). They argue that the acct of choosing a lower price than competitors shows the company is sacrificing market share for profits, and this is confusion in priority. They continue that even though having a lower price is a positive effect in the short-term, it has a cost of getting a small margin in the long-term (Nagle & Holden, 2002). This aligns well with the results, which shows the case company chooses a lower price to gain more customers, and most of the CaaS contracts are more than five-six years.

The most pointed factor in pricing the CaaS was considering the client and choosing a different price for each client. It is a good sign that the case company's primary focus is considering customers, as Indounas (2009) shows that high-performance firms within service have their primary consideration on the market-related objectives and clients. However, there were none of the answers indicated the value brought to the customer is determinant of the price. It was mentioned several times that perceiving the value received for the customer is challenging and not an easy job to do (E3, E5). Yet, it seems to be possible since the case company knows its customer very well and always start a project with a meeting to find out what exactly the customer wants,

and participants of the meeting are the ones who know the customer well based on E5. In such situations, Indounos (2015) suggests re-designing the cost accounting system and centralizing the pricing process with the use of simulations to perceive the value gained by the customer. Furthermore, the importance of having value-based pricing gets bolder as it was mentioned that in the CaaS model, more responsibility and risk move towards the vendor, and most of the gain would be transferred to the client-side.

5.2.2 Revenue model and pricing policy

As was said in the interviews, the main charging scheme of the company is the hourly rate. Fixed time rates are argued by Rapaccini (2015) and Bonnemeier (2010), to be the best suit for rental services. The consultant hire can be seen as a hiring service that suits this kind of pricing. In consultant hire, the client will hire a consultant for the short-term, uses his/her knowledge, and then says bye to him/her, after that consultant comes back to the consulting firm and will be assigned to the next customer. Therefore, it is not a suitable revenue scheme for the CaaS model.

Based on the interviews, a lot more responsibility has moved on the vendor in the CaaS model, and hence, the vendor has a higher risk level. Thus the appropriate charging scheme for such a model, based on the Bonnemeier et al. (2010), is performance-based or value-based. Also, Rapaccini (2015) argues that where the operations of a product are used, with the vendor being responsible for unforeseen events and risks, the best model is a performance-based model.

The most used pricing policy within the service companies based Indounas (2009) was negotiated pricing, differentiated pricing, and list pricing, respectively. However, he has argued that the list pricing is not a good price policy due to some limitations. The pricing of the case company aligns well with the previous research. The results show that the case company chooses the price concerning each client's situation and some other factors, and does not use the same price for everyone. Thus it can be said that the case company is using negotiate to price and differentiate pricing.

5.2.3 Key take away

As was discussed in this chapter, the lack of having a pricing strategy, as an essential factor, is obvious. The case company has appropriate settings in the pricing (market-related factors). However, devising one or even several pricing strategies and formulas to consider in the pricing

is something to which the case company is advised to devote time. Since the case company is working in the IT sector and developing applications, thus making a program to simulate the CaaS value for the clients is highly suggested. The simulation can be useful in both marketing and making value-based prices. Ulaga & Loveland (2014) highlight the importance of simulation in showing the benefit of the new service to potential clients. Furthermore, the results show a lot of positive and negative, direct, and indirect effects on costs. Thus it is suggested that the case company comprehensively evaluates the impact of CaaS offering on its costs to make sure of how high is the cost of risk and responsibility compared to the benefits of CaaS on cost reduction.

The revenue model also does not consider the cost of risk imposed on the provider. However, an hourly-time-rate is not the best revenue model for the CaaS model. The case company, in the CaaS model, is not selling use of a specific product like using a server, or consultant for a period. Instead, the outcome of human resources' knowledge and consultants' time is being offered as a service along with some competency, KPI, etc. Therefore, the need to have an innovative pricing scheme and revenue model based on the literature can be highlighted. For instance, the idea of the researcher is charging for a competence package instead of one consultant. In that way, the case company has more freedom to include more factors in the pricing.

Furthermore, the idea that E3 brought up during the interview about charging based on the outcome and taking certain parts of the value at the end also aligns well with the literature and can be a proper way of pricing. The concept aligns well with the Vested outsourcing (which will be discussed further in detail in the next section) model, which is all about sharing the risk/reward and having some incentives for the vendor (K. Vitasek & Manrodt, 2012). The idea also aligns well with the quote in the Rapaccini (2015) that says companies should move toward risk and reward sharing between parties. Such a pricing model is also similar to the value-based pricing by Bonnemeier et al. (2010), based on which supplier gets a proportion of the value brought to the customer by the service

5.3 Business relations

This section will examine and review the critical factors of the case company in its business relationship with clients. Different companies pursue different goals in outsourcing and the type

of relationship must help them reach their goals. Otherwise, the relationship will not continue for a long time as it was shown by the Deloitte consultancy survey that 39 percent of the participants had canceled at least one of their outsourcing contracts. In this section, the interview results will be discussed and compared with the theories in the literature. Then a managerial suggestion will be made to answer the third research question.

5.3.1 Important factors

The first crucial factor for the company based on the interviews was trust. It was said that the CaaS relationship is all based on trust. Trust is as vital that the CaaS cannot be offered to a new client reasoning in the lack of trust between parties. The interviews showed that the case company uses transparency as a way to gain and preserve trust. Trust is one of the main foundations of the Vested outsourcing relationship. Keith et al. (2016) and Vistatek et al. (2011; 2012; 2013) mention trust several times in their theories, and consider it as an essential factor that has been repeated several times. That could be seen in the rules and elements of Vested outsourcing, which are mostly based on mutual transparency.

The second factor that was mentioned several times during the interviews was the flexibility of the model. The results show that the CaaS model is a flexible service model making it possible for the client to increase or decrease the number of deliveries, consultants, and speed of the delivery in short notice. The flexibility not only gives the client freedom but also reduces the risk of the client.

Sometimes some occurrences make the situation harder for companies. An example of such situations can be oil prices as the case company has a lot of clients in the oil industry. Thus, companies should terminate the consultant contract and shut down their projects, and after some time, spend some money to start the project again and get new consultants and do not get the competence and experience that they had before. The CaaS model helps clients to reduce such risks. They can reduce the number of consultants to the core, to just keep the competence, experience, knowledge in place, and then start from where they took off after the crisis. This is what TCE names as environmental uncertainty.

Moreover, by hiring short-term consultants, the consultancy will not have any responsibility except to give the right person with decent behavior, which means a higher risk on the client. However, in the CaaS model, as it was discussed in 5.2, the responsibility and risk are transferred to the

supplier. The supplier is responsible for delivering specific values, KPIs, results, etc. Vested outsourcing, as was said, is the optimal method for the markets with high-risk potential, and collaboration with a supplier can help to reduce the risk (Bonnie Keith et al., 2016).

Furthermore, despite the risk transfer, the case company also wins by selling the CaaS. Based on the interviews, hiring out consultants is accompanied by some “on the bench consultants” costs, which mean more costs. However, in the CaaS model, there is a relatively constant flow of deliveries during the year, which ends in a continuous need for consultants. Hence, the previous paragraph and this paragraph show that the CaaS model can be considered as a win-win situation that is favorable to both sides. Having a win-win business model and a win-win mindset is regarded as an essential part of the Vested outsourcing model by Keith et al. (2016).

5.3.2 Business relation

This section will try finding out possibility of implementing the rules of Vested outsourcing for the case company. Thus the 5 rules of Vested outsourcing will be discussed and compared with the CaaS model how to.

5.3.2.1 Rule 1 – *output-oriented model*

The rule one of Vested outsourcing speaks about the output-orientedness of the contract (Kate Vitasek et al., 2011, 2012, 2013). The answers in the interview show that the Case company has a master contract lasting for a more extended time, and gets several deliveries within that contract with shorter periods. The master contract does not contain any special project and is about the areas of service, performance, continuity, etc. Even though it is not possible to set an outcome in the master contract, in case of moving to Vested outsourcing, the case company can set the deliveries outcome-based. The result shows that before starting a delivery, the case company has a meeting to enlighten what precisely the customer wants. Furthermore, the results show that the case company does a lot of user testing on the final delivery to ensure the result has guaranteed quality, etc. Thus these show the possibility of setting outcome-based contracts.

5.3.2.2 Rule 2 – *How of the job*

As results show, the case company is Ok with giving the proposal about how the job should be done if the client is unsure about the way of doing it or asks the vendor to choose how. However, results show that the case company is also Ok with the clients dictating the way of doing the job.

The second rule of the Vested outsourcing model assigns choosing the way to the vendor (Kate Vitasek et al., 2011, 2012, 2013). Based on Vitasek et al. 2013, after clarifying the outcome, the vendor should document how of the job and explains the expected result. Thus in case of entering Vested outsourcing, there will not be a problem in implicating the second rule as the case company has done it before.

5.3.2.3 Rule 3 – Clearly defined outcome and QASP

Based on the results, the case company is responsible for delivering certain levels of performance, KPI, etc. The results also show that the case company has a meeting with the client before starting the project to define and clear what exactly the client wants since not all the customers exactly know what they want. However, with having all those criteria in place, lack of having a clear, documented, measurable outcome and success metrics for evaluating that is obvious and also pointed in the results. The necessity of having a clearly defined documented measurable outcome, which has been chosen elaboratively, is stressed in Vested outsourcing (Bonnie Keith et al., 2016). Vitasek et al. (2011) state that having KPI and SLAs are proper choices, yet there should also exist some evaluation metrics.

Furthermore, the results show the existence of a quality assurance plan and the high importance of quality for the case company; however, the QASP is always the same and not customized based on each delivery. The literature underlines the importance of having defined QASP and notes only having an outcome evaluation is not enough (Kate Vitasek et al., 2011). Based on the results, the case company re-consider the quality evaluation factors as the project evolves, and this affects one of four criteria. Hence devising a QASP can be considered as a challenge for the case company.

5.3.2.4 Rule 4 – Vested pricing model

Having a fair pricing system is the fourth rule in Vested outsourcing. The main pricing scheme in Vested outsourcing is being transparent and sharing the risk and reward by bringing the numbers to the table (K. Vitasek & Manrodt, 2012). The interview results, however, indicate that the case company does not see sharing risk/reward with the client a proper model for CaaS and uses those kinds of models mostly with the development projects. The results also show that there are lots of hidden costs and values that make it hard to evaluate the expenses and gains beforehand. For the same reason, calculating the saving or earning of the project and compare it with not having the CaaS model in place is also a big challenge. It also should be noted that in line with Vested

outsourcing, also the service pricing literature supports sharing risk and reward as the new trend, and advise service providers to move toward that direction.

Vitasek et al. (2013) state that the primary way of pricing in Vested outsourcing is fixed pricing or cost reimbursement, accompanied with some incentives to keep the vendor motivated. However, the interview data indicate that the fixed price is not considered as a suitable pricing scheme for such a complicated and flexible service by the majority of interviewees. There are lots of changes and flexibilities during the way that affect the cost and value. However, cost reimbursement can be something more suitable for such a model if the case company steps into Vested outsourcing.

5.3.2.5 Rule 5 – Insight vs. oversight

As the results show, that the communication in the CaaS model is based on daily stand-ups, weekly meetings, monthly meetings, and quarterly meetings each with a specific goal and specific participant. The vested outsourcing relation management in Vitasek et al. (2011, 2013) also explicitly defines the same meetings and thus can be concluded that even without the Vested outsourcing model, the case company has proper relationship management.

Moreover, as the results show, the case company does not want to burn any bridges, even after ending the contract. Thus, the exit chapter in the agreement gives a variety of options for terminating the contract, even without reason. However, the results do not show precisely the fairness of the exit, management section. Yet, based on the results, it can be derived that the case company is looking for a fair exit strategy to keep the possibility of a new contract open. Thus there will not be a problem with it if Vested outsourcing was implemented.

Furthermore, results report that the case company is responsible for following regulations of the market that the customer operates in. However, the customer should provide a channel for the provider to follow the rules. This aligns well with the tenth and last element of Vested outsourcing that speaks about business regulations, and the case company is in a proper situation with that.

5.3.3 Key take away

As it was discussed, the CaaS model specifications and characteristics align well with the prerequisites needed for establishing the Vested outsourcing model. The results show that the case company has the possibility of performing most of the rules. However, there are some obstacles to implementing some rules and elements, such as rule 4 and element 5. Furthermore, the results do

not show complete information about the management of transformation and exit management. Other than those four factors, the case company has the right competence and mindset for offering its CaaS model as Vested outsourcing with some changes. The CaaS model itself has all the prerequisites needed for Vested outsourcing, and thus, Vested outsourcing can be a suitable model.

6. Conclusion

In this chapter, a summary of the findings and discussion will be reviewed to answer the research questions. Then the study limitation will be discussed, followed by suggestions for further research.

6.1 Research questions

The objective of this study was to define explore the CaaS model and find its important aspects and challenges to suggest the proper outsourcing model for it, along with providing information to help the sales process and pricing process. The goal was assisting the case company in the transition process of the potential clients to the CaaS model. To achieve this goal, a case study was conducted to gain in-depth knowledge about the case company's attitude and how-to regarding the CaaS model. Several interviews were conducted, and a comprehensive literature review was done for this purpose.

RQ 1. What are the crucial factors in the marketing of CaaS?

The literature and the empirical finding both agree on several subjects that are important in sales of service and should be considered by companies involved in servitization.

1. Brand image and preconceptions of the clients,
2. Irrational factors such as likeability of the contact persons,
3. Understanding the clients' needs,
4. Managing the clients' understanding about the offered service,
5. Trust

Hence, in order to go through the servitization of consultants, the supplier needs to focus on making a high-quality brand reputation and gain the trust of its potential CaaS customers. Plus, an especial concentration should be put on communicating the value of the CaaS. The model is new, thus not every customer will realize the value that CaaS will bring, so having some simulations, successful case reports, and making the client realize a need for the model can be helpful. To conclude, the company needs to focus on its brand and make a powerful brand the reputation of which is high-quality tailor-made solutions for the needs of the customer, then communicate the real value of the

CaaS service offering to the client through the right people. And right people means a contact person who is in a good relationship with the client.

RQ 2. What are the critical factors in pricing the CaaS, and what is the appropriate way of pricing the CaaS?

The pricing is stated to be an essential factor in both the marketing and profitability of the company by literature. The empirical findings also confirm the importance of pricing in marketing. However, it does not give any information regarding profitability. The important factors to be considered in pricing CaaS are customers, especially the value of the service offering to the customers, the market. The costs, however, are only crucial to define the bottom line that ensures profitability. The critical considerations in the pricing are listed below:

- The value-based strategy is the most suggested pricing strategy for complicated services.
- The innovative pricing models are the most suitable for complicated services. i.e., value-based pricing, performance-based pricing, or sharing the risk and reward.
- Negotiated pricing and differentiated pricing are also suitable pricing policies for complicated services.

Moreover, the price level should also be considered on top of all the above-mentioned factors and pricing models. Both literature and findings highlight the importance of the price in quality assessment due to the intangibility of services.

RQ3. What is the suitable outsourcing model to introduce the CaaS?

There is a broad spectrum of governance structures and outsourcing models from simple transaction provider to equitable partners. Each of those embraces some benefits and drawbacks and suitable for a specific relationship. The Vested outsourcing as well is an ideal relationship for the companies that both their product/service and themselves contains the following factors:

- Values trust
- Has transparency

- The model/cooperation reduces the risk
- Has a win-win point of view
- Producing in-house is not to the benefit of the client

The CaaS model is based on flexibility, which reduces the risks by its flexibility and responsibility transfer. Plus, it is a win-win model, as is to the benefit of both sides. Lastly, it is suitable for clients who are using several consultants. Thus it can be perceived that they do not have the competence to make a competitive advantage on their own by staying in-house.

Therefore the Vested outsourcing model can be a proper choice to introduce the CaaS model as a “Vested outsourcing relationship model.”

6.2 Limitations and further research

This study was accompanied by some limitations and areas that would be interesting to be further explored. Due to the scope of the thesis, this research was only focusing on three dimensions of marketing, pricing, and the proper relationship model. However, it is interesting if a more comprehensive research could be conducted to explore and define the whole business model of CaaS. Furthermore, this study has only investigated the provider’s point of view and the provider’s manners and thoughts. An alternative research that could be so beneficial is studying the clients’ point of view and investigating their challenges and important factors from their side. Possible approaches to that could be examining the critical factors that clients consider in valuing the CaaS offering.

Plus, the findings of this research are from a single case study with a qualitative method. The idea of people can be biased, and may not be the same in a matter of several months. Plus, no documentation was provided, and everything was based on the interviewees’ opinions. All of these factors affect the reliability of the research and lower the possibility of generalizing the results. Conducting another research in the same subject, with a higher number of interviewees or even quantifying the study, will increase the reliability and generalizability.

Another future topic also could be to investigate the effects of moving toward CaaS on the motivation of the employees. This is a subject that was brought up several times during the interviews.

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Appendix – Interviews transcript

Here you will find the transcripts of the interviews. There are based on the date order from E1 first meeting, E1 second meeting and so on to the E5 meeting. The lines that start with a hyphen (-) are the interviewers' sentences, and lines without the hyphen are the parts that the interviewee was speaking.

First interview with E1

- How is your company business model?

We have four different steps

First, it's a CV hire. We will most likely frame an agreement that we share with several vendors, and every time the clients have a need, they send a request to vendors. Then the vendor will send a request to us; for instance, we get a request for a project manager for implementing office. We send CVs and hourly rates for each CV and availability of them. Then the client selects one or several CVs. They call for interviews, and then they will choose and hire for six months usually.

- How is employee vacation? Who the employees get a vacation from? Who is responsible for their being in the office?

This varies a lot. The most important is they [consultants] agree with clients first. After doing that, they come to Bouvet and tell this to us. Then we ask if this is ok for clients and so on. If it is a short period, so you don't send back up unless necessary.

The 2nd is Project delivery. Here we go out to the market where they ask for a proposal. They want, for e.g., a system to sell and we make the system, and how they should do it. We say this is how we can do this, and we need this amount of time. If they choose us, we will find suitable people from Bouvet, and put together a team and deliver the team. We decide on the team. Team members can work on several projects.

The 3rd step is our topic of today—service delivery. In this model, we are going away from the regulations of hiring. The client can't say I want this person or that; it's us who get to choose. We say who should work on which project. They say we need support service for collaboration tools

like skype, and we need somebody to support when it's necessary, then we will write up a suggestion for the contract. We see that, for example, this job needs three personnel. Then they may have some requirements like how fast it should be, or how long shift's working time should be; maybe they want 24 hours support. Maybe there are some other KPIs needed, like a stable team, or consultants shouldn't switch reports, and the number of sickness reports from consultants, and etc. Then we deliver scalable service based on those criteria.

This model's benefit for the client and us is that it is flexible. In certain times like now, with the effects of Covid-19, we can say we know it is better for you to reduce personnel, and then make it up after Corona. Another thing is it is better when you have a stable team. Giving them training giving them a computer, we will do that instead. We can share the learning between people of the team. After some time, they get the knowledge, and they can also share it with others.

And the 4th and last step is a partner relationship. We say it is a customer that is buying CVs and projects and services. Then we see them as a partner. You [as a partner] get prioritization when there is high demand. We always prioritize the partner.

- When you first presented/implemented as-a-service?

It started in 2007, and I think we were in a project with C1, where they had lots of pain points in hiring one and one consultant from different consultancies. They wanted all the persons in one team. However, they came from different companies, so there was a cultural problem among them. Also, they would not always get good resources. Thus, they had a long lead time to get in the right people. Also, when people were leaving, there was a problem to substitute them. They had to spend some time to send new applications, sort the CVs, interview the possible consultants, choose between them, spend time on making a new contract, getting them in, and training them. We offered that we can provide a service model to solve the problem. They had a lot of smaller tasks scattered in lots of different subject areas, and they did have a good business case, and they needed somebody to take responsibility for "småjobbsentralen." So we made the team, promised them that we would prioritize them, and we give them a proper high-quality service, but you should trust us, and you should not do anything with choosing the employees.

Now, we are delivering 35 people to C1 with this model. We provide about trading development, Developing and facilitating about management services, and processes with the company and management.

- How is the pricing now? Is it hourly oriented/based on the service they provide?

It varies from service to service. Application support service, where some people support IT systems, you have the name of applications, and you know how much it does take. So we can give a monthly cost. The most usual model is still charging by the hour. We will have some set categories of levels of consultants, and you cost each of them at a particular cost. E.g., for a project, we will choose needed consultants, and sometimes we have an hourly rate and a budget model for that.

Additional info from the interviewee

Our trend is more toward service-based and moving more to those directions. Those who buy services from us have more satisfaction. We have good experience with this agile project management. We deliver based on this. The difference between agile project management with traditional project management is that in traditional, when we want to deliver a project, we meet and make a plan with dates, and the project is done, for example, within a year.

However, in agile, instead of specifying a system, we deliver it. First, the customer gets functionality; then, we do other parts of it. Most important things come first. Maybe what you have specified three months ago is outdated now, we can change it. So with agile, it's better.

Also, for times of crisis, how is the benefit of having a service? Normally, a typical customer viewpoint is like: oil price is going down, and Corona is here. So that they will get rid of consultants first, they stop their assignments, and we will lose money. And when the situation gets normal, they start the project and start recruiting consultants again, and usually, what happens is won't get that same person back. Then they have difficulty with getting that value. In agile, we can adjust and scale down according to their need. And we take the competence in the team, and we are not dependent on people.

Second interview with E1

- Can you introduce yourself and your position?

My name is E1, and I am the business unit manager for the management consulting group in Bouvet Rogaland. That means I have the responsibility of 32 consultants (management consulting). So my focus is on sales, key account management with big clients in oil and gas. Also, I have one more business unit manager working with me, and her responsibility is primarily HR and following up personnel side.

- What are the most important aspects in the marketing of CaaS?

I think the most important part of that is we are showing that we have the governance in place from before, and we have the experience doing this and setting up the service. I think what most of the clients are looking for is the best practice within the area. And that we have the competence to put together a team that is delivering the competence the clients need. And that we can show the breadth of the company that we have like quite a significant footprint here in Rogaland that we have a lot of different competencies within different areas and we are able to use that also in service. So when the clients become clients of Bouvet, they will be able to tap into that big space of different types of knowledge primarily to the knowledge of IT.

- What are the main demands of clients when you introduce CaaS to them?

The main reason that something like that (CaaS) will come up is all of our clients start on step one [steps in the last interview] like buying one and one consultants like I want person X as a project manager, and we will send the CV, and they look at that and then they will call for an interview with you and then if you are a great person for the job they will hire you for half a year. When project start and after three [some] years they say goodbye and that competency disappears out of the door. So I think that's like the main requirement, that they need much more of a continuous delivery of a service. They want us to take a much more broader role and a bigger responsibility with on-boarding new consultants that we take care of that, Facilitating things, learning and best practice sharing within the team. We make sure also when times like this coming, like the Corona takes, like that they say maybe you can have a team of service like five consultants working with for e.g. developing some apps and they say like Ok now during this period [of Corona] they say Ok maybe we don't need this much capacity and we will scale down to maybe two for a period of

time and then later they can scale it up again. So that's like they need flexibility and they need us to take more responsibility within that.

- What are the main challenges of introducing the CaaS?

Their main challenge is that they are using a lot of time on the contract management and procurement sourcing. You know it takes a lot of time to send out requests for like one and one position when you need a lot of capacity. So they are using a lot of time on that. I think another challenge is that they have scattered teams and scattered competence that they have one consultant from that company, one from that company and one from that, and then they are not able to work together. Because they are not used to work in the same way with the same standards and tools and technology, so they need somebody to come in with a common toolbox and a team that already know how to work together.

Also, the clients need to be on a certain level of maturity before they can start using something like this as a service concept. Because it takes that you need to think about how you interact with us in a different way, you need to be a part. You need to think more like you are buying a service, not buying the head of different people. Because that requires a different way of following it up, you know, that you need to be a part of, thinking about how we can reach certain KPIs and goals together and not just hiring somebody to work for you. Then you forget about them in a way. So it requires a bit more structure also from the client-side and also a bit maturity on the contract side.

- What are the main challenges for you in the introduction of CaaS?

I think for us, the main challenges are we need to have a certain volume in order for this to be profitable. For e.g., the client may say I want this as a service, and we say Ok, how many do you like, and they say like Ok, two. That's like a bit too little, you know, so we need to be on a certain volume, and I think sometimes it can be a challenge. I think for us, a challenge can also be we see that there is a need to be very transparent on what work is coming on the client-side. That is something that we see because that is like, how it is often is, like, they are using us as a service provider, and they are saying Ok, we need you to now deliver this project, and that's Ok that's fine that's like a more short term theme. But we don't always see what is coming, for instance, in a half year. You know, so that amount of being able to have a longer perspective is difficult because usually what happens is that they say: oh btw now we need to upgrade the system and we need

five people to work on this, and then we are like Ok were do that come from? You know, it is not always easy for us to see that, those recourse requirements. That is something that we have been working with clients to have that common understanding that we need to be a part of that planning. We can't just sit and wait, and then suddenly, just something comes up, and we need those people ready, and we also need to be a part of that.

- So what I get is it goes to some communication, what you said, right?

Yeah, typically we have this triangle, we have strategic meetings, tactical meetings, and operational meetings. And these things are often like, in the operational meeting we have maybe once a week, dependent on the teams and what they are working on. Tactical meetings we have once a month and in those meetings we have service leads from Bouvet and also the leader for that certain area from the customer, and we will then present Ok, this month we had this amount of HSSE, maybe if there are any HSSE concerns for e.g., a lot of sick leaves or something else. And we talk about our performance matrix, because in the contract you will typically have Ok you should deliver this and this amount of work within a month, and we should deliver this and this amount of stability in the team and things like that, and then we see which of these KPIs are green. Somebody/something is yellow, so somebody needs to take a look at that there. Something is maybe red, Ok we need to do something here. Then we also have that forecast that we say Ok, this is like how many people we need for the next three months, and the customer is oh that's too little because we are getting this project or something. So they are kind of planning and grooming together.

- How does shifting to CaaS has affected the department you are connected with?

Traditionally we have been talking mostly to IT. But now we see also there is a shift also talking directly to different business areas. I don't think that is more, not necessarily, coming because we are working as a service. I think it's coming more because of the digitalization that we see that we see that the businesses have much more involvement also when it comes to IT technology. They have a kind of key expertise when it comes to the actual functionality of the technology, and actually, they know what they need. Whereas IT is more like kind of the enabler of the technical things and those kinds of things, but now we see that we are much more kind of talking to both sides of the fence there. So I don't see really that delivering as a service a driver that we are talking

to new departments and new business areas, I think it's more of the shift in how we are delivering the services in general.

- Does this change effects marketing?

I think it has quite a large effect actually. I think for us, we are much more robust now as a company because of this that we are shifting over to more as-a-service deliveries. . I'm not sure if it was the answer to your question.

Actually, I mean when you are introducing to the clients, this shift makes challenges for you.

On the client's side, it also makes it more difficult to sell the as-a-service. There is like we see now, there are many more diverse stakeholders that we need to communicate with. We need to keep them happy, so it's not only the IT manager. It's the CFO, digitalization officer, and all kinds of guys also.

- How is Bouvet managing this contacting with diverse people in its marketing team?

Typically what we have is we have an internal sharing and an internal collaboration platform. So we have been doing like regular kind of like contains about delivering as a service. So what we actually do is we go in, and we look in our customer list. We see Ok, what are these clients are actually buying from us. Then we can see, oh look at this client, they are hiring three or four individual consultants. That could typically be delivered as a service; we need to talk to this client. It could be a benefit for them, and this could be a benefit for us. When we want to do something like that, we will bring the stakeholders of those business units, like business unit managers that are having these consultants there, and also the head of sales in Bouvet, and then we talk through the concept of the service, and then we go and talk to the client about it and try to shift them more over to this model.

We also have done internal training. That's so that everybody here is on the same page of what does delivering as a service actually means. Also, sharing documentation on Ok, these are the positive things, and these can be challenges, and so everybody is on the same page on that. And also, sharing the frameworks that we have already developed with other customers like C1 and C2 and C3, and companies like that, and we use that with other clients.

- How did you develop this pricing?

We are so much accommodating to the context that where the customer comes from. You know I think recently we sold a service to a big oil company here which is around managing different IT applications on life cycle information. There we had a frame agreement with the customer; then, we saw that what we need to do is to just use the hourly rates that are already in that frame agreement and bring it into the new service contract, and then we give them estimates. This is like how much it will cost approximately every month. But we are not bound to any upper limit or anything like that to say, and this is basically based on hourly rates. So, that's the most usual one actually, and I don't know that any services that are on fixed price, that is not so usual. That is more like if we do a project or like that where we see fixed price can give more benefit, I [personally] don't think the fixed price is a good no matter what you do.

- So you mean you will decide based on each customer, you don't have some fixed price for every project

No, that varies a lot from customer to customer. It's like a negotiation.

- So you will consider the client's idea and how much you will consider cooperation in the price scheme, which is based on the success of the project like going into the partnership.

We don't use target pricing or stuff like that. It's not used that much. I think more when we are working in the projects; we can say that let's say maybe we are going to deliver for e.g., a new cutting edge software or something like that, that we think the clients will benefit a lot from but [let's] say that they are a bit unsure, and they say yeah ok we [client] see that you say this is good and fills our requirements, but we are not sure. Then if it's not the public sector, if it is a private company, we can go in and say: Ok, we can develop this prototype for you for, for example, 100,000 NOK. If you were happy with this, we can go further and develop it into a finished product. If you are not happy with this, then you do not need to pay anything. These are kind of risky if the client says it is a bit high risk for us, but we see that we are really sure, and this is correct, then we are willing to go into an agreement with them. But we can shift it another way around, for e.g. if we are working with the public sector, because they are not allowed to do something like that. There you [the vendor] could say because they are bound with the public competition laws, then you [vendor company] can say Ok, we could develop a prototype for you,

and you can pay us 100 thousand, and then after that, you can go to the market and ask X amount of suppliers including us and choose who do you want to develop the finished product. But it is not that much used in as a service context; it is more like project delivery.

- What are the main criteria you consider in pricing?

With some companies what we usually do is to make a rate card. In that card, you have a table. Also in here it depends on the client to client, some clients have already a model in place, so they have like a junior consultant with a bachelor's degree and three or fewer years of experience, there is a price to that. And then you have a consultant with 5 to 10 years of experience and a bachelor's degree or master's degree, and there is a price to that, and senior consultant with ten to twenty years of experience within this area and master's degree, or Ph.D., or bachelor, and there is a price. So that's like the model that we usually use. So there are different price points to the competence level of the consultant. Because when you deliver as a service, you usually have a team lead, strong team lead, that would typically be a senior consultant which has a price, and maybe you have a junior and two consultants like mid-range with mid-price.

- What are the most important things in your relationship with your clients?

Definitely, the most important thing is to be open close with the clients. I think where we see the clients where we have the best results, and definitely best relationships are where you have a close relationship with the client. I don't think there is a magic model or any magic governance of framework or anything that you can put in place. I think that is important but the most important is where you are having a regular and quite rapid often contact with the client and people who are working there. It's definitely most important thing. So for e.g., now during Covid 19 and also of course before, I am trying to get as many meetings as I can. And of course, it should be productive meetings and all that kind of talks, but it's 10 to 15 minutes, have a cup of coffee and a chat about what's going on, and get on the skin of the client and what is really going on in this company, and get the temperature and in that way, only that way you can be able to grow actually. There is no magic formula other than that really. You have to be extrovert, you have to work with them all the time, you have to follow up, and see what's going on. Because if not, they don't have time to talk to you, and you will lose track of what's going on. So that, of course, is an important thing. And

also being in dialogue with consultants that are in work with clients. Talking to them also, Ok what's going on in your area? Like I have regular meetings with the different team leads that I say now, this project is coming up, and stuff like that. So you are also using them because they are the soldiers out there, and seeing everything that is going on. So just tap into that knowledge, and everything that they are seeing on a daily basis is definitely the most important way. Because you can sit here and make fancy presentations and plans and all that stuff but that does not matter if you don't know the people you are working with.

- So what I get is you say personal communication is one of the most important aspects. How do you think these personal communications affect clients choosing you instead of other companies?

I think it has a lot to say. I think it's very important. I'm not saying that's the only thing that you can call them hey, hey, let's be friends, and go out and have a beer, and they will buy whatever you have. Because it has to do a lot with, you need to be on that sweet spot regarding pricing, and of course, you have to deliver with quality. You have to show that you have quality all the time. But if you also have a good relationship with the customer on top of that, they feel that picking up the phone and calling you is easy and that you are responsive and you are pragmatic, and you can return yourself around if there is an opportunity, and you are easy to work with, then it becomes much easier for them to choose you because they know what they will get. So that's like also crucial nowadays when you see that there are some companies that are struggling. We see that there are fewer requests now within consultancy services, and for companies like us to get through this in a good way. It is then having a good relationship with the customers that is really crucial. Because it is not everything being announced like or sent out on a request for proposal, there might be other opportunities where you can leverage with the teams and peoples you already have there.

- What differentiates you withing your competitors?

I think differentiating factors with Bouvet is that of course, I have said, we have a large footprint in this region, so we are quite big here. And we have a very broad range of services, so we are able to deliver on that scale that the big companies need. I think the other thing is that we have been very focused on modern technology. We want to be at the forefront of what's going on. We are not interested in working in that old technology and being like somebody that is just managing a solution. We want to be, and our vision is to go ahead and build the society of the future. That's where we really want to be.

I think also our unique selling point is our culture that actually we are investing a lot in our people. They can have a road map where they always develop their competency, where they always are learning about their job, and we have a value that we want to be down to earth. We don't want to be that typical consultant that comes with a shirt and a suit and says, we're going to fix all your problems. Bouvet is more pragmatic kind, like down to earth consultants. That's also reflective if you look in our HR system. Everybody here has one title, and that's a consultant. We don't have a junior consultant, senior consultant, management consultant. That really feels just limits what you are here to do. You can go out to the client, and you can be a project manager, you can be a test manager, you can be architect, you can be an advisor, you can be so many different things, and we don't want to put a constraint on that.

So I think that the culture that we have in Bouvet also affects the clients, because people are out there, talking about our values, and what is driving us. From what I have been seeing from surveys, clients say that we really have a good culture in Bouvet, because we are based more on, really typical Scandinavian, very social-democratic, very flat organization, flat hierarchy, and we are not going down on personal bonus round and that kind of stuff. We are more like sharing things more equally. I think those kinds of things are also important when we are going out and selling our services.

- How flexible you see this culture of yours when consultants are facing different cultures on the client's side?

I think everybody, every consultant that starts to work in Bouvet, they have different backgrounds. Some are coming straight from school, some have maybe worked for 20 years in companies somewhere and never have been a consultant before, and others are coming from consultancies. So I think we have all different backgrounds, and I think everybody kind of coming here with a different view of what does it mean to be a consultant really. So, everybody here goes through kind of consultancy course, where you learn to be a Bouvet consultant. That is more like where we train them. They get a course from CEO here, and he talks about what it means to be a Bouvet consultant, what kinds of values we have, how you are conducting yourself when you are in the clients' premises, and like how we are talking and things like that. So basically that's the typical training that we are doing and also trying to portrait that and communicate that on a regular basis. It is like very, if you are a [Bouvet] consultant and you were working in BNM for years, you get

kind of like used to be there, so I think it is important to never forget that you are a consultant and you are a guest in the client's house.

- How do you think about a relationship that client just defines the outcome, and the vendor will give a proposal about the way to do the job, and in the end, they calculate the expected outcome?

That's definitely something that we are doing from the lessons we have learned. Whenever we finish a project, and a consultant is coming back because he is finished at the clients' project, they will write a report on how everything has been going, what they have been working on, what they have been learning, and stuff like that, and share that with the rest of the team. We also do, not always, but usually, when we do projects with the clients, we do a session together with them to look at the benefits realization. We discuss this was the initial scope, this is what we said we are going to deliver, and this was maybe the changes, and there is always change along the way in the project, so these are the changes that we had, and this is the outcome. And we have like doing an assessment with them about the overall project, and how happy they are with the project we did together.

- which party is deciding the way of doing things? You or clients.

That is very different from case to case. I think sometimes, or very often, you can clearly see that client is a bit unsure about what they want and how it should be delivered. Therefore, we always have in our offers like a bit on how we have kind of understood the task, and how we would typically deliver such a project based on our experience. And other times clients really know what exactly they want, and they say we want you to do this, and we say yeah fine, we agree and we will do that. I think, usually, in most cases, we will make a project proposal in the initial offer, and that will, of course, be a very high level. Because in that stage we will usually know, we won't know all the details, we have just the basic idea, and we can base that idea, our input and experience, and stuff like that together, then we say that of course if we are chosen to do this project, we will come with a more detailed proposal down the line and get started.

- What are the strength and negative points of CaaS?

Strength:

More flexibility for both client and vendor

Stronger training possibility, and stronger learning possibility here in vendor place and in the project at the client that keeps competency at home in a much better way

You can deliver more value over time, much more than you can with the traditional consultancy

You build stronger teams that work together; it's easier for the client not to use much time on their administration of peoples [consultants] because we handle it for them

They don't have to send proposals every time when they need something new

Drawbacks:

I only see benefits. I don't see any downsides.

- Do you invest a lot for becoming able to do the projects you have?

Usually, we do not invest a lot. Maybe sometimes someone has to take a course, but we usually do not have so much upfront investment.

Interview with E2

- Can you tell me about your position?

Business consultant, Team leader for software development in a client.

- What are the aspects that are most important in the marketing?

I was consultant for two years. Before I was rather on the customer side. We had couple of consultants on my team before. To me, as I said, I'm not the marketing person, but of course, it's a key question and a key aspect to describe what's in it for me to the customer. Also, what do I miss if I do not go for this service? And how does going for the service impact my business? Do I have to change for it? So this should be maybe not everything in the first approach of marketing, but these are the questions I think the customer will have, and it needs to be addressed in the

marketing of things, say as a service. What is impact on my business? Do I have to change my way of working in order to get the most out of this service I pay for?

- You said about change of working, do you think it's a good thing, or it's something that company tries to avoid.

This is also a question that I also have here in my preparation that customer was asking do I have to change and is it good or is it bad, so is it rather an escalator for me that is forcing me into a better direction. I think I would say it's a good thing. It's usually when you go for a new service model, customer has change as well, which I would say it's a good thing.

- So you think clients like changes?

I wouldn't say that. But this is an aspect which needs to be addressed and also an aspect when you start as-a-service, I'll go out to the work with such a new model for a service, the clients, they would rather have a transformation period, so this is I would say [up to the] type of customer, but some customers are willing to take the risk, they say OK just we do it as a switch and then go for it. It depends on the company, on the customer, is it more traditional big company or is it some, young fresh/old fresh people who are willing to try something new and say OK, for my recent experience a drastic change helped me better, even though it comes with some turbulence, but it depends. It is important to find out who I go to present this mode, what kind of business I am going to acquire as a customer.

- What do you think are the main demands of the customer from consulting as a service?

I think they would like to have limitless flexibility, no risk, and they would [like] service to be scalable and to adjust according to change of scope, etc., and of course, they always want to have the best. So up to date expertise, even not up to date, but upfront, so. And maybe smaller things but I want to say they don't want to waste time in handovers. Because when we talk about as a service but they are people behind this, and consultancy is related to people, and when you have knowledge exchange, they don't want to pay for the handover in between roles or positions or people. So this is like hidden costs, this is maybe nothing to the front but this question I think would come soon. Rather or sooner, they will call OK how do you, how would it look like in reality.

- Can you open the handover a little bit for me? Because I didn't get it completely what you mean

I understand in consultancy as a service you have a service described, but service is provided by more than one people, by more than one department teams and this are people who need to know what's going on. And when you want have to have the scalability, and want to adjust the service they are people involved, and they have to introduce the work to new people. And this is, it takes time. Otherwise, you will have, or everybody who's involved into service is needs to be included all the time, which increase the cost for the service drastically, and it's not possible I would say. But to keep them, to put them like, how can I say this, there's a requirement in the service. I need one to join in, put them to table.

- So you mean it is more people involved, and it takes both more time and more money, and clients don't like it that much?

Yeah, All you have yourself, and to use it, all the spend would be higher, when we go back to pricing, etc. this is like hidden cost, the handover cost because it is not directly productive and this should be as small as possible, and this is a question to be answered, when you reach out to customer, who would [ask] how does it look like in reality and it sounds like very nice and easy but describe it how it will work out in day to day business. So be transparent is another aspect from provider side.

- What do you think are the main challenges of introducing as a service to clients; what they may be a little be conservative about, think about it as negative

It depends. If you want to have a long term service or short time service. When you have two-month, three-month consultancy, then people go in and out anyway, if it's three or if it's ten, this people are not, they do not get very close to the clients. To me it's not a very close relationship, it's a consultancy, it's OK you do your project, and you go out. Not very much interested in a very long term relationship and to me, it doesn't matter if it's three person or if it's ten persons.

If you are interested in a long term relationship, then it's important to build up also this relationship which, how can I put this, it goes all back to this, they are people involved, so I am not marketing person, I rather to look in the softer side, and it all goes back to change management if you want to introduce a long term relationship, then there is changed involved, and we had this topic before. If you have a client who is fine, just jump in and I will try it out, and I will cope with the change,

just by going. But other clients or customers who would rather to have an introduction to have a smooth transition, starting with persons involved into service who are more cross-disciplined, rather than having ten people who are very specialized in the topics and have a portfolio of the persons. I would rather, in my point of view it's better to start with persons who have a broader experience, maybe not as deep, but as an introduction to reduce the number of people involved, and I think a tradition of company or tradition of set up can more relate to this, this is my personal point of view, and not make it to something to talk to all this.

- What do you think are the main factors to consider when a company is in transition?

There is also a perspective to take from the provider, what kind of changes do they have to deal with, also the way to communicate, how to make sure that the knowledge exchange is effective, the planning of the flexibility in the planning is given, and this is, it's not that you assign a person and, so you assign a portfolio, and that's also a challenge to the provider to deal with. And it is usually, many things go back to communication between client and service provider but also in between amongst the team members, and yeah.

- How do you think CaaS affects the department you are connected in the clients' company?

If it's a department is mainly consists of consultants working on a project, then it's rather to me an outsourced department. It requires lots of trust to leave them alone and give them the flexibility required. But one challenge I experienced or I would see is that still these group of consultants are not taken as part of the business. It is a typically consultant issue, I would say, they are treated differently, so that's why the service is impacted by this, and it's the same thing when they are integrated group of consultants in a group of permanent staff. For me the main, most important thing is to be productive, is to try to integrate these consultancy group as close as possible and do not treat them as a service, as an outsider service, this is not just provided in consultancy as a service, I think this is a common challenge for consultants, I have seen both perspectives, from the customer side I was always trying to get my consultants as close as possible and treat them as permanent staff, and exchange as many information as possible, like building on the trust between provider and me as a client.

- Do you think when you are working as a CaaS, have you experienced a change in people you are working with?

I am not really sure if I get it.

- Let me explain it like this. I say when you want to just send one consultant to another company, it may be an IT person, and just, for example, you speak with the IT manager, but in CaaS projects, do you think more people from different departments are going to be involved in that work. Or is it just IT people.

I can speak from my current experience that IT is still very often taken as a service in the company itself, but you as a service provider to an IT department are necessarily connected to the client of the IT department that they deliver service to, so that is a change of chain of people involved and it also comes with more than one key contact person or boss or whoever that is saying “OK this is my priority.” Several people with different priorities you have to deal with.

- Do you have any idea of the main pricing strategy of CaaS?

I have never done pricing, so I can comment generally. So one thing to consider is you as service provider take most of the risk in the service, so you have to deal with require flexibility, you have to deal with changes in scope and be very close up to client’s need, and you have to make sure that flexibility to the client is given and there is no gap in the service delivery. So you take a big risk as a service provider, and this should be reflected in the price. So I would rather tend to have a higher package price that would be based on our. I know there are various type of contract models, but I’m not the one to talk about details. In your question it was mentioning competition-based, I would not recommend it, because then one thing is I still hear if we come too cheap, you are not seen as expert enough, you are not worth that much, which is not true I would say. I would rather go for good prices and give some extra in it. So this is in addition to this package you will get something extra. But like this, we just do not have a certain pricing established which also could be taken for the next year and we do not have to adjust it because it was too cheap, but rather to have some extras in the beginning as an investment in addition to the service.

- So you believe that price can be some kind of anchor for evaluating the quality?

Yes.

- What are the current areas Bouvet has considered about pricing?

Customer value-based is very risky because how do you measure the value given. Because there is a value in the flexibility, customer gains with this is kind of service more. With this scalability, how you price this as a value given to the customer. This is just a question I can raise, and that's why. I worked in service department, and this was for an IT, and it was always difficult to measure the value of an IT department or a data management department can give in quality enhancement. How you measure raised data quality, it's a specific example, and then how you measure and how you measure the value provided by your service, and this is usually underestimated because it comes with a way of servicing.

- What I get is you mean there are lots of hidden values that cannot be evaluated?

Yes,

In addition, when you go cost-based, there are lots of hidden costs, which makes it risky to measure the costs. As I said, you, as a service provider, take the risk of providing and the handovers. These are the costs to me. Which also makes it to difficult to price, and that's why I'm not in the pricing department.

- How does the risk liability change? From what you answered before, I think you believe it moves to provider, is it right?

Yes, especially, maybe the risk, in the beginning, lies a bit in customer side in order to get used to this kind of service, but the longer the service is established with the client, I think the risk with the client is will drastically reduce.

- From your experience of working with clients and Bouvet, what do you think about a cooperative pricing scheme that both companies give their cost of before CaaS, and provider gives the CaaS costs, and based on that margin, they share the profit between each other and get a long-lasting relationship?

I love the idea of sharing the profit because it attracts both sides to work productively. And by to compare the value gained with the different services, it is difficult to compare since we talk about extras in as-a-service model. It can quickly be comparing apples with pears, and that's why it's a just virtual profitize, and it's not really there. And the one you gain is less or more, so it's difficult to compare, I would say.

- If I am right, you say, it is like the value everybody is bringing on the table cannot be priced.

Yeah, It is difficult to be priced, and it comes with uncertainty. I know that other consultancy service models also come with uncertainties, and calculating the value gains to me, to put a finger on, is difficult. But to share the profit I would say, it would be in favor of both sides. Good work is done to put simply.

- How transition to CaaS affects the costs of Bouvet?

You mean the cost for Bouvet?

- I am asking because I see two sides, and don't know which one is in the projects. One is economies of scale that you can a consultant for several projects, and one is you are taking risks, and some project management costs are there.

They have service administration costs, which is project management costs, which is higher than more traditional service models because this portfolio of consultants has to be managed. On the other hand, I would say if this runs very optimal, you have the benefits, you have experts can be put in the projects, and you have the flexibility, and not putting a senior in a position that can use the seniority like 30 percent of the time, and rest of the time he is doing junior work, but I can use his expertise in another project, maybe, I'm not sure how Bouvet looks at this, because I'm not long enough in this company, or I haven't worked enough as a consultant, but as long as the expert is paid they may don't care, but I hope they do care, because that's a matter of how you consider your consultants to be satisfied with the work. But with its costs, it's difficult. Yeah, you have and admin, but when you can use the flexibility and the portfolio you have, you provide as a service, and you actually may cover more clients and more projects as before, because you are not just blocks of services, but you can distribute it better, but this is a very challenging job I would say to manage this portfolio and if you are good at this then I can say you can use your consultants more efficiently and then for yourself it's cheaper.

- So if I'm right, if company can use consultants in a more efficient way, it reduces the cost. If it's not that much efficient, it will increase the cost.

It doesn't necessarily reduces the cost, but it increases the gains.

- So when you consider the gains to the costs it some kind of reduce the cost?

Yes

- What do you think is the most important factor in business relations?

I would say it sounds big, but it's trust, transparency, and communication.

- What is your main strategy in your relationship with clients in Bouvet as a project manager that I think you are connected with the clients a lot?

It's really important to really understand the clients' perspective. This is my approach. What do they really want, what they may not say but what do they actually want. To invest and investigate this and spend time on it. Not only in the beginning but also throughout the service, which comes with close communication but also gaining some behind the scenes inside, if possible. This is easier when relationship is based on trust. When they are very open, when they share you information with you as a consultant whether it is a consultant as a service, I think the closer this relation and the more open this sharing is, the better this service can be because then we do talk business and just not hiding things from each other wondering what the other side is actually after.

- Do you think this is the main difference of Bouvet with its competitors or what you think are the main differences of Bouvet with its competitors in?

I experience Bouvet as very close to the customers and try to provide tailor-made solutions, which is not always the case when you deal with other consultancy companies. They have a portfolio of solutions and just pick one, or they pick one according to a checklist. You have this big firm as a client and Bouvet experience as a very tailor-made solution for each client as big or as small as you think of. This is what I really appreciate and think is a good way to go because each client feels that I'm not big enough to be interesting for you enough to get the best service, to get a service for my needs. So this again from my previous clients' perspective, you feel when they say one of the big ones is coming, oh yes, they just select a solution and, here, go with it, it probably will fit you, but for Bouvet, I would say they're very into this. OK, we go to client, and we listen, and we know we are a Norway company, but this comes with a plus that we know the environment we are always much better.

- How do you adjust the flexibility of the company culture when you are in relation with other companies? How flexible you see the Bouvet consultants

First of all, I would not say a company culture should be changed. If a company culture is not ready for it, then it's something wrong with its business model. If you have to change your company culture in order to provide the service you would like to provide, then you need to think about it. Maybe there are some aspects that you, as a company, need to strengthen in your culture or put first in your culture, but what it is, let me think a bit.

Let me put it this way, what is seen as flexibility, can be different things by persons, and by the experience, we are so distributed in different companies, to different clients, then we use the same words, but doesn't necessarily means the same, so in for this flexibility, what does it mean is maybe different for each person, and that's why I hesitate a little to answer this question, but I think Bouvet in itself have the experience, has the flexibility to provide the service. But, one thing we are very much department structured and now, Bouvet started looking into working more across departments, and this is essential to provide such a service because you cannot provide consultancy as a service with a broader perspective when you just have a department only with business analyst and project leaders and business consultants, but we are talking about consultancy not only about business consultancy but also with IT consultancy, then you need to work across departments and share also resources between departments and also Bouvet done a step or more steps into this directions, and I can speak from my own experience since I'm doing some work with another department and my team is actually build of all kind of consultants from all different departments, so this is, Bouvet can do this, but this needs to be more fostered. This service model deals with consultants out of several departments, and we can be easily picked out as overhead part to get this portfolio working.

- When you are going to other companies, how much you think Bouvet people can start cooperating with culture of that company and not make some communication problems.

I think it depends from person to person how do you experience people. The person/group I'm talking to, is this my client or is this my coworker, and we want to get things done. Is this your first perspective to OK we are working together, we are working for the sake of the project or is it really the client-customer/service provider-customer relationship, and this is the very first perspective you take. This is completely different to me; different levels of efficiency comes with this. When you are just client-service provider then, you think about this first, but not for the project, which may be, a manager has a different perspective to but, I was working in many projects

to get things done, and then shouldn't matter that much, whether consultant or a permanent staff. And this is my personal approach to talk to my clients, but this is not always appreciated, so it depends. If the client wants to have this, you are my service provider, and you deliver a service, and this is the main aspect, so which kind of perspective is taken, that depends on how you, the similar approach to deal with appreciated so I can't say I have the best solution. Because I experience that my way of kind of is just do the job, it's not always appreciated.

- Based on your experience, what is your opinion on an outcome-based outsource relationship that the client just says we want this outcome and provider gives a proposal about how to this, our expected result is like this, and cost is like this, not like the old version of how-to from client.

To give the service provider the flexibility to do the job sort of as I think it's the best, For me, it's a good solution, and it also sort of freeze up the client to bother, but it comes of course with a need of a very clear expectation, what is the outcome supposed to be, is it supposed to be certain product should look like this, and this and this and this, and very specific or is it a functionality so is like this, we need something that could do this, not I want the product that look like this and this and that, but whatever way to go in describing the expectation and outcome, the expectation should be clear in order to make this working and avoiding disappointment.

- So if the expectations are clear and the standards are chosen cooperatively with the vendor and clients, so do you think this can be a good model?

Except this criteria are clear, and also it's clear that how successful outcomes are measured, then I would say it's to the benefit of the client to leave the solution to the service provider because in case that you have a very good one and good service provider, they are far beyond others, they may come with a very smart solution that you never could have thought of as a client. Because you hire the experts to get things done, maybe you don't know about the details [of] how to solve it. That's why you hire people, not only because you don't have enough time to do your job yourself, so when you just limit service provider to your knowledge, then you don't gain knowledge.

- How do you describe Bouvet communication, your communication as a project leader with the customers, the clients that you are working as a service?

Communication could always be better, and it's still as always been the weakest point, in working relation, not only among consultants and clients but in general. I myself try to be as open as possible, but sometimes they think we should not communicate it to the client, I'm not the best in that, just be open to you, but I think very open communication and understanding what each other's perspective are onto this approach, onto the service, onto the solution I want, this is essential to have an effective and productive relationship. I would, in terms of communication, when you turn that into meetings, because it was mentioned in one of the sub-questions, I would rather go for productive problem-solving meetings, which isn't, I mean not status meetings, where reporting is mainly done, but doing hands-on meeting where problems are solved. Status can be provided as a put it information like OK put it here, on a website or whatever solution, but not to reduce meeting on problem-solving on hands that also helps, I think it helps to improve the relationship because you are not two sides reporting to each other, but you are solving problems together, and that makes it a closer relationship. The status you can put it on a dashboard or provide as a put it information.

- Is it the way you are interacting with your clients here in Bouvet that it's more constructing meetings?

I still have some status meetings, but we are continuously working on reducing the time spend on providing status and rather just talking through things like OK what are the next challenges, and how to solve this, and how to prioritize and how to solve this, the things related to this, instead of just saying the numbers, or viewing the statistics, OK that is our progress, this can be if wanted, we can provide this. Like it's said in the dashboard, but what is actually behind this numbers, what are the challenges and use this time productively. I try that, and as I said, I work as a team lead in software development team, where we have very close relationship to our users, to our user representative, to our product owner, so we talk each day several times, we talk, we use things like slack, like sort of permanent chat into action with the users and with the product owners and this is essential when so that's why I say we are in a good way with this.

- How do you think customers feel about this meetings that are more productive meetings than just reporting meeting?

It depends on who you are talking to. Are you talking to people in charge of the project, driving the project, I simply say getting things done, or if you are talking to traditionally management and

they now have to get status, and this is what they need as input as well, and this is necessary to a certain extent, but, you have also in management, you have different kind of people, who expect status or, I also experience that people in the management are people involved who rather to talk about problem-solving or want to be aware of the details, not what's going on but how can I help you with in order to drive the project faster. So this also more and more managers see themselves a lot like I need to support my department in order to create the best work environment to do the best job, whatever. It depends, so it's both.

- Based on the projects, like CaaS that you have now, how do you see the possibility of having a long term relationship with clients that you continuously get projects from them, is it most of the time short term projects in consulting as a service or they can be long term relationships.

I think the benefit of consulting as a service is actually that you can use it as a long term relationship because as a client perspective, you can adjust, you can scale up and down, you can adjust the scope and still get the right people, so you don't need to go into a new contract or negotiation phase with another company, so you don't have to change yourself so often, but rather you have a service, and this is adjusted to your needs. So I would say it is the benefit of and you gain the most as a client from a long term relationship. If it is a short term relationship, you gain something, of course, but I would not as much as you would gain from the long term relationship, because there I would say lies strength in as a service.

- What do you think are the strengths and weaknesses?

Strengths, Service provider perspective:

Put the right people into the right places, and do this as flexible for yourself to deliver a better service. I would say because you can really tailor the consultant who is working on the project. I would say that this is strength.

For the client is you get all the flexibility, and you can change your scope you can adjust as you want to, and staying at the best possible person for this particular demand you have

Of course, the weakness is you have to change, that you have as client you experience not one person, not one individual, you deal with a portfolio, which could also a strength if you are not interested in working with people [kidding], Haha this is not my point of view,

The weakness from the service provider is you have to deal with portfolio administration we have talked before, and this is not an easy thing, and also you tie a lot of people to one service, and this may collide with other service models that you provide to other clients, so if you have different service models in your company that one is a portfolio based (as a service) and one is like individual-based, then it can collide. So the availability is not given all the time. And again if you can't as a consultancy as a service, yes it gives you a portfolio, and not individuals and this is a weakness because we are all humans and we better relate to faces, to people we can work with well, and not with a portfolio which is still individual, but we never have met all of them. To me, it's a weakness because it's not a working efficiency; it's a lot of things goes as we are soft things, I would say, and it has a big impact on productivity as well.

- So you say the soft thing is more productive?

No let me put it this way, when you have one person, one consultant, you can really work well with, and who has a good attitude and you can, this can maybe compensate he is not the expert that you are actually looking for, but the productivity, in the end, is higher than when you have an expert where you put hire him for at least possible time because I can say, I got this expertise, I buy and I pay for it, but I do not gain something in addition to that, I just gain for the expertise. But when I have a person who can relate to you can gain more than expertise. And this is different when you deal with portfolio, maybe you have the chance to meet people you can work with, the chance is higher, so it's not yes or no, but it's yes-no, yes-no, but it also has disadvantage, because when you say as a service, it's a group you may never see as a client and I'm not sure that this is always the most productive approach. Because when you have a person who wants to work via relations to people then it's not sheer solution, but if you are a company who relates, OK get the things done, I just get the result, and that's fine with me, then it's an outsourcing approach, but if you want to have this consultancy as a service partly integrated in your company, then it goes more into the direction that you need to relate to the people providing the service. This is my perspective, and otherwise, you just say OK, sort this out and get the product, and then it doesn't matter that much who you work with.

Interview with E3

- Can you please say your position in the company

Yes, I'm a sales manager in Bouvet Rogaland, locally here with this origin.

- How you decide to whom offer the CaaS?

They have to have a kind of volume in the services. We have to know the customers before and has to be a good relationship and maybe long term relationship. And we have to think about the customers strategy about how are they mature to take into those kind of services and how is the people in the leading positions and what we know about them, what we know about their attitudes. So I think that's the main ones.

- So you don't offer it to new customers? Should they be established customers?

We can manage it as a service, but you have to have some trust before you enter those kind of [relationships], you have to know the customers. And we have also the big companies in the area, so we know where to call with the message.

- What are the most important aspects in marketing of CaaS?

Often you need the several services, several knowledge competence areas and you don't get it with one person, that's costly, and the need is various in timeline and to have a team that is led by someone understanding the customer to bring the right competence in the right time, that's vital in order to get every answer to every question and every aspect during the timeline. It's very effective, but what you need to have is to gather all the information and learning from all the projects, and in order to do that, you need to summarize and gather all the information. That's not simple if you have many different companies which you have one role there and one role there to gather the knowledge. If you have a scalable multifunction service, you can both be effective in the use of competence and also and a lower price doing it and then can gather all the information and knowledge.

- What do you think are the main demands of customers from your as a service business model.

Main demands. They have to trust us, they have to be mature and be able to buy such a service, on their side, they have to know what are they expects and what their roles are, be clear of all that, and I think they would make sure on efficiency and have a stable team for different subject areas so don't change person all time but if you have filled the curve with the needed competence. It's a

field about being efficient, competence stays at the company and if our people are working as a service not being individuals playing. They have to deliver models that taking into account that this is a service and they have to have a manager so it's the leader from their side, a product manager or whatever you call it, so one service manager from our side and they communicate and do the necessary things to do the service.

-What do you think are the challenges of transformation to as a service in the client-side?

I told you before; it's the maturity from the customer side, maybe the procurement department don't understand, they want to do the old way seeing CVs and seeing prices and that. That's a common obstacle.

- Do you have any idea about implementing the project?

You have to be aligned to what the scope is, how the collaboration situation is, meeting, strategic meetings, operational meetings and it's new for both parties, we have to go adjust it when you go through timeline. It's the increase in the maturity of both parties in the run. Also you have to see the expectations in each part and align that, so we are talking about the same thing. I think that has for the new customers it is an exercise.

- What's your idea about changing when they get CaaS, how have you experienced the change that they have to go through.

The stakeholders who wants the consultancy as a service, he's Ok. He understand why he is doing it and what the benefit is, for him to explain internally that why they are doing this and keep the procurement that might not be easy.

- How does consulting as-a-service affects the department you are connected in the clients company.

We have regular meetings where we estimate the need for the next period, and often that comes from us. We know the situation as well as the customer while we've been service provider for a time. And together, we plan, we see the trend in the workload, the competence is needed when, and we discuss that, and we take actions to make that happen. This is both up and downscaling different competencies that actually we say one of those and one of those are not needed anymore and new plan as an operational subject I say. More than when you hire personnel, customer says I

need that one this competence, I want this competence is available from two weeks from now, and then you define the right person, and if you are communicating now we then can see that in a longer terms of time that we can plan for getting that competence maybe with one or two people sharing it, so hold it for the whole game.

- Do you experience that you have to connect with different people and just satisfy different stakeholders?

Yeah, we have a steering committee with a manager of here and manager of there, and we have operational meetings with stakeholders and our service manager and delivery manager for that delivery, and we have also team leads talking to team leader, maybe to the stakeholder as well, he is involved in two meetings, but we have our own team lead, our delivery manager, and maybe general manager, in the strategic, operational and daily meetings.

- Do you think it is harder to satisfy the needs when more people are involved, or it doesn't matter?

No, it's Ok, you have maybe two or three levels. It's people who talks very seldom at top level, that you have just an overview of the situation, are you satisfy, are we spending with your money, and are people happy, any obstacle in the cooperation area, those kind of questions.

On the monthly meetings by stakeholder and service manager sit and look at the backload, what's important to do and take care right now, it's there any upcoming time issues you have to plan if there is planned from customer side that we have to be finished with something at that time or we have the extra support in that area and discuss those kind of things.

- How the transformation to consulting as-a-service affects the marketing department and your sales force?

Bouvet has a culture that we are very proud of and was reason to a lot of wins and to enhance. Each consulting working for Bouvet enters a consulting class, and it's not more than a half-day or something, it's about how to work in teams, combine teams in combined teams, how we scale up and down, how we want you to behave, how do you collaborate, sharing the knowledge, be helpful to other and to work as a team, even if you have a cross-functional team you have to contribute in directing the customers and also within a team. That's one education to work in those kind of

teams, and you might change teams because if you are scaling down certain competence you go to another place and you may come back, so you have to deliver all your experience, all documentations to deliver to the team before you leave. So that knowledge stays at the customer side.

- How is your department being affected by CaaS?

We have to make a concept with selling points and pitches into why they has to do it this way, and we have such a meeting tomorrow with X (company name omitted due to anonymity) and telling them about the benefits of doing it this way, and maybe also look into contracts, so that they would reflect the responsibility of both parties and how is your work together, we need to adjust the contract a little, and we need to look up into KPIs if that's necessary, KPIs are often based on regular teams, and changing, and a swift scaling of up and down. That's the main thing and also the collaboration part and also reporting and documentation and that.

- What do you think are the main pricing strategy and charging scheme of CaaS offering?

We usually price it by the hour or by the day, but if it's a big contract, we also take a baseline or amount for handling the service as well. Because you have a service leader who is not 100 percent working with the staff so he's an administrator and that might have a baseline. else is mostly by the hour.

This time by the hour that you charge, if you imagine a line from value-based, to the competition based, and cost base for the company, where do you see your pricing on this line.

I would say it depends on the how mature the customer is in the situation of the contract. I think if they buy our arguments, it should be an ordinary price by the hour. You can raise the price with the package because it depends on the organization; the customer side has two ways of the looking at this. One part is looking at the price. The other part is looking like 70% on the delivery and satisfactory of deliveries and the price. So we don't have a rule for this, it's a gut feeling besides.

- What are the main criteria you consider for the pricing?

It's the customer commitment to the way of doing this, is one part. The volume might be, and also if the customer is in the business that we want to develop product, might be, come into a new business area, a market area, so it's strategic pricing, each time, but we are looking to those criteria.

- When you compare your prices with your competitors, where do you see your prices?

Our prices may be on the line from zero to hundred on 40. We are average, slight below average, I think. The reason for that is that we have low cost, we a Norwegian company, we don't send the money to other countries, so we have slim organization, we don't have so much common cost. We use the price as a winning strategy when we need to go in a long term relationship with a customer in an area that we want to explore.

- How do you think the price amount being high or down affects the perception of customer about quality of your work.

You have to have a certain price to be taken serious, so we have to look at the going prices in the market, we don't have to take that, and I think our local market knows that we can do things in a good way. We in the last year have increased the prices, and they accepted that because they know that they are getting good service and solutions. But as you said, we have to take certain level to be taken serious.

- What is your opinion, about a cooperative price scheme that you and your clients, you bring honestly your costs to the table, and you will share the surplus with each other

We don't. We are familiar with those kind of, that's more for short term hiring personnel companies. Which have, not employed the consultants, define them, we have a cut, we have to tell them about salaries and the costs related to the consultants, and then you have a margin on top of that. That's not the way we do business; we don't bring those numbers to the table.

- How does the risk liability change by the consulting as a service?

It depends on the contract. Sometimes client has a contract, and they use their standard, else we can use our standard. We have more responsibility than the consultants hire. We are, we have to status on the project, we have to deliver, it's our service, and we have to deliver when they need it. So we might have a liability of getting the right people and competence when they need it. That's one, and we also have to follow up the service, apart to the how long have you come, what's left, time, and also the budget. So when you are hiring a person, it's just that person, if he behaves well, and if have certain competence. And all the rest of the risk is not on us. And now we have

time issues, we have cost issue, and we have status and documentation reporting issues. That's new in the service.

- Based on all the factors now you named, how do you think these affects the cost of Bouvet

We don't care so much about the cost. We care about having a predictable market, to lock the customer into our service and long term security for our people. I think that's the most important for us. And the costs and so, we might get paid for some of it, as I said for those leaders may be, and we might discuss to split the cost with the customer, but I think the efficiency of working in those kind of teams in service, the benefits is most on the customer side. It's difficult to price consultant as a service with a fixed price, so you have to use by the hour or something to match with the volume. But we often have a high grade of invoicing per hour, so we get paid for each hour mostly.

- So what you mean is when you are selling one consultant, their hourly rate is a little lower than when you are selling hourly rate of CaaS?

It depends, we don't have a formula for that. We don't price it as strategic so far. So we estimate the hourly rate, and we estimate the administrative cost to have the service going, and we use one of the baselines + the hourly used, so it's rather similar with a fixed price.

- What do you think about if you put away all these pricing schemes and get into a result-oriented pricing?

We have that profit and loss sharing mostly in development projects, not so much in management services. We have thought about that, to mixture the value with the customer and to take part of certain value for customer in certain volume. But we haven't come with it yet

- So have you thought about this?

Yeah, when you go into the service, you often sold in with the value position, and when you are done, you should measure that. Maybe in front having certain compensation story attached to it, but we are not there yet.

- What do you think is the most important factor in healthy relationship?

You should be in a customer's chair, to feel you are in the same chair, same nerve, you attach to his nerves, he is happy, you are happy, he is crying, you are concerned about that crying, and if he had problem with time issue we would pull in, and we will discuss it, and open dialogue, all the problems, all happy hours, and discuss, be team while solving problems or celebrating the success. That is the main thing.

- What is the main strategy of Bouvet in the relationship of its clients

The major is long term. We seldom leave the customer that we have made a contract with them. We stay either in that contract or similar contract with the customer, and the relation is very long term based, and often we are most able in the on-board of the customer than themselves, because we are fluctuating people, changing position, leaving. And we are having a service, all together, call information, and we have a historical view of the customer which often is better than the customer.

- What is your main difference when it comes to relationship with clients

I think we do our utmost to fulfill the customers' need and expectation. We do not quirl about the contracts and general conditions, or if we use more money on the contract than we should, and swallow that and put it in the account for long term relationship. As we deliver services, I think we are one of those in this area that are best in delivering services, so we have advantage because of the dialogue that we get when we have a service, more in team dialogue, what more brings on the table, what plan is on the table, more like a partnership with the customer, more than when a contractor, so we come underneath the skin of the customer in a good way.

- How do you adjust the flexibility of your company culture in relation with your clients?

We have often the customers at the same team as our own people. So we have gathering for the whole teams, conducted by us, it might be football matches, or a dinner, or hockey, or team meetings, where the combined team is having social activities. That's one thing. The other is with the customers with a strong culture, as C1 for example, we have a class before the project or the service, what you call it rolling in class or something, here is the rules for the customer, here is the attitude for the customer, here is how we work with the customer, how is the documenting here, this is the time at office, all rules, so that's more the hard facts in the culture, but when it's a soft thing, how do they act as person, do they have tie or are they relaxed, do they like that grab some

little shift breaks during the day, do they not like that, all kind of stuff, do you surf on the internet when you sitting there or not, do you attend the coffee breaks, try to get the thinking and act as if you were included in the culture.

- Do you need is there any room to get better, do you see any lack in this classes that should get better.

You can always be better, but I don't have certain points on that here and now. It's a good thing to know your own team from your own company, you sit with them and to ask them what's important then and what's their experience with the customer, maybe we should do more of that on that kind of stuff and be more certain on that.

- What do you think about outcome-based relationship when you and the client decide the outcome, how to evaluate the outcome, and it's you who decides on how to do the project and gives a proposal.

We have an example here. We have the service called "oil trade," the whole operation in C2 from our system from when the oil comes up to when sold and paid to the customer. There, we are sitting with the budgets, excel files, looking at the amount needed to do and combine with the backload which is prioritize, what is important or not, and we tell the customer, Ok, in two months we need to strengthen the user interface guys with one more person there, I think that last for two months, but we can cut down in one section because he is finished now, and then reduce the cost there, that's my idea, and that's the reason why. And then they are Ok, and you have a good relationship, and you trust each other very much. That's the consistent we want to come. They will have easier day if they trust you. You need to grow up with customer and you need to prove it maybe several times that you are a good man and what is the best for them.

- How do you describe your communication with your customers?

It depends on the project. In scrum project, we have daily standups, without the customer may be, here with the team lead and the people, and then once a week we have status meeting, or we have sprint in every four weeks. We show, Ok, that was this period, and we deal with so and so, and some prioritizing has to be made for more of this, and next meeting is in four weeks, and we plan to fix those issues. That's maybe one to three weeks maybe. And we have strategic meetings, relational meetings, maybe per quarter.

- So, about this kind of meetings, how much are constructive meetings, how much status report meeting.

Mostly it's operative as in planning. Of course, it's your status and status in certain areas, but it's, how are we working together, and the relation things, and also the planning for the next period, how is staffing situation, what competencies needed, do we need to get more competence, do we have to deploy more people further in that area, and discuss the leads in the market.

- How do you see the possibility of having long term relationship?

We try to make the customer to sign a master agreement. That agreement says that you can buy projects, services, and not so often hiring people because that is always on the competition. So, it's mostly delivery agreements which are attached to the master agreements. And each delivery agreement might be the "oil trading services" as I mentioned, and where you have the specific things, contract line for that area in that delivery agreement. The master agreement lasts for years, maybe six years. And they try to see all the delivery agreements as a long term contracts as well and might try to adjust the ending dates of the contracts, but the projects are to be stopped when they are finished, so they have shorter timeline.

- So how the flow of projects is after each other when one is finished.

Most of our delivery services is long term, is maintain, is managing system, because you make the system, then you manage it, you support, and further development, so you go down in the man-hours baseline, and then there comes projects into that system. So that's known that we have a team of maybe 3 – 5 people as the baseline, and more people walk in when needed. Then the beneficiary of having lots of delivery agreements, we can throw people between delivery agreements and make it more effective for the people over there, and then you don't have to get them into other customers, so you don't lose the people, and you don't lose the customers.

- What do you see as strengths and weaknesses of CaaS?

Strength

You have a very tight relationship with customer in long term.

It's based on trust, and you can get to know the customer in a good way.

The people working in such a delivery are happier than the working in customer-led delivery, I know the people, they know their boss and traveling with the boss, and waiting with the boss, and that's a good reason.

We had the opportunity to look into the customers' plans, so well positioned, for new ventures for the company.

In the negative side, we have a liability we have to fulfill, but I think that's something to do to make noise, and that's a good thing after all. It's the other side of trust.

If we can choose, we will convert all the time and all the hiring contracts into service contracts. We can also bring people in here. You don't have to show each time what you are selling and scaling. You can put someone there that maybe is not so fitted to be led by the customers themselves so you can hide people who don't have those skills good enough but they are brilliant workers themselves, so many positive strength.

I don't see any negative things. It might be hard to sell in for the first time, you may don't have the trusted relationship, but when you step into the collaboration, only benefits I think.

In the following comes a short sample presentation material that the case company will present to the potential clients

Manpower, manage project, manage services, and partnership

And you see the partnership you implement initiatives and certification processes you need to get people certified in something, do we need more of that competence, how you plan there, and you are working as department of the company more or less.

Management of service we talked about that, KPIs, self-sustaining improvements, and effective delivery models.

We see that the trend is rising, we have highly satisfactory rate when we ask them in surveys and they are more happy.

- How do you think the telling success stories of other customers, especially when they are well-known brands, like C3, influence the acceptance of the model?

Of course, it's a good sign that other customers and maybe leading customers have experienced a positive thing with that service, and we have excellent survey result from C4. They said the way that service is constructed and performed is excellent both, and the value for the customer is also high rate. We mention the successes to the customer by showing them, and we are allowed to do that

Agile is a trend, flexibility, dynamics needs for capacity. This is example manpower hiring, hiring these people but the need was changing during the period, so it's simple to adjust it to real current need [in service].

Scaling, in this situation, CoVid situation, they had to take away 60% of all the external consultants. If you do that without control, you lose lots of speed into vital projects; you might lose lots of competence, and historical staff. It also needs a longer leave time if you want to get out one person, you might have to have it for one month, because the contract says so, notice. But when you scale and manage service, you can scale it down to the baseline and to stop all projects related to that bust still, you have every people, who have documented it and who knows it and if you are told by the top manager to scale down the manpower, you are talking about that. So this is a good thing in bad times for us to have people in those situations.

Scaling down, up and down. in this, a person can be reduced in short notice, or be replaced with less expensive juniors on the part of the delivery timeline. More efficient.

Priority, capacity. Our best people are put into the services, delivery services, if we have to prioritize hiring request against the service or scaling the service, best people goes to other side [as-a-service].

Stable team. If we need to pull out some people, we do it from the left side [hiring side]. Our goal is to move from left to right.

- Responsibility, manpower hiring, we deliver the consultant to projects manage by the customer. Responsibility is to deliver right competence, culture, and behavior. Here [in service], we see the delivery scope, and the change on short notice, we manage and report to the customer and deliver

from our own premises, agreed quality based on KPIs. That's the responsibility part we talked about.

It's a good responsibility to have because you get inside information, but here behind in terms of new need. And if you use most delivery services, we will see that our, how can I say this, fewer people are leaving the company when they are working here on the right side [service] than the left side [hiring]. Because in the right side, the community, In the left side, the consultants can stop delivering, get to another competitor of us, and the customer can rent it from the new employer, but here [in service] they can't do that. Here they can't do that. Here they are into a service, and if they leave the service, they won't get the same job back.

This is CoVid, if headcount must be stay down, hire personnel must stay low priority, delivery may be terminated, and difficult to re-engage similar competence into the transition into normal situation.

Before COVID, they were scared from working in distributed type of teams, they had to be in the same classroom, working on the same area, but now they have quite another view on that. Now we are working in distributed teams, our people are at their home, our customer's people are at their homes, and it's ok, and they like it, and it works. So why not, and that's an argument why not put a team in ours and get not to look each CV, they don't see the people, but it's happening, they see the progress, and they can visit us whenever they want. And we are going to mix teams with customer's people and our people on our premises.

Interview with E4

- Can you tell me your position?

I am delivery manager for one of the deliveries that we have for one of the larger customers, so I've been working in this area for last nine years. My background, is I used to be a developer 20 years ago. Then I switched more into quality assurance and testing, and in 2011 or 2012 I started working with the oil trading and logistic trader, first with quality assurance, and then as service manager, and now as the delivery manager for our service contract that I also worked with establishing in 2015 so we have a ten-year horizon on this contract.

- Are you involved in the process of marketing and pricing of the project or your job starts after the contract?

When this contract that I am working with was written, I was not involved in the pricing. I probably would have been if it was today. I didn't have the delivery manager role, so I was involved in writing the contract, the content, the responsibility parts, how the processes should be organized, the whole setup actually, but pricing was not my table.

When this was renegotiated in 2015, it wasn't a particularly good market for any business, I think, so that original version of the contract was kind of colored a little bit by that. Of course if you have a big agreement with a long horizon, stable baseline, and you would get a discount as a customer, a volume discount, that's true. The customer, if they know they will purchase a lot of services, for one are, from one vendor, they will get a discount if they have a service agreement, and they also will be able to push more responsibility on the vendor, so from vendor perspective, there is a whole a lot more commitment to a service agreement, because it's not like hire out the consultant. Here's the guy, and he knows this, and he knows this, and you help him, and you show him what to do, and you tell him, and you will follow up. That's kind of the alternative way, but this contract is more like we have this list of responsibilities and types of tasks that you will maintain. Some of them may be quite fixed, and we some of them might be very variable, depending on the volume, depending on what happens, depending on a lot of things, and some of them might be very optional, so it's not our right, it's just an opportunity, and I think that's quite important part to add [them]. Because it doesn't commit the customer, so if you add an optional part saying additional advisory services unspecified related to this domain, then given that you're able to have the right skillsets and right kind of people in teams and continuity, they will always arise things that are not within the frames of the contract, but fairly close outside and if you have that optional card to play, optional for both sides, but still if you have the contractual arrangements, so you know how the rate cards, you know how things are delivered through this contract, it's very convenient to say Ok you can do this as well. And that way, the volume tend to grow. But it could have ended up in no volume in that part, but that's kind of the flexibility the customer get. And since it's a service agreement, it's typically the agreement where we have a lot more responsibility and actually we want the customer to experience that having a service agreement actually, and its value, so we very

much want to deliver it. Sometimes it's very hard for us to map things together so that it actually grab those additional cases that are in the board line between contract and outside contracts go.

- So what I get is you say when you are having a service, you are more outcome-oriented than task-oriented.

That's correct.

Now it's also important to say that we have many different service agreements and these service agreements are quite different also. The agreement that I have is probably one of the agreements where you have lots of responsibility and a lot of tasks rather than kind of, some of the service agreements are also quite similar to the hire because you have kind of development capacity as a service. Could be quite general, could be quite similar, even though it doesn't have to be similar either because you are delivering a team, where the team composition that works the development. Not hour by hour, just like a frame contract, but within the service agreement, there is a big span between how much responsibilities and how the deliveries are organized. I think a common thing is that we don't usually start with service agreements. Because it has to build on trust. So every place that I know we have service agreement we have delivered a lot to the customer already, we have a good relation, we have a lot of people who know the customer, and also the customer side knows us, and also the area that is kind of relevant or for a service agreement. That is in an area that we have kind of shown that we can manage, and it's kind of, it evolves into service agreement. Because there is a common trust between the parties and the customer would typically see that if we just hand over this responsibility, we could use less effort into managing these things. Because we know that they know what to do, we know that they are capable of it. Of course, you have to set up some kind of contact points and monitoring and key parameters that you follow up, but it still requires a lot less follow up from the customer side, and also in terms of scaling, it puts more responsibility on us so we would typically prioritize the service agreement over anything hour-by-hour contract. Even though that might pay more hour by hour, so but, in order to achieve all this, I think the key, actually I can show you something, because I have a presentation that I use sometimes to illustrate this a bit. This kind of illustrates the contract scope,

This is stuff that is very stable, predictable. We have already been doing this, maintaining this part for a few years before this contract. This is run and maintain of system portfolio. Then you have the application development, related to the same system landscape, so if there are new application

in that landscape or changes to the existing applications or integrations or analysis related to it, It would be a part of development services which should be typically a more variable scope, some years it might be a little, and when they have a lot of things to do, it will grow, and we'll have to respond to that. Then we have a, but still, if there are still developments in this application, the contract kind of gives us the right to deliver it, but the customer decides the volume.

This is for things that are optional for the customer to utilize, and it's kind of an option to, let's say we have experienced people that know the domain, that know the technologies, they can be used for other things that are not exactly in the contract. So it's easier for the customer to add it, and it's a possible opportunity for us, so when this evolves, there will be things that appears, it materializes. And it's also a lot of different professions within teams like this. You have team leads, project managers, agile coaches, budget managers, test managers, support interaction design, IT, business analysis, and development.

Continuity, I think, is the main success factor. Because at least this is a domain with a lot of complexity and also in order to know both technologies, know the customer, know how things work, and know how the contract is organized, it's a big win to have the continuity. At least on a lot of resources, not necessarily all. You need to have key resources that know both domain and technology. This is typically something that you won't have from day one if you start a service agreement.

This [interviewee points to the screen] is a general term that means people need to enjoy their workday. You need to make people feel home, make them wanting to go to work, and to contribute. And in order to achieve that, I think everyone has to feel they have something to say, and a short way to decisions, and I think that's also essential to because if people don't like what they do and enjoy their average working day, then you won't achieve continuity. That's in our business people, at least when it's good times and it's easy for most people to change work.

And also maintaining the customers' trust. Sometimes it would be possible for us to, if we've done, that was not so good. We failed in something. When you have this kind of arrangement, it would be possible for us to kind of hide it, because we manage so much of it ourselves. But if you never show that Ok, and tell the customer actually we fucked up a little bit here, we have fixed this now, and we do this and this to make sure it doesn't happen again. That's very important, because if you never do that, it's not realistic, and you have to always be honest to the customer. If you try to kind

of short cut that part, eventually you get burned. Transparency is very important. If something works fine, don't be afraid to tell the customer that we did something here, please take a look at this, isn't it great. Another time you might need to call and say Ok we did something here and it actually turned out wrong, we did a mistake, we'll fix it.

- So you mean it builds a mutual relationship, that whatever you do well you do badly, you will take this relationship to another level?

I think that's essential. Because I see that from some of our competitors, they are hiding things. It's not my table to highlight it, but I can see that in some surrounding areas, we can see that they are hiding stuff because they are not that focused on keeping and maintaining that trust. It does not feel good to go to customer and say that we actually failed here, but in the long run, you have to do it; that's the reality. Then they always trust you, and they will also feel it easier to handover tasks to you because they know that usually, you will succeed, and if you don't, they will know it as early as possible.

And then it's also the competence mix. Of course, if you don't have the right skills in the team, then you don't have a chance anyway.

And actually, there should have been another line here, saying sharing, sharing knowledge. We use wikis a lot, to document how when we experience things. If someone spends a day on finding out how to solve a problem that is likely to happen again sometime, you would comment it on the wiki. And if a very experienced resource is trying to do some kind of task or fix or development that we don't do very often and that is complex, it's important to make him team up with someone that actually can learn, just even though you are trying to keep people to work for continuity, people will sometimes decide to peruse other alternatives or want to do new stuff so you have to be prepared for that.

- So you will share this document with the client or with yourself inside the company.

We share it on the wiki that actually the customer pays for, the customer can have access to the wiki of course. Actually, I had one very experienced resource in the team that was not very eager to share because he was very experienced, and he liked his position on top of his hill where he were kind of always, ah it's complicated, don't bother, I will fix it. But he actually never got that, I took him out of the team, even though that hurt a lot. If he were allow continuing that, it would

be not so good for morale. It's a very unusual that I would do that, but we used kind of a natural opportunity to kind of that search because it's essential that everyone contributes. Sharing is not for kind of the volunteers only. It needs to be something that everyone is contributing to. Of course, some people are more eager to share than the others, but still, everyone know that they are expected to contribute to the wiki when there are things that they work with, everything that they experience, that they know that it's relevant for others to dig into or to be able to search up later.

- You said, there needs to be a trust, so you usually approach the existing customers, do you know the process that how you choose the customer and how you approach them?

This situation, it was the customer that asked for, let's sit together and see if we can find a contract arrangement were we achieve this and this and this, and obviously, they wanted to have wins like not having to spend so much effort on their side to manage this activities, and also they, of course, wanted to have a good price when it's a large volume, and I think also they know that since this is very complex domain and the continuity part, they know that is important, so in order to kind of, from their perspective, they wanted us to be motivated to keep people going in this mission on a long run because they know that it's necessary in order for delivering this effectively. So they wanted to have a long-term contract if they were able to come to an agreement with a suitable contract. I think you don't get in that position from day 1. You can't go to a new customer and say, let's do this way. They would say no, no way. It's too risky, we don't know you enough, and we are not ready to do that. But on the other hand, you might have other types of service agreements that does not place that much responsibility, and that much mandate to the vendor side like having more generic software development as a service, where you would maybe have a lot a the same aspects, the same mechanisms, but it's still closer to a more generic because this contract is related to one specific sub-domain within a certain business. So the domain knowledge is one of the core parts of it to be able to maintaining IT professional with the right domain knowledge. If you have a more generic one that is not so specifically to one domain, it might be more focused on the flexibility being able to ramp up a team to do certain types of work until this project is done. It could also be long term like this with run and maintain responsibility with a certain application landscape. We also have contracts that are not only IT related. The guy that we met in the hallway just before we turn left, he is also delivery manager, he has similar role as me, and that's his responsibility for management system contracts. It's kind of process documentation. They deliver

process documentation and facilitation of kind of determining how the process should be on a very general level and sometimes on a more specific level at a large customer side.

- What about the other clients, is it you usually approaching the clients, or they come to you for the service?

I've been involved in a few customer meetings where we kind of just to describe the concept, and I think a lot of them look at it and [they say] that's interesting, but I don't think they are really ready for it. But my focus is more than a full-time job actually to manage the contracts and the deliveries because I have both the team lead role of the 36 people, and also the delivery management, kind of the single point to contact when it's towards the management side at the customer side. So I'm not very involved in sales outside of that area. It's just occasionally that I attend meetings to present this is the way we do it in this setting, just to show them as an alternative. But to my knowledge, none of those sessions has ended with a new contract. Actually, I'm not sure how many service contracts we have.

- Do you know how many people are working in the service contracts?

I'm not sure, but some of the service contracts, most of them are so big. So it's a very large part of the staff here works, but I'm not sure actually how big is the part of the service contracts. And also some contracts might be service contracts without me. I don't have a full overview of what is a service contract and what is not.

- How do you think having a service affects the costs of Bouvet when you compare it with the man-power consultant hire?

I think setting up the agreement takes more to set up the agreement. Because you need to go through a lot more processes, but that's kinda front cost that you do once. Sometimes you probably have to adjust things, also as you go, but that's definitely one extra cost. But I think from customer perspective; they would definitely save money on managing activities. They would also get a good price. You don't say that this kind of contract to have it going for six month, you do it for a long term, and it usually wouldn't be a small contract, it would be a larger contracts. So a volume discount is natural, so there would be a good price.

From our perspective, if you have the hiring contracts, there is a lot more uncertainty, a lot more re-sale. With the service agreement, volume tend to be, even though the customers are allowed to adjust volume significantly, they tend to not do it. They have a lower tend; it's easier for them to end the hired contractors. So when markets go like this [Covid-19], the service agreements tend to don't go as deep as hired contracts. So from a vendor perspective, having consultants and service agreements means, yes you would often get a lower rate, but it's long term, and if nothing unusual happens, it would typically means you invoice all 7.5 hours every day. So it's easier to kind of accept a lower rate when you know you can invoice all hours. When you have a hired contract and say you get X percent more higher rate, but also you have to assume that between rates that you might get some weeks or even maybe month that you can't invoice anything. If you have that in the perspective, and in that period, you'll have to do a lot of work for resale. From our side, I think, I have not seen any calculation on it, but I assume the average turnover from our side, for resources that are in service agreements long term, I would assume that it's if you accept when the market is peaking, but in the long run you will make a lot money.

- What about the more responsibility and liability that you have?

That's a risk definitely. Obviously, if you fail on a service agreement, I would say that would ruin the trust, which is kind of what most of our business is based on. So taking more responsibility obviously has the risk, but the risk comes with benefits. You get volume; you get horizon, and predictively.

- How do you see services to be priced based on their outcome?

I'm very skeptical with fixed price deliveries because it usually ends up with vendor having to work unpaid hours, and it also ends up with the customer not getting what they want. If we were building a lot of identical stuff, if you build houses, and you build ten houses with concrete floors and stuff, you know everything that there is to know about building houses, and you can look at drawings, and you can calculate materials spend, and you can calculate how much hour you spend, and you will obviously add an extra because there is a risk in that as well, but it's kind of the variances and the changes during the process of building the house. When you change things, Ok you might move the window, you may extend the balcony slightly, or you change something. But in IT deliveries, when you start a project, it's quite unusual that you have a drawing that you stick to during the project. Things evolve, and you would typically start a project before you are finished

with analyzing the needs, so there will be business needs that arise during the project, there will be new pre-condition set that were unknown, and you have to deal with that. If you have a fixed price you have to redo everything and you have to do a lot of extra work with negotiation, Ok we change this, it is this much extra, you have to do a lot of negotiate back and force. I don't think you will get a very agile process because all changes go through this. Some kind of regime with documentations and sign offs, so to my knowledge, I don't think I know any fixed price projects that are considered successful. Not from customer side, not from the other side.

- You spoke a lot about trust that you and your clients have a lot of trust to each other. What do you think if you were going to do sharing prices?

I have not been involved in that kind of mechanisms. It might be possible. In the domain I work, I don't think it would be realistic. It will be hard to measure. There will be so many factors that can impact. Market prices let's say it's benefit of a certain new feature of an application that you can use to earn more money in certain market situations. That may occur or may not occur very often, and I know applications that have been made like this, and it's been a year like where they have not been used it for a year, and they used it for three month, and it's paid down all the cost of developing it for instance. I don't know. There probably are cases where this is possible, but I don't have experience with that. I think it will be hard at least for the area that I work with to come with an agreement. Because let's say the only benefit is saving man-hour for the repetitive work, it might be possible. But if you are doing commodity trading, then price happenings worldwide can impact the price on the crude oil, so much it would kind of ruin the business case or make it fantastic, and then you don't have so much predictivity.

- What are the most important things you have with clients, except the ones you have named like trust and continuity? And how is your relationship with them?

You have different kind of structured contractual meetings, where for instance, you have monthly operational meetings, where you have procurements involved, the line manager on the customer side is involved, and you have key account manager in our side and me. And we will go through KPIs, we will go through important happenings. If there is something was good, if something turned out wrong, we will go through it and discuss it. Very often this meetings are not so interesting. It's going through standard agenda, but I think it is still important to have this meetings to make sure that. The meeting is one thing, but then you have a dialogue with these stakeholders,

and that's important to have it on a regular basis. And also we go through what are the planned activities, planned projects, capacity, and kind of discuss do we need to adjust something. Do we have too much or too little of the capacity, is there some kind of expertise that is needed in order to kind of deliver project that is coming up. And we also do a calculation space on what are planned activities, how much funding is there, if we continue with the team composition and volume, how much cost would that generate for the rest of the year, and just to make sure that it's aligned and it's predictable for the customer, how much does it cost to have the service running. Sometimes they say we might need to reprioritize something, or sometimes they say ok we will push this project so that we don't have to increase the size of the service delivery team now, because we can wait until those project is ending and then it kind of stabilize this. If it had been hired resources, it would definitely have been people in and out. So we discuss things like that in the monthly impersonal meetings. And I also have weekly or bi-weekly meeting with the line manager, more detail stuff, practical stuff. We had this and this problem, we have to do this and this to make sure we are prepared for this planning of onboarding people and a lot of practical stuff related to deliveries. And also we have kind of teams within service, some teams work more with certain sub-domains, some teams work with other sub-domains, and for each typical subdomain or large application cluster there would be product owners, and product owners would typically have their modification budget, and they would prioritize tasks so they say I would like this task to be done first, and then this task, and can you please estimate this so that I know if I should prioritize it now or maybe we should wait. But those meetings there would be other people in the team that manage. I would typically attend a lot of them, but not all of them, just to have an overview of what's going on. So I think that is also very important in my role to even though that I can't be involved in everything but to kind of attend a lot of these meetings where we go through task priorities, sometimes very detail levels, to kind of know where do we struggle, where do we have maybe ability to switch team members because there's someone struggling with that kind of trouble there and I know this guy over here who knows that a lot and we can switch within the service and then we can do that easily without need to involve the customer we can just do it because we are maintaining the task. The product owners typically have good relations with key personnel managing backlogs, so we would communicate and discuss and inform if we are doing switches of resources within the service for a longer terms, but if it is in order to make tasks or projects run

smoother, we can just do it and say Ok he will not work there for a while now because we need him on this project.

- So you mean there are lots of the time you change how and who of the project?

The customer never choose who. Say you have a service, and these are teams, and some of these teams might be two or three people, and one ten or twelve. And typically, one such team could be project delivery, one could be modification, and run and maintain delivery, here you would typically have a strong relation where the product owner responsible for the run and maintain and the development for the application or application portfolio, and here you would typically relate to the project manager. And so, if I see that there is something challenging here, and I know that there is some working here [points to the other side on the board], at the moment that knows that part very well, then we just say Ok, we need you here for a few weeks, or a few month maybe, and then we do that. Then maybe there is a lot of things going on here, someone from here if there is a little bit more slack, in order to catch that I need to kind of attend some of the status meetings on one of these [points to the groups drawn on the board]. I see where the challenge is. There is always some kind of challenge, some kind of problem that needs to be solved. Usually, you could solve it as long as you have the right resources within the service you could solve it. Sometimes it's just the meeting to kind of crack the problem. Sometimes you actually need to have someone that really knows it to work for a while to make it. So there will be maybe one team lead, and it should be said that have tighter relation with the product owner and project manager. We also have some team lead meetings where I gather all of these, and we can look at share experience and looks on the coming weeks and month, and sometimes we see that Ok there is a big project coming up, so we need to actually increase, we need to take some new that actually because we need more developer capacity, or we need a new test resource because in this project we require a second test resource to follow up.

- You mean there may come lots of changes necessary during the projects that you have to change, to add some people, to decrease some people?

Yes, changes like this happens all the time. It happens not every week but several, and sometimes the product owners come and say Ok I have my budget cut, I can't pay for these resources anymore, or these tasks, then we have to look around sometimes, we have also some kind of list that are not top priority, but still things that we know that customers wants to have done. Then we would

typically try to get some of these started, then we can utilize the lost capacity, so we always are maintaining, not exactly a list, but since we know the area very well, we also know some of the bottlenecks, some of the pinpoints, and there have been things that we might have discussed with customers at some time, for some reason hasn't been any decision to kind of implement, or to deliver. We would look is there anything interesting here, has the conditions changed, is it realistic to get any of these task started.

- When you go to a service contract with a new contract, who is the person who chooses how to do this. Is it the client or it's you?

In our contract, we have agreed some frames of how things are done, so if the contract says this is how we do it, obviously that is what we do until there is a special reason to do it otherwise, and then we discuss it. It depends on the case, because a lot of time, the customer wouldn't be interested in how we do it, just that it's done. But still, the customer has a lot of standards, and ways of doing things that are company general and obviously they expect us to comply with those. So, as long as you comply with the general ways of how to do things at the customer side, they are happy. Of course, we can't introduce a new technology that customer has blacklisted, that wouldn't be acceptable, and if we are to utilize a cloud service to do something, and the customer already have a cloud service that can do that, we would definitely use that unless there is a very very good reasons not to utilize that. As long as we comply with all the governing rules and trust me, there is a lot of them because there is a lot of governing rules related to how to do this. How to deal with security, for instance, requires not only the knowledge but also knowledge about the governing structural rules at the customer side. But I work with a very mature customers in this kind of topics. I think a lot of customers are not that mature. I think also there are some situations where the customers have, for various reasons, they want to dictate a little bit more, and I don't have a problem with that. At the end of the day, they are taking the bill.

- So you are very flexible with this.

Yes, it would be stupid not to be flexible with that.

- When you go to a project, and you define the how of a job, how do you define outcome evaluation metrics?

One metric you always have is cost. This is a service delivery, and this maybe is a project delivery inside that. If we establish a new project delivery, there will always be a cost frame for that, that we have to relate to.

We actually don't use metrics for evaluating the project. We do a lot of user testing, and the users need to accept that the project delivery actually solves the problem, or is easy enough to use. And there would be enterprise architect that, what we do is we make an architecture contract that says something about how to. Actually, it's the summary of the governing aspects that are relevant for this particular delivery.

We go through, typically a lesson learned, and kind of it would be wrap up summary, we would have kind of, there would be sessions, retrospective sessions during the project, there would be reporting to whoever has ordered the project, on a regular basis, typically monthly. But the metrics we have a risk metrics that we report on, but that's not an evaluation. We don't have any evaluation metrics scheme for project deliveries. We have for run and maintain activities, we have KPIs to follow, and we have also something called the happy score, anyone that reports some kind of request or tickets they could be able to score how is the delivery, but that's on run and maintain area only. So we probably should have had some kind of evaluation metrics, but we don't have that other than the cost.

- How is the quality assurance surveillance in you projects?

Quality assurance is extremely important. That's something that you have to, some will have to have a dedicated responsibility to quality assurance in all project deliveries. There are two to three people in the team that only work with quality assurance, and there is a lot of people that are mainly developers, but they would also contribute to testing activities. Testing managers will typically plan a lot of testing and also facilitate user acceptance test, and it's the test managers that actually say that Ok this is good enough to promote it to acceptance test, and now it's good enough to promote it to production. So they will have to sum up, and they do a lot of testing themselves, and they would go through testing that has been done by others, and we also have a lot of automated tests as well, that developers do before even the test managers, but quality assurance has to be placed an important role in all deliveries.

- Do you devise a plan for quality assurance before starting a project?

Sometimes we start writing test quite early, but very often we need to change them as we go, because as the project evolves, we know more about, understand more about, how we actually need to test in order to verify that it works as its service purpose. And also, the interaction design role is very important quality mechanism, but that's a separate profession actually to..., interaction design is also a lot of IT business analysis because that part starts usually before our developers are involved. So it would typically be IT business analysts and interaction designers that sit together with business stakeholders or the people that would be or are the end-users and any relevant business expert to kind of get every relevant fact on the table. Because, if you don't do that job properly there is always someone late in the process saying but how can I do this, and how can we deal with that, and how can we exchange this, and how can we do that and if it turns out to be something that we didn't think of from the beginning, so it's hard. So we need to have someone doing quality assurance of the requirements and the processes that we are involved in and all the subsets in the processes that we support. Because in the end, what we are doing is making processes and businesses run more fluent and effectively. So you need to sometimes, there is an existing solution of some kind, and just renewing and assuming that the existing solution serves has interpreted and implemented right. So you have to go out and speak with the end-users and business experts to make sure you catch all the aspects. Typically you would design scenarios that business scenarios, process scenarios, and you would model it. IT's easier to make sure everyone is on the same page. You have some kind of model that you can point to that. So there are different kinds of quality assurance. You have one main part related to requirement and design, and one related to the products that you make.

- How is the possibility of compiling with the new innovations coming to the market?

I know we have service deliveries where the service is actually used to some of the more experimental cutting edge deliveries at customer side. I know that we have that. But within my team, we are not front runners in any way. If we need to adopt a new technology, it's probably something that someone has done it before us at the customer. We would try to use natural opportunities when we recruit team members to recruit team members that have interesting or likely technologies that will be relevant for us. Sometimes we will be a lot of the applications that I work with are written long time ago, so they are not cutting edge. And we have a newer

application that we also make, that are modern, some are very modern technology-wise, but they are not front runners pushing kind of the evolution.

- I meant to be up to date to the new technology and go with the market if something happens. Be able to change.

Typically, if people have to go out, they would be usually good candidate for coming back later, and if there is not a project that they can start with immediately, they would obviously do coursing training and work with things that are relevant. So at a later stage can contribute with a new knowledge into the team. Actually, you don't learn things very well only with coursing, unless you work with it. So typically, what would happen is these resources will go into some other projects, maybe for hired contract and sometimes they end up working in something that is very interesting that we actually need later, and then we will pull them back. And we might even say that we don't extend that, when the contract is out, even though we have the opportunity to extend, because we need it here [in service]. But obviously, the consultant would also need to be happy with the work.

- When you have a contract, how is your exit plan?

There is actually a chapter in the contract document. If this and this happens, if we are not able to deliver what we have agreed to deliver, there would have to be an exit plan. And there will always have to be a time frame, typically you get a fixed time frame and maybe some optional extensions. So you don't need any specific reason to exit the contract if you meet any of these option exercise points in time. But definitely, there need to be an exit plan. Of course, I very much understand that the customer would need to have that in order to hand over that much responsibility.

- There is an exit plans that usually used in the market. But some exit plans are set cooperationaly and both parties consider each other. How do you make your exit plan?

Of course, you don't want to burn any bridges. At some times, no contract will last forever. So, contracts will end, and I guess also at some point in time they want to try the prices in the market, just to make sure they don't pay to much, and that's natural. And also, if the vendor can't do what you have agreed, you need to know that there is an opportunity to end the contract.

- How fair you think your exit plan is for both sides, not one side only?

To be honest, I haven't paid much attention to that. I remember when we wrote it, that it was something that we spent time on, but it's just not where my focus has been. We want to deliver, we don't want to look, and use that part.

- In some certain area markets, there are some special regulations that should be considered, and maybe they change a lot. Who is responsible for keeping track of those?

The domain that I work with is subject to a lot of regulations. So there is a lot of documentation that we have to read and understand. Because it actually impacts how we write applications and impacts a lot of reporting needs. Both for the reporting needs that the businesses have and also reporting needs that we have in order to comply with. Some of the reporting we facilitate, or we provide, and some of the reporting, we make provide features that make it possible for the customer to do. And when regulations change, there would be courses that the customer organizes, and there would be typically someone from an audit company that would facilitate training sessions. I am attending two or three such training sessions just this month. And I will bring along several members of the team for those sessions. It's not like we follow the regulations like EU or NYSE. The customer would of course, say that we see that now it has changed and we need to make e two comply with all these changes. Changes like that will always get top priority. Sometimes it means we need to do some changes in how programs work, and sometimes it means that we would have to do a lot of reporting, and we have to change the way that we use for reporting. That's an essential part of especially this delivery, but I guess that's also relevant to all the service agreements.

Interview with E5

- Can you tell me about your position?

My name is E5, and I work as delivery manager for Bouvet. We have this enterprise which delivers several teams delivering different kind of software to customer C1. My role in that is to be the main contact for the enterprise into C1. I've been working for/against the same customer since 2006, so I've been doing this for a while and have a lot of experience with doing it. And I have had several roles. I started up more like technical project manager for several projects, and I've been team lead for several teams throughout the years. And the last maybe 5-6 years I've been in the position of being the service manager and the delivery manager for everything. So somewhat

I do will comes down to, reporting obviously to C1, being the escalation point if anything happens, and it will be also about establishing new teams, maybe also the other way around for de-establishing and reducing teams, and manning of the teams on behalf of the C1

- What differentiates Bouvet from other companies

I think the reason why we have the position we do have is that we have long term relationships with customers and that we are trustworthy, and we deliver well quality, and we have in a way pride in what we do, and I think you can say that there is nothing that beats a good project delivery. Because if you deliver a project good then in a way, you are at the marketing. If we go back to that, it will be your reputation that goes in front of you and sells you other project. That's in a way, the way we have been working. And you know, it's been growing, it started somewhere with one team, and now we have twenty teams in C1, in all major cities, and here also we're working in the international projects that C1 has. But the way that we have sold it, we have not been selling this a lot. It has been the projects and the reputation and the quality of the projects that has sold for us. So I think marketing as in how did you start working with the customer with us and C1 was many many years ago when we were consultants, I think the manager here, the regional manager here was a consultant, and then it started.

- How do you think CaaS affects the costs for Bouvet?

I don't think there are any downsides for using enterprise for a delivery, but it depends on the contract. If you have enterprise contract that is in a way that you get a chunk of money each year for delivering a service, and within that service has a couple of applications may be that you run and maintain and further develop, you may get stuck in bumps. Because then you have said that you will have a certain service level in the contract, and then to be able to keep that service level, you may bump into situation where you need so much updating in the applications that you in a way run over the budget. If it's the fixed price then you might come over what you get from the customers. But that's not the way we are working. We are on what's called time and material and that means that you don't have a fixed price, you get paid for the hours you have been working. That's a better way to arrange your contract.

- What about hidden costs? How do you think risk and liability affects your costs?

It would do that if you have fixed-price contracts. If you don't do that, it's not an issue. But it will depend on how the contract is built and what agreement you do have with the company.

- How do you see the possibility of having a sharing the benefit of the project.

We have this time and material, and it has been never an issue for us. We never get more than the hours we use, and sometimes we spend less time than expected, maybe sometimes a little bit more. But if you have this fixed price if I have understood you

- Actually, it's not a fixed price. It's based on sharing the benefit that contract produces.

We don't do that so much. I do not have so much experience with it. I think those kind of contracts might be working in some places, but the experience here is that the more intricate you build a contract and agreement, the higher is the risk that you get issues afterwards. So that means that the simpler, is better. I think a simple way of doing this is to see if you can get a customer to come into any time-based agreement. Because then it's in a way based on trust. Because they need to trust that we do not abuse it. But it will also mean that you have the reporting and the collaboration with the customer so that they are close enough to be able to see what we are delivering in the different teams and that is also important.

- When it comes to choosing the price, what factors do you think should be considered?

When you set a price for a contract, it will be several factors. Of course, one is the market and the market situation. Maybe the price is different now, in this time [CoVid-19]. Even if there are a lot of activity know to, it might be a little lower at least in some areas of the market [because of the market situation of CoVid-19]. The market is absolutely important. It will be the complexity of the project and the competence you need in the project. If you have a complex project, you probably will need resources in the project that are skilled within those areas, and they will probably be more expensive than what you need in less complicates scenarios. So that's one thing, and it will also be in a way how is your position with the customer. If you know that you have good card, if you know that you have some advantages with the customers, you have good reputation, you have worked with them before then you might be able to have a higher price than your competitors. Because if you can make good arguments to support why you set that price. You could say that because of everything we know from your business, or we know about how your infrastructure work, we might take a little higher price, but, because of our competence and our

knowledge, we will be able to maybe make it faster for you, and with high quality. And you need to make pinpointed arguments explaining why do you choose the price

- So you mean it mostly depends so much on the customer you are facing?

Yes, that's what I am saying. And I think what's important there is before you start writing anything you need tactical approach on how you are going to write your proposal to how things can be done and then you need to bring in all your competence that you know about customer. Then you can have this tactical contract meeting in the start where you bring in the management; you would bring in sales director, and maybe the leaders that know about the customer. Then you can have this tactical meeting, talking about how we should do this and then, what you have after that is, of course, a way that you can write, you know what the goal is, and it will be easier for the person that will be responsible for making the bid. Because then you have, in a way, an important stakeholder that you have anchored that in your organization. And of course, one thing we have not talked about, is I said about the market earlier, you can also think it will be the situation in the company.

If you have a lot of people, we call it "on the bench." People that are without work, if you have lots of those, you might go lower to make sure that you win the price.

- How innovative you see the Bouvet reputation.

To scale it, it's difficult for me to do that. I think, then you need this bird view to see everybody in the region and so on. But I can speak about what we do, to in a way, have an advantage when it comes to innovation. We have this newly started in the fifth floor here; we have something called "fotorum." It's gathering place for technology enthusiasts for the whole region. And for all the companies that are interested in technology, we have this fotorum center. The goal with it is to make it a melting pot for getting people, the bright minds in the region to find out how we can change what we do now, to even deliver better through technology and innovation. And we have collaboration with Microsoft, and a lot of companies are into it. It's something in a way very motivating place with the way it's made, which hopefully makes us front runners. Because we believe that the collaboration between everybody involved here, you know it's also university that are in this, it will make the opportunity not only for us but also for hopefully those who are involved. That's the way how we think we should innovate. So we have a clear way that we want

to do that. This is actually, you know when it started, it was only a few months ago, it's new. It had to be a digital opening because of the Corona, so making a meeting center in this period is not the easiest thing to do, but as we do with everything else, we are thinking long term, and after that, people are going to meet more.

- You have been in touch with clients a lot, how do you see the possibility of evaluating the value of a service for the clients.

If you turn it around, I know that procurement in C1, they do have this thorough evaluation of your bidding. They have this way of evaluating you, and then they put numbers on it, and then they get this number out and then saying where you are going for and if you are getting it or not through those numbers. So we think the way that we do that, you know when customers get in touch with us, they will request for proposal and those kind of documents, they will put up what they want us to have in our bid and what they want us to focus on in our bid. So, of course, the most important thing there is to really focus on what they are writing in their request. Be really accurate on that, we have seen it before that. You need to make a whole new bid each time, you can't have this standard text that you send, because the chance of winning is much lower then. What you need is to analyze what you get from the customer and then really use time on that. And it should be a team. It shouldn't be just one person. And then do that, break it down, and then use quality assurance, in a way. I think it is difficult to measure it for us because that's what the customer do to put numbers on it. But we can do is to be really thorough in the work. It would be possible to set numbers on it. But in a way, you can analyze it so much that put numbers on it. But I think when that strategic, tactical meetings occur will, in a way, shape those decisions up here, and maybe you will not need that total evaluation. That's at least what we usually do, but I can understand that it will be others doing it other ways.

- Where you see the price of Bouvet compared with your competitors?

Since we are pretty big in the region here, I think that we can go lower in the pricing. We do want to because we are having this large enterprises, like the one that I do have. In the course of that, we can go a bit lower if you have thousands of thousands of hours each month coming in and that you have this long enterprise contract. Then that is one of the things that are great with enterprise contracts is you can have them for 10 15 years instead of short-term hired consultants that may become in with a higher hourly rate, working two month for the client, and then he is out again,

and then you need one more month to get them into other assignments. And because this start stop-start, on and off assignments, when it comes to getting paid, we need to have him on a higher price, because we don't get paid for him more than maybe two-third of the year. But if you have an enterprise contract where people are working the whole year, for maybe five year, ten years, then you can take a little bit lower price, but in the outcome of it, in the end, will be much better, so I think that volume here, triumphs short-term agreement.

- What are the most important things in the relationship of Bouvet with its clients?

The most important thing is trust. That's the one word that beats every other word in my opinion. You need to gain trust with your client. They need to know that they can depend on what you say and what you do and what you deliver.

- How do you make this trust happens? And also make the reputation of being trustworthy in the market.

Well, like I said earlier, nothing beats a good delivery. I think that's how you gain trust that you show you deliver what you promise. You deliver projects on schedule, on [budget] estimate with good quality. If you do that, then you get trust. And it also might be to be open, not to be afraid if you see anything that should be otherwise. And have this Norwegian word that can be translated as being close to your customer. It means have them close to the project, maybe on a daily basis. You know, in agile world, it's much better to have your customers close, and in a way, let them get chunks of information every day. Invite them to your daily stand-ups, and so on, and have them close. That's when you get the best results. Make the collaboration. Make the customer, the project, the area that you are working within, understand that this will not succeed if you do not contribute. So make the customer understand that they need to contribute if this is going to be success. That's what we see, because when you have good stakeholders in the client-side, which support you instead of monitoring you, then, each time you will get success if you have that. If you see that you have good stakeholders in projects, because in C1, it's vastly big, and you have like 20,000 employees, in that means that when we deliver, you might, in almost every project, you actually even that I have been working in C1 since 2006, I meet new areas and new people in new projects maybe each month, and I am still doing that. But again, for us, it is important to understand that when you have a customer which is that big, yes you have a contract, but you will have new customers all the time within this area. It's not only this one unit or area that you deliver to, we

have, in a way, new customers, where we need to gain that kind of trust within the company, and we have that all the time. So we always may do use the same zip to show that we earn to be trustworthy.

I can just say again, it's all about the way we deliver, it is agile project, and we believe in having the waste word which you have within this when you try to do so little reporting as possible. Because reporting in itself is waste. It's much better to have stakeholders so close with the meetings that are operational, where the coders are, and the designers and the quality managements, and the team leads and have these stakeholders that might have the budget to hear what's happening. Maybe not each day, but at least once a week. Before, when we did it, it might've been only this monthly meetings, maybe even less, that gave information to the customer, and then the customer didn't well understand what's happening and then you get issues always. So we try to keep them close and so they see that they can trust us.

- So you are saying the communication is a way to gain trust.

What we are talking about is different levels. Because there will be tactical meetings, operational meetings, and there would be like what I am talking about now, this daily meetings more or less, project meetings.

But you know, this tactical meetings it will be stakeholders on the contract which will cover all the areas that we are delivering to, and then we have KPIs there, that we are reporting. It's more like a formal meeting where you have certain points on the agenda, that's more like a reporting meeting. That's not often, it might be one or two of those kind of meetings in the year.

And then you have this operational meetings, where you will have the line manager in C1 for the area that the project or projects are working within, and then stakeholders around that, might be monthly meetings or maybe two month, it depends.

And then you will have, under the operational meetings, you have delivery organization, which will be the team. You might have the team members, the team lead, and then you will also have hopefully, you will have the product owner, and in a way, if there are other important stakeholders that will be on that level.

- How flexible you see your organization culture.

I think, first of all, many of the companies that we do work within are within the energy business, and the culture is international. So it means that if you go from C1 to C2, it will not be that big, and if you go from C2 to another oil company, it will not be that big of difference. But you will have some culture differences with maybe the companies like French, or that would may be Italian, and so on, there may be some differences. I think the differences here comes from maybe some handovers. There will be a responsible delivery manager that will help the person that is coming in to be aware of the culture and the company before he comes in. And then there will be the information sharing between responsible for the different contracts, explaining these things if there is an issue. But in the area here, there are not that big differences between companies. I think that was maybe much bigger 20 years ago when the businesses were new, then you know you had all these American companies coming here with this Cowboy culture, then I think there were these enormous differences. Now it's been more like I think things has been maturing during the years and it's more like this international way of thinking, at least in the big companies.

- What are the next steps after the contract of CaaS? Who gives the proposal and who are the responsible people?

Of course, there are many ways of doing that process. It will all depend on the agreement, what's in your contract and what you've been agreeing on with the client. One of the benefits of having enterprise contract, you as a vendor, should have the opportunity to set up the team based on the client's need, and you are responsible for setting a team up. When I set up a new team for a new service at C1, I'm the one deciding what kind of competence I need into that team.

- Is it you deciding the process, or is it the client?

When it comes to manning of the team, we are responsible of doing that. But of course, we are responsible of following the client's governing documents and so on. Also, when it comes to in a way how software should be built, some companies like C1 do have governing documents stating, for instance, what kind of technology you should use when building. Of course, so we need to follow those kind of guidelines, and we do that, and we also are happy that they build those guidelines. But when it comes to manning, we are responsible for setting up the teams in a way that are as efficient as possible.

- But who gets to choose the way of doing the job? You have a goal, and you have some governance structures, then who chooses the way of doing the job to reach the goal with regard to the rules.

That is our responsibility to do that. There will be some general rules in C1 for software development, and everyone delivering software to C1 need to understand these rules and use them. That's important. When it comes to software deliveries, you might have the customer that has something that they think they need, and I underline think, because when we look at the end result, it might be something totally different. Because that is, we have this way of delivering software that includes designers and usability experts that will help the customer to understand what they need. So when we do that, in the start of project, we do not talk about technology at all. Then it's only to see what kind of functionality you really need and do that kind of job, and then you work and set up the estimate, and then you get into the more technical stuff in the end, and there is coding, and then you have the delivery. That's the process in the teams. But these governing documents and so on, they only say something about what kind of technology they want you to use, that you have certain kind of services within the company that you need to use and so on. The governing documents, if you know them well, they will not be an obstacle for you. They will be more like help for you actually as a vendor. Because they say something about how things should be done, what should be done to be trustworthy.

- Do you define outcome evaluation metrics before start of a project?

What you get out of the project, and you know business goals of the project, that will more be described in the business case. I think what we can say is that the business case will be written before start of doing the analyze, and it will be the client that writes the business case normally, we might help them sometimes, but it will be the business, what I call business. They will have business needs, they see that a need of a system in some kinds, and then they say that we need a system, so we can bla bla bla, and the earning will be this, and then they can in a way sum up what they think should be the earnings. That kind of documents will help us design the system and analyze the system they need. Afterwards you will set stuff into production, and then the customers start using the production. If you want to evaluate the system that we do have, you will be needing to have setup measurements in the system. If you in the business case said that what we are going to make is an inspection system, and for each inspection that we do within the system if it has been made right, we can do in one day instead of one week, and we can do it with a higher quality than

before because it's more accurate. Then the client will be able to put a number on that. For instance, they can say that for each inspection in this system, we save like 100,000 NOK for each inspection, or maybe 100,000\$, but that's another story. That's in a way you should think, and then you can set up measurements in the system that will give you a report saying that this system did 2000 inspection. Then you can sum up, and then the customer will be able for themselves to measure how much they save each month or each week, or whatever on the system. So I think that's the way of doing it. You need to agree on the measure within the system. And you should do that before you start coding because if you do that, you will be able to set up measuring codes and bring that output to something, and then you can generate the report automatically. The customer could see at any time of the day. It's just a webpage where they can go in and monitor what they do want to monitor. How many users, how many inspections has been done in that day, where is it used, is it used on place X or installments in Y, and then they can see if you do this kind of stuff, they can see where it's used, then they can start analyzing why it's not working in Russia for instance. Had the rollout been bad? Haven't we been giving our people good learning of this? Is it because the features of the project does not fit what we do in Russia.

- You spoke about some measurements, is it like if it does less than a day, so it's Ok for us, and your job is good, and if it does not work in Russia, it's not on you.

I think you come back to the collaboration because that's something that you should as a vendor work with before you start with anything to get the customer to understand that it needs to be a collaboration. Because if you get that up and running, then we will do what we can to get this right in Russia, and C1 will do that too, and it's in a way just an agile way of working to try to remove the impermanence that's stop this from working wherever and then it will be a collaboration to get that. But this measurements is more meant for raising the quality of the product, much more than measuring us as a vendor. It's more like if you think in a right way, in my opinion, it's a way of helping the project and product being a success.

- How is your quality assurance surveillance plan?

Each team do have a quality assurance specialist that in a way, are responsible for the quality of the delivery, the quality of what the team delivers, and they also are responsible for making everyone follow the process as closely as possible, and we do have these processes within everything, and the quality guys also collaborate between teams so that they know how to work.

Then you will have they have this “yrke” as their occupation, it’s their focus. We do have designers and so on, and they [yrke guys] have this as their competence. So they will do that, and they also align what they do with the vendors quality process and again the governing documents that say something about the quality and how the quality should be delivered.

- Do you plan this beforehand, or you just do the same always.

For us, it will be like in a way implementing it the way that we do it in other projects, so we do have it before start on the project. And it should be done that with new clients. If you are a new client and you have a big project that you are going to deliver, then you absolutely need a quality plan in a way. That will be important in a way.

- When you are doing this CaaS, how change compatible is this model?

I think that can be done almost instantly. That is one of the real benefits of using agile in our deliveries. Inspect and adapt all the time. If you have these meetings that I’m talking about, if you have your stakeholders in daily meetings and weekly meetings on that level, the inspection, and the adaption would be so much easier, and the changes will happen naturally, and it will not be this wow we need to totally do this project in another way in the middle of the project or in the end of the project. Then you will not have that kind of happenings. They will happen slowly and over time. So they will not be this big surprises to deliver this way. But if you at some point of your delivery, see that customer wants you to use another technology, which is not happening that often, it is territorial. It’s not happening that often because you have the governing document that is telling you should use which special technology to do what you are trying to do. So you can say in a big company, the technologies that you should use are chosen, and you will stick to that during the project. And they will be other projects that will experiment with technology. I’ve been there in a lot of those projects too, that the project goal is to decide the technology, and the way you do that is you set up experiments, and you could say that how you should build a mobil client, for instance. Then you might say that these four technologies should be tested. You point them out, and then you say build this clients with this technology, and then give me your experience on how it was as a team to use the technology to build the client.

- How cooperative you see your exit plan? How much do you care about your client even if they don’t want to work with you anymore?

That also comes back to what we have been talking a lot about today, about that we have to accept that it can be variation for the client about how much money they can use on IT. We know that it all depends on oil price, so we know, and we have been working with our clients for so many years. We have been there with them when things are up there and down there, and we have been scaling up and manning down. For us, it's like, yes we know, that's the way it works. It is also in the contract that they can scale the teams just as they want, it's just based on the demand. If there are no demand, then there are no size. But what's good with this, it's that since we have been there for long time, they acknowledge that it's important for them to keep the competence. Because they need the competence we provide to them, so they acknowledge that it's important for them to keep us there. And the most important KPI on our contracts are stable teams, so that in a way keeps competence there.

- Who is responsible for keeping track of the regulations in the customer side?

We, as a vendor, will be responsible for keeping track of governing documents, processes, regulations, you know the regulations are in the governing documents. So I think we as a vendor are responsible for being updated absolutely. But, then you can say that the company you are working for they will be responsible for informing you if there are major changes in some places. They will be responsible for informing you, but the company can say, please follow this slack channel, please follow this site where we have all our regulations. So if it will be push, or it will be pull, you need to do a handshake on that too, and to be specific. What should we do to keep track of the regulation changes? So that's an important part of the handshake with the client