Enterprise co-creation
New value creation strategies for growth
For decades, the source of competitive advantage for highly successful organizations has been seen through a process lens. Organizations that achieved a value chain of highly effective processes could generally beat their competitors in delivering products and services faster, cheaper, and more attractively.

Today, however, a new mind-set is required to realize competitive advantage. Increased productivity will depend upon a company’s ability to dynamically engage with a wide range of communities to “co-create” new products and services, business models, and sources of value that a process-centric organization alone likely could never produce.

We call this enterprise co-creation. It is based on the simple premise that when people work together, they work better, and all stakeholders benefit from the personal experience of working collectively. Indeed, companies can create an entirely new source of productivity by unleashing the power of a community through these types of dynamic interactions.

Co-creation connects communities of individuals across boundaries by implementing engagement platforms that enable new experiences and interactions that create new sources of value for all. Thus, an organization’s value-creation strategy shifts from a focus on optimizing and managing processes to creating the platforms that will enable new interactions across the ecosystem. This view fundamentally transforms the organizations’ value chain into a dynamic “value network” that can achieve more—and do so faster and cheaper.

Five major principles underpin the value-creation paradigm:

1. The power of crowds: Multiple minds, perspectives, and interests will produce a richer set of possibilities than any one individual would.

2. The currency of passion: Tapping into the passions of individuals creates value because people are often willing to “work” without pay on projects they care about. Thus, both parties benefit.

3. Value from experience: The experience of engagement itself provides value for community members. Collaborating and engaging in new ways is inherently reinforcing to community members.

4. Serendipity of networks: A community of individuals—a network—is more likely to develop innovative ideas than individuals working in a traditional work paradigm.

5. Agility of a viral/social cloud: An engaged, digitally connected network is flexible and can turn on a dime. When combined with the use of social media, organizations gain a real-time understanding of what’s happening in the market. They can then quickly and agilely respond to any changes or unmet needs.
Creating value with co-creation

Businesses that follow these principles can achieve new competitive advantages that can boost productivity in a variety of ways that previously were not possible.

As consumers become more connected via social media, organizations can go beyond the product to provide additional value-added services at little or no additional cost. Communities can provide services around a product—consider, for instance, a running community based on a shoe sensor and mobile-device connectivity—at minimal cost. This heightened sense of community enhances the product experience and creates significant additional value.

Similarly, social media enables businesses to effectively “source” expertise and innovation from a wide variety of areas and disciplines. Crowd sourcing models are typically powerful because they tap into a broad array of people with skill sets that are more diverse than that of company employees. This differentiated viewpoint often yields fresh thinking and innovative solutions to a challenge.

Co-creation also enables organizations to scale their innovation capabilities because they can pay for performance rather than investing up front. Extending innovation beyond an organization’s R&D department, for instance, is a key advantage of co-creation. Even the world’s best R&D department has a limited supply of resources—and often a very high cost of operation. On the other hand, a group of interested people outside the organization may be quite eager to contribute their skills, knowledge, and creativity. Forward-thinking organizations are tapping into this community through innovation contests to crowd-source ideas and prototypes for new offerings.

Involving consumers in product development can also help reduce market risk inherent in any product launch. Businesses are always concerned that consumers will want and buy a new product. Co-creating with consumers (and involving regulators and other potential key stakeholders as well) can significantly reduce market risk and result in the agile, dynamic creation of winning products. Furthermore, the community helping develop a product or service typically feels such affinity for the end product that they become evangelists and grassroots marketers. That, in turn, allows the business to trim its marketing and advertising spend.

Organizations can gain unexpected benefits through active engagement of their ecosystem. One of the key tenets of co-creation is that interactions generate a positive experience, and positive experiences produce value. Businesses that tap into passions of internal employees, customers, and the ecosystem often recognize tremendous productivity benefits. They may also discover additional, unexpected advantages.

5 ways that co-creation can boost productivity and value

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<thead>
<tr>
<th>Strategy</th>
<th>Outcome</th>
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<tr>
<td>Engage connected customers to enhance products with inexpensive value-added services.</td>
<td>Create a social media community—a running community based on a shoe sensor and mobile device app, for instance—to enhance the product experience and create customer loyalty and value.</td>
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<tr>
<td>Leverage crowd-sourcing to capture expertise and innovation from a wide variety of consumers.</td>
<td>A diverse array of viewpoints from enthusiastic consumers often yields fresh thinking and innovative solutions, without adding to costs.</td>
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<td>Augment R&amp;D resources by harnessing the passion of consumers eager to contribute skills and creativity—at no cost.</td>
<td>A public product design contest can harness enthusiasm and knowledge to produce new ideas for innovative products and services.</td>
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<td>Include consumers in product design to help reduce market risk for acceptance of new offerings.</td>
<td>Enthusiastic users can help design winning products and act as grassroots evangelists for the offerings, enabling the business to trim advertising spend.</td>
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<td>Turn positive experiences of community interactions into productivity and value.</td>
<td>Collaboration that taps into the passions of consumers and employees can create productivity gains and unexpected value.</td>
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How to tap into the creative force of co-creation

The potential benefits of enterprise co-creation are many, and forward-thinking organizations would do well to consider adopting the tenets of this new model.

For many companies, tapping into the creative force of co-creation will require a conceptual shift in management. The classic model manages through specific processes— for marketing and selling to customers, procuring from vendors, and developing human resources policies for employees. Processes, however, are inherently weighted in favor of the organization and do not take into account various stakeholders’ own processes. Instead of managing via processes, organizations should create and embrace engagement platforms, which are digital places that engage communities and foster co-creation of new experiences of value for both sides.

The engagement of communities through co-creation platforms suggests a fundamental transformation of an organization’s operating model. Rather than viewing the traditional value chain as the source of competitive advantage, organizations will need to invite others into the process. In doing so, it must be understood that this implies an inherent condensing of the value chain and the creation of a more inclusive value-creation process. Organizations that successfully harness the value conceived by stakeholders through co-creative platforms will leap beyond effective processes and achieve a meaningful competitive advantage.

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**To have a deeper conversation about how this subject may affect your business, please contact:**

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