SERVICE-DOMINANT BUSINESS DESIGN

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Summary

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This dissertation integrates different perspectives on Service Management for developing a framework and a toolset supporting business design in Service Science. We call this toolset-supported framework the Service-Dominant Business Design framework. The framework has been developed and tested within a global company providing financial services and its car-leasing subsidiary.

Our Service-Dominant Business Design framework serves a twofold purpose. On the one hand, it is the solution of a practical problem in the financial industry. Together with our partner company, we started to explore the state-of-the-art about business models in the financial industry. In the development of this research, we noticed a shift in business models from a traditional mindset, focused on selling goods and services, towards an innovative mindset, focused on selling solutions to problems. For instance, new business models adopted by heavy machinery companies like Volvo Trucks or Komatsu, offer real-time monitoring services with their equipment as a complete solution, rather than just focusing on selling heavy machinery pieces to customers. Such solutions offered directly from vendors to customers can disrupt traditional asset financing companies that rely on monthly fees for leasing assets, with or without added services like maintenance.

On the other hand, in the academic research we recognized the above-mentioned shift towards solutions in a novel business paradigm: Service-Dominant Logic. Service-Dominant Logic is an emerging mindset focused on solutions, value co-creation and ecosystems. This mindset has been identified as the theoretical foundation of Service Science. Service Science, in fact, focuses on fundamental science, models, theories and applications to drive service innovation through value co-creation. The implementation of this theory in practice, however, is difficult because of a lack of techniques and frameworks supporting the translation of theory into practice.

Stemming from the above analysis, this doctoral dissertation examines the following main research question: How is it possible to support the implementation of Service-Dominant Logic in a business organization? The answer to our research question lies in our business design approach, which is graphically shown in Figure 8.1.

By analyzing the literature on the Service-Dominant Logic, we found that the Service-Dominant mindset should be adopted first at the strategic level. For further implementing the adoption of the Service-Dominant Logic beyond the strategic level, we redefined the traditional relationship between strategy, business models and busi-
We introduce the Service-Dominant Business Design as a set of tools and a business design process defined as a series of steps. Specifically, we first design two different management tools: the Service-Dominant Strategy Canvas and the Service-Dominant Business Model Radar. The former is a management tool helping business users to set strategic directions on how to do business by using a Service-Dominant mindset. The latter is a management tool helping business practitioners to design business models, focusing on the concepts of business ecosystem and value network. It defines how the actors in the business ecosystem participate in value co-creation and the cost-benefits distribution within the ecosystem. These tools are developed using the Action Design Research (ADR) Method. According to ADR, tools are shaped together by the researchers based on theory and by the practitioners through the feedback they provide on different iterations of the tools.

For the operationalization of the strategy and business models identified through our management tools, we designed a second set of tools, that is, the Business Services Catalogue and the Business Service Composition blueprint. The former is a tool enabling the classification of specified business services as a catalogue. The latter is a tool facilitating the specification of a composition of services as a realization of the value-in-use of a customer by using the business services.

In this dissertation, we present the construction of the Service-Dominant Strategy Canvas by following the ADR method. According to the ADR paradigm, we first analyzed the literature to develop a theory-ingrained version of the tool. The development of this version was key in defining a Service-Dominant Strategy by establishing an academic foundation for the evolution of the tool. A refined version was developed to facilitate the design of a Service Dominant Strategy by business users. The final version of the tool was developed as a management tool that explicitly positions the focal company within a value network or ecosystem.

In this research work, we present the development of the Service-Dominant Business Model Radar using ADR. Existing approaches towards business model tools are constrained by the Goods-Dominant way of doing business and tend to follow traditional strategic approaches. Nowadays, the shift from Goods-based approaches to-
wards a Service-Dominant strategy requires novel business model tools. However, the right business models tools for Service-Dominant Business Model design do not exist. Through ADR, we developed a tool achieving a balance between a strong academic foundation and practical relevance.

According to our tool, a Service-Dominant Business Model is defined by a set of elements and their relationships describing how the actors of a value network co-create, share the costs and benefits, and interact through networked value propositions. The Service-Dominant Business Model is presented as a meta-model and as a management tool for facilitating business model design by following a Service-Dominant strategy. In this regard, we go beyond network theory by defining the value-in-use as “solutions” and involving the network actors as active participants in the process of value co-creation and sharing.

By reviewing the literature we define, specify and represent Business Service and Business Service Compositions. First, we define the two concepts by looking at different definitions available in the literature. We define a Business Service as an encapsulated business functionality that brings value-in-use for the customer, which is achieved through a well-defined input and output. We define a Business Service Composition as the combined application of Business Services for solving a customer’s problem. This combination is achieved by defining the interaction of business services as a business process, where each business service represents a partial solution to the complete customer problem. Specifications of Business Services can be collected within repositories. We define such repositories, by using a Business Services Catalogue. Within the Business Services Catalogue, business services are organized in subsets referring to the most relevant areas of business capabilities that can be owned and governed independently within an organization. We call these subsets Business Services Domains. Eventually, Business Services in our Catalogue can be composed using the last of our tools, that is, the Business Service Composition Blueprint, which supports the designers in deriving business processes exploiting the functionality of the available business services.

As case study, we show the application of the Service-Dominant Business Design at the financial services company and its car leasing subsidiary. The goal of this chapter is to show the collection of the evidence in the application of our framework within the organization that participated in the ADR process and the literature-based research. In a nutshell, in this chapter we present the application of the Service-Dominant business design process to a specific case of the car-leasing subsidiary, using the artifacts developed in the dissertation.
A toolset and a process for designing businesses by following a Service-Dominant Logic:

**SERVICE-DOMINANT STRATEGY CANVAS**
A tool for formulating a Service-Dominant Strategy by focusing on the customer’s value-in-use, service ecosystem, and collaboration management

**SERVICE-DOMINANT BUSINESS MODEL RADAR**
A tool for designing business models as solutions by identifying networked value propositions, co-creation activities, costs, benefits and co-creation actors

**BUSINESS SERVICES CATALOGUE**
A tool for specifying business services and organizing them into business service domains

**BUSINESS SERVICE COMPOSITION BLUEPRINT**
A tool for specifying business service compositions in terms of the customer’s value-in-use by using business services