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Service Spotlights

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Value Paradoxes and the Time Value of Value (p. 149)

This article demonstrates how “value is transitory, stochastic, multidimensional, and understood imprecisely” per the special issue call for papers. The author presents a multidimensional model of value based on concepts from economic literature, particularly from the subfield known as happiness economics. The model is motivated by value paradoxes that have been empirically observed: (1) people from high-income economies are no happier than people from low-income economies; (2) individuals who experience an increase in income do not experience a corresponding increase in happiness; (3) people get no more satisfaction from leisure than they do from labor; and (4) people consistently spend money on things that do not bring them happiness, or what researchers call subjective well-being. These paradoxes may cause us to question a supposition that money and leisure and offerings have value because they bring people greater happiness. The article describes two manifestations of value: value potential (an estimate of future happiness) and value realization (the realized change in happiness from interacting with an offering). The connection between the two values is affective forecasting, which is often shown to be faulty. In other words, people do not often know what will make them happy, which can explain the value paradoxes.

An Analytical Framework for Value Co-Production in Services (p. 163)

For many managers and policy makers, measuring the value of a service may be quite challenging. Indeed, because of factors such as the intangibility of outputs, the presence of customers in co-production, and the uncertainties in observing efforts and outcomes, traditional methods of economics and process analysis do not always transfer easily to services. In this paper, the authors propose a general framework for the modeling and analysis of services with co-production and illustrate its application with examples. The framework identifies three major process stages: (i) the production stage, which may involve co-production, (ii) the output sharing stage, and (iii) the consumption stage. Value realization and distribution depend on all three stages. The authors find that, in many situations, service outcomes are relatively robust to accurate measurements of value once the co-production process (enabled by technology), the rules of operation of the process (i.e., who does what), and the sharing rules (i.e., who gets what) have been specified. The insight for management: even though the value of a service may be difficult to measure in practice, effective service process improvement can be achieved

by redesigning the co-production process, the rules of operation of the process, and the sharing rules.

Modeling Value Cocreation Processes and Outcomes in Knowledge-Intensive Business Services Engagements (p. 181)

Knowledge-intensive business services (KIBS), such as management consulting and R&D services, are key components of industrialized economies because of their contribution to productivity and innovation. Enabling emergence of a higher level of value for all actors in these service systems could provide a significant contribution to local economies. This can be challenging, however, as each actor within an engagement may hold a differing assessment of value; moreover, assessment of value relies not only on an engagement’s deliverables, but also on its process and indirect outcomes. Thus, supporting design of KIBS engagements requires enabling multi-stakeholder and multilevel measurement of value. This research identifies such requirements for modeling KIBS engagements. These requirements were derived from a multiple-case study investigating how value cocreation processes and outcomes unfold in this domain. The article also presents our value cocreation modeling (VCM) technique, which was developed to fulfill these requirements. KIBS professionals can use VCM as a tool to set up new engagements and monitor existing ones. By modeling participating actors’ likely or actual assessment of an engagement’s value, KIBS professionals can take actions that may increase value outcomes.

Assessing the Value of Process Improvement by Means of Service Imperfections and Value-Leaks: The Case of a Large Scale Municipality Contact Center (p. 196)

Process improvements aim to provide added value to all actors involved in the process. An ongoing research topic is identification of indicators of hotspots for improvement, and estimation of the impact of process change. In this paper, the authors take a service science approach to this problem and apply it in a large-scale case study. The approach is motivated by the fact that in ICT-enterprise architectures, services are increasingly considered the “building blocks” of processes. The authors extend the theory of economic imperfections using the definition of service as value cocreation to find service imperfections and ways to handle them (in terms of maintain versus fix). They find that imperfections are related to the notion of value leaks in processes (similar to “muda” in lean product processes); and many-to-many transition steps in process models seem to be more susceptible to value leaks and imperfections. In conclusion, the authors stress

the need for normalized process models (through analogy to normalized data models). Value leaks may be an appealing concept for nonprofit organizations, where it is sometimes more difficult to prove added value of change.

Assessing Customer-Perceived Value in Industrial Service Systems (p. 210)

Creating value for the customers is an integral part of competitive service business. This study deepens the current understanding of customer-perceived value and its assessment in the context of industrial service. In particular, the present study proposes a new conceptualization of customer-perceived value, focusing on the perceived difference between the benefits and sacrifices experienced by the customer in relation to a service. Through an empirical inquiry of five industrial firms that have taken steps to assess the value perceived by their customers, this study identifies the constituents of collaborative value quantification processes. The case organizations have implemented value-focused strategies in industrial markets. They have also built capabilities and practices to quantify value more comprehensively in their service systems. Hence, their experiences provide a fruitful empirical context for the study. Our findings indicate that the key challenges in value assessment involve understanding what customers perceive as valuable, acquiring the necessary knowledge of customer perceptions, and weighing and quantifying the experienced value. By showing how to tackle these challenges, the present study brings important implications for future research and practice. In so doing, it paves the way for improved practical approaches to value assessment in industrial service systems.

Understanding Customer Value in Technology-Enabled Services: A Numerical Taxonomy Based on Usage and Utility (p. 227)

Our research develops a numerical taxonomy of customers that are classified in terms of their technology usage and utility in the context of the U.S. restaurant sector. The resulting customer technology usage and utility configurations are strategically beneficial for segmenting customers beyond those traditionally based on demographics to hone in on specific technology attributes that are associated with customer value in service processes. Accordingly, we deepen our understanding of customer-based service technologies that help researchers and practitioners in service science to structure and facilitate their understanding of customer value in a more organized way. Our empirical results show that technology usage and utility are distinct constructs regarding customer value. Notably, customers' high usage of a specific technology does not necessarily translate into their high utility for that technology, and not considering the distinctions can have adverse consequences for service design strategies. For example, if customer usage data is deployed as a proxy in forecasting customer utility for a specific customer-facing process technology, service providers may underestimate the intrinsic value of what matters to customers. We advance service science by discussing the inherent management pitfalls of failing to distinguish between technology usage and utility in service process design. Further, we offer broader insights for service operations strategy technology choices and customer value in service delivery systems research and practice.