Service Science, Service-dominant Logic and ITIL® 4

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1. Introduction

ITIL 4 brings a number of very tangible changes to ITIL, including the value chain, the role of value streams and new or changed practices. But one of the less obvious changes is the influence from research in service science and service-dominant logic (S-D) logic. This white paper gives a brief introduction to service science and service-dominant (S-D) logic and presents some of the areas in ITIL 4 where the influence is perceptible.

2. Service Science

Service is the application of resources (including competencies, skills, and knowledge) to make changes that have value for another.

In any service there are at least two interacting entities, called service systems. Examples of service systems are service providers and service consumers. Many systems can be viewed as service systems, including people, families, cities, and organizations.

Service systems interact with other service systems to co-create value through value propositions. A value proposition is a set of specific benefits or favourable points of difference that a service system plans to offer to others.

Value co-creation interactions between service systems are termed service interactions. Each service system engages in three main activities that creates a service interaction:

1. proposing a value co-creation interaction to another service system,
2. agreeing to a proposal, and
3. realizing the proposal.

A service system is a dynamic configuration of resources such as people, process, technology and information. Everything with a name and a use can be viewed as a resource. The properties and behaviour of a service system is more than the properties and behaviour of the individual resources.

We distinguish between operant resources that perform actions on other resources to create change and operand resources that are operated on. A service system is a configuration of resources, and therefore also a resource itself. It may then be an operand resource for another service system.
Service systems are complex dynamic systems. They are systemic because they are composed of interacting elements (i.e., resources) and have emergent properties (e.g., creation of value). They are dynamic since the configuration of resources changes over time to accommodate the needs of other systems and contextual changes.

The complexity is due to the nonpredictable behavior emerging from the interactions, either from formal service delivery processes or from informal interpersonal communication and ad-hoc coordination mechanisms, within and between service systems.

Service systems may be dynamic: composing, recomposing, and decomposing over time. Service systems that exist in substantially the same form over long periods of time are open systems through which operand resources flow, but in which operant resources are stable.

3. Service-dominant Logic

Service Science relies among others on service-dominant (S-D) logic.

The most important characteristic of service operations is the presence of the consumer in the service delivery system. Focusing on the consumer and serving his or her needs is the basis for a service-dominant logic that is an alternative to the traditional goods-centered paradigm.

Goods-dominant (G-D) logic sees services as somewhat inferior to goods units of output. G-D logic implies that principles developed to manage goods production can be used to manage services “production” and “delivery”. It is the logic most frequently employed to transitioning from goods to service.

S-D logic, on the other hand, sees service as the process of doing something for and with another party. Value creation, then, moves from the provider, or “producer”, to a collaborative process. In S-D logic, value is always co-created.
The core ideas of S-D logic are formulated into ten foundational premises as shown in Table 2.1

<table>
<thead>
<tr>
<th>Foundational Premise</th>
<th>Explanation</th>
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<tbody>
<tr>
<td>Service is the fundamental basis of change.</td>
<td>Service is regarded as an activity or process, rather than an intangible unit of output. The service is derived from applying competencies (knowledge and skills) for the benefit of another party.</td>
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<td>Indirect exchange masks the fundamental basis of exchange.</td>
<td>The process of value creation is complex and has many fundamental basis of exchange intermediary systems (e.g., Internet) that facilitate the process of exchange.</td>
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<td>Goods are a distribution mechanism for service provision.</td>
<td>Goods (both durable and non-durable) derive their value through use: the service they provide.</td>
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<td>Operant resources are the fundamental source of strategic benefit.</td>
<td>Competitive advantage is captured in a service provider's intellectual capital, skills, and knowledge that can be applied to creating value for the consumer.</td>
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<td>All economies are service economies.</td>
<td>If service is the application of competencies for the benefit of others, then all economic activity is essentially service.</td>
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<td>Value is co-created by multiple actors, always including the beneficiary.</td>
<td>If value is co-created with the consumer, then by definition, the service activity involves the consumer in some capacity beneficiary (e.g., mind, body, belongings, information) in an interactive relationship.</td>
</tr>
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<td>Actors cannot deliver value but can participate in the creation and offering of value propositions.</td>
<td>Just as a good has no intrinsic value until used, a service is only a capacity to create value upon consumer activation.</td>
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<tr>
<td>A service-centered view is inherently beneficiary oriented and relational.</td>
<td>Because a service is co-created with the consumer, the service exchange necessarily must become consumer-focused.</td>
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<td>All social and economic actors are resource integrators.</td>
<td>Value is created when the consumer integrates and applies the resources of the service provider along with other resource-integrators to achieve the exchange.</td>
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<td>Value is always uniquely and phenomenologically determined by the beneficiary</td>
<td>Each consumer determines the value or quality of the service experience based on personal needs at the specific time and in the particular context.</td>
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Table 2.1 core ideas of S-D logic
4. ITIL 4

ITIL 4 presents a somewhat different but very similar approach to service management.

ITIL 4 does not use the term ‘service system’, but instead uses the term ‘organisation’. According to ITIL 4, an organisation is a person or a group of people that has its own functions with responsibilities, authorities, and relationships to achieve its objectives. An organization can take on the role of a service provider or consumer.

ITIL 4 then defines a service as a means of enabling value co-creation by facilitating outcomes that consumers want to achieve, without the consumer having to manage specific costs and risks.

Service providers present their services to consumers in the form of service offerings, which describe one or more services based on one or more products, designed to address the needs of a target consumer group. A service offering may include goods, access to resources, and service actions.

Products are configurations of an organisation’s resources designed to offer value for a customer.

And finally, a resource in ITIL 4 is a person, or other entity, that is required for the execution of an activity or the achievement of an objective.

Sources

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