

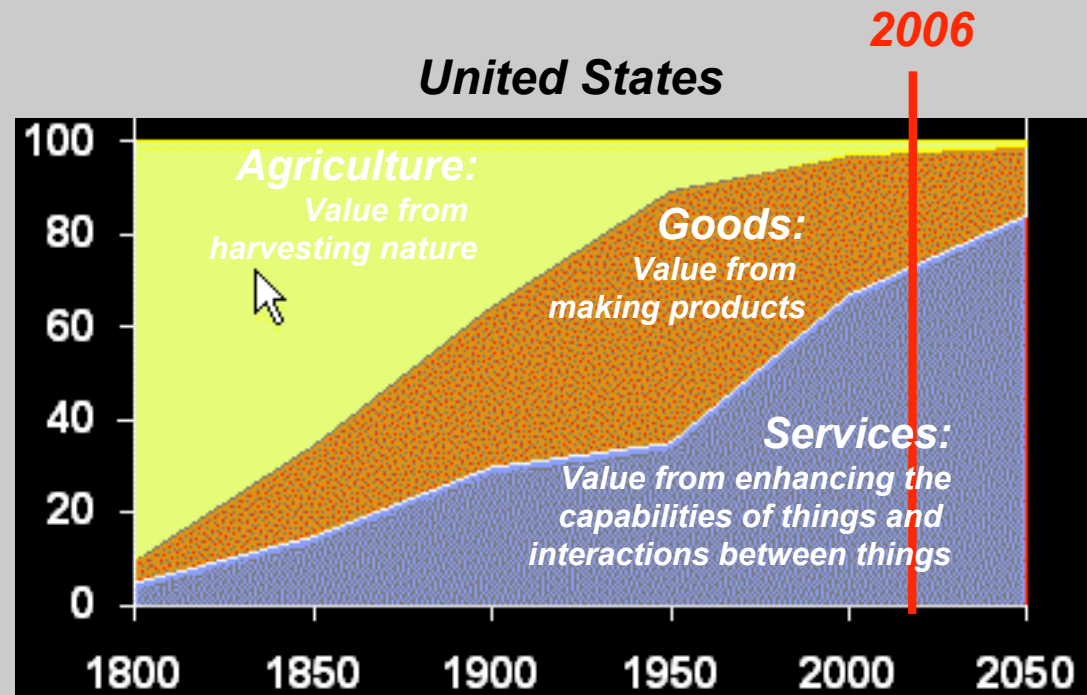


Designing for participation: The co-construction of value in b-2-b service relationships

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Shift to a services economy

- Services now employ more than 75 percent of US workers and the transition to a service economy is evident around the world
- New technologies are providing the underpinnings for the design of innovative new services (e.g. internet, service oriented architectures, wireless and sensor technologies, etc.)



Today half of IBM's revenue comes from services and half of IBM's workforce is in services

Shift in IBM's research investment to focus on services

What's different about services?

- Deeds, acts, processes or performances
(Berry, 1980; and Zeithaml & Bitner, 1996)
- Activities provided as a solution to customer problems
(Gronroos, 1990)
- Intangible and perishable – created and used simultaneously
(Sasser et al., 1978; and Fitzsimmons, 2001)

- Service providers and clients **co-produce value** in and through their interactions with one another
- Many services require the **participation** of the receiver of the service
 - hair stylist – client
 - doctor – patient
 - teacher – student
 - IT service provider – business client
- Relationships matter!
“... the important distinction is that the relationship has become a resource in itself... thus the returns have now more to do with extending the scope, content and process of the relationship.”
Bryson, Daniels and Warf – from Service Worlds

Designing for participation

Co-construction of value in service relationships

What can we learn
from
Participatory Design?

Participatory Design Principles

- Mutual respect for the different knowledge that all participants bring to the interaction
- Opportunity to learn about each others' domain of knowledge
- Joint negotiation of project goals, objectives and agenda
- Recognition that all participants should benefit from the interaction although not necessarily in the same way
- Focus on the organizational context in which participation is possible
- Development of the tools, processes that enable participation (future workshops, case-based prototypes, design games, envisioning)

IT Outsourcing services

Outsourcing

- The delegation of tasks or jobs from internal production to an external entity
- In 2003 generated global revenues of \$298.5 billion
Gartner Inc.

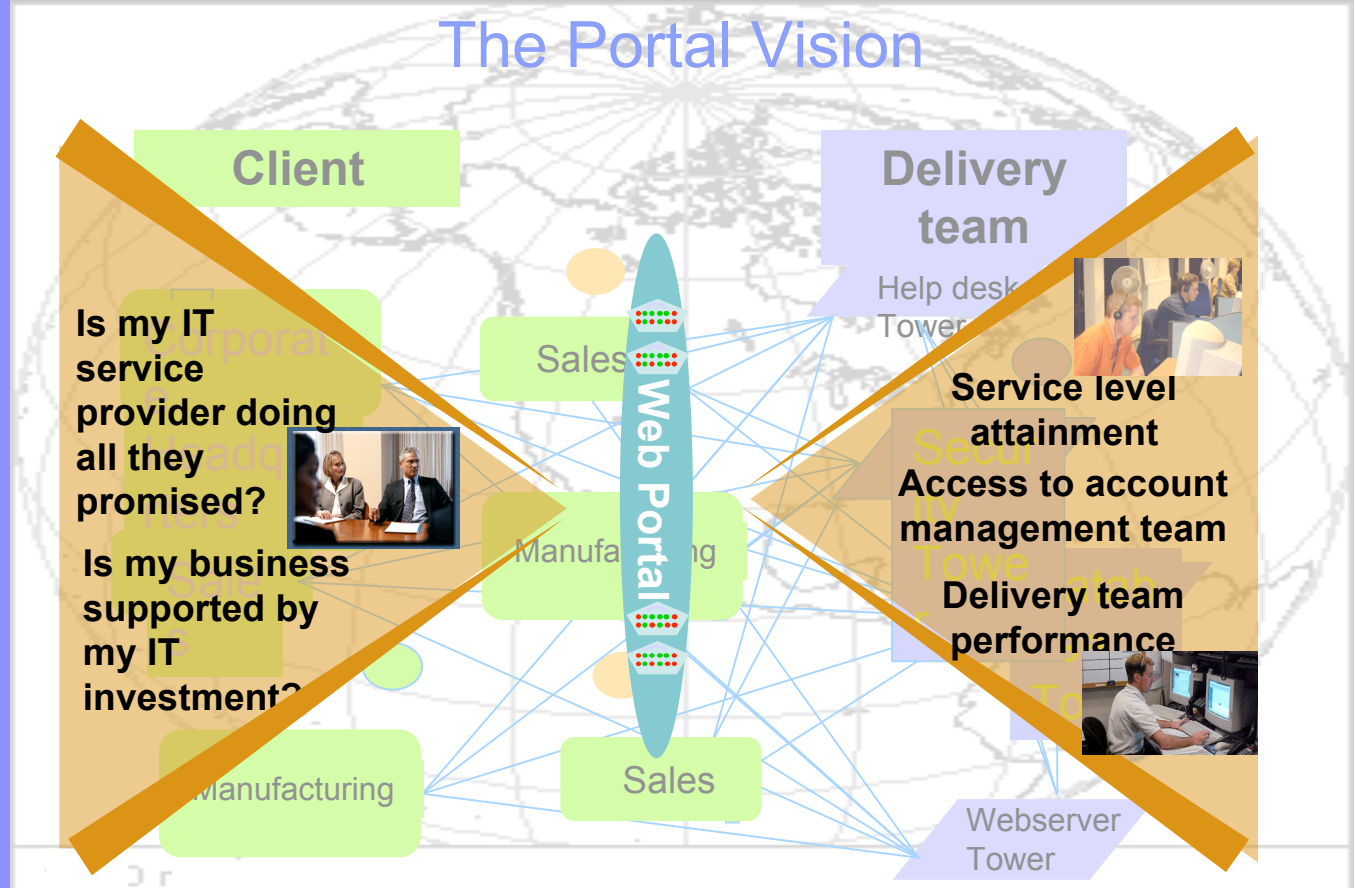
Distinguished from

Offshoring or the relocation of business processes (including production and manufacturing) to a lower cost location, usually overseas.

- Two main types of outsourcing
 - **IT infrastructure** (database administration services, storage management, disaster recovery and security services, helpdesk, desktop services, etc.)
 - **Business Process** (medical transcription, claims processing, accounting, HR, etc.)
- Reasons to outsource
 - Cost reduction
 - Focus on core competency
 - Flexibility
 - Reduce risk

Service connection portal

- More than resource for contract and IT performance information
- A site for collaboration and the co-construction of value



Small business customer – Local IT provider relationship

New business models for the delivery IT services to the Small Business Market

The customer experience should be one of the competitive advantages

- Responsive
- Knowledgeable
- Deliver what they sell
- Finding service providers
- Managing the IT provider network

Design Points

- **Access to real, known people**
- **Flexibility – one size does not fit all**
- **Multiple touch points – the most appropriate for the problem at hand**
- **Know my business and IT environment**
- **Reputation and trust developed through history of interaction and local networks (word of mouth)**



Directions in b-2-b service design?

IBM Challenges

- How to scale services? (a people intensive industry)
- How to standardize services (industrialized service delivery)
- How to develop and use “assets” in service engagements
- *How to leverage IT to enhance the client experience? (not just reduce costs)*
- *Future workforce (SSME)*

- Understand the service provider – client interactions/relationships (where value is created)
- Recognize the risks of undermining the service provider – client relationship
 - in self-service
 - in standardization of services
- Recognize that innovation occurs in the interactions between service provider and client
- Design for participation

Innovation in Services

“... modern economies are both service economies and economies of innovation. Paradoxically, they are not regarded as economies of innovation *in* services, that is as economies in which service firms' innovation efforts are proportional to their contribution from the major economic aggregates. **It is as if service and innovation were two parallel universes that coexist in blissful ignorance of each other.**”

Gallouj, F. (2002). *Innovation in the Service Economy: The New Wealth of Nations*. Cheltenham UK: Edward Elgar.

“Our economy is increasingly dependent on services, yet our innovation processes remain oriented to products.”

Stefan Thomke
from Harvard Business Review, April 2003

“Services dominate economic activity in developed economies, and yet understanding of innovation in this sector remains very limited..... At this early stage, academic research about innovation in services is not well defined.”

Henry Chesbrough
from Financial Times, October 2004

“Services is an understudied field”

Matthew Realff, Director, NSF program on service science
from NY Times article April 18, 2006
Academia Dissects the Service Sector, but Is It a Science? -
Steve Lohr