The Future of the Service Design Category: Authentic Adaptation as a Way Out?

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Abstract

Service design as a new market category has emerged quite rapidly since the first pioneers, live|work in 2001 and Engine 2002 started offering service design commercially and claimed the label. Since then, a service design field has developed, which features institutions such as the Service Design Network, Master courses at universities, and academic conferences. Recently, the success of service design attracts management consultancies, which include service design as part of their core offering. This represents a challenge for the pioneers, as modifications of the practice might lead to ambiguous meanings and hence the category as a whole can suffer from devaluation by audiences. As a consequence, the entire category is likely to turn into a fad. In order to prevent this from happening, pioneers have several strategic options at their disposal. In the following, we propose a research design, which suggests the theory of 'Authentic Adaptation', pioneers might react in drawing from their heritage, while also adapting to the new context.

KEYWORDS: service design, market category, fads & fashion, pioneer, meaning

Introduction

Organisational theorists describe the emergence of new markets as the mutual understanding of producers and consumers with respect to a product or service (Rosa et al., 1999). More precisely, it is the agreement on the meaning of the purchased good or service, which is expressed in common usage behaviours and shared interpretations. These market categories 'labelled with a meaning' (Kennedy, 2008) are groupings of organisations producing similar products or services, which cohere around an exemplary representation of those organisations (Porac et al., 1995) in the minds of audiences. It is a cognitive simplification to deal with huge amount of information (Rosa et al., 1999).

Hence, categorisation is a process where different levels of analysis collide (Hitt et al., 2007), as the meaning of the category is inextricably linked to the meaning of the exemplary

prototype. Especially if an organisation is seen as close to this typical mental prototype, its fate is closely linked to the fate of the category (Glynn & Navis, 2013), as it is the case in the first author's research setting with Engine in the service design category. According to Navis & Glynn (2013) "categorization is a complex process that can span multiple levels of analysis […] from individuals through organisations and markets" (ibid, p. 1124).

To date, most research on niches and fields links categories to isomorphic pressures and cultural persistence, but new categories also emerge around shorter-lived practices, firms and markets—or fads. In studies that explore the conformity pressures exerted by categories, an implicit assumption is that categories are generally durable (DiMaggio & Powell, 1983). The literature on management fads and fashions however, reflects on situations where new kinds of management practices spread widely, but also fall out of favour quickly (Abrahamson & Fairchild, 1999). Even when new organizational forms and related markets emerge around diffusing practices, the labels used to categorise a related practice, form and market may still be short-lived, at least in terms of popularity and the isomorphic pressures associated with categories.

Within this context, we consider service design as a category of professional services. It emerged in 2001, with the founding of live|work, the first service design consultancy, which started to design service experiences. Inspired by the shift in the market from products to digital services, and marketing scholars' discourse about services in the mid 1990s, these pioneers blended their professional product and digital design techniques with tools borrowed from marketing (Stigliani & Tether, unpublished). With the entrance of the second pioneer Engine promoting the service design language and facilitating networks, the foundation was laid that service design became synonymous for a practice, an organisational form and a market within the last decade (Segelström, 2013).

In service design, the success of category pioneers invited imitation and entry into this new market from new competitors, some of which include larger firms with an alternative approach in service design. In particular, large consulting firms that establish service design practices stress the benefits of their strengths in more conventional services, such as strategy consulting and operations. In response, one of the category pioneers live|work has recently begun to position itself as engaging in business design, rather than service design (Reason, 2013). With this move, live|work took itself out of the service design field and entered a nascent market category - business design. This is not only a risky move for live|work, but also comes at a price for the existing members in the service design category.

Theoretical Background

This story is only partly addressed in the current literature. We know category pioneers benefit from constructing a category that gives members a collective identity, blending their individual identities into a common one that aids their viability (Navis & Glynn, 2010). But if a firm closely identified with a market category should exit, this firm leaves a void and undermines category desirability and currency (Glynn & Navis, 2010; Rosch et al., 1999). This might not only undermine the demand by audiences, but also the support by members (Hsu, 2006). Moreover, the exiting firm might even serve as a role model and initiate other firms to follow, or not to identify as service design firm. While the existing literature acknowledges that the perceived value of a category depends partly on its population density (Carroll & Hannan, 1989), these findings are not reconciled to the possibility that increasing

density of new types of organizations and practices is also associated with the diffusion of management fads and fashions (Abrahamson & Fairchild, 1999). When a firm switches from identifying itself with a widely diffused to a identifying with a new one, this act is tantamount to category exit, and it could very well contribute to perceptions that category is becoming an outmoded fad. Hence, firms left in the category being 'exited'— especially those who are at the core—face a strategic problem: is it better to leave the ship that could be sinking, or stay and defend its integrity? Drawing on the relational perspective in cultural sociology, we can conceptualise categories as dynamic meaning structures in which the core attributes shift over time (Emirbayer, 1997; Mohr, 1998). Rather than limiting analysis to observing differences between *de novo* and *de alio* firms, we can trace quantitative and qualitative shifts in the composition of category membership and relate changes in the category meaning (Kennedy, 2008). This perspective suggests not only that category exits should affect category meaning, but also firm that category viability will be more affected by exits of firms that are closer to category prototypes. Hence, analysing related shifts in category membership and meaning should inform the firm strategy. Seeing such shifts suggests whether firms ought to embrace new elements of category or reassert the importance of existing ones. More drastically, it also suggests the potential value of exiting the home category service design for a new one (such as business design) or staying and defending the home category.

Those 'conformity effects' exerted by a collectivity of firms identifying themselves with the same label are at least partly related to the cognitive limitations by individuals (DiMaggio & Powell, 1983). They reflect our individual capacity for sensemaking, which also informs collective sensemaking at the population level (Hogg & Terry, 2000). An individual makes sense of a situation by giving meaning to an experience. The mechanism behind this includes extracting cues and linking them to well-learned cognitive structures (Weick, 1995). In imperfectly competitive markets, members of this market classify themselves in subgroups, identified by core attributes serving as cues for the shared sensemaking of categories (Porac & Thomas, 1995). These entrepreneurs engage in sensegiving. On the contrary, audiences engage in sensemaking: the more a firm resembles the cognitive typical prototype of the category, the more it is perceived by audiences as key member (Porac et al., 1995) and legitimate (Zuckermann, 1999; Hsu, 2006). DiMaggio & Powell (1983) argue that isomorphism serves to ensure stability and durability.

In contrast, management fashions literature claims that practices and hence categories can follow a short lived lifecycle (Abrahamson & Fairchild, 1999). Apart from the literature on individual entrepreneurs constructing an emerging category, we do not know the effects when such a company at the core exits the category, and diffusion literature falls short in explaining structural responses due to reinvention of the practice while adopting (Rogers, 1980).

The current literature simply does not address the consequences for meaning attribution due to categorical events. In other words, the competitive dynamics literature does not mention the sensegiving and sensemaking processes exerted by entrepreneurs and ignores the importance of audiences in competitive dynamics (Ketchen et al., 2004). Hence, the first author proposes investigating the following research questions:

RQ1: How does a firm at the core of a category respond when another firm closely identified with the market category adopts a new label to explain its offerings?

RQ2: How do category members react on their rivals' moves that tend to undermine the perceived meaning or currency of the market defined around the category?

We propose exploring these questions in the context of service design using both qualitative and quantitative research methods. Using participant observation, interviews and survey data, the first author will observe managers' responses to the changing membership and meaning of the service design category. Based on early fieldwork, we hypothesise that firms have several choices:

(1) not adapting at all (sticking with an earlier conception of the category),

(2) modifying their practices to fit their perceptions of category change,

(3) reinterpreting the category by adopting some elements and assert others up, to

(4) redefining themselves by identifying with another category,

(5) pretending to adhere to the changes in their existing category, but decoupling their day-today activities (Meyer & Rowan, 1977).

Overall, our aim with the research we are proposing is to develop the concept of 'Authentic Adaptation' as a response to dynamic categories and to explore how well this works for category members. Specifically, we suggest pioneers navigate stormy waters by choosing whether to

» stick with a changing category by allowing new developments to join more established elements of a category concept, or

» choose to de-emphasise a category they had identified with — up to and including the point of leaving it, so to speak by, moving on to identify with a 'next' category to avoid going down with a category that could be turning into a faded fad.
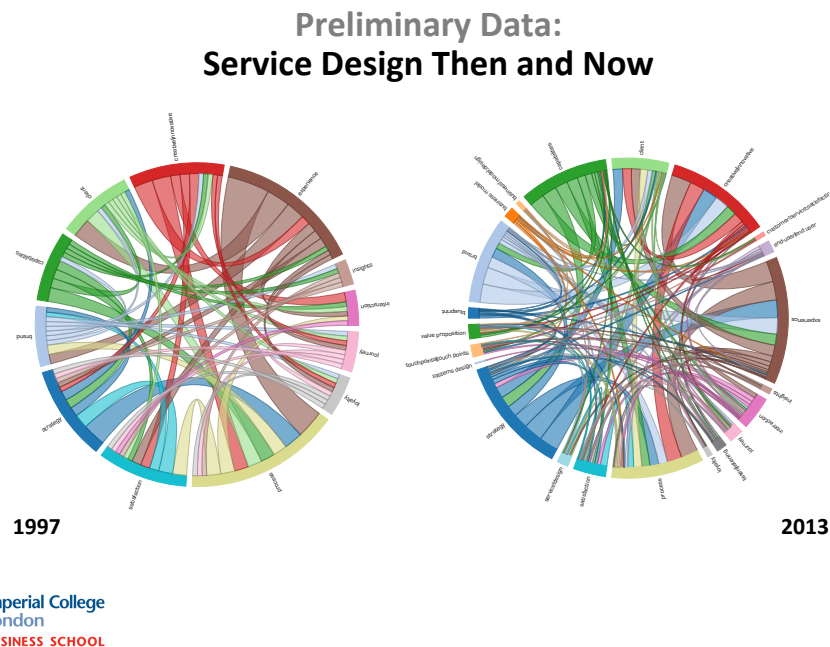

Figure 1: Kirchberger, E.-M. (2013). *Chord Diagram.*

As part of our quantitative research study, we aim at modelling changes in meaning at category level, in order to explain events at market category level, such as entries or exits. Hereby we will also use methods of relational content analysis to develop quantitative models of shifting category meaning and use those to explain the reactions of individual

firms. We will make use of relational content analysis to extract category meaning. Further, we will use 1) Factiva, to scan publications upon the mentioning of service design 2) use a novel software to evaluate how service design is talked about. The chosen method is a combination of "social network analysis of economic sociology's embeddedness perspective (Granovetter, 1985) with a linguistic turn to views about what is real" (Kennedy, 2008, p. 274).

To give a sense of what we are exploring, Figure 1 shows some initial views we have developed to model how understanding of the service design category has developed and shifted over time. What this figure shows are co-mentions of attributes of the service design concept and how these have between 1997 and 2013 in approximately 10,000 news stories from both periods (downloaded from Factiva). In these chord diagram visualizations of concept element centrality, arc size shows the relative centrality of a concept element and chords between arcs show how a concept element's centrality is related to its linkage to other concept elements. Our interest is in relating such models of shared understanding like these to the sensemaking of firms.

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