One approach to understand design’s value under a service logic

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The value of design has been an issue for several decades, where design promotion agencies and national statistics agencies have tried to find ways of measuring and evaluating the contribution of design. Many of these efforts collect their basic model from a traditional view of business value as being created in a value chain. However, when approaching value creation from a service logic perspective, these views are no longer feasible outsets to understand the value of design. In recent developments of business and market logics for service, there is no value before or beyond the value-in-use. In this paper, we develop an understanding of design’s value under a service logic.

The foundation for this understanding is developed through revisiting the productivity paradox, through the three spheres of value creation, through resource integration and through an individual perspective on value.

The conclusion is that design’s value is hinged on its contribution to enhancing intended value creation in the joint sphere, and indirect and inferred value created for continued independent value creation.

Keywords: value of design, strategy, service logic, design for service
Introduction

In many cases when the value of design is discussed, it is done in a manner that collects its reasoning from Porter’s model of a value chain (Porter, 1985). It is not uncommon that design is viewed as adding value to an input then passed on to the next actor in the value chain, that later will be exchanged in a sales situation. Or it could mean that design is viewed as an asset of the company, adding to overall costs in the company, which later is compared to the benefits. Or it could mean that design is viewed as a competence that is bought when deemed to contribute to a development project. Or it could mean that a company is using a visual positioning strategy. All in all, the understanding pushes companies to try to occupy the best position in the value chain, and to measure the value of design through e.g. Return on Investment, or other financial measures (see e.g. the EU-project € Design, 2012)

However, as Normann and Ramirez pointed out (Normann & Ramirez, 1993), this is an outdated view of value creation. They stated that the focus should be on value-creating systems that may be reconfigured in order to co-produce value. Moreover, when approaching value creation from a service perspective, the traditional views are no longer feasible outsets to understand the value of design. When, e.g., taking the radical view of Vargo & Lusch (2004; 2008), and their Service Dominant Logic, there is no value of design before or beyond the value-in-use. The value is phenomenologically determined by the beneficiary (Helkkula, 2011; Vargo & Lusch, 2004; 2008).

In this paper we will review some of the fundaments for understanding the value of design under a service logic. It is a development of a claim raised by Holmlid (2010), about how design and business value relates to each other. First, some of the foundational concepts will be explained, followed by a discussion on how they reconfigure the value of design. Finally, we make some concluding remarks.

Foundations

Four concepts will be reviewed as a foundation for further development.

The productivity paradox

In the 1990’s there was formulated what was called the productivity paradox. This paradox expressed the fact that even though companies were using more information technology, the productivity of the companies did not seem to increase. In Strassman’s “The business value of computers” 2634
(Strassman, 1999) a framework for understanding the benefits of the new technology in direct, indirect and inferred benefits was developed (see Table 1). The expectations on the benefit of information technology, had earlier not been analysed this thoroughly, this was Strassman’s main contribution.

Table 1  Directness of benefits

<table>
<thead>
<tr>
<th>Direct</th>
<th>Indirect</th>
<th>Inferred</th>
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<tbody>
<tr>
<td>Revenue growth</td>
<td>Risk reduction</td>
<td>Competitive survival</td>
</tr>
<tr>
<td>Cost displacement</td>
<td>Performance</td>
<td>Competitive gain</td>
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<tr>
<td></td>
<td>improvement</td>
<td></td>
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<tr>
<td>Cost reduction</td>
<td>Cost avoidance</td>
<td>Relationship redesign</td>
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</tbody>
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Strassman’s framework directs our attention to what intended values that might be sought, and the level of directness they have to any endeavour. Consequences of this are that:

- It is very difficult to show how an endeavour has contributed to an inferred benefit
- Other benefits, such as “increased sales” can be transformed into one or more of the specified benefits (competitive gain, and performance improvement)

Service Logic view

In the service logic view of Grönroos and colleagues (Grönroos & Voima, 2013; Grönroos & Ravald, 2011), three spheres of value co-creation is the fundament for understanding service. First, there is the joint sphere, where the service provider and the customer jointly co-create to achieve intended, and not always shared, values, goals and outcomes. Secondly, the provider sphere, which is closed to the customer, consists of activities necessary for the company to achieve their value. And finally, the customer sphere, which is closed to the provider, is where the customer continuously and independently develops value. Service Logic highlights that these three spheres are necessary for any value to be created. Service Logic directs our attention to when value is created, and by whom. Consequences of this are that:

- participation in activities of value co-creation is required for creating the intended value
- the resources brought into the joint sphere may be unknown to participants
the capacity of the participants to integrate available resources may be unknown
the usage of the outcomes of the value co-creating activities may be unknown to participants
the value(s) created independently in the spheres closed from the participants may be unknown to the other participants

Resource integration
In service logic as well as service-dominant logic, resource integration is a central building block. Actors in a service system integrate resources that are made available to them by other actors, in their processes of value co-creation (Akaka et al. 2013; Vargo & Lusch, 2008). Resources might be tools, skills, environments, procedures, funding, etc., made available by specific actors in the joint sphere. In this sense, the resources has no inherent value until the resource is activated by someone in a value creating activity, the resource is becoming. A simple example; the dentist is integrating the waste-basket with its pedal opening mechanism to keep her hands (or gloves) clean. Resource integration directs our attention to what someone is using to create intended value. Consequences of this are that:

- the resource in itself is there to be part of value creation activities
- resources that are not available at the moment of co-creation does not have any value

The individual’s value
From the perspective of the individual, value is fundamental to what we choose to do, and what we choose not to do. To exemplify, there is a common interpretation about elderly people that they are “afraid” of using new technology. Online banking is often used as the example of this, where many elderly people still wants to go the actual bank office. An alternate interpretation is that for some, the value of going to the bank is not connected to banking as such, at least not only, but also to the value of socialising with friends, the value of physical exercise, getting fresh air, etc. Going to the bank enhances and reassures such value creation. Online banking, on the other hand, suppresses and hinders such value creation. For others, where a sought value is to socialize with the extended family, online banking enhances such value creation. The individual perspective directs our attention to why specific value creation is chosen, and how such created value is transformed into other value(s). Consequences of this are that:
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- the actors in a value co-creation activity may have multiple intentions for value creation
- certain configurations in co-creation activities support some actors to enhance an intended value, and hinders some actors to achieve their intended value
- co-created value travels through the agency of individuals

These four areas form a foundation for a discussion on how the value of design needs to be understood when applying a service logic, and in summary direct our attention to:

- what intended values that might be sought
- the level of directness intended values have to any endeavour
- when value is created
- by whom value is created
- what someone is using to create intended value
- why specific value creation is chosen
- how such created value is transformed into other value(s).

Reconfigurations

Resource integration and service logic
When combining the resource integration view with the service logic view, the resources that are referred to are not actual resources until they are activated as such. This happens in the joint sphere of value creation. In this situation design play a valuable role to make sure that these resources are available and accessible, that it is possible to understand when they are supposed to be integrated, that they are easy to activate, discard and reactivate for integrative actions, and that they are resourceful in these integration activities, for all the actors that are co-creating value. But, which is important to note, if these resources have been designed, the value of design will not be inherent in the resources, but rather emerging when an actor handles the resource in integrative actions. The value is not, it becomes, because it is co-created. If co-creation of these values fails, there was no value of design.
**Service logic and the productivity paradox**

When combining the service logic view with the productivity paradox, there is a shift from firm performance, to performance of the joint sphere seen as a whole. Similarly, the understanding of outcome needs to be shifted from outcome of the firm, to outcome from the joint sphere. That is, the value of design has to do with, e.g., how swiftly and easily value co-creation by actors in the joint sphere is when they are integrating resources, to achieve their intended value(s) and outcome(s).

**Resource integration and the productivity paradox**

When combining the resource integration view with the productivity paradox, the direct benefits of design are occurring in the joint sphere. Or more radically put, the value of design cannot be measured as a direct benefit in any other value creation sphere than the joint sphere. Returning to the example “increased sales”, this will still be an indirect and inferred benefit, that can be measured in the provider sphere, and that is related to benefits in the joint sphere. Similarly, in the customer sphere, only indirect and inferred benefits occur, based on the benefits in the joint sphere.

**Individual’s value and the productivity paradox**

When combining the individual actors intended value with the productivity paradox, the level of directness of a certain value of design may differ between actors. The main value of design may be a secondary value for someone else. Pluralistic value creation, where many different kinds of values are simultaneously co-created and emerging, is a necessity to understand. Sometimes the right pluralistic value creation contains what may seem as conflicting value creation.

**Individual’s value and service logic**

When combining the individual actors intended value with service logic, the value of design comes from the manner in which the individual actors are afforded to act and be resourceful. Building on the agency of the individual actors to allow them to co-create value, and making sure that the actors co-creating value understand how to combine the agency of the other participating actors.

**Future interpretations**

Several other interpretations can be made. Some interesting candidates collected from the design research field are:
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- Use quality (Arvola, ; Ehn & Löwgren, 1997) that tries to identify phenomenologically derived benefits in the form of strong concepts
- Participatory aspects of activating resources and the value of design to leverage on participation (Bjerknes, Ehn & Kyng, 1987)
- Viewing all actors in the joint sphere as the primary designers, where all other design work should be directed based on such ongoing and emergent design. Then there will be design in the independent spheres, viewed as design-after-design. The design emerging in the joint sphere directs how design can achieve value. Ehn (2008) identifies that there is design at use-time, and by doing so uses a value chain thinking. First there is a design, that is prepared by the provider, and then there is a design that happens in the joint sphere.

Concluding remarks

In this paper we created a foundation to make informed discussions on the value of design under a service logic. The foundation is built on the productivity paradox, the three spheres of value creation, resource integration and an individual’s perspective on value. These direct our attention to what intended values that might be sought, the level of directness intended values have to any endeavour, when value is created, by whom value is created, what someone is using to create intended value, why specific value creation is chosen, and how such created value is transformed into other value(s). Under this interpretation it seems as if measuring the value of design at a firm level is not valuable, unless these measures are shown to be effects of design’s contribution to performance in the joint sphere of co-creation.

We conclude that under a service logic design’s value shows through direct or emergent values in co-creation activities in the joint sphere, and through the lasting indirect or inferred values co-created in service performance that is brought into other spheres than that joint sphere.

Acknowledgements: The author wishes to acknowledge Mattias Arvola, Johan Blomkvist, Fabian Segelström and Lisa Malmberg for commenting on earlier drafts of this paper, and VINNOVA for funding projects which has made this research possible.
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