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BUILDING STRATEGIC PARTNERSHIPS FOR VALUE CO-CREATION: A CONCEPTUAL FRAMEWORK FOR DIGITAL SERVICE ORGANIZATIONS

Research Paper

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Abstract

In today's competitive, fast-paced, and technology-driven markets, digital service organizations are increasingly forming strategic partnerships to transform their businesses, accelerate innovation opportunities, and offer customers enhanced value. How these partnerships should be built to enable value co-creation and strengthen collaboration between the partner organizations has thus become an important question for research and practice. This research develops a conceptual framework to explain value co-creation in strategic digital service partnerships and identifies its key enablers. We contribute to the literature by expanding our understanding of how value co-creation between partner organizations occurs as a dynamic and continuous process and how it is influenced by various intra- and inter-organizational factors from institutional, resource integration, and service exchange perspectives. In practice, our research can aid digital service organizations in assessing and building their current and future partnerships to co-create value and sustainable growth in their service ecosystem.

Keywords: Strategic partnerships, Digital service organizations, Value co-creation, Service-dominant logic, Qualitative study

1 Introduction

Building strategic partnerships for service provision and innovation has become critical for digital service organizations in today's competitive and rapidly evolving markets characterized by accelerated technological advances (Burdon et al., 2015; Nudurupati et al., 2015; Ostrom et al., 2015). The ecosystem model of partnerships and value co-creation has become an important source of competitive advantage for service organizations (Burdon et al., 2015). Digital service innovations are no longer developed in closed organizational environments but in service ecosystems of various actors, such as suppliers, partners, and customers (Lusch and Nambisan, 2015).

Digital service organizations, that is, service providers operating in the context of digital or information technology (IT)-enabled services, have long outsourced IT services to external partners (Ye and Agarwal, 2003). However, in recent years, we have witnessed a shift from such traditional IT outsourcing and other loosely coupled provider-customer/provider-supplier relationships in the digital servicescape towards building strategic partnerships. Strategic partnerships, characterized by shared objectives and a long-term commitment to collaboration, have been found to provide digital service organizations with greater opportunities to co-create value for mutual benefit and viability (Murthy et al., 2016), thereby motivating the building of such partnerships (Sarker et al., 2012). However, despite the acknowledged benefits of partnerships (see, e.g., Ates, 2022; Fernandes et al., 2022; Kaur et al., 2019; Lindsey Hall et al., 2022; Ye and Agarwal, 2003), their implementation and success have been found to be challenging, and a deeper understanding of the collaborative process is required (Lindsey Hall et al., 2022). How to build strategic, value-creating partnerships that enable the emergence of desired value and innovation outcomes in service ecosystems has become an important and intriguing topic for both information systems (IS) and service research and practice (Lindsey Hall et al., 2022; Ostrom et al., 2015).

Research on inter-firm cooperation, partnerships, and organizational networks is not new (le Pennec and Raufflet, 2018). Both research and practice have long emphasized the need for service organizations to collaborate to co-create value in service ecosystems and collaborative networks (le Pennec and Raufflet, 2018; Sarker et al., 2012). Existing research has examined, among other things, motivations and focal success factors (le Pennec and Raufflet, 2018), as well as the antecedents and consequences of partnerships for organizations in various contexts (Albers et al., 2016). However, less is known about how the value co-creation process unfolds between digital service organizations engaged in strategic partnerships and the key factors that explain the success and viability of such partnerships. In line with prior research, we find that further investigation of the "black box" (Albers et al., 2016; Sarker et al., 2012) of strategic partnerships and value co-creation is needed to provide digital service organizations with the means to better understand and strengthen their mutual resource integration and service exchange for value co-creation in service ecosystems (Vargo and Lusch, 2016; Wieland et al., 2012). Therefore, we set the following research question: *How can digital service organizations build strategic partnerships for value co-creation?*

To answer this question, we develop a conceptual framework that explains the value co-creation process and its key enablers in the context of strategic digital service partnerships. First, we use the service-dominant (S-D) logic (Vargo and Lusch, 2004, 2008, 2016) lens to understand and explain how partner organizations co-create value through mutual resource integration and service exchange, coordinated by institutions and institutional arrangements in their service ecosystem (Vargo and Lusch, 2016; Wieland et al., 2012). Second, we analyze empirical data from thirty semi-structured interviews with representatives of three digital service organizations engaged in building strategic partnerships to identify the factors influencing value co-creation in this context.

Our study has both theoretical and practical value. For research, we add to the existing literature (e.g., Albers et al., 2016; Sarker et al., 2012) on value co-creation in strategic partnerships. Through our conceptual framework, we explain how value co-creation occurs between strategic digital service partners and shed light on the factors that influence the establishment of a value-creating partnership. For practice, our study provides digital service organizations with valuable insights for evaluating and building their partnerships. Our findings can assist service organizations in aligning their drivers and expectations of collaboration with their partners, identifying value co-creation barriers and opportunities, and increasing the potential for building long-term value co-creating partnerships for mutual gain.

2 Theoretical background

2.1 Strategic partnerships

A partnership is a collaborative effort in which organizations share and/or distribute resources, including finances, human capital, skills, expertise, and knowledge, for mutual benefit (Rathi et al., 2014). By forming partnerships, organizations can access new resources, competencies, and capabilities that serve their individual and collective interests (Iheanachor and Umukoro, 2022). The fundamental principle of partnership is collaborating with others to achieve a common objective and obtain benefits (le Pennec and Raufflet, 2018), that is, to co-create value. This leveraging of the collective capabilities of two or more organizations is fundamental to the growth and expansion of a business; greater success can be attained through collaboration than alone (Daugherty et al., 2006; Iheanachor and Umukoro, 2022).

We consider a strategic partnership to be one that aims for a long-term, systematic collaboration. As in the case of the organizations in this study, such an intentional, strategic partnership can be formed, for example, around an IT vendor-customer relationship to deepen the partnership and value creation, that is, to move away from traditional IT outsourcing and toward joint strategic engagement and seamless integration within the exchange relationship (Burdon et al., 2015; Kohli and Grover, 2008) or by building strategic digital service provider–supplier collaboration to propose shared, enhanced value to customers. In business-to-business (B2B) IT outsourcing contexts, the client and the supplier are two distinct organizations, often with different business objectives. However, when forming a strategic partnership, both parties actively pursue opportunities for joint value creation that extend beyond contractual benefits, allowing the partnering organizations to co-create more value for mutual benefit than in a typical IT outsourcing relationship (Murthy et al., 2016).

Essential characteristics of a strategic partnership include a collaborative relationship and interdependence between organizations, commitment, the purposefulness of operation, sharing of risks, benefits, knowledge, and skills, and a shared understanding and goals. Based on these and following the definitions employed in previous studies (see, e.g., Kale and Singh, 2009; Kohtamäki et al., 2018), we define a strategic partnership as an intentional relationship between two (or more) digital service organizations that involves the exchange, sharing, or joint development of resources and capabilities to co-create mutual value. This value can manifest for the service organizations as, among other things, competitive advantage, improved service, novel resources (e.g., capabilities), or business growth.

2.1.1 Benefits of strategic partnerships

The literature presents various benefits and motivations for partnerships. These include, for example, improved performance (Ates, 2022), access to resources and capabilities that are not available internally (Ye and Agarwal, 2003), achieving goals that the firm cannot achieve on its own (Ates, 2022), enhanced products and services (Fernandes et al., 2022), increased productivity (Fernandes et al., 2022), risk mitigation (Kaur et al., 2019; Lindsey Hall et al., 2022), greater success (Rathi et al., 2014), cost efficiency/reduction (Lambert and Enz, 2012; Ye and Agarwal, 2003), improving firm focus/focusing on core competencies (Ye and Agarwal, 2003), and creating and sharing new knowledge (Rathi et al., 2014). Indeed, partnerships are essential to acquiring and disseminating tacit and explicit knowledge (Becerra et al., 2008). For instance, organizations can benefit from the experience their partners gain through interactions with other customers and partners. In the context of IT service providers, acquiring expertise and knowledge has been identified as a significant reason for organizations to engage in close collaboration and seek strategic partnerships beyond technology transfer or resource needs (Fernandes et al., 2022). Lastly, successful partnerships foster sustainable growth creation and expand service organizations' innovation and business opportunities (Kaur et al., 2019).

2.1.2 Succeeding in strategic partnerships

However, the success of a partnership cannot be assumed merely because two organizations decide to collaborate. Despite the potential for mutual value creation, not all partnerships co-create value (Burdon et al., 2015). Firstly, selecting the right partner is a crucial strategic decision requiring time and resources (Bacon et al., 2020). In addition, organizations must have a solid understanding of their partner for continuous cooperation to be successful (Hwang, 2017). Also, the intensity of cooperation and responsibility sharing (Wang et al., 2022), as well as honest, constructive, open lines of communication (i.e., providing dialogical feedback) (Lindsey Hall et al., 2022), are important prerequisites for successful partnerships.

Iheanachor and Umukoro (2022) identified eight factors contributing to strategic partnership success (in digital financial services). These are *alignment*, *communication*, *core values*, *gain*, *mutual respect*, *leadership*, *coordination*, and *conflict resolution*. The authors emphasize the importance of partners being aligned, having a shared vision of the future, and having a mutual understanding of business objectives. The emphasis of communication should be on clarity, conciseness, and precision. In addition, partner organizations must share common values, norms, culture, and commitment. Concerning profit, the authors refer back to the notion that the purpose of a partnership is to advance the individual and collective interests of the parties involved. Additionally, mutual respect is necessary for achieving desired results. Partners must be decisive in their assigned roles and responsibilities to exercise leadership, and a high level of coordination is required. Finally, the authors emphasize the need for establishing conflict resolution mechanisms (Iheanachor and Umukoro, 2022). Other research also identifies partner alignment as a crucial strategic concern (e.g., Adner, 2017). A strategic partnership is found to require, among other things, the alignment of vision and processes (Burdon et al., 2015), resources (Sarker et al., 2012), and expectations (Lambert and Enz, 2012).

Lastly, the literature has emphasized the significance of trust in partnerships. For example, Perks and Halliday (2003) find that trust is related, on the one hand, to commonly held beliefs, expectations, and evaluations regarding a partner. On the other hand, evaluation during a partnership focuses on behaviors such as fulfilling obligations, meeting the partner’s needs, being fair, and avoiding opportunism. True benefits can be realized only when partners trust one another and collaborate to make business decisions that benefit both parties. Instantaneous trust cannot be assumed; rather, trust must be cultivated. In daily interactions over time, the partners must demonstrate that they keep their word and meet their obligations. A proven track record is the best foundation for a continuous partner relationship (Daugherty et al., 2006).

2.1.3 Challenges in strategic partnerships

Prior research has identified, for example, attitudes (Burdon et al., 2015) and ambiguity/lack of structure (Daugherty et al., 2006) as potential challenges to achieving success in partnerships. Daugherty et al. (2006) note that collaborative efforts frequently fail due to omitting crucial long-term details. The risk of a partner (such as the customer in a supplier-customer relationship) taking jointly developed knowledge to a competitor has also been identified as a partnership risk (Burdon et al., 2015). Furthermore, regarding contracts and rights, Burdon et al. (2015) cite risks and challenges such as copyright conflicts, claiming unique rights, unbalanced risk/benefit ratios, and the use of legal jurisdictions.

The long-term viability of a partnership ultimately depends on the balance of two opposing forces—the synergies and conflicts that keep partners together or push them apart (Hwang, 2017). Regularly examining the relationship’s perceptions, direction, and communication at both the senior management and operational levels can help uncover misunderstandings and discontent before they become threats to the partnership (Burdon et al., 2015). Particular attention should be paid to selecting the right partners, matching needs and capabilities across organizations, and clearly defining and establishing standards, indicators, targets, and implementation procedures to be managed in the short and long term (Daugherty et al., 2006).

2.2 Value co-creation in strategic partnerships

Continuing from the established understanding of strategic partnerships, we employ the S-D logic (Vargo and Lusch, 2004, 2008, 2016) as our foundation for understanding value co-creation in strategic partnerships. S-D logic offers a meta-theoretical framework for the systemic understanding of value co-creation in service ecosystems (Vargo et al., 2020). Service—the process by which actors (partner organizations in the case of our study) use their resources for the benefit of others (or themselves)—is considered the basis of all exchange, and at the core of this exchange is the co-creation of value (Vargo et al., 2020; Vargo and Lusch, 2016).

S-D logic adapts the research lens to various aggregation levels (Vargo and Lusch, 2017). For instance, one can zoom in to focus on understanding individual actors (micro-level) or zoom out to gain a more holistic understanding of the value co-creation process among an extensive network of actors (Chandler and Vargo, 2011; Vargo and Lusch, 2016). Our study focuses on a dyadic understanding of how strategic partners can effectively engage in mutual collaboration and value co-creation in service ecosystems—that is, how value co-creation occurs through the relationship, dialogue, and interaction between two partnering digital service organizations (Vargo and Lusch, 2016).

Based on S-D logic, we consider strategic partnerships to occur in service ecosystems, which are defined as "relatively self-contained, self-adjusting system[s] of resource-integrating actors connected by shared institutional arrangements and mutual value creation through service exchange" (Vargo and Lusch, 2016, pp. 10–11). Value is co-created through interactive cooperation (i.e., service exchange) and resource integration for the mutual benefit of the partner organizations. S-D logic identifies two broad types of resources, operand (tangibles, such as products, raw materials, and monetary resources) and operant (intangibles, such as people, technology, knowledge, and skills), which partners integrate to co-create value. The partnership's success is especially reliant on operant resources and how they are leveraged to create new knowledge, capabilities, and strategic advantage (Lindsey Hall et al., 2022; Vargo and Lusch, 2004). The success of aligning and matching resources in the partnership determines the success of the partnership and the level of co-created value (Sarker et al., 2012).

Furthermore, the S-D logic emphasizes institutions, which are understood as rules, norms, meanings, practices, and other similar elements that enable and constrain the integration of partners' resources and service exchange in the service ecosystem. Institutions provide the frame and context for partners' organized resource integration and service exchange activities (Vargo and Lusch, 2016). The institutional perspective of value co-creation is essential to building effective, strategic partnerships.

Lastly, value is considered to be co-created in strategic partnerships when the co-creation process improves the viability of at least one of the participating organizations (Vargo et al., 2020). Participation in a strategic partnership should benefit both partner organizations and result in positive value outcomes (such as improved service, novel resources, or business growth). However, as value is subjectively and phenomenologically determined (Li and Tuunanen, 2022), perceptions of value created by the partnership may vary both between and within organizations by individuals involved in co-creation activities. While this study focuses on the process and enablement of value co-creation in strategic partnerships, it is essential to note that partnerships have the potential also for adverse interactions and outcomes, that is, value co-destruction (Li and Tuunanen, 2022; Plé and Chumpitaz Cáceres, 2010). Such adverse experiences can manifest at individual and organizational levels, such as frustration and disengagement from the partnership.

3 Methodology

We employed a qualitative research approach (Myers, 2020) and collected data through semi-structured interviews with three digital service organizations currently building strategic partnerships for service provision and innovation. The organizations were chosen based on the topic's relevance to their current operations. In addition, informants from each organization were selected with the organizations' representatives based on their knowledge and suitability for the study. Semi-structured interviews were found particularly suitable for data collection because they allowed informants to speak freely and share their knowledge and experiences and allowed new perspectives to emerge.

The context of digital service development and innovation frames the findings and interpretation of strategic partnerships for our study. Company A is a global IT consulting firm specializing in cloud, data, and software, which serves thousands of enterprise and public-sector customers in over 90 countries. This study focused on the company's one solution area, serving approximately 30 strategic customers globally. Company B is one of Finland's largest financial companies that works with various strategic vendors (such as Company A) to outsource IT and operations. Its representatives were interviewed for this study to consider both the vendor's and the customer's perspectives on building a value-creating strategic partnership. Company C is one of Europe's leading textile services companies, and its current strategy includes achieving value-adding strategic partnerships in various areas of its operations (e.g., service development, IT outsourcing). Four to 15 informants from each company were interviewed between May and June 2022, for a total of 30 interviews (18 males, 11 females, one undisclosed; ages 29–58; average 9+ years of experience in the company/current role). Table 1 summarizes the companies and informant roles.

*	Industry	Size	**	Informant roles
A	IT services and consulting	23,000+ employees (global; 20 countries)	11	Head of Solution Area, Head of Solution Team x 7, People and Culture Lead, Finance Partner, Customer Executive
B	Financial services (banking, insurance)	12,000+ employees (Finland)	4	IT Area Lead, Expert Product Owner, SVP – Digital Service Delivery Capabilities, Product Owner
C	Textile rental service	4,000+ employees (global; 24 countries)	15	Head of Food and Retail Industry, Head of Delivery Services, VP – Marketing, Sales, and Customer Engagement, Director – Strategic Marketing and Business Development, Solution Architect, Service Owner – Digital Solutions, Service Concepts Designer, Head of Customer Experience and Customer Service, SVP – Strategy, Head of Fast Track, Head of Continuous Services, Director – Concept Development & Pharma, Service Owner, Direct Marketing and Business Development Asia, Director – Healthcare

* Company ** Number of informants

Table 1. Companies and informants.

The interviews centered on the informants' experiences, as well as their expectations and impressions about building strategic partnerships for value co-creation. The informants were asked, for example, about the types and roles of their current (service/IT) partners, what they consider to be the primary reasons for building and fostering strategic partnerships for the innovation and development of their digital services, what their company aims to achieve by engaging in partnerships, and how relevant the informants consider partners to be for their organization's service development and innovation process. In addition, informants were asked to provide examples of key elements that facilitate or hinder cooperation with their partners. The interviews lasted between 44 and 77 minutes and were conducted via an online video conferencing tool due to the COVID-19 pandemic. The interviews were recorded and fully transcribed for analysis.

We used thematic analysis (Braun and Clarke, 2006), as it allowed us to systematically search for thematic structures (e.g., categories of factors that enable value co-creating partnerships) and their common features and relationships in the data. The first author was primarily in charge of the coding and analysis. However, to support the study's reliability (Nowell et al., 2017), coding and interpretations were discussed and assessed with the other authors in two joint meetings. In addition, the first author provided a list of original quotes from the data to other authors to further evaluate the link between the data and the final aggregated findings.

Following the step-by-step guide of Braun and Clarke (2006), the analysis began with a thorough reading of each transcript to understand its context and content. This analysis also provided an initial impression of the study's significant findings. After that, the actual coding process commenced, which was done by the first author in three phases. In the first phase, initial codes were open-coded using the qualitative data analysis tool Atlas.ti. As evidenced by the interview themes presented earlier in this section, various perspectives on partnerships were covered in the interviews, and all these perspectives were coded in the analysis. Nonetheless, in the subsequent analysis phases, we focused on the codes central to the study's research question: the key elements of strategic partnerships and enabling value co-creation. Regarding these, the first phase of open coding generated 229 codes. Despite careful accounting, some of the codes partially overlapped at this stage.

In the second coding phase, each code and associated interview quote was examined individually, codes with similar characteristics were merged, and some were renamed. In addition, the search for themes began. The process was highly iterative; that is, classifying the codes into potential themes was done in multiple rounds with careful evaluation of the codes and interpretations. After several rounds of merging and categorizing the codes, 167 out of the initial 229 remained and were assigned to 40 first-order themes. We evaluated the themes and codes pertinent to our conceptual framework by reviewing, combining, and defining the themes in the third and final phase of analysis. We classified the relevant first-order themes into three second-order dimensions. These were value co-creation enablers from the internal operations perspective and value co-creation enablers from the partner cooperation perspective, the latter of which comprised two sub-dimensions: institutional and service exchange enablers. An example of the coding procedure and aggregation of themes is shown in Table 2.

Interview quote	**Code**	**First-order theme**	**Second-order dimension**
"It is helpful, especially if they are having the ***same company culture*** *and if you can develop things in the same rhythm, in the same way, like we are operating … If we have the same background and the* ***same culture*** *and the same expectations, it should ideally go well."*	Same culture	Shared culture	Partner cooperation: an institutional enabler for value co-creation
"We work with people, so we also see that we need to have increased ***leadership skills*** *… We are responsible for the people's well-being and also their career possibilities, job rotation, competence level. It's very much about* ***leadership*** *as well."*	Leadership skills	Leadership	Internal operations enabler for value co-creation

Table 2. Example coding procedure.

4 Findings

Figure 1 shows the proposed conceptual framework that 1) based on S-D logic, explains how value co-creation occurs between strategic digital service partners, and 2) outlines the empirically derived factors found to enable value co-creation in this context.

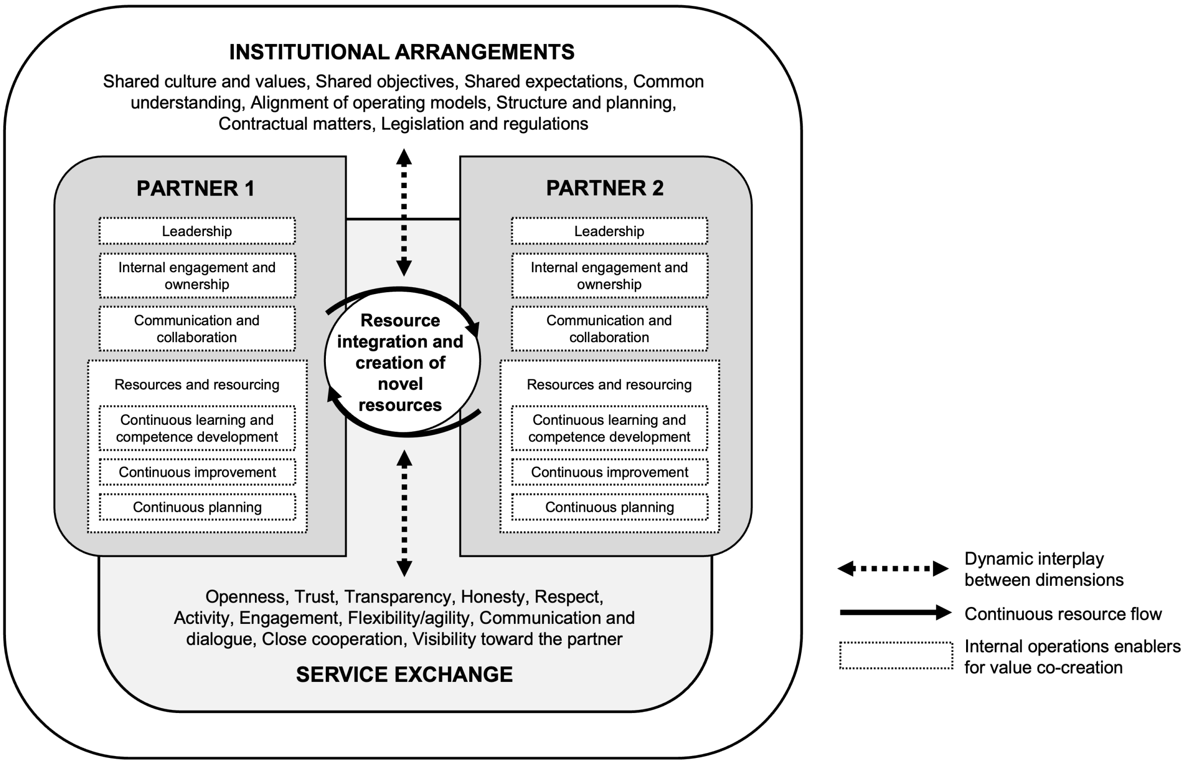

Figure 1. Conceptual framework of value co-creation in strategic partnerships.

The framework depicts a dynamic value co-creation process that occurs in strategic digital service partnerships through the continuous "rebundling of diverse resources that create novel resources that are beneficial (i.e., value experiencing)" to one or both partner organizations (Lusch and Nambisan, 2015, p. 162). Within this context, our findings highlight two key perspectives that enable the continuous integration of resources for value co-creation: internal operations and partner cooperation. The internal operations perspective encompasses the internal processes, resources, and engagement within the partnering organizations that either enable or hinder their participation in the partner relationship and mutual value co-creation. From the partner cooperation perspective, two dimensions are identified under which the findings fall. First, in accordance with the S-D logic descriptions, cooperation themes representing factors that coordinate partners' value co-creation activities in the partnership (such as values, norms, culture, and operating models) are classified under the institutional arrangements dimension. Institutional arrangements provide the framework for resource integration and service exchange activities between partners (Vargo and Lusch, 2016). Second, service exchange includes factors related to the interactive exchange elements of partnership cooperation for value co-creation (e.g., trust, openness, dialogue). All the dimensions are interrelated and interact dynamically to provide the foundation for dynamic, reciprocal resource integration and the creation of novel resources for the benefit of the organizations engaging in strategic partnership (i.e., value co-creation). The following subsections discuss the key findings for each dimension of the proposed framework.

4.1 Enabling value co-creation: An internal operations perspective

Our findings highlight seven themes that organizations should continuously maintain to ensure internal operations readiness and enable value co-creation with partners: *Leadership*, *Internal engagement and ownership*, *Communication and collaboration*, *Resources and resourcing, Continuous learning and competence development*, *Continuous improvement*, and *Continuous planning*. The last four relate to the continuous management of resources and resourcing from different perspectives. Below, we highlight some interesting findings for each theme to show how they may manifest in practice.

First, the theme of leadership brings up two essential aspects. The first is leading and supporting the organization's own people: *"We work with people, so we also see that we need to have increased leadership skills ... We are responsible for the people's well-being and also their career possibilities, job rotation, competence level. It's very much about leadership"* (A7). The second is the ability to lead and show leadership towards partners: *"*[*We need*] *customer-specific skills, an understanding of customer needs*, *and the ability to lead customers and develop an identity and leadership that is visible outside the organization"* (A11).

In addition to leadership, informants highlighted the importance of internal engagement toward partnerships as an antecedent of building strategic partnerships. However, creating engagement was considered challenging, especially if the internal processes were settled in one's organization: *"It*'s *easier said than done. All these things are easy to agree on, they are obvious on paper, but then to start acting on it and give up old ways of doing things, it takes time ... I think the challenge here has been how we have got our own people behind this"* (C11). Connected to this, informant C13 stressed the importance of generating an understanding of the purpose of partnerships among the employees internally: *"It's also about the people, so the people participating in the different partnerships or ecosystems really need to understand why we are there."*

Internal engagement also connects to the ownership aspect of partnerships. For example, informant C5 highlights the importance of taking ownership of the business, direction, and solutions: *"We should own*, *like*, *our understanding of the business context and where we want to go. We should understand and own the solution context and how we want to develop it. And you can't outsource those. And the danger is with partners that you get a little bit lazy and think, well, they will look after it, and they have thought about this. They actually haven't. You know, you need to have that, that's the DNA, that's the knowledge of the company. [It] has to be inside of the company. It can't be outside."*

Internal communication and collaboration are also crucial in enabling appropriate foundations for partner cooperation. In this regard, internal siloing and lack of information flow emerged from the perspective of communication challenges. For example, informant A4 describes: *"The fact that you don't know what other people are doing* [*in your organization*]*… that causes really confusing situations sometimes in customer relationships, when the customer sees that we are all from the same* [*partner organization*]*."* Internal siloing may become a problem, especially in connection with large partner organizations: *"It seems that the bigger the company, the more problems arise, because then you start to see the silos of the supplier begin to show for the customer"* (C14). Organizations must continuously work internally to ensure internal cooperation and information flow, allowing transparent communication also toward the partner organization.

Resources and resourcing are integral to the framework and findings, both from an internal operations perspective and as the central mechanism for value co-creation via continuous resource integration and the creation of novel resources by partner organizations. Our findings highlight the following five resource categories: *Knowledge and skills, People, Technology, Other resources and resourcing, and Scalability*. First, in terms of knowledge and skills, strategic partnerships require leveraging partner organizations' knowledge, skills, and competencies to create mutual benefits (e.g., novel resources). Knowledge also facilitates cooperation: *"*[*What*] *I would look for in a partnership is, you know, people that … have key knowledge and experience that can help you build something that's suitable for your own context"* (C5). Value co-creation and partnership success are possible when the expertise of both partners can be harnessed in the creation of shared value: *"We instead try to be efficient and see, okay, what strengths and capabilities do you have and what do we have, how can we combine it together to really be successful"* (A7).

The findings also highlight the importance of people as a resource. To succeed in strategic partnerships, the people involved need to have a collaborative mindset, good communication and interaction skills, and appropriate technical knowledge and skills: *"Then, on a more operational level, it requires good people from our side, of course. Not only technically good but also right consultancy-minded people that are good with the customers, good in the interaction"* (A2).

The role of technology as a resource in the participating organizations is significant, as the studied partnerships are primarily built around technological development initiatives. Informants in the studied organizations highlighted the importance of continuous development of technological capabilities and preparing for future competency needs: *"I think it's in our interest to let [partners] know what technologies we have on the horizon, what technologies we have difficulty in finding experts for, because it might motivate our partners to acquire such expertise or to train their own people in this area"* (B3).

Other resourcing themes included accessing and matching resources in collaborative processes (e.g., time, money, data). The informants highlighted the practical value of shared awareness of resources and the related limitations. It is essential to continuously evaluate and secure internal resources to avoid challenges such as those described by the informants: *"*[*If*] *managing the resources of the teams is also a challenge internally, then it is difficult to ask the vendor for those resources either"* (A11). *"… It's lack of resources, that we don't have enough resources to deliver either [what] we have promised or they are expecting. That's one issue. And we see that sometimes"* (A2).

Finally, informants mentioned *"scalability up and down"* (B1) as one of the resource-related factors. By this, the informants meant the ability to scale the use of resources concerning the development or marked needs and therefore create value for the partnership*: "*[*We are*] *flexible and adaptive, I would say, towards our customer. We can help them in both small matters but also bigger matters, and we are very scalable and … very flexible and agile, I would say"* (A7).

Connecting to resources and resourcing, continuous learning and competence development were considered highly important. Regarding these, the informants emphasized, among other things, the learning culture and sharing knowledge within the organization: *"It's also very much about the learning culture. We know that we are not all of us perfect, we are in continuous learning mode, and we need to find channels and models* [*of*] *how to share best practices and learn from each other"* (A7). Thus, it is important to *"Make sure that our existing teams develop and can operate in the modern world"* (A11). Furthermore, informant C15 emphasized the practical level of ensuring competence: *"Of course, it then goes down to the practical level, ensuring that whoever is involved in the development then, there is* *enough of the necessary competence and time available."* Challenges in building partnerships can arise if one party does not have a sufficient understanding of the context in which the partnership is to be established. Informant A7 reports: *"Sometimes we can see that they lack maybe insight or competence or capabilities to even understand what is their own responsibilities and what is—I mean, they maybe also have weaknesses in their own organization."*

While continuous learning and competence development is more about the development of people's skills and competences, continuous improvement is about the continuous improvement and evolution of services, processes, and technologies within partner organizations. In this context, informant B3 highlights the importance of a partner's constant desire to develop its activities and resources: *"The things that are the partner's area of responsibility, they should also have a desire to then take things constantly—models of doing things, technologies, everything—in a more modern direction."* It is also essential to be able to demonstrate such development to the partner, as informant A11 sums up: *"[We should be] able to show that we are really developing and pushing forward and challenging our own existing expertise all the time, trying to become even better."*

In terms of planning, the emphasis is on ensuring the continuity of operations internally. Such continuity enables, among other things, communication of objectives to partnering organizations and managing resources. Problems can arise if a partner does not have proper planning or portfolio management processes. As informant B1 explains, from a continuous planning perspective, it is necessary to consider the dynamic nature of the operational environment and ensure that shared plans can be adjusted based on changes that affect both partners: *"There have been changes in priorities in what we do operationally, so we should be able to look again at our strategy, our strategic partnership, and define a new basis for it. And the tactical side, on the other hand, should be put in order so that we are able to make genuine internal choices and prioritization and make this side of our strategy visible so that we are able to lead it to resource needs and so on."*

4.2 Partner cooperation perspective: Institutional arrangements

Highlighted themes in the institutional arrangements dimension were *Shared culture and values*, *Shared objectives*, *Shared expectations*, *Common understanding, Alignment of operating models*, *Structure and planning*, *Contractual matters*, and *Legislation and regulations*.

First, shared culture and values were considered critical for establishing and maintaining a strategic partnership. For example, informant C10 mentions: *"I think that the existence of meaning and finding that common meaning is pretty much the lifeblood. It has to be in order for the partnership to come into being and for it to be long-lasting. Companies with the same values, similar objectives, similar visions, and missions are the ones that are best suited to each other."* Informant C8 continues about the importance of shared culture: *"It is helpful, especially if they are having the same company culture and if you can develop things in the same rhythm, in the same way, like we are operating … If we have the same background and the same culture and the same expectations, it should ideally go well."*

In terms of objectives, the importance of laying the foundations for partnership by setting clear goals and engaging partners to work toward common objectives is recognized: *"So, I would say that good ground for the partnership is very crucial in the beginning, that we all need to go through really deeply on, both of us, what we want to achieve with this partnership and what is our target with it"* (C8). From the longer-term (continuity) perspective, the ability to agree on priorities was considered critical, as the informants acknowledged that the operational environment is in constant flux. As informant B1 posits: *"This cooperation is strongly influenced by the objectives and common target setting. So, from the point of view of operations and prioritizing them. And if we are not able to do that, again according to strategy, or if we do it too single-mindedly without seeing the big picture, we will not get anything common out of it, but rather work in silos."*

In addition to shared objectives, shared expectations and their alignment through active and dialogic communication are considered necessary: *"Of course, it's very much about the dialogue and also how to settle the expectations"* (A7). In practice, this means that both parties understand what the other party expects from them and that partners can have a dialogue on these expectations and adjust them based on available resources. Informant C15 continues: *[It's about] managing expectations on both sides, so that there are shared expectations of the partnership and what it aims to achieve."*

Informants also emphasized achieving a common understanding of the partnership and its purpose for all parties involved. Gaining common knowledge, for example, about the partners' business and preferred rules for cooperation in each specific context was considered highly important: *"There are a huge number of details, so driving the external partner in so that they understand even the basic legalities, so it is necessary and worth spending time on it, because it is difficult to do development work without really understanding the content of our business"* (C12).

Connected to this, the way shared operations are structured and planned affects the quality of cooperation. In this context, informant C9 highlights the benefits of long-term cooperation in establishing structure and routines for shared operations: *"At all points, you don't even think anymore that we don't work in the same company … In many cases, of course, the fact that it is a continuous relationship is a great advantage; it speeds up cooperation and the progress of things. Practices are formed and become routine, which is, of course, a big advantage."* However, planning, structure, and alignment of operations should be continuous. This also connects to the operational model and the ways of working (i.e., practices): *"So, it means that we have to adjust to each other. It's like a personal relationship"* (C8). Likewise, it relates to leadership, which comprises systematic partnership and cooperation management: *"*[*We should*] *systematically manage the partnership operations and development work"* (C15).

Lastly, contractual matters, legislation, and regulations affect establishment and development of strategic partnerships. Based on our findings, contractual matters can present a number of challenges and considerations, such as differing interpretations of contract contents and the definition of intellectual property ownership, not to mention the varying regulations that can affect the coordination of partnerships. Connected to other themes in the institutional arrangements dimension, contracts are found essential for ensuring mutual understanding and defining partnership responsibilities: *"I start from the contraction point. It requires a good contract, I would say. It requires a contract that clearly states who is responsible for what"* (A2).

4.3 Partner cooperation perspective: Service exchange

As the third dimension, service exchange includes themes related to the interactive exchange elements of partner cooperation for value co-creation. First, several key features of the service exchange were found, such as openness, trust, transparency, honesty, and respect. Out of these, the most commonly referred to were *Openness* and *Trust*. Openness is strongly linked to open sharing and communication and is seen as a key factor in establishing and developing a partnership: *"A culture of discussion and openness and close cooperation—that's what I think are the key factors"* (B4).

Openness affects trust and vice versa. In terms of trust, informants highlighted the role of trust in the development of strategic partnerships, where sharing of both positive and negative development was considered critical: *"Good relationship, so that we are able to talk confidentially about all sorts of things, preferably also the difficult ones, and to have those conversations about a little bit of everything. It can be sharing problems, it can be sharing innovations, it can be finding solutions together. It requires that we are confidentially discussing the same issues"* (C10).

In addition to openness and trust, informants considered activity, that is, proactively identifying partner needs and continuously developing the value proposition and providing guidance to the other party, to be a critical value co-creation enabler: *"We have our service offerings and then* [*we are*] *proactively going to customer teams and forums and talking about what we can offer, what the value proposition is … That's becoming more important, understanding the landscape and then keep improving that value proposition you have … That's the only way I think that value relationship can grow further"* (A3).

Another important factor in strategic partnerships is partner engagement, meaning the partners' prioritization of actions that contribute to the development of the partnership and the partners' willingness to plan the future together: *"There has to be a desire and ownership of the issue so that the partner also wants to support our further development and renewal ... Then a genuine commitment to* *doing it together. It is seen in the genuine ownership of things, the genuine desire to take things forward"* (B1). Communication, especially continuous dialogue, also emerged as necessary: *"It's very much about communications and how to have a good relationship ... Good communication regularly"* (A7). The dialogic communication should be continuous and occur in multiple levels of planning and collaboration: *"That dialogue should be able to take place at strategic, tactical, and operational levels"* (A11).

Another theme in service exchange is close cooperation, meaning that individuals in partnering organizations have strong interpersonal relationships and easy access to relevant information: *"So yeah, closeness is really important ...* [*being*] *continuously in touch"* (A6). In the context of cooperation, visibility and sharing information with the partner was also considered important: *"Yes, but it's quite primary. I think that's the real cutter there—that if information is not shared, then we can't plan our actions if we don't have enough information"* (A5). For example, access to relevant information allows joint roadmap planning, which in turn ensures shared understanding and better success: *"If we were to develop a common roadmap vision, then we would be able to offer in principle, or the quality of the experts we would be able to offer would be better towards the customer ... The kind of customers where we are really on such a partner level and the dialogue works and we do the roadmap planning together, I could say that there we are definitely making world-class deliveries and things succeed"* (A1).

5 Discussion and concluding remarks

This study examines value co-creation in the context of strategic digital service partnerships. It addresses the question, "How can digital service organizations build strategic partnerships for value co-creation?" We propose a conceptual framework that, first, based on S-D logic, explains how value co-creation in strategic digital service partnerships occurs as a dynamic and continuous process through mutual resource integration and service exchange, coordinated by institutions and institutional arrangements, and, second, identifies its intra- and inter-organizational enablers. From the internal operations perspective, *leadership*, *internal engagement and ownership*, *communication and collaboration*, *resources and resourcing*, and ensuring their availability and advancement through *continuous learning and competence development*, *continuous improvement*, and *continuous planning* are central. Institutional arrangements coordinating the partner cooperation include *shared culture and values*, *shared objectives*, *shared expectations*, *common understanding*, *alignment of operating models*, *structure and planning*, *contractual matters*, and *legislation and regulations*. Lastly, service exchange underlines themes of *openness*, *trust*, *transparency*, *honesty*, *respect*, *activity*, *engagement*, *flexibility/agility*, *communication and dialogue*, *close cooperation*, and *visibility toward the partner*.

Our research contributes to both theory and practice in several ways. First, with our rich empirical findings, we contribute to the understanding of S-D logic (Vargo and Lusch, 2004, 2008, 2016) and to opening the "black box" of value co-creation in strategic digital service partnerships (Sarker et al., 2012). We show that the S-D logic lens is ideally suited for defining and studying value co-creation in this context. As we adopt the S-D logic's generic actor-to-actor (A2A) orientation (Vargo and Lusch, 2011; Wieland et al., 2012) to describe the value co-creation of two strategic partners without assigning a specific role to either (such as the focal firm, customer, or vendor), we provide a fruitful avenue for future research to advance the theorizing of strategic partnerships and the application of our framework in a variety of digital service contexts and within diverse partner relationships.

While research on value co-creation and partnerships already exists (e.g., Albers et al., 2016; Murthy et al., 2016; le Pennec and Raufflet, 2018; Sarker et al., 2012), our study is, to the best of our knowledge, the first to use the S-D logic framework systematically to understand and explain the process of value co-creation in strategic digital service partnerships, highlighting the role of institutions as the coordination mechanisms for value co-creation (Vargo and Lusch, 2016), among other things. Moreover, whereas earlier studies on strategic partnership success (e.g., Iheanachor and Umukoro, 2022) have focused on defining and analyzing success factors across partner organisations, we complement these studies by highlighting how organisations should also continuously assess and maintain activities (e.g., engagement and ownership, collaboration and communication, and resources) internally to build a foundation for value co-creation with partners.

Our research provides practitioners with an understanding of the process and dimensions of value co-creation in strategic digital service partnerships and the key themes for building a viable and value-creating partnership. The proposed framework provides a basis for service organizations to assess and manage their activities with partners in a systematic and structured manner, taking into account important perspectives of enabling value co-creation (internal operations, institutional arrangements, and service exchange), thereby helping them to analyze and strengthen their partnerships. The framework can enable organizations, for example, to assess their internal readiness for partnerships, initiate discussions with their partners about strategic partnership goals and expectations, strengths, and weaknesses, and thus, ensure a common understanding of the essential elements of collaboration throughout the partnership. The themes identified can serve as a basis for establishing more specific guidelines, indicators and objectives for the collaboration. Overall, the understanding gained is essential because by enabling value co-creation, partnering digital services organizations can ensure their long-term viability and growth opportunities, both from their own perspective and from the perspective of continued value-creating collaboration for mutual benefit.

As with all research, our study also has limitations, which provide potential avenues for future research. First, we acknowledge that our study is limited regarding the number of analyzed organizations. Although our data allow us to propose a conceptual framework and provide rich contextual insights, we acknowledge that our findings cannot be generalized to all strategic partnerships and digital service contexts. Further research is required to generalize the findings and the proposed framework. Second, our study does not account for the various stages of partnership or the maturity levels of partnering organizations, both of which may impact which factors are highlighted as crucial to value co-creation. A longitudinal study that evaluates the co-creation of value and its evolution over time could be conducted to capture such perspectives. On the other hand, the dynamic and continuous model of value co-creation that we propose already implies that the identified value co-creation elements must be continuously evaluated and managed in a strategic partnership throughout its lifecycle. Third, while our research focuses on a dyadic understanding of strategic partnerships, it is important to note that the partner network often involves a broader set of actors, ranging from multiple suppliers and partners to customers (Chandler and Vargo, 2011; Vargo and Lusch, 2017). Future research could investigate these broader network activities and how value co-creation and its enablers in partnerships change when moving from dyadic to multi-partner ecosystems.

Finally, we recognize the importance of technology in value co-creation within strategic partnerships. Future research should further explore technology as a facilitator and enabler of strategic partnerships and value co-creation in greater depth. By combining the developed conceptual framework with previous research on the role of IT in value co-creation (e.g., Li and Tuunanen, 2022; Sarker et al., 2012) or by collecting new data in which the technological perspective is more closely integrated with the social perspective, this understanding can be attained. We hope that our study will inspire researchers to explore strategic partnerships of digital service organizations further. As building strategic partnerships for digital service provision and innovation seems to have become the norm rather than the exception for contemporary organizations, we anticipate that such research will be of great interest to digital service organizations and IS and service researchers alike.

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