Preparing the organisation for change by using service concepts

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Abstract

The strategic intent of offering superior customer journeys with minimal frictions and with maximum customer delight has recently received top managers’ attentions. But while literature across disciplines has emphasised the meaning of cross-functional collaboration for customer value added, surprisingly little has been empirically and theoretically documented on the alignment of superior customer journeys with cross-functional business processes. With basis in theoretical lenses developed from service-dominated logic of marketing (SDL), the paper concludes that service concepts are powerful for preparing an organization for change towards a more service business logic focusing on service offering through superior customer journeys. The approach is exemplified with a detail empirically-based description of one service concept designed in a Scandinavian telecom company.

KEYWORDS: Service concept, customer journey experience, cross-functional business processes, service design thinking

Introduction

Leading service providers often fail to deliver superior customer experience due to inadequate attention to the customer journeys (Rawson, Duncan & Jones, 2013; Wright, 2012), defined as the “customer’s interactions with one or more service providers to achieve a specific goal” (Halvorsrud, Kvale & Følstad, 2016). Stone & Devine (2013) show that over 70% of very satisfied customers build their favorable impression when their needs are met over three or more touchpoints. Indeed, this usage pattern is evolving in the digital usage space. As a consequence, service providers that aim to design for superior customer journeys must shift their focus from simply optimizing individual touchpoints in isolation towards designing for customer journeys spanning across multiple touchpoints (Rawson, Duncan & Jones, 2013; Lovlie, Downs & Reason, 2009; Martin, 2009; Lockwood, 2009) and further engage corporate functions responsible for the touchpoints. This shift implicates an understanding of service design from a tactical to a more strategic and transformational role (Sangiorgi, 2012) focusing on business processes (Brown, 2009; Gloppen, 2012) and
competence and skills developed in cross-functional collaboration (Clatworthy, 2013). In the context of this paper, we thus consider service design as a strategic means for change and of which business actors involved in the customer journey ecosystem are the main contributors in the co-design.

Several contributions have argued how organizations may gain advantages by creating a strong fit and alignment between crucial organizational aspects (such as corporate strategy, culture, processes and structure), and different stakeholders’ (including customers’) perceptions (Hatch & Schultz, 2001; Chatman & Cha, 2003; Tushman & O’Reilly, 1996; O’Reilly & Tushman, 2004; Hillestad et. al, 2010). These contributions have however paid less attention to assessing how organisational aspects are essential for the service offering. The service-dominated logic (SDL) of marketing (Vargo & Lusch, 2004, 2006; Lusch & Vargo, 2014; Vargo & Lusch, 2015) offers insights into this complex problem area. The core of SDL is that service is the foundational basis of exchange, and define service as “the application of specialised competences (knowledge and skills), through deeds, processes, and performances for the benefit of another entity or the entity itself” (Vargo & Lusch, 2004). Resting on the foundational premises of SDL in cross-functional business processes implementation, (Lambert & Garcia-Dastugue, 2006) emphasise cross-functional perspectives for the benefit of customer value: “To develop a competitive advantage, an organisation must gain in-depth knowledge about the customer from a cross-functional perspective because the necessary service provision might require skills from any corporate function” (Lambert & Garcia-Dastugue, 2006). In the context of service offerings through superior customer journeys, the applications of cross-functional business processes, collaborative competences and performances thus become an essential competitive advantage.

In this paper, we focus on how service concepts are strategic means for preparing an organisation for change towards a more service business logic by applying foundational premises of SDL. Patricio et al. (2011) suggest multilevel service design to address the complexity of service systems, and define service concept as “the firm’s positioning in the customer value constellation (CVC) including the services offered and the links and partnerships established with other organisations in the network to enhance the firm’s value proposition”. A similar interpretation is found in Edvardsson & Olsson (1996) who refer to a service concept as a “detailed description of what is to be done for the customer (what needs and wishes are to be satisfied) and how this is to be achieved”. A service concept is a prototype (ibid), and ensures the integration between the what and the how (Goldstein et al., 2002). Given the problem area of this paper, the what is the service offering throughout a superior customer journey and the how concerns the cross-functional business processes, knowledge and performances required for delivering the superior customer journey. By using theoretical lenses developed from SDL, we will illustrate this argument through a case study from a major telecom operator in Scandinavia. We will do this by presenting executives’ perceived challenges related to the strategic intent of delivering superior customer journeys, and show the challenges related to the how-dimension. The executives’ perceptions constituted the foundation for designing several service concepts following the same approach. In this paper, we exemplify by one particular service concept – the QuickBasket concept.
Theoretical lenses of analysis

To use SDL as a framework for service concept design, it becomes essential to pay attention to knowledge and competence developed in cross-functional collaboration processes. The foundational premises of SDL (Vargo & Lusch, 2006; Lusch & Vargo, 2014; Vargo & Lusch, 2015) constitute the basis for three theoretical and inter-related lenses developed for the purpose of service concept design. In what follows, the lenses are presented.

Lens # 1 Customer focused business processes
This lens is based on SDL’s foundational premise which specifies that indirect exchanges mask the fundamental basis of exchange. In a customer journey perspective, the fundamental basis of exchange requires skills, knowledge and resources that are housed both within and across multiple corporate functions that are fundamentally customer focused (Lambert & Garcia-Dastugue, 2006).

Lens # 2 Cross-functional collaboration -and knowledge
This lens is based on SDL’s foundational premise which emphasises the application of specialised competences for the benefit of another entity or the entity itself. In a customer journey perspective, the service provision requires skills and competence from the involved corporate functions to the benefit of cross-functional business processes and collaborative competence. This ensures ownership of the value proposition across multiple functional areas, and “enable the firm to make value propositions to the customer and gain competitive advantage” (Lambert & Garcia-Dastugue, 2006). Thus, a competitive advantage is cross-functionally developed competence and ownership of the customer journey.

Lens #3 Value co-creation
This lens is based on the SDL’s foundational premise which emphasises that value is always co-created by multiple actors, always including the beneficiary. The main assumption is that actors of the service ecosystem are able to apply their special competencies and skills for the benefit of another. In a customer journey perspective, both the customer and the corporate functions are the beneficiaries and co-producers of the customer journey ecosystem.

These theoretical lenses constituted the basis for the service concept designs, and further for preparing an organisation for change towards a more SDL. This will be further presented in the following section.

Methodological approach

The aim was to create a service concept that explore the connections between the what-dimension (a superior customer journey) and the how-dimension (organisational processes and procedures), for the purpose of preparing the organisation for changes. With basis in the theoretical lenses, the following approaches were used:

A pre-analysis of the status quo
From Lens #1, it is important to explore the executives’ capability to focus on the customer in business processes (in e.g. decisions- and strategy processes). Thus, the aim of the pre-analysis was to explore the executives’ perceived challenges on the company’s ability of offering superior customer journeys. In-depth interviews of 10 executive managers (E) responsible for different corporate functions were conducted. The respondents were not the same employees as took part in the later co-design of the service concept. Each interview
was conducted by two researchers following the same composed interview guide. The interviews were recorded and later transcribed for further analysis.

**Co-design of customer journey**

From Lens #2, knowledge and ownership achieved through cross-functional collaboration is a fundamental competitive advantage. In order to develop cross-functional knowledge and ownership, assembling cross-functional working teams, and at least one *middle manager (M)* from each corporate function, was required. This particular approach has been successfully used in different activities of designing service concepts in the company. In the following, we will present *one of these design activities.*

The particular design activity was related to *the company’s dilemma* of delivering superior customer journey experience, and at the same time reducing the costs in manual touchpoints (e.g. call centre) and increasing sales across touchpoints. Digitalization of touchpoints (e.g. digital self-services) was one strategic action to this dilemma. However, existing operational practices report that digitalization of touchpoints may have an opposite effect. A huge number of the customers that was calling call centre have *not been able to place an order in the web-shop* mainly caused by inconsistencies in the different touch-point offerings or bad service experience (Følstad et al., 2014; Dixon, Freeman & Toman, 2010). Furthermore, the company has experienced that a large number of sales conversations with customers end up with the customer *not making an immediate decision.*

The design activity was thus aimed at exploring this complex dilemma, and to co-design service concepts that visualise solutions to the dilemma. The participants in the design activity were middle managers responsible for different corporate functions such as customer care, customer experience, sales, brands and marketing communication as illustrated in Figure 1. Within each function, operative managers also participated: For example, in the Sales functions, operative managers with responsibility of sales in web-shop, in operator store and in customer care participated.

![Figure 1: The complex triadic dilemma: Superior customer journey experience, increased sales and service in each touchpoint and cost reduction.](image)

The triadic dilemma (Figure 1) challenges existing organizational aspects that are often connected to customer touchpoints (and herein corporate functions and channels), e.g.
empowerment of employees in specific channels and touchpoints, Key Performance Indicators (KPIs) and other incentives and performances, leadership and employee behavior.

The cross-functional teams collaborated in two full-days workshops. Service design thinking was used as methodology for helping the managers to think out of the box and to challenge existing operational practices and responsibility areas. The teams mainly used simple drawings for visual communication of ideas. The team work was facilitated by professional service designers.

The data material consisted of observation notes, video recordings of selected parts of the team discussions, and the participants’ own written reflections articulated in open spaces of the workshop questionnaire (one questionnaire for each of the two workshops).

**Consumer feedback**

Lens #3 directs the importance of integrating the skills and competencies of the beneficiaries (including the customer) of the customer journey in the value co-creation. In this study, we used achieved feedback from consumers on the designed service concepts.

In order to get feedback on the service concept in the very early design stage, potential customers were invited to comment on the service concept prototype through an online social platform. The RECORD online Living Lab was applied for this purpose. Following the approach described by Følstad et al. (2015) the what-dimension of the service concept was presented by simple illustrations showing its intended key features. The consumers were asked about what they liked in the concept, what they saw as potential problems or difficulties, and whether they had suggestions for changes or improvements. In order to facilitate the discussion about the service concept, both a moderator and the participants could comment on the feedback of the other participants, something that has been shown to have a beneficial effect on the usefulness of the consumer feedback (Følstad, Hornbæk & Ulleberg, 2013).

**Results**

In the following section we present the results of the analysis by using the theoretical lenses outlined from SDL.

**The executives’ perceptions of existing business processes**

The executives interviewed highlighted different organisational obstacles for the company’s ability of offering superior customer journeys. The most critical obstacle was the organisational structure, and this was specified by one of the executives in the following way: “(...) the organizational silos are clear obstacles to deliver cross-channel experience and to optimize the delivery across channels” (E2). The silo-structure implicated that “the cross-channel culture is non-existing, making it hard to deliver sustainable and profitable customer experience” (E1) and that the company “fail to recognize the customers across channels (...)” (E8). Knowledge and incentives are housed within corporate functions, making it hard to harness resources and competence in a way that the customer truly values and is willing to pay for. The company was more likely to structure customer-oriented strategies within channels and corporate functions rather than across them. One of the executives considered this as critical with respect to the company’s competitive asset in marketplace: “We are an organization with very many intelligent and skilled
people (...) but because of the structure, we do a lot of stupid things. We are collectively marching out of the cliff” (E7).

On the time the in-depth interviews were conducted, executives leading a corporate function often lost their focus on customers and turn their attention to the achievements of functional objectives e.g. minimizing costs or achievement of functional metrics and incentives. Thus, target conflicts between different corporate functions (and their ownership of touchpoints) were considered a hindrance to high quality customer experience. An executive exemplified this target conflicts by using the following illustration:

“(…) Sales personnel in the web store are only measured on sales. They have no incentives to route the customer to the physical store. Therefore they don’t courage people to go to the store.” (E8). E8 underlined that the customers become frustrated when they cannot continue and complete an interaction they have started in one touchpoint (e.g. online) when they move to another touchpoint (e.g. the operator store): “It is frustrating that I can’t be awarded for helping a customer to complete a purchase in another channel” (E8).

The pre-analysis shows that the organisational obstacles were anchored in the lack of cross-functional processes and knowledge. According to SDL, this is critical regarding both the company’s competitiveness in the marketplace and the customer value throughout the whole journey. According to the executives there was a high consensus on the need for change, but low on what it actually implies across the organization. A common target picture for change towards a superior customer journey offering is needed for going forward on the strategic intent. To realize the need for change and to accomplish the change required, presuppose, in this case, that managers of corporate functions, are ready for change and that capacity for change exists. As Weiner (2009) states: “… readiness for change refers to organization members shared resolve to implement change (change commitment) and shared belief in their collective capability to do so (change efficacy)” (ibid.). Commitment and willingness to change as well as the organizations enablement and capability for this change, are prerequisites for achieving a common target picture. Resting on the foundational premises of SDL, such a target picture must include cross functional collaboration, and exchange of knowledge and skills for the benefit of superior customer journey offerings.

Co-designing the service concept

In what follows, we show how the design process stimulated to cross-functional and collaborative development of shared knowledge and ownership.

The collaboratively developed visualizations were perceived as powerful artifacts for exploring the what- and the how-dimensions of a service concept. As one of the middle managers reflected: “Many of the ideas are not necessarily breaking news (…). There are things you already have thought of yourself, but you get the confirmation that they were good.” (M1). The visual artefacts became a cognitive tool in the individual’s articulation of one’s own tacit thoughts and to create new insight: “I was very pleasantly surprised when the ideas actually took shape as we discussed, and it really helped me to think differently and achieve completely new understanding” (M4). The visual artifacts contributed to an increased understanding of the individual manager’s responsibility in the customer journey. Furthermore, translations of individual thoughts were conducted by service designers in terms of lingering visualization that in turn became a common artifact for establishing a shared understanding within the cross-functional teams.
One of the managers expressed this in the following way: “It made it easier to understand and to increase the value of each other’s ideas” (M4). Another stated that “(…) you get multiple views and opinions you are not aware of at all.” (M5). In addition, the visualization was considered effective, because it “allowed us to quickly move to very interesting parts of the discussion. It would have taken hours to get to the same result without it” (M6).

The finale outcome of the process, The QuickBasket service concept (presented in the next section), also demonstrates the value of visualization for increasing the cross-functional understanding. It became a powerful artifact for managerial decisions that are driven by customer journey experience rather than by achievements of separate functions. This was clearly stated by the middle managers after concluding the design process: “It is certainly much easier to get the message to the management. One thing is to create a common understanding as a part of the workshop. Something else is getting the message out in the organization and among decision makers”. (M1).

The design processes showed that the visualizations helped the cross-functional teams to construct shared understanding and knowledge, as well as to ensure ownership of the value proposition across multiple functional areas.

The service concept QuickBasket
Figure 3 shows the customer journey designed by the cross-functional teams. To illustrate, when a customer has a question regarding the service to purchase, the sales agent bases the conversation on a digitally generated overview of current customer behaviour and gives recommendations based on the customer’s profile. To allow the customer to make a decision later, the agent put the offering in a personalized and digital QuickBasket that is available for forthcoming customer interactions in any channel (sales and service) and touchpoints. As such, the customer does not need to start the conversation afresh for each time interacting with the BU in her purchase process, and it helps the agents to interact with the customer both professionally and personally. For example, if a customer calls the call centre, the agent there has access to the same information as all the other channels and can continue closing the sale. From her sofa at home, the customer can review the offer, order it and choose where she wants to pick it up.

The service concept intends to address a superior customer journey across touchpoints and has a potential to add the company value offering by allowing the customer to feel a flow of experience across touchpoints. This signifies important elements of the how-dimension of the service concept: An important issue discussed in the team work was that sales and service have to be considered regardless of touch points and corporate functions. The idea that the different touchpoints and agents can see the process and share rewards on start, assist and closing of a sale was an important mechanism for a successful purchasing process. Thus, a superior customer journey (the what-dimension) requires fundamental changes in the how-dimension: New and more cross-functional types of KPIs- and incentives systems, touchpoint agents’ empowerment of making decision on behalf of the customer and her journey, change of agent behavior from sales-orientation to service-orientation, and new leadership principles based on end-to-end ownership and responsibility.

**Customer feedback**

We gathered feedback on the what-dimension of the service concept from around hundred consumers through an online social platform. As recommended by Følstad & Knutsen (2010), the free-text comments were manually analyzed and coded into three categories (positive, negative/problem, and constructive/suggestions) as well as themes within each category. Hence, a comment may be coded as containing none, one or many feedback types. The feedbacks from the consumers were mostly positive, stating that "This is good, and something I have hoped for since I bought a new phone, accessories, and new subscription" (C26), or "This service will probably work well and appeal too many. You get the opportunity to gather information in the store, and eventually go home to think about the offering" (C50).

Some consumers, however, were only conditional positive. Their concern was mostly related to that such solutions may be abused to aggressive marketing, as expressed by (C31): "Seems like a neat and good solution as long as you can delete the offering and not be contacted because of I have asked for an offering....".

Even more interesting were the concrete suggestions for refinements and improvements of the concept as well as hints for avoiding possible future problems when launching such a concept in the market. Such hints were for instance to make it easy to delete the content of QuickBasket and to design the QuickBasket as a wish list in the web shop. A few consumers required that only customers themselves should be able to take contact based on the content of QuickBasket, as stated by one consumer: “Consumers are often contacted by companies with various offerings. I simply become irritated of this and am not able to listen to all of this. Therefore, it is important for me to decide when to take contact based on my own needs” (C4).
Conclusion and further work

In this paper, we have used theoretical lenses outlined from service-dominated logic (SDL) of marketing (Vargo & Lusch, 2004, 2006, 2015 Lusch & Vargo, 2014) in the design of service concepts that prepare an organisation for change towards a more SDL.

Outlined from the SDL, the paper addresses the following lenses that are important for approaching an alignment between superior customer journeys (the *what*-dimension) and organisational aspects (the *how*-dimension) in the service offering:

- **Lens #1 Customer focused business processes** which emphasise implementation of cross-functional business processes that are customer-focused.
- **Lens #2 Cross-functional collaboration and knowledge** which focuses application and development of specialised competences for the benefit of cross-functional teams and customer-focused business processes.
- **Lens #3 Value co-creation** which focuses on the co-creation between multiple actors, always including the beneficiary (customers and cross-functional teams).

Using these theoretical lenses, the study shows that the processes of designing a service concept increased the middle managers’ awareness of own responsibilities in the end-to-end customer journeys. This new insight changed the middle managers’ attitudes towards considering the service as holistic customer journeys, instead of seeing their own responsibility as a stand-alone offering. By using service design thinking in the cross-functional work, it became clear that the visualizations and the service concept were important artefacts for articulating individual thoughts and for creating meaning (Schön, 1983; Krippendorff, 2006) and enhanced the middle managers to use service design thinking as “cognitive style” or “boundary object” (Kimbell, 2011). Furthermore, the visualisations (including the service concept) became important means for cross-functional coordination of skills and construction of cross-functional knowledge that are essential for the service provision. Thus, the cross-functional processes had implications for managerial practices of connecting business processes that cut across organisational silos.

The final outcome of the cross-functional processes, the QuickBasket service concept, became a tangible artefact for demonstrating important aspects of the *what*- and *how*-dimensions in meeting the customer’s changing digital behaviour: The service concept demonstrated what the target picture of the customer journey experience (the *what*-dimension) should be like, as well as the demanded changes in the organizational processes and capabilities (the *how*-dimension). The QuickBasket service concept became a visual and powerful artefact for strategic conversation on the middle management level, but also for making it easier to suggest changes that will create future customer value and customer-focused business processes. The ideas of the service concept have been integrated in several strategy processes, and some of the ideas designed have been implemented in different offerings and touchpoints. Thus, the service concept has served the intention of being a
target picture that implicates step-wise changes towards the strategic intentions of increased service business logic of the company.

Based on the findings, further research is dedicated to further develop the theoretical lenses to be used within a broader service design thinking approach for herein being able to explore the value of service design thinking in a company's transformation to a more service business logic.

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