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**COMPARING VALUE CREATION BETWEEN
PUBLIC AND PRIVATE SECTOR SERVICE
DESIGN**
Case Solita

ABSTRACT

Lotta Toppari: Comparing Value Creation in Public and Private Sector Service Design
Bachelor's Thesis
Tampere University
Administrative Sciences – Public Financial Management
December 2019

The aim of this paper was to examine the use of knowledge intensive services as a method to create value in public sector organizations. In addition, the differences of developing services between public and private sector service design are explored. The use of knowledge management theories is associated to be more applicable in the private sector organizations, however it is apparent that the public sector organizations can greatly benefit from the utilization of knowledge-intensive services. Four interviews were made in a leading Finnish knowledge intensive organization that creates smart solutions for both public and private sector customers. Conclusions that were drawn to answer the research questions were that value is created by extensively understanding the customer and the end users' needs, and then meeting them by designing a service that purposefully gives them a feeling of satisfaction in purchasing the service, in both public and private sector organizations. Also differences were found between the two sectors, that could be characterized into five categories: the objectives, customers, organizational culture, decision-making and financing, where the last two had the greatest differences. The literature from the theoretical framework supports the insights that arose during the content analysis of the material gathered. The research gives insight into the field of knowledge intensive services, and how service design creates value to the customers.

Keywords: knowledge intensive services, service design, public sector knowledge management

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1. INTRODUCTION

The Finnish employment and total production of all workforce consists of 70% providing services, and the demand for services is growing at a fast pace (Arantola, 2008). The market for services has many organizations offering services that one doesn't even know that could exist. More service providers are entering the market, therefore bringing competition to the existing industries, thus, it is important to pay attention to a service-oriented approach, and furthermore for an organization to develop their service through a perspective of value creation (Grönroos, 1978). A service is created to satisfy customer needs, and thus to provide a good service, the process of value creation must be explored for an organization to make the needs of the customer to meet ends with the service provided. This creates a demand for employees with specialized skills and knowledge of the target customer, as well as the process of creating such service. In a process of service design, the customer is able to cooperate in the process and development of the service by providing a comprehensive set of information of their current status and communicating their needs, and in return, with cooperating with the customer, the service provider is able to produce a service, fit to the individual customer, thus creating value for them (Sangiorgi, 2009).

When designing a service, an understanding of the customer behavior is necessary, as well as reasoned and justified pricing method in order to meet the demands of indicators that the quality of the service can be measured in, and a value proposition can be given to the customer (Aarikka-Stenroos & Jaakkola, 2012). Also, it is important to take into consideration the types of services that are being produced and to whom, since different organizations are distinct of each other, for example the goal of the organization, range of customers, how the financing is being done and what are the expectations of the end customer. Service design is a method of knowledge management, that focuses on the planning and implementation phases of a service, to better adjust the service to be fit for the customer, and the customer to gain greater value from the service.

Due to the fact that the customer is the receiver of the service, the customer is also the one to define the value of the service. This is because the customer buys the service from where one gets the best value for one's money, which comes back to value creation, because the organization providing the service must provide a great service in order to keep the customer and therefore keep the business going. At least in the case of a customer of an organization working on the private sector. This has led to a widely recognized image that value creation process, and the use of knowledge management is more of a field to utilize on the private sector organizations, since they have more power over what products and services they provide, how they produce and with what budget. This creates more freedom for the organization to make decisions that affect the end value created for the potential customer (Grönroos & Voima, 2012).

On the other hand, public services are financed mostly by funds paid by the citizens, thus the scarce resources should be allocated in a manner to gain the maximum benefit to all. The government and the municipalities have certain functions, and they have to perform roles that are law enforced, such as social and health services. Municipalities are of different sizes, and they are geographically different, which creates a deficiency cap in the ability to serve all the citizens the same services and possibilities. Even though most services are intended to be served for bigger masses, such as the primary school for example, the development of services is being under construction, and it has been realized that a more individual perspective should be taken into consideration (Virtanen et al. 2011). Also the identification of other stakeholders in the public sector can be challenging, since there can be overlapping of work positions, or people or groups of people have conflicts of interest in different areas, for example politics. In most cases, the public sector organizations are large in size, which can make it difficult for sharing information, as well as getting consensus in decision making. Municipalities have a political authority, which further makes decision making difficult. When comparing public and private sector organizations, distinctions can be made in organization cultures, management models, as well as their objectives of production.

When public services are developed and implemented, it is important to take into consideration how value is created for the different stakeholders of the service receivers. Different networks and stakeholders cooperate, so the government and the municipalities can offer quality services to its citizens, which through the age of digitalization will intensify and better the production. Through data, information and knowledge, the basis for development can be focused, thus the customer needs can be charted and fulfilled. The customer decides the value of the service through ones experience, and reflects it back to the tax money one pays, which creates a sense of fulfillment that the tax payment is not useless.

It is necessary to address and research the use of service design in creating value in public sector organizations, so that the goal of maximum benefit of tax payers money can be gained. The public sector and its organizations are a wide network spread across the country, so developing the services provided will affect the amount of benefit that can be gained, if not the maximum, at least a better possible outcome than without service design methods and knowledge management. Also, it is of great importance to contrast the premises of private and public sector operations, in order to gain an understanding that while service design and value creation are important in developing public sector services, they are hard to compare to possible similar private sector substitutes, since the goals of the two sectors differ significantly from each other.

2. RESEARCH DESIGN

This thesis consists of six sections, which include the introduction, research design, theoretical framework, empirical data collection, findings and the discussion. The introduction presents the timely topic of service-orientated approach in operating on the public sector, and reasoning as to why this topic should be explored more thoroughly through research. In this section, the research design is explained in more detail, and two research questions are stated. Also the methods used in the research are described, and a brief overview is given on the theories that are used in this thesis. The theoretical framework section will explain the selected theories more in depth, and empirical data collection section will focus on how the research is conducted, as well as how the interviews and analysis of the data were done. In the results section, the research questions will be answered and finally, the discussion section focuses reflecting on the findings, mirroring them to theory, and discussing the carrying out of the research.

2.1 Research Questions

In this era of service-orientated operating organizations, the need to recognize the necessity of utilization of knowledge is highly important, since knowledge work and skills are highly in demand on the labor market. Even though the amount of data is increasing exponentially and most of the population have the tools to access electronical data, the process of refining data into knowledge requires a skill for analyzing, and furthermore skills to interpret the data, and to create knowledge intensive services. Therefore knowledge intensive services are used by customers to access skilled employees who will plan and aid in improving the operations of an organization by interpreting their organizational functions and data. The public sector organizations do utilize the tools of knowledge management and knowledge intensive services, however the problem is creating a good service that the customer, or the customers customer; the end user utilizes.

In most cases, the theories and models derived from the research of the field of knowledge management are more applicable to private sector organizations, which means that the main keys in utilizing such models affect positively on the profitability and the viability of a firm, instead of the main four indicators of efficiency, economy, effectiveness and equity, which are widely recognized in measuring the outcomes of a public sector operation or a service. Due to the customer-specific needs of providing knowledge intensive services, different organizations, including ones from the public sector, need consulting and information services to serve their customers purposefully, even if they are more applicable for the private sector organizations. The first research question aims is as stated:

1. Public sector service designing; how and why does it differ from private sector service design?

After the differences between public and private sector service design are explained, the key purpose in designing services to the customer, value creation, is researched more in depth. The aim of the following research question is to acquire a better understanding of how value delivered to a customer through a service is created, and what it has to do with the planning phase of creating a service:

2. What is the role of value creation in service design?

The purpose of this study is to examine value creation and service design in greater depth, and how they affect the service production of public sector organizations, and whether the process differs from private sector design service. A generic goal of a public sector organization is to produce purposeful, quality services to the citizens with limited resources, so cultivating the process of planning great services to the customer is important. Also understanding the differences of service design and creating value between public and private sector organizations can possibly justify the applicability of theories and models of knowledge management, and reason why the end service of the distinct sectors organizations may vary.

2.2 Empirical choices

A qualitative examination is used as the research method due to the interpretative quality of the thesis. A qualitative research method consists of a comprehensive acquisition of information, where the data collected comes from an individual's perceptions. This allows for an inductive analysis of the data collected, and the perspectives of the interviewees to rise. Another typical feature of a qualitative study is the expedience of the target group, as well as the possibility that the research objectives might change as advancements are made in the research process. (Hirsjärvi, Remes & Sajavaara, 2009)

A case study was chosen to explore the research questions, as this research will be addressing a single organization, and the material gathered will be interpreted accordingly. The target organization was chosen discretionarily, and the choice of organization will be described more in depth in the section explaining data collection. By using a case study, more depth can be added into the evaluation of the recorded data. When using a case study, the interviews are done in the target organization and followed by a transcription. This empirical data is then used to interpret the data collected through the transcription of the interviews, and eventually a content analysis is used to draw conclusions that serve the purpose to answer the research questions. In this research, content analysis means that the main themes that were raised during the interviews are grouped together, and then analyzed by reflecting the theory throughout, and drawing conclusions based on the data. A hermeneutic method is used, as interpretations are made of the data collected from the interviews. (Hirsjärvi, Remes & Sajavaara, 2009)

2.3 Theoretical framework briefly

Knowledge management is used as the main concept to explore the dimensions of producing value creation in knowledge intensive services, as well as seeking an answer on how and why designing services to public and private sector organizations differ from each other. Knowledge management is quite a recent discipline, and some of the concepts are still evolving. Knowledge and notions related to it are complicated and

abstract (Kivinen, 2008). It is able to offer theories and models, which can be used to understand and establish different forms of knowledge, and the role of knowledge as a part of an organizations performance, as well as models as to which can manage knowledge.

Before services are produced, they are designed by a competent individual or a team to correspond to the expectations of a customer, usually in cooperation with the customer, as to create value to their organization. Service design is a process in which the service is modelled to fit with the needs of a customer, and includes a few steps that include planning. Usually services are produced and delivered to develop an organizations performance, and in order to develop an aspect, an understanding of the current situation is important, as well as what is wanted from the process. Creating value to the organization is a key component for the customer, as to why value creation is introduced more closely in the next section, and why it is important to the process as a whole.

The 4E's model will also be introduced in the theoretical framework more closely. The theory consists of efficiency, effectiveness, equity and economy, which are the different indicators that a public service can be measured by according to the theory. This model is widely used in measuring a public sector organizations performance, since these meters can be applied to the operations of public organizations, and this allows comparisons to be made between organizations within the public sector.

2.4 Scope of the research

Knowledge management is a wide field of research, thus narrowing down the aim of this thesis was essential. Service design is one of the numerous tools that can be used to examine the different phenomena related to both public and private sector research, but through the use of service design as a tool, a more exact excerpt was received from the interviews.

Also the notion of the service as a process is extensive, thus focusing the field of study into the designing phase of a service, the research can be done in more depth. However, it should be noted that the application of the planning, in other words the act of execution of the a service, is also touched upon to present a more holistic picture of the service design process.

Lastly, the decision to use only one case study to explore the research questions was done due to the extent to fit the scope of the thesis. Upon contacting the target organization, it was clear that the four interviews that were able to be arranged, would yield proper data to accomplish the answering of the research questions. At this time, also a decision was made to purely divide organizations into public and private sectors, even though nowadays there are also many forms of hybrid organization. Due to the reason to keep this research in limits, hybrid organizations were specifically not taken into account when talking about service design of knowledge intensive services.

3. THEORETICAL FRAMEWORK

Services are a big part of any public or private sector performance, and they are the competitive asset that can make a difference how the citizen, or the customer may view the organization, and in the case of business, whether or not to return to the same service. Since the ideology of a New Public Management arrived in Finland in the 1980's, a view on a more efficient and effective production of services took place, modifying the public management having more features aligned with the private sector. This brings more competition to the market, and knowledge-intensive services are used in organizations to develop performance and stay competitive. In this section, the various theoretical frameworks are introduced, that will be compared and contrasted with the findings from the interviews, in order to answer the research questions.

3.1 Services

Services have a big role in our everyday lives, since they can be encountered with almost anywhere, for example a visit to a supermarket, a public library or taking a public transportation. A service can serve many purposes, and it has numerous definitions that vary from each other by looking at the service from different perspectives. Rissanen (2006) defined a service to be an “interaction, act, event, action, performance or readiness, where the customer is given the possibility to gain added value through a certain solution, easiness, effortlessness, experience or enjoyment, gratification, time or material saved and so on”. The main focus in the definition is what the customer gains from receiving the service. An understanding can be made that the purpose of the service is to in some way have a positive effect on the customer, whether it is by physical contact or immaterially.

Services can be looked at from the customer point of view, since there are business-to-business services, business-to-consumer services, internal and public services, as well as not-for-profit services (Johnston and Clark, 2008). The type of service that is produced varies on the type of the customer that is receiving the service. For example,

business-to-business services can be made with the purpose to develop the customer organization by internal functions of the organization to work effectively, or to influence the end user of the service, which can be the customer of the customer, or customer of the customer of the customer and so on. Then again, business-to-consumer services are usually non-recurring with a single consumption time, for example going to a hairdresser or watching a movie at the cinema. In this research, the focus will be on business-to-business services that can be both internal and public, as well as not-for-profit services.

Another way to separate different users of services is by a breakdown done by OECD, where the categories for services are the producer, distributive, personal and social services (Elinkeinoelämän keskusliitto, 2013). Also a way to look into services is to separate them by their characteristics of the production service, meaning that they can be measured and categorized by their volume of customers and service orientation (Silvestro et al, 1992). In this thesis, the focus will be knowledge intensive services, which by the definition of Silversto, can be said to be low volume in customers, and high level of service orientation, meaning that the service provided is done by highly professional workforce. A typical organization producing knowledge intensive services has a lower count of customers to serve, but more time to focus on a single customer, for example when compared to a hypermarket's employee. With the same example, it can be assumed that working in an organization of knowledge intensive services would require one to be more highly educated than one working in a hypermarket. A high level of service orientation can be achieved with careful examination and preoccupation of the customers need.

3.2 The vast scope of knowledge management

Knowledge management is a wide field of study, and it can be explained in many ways in different contexts. However, a versatile explanation is as follows: first and foremost, knowledge management provides concepts and models for describing and understanding different forms of knowledge and the role of knowledge as part of an organization's operations. Secondly, it provides leadership models to manage knowledge (Laihonen et

al, 2013). There are different forms of knowledge, for example knowledge that can be accessed in an organization through hard copies of documents, or tacit knowledge, where an employee has gained knowledge through experiences and creating an individual understanding from the experiences. Understanding how important knowledge is to an organization is essential. Practically everything is based on some knowledge, for example how the different operations and functions work, however the type of knowledge may vary. Knowledge management also provides models to guide the use of knowledge. There is a lot more potential in knowledge, when it is used in a manner than can benefit the organization.

The theoretical background of knowledge management is in resource-based view, according to which the competitiveness of an organization is determined by the resources at its disposal. In order to translate short-term competitive advantage into a sustainable competitive advantage, the resources of the organization must be valuable, rare, difficult to copy, and also difficult to replace. Later, the knowledge-based view has sought to explain how in-house information resources contribute to achieving a sustainable competitive advantage. According to this view, knowledge is in the people and it is the responsibility of the organizations management to coordinate the processes by which knowledge is integrated into products and services (Laihonen et al, 2013). This means that the type of resources are the key component on the competitive market. Non-tacit resources are easier to copy and replace, whereas tacit resources are the opposite, therefore bringing a huge competitive advantage to the organization. However, the management of the resources is one of the core components, and as they are lead in an effective way, they can be used to gain great advances.

3.3 Knowledge-intensive services

The core of knowledge-intensive services is the usage of information analysis and technology to form a smart and a usable solution to the customer. The solution is a result of a journey of different phases, where different factors are taken into consideration. Knowledge-intensive services in Finland are currently produced by private sector

businesses, to serve both public and private sector organizations as customers, and to furthermore affect positively their customers or the customers end users.

As stated, this research study will focus on knowledge-intensive services, which fall under the different perspectives of different theories. For example, knowledge-intensive services can be defined as “organizations within a knowledge economy that employ highly skilled individuals and therefore create market value through the application of knowledge to novel, complex client demands”. (Swart and Kinnie, 2003). In this definition, Swart and Kinnie indicate the three main components of a knowledge-intensive service are introduced; highly skilled individuals, application of knowledge and complex client demands. When producing knowledge-intensive services, highly skilled individuals are experts in their area of knowledge, and when given a work assignment, they are able to use their knowledge in a manner that will benefit the work project and give the customer a high quality service to develop their organization. Usually the work assignments that come from the customer organization are complex, which is the reason they are most likely outsourced either because the organization itself doesn't have the time or the expertise resources to yield a proper solution to their problem.

Knowledge-intensive service provider organizations tend to have highly educated employees, who are experts on their own area of knowledge. They are also individuals who are interested, and have the abilities to keep up with the changes and new trends of their field of work, and their work is mostly concerning about problem solving, which includes knowledge work. For example, first finding existing, or if not possible, creating new knowledge, which is then applied to the learned knowledge to the problem and furthermore sharing the knowledge forward to the customer and the customers can then forward it to their possible clients (Miles et al. 1995). When a customer, usually another organization in the case of knowledge intensive services, requests an offer for an assignment, they might require a certain type of professionalism, for example past experience in similar cases, a certain authorization or education. This is why the organizations providing knowledge intensive services hire highly educated employees who can handle the demands of the changing work environment, as the world constantly

changes at a rapid pace. The employees are educated to work with knowledge, and if they can't acquire existing knowledge, they will form a way to find a solution to serve the customer a solution for their assignment.

3.4 Value indicators on public sector services (4 E's model)

A common framework to analyze a public organizations performance is the 4 Es model. According to the Strategic Public Finance book, the four E's refer to the need to secure economy, efficiency and effectiveness in use of public finance, and later on the added 4th E for equity (Bailey, 2004). In this framework, economy refers to the amount of government intervention, and the goal to minimize the cost of such intervention. Efficiency is defined to be the ability of free markets to minimize the costs of producing goods and services as demanded by consumers, in order to minimize their prices. Effectiveness is a measure of how much output is produced with minimal resources, the more output with less resources, the better effectiveness can be actualized. Lastly, equity is described to be the same as market welfare, meaning that the market for services is at a financial balance. At some level, these indicators are frequently used to examine a public organizations performance, and there are different measures on how to get numerical data, so as to be able to compare statistics on an annual basis, and organizations of similar characters can be compared.

3.5 Value creation and service design

Value is something that can be measured either in money, or with a broader concept including such aspects as competence, market position or social rewards. Value could be said to be an ambiguous term, since there are many ways to measure and interpret value. Usually the non-monetary measures will end up showing in an organizations profitability, but in an indirect manner. Other definitions for value, for example, are the increase of the well-being of an individual or a feeling of being better off after having bought a product or service (Grönroos, 2006) or that value is not a separate notion, because in order to comprehend value it needs to be considered in relationship to other types of values, thus value is an "interactive relativistic preference experience"

(Holbrook 2002). These two definitions describe the core of the term of value, since there are the two main themes, the idea that value is a positive and a wanted thing to achieve, however contrasting to the idea that defining value is not simple, and that different receivers of so-called value can have a different notion as to what value is.

Even though value can be defined in many ways, creating value in knowledge intensive services in this case is measured by the functional and practical value a service brings to the customer (Woodall, 2003). The functional property of value is measured by the functional benefits of the attributes of the service, whereas the practical property represents the practical benefits.

Creating value is a process of actions that take place, that increase the value of the end product, whether a product or a service. In an organization that delivers knowledge intensive services, a service design process can be used to create value for the customer. Service design is a human-oriented and iterative way of developing services that are user-friendly to the business (Mager & Sung, 2011). Service design can better meet market requirements and business objectives, by emphasizing the significance of experiences in developing a service and therefore creating value.

A process of service design is composed of different steps, and a Double Diamond model by Design Council 2006 UK demonstrates well a model that shows these steps. The first diamond starts by the initial problem, which would be the assignment or problem given by the customer, and the first steps are to discover and define the problem. In discovery phase, the model instructs to gather inspiration and insights, also identifying user needs and developing initial ideas. After this comes the define step, where the application would be to develop a clear, creative brief for the fundamental design challenge. After this a problem worth solving is sought to be found, and this leads to the second diamond including steps of development and delivery. Developing is creating a prototype, and a phase to test and iterate a solution, and once a good model has been found, the last step is to deliver, to finalize, evaluate and launch the resulting service for a desirable and effective solution for the customer.

4. DATA COLLECTION

This section explains more in depth the empirical choices that were made in order to answer the research questions, and how the data collection was done. Solita, the organization that was used as a research focus in this case study is introduced. Also, it will be explained why this particular organization was chosen to be the case study. Additionally it will be stated how the interviews were conducted, and how they serve the purpose to answer the research questions.

4.1 Case – Solita

The organization used in this study is a Finnish company Solita, which is a privately owned company that is focused on producing knowledge intensive services, for both public and private sector organizations. Some of the customers include the Finnish tax organization Verohallinto, a theme park Linnanmäki, a telecommunication company DNA and an electricity provider Fortum (as stated in the company's website, www.solita.fi).

In 2017 Solita bought a service design company Palmu, which is the first specialized firm of service design in Finland. Since Solita, now merged with Palmu, is not only one of the biggest and also one of the most well-known knowledge intensive-service providers in Finland, they provide services and professionals working on both public and private sector organization customers. Due to these factors for instance, Solita was chosen as the case study company to collect data in order to answer the research questions. The four interviews conducted in Solita were done with people of expertise in service design, and included individuals whom had vast experience in both public and private sector customers of many years.

4.2 Interviews

As stated earlier in the methodology section, a semi-structured interview method was used to gather data. The interviews were conducted at the Solita headquarters in Helsinki. A total of four interviews were recorded. The interviews were arranged by a contact person from the company, and the interviews were done with him, and three other employees that the contact person seemed fit to interview. All the interviewees had a long past either in the Solita company, or the Palmu company, and they all had an extensive background in service design, mutually combined with knowledge from both public and private sector services. (Hirsjärvi & Hurme, 2008)

The interviewees had a chance to see the questionnaire in advance, and they had been able to prepare for the questions beforehand. The questionnaire originally was compiled of three different themes, the first one being a charting of what is a good knowledge intensive service, and how it can be designed and implemented to fit a customer's needs, with the perspective of value creation. The second theme focused on the differences between the public and private sector service designing and implementation, and how they differ from each other. A third theme was introduced in the first interview, with a focus on the aspect of digitalization and how it affects service production, but a decision was made to leave out the theme, since the interview and data collected would have inflated in scope. Narrowing the themes down to two seemed to be the best option for the remaining interviews, which yielded good data to be analyzed through a content analysis.

5. FINDINGS

This section will present the findings that were made through a content analysis of the transcribed data from the interviews conducted at Solita headquarters. The two subsections will each respectively showcase the findings according to the themes used in the interviews.

5.1 Differences between public and private sector service creation

There are many differences in design service between public and private sector processes, however there are also some features that can be applied similarly to both types of organizations. The five most relevant features that were highlighted throughout the interviews were sorted into categories of objectives, customers, organizational culture, decision-making and financing. These categories and their explanations were mentioned various times by each of four interviewees.

	Public sector	Private sector
Objectives	Aim to serve the citizens, legal objectives	Make profit, please the customer
Customers	Citizens	Private customers
Organizational culture	Values and norms are based on serving the society	Values and norms signal the mode of operations of an organization
Decision-making	Political decision making, takes time	Management of the organization, usually fast paced, want to see results quickly
Financing	Tax financed mostly, meaning a tight budget	The budget is usually bigger, and there is more room for negotiating the price

Table 1. Service design differences between public and private sector organizations

The first difference between public and private sector organizations, when designing knowledge intensive services, is the objectives of the respective sectors. Organizations operating under the public sector have an objective to serve the citizens with certain services as ruled by the law enforcement, and additionally, after the legal demands have been met, they can implement other non-legal services that could include some of the requests of the citizens. On the other hand private sector organizations don't have set services they need to provide by the law, thus they are a lot more free to organize their operating processes as they please. Usually a private organization strives to make profit, thus they want to create quality services to gain and keep paying customers to ensure their sustainability. Therefore, what both sectors have in common is the objective to please their customers.

The second difference in terms of categories are the customers of the organizations of the separate sectors. This one is fairly simple, since the customer base for the public sector as a whole are the citizens, whether it is a municipal level or at the governmental level. The main difference is, that the public organizations can't specialize in terms of providing services for a certain segment, but instead have to take all the citizens into consideration, whereas the private sector organizations can practically choose their customers by deciding if they want to target a specific customer segment.

The organizational culture varies, as the public sector organizations tend to have values and norms that reflect the purpose of the services serving the society, and the responsibilities that the law orders the organizations to do. This is often reflected in a strong hierarchy and rigid modes of operations. Depending on the organization, private sector organizations tend to have a more network-like mode of operations, and subject to different industries, a more open environment with a sense of trust and taking leadership of own work.

The category that separates the two sectors the most is the way the two sectors organizations make decisions about their operating processes and budget. The public sector organizations mostly have a political stance, since they are run by a council, and

the members of the council have to make a political consensus in decision-making. Due to political aspect and meeting a consensus, the decision making process takes a longer time due to fact that different political parties, and individuals, have different objectives and outcomes in their minds. Thus they have to have negotiations, and the final decision takes longer to achieve. In private sector organizations, the board is the one who decides on the main lines that the organization should operate by, and the senior management then executes the wants of the board. Since the main objective is usually to make profit, the board will have less conflicts of interest, and the decision making is faster and more flexible. Also, the political aspect brings a challenge, as the people making decisions change, as the councils of organizations are re-elected. This means that during an assignment, the person responsible for a project can change, which challenges the continuation of the project.

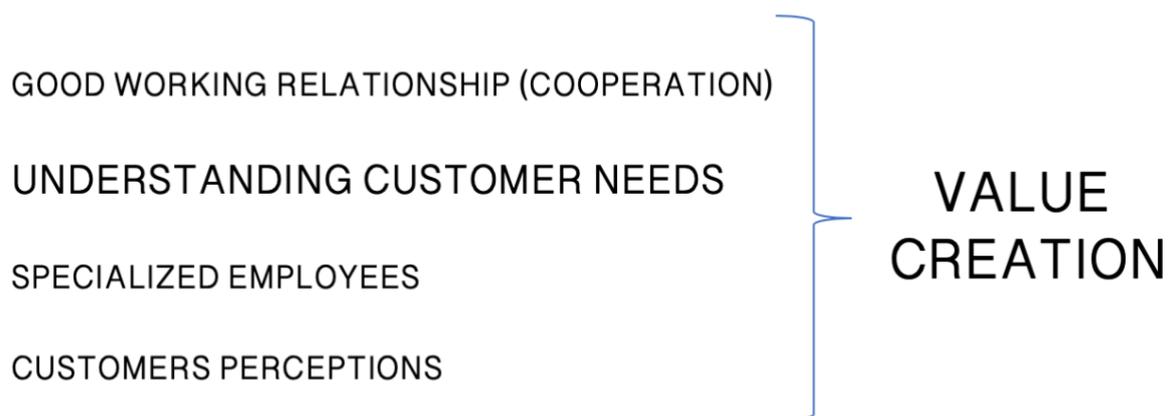
Lastly, another greatly differing category is the budget that organizations can use for knowledge intensive services. As public sector organizations have an objective to gain the greater good when allocating the resources, the tax money paid by the citizens is used with greater consideration. This means that the budget is often smaller with public organizations, and the offers are asked in a manner of “what can we get with this budget”. However once the budget is set, the money can be all used for purchasing the service, and the supplying organization knows not to exceed the budget. In contrary, the private sector organizations have usually a greater budget to be put into different assignments, and they are more freely able to tell what they need, instead of asking what they can get for this amount of money. However, they don’t have a set budget, so they can be more careful about how large the assignments can get.

At this point, is important to consider the fact that these categories are very much simplified due to the scope and limited time resources of the study. The five categories give a general view on the outlines of the sectors, but within both the public and the private sector, there are a variety of different operators, such as hybrid organizations, that may have been separated into either sector by certain features, but might belong to both sectors by definition, thus should be kept in mind.

5.2 Value creation in service design

Service design delivered by a knowledge intensive organization is a process that consists of a range of different phases and elements, and every service is unique to its end-user. Even though it is established that the public and private sector services are distinct of each other, and vary in different various ways, the essence of creating value through service design is similar to each other.

A single idea that came up in all the interviews was that the most important thing in creating value to the customer through a service is the importance to understand the customer needs fully and properly, and maintain a good working relationship with the customer, whether we are examining the public or the private sector organizations service design process. Among these factors, other key factors that play a role in determining value creation in service design are the feedback customers give, and how happy they are with the end service, the customer experience, in other words, how the service is perceived by the customer, and lastly, highly skilled and specialized workforce in the knowledge intensive service provider organization. These are represented visually in picture 1.



Picture 1: Factors that play a role in value creation

One of the interviewees had a vision, that when the customer has gained value through the purchasing of a service, the individual, or an organization, will praise the service and the experience gained:

“The simple answer is whether it is our client, whether it is public or private, for their good business, or the end customers and customers who use it, having created value means that they talk and recommend it from the end user point of view.”

This means that value can be said to be created, when the end user of the service is so content with it that they have gained previously assumed value, or even more, that they recommend the service and spread the word around. This creates monetary value to the customer organization, since it has great potential to yield more end user customers who bring money flows to the organization. Thus focusing on service design and understanding the real needs of the end user, whether it is the customer organization or the customers customer, meeting the understood needs creates a fulfilled client who is happy to forward the message to other potential end users. A service design specialist of Solita identified three levels that affect the appearance of a valued service:

"Both aspects, customer's business objectives and the end user. Customer experience, for example, in tax forms, is not an (exciting) experience to fill in tax information, but it's easy and smoother (than it used to be). The emotional level is the next of three levels functional, ease and fluency, emotional level, get some excitement experiences, great, third social level atop when the service is used, the customer belongs to a group"

By using the method of service design to yield a service with added value to the customer, the customer will experience a feeling that the service brought something extra to the individuals life. In the example given by the specialist, even if it's about filling a tax form, a newly designed form online seems much easier and smoother to use, saving time and distress that a hard copy form would have taken. This means that the saved time and value are the measures of value in this case.

Also a theme of expertise came up during the interviews, where one of the interviewees summarized the need for specialized workforce in the following sentence:

“You have to have the right kind of experts working on the right kind of projects”

Because there is a wide range of projects that involve service design, there is also a wide spectra of skills that an organization providing knowledge intensive services need to recruit in order to meet the needs of customers of different areas and organizational backgrounds. For example, if there is a project concerning the municipal level organization, for example public procurements, the project will highly benefit of a team member that has already existing knowledge about procurement law and experience on how the public organization functions. When the needs of the customer are clear, it is easier to produce a service that will create value for the end user.

6. DISCUSSION

The aim of this research was to gain an understanding of value creation in service design, as well as to explore whether the idea that theories and models of knowledge management are more applicable to private sector organizations. These issues were addressed through two research questions, the first being: “public sector service designing; how and why does it differ from private sector service design?”, and the second being: what is the role of value creation in service design? These research questions were first opened through a theoretical framework, and then to gain a more in depth understanding, a case study was conducted to showcase an organization with expertise on service design on both public and private sector organizations.

The first research question investigated was how and why public and private sector organizations differ from each other, in terms of service design. The same themes came across all interviews, thus it was easy to group the main reasons into five categories, which were the objectives, customers, organizational culture, decision-making and financing. The greatest differences were found in the last two categories, where the key organizational features were completely distinct of each other, as explained in greater detail in the findings section. The features of the public sector that were established through the analysis of the data convey a similar idea to the 4E’s model, as economy can be assimilated to the political decision making, efficiency is comparable with financing and effectiveness to the equity measure of public organizations performance.

Even though the idea that theories and models of knowledge management are more applicable and have more practical use in the private sector organizations is prominent, it can be concluded that they play a significant role in the public sector organizations service planning and execution phases. Even though the two sectors are different by many features, it is the service supplier that is able to apply the knowledge intensive service to fit their customer, whether a public or private sector organization, as well as their end user. So in the end, it is the educated, highly professional workforce that will make the difference when designing a service for a customer organization. This can be

mirrored to Swart and Kinnies (2003) research, where they also claimed that there is a need for organizations to hire highly skilled individuals in order to match the complex problems of the customers, to satisfy their needs when designing the service proposed to them.

The findings reflected the set theoretical framework, since according to the findings, it can be concluded that value is created by meeting the needs of the customer and end user, which is done by a full understanding of the initial problem that was acquired for help. For example, the simple definition by Rissanen (2006) states that a service is something where the customer is given the possibility to gain added value through a certain solution, and the Solita experts seconded this through the idea that when the end user of the service is able to show a positive feeling after receiving the service, it can be said that value has been created to that customer or end user. This is an important aspect in designing services, as this will bring monetary value, in the form of profit, for the organization, and as the customer is happy with the service, one will most likely return to the same service provider. This is also a great advantage in competing on the market, since customers like this will spread the word of a good service, and therefore potential clients are more likely to try the same service supplier organization.

This research can be validated to some extent, since the findings of the research reflected the presented theoretical framework, however the limitations need to be kept in mind too. Since this research showcased only a single case study, it can't be generalized to other organizations, and it needs to be recognized that the findings reflect only the ideas and aspects of the selected interviewees interviewed from Solita. Additionally, due to the scope of this research, the organizations were roughly simplified into either public or private sector organizations, thus existing hybrid organizations were a gray matter in this research, and the findings cannot be applied to any hybrid organization.

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