

Designing for Services - Multidisciplinary Perspectives:
Proceedings from the Exploratory Project on Designing
for Services in Science and Technology-based Enterprises,
Saïd Business School

Edited by Lucy Kimbell and Victor P. Seidel

University of Oxford 2008

Designing value-creating systems

Rafael Ramirez and Ulf Mannervik

The service economy has been emerging over several decades of increasing liquidity of resources and competences – and more possibilities of new connections. This liquidity and connectivity challenge service design where the focus shifts from linear moments of truth to dynamic networks of value constellations.

As opposed to the object-centric design that underlies interface design, lasting designs have always had a service-centric approach, regardless of whether the design was for goods or services. Service-centric design has not been about interfaces of stuff and users but instead about enabling interaction. It has focused on and explored what users could achieve when liberated to do their best, generating solutions that are clear, meaningful and effective.

The focal point of designing services has typically been the supplier–client interaction, the moment of truth where customer and supplier co-produce and where the client thus tests the supplier. To succeed in the interaction, good services have had to communicate what they will enable the client to do before the moment of truth occurs – and then deliver on that promise.

This principle still holds. But the nature of the moment of truth changes with the transition towards the service economy. And this means new and profound challenges for design.

Towards the service economy

We are still moving, and for a few decades have been moving, towards the service economy. It has been suggested that the liquidity of assets and information brought about more connections, and with more connections, more risks (Gadrey 2005). The rise in risk management and quality control are driven by this liquidity. More connections and more risks give rise to demand for connection, quality and risk mitigation services, which produce more liquidity. Consumers have more information about connections and resource liquidity. Risks add quality issues and demand more effective service configurations. This increases connections, risks and quality issues, again fuelling demands for services.

Increased travel and communication change the constraints of time and space in liquidity enhancing the service environment we inhabit and produce. We outsource and offshore, and we import and sub-contract more and more. Alliances, joint ventures, commerce and the hedging of risks with novel financial instruments all surround us. More than 85% of the value sold by leading car makers is bought in by them from their suppliers, who in turn buy in from so-called second-tier suppliers, and so on. Everyone has become, in relation to someone else, a supplier, partner, competitor, client or co-producer, with legal arrangements attempting to secure accountabilities and

responsibilities in complex networks. Patenting services, for example, have become much more complex with patent trawls, patent thickets and cross-licensing common.

More and more resources, actors and relations become involved in value-creating activities. Unique combinations of these – like the digital rights, software and hardware-enabling innovations in Apple's iTunes, or the link between Vodafone and Tom-Tom in Holland and the UK to provide real-time traffic information to drivers – involve not the design of "moments of truth", but of co-evolving dynamics.

Service design is no longer a step in a production process, as was the case when designing retail banking outlets, or a specification of a relationship between two parties, as was the case in figuring out how many smiles would sell a burger. It is no longer a noun, but has instead become a verb which must be reflexive: it has to re-design itself constantly.

Prime movers and new design challenges

The most crucial competence in the service economy is to organize systems of value creation, redistributing capabilities to increase value creation (Normann & Ramirez 1993 and Normann 2001). These re-definers of systems of value creation are called Prime Movers (Ramirez & Wallin 2000 and Normann 2001). Prime Movers are entrepreneurial companies or organizations who, like Apple, Vodafone or Tom-Tom, imagine and realize that untapped or underutilized links can be released to co-create innovative value if they are better organized. Prime Movers enhance value creation through reallocating capabilities, getting them to work together more effectively, and ensuring the client benefits by becoming a more effective value creator. In doing so, they can change the playing field and the rules of the game in a strategically profound way.

Prime Movers recognize that customers create value in using what they buy, and mobilize capabilities and resources to help customers do that better. Customers may destroy what they buy (eg milk is drunk), but the focus of Prime Movers such as Tetra Pak is not on the destruction of what they sell (milk) but in the value creation (growing healthy kids) that the customer is involved in.

eBay and PayPal combine to help sellers and buyers have secure payments. The design of this co-evolution masters two fundamental design challenges of the service economy: to help others navigate in the new complexity, and to design stability enclaves that help control or reduce the complexity for those in the enclave.

Google is another well-known example. It has designed a clear and straightforward customer experience. First, Google adjusts its interface and interaction according to users' behaviour. Second, it learns from it. Google is designed to co-evolve with the behaviour of its users – eg advertisers and

people searching the web. It not only “surfs” the new universes of complexity, connectivity, risks and potential new value constellations for which its users provide links; it also helps to make them navigable and stable enough so that all concerned can profit from them.

The changing roles of design in the service economy

The focus on the moment of truth in the supplier–client interaction developed in the 1980s, most famously with the creation of business class in SAS, which put service design on to the strategic agenda.

The key design competence had been to shape the interface between the objects, processes and people, provided by the supplier and the user. The implicit view of customers had previously been that they destroyed the value built up by the supplier in the production process of the object (Ramirez 1999).

A big advance in the decades that followed was to view the customer as the source of the value which the service provider would enable. Service-centric design moved to focus on the moments of truth, the series of key interactions that enables the promised value to be co-produced by client and supplier (Langeard & Eiglier 2000).

With the recognition of the service economy as the Gadreyian co-evolution of connections and services, design again changes. In a world of greater complexity and connectivity, the main challenges for design are navigation (or sense-making) and enclave (or formation) so that customers can not only co-create value, but also participate actively and positively in the co-design and co-construction of their value constellations. Design in the service economy encompasses co-evolving, partially overlapping, networks of value creating systems.

We believe the understanding of design’s role in this context is a journey that has just begun. We articulate it graphically in Figure 9 below.

The service economy is a world where collaborative advantage is at least as important to success as competitive advantage – and perhaps even more so. It is a world of business where players who design collaboration opportunities better than others may shape the game as Prime Movers. The less successful will see the game and its offerings as being designed and defined by others.

Design here is not only designing objects, interfaces and contexts, it also means designing dynamic systems of relations – and reflective attention to re-designing design itself.

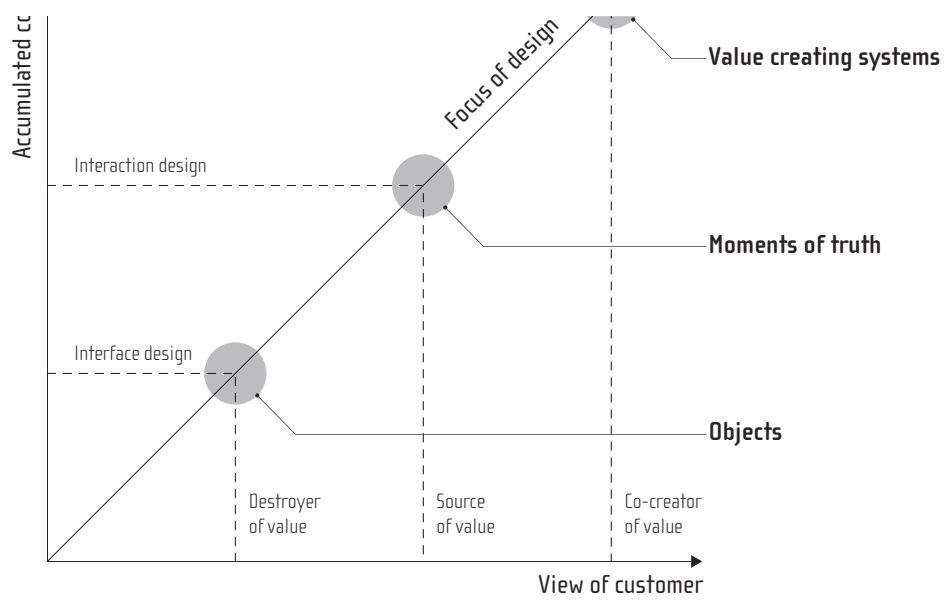
References

- Gadrey, J. (2005). *L'économie des services*. Paris: Editions la Decouverte (Broché).
- Normann, R. & Ramirez, R. (1993). Value chain to value constellation – designing interactive strategy. *Harvard Business Review*, July–August.
- Normann, R. (2001). *Reframing business – when the map changes the landscape*. Chichester: John Wiley & Sons.
- Ramirez, R. & Wallin, J. (2000). *Prime Movers – Define your business or have someone define it against you*. Chichester: John Wiley & Sons.
- Ramirez, R. (1999). Value co-production: intellectual origins and implications for practice and research. *Strategic Management Journal*, No. 20, 49–65.
- Langeard & Eiglier (2000). *Servuction – le marketing des services*. Paris: Dunod.

Rafael Ramírez is a professor at the HEC School of Management in Paris and a senior research fellow of the James Martin Institute at the Saïd Business School, and at Templeton College, University of Oxford. His research interests are scenarios, the future of business and value constellations in products and services.

Ulf Mannervik is associate researcher at Templeton College, University of Oxford. He has a M.Phil. in design theory and a BScBA from the Gothenburg School of Economics and Stanford Graduate School of Business. His research interests are design, innovation and strategic renewal.

Figure 9: the changing role of design as the understanding of customer roles evolves



Designing for Services is supported by the Arts and Humanities Research Council (AHRC). The AHRC funds research in the arts and humanities, from archaeology and English literature to design and dance. AHRC Research Centres provide a focus for collaborative research in areas of strategic importance. For further information on the AHRC, please see www.ahrc.ac.uk



Arts & Humanities
Research Council



Engineering and Physical Sciences
Research Council



oxford
SAID BUSINESS SCHOOL



Designing for the 21st Century