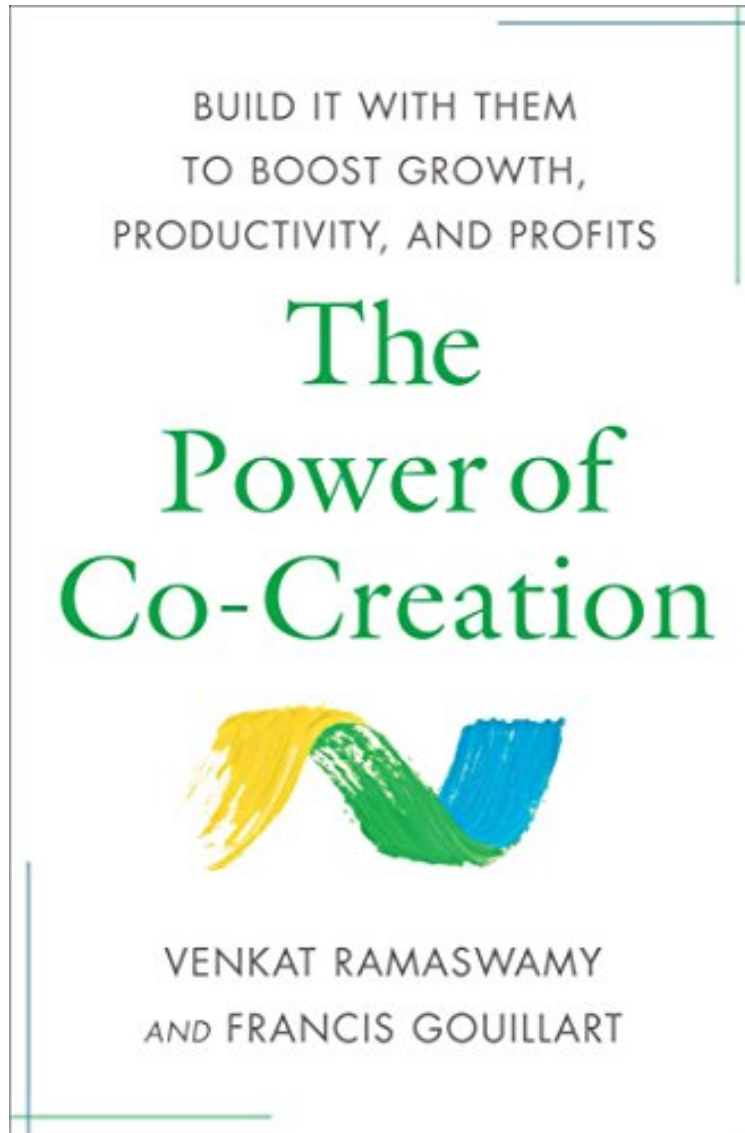


The Power of Co-Creation: Build It with Them to Boost Growth, Productivity, and Profits

Venkat Ramaswamy, Francis J. Gouillart
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Venkat Ramaswamy, Francis J. Gouillart : The Power of Co-Creation: Build It with Them to Boost Growth, Productivity, and Profits before purchasing it in order to gage whether or not it would be worth my time, and all praised The Power of Co-Creation: Build It with Them to Boost Growth, Productivity, and Profits:

0 of 0 people found the following review helpful. An Excellent Book for 21st Century Leadership ManagementBy James StrockThe 'Power of Co-Creation' is an excellent book with serviceable lessons for anyone to use today, and offering promising principles for use tomorrow.The book presents a series of case studies demonstrating how

organizations are responding effectively to two great trends explored in 'Serve to Lead': the transition from a transaction-based world to a relationship-based world; and the ongoing shift in service perspective from inside-out to outside-in. The first section of the book focuses on "value co-creation." This refers to consumers deepening their relationships with the enterprise, becoming co-designers or ongoing parts of engaged networks. The second section focuses on "management co-creation." The book includes examples from all sectors, from private to government and not-for-profit. These case studies are the heart-and-soul of the book and make it immediately serviceable. The epilogue, "A Co-Creation Manifesto," is a first draft of broad, enduring principles. One anticipates that this tremendously serviceable volume will be followed with successors, as the trend toward "co-creation" deepens and expands in the years just ahead. The great reach of the principles with which the book closes will, soon enough, require updating, elaboration and additions to the case studies offered earlier.

0 of 0 people found the following review helpful. Five Stars
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Apple embraced co-creation to enhance the speed and scope of its innovation, generating over \$1 billion for its App-Store partner-developers in two years, even as it overtook Microsoft in market value. Starbucks launched its online platform MyStarbucksIdea.com to tap into ideas from customers and turbocharged a turnaround. Unilever turned to co-creation for redesigning product lines such as Sunsilk shampoo and revitalized growth. Nike achieved remarkable success with its Nike+ co-creation initiative, which enables a community of over a million runners to interact with one another and the company, increasing its market share by 10 percent in the first year. Co-creation involves redefining the way organizations engage individuals—customers, employees, suppliers, partners, and other stakeholders—bringing them into the process of value creation and engaging them in enriched experiences, in order to—formulate new breakthrough strategies—design compelling new products and services—transform management processes—lower risks and costs—increase market share, loyalty, and returns

In this pathbreaking book, Venkat Ramaswamy (who coined the term co-creation with C. K. Prahalad) and Francis Gouillart, pioneers in working with companies to develop co-creation practices, show how every organization—from large corporation to small firm, and government agency to not-for-profit—can achieve "win more—win more" results with these methods. Based on extraordinary research and the authors' hands-on experiences with successful projects in co-creation at dozens of the world's most exciting organizations, *The Power of Co-Creation* illustrates with detailed examples from leading firms such as those above, as well as from Cisco, GlaxoSmithKline, Amazon, Jabil, Predica, Wacoal, Caja Navarra, and many others, how enterprises have used a wide range of "engagement platforms"—and how they have even restructured internal management processes—in order to harness the power of co-creation. As the authors' wealth of examples make vividly clear, enterprises can no longer afford to view customers and other stakeholders as passive recipients of their products and services but must learn to engage them in defining and delivering enhanced value. Co-creation goes beyond the conventional "process view" of quality, re-engineering, and lean thinking, and is the essential new mind-set and practice for boosting sustainable growth, productivity, and profits in the future.

From Publishers Weekly
With the Internet sparking a cultural shift towards collaboration and participatory commerce, and customers demanding engagement in products at unprecedented levels, corporations and institutions are scrambling to figure out the new rules of business. Likewise, employees are demanding involvement in determining company direction, and executives are discovering that accepting it brings success. In their first book together, Ramaswamy (*The Future of Competition*) and Gouillart (*Transforming the Organization*) highlight several examples, ranging from Starbucks to Summerset Houseboats, of companies moving from a top-down to a bottom-up approach and establishing cost-effective measures like crowd-sourcing to meet local needs. The authors make an excellent case by examining the successful integration of these strategies, but they never quite make the leap beyond their single-line strategy and urge for implementation. For general readers this will suffice, but it would have been helpful had the authors included implementation strategies for organizations with more limited resources as well. Still, their advice is timely and should prove beneficial to people looking for a fresh take on business strategies. (Oct.) (c) Copyright PWxyz, LLC. All rights reserved. "The Power of Co-Creation builds a compelling case for how and why many successful companies have changed their focus -- not just reaching audiences, but building constituency. As Venkat Ramaswamy and Francis Gouillart note, this concept is not limited to engaging with customers. It gets to how any organization establishes shared attraction through shared values. In doing so, it builds not just common ground, but a deeper, enduring, widely shared idea on which to build a great enterprise." (Jon Iwata, Senior Vice President, IBM Marketing and Communications) "Interconnectedness has changed everything, and for companies that are looking to find new paths to profit, *The Power of Co-Creation* is a must read. It sets out how the idea of co-creation can be implemented in every sphere, and the magic that comes out in moving from a firm-centric to a people-centric mindset. Successfully implementing "innovation by everybody" works wonders for all stakeholders." (Anand Mahindra, Chairman, Mahindra Mahindra) "At a time when the technologies of the Internet are making

entirely new forms of collaboration possible we need maps and guidebooks to help us make sense of the bewildering opportunities. Venkat Ramaswamy and Francis Gouillart have created just such a guidebook. They have charted the unknown territory of large scale co-creation with great thoroughness and imagination. I recommend taking it along on any journeys of co-creation you plan for your organization." (Tim Brown, CEO, IDEO) "Inside the heart of every consumer lies a swirling cauldron of needs, wants, and desires that until now have been opaquely shielded from human understanding. The brilliant ideas unleashed by *The Power of Co-Creation* are nothing short of the proverbial keys to the kingdom, granting aspiring co-creationists a new center-of-gravity interface for triangulating communications between a company, its products, and its customers." (Thomas Frey, Futurist and Executive Director, DaVinci Institute) "Thanks to reduced communication cost and increased connectivity, it is now possible to take the old virtues of "listening to your customer carefully" and turn value creation into a much more dynamic, iterative and bottom-up process. It is this "co-creative" transformation that the authors elaborate and illustrate in *The Power of Co-Creation*. An enlightening read for business owners in the new, socially-networked millennium." (N. R. Narayanamurthy, Chairman, Infosys) "The Power of Co-Creation demonstrates the new paradigm of strategy which is essential for business innovation regardless of industry. Our corporate motto "At your side" can only become a reality if we truly "co-create" value with our stakeholders." (Shunsuke Katayama, CEO, Brother Sales Ltd.) "At LEGO, we stumbled across the phenomenon of co-creation which is becoming a major innovation practice. *The Power of Co-Creation* provides many examples and guidance to gain a better appreciation of technique and touch, and a mindset that is crucial for successful co-creation. As we have learned, co-creation is not about just "following rules", but personal engagement is essential." (Jørgen Vig Knudstorp, CEO, LEGO) "About half of our strategic initiatives at H&M now come from co-creative engagement with our key stakeholders—patients and their families, physicians and nurses, our employees, business enterprises, and the health insurance companies. *The Power of Co-Creation* expounds a transformational journey in multi-stakeholder engagement that will shape our future." (Dr. Joaquin Polanczyk, CEO, Hospital Moinhos de Vento) "Co-creation is set to become a popular movement with a "ready-to-roll" execution framework so lucidly detailed in *The Power of Co-Creation*, laced with so many live examples. It has the power to actually co-create a new world order!" (S. Sivakumar, Chief Executive - Agri Businesses, ITC Limited) Excerpt. copy; Reprinted by permission. All rights reserved.

The Power of Co-Creation Chapter 1 Becoming a Co-Creative Enterprise All around the globe, the expectations of informed and connected people have dramatically changed in recent years. Whether as customers, employees, or citizens, people demand more engagement with providers of goods and services, with their employers, and with their governments. People today are highly connected and networked, sharing their experiences of using products and services. They want to help design the value of the products and services they use; they want an ongoing conversation with the organizations they do business with and with each other; and they want their voices heard. Yet, in spite of their best efforts, many organizations are locked into a firm-centric paradigm of value and its creation. They fail to engage people in generating better products and services that the organization can deliver. Technology gives innovators and marketers more and more options in designing and delivering products and services, yet they struggle to connect with what people value, and this further frustrates people. As a result, satisfaction ratings are declining or flat across many industries, and loyalty is increasingly a thing of the past. During 2000 to 2004, Venkat Ramaswamy (together with C. K. Prahalad) wrote a series of articles on the implications for business and society of the more connected and empowered customer. They detailed the shifting of competencies toward a network of customer communities and global talent outside the firm on one hand, and the emergence of global resource networks of firms on the other. The authors suggested that customer experience is central to enterprise value creation, innovation, strategy, and executive leadership.¹ These broad changes in business and society, they argued, called for co-creation—the practice of developing systems, products, or services through collaboration with customers, managers, employees, and other company stakeholders. Their book, *The Future of Competition* (Harvard Business School Press, 2004), offered a series of compelling examples showing that value is being increasingly created jointly by the firm and the customer, rather than created entirely inside the firm. The authors held that customers seek the freedom of choice to interact with firms through a range of experiences. Customers want to define choices in a manner that reflects their view of value, and they want to interact and transact in their preferred language and style. *The Future of Competition* provided a new frame of reference for jointly creating value through experiences.² Just three years after its publication, a number of businesses had capitalized on opportunities anticipated by the book—whether start-ups such as Crushpad, which made winemaking a more democratic process using Web 2.0 technologies, or established businesses such as Brother, which breathed new life into a century-old product, the sewing machine, by networking the product and nurturing active user communities. In many ways *The Future of Competition* portrayed the digital and consumer universe we know today. It also commenced an ongoing journey for Venkat Ramaswamy. In 2005 Francis Gouillart joined the journey, and the authors started developing a transformational framework for co-creation. Through their interactions with thousands of managers globally who had begun experimenting with co-creation, they discovered that enterprises were building platforms that engaged not only the firm and its customers, but also the entire network of suppliers, partners, and employees in a continuous development of new experiences with

individuals. In some cases, they found that organizations had gone further in extending their resource base through practices such as crowdsourcing, mass collaboration, and open innovation. In other cases, they were tapping into user communities and social networking among customers. Some organizations had also begun allowing their customers to personalize products. Others were engaging suppliers in new forms of vendor relationships. Still others had developed new ways of interacting with their employees and were able to mobilize their workforce to unheard-of levels of performance through co-creation. In all these cases, companies were succeeding by paying attention to how they engaged people. Managers had to make the fundamental shift to go beyond their conventional goods-services mind-set to an experience mind-set—defining value based on human experiences rather than features and processes, whether downstream or upstream, in the value chain. They further observed that success lies in using people's engagement experiences to generate insights to improve the nature of interactions as a result, including inside the enterprise. Interactions among people inside and outside the firm became the connective tissue where new insights, learning, and innovation were generated. As shown in Figure 1-1, the activity chain of the enterprise no longer solely creates value, nor is its value proposition unilaterally defined by the organization. The activity chain remains key in creating goods and services, but customers, suppliers, partners, and employees are no longer limiting their experience to just "receiving"; what is being offered by the enterprise's activity chain. They increasingly want to insert themselves into that activity chain, and also open up to the possibility of enhancing value in their own activities. In other words, people want to be personally engaged in co-creating value through human experiences. In doing so, the traditional distinction between production and consumption gets blurred. Figure 1-1: Becoming a Co-Creative Enterprise

Although the co-creation principle applies equally for suppliers, partners, and employees, let us start by illustrating how value co-creation works with customers. In the conventional enterprise, customers are largely passive in the process of value creation. They are researched, observed, segmented, targeted, marketed at, and sold to by people in the organization, but they are not engaged in any meaningful interaction with the organization, on their terms. To use common business terminology, the organization has established "touch points" for them, but these touch points are scarce and brief, and they are all staged from the perspective of the organization. The organization decides what those touch points are and how the relationship with the individual is defined. Individuals do not get to decide what they are to share with the enterprise, but instead answer the questions asked of them at the focus group. They do not participate in the design of the product or service or program, but are only presented with an offering designed for them by the organization. They do not participate in the marketing of the offering, but only get to see the campaign aimed at them. They do not sell the offering to each other; the organization sells it to them. They are left with a yes-or-no decision, a modern capitalistic equivalent of Shakespeare's Hamlet: "to buy or not to buy." Throughout, the organization views value as a function of its activities, ignoring the role of individuals and their activities in the shaping of value. This firm-centric paradigm of the conventional enterprise has served us well for many years, but it is rapidly becoming obsolete. As we will see in this book, the future belongs to the co-creative enterprise. Co-creation involves both a profound democratization and decentralization of value creation, moving it from concentration inside the firm to interactions with its customers, customer communities, suppliers, partners, and employees, and interactions among individuals. Once an organization accepts this premise, it starts on a journey that will require it to develop new capabilities. First, the organization needs to use the experience of individuals as the starting point, rather than its own products and services. In addition, the development of compelling experiences with individuals requires that they be allowed to engage in interactions of their own choosing. In co-creative enterprises, individuals participate in the design of value through their own experiences, which leads to a recasting of the conventional role of strategy, innovation, marketing, supply chain management, human resources management, and information technology. The co-creative enterprise is also a formidable productivity engine that can pay for itself many times over, in the same way that the quality movement and Six Sigma process-based practices have increased productivity by increasing worker engagement. In addition to cutting costs and improving efficiency, co-creation reduces business risk. Most important, the co-creative enterprise is a growth engine. It enhances strategic capital, increases returns, and expands market opportunities. Co-creation draws innovative ideas from customers, employees, and stakeholders at large. It increases the capacity of firms to generate insights and take advantage of opportunities they might not have identified, while reducing risk and capital needs by using global networks and communities. To illustrate a co-creative enterprise in action and the power of value co-creation, consider Nike.

Nike as a Co-Creative Enterprise

After Apple introduced the iPod in 2001, employees on the Nike campus started to notice many runners sporting ubiquitous white earbuds. As Nike's senior managers traveled globally, they came back seeing the connection between running and music in a different light. In the words of Nike's president and CEO Mark Parker, "Most runners were running with music already. We thought the real opportunity would come if we could combine music and data." In 2006, Nike launched Nike+ (pronounced NikePlus), an initiative in partnership with Apple to engage more deeply with runners and the running community at large. Nike+ consists of a smart sensor on the shoe that can communicate with a built-in wireless receiver on the iPod Touch or iPhone. As you listen to music and run, the sensor electronically logs the time and distance of the run, keeping track of any records being set. When a new record is set, a voice-over recorded by Lance Armstrong offers congratulations and provides encouragement. And

once you are done running, you can go online to the Nike+ website (www.nikeplus.com), upload data from your run, chart it, analyze it, and share it with other runners. Runners can set individual goals, track their progress, and challenge other runners.⁴ Nike+ goes beyond an agglomeration of devices and websites, however. To appreciate the co-creativity of Nike+, let us see how a runner actually engages with this platform and with other runners. Meet our protagonist runner, “Youtou,” as she is affectionately called. She has had a passion for running from a young age and takes running seriously. She works with a global firm and enjoys watching soccer and sports in general. Youtou is not just a statistic in a company database or someone to be “targeted,” but a living, breathing human being who cares about the quality of her running experience. Youtou is training for a half-marathon in London in five months. She has set a goal of finishing in less than an hour and a half, a highly ambitious time given where she is today. It is an opportunity to prove her competitiveness to herself and others. Let us identify the various interactions Youtou can engage in through Nike+. Her experience is ultimately the result of all those interactions. First, using the Run Tracking feature, she can now automatically plot distance, time, pace, and calories burned. She can display a friendly, colorful histogram of any set of data over time, assessing whether she is making progress. No need to log her runs into spreadsheets on her laptop manually every day as she used to, serious runner that she is. She can also issue running challenges to others through the Challenge Others feature. Here, she may let her competitive streak run free and dare the kids at her office to beat the time she recorded yesterday on their favorite “run around the Park Plazard” course. She may issue her challenge as an individual or as part of a team. The challenge may be, for example, about the total number of miles that her team can run over a set period of time—say, 30 days—thereby fostering motivation within each team. “Hey buddy, how about logging a couple of miles for the team this evening?” Youtou can also put herself out there and publish a Running Resolution, whereby she intends to run at least 1,000 miles over the next five months. She can already hear the electronic cheering coming from friends and relatives as she accumulates a few more miles every day, not to mention the emotional lift she receives from congratulatory messages from Lance Armstrong as she passes certain milestones. Youtou can now Map and Share Her Runs. Every time she establishes a new course, she can view it on a Google map, through a partnership between Nike and Google. She can also make that map available to others, annotating it with detailed data such as the nature of the road terrain and whether the course is well lit or not. When Youtou is sent to London on business, she can now download local data and find the popular running places around the hotel where she is staying. Of course, Youtou can Listen to Music on her iPod Touch. In the words of the Nike+ website, she can “hear how she runs.” Many athletes will tell you that there is a unique symbiosis between sports and music rhythms, which Nike+ capitalizes on. Youtou can also Publish Her Running Playlists. And who knows? Her iTunes iMix playlist tuned to the running rhythm of people like her may become a hit. She might become a contributor to popular iMixes and stoke the teenage aspiration she once had to become a music producer. Through Nike+, Youtou can also join local Nike Running Clubs. There, she will be able to attend running clinics and participate in runner reward programs. She can also sign up for Nike-Sponsored Events such as a five-kilometer run on Valentines’ Day in the streets of New York. Youtou can engage in virtual Training with a Running Coach or Interact with Running Stars. There, she can get into a personal discussion on how quickly she should start running again after her pregnancy, or why her running pace seems to be hitting a wall after steadily improving for the last year. More broadly, she can join a variety of Blog and Discussion Board interactions with the larger running community, covering topics as diverse as running shoes, clothing, personal stories, and, as the Nike+ website indicates, “everything running.” Notice how active Youtou can be throughout in defining her running experience. She can create her own running courses, potentially building on what others have devised before her. She can decide whether to engage with training specialists or professional runners, based on the specific issues she faces. She can share her wisdom and running tips, based on what works for her. She can decide to seek encouragement and support in training for the half-marathon in London in five months. In all those cases, she initiates the contact, rather than passively wait for someone to reach out to her. She can share feelings or data about herself. She can be creative and exhibit her personality. She can be imaginative and whimsical and have fun in a way that suits her mood at any one time. Thus, for Youtou as a runner, value is now a function of her running experience. This is created partly by herself—how she decides to run—and partly by Nike+, which provides the engagement platform that reaches out to her on her own terms and invites her to connect not only with Nike but also with a vast community of runners (more than 2 million registered as of 2009).⁵ As a result, Youtou’s running experience can be co-created between herself and Nike+. Note that if Youtou prefers the passive orientation of the traditional model occasionally, she can do that as well. (The co-creative enterprise also has conventional one-sided value chain capabilities.) In other words, Youtou can engage and disengage when she wants to. For Nike’s part, the Nike+ system allows the company to engage runners and their social networks in rich conversations that generate deep knowledge and insights into the running experience, not to mention all that real, live data to which it now has access. Says CEO Parker, “In more ways than one, the genius of the Nike+ system is the software that allows generation of deep insights and facilitating social connections among the community of runners.”⁶ For instance, in 2009, Nike learned that the average duration of a run worldwide is about 35 minutes, and that the most popular Nike+ “PowerSong” that gave runners extra motivation was “Pump It”;

by the Black Eyed Peas. Nike also found that it took five runs with music uploads, on average, for a runner to get hooked on Nike+. The community conversations also provided key qualitative insights; runners not only liked the information they got, but the positive feedback from the body after five runs also propelled their motivation. Thus, Nike now has a live laboratory from which it continuously learns and generates insights from the data about customers' running mileage and music tastes. Nike watches runners using the system as they map their routes, graph distances for each run, record their speed, and chart their overall progress.⁷ Nike+ is a foundation of interaction that allows the continuous enhancement of its offerings. For instance, as runners started to "mash up" their runs with Google Maps, Nike made it possible for runners to annotate the routes of their runs and to view and discuss popular routes in their neighborhoods with the Nike+ community more easily. Nike+ is a great example of a co-creative engagement platform that allows Nike to:

- learn directly from the behavior of its customers;
- generate new ideas rapidly;
- experiment with new offerings quickly;
- get direct input from customers on their running preferences;
- build deeper relationships and trust with the community; and
- generate "stickier" brand collateral.

 These benefits to the enterprise constitute what we call strategic capital. Nike+ is a two-way learning engine, facilitating dialogue with and among the running community. Nike can identify and act upon new growth opportunities with this enhanced global resource network continuously. Besides attracting new adherents to its brand through the largest community of runners ever assembled, Nike boosts product sales and enhances returns through the increased motivation and involvement of runners that Nike+ generates. The payoff has been impressive:

- By the end of 2007, the company had captured 57 percent of the \$3.6 billion U.S. running shoe market, compared with 47 percent in 2006.

 Nike had sold more than 1.3 million Nike+ iPod Sport Kits (at \$29 apiece) and more than 500,000 Nike+ SportBands (at \$59 apiece). More than 600,000 runners from more than 170 countries used the Nike+ website in just a year, with over 40 million running miles uploaded.

- The growth has been relentless. Near the end of 2008, runners logged the 100th million mile on Nike+.

 By August 2009, despite a sluggish economy, over 150 million miles had been uploaded by more than 1.3 million runners burning more than 14 billion calories. Nike's share of the U.S. running shoe market had increased to 61 percent by mid-2009. Seeing the growth potential, Charlie Denson, president of the Nike brand, set a stretch goal in 2007 of having 15 percent of the world's estimated 100 million runners using the Nike+ system.⁸ But Nike is not only accelerating its growth through the strategic capital it generates. It is also reducing its risk and costs. With Nike+, the company shifted its spending away from traditional media like TV networks. Conventional advertising expenditures, for example, were down 55 percent at the end of 2007, and the portion of Nike's advertising budget devoted to traditional media declined from about 60 percent of the total in 1997 to 33 percent in 2007. Says Trevor Edwards, Nike's marketing director, "We're not in the business of keeping the media companies alive. We're in the business of connecting with consumers. Nike+ is a very different way to connect with consumers. People are coming into it on average three times a week. So we're not having to go to them."⁹ Instead, Nike is making investments in building out the Nike+ platform further and enhancing its social media capabilities to enable runners to connect with each other and with Nike in new ways. By 2007, Nike's nonmedia spending was more than its traditional media spending: \$457.9 million to \$220.5 million. For Nike, the benefits of Nike+ include:

- Reducing the cost of marketing through the positive word of mouth created
- Sharing the risk of product/service development with partners such as Apple by getting them to co-invest and participate
- Mitigating the risk of capital investment through enlightened experimentation, because it can now test major investments through its engagement platform

 Building a successful engagement platform of this kind is a sophisticated process that requires a good deal of teamwork and is likely to involve some false starts. Nike+ wasn't the company's first such effort. In 1987 Nike had launched the Nike Monitor, a clunky device about the size of a thick paperback book, with a waist strap and sonar detectors, a far cry from the miniature sensor + software + online database that is Nike+. Michael Tchao, head of Nike's Techlab, notes, "You can imagine that this device, a little big, maybe not the most fashionable, wasn't the runaway success we had hoped."¹⁰ Nike+ was a huge step forward that involved collaboration between areas of the company that had never directly interacted before, as well as with Apple. And melding jogging, music, social networking, and technological collaboration with Apple was no easy feat. Doing so required managers from apparel, technology, research, footwear design, and music to come together as a new kind of team. As Michael Donaghu, Nike's director of footwear innovation, notes, "The best teams get a little borderless. We got really borderless."¹¹ So far, we have described the Nike side of mutual value creation. But there are also considerable benefits generated on the customer side of co-creation. Nike managers have escaped the conventional product-centric view of value and are, instead, focusing on the real human experience of running. They now understand how runners want to connect with their own running experiences and recognize how experiences are not only personal but also social—shaped by interactions with other runners, trainers, and coaches. Nike designed the Nike+ website to facilitate these interactions and engage in conversations with the running community at large to learn rapidly from their interactions. As a result, the enterprise can bring all of its strategic capital to bear on continuously enhancing the human experiences of runners through the Nike+ platform. The runner's researching of gear, buying shoes, and occasionally invoking customer service—the only parts of the runner's processes that

truly line up with the conventional enterprise processes—are only a small part of the running experience. Most of what a runner does has no matching counterpart in the product-service activity chain—until Nike+ came along. Nike+ goes beyond conventional goods and services thinking as the basis of value creation. In the words of Niker’s Stefan Olander, Niker’s global director of consumer connections, “In the past, the product was the end point of the consumer experience. Now it’s the starting point.”¹² Nike+ expands value as a function of new types of experiences of value to individuals. Specifically, Nike+:

- Allows runners to track their runs with unparalleled precision
- Enhances their productivity
- Enables them to integrate music and running
- Propels their motivation
- Makes it easier for them to make and state running resolutions
- Connects them with running buddies and events happening locally and globally
- Encourages them to take part in a new social network of runners, trainers, and coaches specifically focused on the running experience

These are all new types of valuable experiences that did not exist before Nike+ enabled them. The record of runs belongs uniquely to each individual runner as does the social network they build, the resolutions they make, the motivation they create, the buddies they elect to run with, and the music they pick. As a result, Nike+ significantly enhances customer engagement. The Nike+ platform also reduces risk and cost for individuals engaged with the Nike+ system. Specifically, the Nike+ platform:

- De-risks the initial cost of equipment for runners, by giving them access to people who have already experienced that equipment
- Reduces the runner’s risk of training, by giving them access to professional trainers and experienced runners
- Reduces the runner’s search cost of finding local buddies and events through the web

In summary, Nike+ has been able to harness the four key powers of co-creation, as shown in Figure 1-2:

- Nike+ increases returns and strategic capital for the enterprise.
- It lowers risks and costs for the enterprise.
- It allows individuals to gain new experiences of value.
- It lowers risks and costs for individuals.

As we will demonstrate later in this book, this same Four Powers Model applies whether the individual involved in co-creation is a customer, supplier, partner, or employee. Figure 1-2: The Four Powers of Co-Creation The co-creative enterprise reenergizes its people and discovers new sources of sustainable growth. It can also generate efficiencies by recognizing and eliminating many hidden costs of the current ways of doing business, such as traditional (and expensive) advertising campaigns. For Nike, every one of the people and organizations contributing to its extended network is a potential (and often actual) buyer or advocate for Nike shoes, clothing, accessories, and equipment. From another perspective, they have (or can) become even more engaged: a part of the Nike co-creation system, through which they can generate new sources of mutual value. Individuals as co-creators enjoy differentiated experiences and better economics, while the enterprise is able to generate new strategic capital for itself and dramatically improve its economic model. From the company’s standpoint, not only has Nike redefined how it interacts with customers, it has also enabled a full system of interactions. Nike no longer attempts to control the value system, but has instead opened up to multiple types of co-creators, leveraging the skills and talents of millions of people willing to contribute their knowledge. As a result, the “value system” of Nike is now open and co-creative. As Olander, Niker’s global director of consumer connections, has remarked, “The more we can open up Nike+, the better. The only reason to close it out is because you actually don’t believe that you have a strong enough product for others to want to take it and do good things with it.”¹³ The more applications out there, the more Nike can sell.

Inside-Out Co-Creation Opportunities at NIKEiD and Nike Soccer

There are two ways to discover new co-creation opportunities (see Figure 1-3). Nike, like all companies, has existing interactions with its customers. For example, Nike advertises shoes directly to customers through different media and sells its shoes to customers through independent retail channels and Niketown stores. Customers are by definition also involved in these interactions, since they watch Nike ads or buy shoes in the stores. (Existing interactions are represented in the central portion of Figure 1-3.) But the art of co-creation lies in the dual realization that:

- The vast majority of customer processes do not involve any matching process on the enterprise side, therefore opening up the possibility of outside-in co-creation, as represented in the upper part of Figure 1-3. Nike+ is an example of outside-in co-creation since it starts with the human experiences of individuals running and then develops a platform that connects their running experiences to the company in new ways.
- Most enterprise processes are not transparent to customers, which precludes those customers from interacting with those processes and thereby generating new experiences for themselves. This constitutes an opportunity for inside-out co-creation, as represented in the bottom part of Figure 1-3. We now turn to this part of the Nike strategy. What would Niker’s customers and stakeholders want to do if every enterprise process were visible to them? Where would they get involved? How could they participate in those processes and derive new types of experiences?

Figure 1-3: Outside-In and Inside-Out Co-Creation To illustrate the inside-out approach to co-creating value, consider Niker’s design process. Traditionally, Niker’s in-house shoe designers would design shoe models and offer them for distribution with limited involvement from customers. The customer input would be limited to focus groups and traditional market research. Through its NIKEiD engagement platform, Nike has now opened up the design of the shoe to the customer. Youtou, our protagonist runner, can go online and personalize her running shoes (or apparel). For example, she can enter different sizes for each foot (many people have slight variations in the sizes of their feet) and choose colors for some nine components of the shoe: base, tip, heel, swoosh, tongue-top, lining, lace, sidewall, and outsole. She can even inscribe her name on the tongue of the shoe. Further, at the NIKEiD Studio at select

Niketown stores, she, along with other customers and enthusiasts, can be engaged in creative interactions of defining new styles of shoes through intimate one-to-one design sessions. Here, she can have access to shapes, colors, and materials that are not offered on the NIKEiD website. Thus, through both its online NIKEiD platform and its NIKEiD studio platform, Nike engages customers deeply in how its shoes are designed and used. What we have just described is not just mere personalization of products. NIKEiD is far more than inscribing one's name on a product and determining the color. It is also not just about creating a personalized experience for the customer. Rather, Nike learns deeply, and continuously, about what personalization options are valuable to its customers and why, and then connects better with their experiences of personalization. Moreover, the opening up of shoe design to co-creativity applies not only to Youtou as an individual, but also to communities and any team as a collective. The Team Locker section of NIKEiD allows individuals to enter and share their designs, invites team members to rate one another's designs, and facilitates the rallying of the group around a unique shoe design for the team. This group application is of particular value for team sports such as (American) football or soccer. NIKEiD was part of an innovative platform that Nike created for soccer lovers before and during the 2006 World Cup. To improve its position in the competitive soccer shoe market, Nike set up a social networking platform called Joga.com, in partnership with Google, in fourteen languages across 140 countries. (The name Joga was drawn from the phrase Joga Bonito, which means "play beautiful" in Portuguese.) Joga.com leveraged ideas from a number of recent digital and social media innovations. In the same vein as YouTube, Joga.com invited individuals to film their soccer skills and upload videos, and then invited the user community to comment on, rate, and share them. The community was the judge of a winner every month. Joga.com also invited individuals to create their own profiles and to network with one another, and the site encouraged users to identify inspired soccer blogs. Nike also brought professional soccer players on the site to connect with their fans. The best engagement platforms are multifaceted. Just as NikeiD involves both online and offline interactions, the Joga initiative also tapped into live interactions, in this case among the fans themselves. Nike sponsored street soccer competitions called Joga 3, inspired by the traditional game of futsal, which is played indoors or outdoors on small courts with an emphasis on skill over power. In Nike's version, teams of three competed in three-minute games. Nike organized Joga 3 tournaments in thirty-nine countries around the world, with national winners qualifying for the world finals in Brazil. The word spread beyond the social networking on Joga.com through many non-Nike websites, as soccer amateurs sought to co-opt others. A third part of the Joga platform involved a connection with NIKEiD. Nike invited shoe designers to compete in designing a new soccer shoe. The firm structured the competition as if it were a reality show and then invited its community of customers and enthusiasts to vote on the best designs. The winning designs were then produced and offered to the Joga community. In addition to these community-mediated designs and Nike's new designs for the 2006 season, fans personalized their own soccer shoes on NIKEiD with various styles and colors, including leather embossing of the flags of the countries they wanted to support on the rear heel of their shoes. Nike provided software tools for local soccer teams and professional leagues to co-design their personalized soccer shoes. Through these multiple linked initiatives, Nike connected with and learned from millions of soccer fans around the globe, cultivating customer relationships on a scale as never before. A key lesson of the Joga initiative is that unless enterprises build requisite engagement platform capabilities, they cannot sustain co-creation efforts. Also, once these capabilities are built, the nature of engagement will morph for both the enterprise and its customers, as enterprises learn from interactions on the platform. Becoming a co-creative enterprise means using both "inside-out" and "outside-in" approaches to co-creation, in continuous fashion, among all functions of the enterprise. Eventually, it is about a complete transformation of the capabilities and culture of the enterprise, in conceiving, designing, and executing value. To appreciate the significance of this transformation, consider the metaphor of color mixing. Think of the conventional enterprise as represented by the color blue and the individual (a customer or any other stakeholder) by the color yellow. The outside-in co-creation approach (as in the case of Nike+) is about starting with the "yellow" side (human experiences) and mixing in "blue enterprise processes" to create new experiences of value to individuals. The inside-out co-creation approach (as in the case of NIKEiD), in contrast, starts with the "blue" side (enterprise processes) and blending them with "yellow-side thinking" by opening up enterprise activities to customers and other stakeholders. Both approaches result in co-created value and are necessary for the total transformation to a co-creative enterprise. (If you are wondering about the significance of the resulting color "green," think both profitability and sustainability in that "green" is the color of the U.S. dollar and connotes planetary responsibility.) The main organizational challenge is in institutionalizing the power of co-creation enterprise-wide, in everything the enterprise does. To show this, we look at the example of Starbucks and its makeover embodied in a new tagline in 2008: "You and Starbucks. It's bigger than coffee." Enterprise Transformation at Starbucks From its initial public offering in 1992 to its peak in 2006, the stock value of Starbucks increased by nearly 5,800 percent. By 2007, Starbucks was a \$10 billion company serving 50 million customers a week with some 10,500 stores in the United States and more than 4,500 stores internationally. In the process of the company's rapid expansion, however, management had not only decreased its attention to the Starbucks Experience, but it also had to contend with rising customer and market risks from an erosion of its loyal

customer base, due to competitors who had caught on to espresso drinks—from Dunkin’s Donuts to McDonald’s at the low end, to other fast-rising premium coffee shop chains like Peet’s Coffee and Caribou Coffee, and the hordes of local coffeehouses that had begun to upgrade the customer experience. In a memo he had circulated the previous year within the Starbucks organization, CEO Howard Schultz raised concerns that Starbucks stores “no longer have the soul of the past” and outlined the risks to its culture that had been built around experiences of value to customers.¹⁴ In a bid to revitalize the Starbucks customer experience, Schultz, who had returned as CEO of Starbucks in January 2008, launched the MyStarbucksIdea.com website two months later, with these words: Welcome to MyStarbucksIdea.com. This is your invitation to help us transform the future of Starbucks with your ideas—and build upon our history of co-creating the Starbucks Experience together. So, pull up a comfortable chair and participate in My Starbucks Idea. We’re here, we’re engaged, and we’re taking it seriously. On MyStarbucksIdea.com, everyone is invited to help co-shape the future of Starbucks with their ideas—in ways Starbucks might not have thought of—to check out other people’s ideas, and vote on the ones they like best. Starbucks has been proactive in laying out areas of experience on the website, including ordering, payment, and pick-up of goods; atmosphere and locations; social responsibility and building community; product-related ideas concerning drinks, merchandising, and the Starbucks Card for frequent customers; and any other ideas to enhance the Starbucks experience. Within a month, many constructive ideas were posted. One that quickly gained traction was to embed a customer’s regular order on the Starbucks Card—for example, “a tall, nonfat, no-foam, extra-hot caramel macchiato with light caramel and a dash of vanilla”—which would speed up the personalized transaction for an individual customer. From Starbucks’ perspective, it could serve more customers faster, generating a “win-win” for both sides. Other customers called for the ability to send in orders by phone or web, for gift drinks, for ice cubes made out of coffee so when they melt they won’t dilute cold drinks, and for a stopper to plug the hole in lids to prevent sloshing (which Starbucks implemented through reusable “splash sticks,” a solution that originated from customers in Japan). Chris Bruzzo, Starbucks’ CTO, says the purpose of MyStarbucks-Idea was to “open up a dialogue with customers and build up this muscle inside our company.” By 2008, there were nearly fifty Idea Partners active on the site—specially trained employees who act as hosts of the discussion, take specific ideas to their internal teams, and advocate for customers’ suggestions, so “customers would have a seat at the table when product decisions are being made,” as Bruzzo puts it, and “close the loop in an authentic way.” The goal is to adopt customer ideas into Starbucks’ business processes, including product development, store design, and customer experience.¹⁵ In the first year alone, more than 65,000 ideas and 658,000 votes were cast. In late 2009, the company announced that fifty distinct ideas drawn from the site had been approved, including healthy food options as a major initiative for the company. This is no small feat for an organization the size of Starbucks. For instance, after Schultz returned as CEO, Starbucks announced that breakfast sandwiches would be discontinued in order to return the stores to a more coffeehouse-style experience. Through MyStarbucksIdea, however, customers asked that Starbucks retain sandwiches but said they wanted more nutritious and healthier options (more whole grains, more fiber and protein, smaller portions, and so on). Starbucks Idea Partner Katie Thomson, a registered dietician and senior nutritionist at Starbucks, engaged in dialogue with the community, with Starbucks internally, and with the company’s supply chain, finally implementing a new range of nutritious, tasty sandwiches in late 2008, with small ingredient changes that would reduce aromas so as not to interfere with the smell of coffee. Not only did the community vote (up and down) and decide, but members also discussed the ideas with Starbucks Idea Partners and helped make them even better. Says Bruzzo, “There are advantages to having that kind of transparency because it creates more engagement, and we actually get to iterate on our solutions while we’re building them.”¹⁶ Ultimately, the MyStarbucksIdea community can not only see which ideas were the most popular but also engage with the company in dialogue as it reviews ideas, watch as the company takes action, and provide real feedback based on actual experiences. Following the success of MyStarbucksIdea, the company had expanded its presence in social media. Starbucks overtook Coca-Cola as the most popular brand on Facebook in 2009 with more than 5 million fans, where it uploads videos and alerts people to events. More than 700,000 people follow Starbucks on Twitter, where the company broadcasts information, answers questions, and engages with many people one-on-one. On its YouTube channel, nearly 5,000 subscribers receive advertisements and informational videos on the company and coffee. A series of videos about its new product, Via instant coffee, garnered 130,000 views. Starbucks allows people to embed its videos anywhere on the web, in contrast to many companies concerned that their videos might end in places they don’t want to be associated with. This kind of continuous, iterative engagement between Starbucks and its customers—as well as its customer-facing employees (whom Starbucks refers to as “partners” and who have also chipped into the conversation), its supply chain, and stakeholders at large—enables the brand to be co-created and managed in ways that challenge traditional brand management orthodoxies. Companies that engage customers in co-creating brands through their human experiences can create a “seeing culture,” as Schultz puts it, and help employees inside the company “get” customer-think. It is important to drive co-creative thinking into the management of human capital and the (re)design of business processes, and then back to points of interactions with

customers. In June 2009, Starbucks raised the bar on its food even further. Sandra Stark, VP, Food Category, said, "Starbucks customers have been telling us that they want better tasting and healthier food options when they visit our stores. We answered their call with a delicious new menu of food made with real ingredients and more wholesome options." The company removed the artificial trans fats, artificial flavors, artificial dyes, and high-fructose corn syrup in all its food items. Some of the healthy food items rose to the top of the company's food sales chart within just a few weeks.¹⁷ Partly in response to calls on MyStarbucksIdea.com for an increased commitment to increased environmental and social responsibility, the company also created a new website in 2008 called Starbucks Shared Planet (www.starbucks.com/sharedplanet). On this platform, the company makes a commitment to do good for its community and the planet, ranging from the way it buys coffee to minimizing its environmental footprint, to involvement in local communities. As with MyStarbucksIdea.com, the company engages directly with its customers and other stakeholders on the interactive Shared Planet website. The company encourages individuals to interact with its Global Responsibility annual report in key focus areas, inviting them to create their own custom reports of portions that matter to them and to share and discuss aspects with friends via social media. Starbucks Shared Planet has three key areas of focus: ethical sourcing, environmental stewardship, and community involvement. The main goals, supporting goals, and KPIs (Key Performance Indicators) in each focus area are stated publicly and progress is reported with full transparency. Take environmental stewardship. Starbucks customers have the opportunity to pledge to bring in a reusable mug or tumbler for their beverages, reducing their drink price by 10 cents (in North America) and reducing their environmental footprint. For its part, Starbucks has taken steps in using renewable energy, conserving energy and water usage in its stores, and undertaking "green construction" of its stores. Most important, these pledges provide transparency and access, inviting customers to engage in a dialogue around company activities. Authentic engagement breeds trust over time. We believe there is no other way in an openly networked society to build the trust that many institutions have lost. Starbucks Shared Planet is in keeping with the company's revitalized mission statement: "to inspire and nurture the human spirit—one person, one cup, and one neighborhood at a time." As part of Shared Planet, Starbucks promises "reinvigorating the in-store experience for its customers by focusing on the aspects of stores that makes each one unique." These stores feature the "elevation of coffee and removal of unnecessary distractions," use local materials and craftsmanship, emphasize reused and recycled elements, and promise "storytelling and customer engagement through all five senses." Arthur Rubinfeld, president of Starbucks Global Development, said, "We recognize the importance of continuously evolving with our customers' interests, lifestyles, and values in order to stay relevant over the long term. Ultimately, we hope customers will feel an enhanced sense of community, a deeper connection to our coffee heritage, and a greater level of commitment to environmental consciousness."¹⁸ Starbucks' community involvement is not just online but offline as well. In early 2009, Starbucks launched a "Pledge5" initiative to get people to donate five hours each to community service, toward a total of 1 million hours. Yet another company website (pledge5.starbucks.com) makes it easy to find volunteer opportunities by partnering with HandsOn Network, providing a list of hundreds of thousands of local volunteer opportunities in the United States. Pledge5 extends to a Facebook application, so you can remind yourself and show others that you have pledged. By fall 2009, the total service hours pledged easily exceeded 1 million. In addition, the company partnered with V2V, an online platform that connects volunteers to service organizations. The connection with V2V was originally made by a Starbucks employee in Connecticut, and was soon extended to a Starbucks V2V platform, which seeks to be a "catalyst for conversation and connection that inspires people to contribute to a cause greater than themselves."¹⁹ Starbucks has set a public global goal of facilitating more than 1 million hours of community service every year. It continues to find ways to connect with nongovernmental organizations (NGOs) and other partners to build joint engagement platforms that harness the collective reach of community involvement in the neighborhoods of Starbucks stores worldwide. Starbucks is also extending customer involvement all the way into its supply chain. In the past, the company found itself in challenging situations with its coffee bean suppliers over fair trade issues and the branding of coffees based on their origins. The company is now attempting to tackle the issue more directly, through what it calls "ethical sourcing" and collaborating with partners such as Conservation International to buy responsibly grown, ethically traded coffee. The goals are to help create a better future for farmers and to mitigate climate change through farmer incentives, ranging from preventing deforestation to providing capacity-building resources, including loan programs through social investment organizations. In 2009, about 85 percent of Starbucks coffee was grown on small-scale family farms with less than 12 hectares of land. Through its Small Farmer Support Initiative, a joint engagement platform with the Fairtrade Foundation (part of a global network of "fair trader" labeling organizations), Starbucks is now more actively engaged in dialogue with farmers in east Africa and Latin America. And the results show. For instance, since the opening of the company's Farmer Support Center in Costa Rica, Starbucks has seen improvements from participating growers in quality evaluation scores, a 20 percent increase in yields per hectare, an 80 percent reduction in use of pesticides, and a 5 percent increase in suppliers' performance scores for sustainable practices.²⁰ Customers can even insert themselves into this sustainable supply chain, through the Shared Planet website. An interactive coffee map lets customers see the positive

impact Starbucks is having in communities where their coffee is grown. Moreover, the company also gives its customers the opportunity to connect with entrepreneurial artisans from local communities in its supply-side regions—artisans who are creating a better life for themselves and their families. For instance, in the summer of 2009, Starbucks stores began featuring merchandise created by Rwandan artisans such as fabric tumblers and hand-sewn totes, through its relationship with Fair Winds Trading. The company also sought to “relocalize” its stores, changing their feel from that of a cookie-cutter corporate giant to the local neighborhood coffee shop. It began offering different types of beans in different regions, rather than insisting on batches large enough to distribute across all its stores. It allowed store managers and employees to change the look of individual branches to appeal to local sensibilities. After a series of brainstorming sessions where Schultz told employees to “break the rules and do things for yourself,” some of them came up with plans to launch a new pair of shops in Washington, D.C., called 15th Ave. Coffee Tea. These shops looked aggressively anticorporate, featuring decor scrounged from local shops and coffee servings ground to order.²¹ Thus, through multiple engagement platforms, Starbucks emphasizes that “You’re” as an individual are an integrative part of its “social ecosystem”—from the farmers and communities on its supply side, to the in-store experience and local neighborhood communities on its demand side, to its employees inside, to the larger fabric of human experiences. It is important to recognize, however, that a co-creative enterprise is not antithetical to process efficiency, as Starbucks discovered during the economic downturn of 2008–2009. According to Scott Heydon, the company’s “vice president of Lean Thinking” (formerly the VP of Global Strategy), reducing waste frees up time for baristas/partners to interact with customers and improve the Starbucks experience. As he notes, “Thirty percent of the partners’ time is motion: the walking, reaching, bending.” And so in a big efficiency drive, Starbucks used classic lean thinking principles to shave precious seconds in filling each order, cutting the labor required at each store. Because every store is configured differently and has its own customer-traffic patterns, local employees are encouraged to come up with their own solutions rather than apply a single solution sent from headquarters.²² In the first quarter of 2010, Starbucks returned to profitability, despite the Great Recession having hammered spending on luxuries (such as gourmet coffee) nationwide. Schultz credited both “the successful innovation and enhancement of the customer experience” and “a transformed, more efficient cost structure.”²³ The Starbucks example also illustrates how existing interactions with customers, employees, and all other stakeholders can be made co-creative—by redesigning relationships with people and the environments of interactions as engagement platforms, incorporating an experience mind-set. Further, while enterprises still need to carefully design internal processes and deliver consistently high-quality experiences, rooting out all internal variations in the delivery system, at the same time they must paradoxically “freed” how they approach the design and specifications of outcomes (experiences). It is neither consistency in the delivery system nor flexibility in what is delivered, but consistency and flexibility. In the co-creative enterprise, every employee who interacts with customers—from the call center operator to the service representative, from the sales associate to the logistics manager, from the engineer to the product developer, from the supply chain partner to the community manager—all have the same responsibility of making interactions more co-creative, human experiences more meaningful, and generating more mutual value. Build It With Them So far, we have seen examples of engagement platforms in the design of new offerings (Nike+), involving customers in the design (NIKEiD) or marketing process (Nike soccer), ideating with customers (MyStarbucksIdea), or being transparent regarding socially responsible corporate activities (Starbucks Shared Planet). Although these initiatives in and of themselves would be a big step forward in many organizations, co-creation is more than that. It is a full philosophy of business. As illustrated by Nike and Starbucks, companies can use engagement platforms to involve customers, employees, and all stakeholders systematically in a continuous process of value discovery. Ultimately, co-creation is about learning how to create meaningful and rewarding experiences. Co-creation is both the means and the end, in a continuous cycle. Why does the co-creative enterprise give any manager the power to create stunning results? The simple but powerful concept of co-creation underscores what leading neurologists tell us: that meaningful interactions among individuals enable people to both learn faster and remember more of what they learn. It tells us what the most exciting brands know—that neither customers nor employees want “take it or leave it” business decisions anymore; they want to be involved in what is created for them and share their experiences. It tells us what the new science about networks and communities has found—that engaged minds in collaboration generate creative solutions even the smartest minds alone may not find. Co-creation goes well beyond the conventional goods and services view of the past hundred years, where “demand” was conceived to be just “supply looking in the mirror.” The co-creative enterprise is not about “build it and they will come.” Rather, it is about “build it with them, and they’re already there.” Co-creation can be applied to most any type of innovation—from operational and product-service innovation to business strategy and management innovation. In the future, enterprises that do not embrace co-creation principles are likely to see an erosion of value. Enterprises, whether private, social, or public, all have to engage people, individually and collectively. Fundamentally, enterprises must stop thinking of individuals as passive recipients that they can just deliver to, but must instead engage individuals as active co-creators in defining and delivering value. This surely is a substantial challenge. We have found that while

many individuals (customers, employees, and all other stakeholders) around the globe are ready to engage with organizations in co-creating value, many enterprises aren't quite ready. That said, dozens of leaders from a wide range of enterprises have approached us with the challenge to awaken and engage others within their organizations to co-creation. The global financial and economic crisis of 2008 and 2009 has created a further sense of urgency in "resetting" value creation—to echo the words of Jeffrey Immelt, CEO of General Electric.²⁴ As Samuel J. Palmisano, chairman and CEO of IBM Corporation, said during this crisis, "A period of discontinuity is, for those with courage and vision, a period of opportunity . . . And though it may not be easy to see now, I believe we will see new leaders emerge who win not by surviving the storm, but by changing the game."²⁵

Figure 1-4: Book Examples In interacting with many leaders worldwide who have begun their own journeys to transform their enterprises, we have discovered a host of brilliant examples of co-creation (see Figure 1-4). In the rest of this book, we will present and discuss many of them. Collectively, these examples illustrate the universal applicability of co-creation across a variety of industries and business domains, across the private and public sectors, in both developing and developed countries. We have found that as managers begin exploring value expansion with their peers, employees, and customers, their thinking and actions begin to change. Through their stories in this book of how both traditional and internet-era firms have elevated themselves to a higher orbit of value creation, you will learn how any enterprise, and any group in an enterprise, can harness the immense power of co-creation. Becoming a co-creative enterprise energizes the whole organization. The Power of Co-Creation is structured into two parts. The rest of part one (chapters 2 to 6) describes value co-creation in more detail. Chapter 2 discusses the core principle of co-creation, as well as the various types of engagement platforms that enterprises can build through interaction linkages. Chapter 3 shows how organizations can expand the space of human experiences and co-create innovation. The aim of chapter 4 illustrates how organizations can expand the scope and scale of interactions by engaging people across business networks. In chapter 5 we show how expanding stakeholder relationships—both for profit and nonprofit organizations—can turbo-charge social innovation and economic development, expand markets at the bottom of the economic pyramid, and extend the social legitimacy of enterprises as a whole. Chapter 6 concludes part one with a discussion of how the design of engagement platforms and the building of co-creation capabilities evolve over time, because this is itself a co-creative process. When you're done reading Part One: Value Co-Creation, ask yourself as a manager and leader:

- How does the enterprise currently connect with customers and external stakeholders?
- Can it be more co-creatively engaged in these interactions? Where and how can interactions be made more co-creative?
- What assets and resources—the product or service itself, mobile devices, social media, call centers, retail channels, websites, and communities—can we leverage as engagement platforms? How can we generate better and more experience-based insights with customers and stakeholders through these platforms?
- Where are the operational, product-service, and business innovation opportunities for expanding value? Are there activities and processes inside the enterprise that can be opened up to co-creation? With whom? How can the innovation process be made more co-creative? How do we engage our innovation partners in building engagement platforms together?
- Who are the different types of customers and stakeholders in our business network? How do we currently engage with them? What are the current experiences of people, across the value chain system, as they engage with our platforms and our products, services, and processes? Can we build more meaningful experiences with them?
- What social, environmental, and economic development activities is my organization engaged in? What types of stakeholder interactions can we change for the better? Can we involve our stakeholders in different and new ways to expand mutual value?
- How do we keep platforms alive in embracing value co-creation consistently and across all functions in the organization?

Part two discusses how co-creation can guide the building of new management capabilities. In this new vision of the enterprise, the job of managers is to co-create employees' experiences of management processes and connect them with the experiences of customers, partners, and all other stakeholders. First, organizations should mobilize their customer-facing functions around this transformation to a co-creative enterprise (chapter 7). Leaders must also set up organizational processes so that many different constituencies can co-create with the firm, from employees and managers inside the firm to external customers and stakeholders (chapter 8). Ultimately, co-creative enterprises must go beyond management processes to co-creative engagement (chapter 9) and open up their strategy management processes to new stakeholders (chapter 10). We conclude this book by discussing how enterprises can co-create philanthropic and civic change, and how the institutions of public governance can be transformed through co-creation (chapter 11). When you're done reading Part Two: Management Co-Creation, ask yourself as a manager and leader:

- Where and how can managers and employees inside the organization be engaged co-creatively? Where and how can we add new stakeholders to management processes? Where and how do we begin the process of change and governance in the organization to become a co-creative enterprise? What organizational capabilities do we need to build?
- Where and how do we enable new and better organizational linkages among our engagement platforms? How do we build the technology and social architecture that enhances these linkages?
- How do we design new human resource processes that enable more meaningful employee experiences? How do we enhance and nurture a culture of co-creation inside the enterprise?
- Where and how do we make the processes of strategy and decision making, and performance management more co-creative? How do we

open up these processes, and to whom, inside the enterprise and its business network? Where and how can we contribute to and benefit from partnerships among public, social, and private enterprises? How can we enhance our social legitimacy and build trust? Ultimately, becoming a co-creative enterprise is not just about "thinking outside the box," but about "transforming the box." This transformation results in a "win moredash;win more" approach to doing business that benefits the enterprisess employees, customers, suppliers, partners, investors, and all other stakeholders. We hope this book inspires you to become a co-creator and your organization to become a co-creative enterprise. We invite you to visit powerofcocreation.com and share your thoughts on the co-creation paradigm as expounded in this "living" book.26