



The paradox of delivering professional design services: The plurality of value

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Abstract

Do professional design services offer a service or design a product? A traditional definition rooted in the service economy might point to the former, but the theory of Service-Dominant Logic from marketing might suggest the latter. While this may appear purely as a semantic difference, it has severe implications on 1) how designers articulate the value of their services, and 2) how clients perceive the value of a designer's service. This paper provides four industry examples to show how professional design services may change how they deliver a service to address the evolving expectations of a design service. It ends by offering two ways service designers can help professional design services innovate how they render services to their clients.

Keywords: professional design service, service-dominant logic, architecture services

Introduction

Service Design is a customer-centric approach that helps firms design the service delivery to their clients. It aggregates different design disciplines to provide a holistic approach when designing new or redesigning existing

services (Ostrom et al., 2015). Consequently, it can often help firms stay relevant and competitive in their changing market landscape (Brown, 2009; Ostrom et al., 2015). Because of its perceived promises to keep businesses competitive, research in this discipline has been growing (Stickdorn & Schneider, 2011).

In the current service-oriented economy (Ostrom et al., 2015), service firms are faced with increasing competitors and need to differentiate themselves from the market. Here, service firms are companies that perform a set of tasks for their client in exchange for money. Their services are often intangible and heterogenous (Regan, 1963). As Regan pointed out, these firms are usually paid first before the service is provided and used by the client. In contrast, firms that sell goods to clients often produce before it can be sold and used by the client. Examples of such service providers are lawyers, consultants, accountants and architects.

It seems paradoxical that architects, creative professionals who design and offer unique solutions to each client, have followed the same service delivery method since the practice was professionalised. Most, if not all, architects offer concept design, design development, construction documentation and contract administration to their clients. This is to adhere the strict regulations of the profession. Since architecture firms must follow this standardised service delivery, how do they differentiate themselves from their competitors? More importantly, how can they create unique service experiences for their client, while keeping to the boundaries of their professional standards?

This paper first examines the evolving perception of value in services. It then identifies the plurality of perceived value in architectural design services to spotlight the divergence of the architect's and the client's perception of value. Next, it uses four industry examples to describe how some professional design services have innovated their service delivery to differentiate themselves for their competitors. It ends by recommending two areas where service designers can help architects to innovate how they articulate value and deliver service to clients.

Background

Since Service Design is customer-centric, it is essential to examine how the user values a service. This is where Service-Dominant Logic (SDL), a theory from the field of marketing developed by Vargo and Lusch (2004),

can help re-conceptualise the service relationship between clients and organisations (Wetter-Edman et al., 2014; Windahl, 2017).

Service-Dominant Logic

In SDL, value is created when different stakeholders exchange their services to benefit each other (Lusch & Vargo, 2014). Organisations that follow the SDL perspective acknowledge service as using resources to exchange and demonstrate knowledge and skills. Additionally, this involves using operant resources (primarily the intangible and specialised knowledge and skills) to configure operand resources (mainly the tangible goods produced during the process). An architecture firm is used here to illustrate this process. An interaction between stakeholders is the communication between the architect and the client. The architect applies their knowledge and skills to create a spatial design, then presents what the design is and how it is used to the client. The client comments on how the design proposal will be used when realised and in doing so, provide contextual knowledge back to the architect. Here, operant resources are the architect's knowledge and design skills. It is also the clients' contextual knowledge of how the design, when built, will be used. Operand resources that facilitate the operant resources are the drawings, such as sketches, visualisations and floorplans. Under SDL theory, this is the service-for-service exchange that co-creates value embodied in the design proposal. This value is often recognised only by those involved in the process.

On the surface, any design service firm that creates a unique outcome for each of its clients may appear to be following SDL. This perception is understandable. To create tailor-made solutions, designers need the client's feedback on their design proposals. But examining design service firms from the Goods-Dominant Logic (GDL) perspective may suggest otherwise.

Differences between GDL and SDL

The two key contrasts between GDL and SDL are 1) how operant and operand resources are used and 2) where value is perceived.

Firstly, firms operating under GDL recognise service as the process of delivering goods to the client. Operand resources are configured to produce goods for the clients. The resources can be explicitly configured for the client despite having operant resources (knowledge and skills) applied to it. In comparison, operand resources under the SDL enable the exchange of services (Constantin & Lusch, 1994; Vargo & Lusch, 2004) by revealing and demonstrating operant resources involved in the process. A

GDL example is when architects use their design tools (operand resources) to produce a design proposal (goods) for the client. An SDL example is when architects use their design tools (operand resources) to demonstrate how they fuse their design knowledge and the client's contextual knowledge (operant resources). The byproduct of this demonstration is a set of design drawings.

Secondly, firms under GDL set the value of their service through their fees. Instinctively, the client appraises the value of the service based on the price. In contrast, firms under the SDL determine the value of their work through interactions with the client. These interactions then culminate into a design proposal. Here, clients appraise the value of the service based on both the fees and the interactions.

A GDL example is when an architect creates a design proposal (goods) specifically to a brief and sells it to the client. Clients see the value of the design proposal through the cost. They then get the value of the design by paying the architect. Under SDL, the architect uses design tools (operand) as a medium to interact with the client to find a design proposal. The architect still prices the service as usual, but the clients now value the design based on the exchange of services (operant) and not just on the price. Instead of perceiving the value at the point of payment, the client now sees value whenever they use the solution (Vargo et al., 2008) and in this example, the design provided by the architect. To make the value of the service more visible to the clients, firms often work with the client to co-create the value.

Using GDL and SDL lenses to examine how architects produce a design proposal for their clients reveals a plurality of where value is perceived. When architects create bespoke designs for their clients, is the value of work derived from their expertise that is invested in the design process or only in the tangible goods produced at the end?

The plurality of value in professional design services

Architecture practice was chosen as a subject for analysis because researchers and practitioners recognise architecture firms as professional service firms (Løwendahl et al., 2001; Maister, 1982, 1993; von Nordenflycht, 2010; Winch & Schneider, 1993). That is to say, the value of their service have always been their knowledge and skills. The built design is simply an output of the firm applying their knowledge and skills to the project. This section describes 1) the inherent value, 2) the perceived

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value, 3) the shifting perception of the value, and finally, 4) the paradox of perceived value in architecture design services.

A service firm is when a business provides its clients by exchanging its capabilities for a fee. A professional service firm is when a business offers a specialised service to its clients (von Nordenflycht, 2010). More often than not, the firm can provide the service because of the expertise of its employees. Other examples of professional service providers include lawyers, accountants and medical practitioners. While there are different definitions of what constitutes 'professional', this research adopts the view that the *Asymmetry of Expertise* between the provider and client transforms a service into a professional service (Freidson, 1994; Groß & Kieser, 2006). This asymmetry prevents clients from achieving what they need without going through a service firm. An example is when clients cannot obtain a new building without an architect. As Winch and Schneider (1993) described, the knowledge of the firm's employees is vital for the firm to deliver a customised solution to every client. This key resource (knowledge) also demonstrates the *Asymmetry of Expertise* as a significant characteristic of knowledge-based organisations and the value of professional service providers. From these definitions and characteristics, architecture practices operate as a service firm and should be valued based on their knowledge and skills.

However, what has changed in today's context is the *Asymmetry of Expertise*. The abundance of information available on the internet has given clients access to a degree of design knowledge that architects once possessed privately. Arguably, clients do not have the necessary training and experience that architects have. But this publicly available information has somewhat levelled the *Asymmetry of Expertise*. This information comes in different forms. Blog posts that are written by experienced but non-experts that share tips on do-it-yourself renovations. Technical drawings and documents uploaded by architects to advertise their service. Videos of experts demonstrating how space is conceived from concept design and built. Having such information readily and, more importantly, freely available have undoubtedly influenced the clients' valuation of architecture services. From the architects' view, the value proposition of their design service, knowledge and skills, has not changed. However, prospective clients can now obtain a version of this knowledge from the internet. Hence, the expertise has become and is growing harder to argue as a value proposition to the client.

Additionally, how clients engage architectural design services has also challenged how they perceive the value of such services. Before the

widespread use of the internet, clients visited architecture firms, and architects pitch their capabilities (operant resources) to them. They use their portfolio of completed works (operand resources) to justify their skills. This process help clients judge whether the architecture firm is suitable for the job. Now, clients perceive the architects' portfolio online first even before visiting the firm to learn of their capabilities.

This shifting perception from the client reveals a divergence on where the value of an architecture service is substantiated. The former process aligns with the perspective of SDL; the architect channels the clients' attention onto the firm's operant resources, which is their knowledge and skills. The firm's capabilities then substantiate the perceived value of the service. The later process aligns with the perspective of GDL; the clients are attracted by the portfolio of works, which is used to decide whether to approach the architects. In other words, the clients make an initial judgement of the service through their past "goods".

This paradox of perceived value presents opportunities for service designers to help architecture firms innovate their service delivery. It is important to note that SDL is fundamentally a theoretical perspective (Vargo & Lusch, 2017) and does not offer guidelines for practices to adopt and follow. To translate SDL into practical interventions require a building of mid-range theory (Brodie et al., 2011), such as using service system models to design and manage services (Ng et al., 2012). However, it is not the ambition of this paper to provide the means of using SDL to help architecture firms innovate their services. Instead, the purpose is to use SDL to reveal the differences in the value perceived by the architect and the client. In doing so, the goal of the paper is to make clear the distinction between the firm's value proposition (knowledge and skills) and the byproduct of the value proposition (designed outcome) of any architecture firm.

Industry examples

This conceptual research draws on four industry examples to describe how some professional design services foreground their knowledge and skills as their value proposition in the changing market landscape. Example 1 and 2 by WeWork and LendLease show how design services showcase the impact of design, rather than the design itself, to promote their value proposition. In other words, they use the benefits of the design, not the design itself, to describe to clients the value of their service. These

examples align with SDL, specifically how clients see value when they use the solution instead of just the solution (Vargo et al., 2008). Example 3 and 4 by Here Studio and UNStudio shows how design services demonstrate operant resources through their design process. Example 3 articulates their participatory design services, drawing the attention onto the service-for-service exchange. This aligns with the SDL's focus on value derived from the service interactions. Example 4 pitches their design proposals from the perspective of knowledge discovered during the design process. This approach aligns with SDL's focus on the knowledge component (operant resources) rather than the GDL's focus on the goods produced for the client (design proposal).

Example 1: Space as a service by WeWork

WeWork is a real estate company that offers shared workspaces to entrepreneurs and small and medium enterprises around the world. They provide professionals with co-working spaces to rent and work. Tol (2019), the general manager of WeWork, described their value proposition to their clients as *space that performs a service*. This unique value proposition differentiates its service from other real estate companies. For WeWork, space is not merely a physical area to host their clients. The spaces that WeWork creates serve its clients to fulfil their need, which is to work. While this may appear as a semantic difference in describing space, it influences how WeWork innovate their service delivery to help their clients achieve greater value from the co-working spaces.

Two core activities of WeWork are 1) conducting space usability surveys with their clients and 2) observing how occupants use their co-working spaces. They interpret these data to improve their co-working spaces and ultimately, the value of their service perceived by their clients. For example, their co-working spaces in Australia have narrower corridors compared to the other offices around the world. WeWork surveyed their Australian clients and found that they have a higher tendency to introduce themselves to others (Tol, 2019). From this found knowledge, WeWork created narrower corridors to encourage casual introductions between their clients. Another example is their co-working spaces in China. The spaces have the largest delivery receptions and couch areas. Through surveys and observations, they found their Chinese clients to order lunch delivery regularly. From this knowledge, they expanded the reception area to accommodate the peak delivery during lunchtime. Additionally, they learnt that their Chinese clients have a culture of napping after lunch. Hence, they expanded the lounge areas to cater to their culture.

Like architecture firms, WeWork design and built spaces for their clients. Unlike architecture firms, they interact with their clients continuously, even after building the office, to learn more about how they use the space. Then, they demonstrate their knowledge to improve the spaces for their clients. As such, the clients perceive the value of WeWork's service when they use the space.

Example 2: Digital infrastructure management by Lendlease

Lendlease is an international construction, property and infrastructure company that started in Sydney. Their core service is constructing and managing buildings for their clients. As Maher (2019) highlighted, Lendlease is currently innovating their service delivery by offering their clients a digital infrastructure management system. This is provided via a *Digital Twin*, a digital representation of a constructed building. The *Digital Twin* records data from the constructed building in real-time. Some of the data collected include temperature settings, power usage and occupancy of space within the building. These data help their clients learn how their building occupants are using the space. By referring to the *Digital Twin*, their clients are now able to manage the building performance more accurately. An example is their recently completed *International Towers Sydney*. According to McCartney (2019), the three towers host a million data points that continuously collect data on spatial usage. The *Digital Twin* then displays the data for building managers to monitor and decide on how to improve building performances.

Similar to WeWork, the built space has now been transformed from a physical and static space into a living and working experience. The *Digital Twin* reminds clients that the value of Lendlease's service is not just the constructed building but also the evidence-driven management of the building achieved from real-time data collection

Example 3: Participatory Design in Here Studio

Here Studio is an Australian architecture practice that operates in Melbourne, Ballarat and Horsham. Aside from providing traditional architecture services (the design and construction of buildings), they also offer participatory design services with their clients to discover and discuss their needs. While Here Studio offers both services separately, some of their projects deliver both services cohesively. They use participatory design services to identify, explore and co-create design schemes with their clients. Subsequently, they use their architecture knowledge and skills to turn the design schemes into built projects. Such projects that

exemplify these two complementary services are their Civic Hall Site (Here Studio, 2016a) and their Gippsland Innovation & Education Precinct (Here Studio, 2016b).

Involving stakeholders in a participatory design process helps draw the client's perception of value to the service-for-service exchange and away from the design proposal. In this exchange, the firm also demonstrated their architectural knowledge and skills (operand resources) to their clients. These actions align with characteristics of SDL; the service relationship between the client and the service provider (Here Studio) is focused on creating value through the service-of-service exchange. Yes, operand resources such as sketches and technical drawings were still developed for the client in the traditional sense of architectural services. However, these drawings served as a medium to demonstrate their operand resources. In fact, stakeholders who were involved in the participatory process created some of and parts of those operand resources. In doing so, the stakeholders witnessed the value of the operand resources, that is to say, the architect's knowledge of transforming the stakeholders' ideas into spatial designs, which were evident in the drawings.

Example 4: Knowledge creation in UNStudio

UNStudio is an international architecture practise that operates in Amsterdam, Frankfurt, Shanghai and Hong Kong. As an architecture firm, its core offering is architecture services. However, they took a different approach to promote themselves. On their company website, they focus heavily on describing their skill competencies. They also describe their completed projects from the perspective of how they applied their competencies.

One of their skill competencies is discovering knowledge during the design process and applying the knowledge into their proposals. This competency is managed internally under UNS Knowledge (UNStudio, 2018b) and also demonstrated through their sister firm, UNSense (UNSense, 2018), a firm that researches and delivers design strategies for the built environment. The way they promote their services and operate as a firm draw focus onto the intangible output of their service, namely knowledge. Similar to the previous examples, what they produce (the constructed building) is a consequence of their skilful use of operand resources.

A recent project that demonstrated their dexterity with operand resources was *The Green Spine* (UNStudio, 2018a) for the Southbank by Beulah Architecture Design Competition. At the 2018 Future Cities Symposium

(UNStudio, 2018c), UNStudio and their team members presented how the assembled multidisciplinary team developed and synthesised their knowledge and skills (operant resource) to propose *The Green Spine* to the client. As such, the value of their service is in the co-creation process by the multidisciplinary team members.

Discussion

By using SDL as a theoretical frame to analyse how architects deliver services to clients, these examples suggest two areas where service designers can help architecture firms innovate how they provide services to their clients. The first area is to focus on the value proposition. The second is to focus on demonstrating the firm's capabilities with the client.

Service designing how value proposition is pitched to clients

Service designers can adopt the SDL perspective to help architects reframe their value proposition. Instead of the built outcome, service designers can improve the architecture firms focus on the impacts of design on the clients. Since service design adopt a customer-centric approach to designing services, service designers are skilled to help architects articulate how the design approach translates into design impact for the client. This shift in focus will also create opportunities for service designers to help architecture firms explore new ways of delivering service to their clients. As the WeWork and Landlease examples showed, the architects' design outcomes (i.e. the spaces) can be transformed further into an ongoing service that continually provides value to the client.

Service designing how expertise is demonstrated to clients

Service designers can adopt SDL perspective to help architects clarify and articulate the value of their knowledge and skills to clients. As mentioned above, this value is inherent in architecture services. However, the value is becoming latent due to the changing perceptions of the *Asymmetry of Expertise*. Here, service designers can transform the client communication component of the service into an exchange of expertise; clients provide the contextual knowledge of they use space, and the architects respond by demonstrating their design knowledge. In the Here Studio example, the participatory design activity shows this type of client communication component. If the activity is not feasible with the client, service designers can look at how the firms demonstrate their knowledge and skills through their online portfolio, as described in the UNStudio example.

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Conclusion

Previous research has argued that architecture practices operate as a professional service firm. As such, the value of their service is their knowledge and skills, not the design provided to clients. However, when SDL is used as a theoretical lens to analyse the service delivery from the architect to the client, it revealed a plurality of perceived value in the design service. This plurality also revealed an opportunity to innovate in how architects deliver value through their service. This paper explored the opportunity further through four industry examples. The examples showed how existing professional design services innovated and differentiated their service delivery from traditional architecture practices. Hence, architects should focus on the service delivery experience and emphasise the effects of their design as their value proposition. This is where service designers can intervene and work with architecture firms to redesign and improve how the firm offers their service to clients.

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