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Supplier's Internal Communication in Change Process to Solution Business - Challenges and Tentative Research Agenda

Harri Ryyänen · Olli Pekkarinen · Risto T. Salminen

Abstract: This research examines supplier's internal communication when a company is changing to being a solution provider. The focus lies on the internal communication challenges during the change. The qualitative case study comprises two cases of the change process to solution business. The results indicate that there are eight main internal communication challenges when a company is changing to being a solution supplier. In addition, the study offers a categorization to manage these challenges and conduct further research thereon.

Keywords: Internal communication · Solution business · Change process · Empirical research · Case study

Introduction

One of a company's main strategic tasks is to manage its value creating logics. Ever fiercer competition, and market globalization, have among other factors pushed companies towards more networked value creating logics (Fang, Paltimatier and Steenkamp 2008, Jacob and Ulaga 2008, Jalkala, Cova, Salle and Salminen 2010). Thus, it is said that a company's strategy is the art of positioning itself correctly in the value network (Normann and Ramirez 1993). Refocusing strategy in the value network has generated an extensive body of academic literature (Ulaga and Eggert 2006; Peppard and Rylander 2006, Matthyssens and Vandenbempt 2008). According to the literature, a customer's needs are attempted to satisfy through the relational process of

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co-creating value with the customer and network partners (Holm, Eriksson and Johanson 1999, Kothandaraman and Wilson 2001, Tuli, Kohli and Bharadwaj 2007). Thus, companies have been evolving from offering something to the markets, to offering with the markets (Vargo and Lusch 2004). The academic discussion has generated various concepts adopting slightly differing perspectives on the issue. Probably the most common concepts are solution business (Sawhney 2006, Davies, Brady and Hobday 2007, Tuli, Kohli and Bharadwaj 2007), service business (Olivia and Kallenberg 2003, Vargo and Lusch 2004, Fang, Paltimatier and Steenkamp 2008, Gummerson and Mele 2010), system selling (Mattson 1973, Hanan, Cribbin and Donis 1978, Günter and Bonaccorsi 1996), and project marketing (Cova, Ghauri and Salle 2002, Skaates and Tikkanen 2003). However, changing position and focus in the value network closer to customers, has proved to be quite a challenge for supplier companies (Davies, Brady and Hobday 2006, Matthyssens and Vandembemt 2008). Pricing offerings, overcoming a lack of internal trust regarding the economic potential, and deploying a successful strategy have been found to set a great challenge for the change process (Olivia and Kallenberg 2003, Sawhney 2006, Tuli, Kohli and Bharadwaj 2007). In addition, an organization's external and internal communication has been recognized as one of these challenges (Cova and Salle 2007).

The existing literature focuses on the role of internal communication during organizational change (e.g. Daly, Teague, and Kitchen 2003, Proctor and Doukakis 2003), and there are studies on change in the value network, moving closer to customers (e.g. Davies, Brady and Hobday 2006, Tuli, Kohli, and Bharadwaj 2007, Matthyssens and Vandembemt 2008). However, there seems to be a dearth of studies focusing specifically on the role and challenges of internal communication during the change process to a new business model, although their importance is noted. In addition, there is a paucity of understanding on how these internal communication challenges vary during separate phases of the change process to the new business model. In the present study, the solution business literature is predominantly followed, since its established position in the academic literature and the concept depicts the studied phenomenon sufficiently. The research gap is approached with a research question: *what are the supplier's internal communication challenges in the change process to solution business?*

The complex social phenomenon of the study is approached through a qualitative case study (Miles and Huberman 1994, Yin 2008) comprising two case companies. They have been selected to represent actors operating in business-to-business markets, and that have recently developed their organization towards the solution business. In addition, the cases represent a typical company expanding value propositions through solution business. The structure of these case companies is complex, with a substantial number of internal actors, and thus the internal communication challenges are well represented. The study identifies the main internal communication challenges when changing to solution business. The results of the study show that there are eight main internal communication challenges when a supplier is changing to solution business. The present study contributes to the solution business literature by suggesting a framework to overcome internal communication challenges in the change to solution business. In addition, the study introduces a

research agenda for further study on the challenges in the strategic change process to solution business.

Solution business

The solution concept has been an object of great interest during recent years, and thus has generated a quite extensive amount of research (e.g. Sawhney, 2006; Davies, Brady, and Hobday 2007, Naudé et al. 2009). Tuli, Kohli and Bharadwal (2007, p. 5) have defined the customer solution concept as follows: “A solution is a set of customer-supplier relational processes comprising customer requirements definition, customization and integration of goods and/or services and their deployment, and post-deployment customer support, all of which are aimed at meeting customers’ business needs”. Thus, a solution is not just a customized bundle of goods and services that is exchanged for a price – it is more like an ongoing relational process in which value is co-created by defining, meeting, and supporting a customer’s evolving needs. Although there is no unanimous and rigorous definition of the solution concept, the level of integration and customization are perceived to increase when offering solutions (Sawhney 2006, Davies, Brady, and Hobday 2007, Nordin and Kowalkowski 2010).

Gaining profit through delivering complex solutions, instead of goods or services, has proved to be quite a challenge (Tuli, Kohli and Bharadwaj 2007). Offering the solutions requires that the breadth of interaction with a customer is greater and the knowledge base is utilized more efficiently, which imposes on the organizational units a greater dependency on each other (Cova and Salle 2007, Tuli, Kohli and Bharadwaj 2007). Olivia and Kallenberg (2003) studies change in the value network through the service business concept and notes that there are three successive hurdles: first, the lack of trust in the economic potential of the service; second, the thought that the service is beyond the scope of the company’s competencies; and third, failure in deploying a successful service strategy. Furthermore, a gap in analytic thinking between headquarters and operational managers forms an internal barrier when moving towards solution business (Matthyssens and Vandenbempt 2008). Cova and Salle (2007) take a marketing based view on solutions and found that an organization must manage four challenges: the change in the orientation of the firm, the need for new capabilities and skills, the transformation of the structure and processes within the organization, and the implementation of the transformation process within the organization. Davies, Brady and Hobday (2006) found that changing the mindset of thousands of employees with a vision of traditional products and services is perhaps the most significant barrier when moving towards solution business. The simple biases towards solution business were also found to be a barrier to transformation.

Role of internal communication in organizations and change processes

The existing literature offers several concepts to describe the phenomenon of intra-organizational information sharing, such as employee communication (Frank and Brownell 1989), corporate communication (Argenti 1996, Cornelissen 2004), internal

marketing (Ballantyne, Christopher and Payne 1995), business communication (Reinsch 1996), management communication (Smeltzer 1996), organizational communication (Mumby & Stol 1996), and internal communication (Smythe 1996, Scholes 1997, Bovée, Thill and Schatzman 2003, Mounter 2003, Mazzei 2010). The present study adopts the concept of internal communication, since it has a clear focus on the internal activities coordinated by managers and takes into account all levels of the organization, including formal and informal communication. In addition, the concept is utilized successfully in the previous studies researching organizational change (Daly, Teague, and Kitchen 2003, Proctor and Doukakis 2003).

Internal communication is regarded as a crucial value producing process for organizations, and is suggested to be one of the prime management tasks in companies (Zahay and Peltier 2008). Previous studies have shown that the competent management of customer-related information is a prerequisite for the successful management of customer relationships (Möller and Rajala 1999, de Chernatony and Segal-Horn 2003). Marketing activities are increasingly spread among several organizational units, such as multifunctional teams and account management systems, thus the role of internal communication is emphasized. At the same time, the emphasized role of internal communication has led to an increase in communication methods and channels (Bovée, Thill and Schatzman 2003). The amount of received information is increasing rapidly, creating an information overload (Edmunds and Morris 2000). Thus, the challenge seems to be getting the right information at the right time, rather than simply an amount of information (Mounter 2003, Bovée, Thill and Schatzman 2003). A variety of technology based communication tools has been developed to intensify internal communication. However, employees usually fail to use the technology in the intended fashion (Peters and Fletcher 2004). In addition to discriminating between useful and useless information, the failure to take cultural differences into account, and managers' inability to evaluate their effectiveness as communicators, are perceived to be the challenges of internal communication (Quirke 1996, Bovée, Thill and Schatzman 2003, Mounter 2003, Jabri, Adrian, and Boje 2008).

Many areas of business today are subject to significant change due to e.g. globalization, shorter business cycles, and technological advances. In turn, the constant changes in the business environment drive companies to change. These planned changes are often conceptualized as processes, described as a sequence of single or collective events that describe how things change over time (Van den Ven 1992, Pettigrew, Woodman, and Cameron 2001). Academics have introduced various models to depict change processes (e.g. Burke and Litwin 1992, Kotter 1996), but none has as yet generated a broader awareness than Lewin's (1947) change model. Although Lewin's model has faced some criticism (Dawson 1994, Johnstone, Dainty, and Wilkinson 2008), it is said to be a suitable framework to discern a change process and conceptualize a planned change (Hendry 1996, Greer and Ford 2009). Lewin (1947) conceptualized change as a process with three phases: unfreezing, moving, and refreezing. The first phase, unfreezing, initiates the change by constructing the base for the change. The phase begins when the need for change is detected and it may vary in source and form (Zand and Sorensen 1975). In addition, the phase includes recognizing and assembling the driving forces for change. The second phase, moving, comprises choosing the course of action from the alternatives, the

modification of behaviour, and obtaining new work patterns. The final phase, refreezing, seeks to stabilize the company in a new quasi-stationary equilibrium (Burnes 2004). In other words, it is time to reap the rewards and ensure the organization is relatively safe from regression.

The significance of internal communication in change processes has been widely recognized. Incompetent internal communication is perceived as one of the main reasons for failure in change processes (Murdoch 1997). Furthermore, Harshman and Harshman (1999) have noted that communication within the organization is a key factor impacting how well the organization performs during the change program. Change requires taking several internal communication issues under consideration, such as the company's size, structure, corporate cultures, ownership and corporate politics (Daly, Teague and Kitchen 2003). Furthermore, trust is an important part of change (Proctor and Doukakis 2003). Smythe (1996) has recognized that communication has two key objectives in change management. The first is to create understanding, for those who need to adopt new processes, of what will change and the reason for the change. The second is to establish a process whereby employee expertise and knowledge can usefully impact the change and its design.

The existing literature focuses on the role of internal communication during organizational change (e.g. Daly, Teague, and Kitchen 2003, Proctor and Doukakis 2003) and the change from a goods dominant company to a solution provider (e.g. Davies, Brady and Hobday 2006, Tuli, Kohli, and Bharadwaj 2007, Matthyssens and Vandenbempt 2008). However, there seems to be a dearth of studies on the role and challenges of internal communication when changing position in the value network towards customers, although its importance is noted (Cova and Salle 2007). In addition, there is a call for further studies on the coordination mechanisms that improve intra-organizational effectiveness in solution business (Sawhney 2006). Thus, the present study attempts to fill the gap and research a supplier's internal communication challenges in the change to solution business.

Research design

The case study strategy was selected as the main research approach for the present study, since there is only limited prior knowledge of the studied phenomenon (Yin 2008, Eisenhardt 1989). According to Yin (2008), the need to understand complex social phenomena such as internal communication supports also the choice of the case strategy. The selection of the studied case companies was made by means of theoretical sampling (Eisenhardt and Graebner 2007), following the guidelines of Yin (2008). The selected case companies represent organizations operating in business-to-business markets, which have recently developed to solution business. Furthermore, the organization structures of the selected case companies are complex, including a substantial number of internal actors. Thus, the internal communication challenges are well represented. The first case illustrates a setup where a company has recently changed to solution business. The change has been enacted successfully in a fairly brief period of time. The second case illustrates an instance where the change towards solution business has not been particularly successful. Although the

second case company succeeded in transforming itself into a solution provider, it faced significant challenges.

The empirical data collection for this qualitative study was conducted through thematic interviews. The informants were chosen on the basis of possessing a broad understanding of the studied change process. In the first case, the interviews covered four upper level directors, and in the second case, eight upper level directors (n=12). The interviewees' function in the case companies varied (e.g. sales and marketing, services, research and development, human resources, project management, and production line management). The wide variety of functions enabled a broad representation of the issues a manager faces in the change process. The duration of the interviews was from one to two hours and they were audio recorded as well as transcribed. The themes covered in the interviews were: the concept of solution, the change process from equipment provider to solution provider, the challenges in each development phase in greater detail. In order to create a more in-depth overview of the case company, annual reports, company brochures, and the company's web pages were employed as a secondary data source.

The data analysis utilized three steps of inductive content analysis tradition: data reduction, data clustering, and data abstracting (Miles and Huberman 1994). In the data reduction phase, informants' expressions relating to the studied phenomenon were separated from the data. Expressions concerning issues such as solution business, internal communication, challenge, and organizational change were taken into account. In the data clustering phase, the expressions were categorized according to core consistencies and meanings. In the final phase, the categories were abstracted to the themes. The themes represented the internal communication challenges in the change process. In order to increase the validity of the study, the first and second authors followed the analysis process through separately and compared the results.

Case studies: recognizing internal communication challenges in the change process towards solution business

Our research on internal communication challenges leans on Lewin's (1947) three step model of a change process: unfreezing, moving, and refreezing. In the present study, the separate phases are understood as follows. In *the unfreezing phase*, the company outlines, among other factors, what the new strategy (solution business) would require and mean to its business. *The moving phase* starts after the decision to move towards the new strategy is taken and comprises, among other factors, organizational changes, changes in business networks, and retraining employees. *The refreezing phase* can be considered as a period of time after the first solution and includes, among other factors, operational and tactical decisions, improving communication, managing knowledge and controlling networks.

Case company Alpha: a supplier of metal-based solutions

Case company Alpha is a supplier of metal-based components, systems and integrated systems to the construction and engineering industries. Net sales amount to

almost 3,000 million euros and there are around 12,000 employees working in 27 countries across Europe, which makes internal communication challenging. Alpha is a good fit for this study, as it recently transformed itself from a traditional industrial materials supplier into a customer oriented solution provider.

The industry in which Alpha operates was subject to many mergers and acquisitions at the beginning of the 2000s. Alpha conducted an industry analysis in early 2003 and concluded since it was a relatively small actor in the market they should refocus their strategy or face the threat of becoming a victim of the ongoing consolidations. Thus, they decided to move towards customers in the value network to differentiate the company from its competitors. The solution business model seemed to be worth studying, so the industry analysis initiated the *unfreezing phase* of the change process. The core team of five persons started to study solution business and what it could mean to the company, first to determine what it would and would not imply. In addition, there was an emphasis on defining the goal of the change process. The core team had to figure out which kinds of resource they should acquire to be able to act efficiently as a solution provider. It became clear early on that acquisitions and recruitment would be necessary. One of the core team's most critical tasks was to sell the solution business idea to the company's top management. The decision to move towards solution business was made in summer 2003, which initiated the *moving phase*, where the number of persons included in the change process started to increase rapidly. At the early stage, Alpha began a massive recruitment drive to acquire know-how and a customer oriented mindset. For example, the Chief Strategy Officer noted:

“Traditionally there have been lots of good workers in the company, but starting to make this kind of a jump requires a huge amount of new in-house human resources.”

During 2004–2008, the case company made 14 acquisitions to obtain the required resources. From an intra-organizational perspective, the change meant unlearning the former traditions as well as learning the new way of doing business. First Alpha had to make sure that everyone knew what solution business is and what changing towards it would mean. This raised opposition to the change. However, well organized communication proved to be a way in which to reduce the opposition. The Chief Strategy Officer and the Senior Vice President, Marketing noted:

“At the beginning the opposition to the change was significant, which is quite natural when starting suddenly to talk about a kind of business [solution business] that the company does not presently practice. That's why communication concerning the solution business was purposefully overemphasized.”

“If you want to change the course of a big ship, you have to make clear choices. And in that kind of communication you cannot have any more than three messages.”

The new business model would create some requirements in terms of technical support tools, such as an increased need to gather variable data from a wider and more profound customer interface. In addition, the need for a broader understanding of

the value network set some requirements for technical support tools. However, one of the main challenges was the changed role of the sales. Alpha had to change its customer portfolio to meet the solution offering and the change had to be communicated to the sales personnel. In addition, the sales personnel had to be trained for a more consultative style of selling as opposed to selling a bundle of goods and services. Besides the sales personnel, Alpha aspired to change the mindset of every employee to take the whole value network into account.

The creation of the first solution in April 2004 started the *refreezing phase*, where the focus is on moving away from the strategic level towards the tactical and operational levels. This phase includes developing, selling and delivering solutions. At an early stage, Alpha found that solution business requires a broad customer interface. In addition, the number of actors involved in solution sales and delivery was increasing. Thus, the management of information from several customers' actors was perceived as a great challenge. Globally spread actors made the situation even more challenging. Intensifying internal communication without inflicting information overload was also perceived to be a challenge. Alpha had further found that in the refreezing phase the intensifying interaction between organizational units is a great challenge. For example, the role of internal communication was found to be emphasized in pricing a solution, delivering a solution with high quality customer care, and internal learning of a solution.

Case company Beta: a supplier of environmental and industrial measurement solutions

Beta is a supplier of environmental and industrial measurement products and services to customers in meteorology, airports, roads, defence, energy, and various other industries. Beta has 1,400 employees in 12 countries, with net sales of around 210 million euros. Beta is an ideal case company, since it began its change process towards solution business in early 2003, and thus the challenges of the change process are clearly to the fore. In addition, broad access to the separate functions in the organization supports its selection as a case company.

As in the case of Alpha, Beta found itself in an industry undergoing fundamental change. Beta employed an external consultant to analyze the company's possible future directions. The consultant proposed two potential alternatives, either to focus clearly on component manufacturing or become a supplier of value added solutions. The decision to move towards solution business in 2003 began the *unfreezing phase* of the change process. Beta was highly enthusiastic about the solution business model and the decision to move that way was swiftly made. One challenge was to expend enough time and effort to define what solution business would require and to determine the change process goal. It became clear that there was no single person or team with an adequate mandate to lead and manage the change process. Although there were many people involved in the decision to move towards solution business, the responsible person or a team was missing at the later phases of the change process.

Beta's three divisions each had their own business model at the time, and thus selling the idea of solution business internally was challenging. The decision was

nevertheless made in late 2003, which initiated the *moving phase* of the change process. It was decided that the change would begin in a single division supported by functional units (e.g. services, project management, R&D, and human resources). Thus, the move towards solution business was not that visible at the company level as a whole. In addition, former changes in the business models had impacted attitudes towards business model changes. The Vice President of R&D unit put it thus:

“...we still have the challenge that we have been involved in almost every possible business that you can imagine.”

Beta operates in a high-tech industry and has a tradition of highly educated personnel. Thus, Beta didn't feel the need to recruit more experts to understand the ways in which to customize offers to meet customer needs. In addition, Beta had already offered services to its customers and therefore didn't feel the need to invest in services either. With the exception of taking on a few new managers, Beta didn't recruit or make acquisitions, but started an internal six step program to transform itself into a solution business in the selected business division. Although Beta engaged in intra-organizational training and communication with regard to solution business, there was no clear and comprehensive message. Also the extent and amount of training seemed insufficient. Thus, the impact of the message was inadequate and the change didn't seem to be going forward. An executive vice president put the reason thus:

“I argue that it derives from the fact that our selling organization has long acted in an undisciplined and individualist manner.”

The challenge presented by the changed sales process was noted also by the director in the sales and marketing department:

“...the information [from the customer] has to be shared, and you have to have experts who talk to other experts and share information, too. The time of the lone cowboy is totally over.”

According to the director in the sales and marketing department, the first challenge in the internal communication of the changed sales process is twofold. First, the personnel interacting with the customer has to share the information and perceptions from the customer interface with the rest of the organization. In Beta, solution architects vacancies were established to act as a link between departments and thus create a greater insight into customer needs. Another method Beta employed was to use back office insights to build sales teams. However, as the Senior Vice President, Human Resources noted, the challenges for the back office to follow front office needs were substantial:

“I think that the great challenge is in the product development that can be quite apart from the customer... Or you have to have good mechanisms to mediate the customer needs and understanding the customer. In addition, since we are not transforming entirely to solution business, as we also have other kinds of business

models, this is quite a challenge for a product manager...to understand that the products are involved in the solutions as well as sold as single instruments.”

The second challenge was that the organization’s intellectual capital has to be utilized across departmental boundaries, but the change was occurring in only one of the three product departments. Thus, when the intensified internal communication was needed, it didn’t work effectively. The inefficiency of interdepartmental communication emerged in the *refreezing phase* of the change process, when the organization started to provide solutions for its customers. The beginning of the refreezing phase was traced to 2006, when the first solution started to be built. However, opinions concerning the beginning of the refreezing phase varied substantially among the interviewees. Since changing to solution business was initiated from a single department, the persons with the changed mindset seemed to be alone at the beginning of the sales process. Although building the first solutions had required a substantial amount of resources, those first solutions were perceived important for internal education. The reference solution was communicated internally to create trust in solution business as well to educate especially sales personnel to change their mindsets. A director in the Services department depicts the effects of the change in the mindset.

“...we had a good [solution selling] case in 2006, when we had done the thinking work, and a customer contacted Beta. ...the customer said that he wanted 12 sensors. He happened to call a person who has been involved in the solution business thinking, and he [the salesman] understood the need to ask a counter question, what are you going to do with those sensors. ...the 12 sensors would be nice and easy to sell, but [by asking the question] the deal has grown tenfold. Still it is not the main thing, but we had learned through that case.”

However, a person’s mindset does not change unless the person has good reasons to change it. The challenge is that providing solutions is more time consuming than simply selling products. Thus, the former incentive system is no longer relevant. Reforming and communicating new incentive systems was found to be a crucial for the change process. A director in the sales and marketing department depicted the challenge as follows:

“Regarding incentives there is a problem in that generally the incentive is based on net sales. Solution business does not take place quarterly, on the contrary it takes place over longer periods. Those persons that are able to do it should be rewarded.”

The role of technical tools was perceived to be substantial. The technical tools for interdepartmental communication had to be refocused in order to be able to share dispersed knowledge and create innovative solutions. In addition, it was found that providing solutions requires face-to-face or at least some form of real-time communication between departments. Especially sharing tacit knowledge was attempted to utilize through face-to-face communication. Thus, communication

channels and directions as to how to use them had to be adjusted to match the changed needs.

The interviewed persons' perceptions of the solution business seemed to vary substantially. Some perceived solution business as an interconnected network of actors collaborating closely without clear phases. However, some interviewees perceived the solution business more as a sequential process divided into successive phases. The third separable group seemed to draw a clear distinction between the responsibilities of the organizational units. In these depictions, there is a clear phase division into sales, production and after sales. Other departments are seen to support the process. The interviewees' functions varied in these groups, and thus the functions do not explain the difference in the depictions. The discrepancy in the perceptions of solution business indicates that interpersonal communication is challenging. The communicated message is easily distorted if the respondent perceives the solution business and surrounding business network differently.

Introducing a framework to overcome internal communication challenges in the change to solution business

Evidence in the data highlighted several challenges relating to internal communication, which were collected and categorized under the phases of the change process. The data indicate eight main challenges. Figure 1 depicts the internal communication challenges in the separate change process phases, and thus introduces a framework to overcome these challenges.

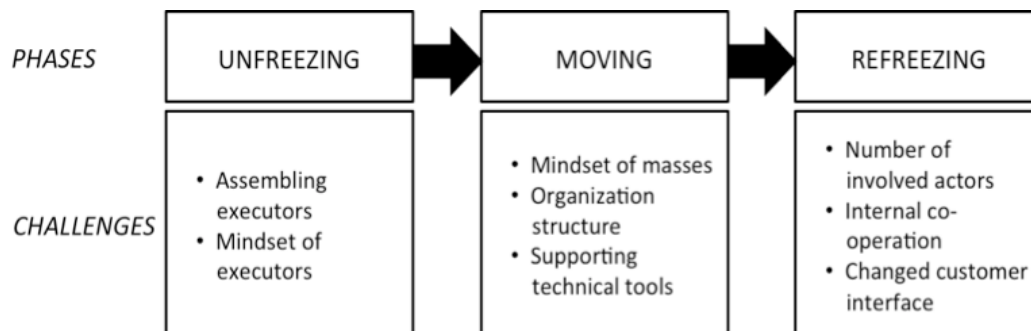


Fig. 1: A framework to overcome internal communication challenges in change to solution business

The first internal communication challenge in the unfreezing phase is *assembling the executors*. The value of committed executors was emphasized in Alpha, where the core team prepared for the change process e.g. by defining solution business in the context of their own company. In Beta, there was no person or team responsible for orchestrating the change. Assembling the executors requires wide ranging intensive communication in the organization to cover all departments and find the key players in them. The second challenge in the unfreezing phase is *the mindset of executors*. Case Alpha illustrates that convincing top management is a crucial task. Olivia and Kallenberg (2003) note that the lack of trust is a hurdle in moving towards a

more customer oriented and value producing business. The lack of trust seemed to be a challenge until the first solutions were successfully made. Forming a common mindset among executors demands intensive internal communication. The organization can with a collective mindset compile a strategy to take it through the change process (Olivia and Kallenberg 2003).

The moving phase of the change process towards solution business comprises three main challenges. The first and perhaps the most critical for internal communication is *the mindset of masses*. A solution mindset is not easy to embrace in a product-centric company, because many of the deeply held assumptions about selling, marketing and producing have to be reversed (Sawhney 2006). Beta held a variety of perceptions of the solution business, value creating logics and business networks. Without the common perception of the prevailing business logic and surroundings, the communicated messages could easily distort or be misunderstood. The second challenge in the moving phase is *the organization structure*. Case Alpha shows that changing to a solution business model can require the acquisition of know-how from outside the organization, which in this case meant acquisitions and recruitment. Making these new, as well as the old, organization structures work together towards a mutual goal set a great challenge for internal communication. In addition, the changed role of sales has a substantial impact on internal communication. Sales have to co-operate more intensively at the intra-organizational level to be able to construct solutions, and thus it is necessary to retrain sales staff in order for them to operate in a more holistic fashion. The change requires creating and communicating an appropriate incentive system that takes the changed business model into account.

The third main challenge in the moving phase is *the supporting technical tools*. According to the data, the role of technical tools that support internal communication is important. Since building successful solutions requires more intensified co-operation amongst internal departments and actors, technical tools and systems e.g. in manufacturing, sales, research and development, and accounting, cannot be isolated. All the information in these systems must be interlinked so that it is freely on hand. In addition, tools to meet the increased need for intra-organizational interaction have to be redefined and created. Unless proper communication tools are built and their usage managed, there is a risk of tumbling into information overload in the later phases of the changed business model. The overload can be a serious challenge for the organization's ability to utilize its entire knowledge (Edmunds and Morris 2000). However, supporting technical tools can transfer only explicit knowledge and thus tacit knowledge transfer should be done by other means.

In the refreezing phase of the change process, the organization is stabilizing its transformation and ensuring that it does not regress. The first challenge is *the number of involved actors*. For a successful change process, there has to be a critical mass of involved actors to impact the change process positively (Fang, Palmatier, and Steenkamp 2008), and co-operation between the front and back office functions in solution creation is crucial (Sawhney 2006). Thus, the number of actors involved in the solution business increases, setting a significant challenge for internal communication. In addition, service elements that are usually included in the solution offerings are arranged from local offices located near to the customer. Alpha gathered some of

these service elements through acquisitions and recruitment to attain a good understanding of the customer's business. Well managed internal communication is needed to direct globally scattered actors.

The second challenge in the refreezing phase is *the internal co-operation*. Case Beta illustrates that unsuccessful co-operation between departments with separate business models can endanger successful solution creation as well as the entire change process. In addition, various authors have noted that co-operation with the front and back offices is crucial to solution business (Davies, Brady, and Hobday 2006, Sawhney 2006, Tuli, Kohli, and Baharadwaj 2007). Thus, structures and methods for internal communication have to be well formed to concretize co-operation. In addition, several authors (Sawhney 2006, Tuli, Kohli, and Baharadwaj 2007), as well as both the Alpha and Beta cases, illustrate that pricing a solution is a challenge for organizations during the sales process. Pricing requires an in-depth understanding of the solution's value structure, necessitating intense co-operation. In addition, the solutions are basically individually customized, thus emphasizing the role of pricing in the sales process. As various informants in Case Beta noted, the role of sales is being transformed from a purely selling function towards one of coordination. Thus, Sales has to take more responsibility for internal communication and knowledge sharing, especially in the sales process itself.

The third challenge for internal communication in the final phase of the change process is *the changed customer interface*. Co-creating solutions with customers and external partners widens the interaction interface. Solution selling does not take place only between sellers and purchasers, a wide range of actors is involved in the co-creation process from both the customer's and partner's side. Furthermore, interaction is occurring at a variety of levels in these organizations. Managing information at a wide and profound interface sets a great challenge for internal communication. Failure in internal communication can lead to inconsistencies in the customer interface and shortcomings in communication with the customer.

Conclusions

The aim of the present study was to increase understanding on the supplier's internal communication challenges in the change process to solution business. The present study contributes to the research on solution business by suggesting a framework to overcome internal communication challenges in the change to solution business. Based on the extant literature on solution business (e.g. Davies, Brady and Hobday 2007, Tuli, Kohli, and Baharadwaj 2007), internal communication (e.g. Mounter 2003, Proctor and Doukakis 2003), and change processes (e.g. Burke and Litwin 1992, Kotter 1996, Greer and Ford 2009), as well as the analysis of the two illustrative cases, it is suggested that the internal communication challenges in the change to solution business can be placed in eight primary categories (see Figure 1). In doing so, the study continues the line of argument advanced by Olivia and Kallenberg (2003), Davies, Brady and Hobday (2006), Cova and Salle (2007) and Matthyssens and Vandenbempt (2008). In addition, the study offers a tentative research agenda to study further the change to solution business from the internal communication perspective.

Proposal for research agenda

Based on the observations and considerations, a tentative research agenda is formulated for the change process to solution business from the perspective of internal communication. The eight challenges identified in the present study are assessed on their uniqueness and attractiveness as research topics. The four most interesting topics are introduced in the following. The first, and perhaps the most interesting, research topic is the need for *intensified internal co-operation*. Although the extant literature (Davies, Brady, and Hobday 2006, Sawhney 2006, Tuli, Kohli, and Baharadwaj 2007) has touched on the issue, making the uniqueness of the topic a little low, the attractiveness of the topic seems to be high. As the cases illustrate, co-operation between organizational units is needed to be able to offer and create solutions. For example, further research in this area needs to clarify what requirements the pricing of solutions set for the management of internal communication. In addition, further research is needed to understand the coordination mechanisms when selling solutions.

The second suggested research topic is the *changed customer interface*. From the perspective of internal communication, the topic seems to be quite under researched. However, the width of involved actors in interaction with customers in solution business increases (Cova and Salle 2007). Thus, the growing variety of actors from several organizational functions is setting a great challenge for internal communication. Further research in this area should shed light on how the diffusion of customer-related information could be managed in the solution business context. In addition, success stories from genuine solutions sales cases from the perspective would be welcome.

The third interesting future research topic from the perspective of internal communication in the change to solution business is the whole *organization structure*. The change of organizational structure is a challenging task for management, in which communication plays a large role. In the change to solution business, for example the role of sales and assimilating the possible acquisitions set specific challenges. Although the study points out the challenge of organizational structure from the perspective of internal communication, more research is needed. The extant literature scrutinizes the role of internal communication in the change of organization structure (e.g. Daly, Teague and Kitchen 2003, Proctor and Doukakis 2003), however more understanding is needed on what special characteristics solution business sets for the change in the organization structure. In addition, further research is needed to understand the role of the sales unit in the change process to solution business.

The fourth suggested research topic from the perspective of internal communication is the *mindset of masses*. As the extant literature notes, a solution mindset is not easy to embrace in a product-centric company (Sawhney 2006). In addition, as case Beta illustrates, the mindsets can vary substantially even in the later phases of the change process. The mindset can have a major impact on the success of the change process. Although the uniqueness of the topic is not high, emerging new openings in the field of industrial networks and sense-making can offer a new perspective on the topic. For example, the fast growing literature on the concepts of network pictures and network insight are interesting perspectives from which to approach the complex social reality of communication (e.g. Henneberg, Mouzas, and

Naudé 2006, Henneberg, Mouzas, and Naudé 2009, Mouzas, Henneberg, and Naudé 2008, Colville and Pye 2010).

Finally, the change process in the value network is approached leaning on the extant solutions business literature. Adopting other theoretical bases could validate the results of the present study and may provide interesting insights into the issue. For example, approaching the change in the value network through the concepts in the extant literature, such as service business (Olivia and Kallenberg 2003, Vargo and Lusch 2004, Fang, Paltimatier and Steenkamp 2008, Gummerson and Mele 2010), system selling (Mattson 1973, Hanan, Cribbin and Donis 1978, Günter and Bonaccorsi 1996), or project marketing (Cova, Ghauri and Salle 2002, Skaates and Tikkanen 2003), could offer new understanding and perspectives on the change process in the value network from the perspective of internal communication.

Managerial implications

For managers, the study offers a framework to predict and tackle internal communication challenges when moving towards solution business. According to the results, the role of sales in the change process to solution business is substantial. Thus, selling the first solution as a reference for others should be supported. In addition, lessons from the first case could be used to support the change in the mindset of other persons at the company. As case Alpha illustrates, assembling executors with a proper mandate in the early phases of the change plays a large role in the success of the change. Thus, the team should be assembled with care before the change is initialized at the company. Finally, as the study addresses, internal communication has a substantial role to play at every step of the change, so managers should plan how to communicate effectively and efficiently in the change in order to succeed.

Limitations

The conclusions must be treated with care as they are based on two case studies representing specific organizations and market characteristics. Nevertheless, the similar sized industrial organizations with similar starting points in the change process share several features in our results. Adding more cases could have offered more information to support the implications. However, the study does not aim for statistical generalization based on hypothesis testing, but provides explorative ideas as a source of theory building and testing (Eisenhardt 1989).

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