ORGANIZATIONAL TRANSFORMATION THROUGH SERVICE DESIGN: THE INSTITUTIONAL LOGICS PERSPECTIVE

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ABSTRACT

In this paper, we provide in-depth insight into the process of adopting service design by a large service organization. We use an inductive interpretive approach and draw on rich longitudinal data collected in one of the world's major telecommunication companies that undertook a series of service design initiatives to improve its innovation capability. We find that instead of merely bringing new services, service design has far-reaching consequences for organizations, prompting significant changes in the organizational mindset and routines. Building on the institutional logics perspective and acknowledging the role of individuals' institutional work, we identify the macro-level and micro-level mechanisms of the organizational logic transformation that service design induces. Interestingly, the effects are bidirectional, as the organizational context has a considerable impact on service design as an innovation practice. As this study shows, managers and other practitioners can effectively overcome organizational hindrances to the adoption of service design by creating a service design-based corporate language, realigning key performance indicators, and facilitating learning and experimentation.

INTRODUCTION

The notion of service design (SD) has outgrown its original narrow interpretation as the detailed specification of service attributes and now covers the whole process of service development (Goldstein et al. 2002; Holopainen 2010). Yet, SD is not just another word for service innovation; it is a specific approach that relies on many disciplines and builds heavily on design thinking (Stickdorn and Schneider 2012). The modern SD field has long been practice-oriented, actively employing an exploratory constructivist enquiry to create "new kinds of value relations between diverse actors within a socio-material configuration" (Kimbell 2011, p. 41). Originating in the logics of design and art, SD's specific vocabulary, praise of empathy, holistic thinking, customer centricity, ethnography, and focus on both the material and the symbolic stands in contrast to the conventional view of conducting business. The dominant logic of market (i.e., the established business mindset and tools used to accomplish business goals) (Prahalad and Bettis 1986) has emerged around the ideas of self-interest, transaction, value-in-exchange, value chain, efficiency, and profit maximization (Prahalad 2004; Thornton, Ocasio, and Lounsbury 2012). In addition, the ideas of bureaucratic roles, hierarchy, status, and managerial authority have formed the logic of corporation shared by organizational members (Thornton, Ocasio, and Lounsbury 2012). Despite the contrasts between SD and the logics of market and corporation, an increasing number of companies are attempting to capitalize on design by hiring designers or retraining in-house developers in design (Kolko 2015; Ravasi and Lojacono 2005; Yoo and Kim 2015). Following their dominant organizational logic, managers assume that design is a tool that can assist in increasing profits and market share through material outputs. At the same time, managers often resist designers' alien ideas and unconventional activities (Deserti and Rizzo 2014; Yoo and Kim 2015).

The existing literature is rather silent on if and how embedding SD in organizations affects organizational logics. Available studies that report organizational attempts to use SD are predominantly descriptive or prescriptive and do not offer an in-depth analysis of the potential organizational consequences in the form of transitions and transformations (e.g., Deserti and Rizzo 2014; Lin et al. 2011; Bailey 2012; Junginger and Sangiorgi 2009). What does introducing SD mean for a company that operates under the conventional logics of market and corporation? Where do the apparent contradictions between SD and the logics of market and corporation lead? To our knowledge, this study is the first attempt to address these issues empirically. We apply an institutional perspective to explain organizational change and innovation through the concepts of institutional logic and institutional work. Institutional logics are "socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality" (Thornton and Ocasio 1999, p. 804). In turn, institutional work refers to the purposive actions "aimed at creating, maintaining, and disrupting institutions" (Lawrence, Suddaby, and Leca 2011, p. 52).

At the organizational level, institutional logics are reflected in organizational logics (Spicer and Sewell 2010). When a company introduces a new practice (e.g., SD) that diverges from the established frames of reference (e.g., the logics of market and corporation), organizational members in their institutional work are torn between maintaining and disrupting the existing organizational logic, creating the potential for internal conflict (Besharov and Smith 2014; Seo and Creed 2002). Thus, by analyzing the adoption of SD in an organization, we investigate the role of SD in the creation, maintenance, and disruption of organizational logic.

There have been several calls and attempts to investigate institutions' role in value creation and service innovation (Akaka et al. 2014; Koskela-Huotari et al. 2016; Vargo and Lusch 2016, 2017). As Edvardsson et al. (2014) argue, institutions ensure value co-creation and serve as a reference base for customers' value assessment. The authors stress that institutional logics are crucial for resource integration because they shape actors' roles, activities, and interactions. However, they do not readily emerge or change at the societal or service ecosystem levels; this process requires institutional micro-processes that involve individuals (Powell and Colyvas 2008; Thornton, Ocasio, and Lounsbury 2012). Since the transformation of a logic implies re-defining and re-interpreting actors' roles and activities that determine value creation, examining such change processes at the actor level is necessary for understanding the nature and underlying dynamics behind complex service ecosystems. It may also shed light on how service organizations explore and experiment with new institutional rules to cope with risk and uncertainty (Vargo and Lusch 2017).

We explore the parallel macro- and micro-processes of how organizational members' institutional work—framed by their existing logic—prompts the introduction of SD and how SD influences the organizational logic through organizational members' institutional work. We apply an interpretive insider–outsider approach and investigate the process of adopting SD in a large service organization—one of the world's major telecommunications companies, Telenor Group, from 2008–2016.

THEORETICAL CONTEXT

Institutional Logics and Institutional Work

The institutional logics perspective is a meta-theory and a method of analysis (Thornton and Ocasio 2008; Thornton, Ocasio, and Lounsbury 2012). Institutional logic is a

set of material practices and symbolic constructions that constitute a society's organizing principles (Friedland and Alford 1991). Through shared socially constructed values, beliefs, and practices, institutional logics shape the cognition and behavior of interacting individuals, ensuring the collective understanding of meaning. In firms, field-level institutional logics manifest themselves in a "local" organizational logic (Spicer and Sewell 2010) that may include various—and often conflicting—elements from multiple institutional logics (Besharov and Smith 2014; Prahalad and Bettis 1986).

An institutional logic is not a single indivisible unit but a dynamic formation with continuous changes unfolding at both the macro- and micro-levels (Thornton, Ocasio, and Lounsbury 2012). Transformational change may take the form of replacing one institutional logic with another (Rao, Monin, and Durand 2003), blending dimensions of diverse logics (Glynn and Lounsbury 2005), or separating logics from a common origin (Purdy and Gray 2009). In the case of less radical developmental change, institutional logics may alter due to the assimilation of external dimensions (Murray 2010), internal elaboration (Shipilov, Greve, and Rowley 2010), expansion to another field (Nigam and Ocasio 2010), or contraction in scope (Reay and Hinings 2009). Recent research suggests that at the macro-level, such changes are driven by the availability and accessibility of multiple institutional logics due to cultural evolution (Thornton, Ocasio, and Lounsbury 2012) or institutional contradictions (Seo and Creed 2002). At the micro-level, changes emerge from actors' deliberate efforts (Dalpiaz, Rindova, and Ravasi 2016; Nigam and Ocasio 2010; Tracey, Phillips, and Jarvis 2011) (i.e., their institutional work) (Lawrence, Suddaby, and Leca 2011).

Although research on the emergence of and changes in institutional logics is still nascent, most authors suggest that through institutional work, actors re-combine and merge different logics to set and achieve organizational goals. Lawrence and Suddaby (2006) group

institutional work into three categories: creating institutions, maintaining institutions, and disrupting institutions. Institutional work often leads to collisions and re-interpretations of the established cognitive and behavioral models in organizations, resulting in institutional change (e.g., Seo and Creed 2002; Smets et al. 2012; Thornton, Ocasio, and Lounsbury 2012).

Creating, Maintaining, and Disrupting Institutional Logics with SD

Traditionally, innovation processes were rooted in a market logic emphasizing large-scale market research, distinct pre-defined stages with clear deliverables, and standardizable outputs to ensure efficient transactions, market expansion, and profit growth (Holopainen 2010; Holmlid, Wetter-Edman, and Edvardsson 2017). Within this tradition, SD was simply one of the many stages within new service development (e.g., Scheuing and Johnson 1989), and using SD primarily meant applying specific methods to optimize service concept configuration (Hopolainen 2010; Menor, Tatikonda, and Sampson 2002). This thinking is becoming obsolete with the evolution of SD practice from designing services to designing for service (Morelli and de Götzen 2016; Meroni and Sangiorgi 2011). When actors embed SD in organizations, they do not merely adopt additional tools and methods to enhance their existing innovation processes. In fact, introducing SD tools such as storytelling, service staging, bodystorming, experience prototyping, and vox pops (Miettinen and Koivisto 2009; Stickdorn and Schneider 2010) may contradict traditional innovation processes. More importantly, by involving a wider group of stakeholders, generating new subjects of conversation, offering tools for conversation, and enabling experience, SD may affect existing institutions beyond innovation routines and assist in large-scale transformations (e.g., Manzini and Rizzo 2011). For example, SD may contribute to reconfiguring service

ecosystems (Koskela-Huotari et al. 2016; Patrício et al. 2011), developing new business models (Kindström 2010), and overcoming organizational design legacies (Junginger 2015).

By increasingly focusing on designing service settings, value co-creating systems, and socio-material configurations (Patrício et al. 2011; Kimbell and Blomberg 2017), SD practitioners are challenging traditional organizational processes. Consequently, a growing number of researchers suggest that SD plays a larger role in organizations (Sangiorgi and Prendiville 2017; Sangiorgi, Patrício, and Fisk 2017; Holmlid, Wetter-Edman, and Edvardsson 2017). The transformative potential of SD methods has even prompted calls to recognize transformative design as a sub-field of SD (Sangiorgi 2011). From the perspective of institutional theory, this implies that adopting SD in an organization represents institutional work. This SD-based institutional work necessarily induces the process of organizational logic transformation (Junginger and Sangiorgi 2009), which has not yet been studied within service science and is the main focus of our empirical study.

METHODS

Due to the unique intertwining of symbolic constructions and material practices, investigating the process of organizational logic transformation requires an interpretative approach examining meanings and practices (Powell and Colyvas 2008). As a scientific method, it searches for participants' understandings of organizational events with the purpose of capturing and modeling their meanings during the change process (Langley and Abdallah 2011). The central elements of this search are sharing experiences and relationships with participants and focusing on how and why participants construct meanings and actions in specific situations (Charmaz 2006). In line with the recommendations for such studies (Langley and Abdallah 2011; Yin 2009) and existing research on institutional logics in

organizations (Dalpiaz, Rindova, and Ravasi 2016; Smets et al. 2012; Spicer and Sewell 2010; Tracey, Phillips, and Jarvis 2011), we chose a single company: Telenor Group. We selected this company for its revelatory potential and for the possibility to conduct an in-depth study of change. As one of the largest telecommunication companies in the world, our case company was an excellent exemplar of a company operating under the market institutional logic; this, combined with the company's initiatives to incorporate SD practices in its operations and innovation activities, made Telenor the ideal candidate. Two of this paper's authors worked in the company's research department and followed the organizational processes from the inside, taking field notes and having formal and informal conversations with organizational members. This allowed us to immediately capture participants' meanings in the course of change. Additionally, other researchers and employees from the company reviewed and commented on the findings. Another author participated in most of the formal interviews and observations. Direct access to a company with a research department ensured richness of data, and the combination of insider and outsider perspectives contributed to their trustworthiness (Langley and Abdallah 2011). Table 1 presents the sources we used in our data collection from 2008–2016.

[Insert Table 1 here]

Data Sources

Interviews. We used semi-structured interviews and informal conversations with key stakeholders across operations to gain in-depth insight into organizational members' reasoning and reflections. This allowed us to understand the logic through which they viewed the world (McCracken 1988). The interviewees were 64 managers directly involved in the company's SD and innovation projects. They ranged from vice president-level reporting to

CxOs to middle management responsible for strategic initiatives or programs. These respondents were our key informants as initiators, active participants, or immediate recipients of the SD-related changes. We used interview guides with a flexible structure of questions, allowing for deviation from the sequence in order to follow interesting lines of inquiry or go deeper into accidentally appearing topics. The questions covered the company's existing practices at the time of interview, personal experiences with and interpretations of the SD principles and tools, the fit between SD and the organizational mindset and practices, challenges and opportunities related to SD adoption and use, reflections on their participation in SD training (for the training participants), and visions about the future of SD in the company. Interviews lasted for 30–45 minutes; they were digitally recorded and transcribed verbatim.

Observations. We conducted both participant and non-participant observation. As a direct monitoring of people's behavior in natural surroundings, it was particularly suitable for studying processes, human relationships, behavioral patterns, and sociocultural contexts (Jorgensen 1989), and it was thus suitable for micro-institutional research on organizational logics (Smets et al. 2012). We observed managers from different levels of the organization in their everyday activities, focusing on strategic meetings and SD workshops (in total, more than 135) because these were the situations where the key discourse normally took place (Table 1). We recorded our observations through field notes, photos, and videos.

Archival records, internal surveys, and artifacts. We used archival records such as internal reports, corporate annual and biannual surveys, electronic communications, presentations, and documents. Finally, we examined SD-related artifacts (e.g., customer journey maps, storyboards, drawings, experience prototypes) that organizational members designed during SD workshops or in their daily operations after the SD workshops.

Data analysis

To model informant meanings and interpretations of organizational events, we inductively analyzed data from all of our sources during and after the data collection process. We followed Dennis A. Gioia's procedure (e.g., Corley and Gioia 2004; Gioia et al. 2010); it is considered particularly suitable for research on strategic change and sensemaking (Langley and Abdallah 2011), including change in institutional logics (e.g., Tracey, Phillips, and Jarvis 2011). First, we developed in vivo "open" codes by identifying initial concepts in participants' statements. We further grouped these into higher-order themes through axial coding based on the relationships among the initial first-order codes. Finally, we assembled similar themes into aggregate dimensions that served as overarching elements. We performed this procedure iteratively, moving back and forth between codes and data until consensus among all researchers emerged. Figure 1 illustrates the final data structure used to develop our model. Table 2 contains additional supporting data that reflects representative quotes for our first-order codes.

[Insert Figure 1 here]

[Insert Table 2 here]

SD AS A DISRUPTER OF AN ORGANIZATIONAL LOGIC

Overview of the Company

Telenor is an international provider of tele-, data, and media communication services with more than 211 million mobile subscribers and 36,000 employees operating in 13 markets. It has business units across the Nordics, Eastern Europe, and Asia (as of June 2016). It is one of the top 500 global companies by market value (*Financial Times Global* 2015).

Founded in 1855, Telenor has rich experience in developing and taking advantage of new technologies. The company offers advanced telecommunication services, including all types of telephony, Internet access, and multimedia content. Recognizing that the telecom industry has a wide-reaching and long-term influence on people's lives, Telenor views itself as more than a mere communication enabler and actively diversifies its service portfolio. For example, in some markets, it offers digital financial services (e.g., Serbia, Pakistan), mobile healthcare services (Bangladesh), and low-budget smartphones (Eastern Europe and Asia). In addition, Telenor has recently turned its attention to digital services that do not require a country affiliation to provide them on a global scale (e.g., online classified advertising).

Macro–Micro Inconsistencies

Performance orientation. Almost since its establishment, Telenor viewed its services exclusively as intangible commodities that were created in house through a new product development process to be sold and delivered to customers on a transactional basis. The focus on profit, cost, and efficiency was deeply ingrained in the mindsets of managers and employees across the organization. As our respondents described it, this perspective was "a simple truth" in the organization; employees were "married to the project methodology" with "complete scores, planned deliverables, and business cases." Deadlines were "sacred"; meeting personal key performance indicators (KPIs) and increasing personal visibility were two primary incentives to get things done. One manager commented on the company's strategic focus on incremental improvements:

> We focus on cost-saving, and no one is willing to take the risk of stepping out and suggesting something new. . . . And if someone does, it is not taken into consideration.

Other managers admitted that radical innovations might have negative effects or require longer periods to demonstrate positive results, whereas KPIs had to be reported annually and quarterly. They saw incremental projects as safer and more appropriate. A corporate report on the internal company-wide (15,848 employees) survey of organizational culture—based on O'Reilly, Chatman, and Caldwell (1991) and conducted in 2014—confirmed this status quo. The respondents from all countries across Telenor stressed their outcome orientation characterized by high expectations of performance and achievements. In turn, innovation and team orientation were least prioritized.

Myopic practices. The company had a clear hierarchical and functional organization, with each department working autonomously and providing input to the subsequent department in the chain. Organizational routines were functional and effective in ensuring efficient operations but were also nearsighted; they usually involved only the immediate colleagues, concerned short-term objectives, and built on a step-by-step approach. In most of the departments, there was no specific practice aimed at the direct search for customer needs or detection of customer problems. All contact with customers was limited to the marketing and customer service departments. If customers experienced issues, they had to contact the customer service department, which then sent the information on to other departments (i.e., problem solving was exclusively reactive). New services were typically the result of a formal stage-gate process that rarely involved customers directly. It began with the idea development stage, and the criteria at the first decision gate were either high technological effects or high economic gains in the short run. Few ideas passed the first gate and proceeded to the initiation phase. The next gate was based on evaluating costs and a careful analysis of technical capabilities. If this third gate was passed, the project received the necessary means

for the development and implementation phases. Although the project could be stopped before the means were provided, almost none were terminated after this point.

Triggers of Change

Organizational logic erosion. In the 1990s, the rate of change in the telecom sector accelerated due to both technology development (e.g., the rise of Internet) and easing political constraints (e.g., the deregulation of national telecom markets). After the Norwegian Ministry of Transportation and Communications lifted Telenor's monopolistic position on fixed telephony and data traffic to business customers, and eventually mobile telephony, the company faced its first competitor in the Norwegian market (in 1993). In 1998, the government repealed the remaining monopolies, finalizing the liberalization of the telecom market. During the next two decades, due to a wider choice of service providers, faster exchange of information, and low switching costs, both private and business customers received higher bargaining power, forcing telecom providers to pay more attention to customer experience and satisfaction. Increased competition in the domestic market and its stock exchange listing (in 2000) stimulated Telenor's expansion to multiple markets in the Nordics, Eastern Europe, and Asia. As a result, managers, especially from the top and middle levels, were continuously exposed to the multiplicity of diverse institutional logics for a decade. The first-hand experience with market differences in doing business and treating customers became imprinted in managers' minds, even if they were simply amused by the facts and had no inclination to change their own practices. Together, these factors eroded the established organizational logic, exacerbating the discrepancy between its symbolic constructions and material practices. This process went largely unnoticed by organizational members who were unaware of internal inconsistencies in their logic and its rapidly diminishing fit with global trends:

> When we tried to work together with a large Asian company in an innovation project, we were stuck because we did not know how we should do it. Should we choose our innovation process or theirs? What kind of information could we share? Should we consider them a partner or a supplier? Would it mean the violation of our purchase routines? May be there were answers to these questions, but we just went our way. (Project manager)

Problem recognition. In 2006, alarmed by a high number of customer complaints related to the installment of a fixed broadband connection, a group of in-house researchers suggested using SD principles in a study of the installment process. They focused on the customer experience across touchpoints. Several customers were invited to document their experiences in diaries during the whole process of interaction with the touchpoints (i.e., cultural probing) and then participate in interviews. The study results surprised managers by revealing the gap between the planned service and the customers' actual experiences. The managerial interest inspired internal researchers to develop the so-called "customer journey framework" (CJF). This included a toolbox to visually map customer journeys (customer experiences across all touchpoints) based on the actual data collected through customer interviews, diaries, and direct process tracking. The CJF also encouraged cross-functional collaboration, necessary for ensuring the seamlessness of customer journeys. The researchers presented their idea in several business units, received positive feedback, and pursued its development with further piloting.

Prototyping and presenting the CJF mobilized discourse by familiarizing managers on various levels with the vocabulary associated with customer journeys. This inspired proactive individuals who recognized the broad strategic value of SD thinking to apply SD in initiating explorative studies of various organizational processes. Once again, the outcomes of these

studies were revelatory, calling for action from top management. High churn rates were the direct consequence of customers suffering from the focus on rigid project fulfillment and the lack of cross-functional collaboration in service delivery. The studies also demonstrated that organizational members shared a "silo mentality" (i.e., lacked the desire to share and coordinate valuable information with other departments, sometimes with their immediate colleagues). Teams that operated specific touchpoints had no overview of the service process or even other touchpoints and were not particularly interested in such information. In informal conversations, managers expressed a lack of incentive for being concerned about other teams' work because they were not "measured" on this. In other words, no general approach and responsibility for ensuring a holistic customer experience existed. The top management described the situation as "critical" when they learnt about these findings. The myopic practices became evident, and one of the business units' representatives reflected on this:

> We are too traditional to be able to come up with something new in the market. So we need to change our culture by innovating our processes with proactive service design and putting our customers in the center of decision making.

Top managers' reactions. In yet another cycle of discursive agency in 2010, SD enthusiasts persuaded top management to launch the CJF as a strategic tool for the whole company. Moreover, the increased attention to customers resulted in including the organizational goal of becoming "loved by customers" in a new strategy launched in 2013. As the top management group declared in the strategy, to become loved by customers, the organization needed "to have a strong customer understanding, be a truly caring organization, deliver valued services and products, and to offer a superior touchpoint experience" (www.telenor.com). Influenced by the SD enthusiasts who saw this new organizational goal

and SD as particularly congruent, top management further legitimized SD by defining SD capabilities as one of Telenor's core organizational capabilities.

A group of internal researchers and operational managers saw this as an opportunity to initiate an ambitious project on educating higher-level managers in SD. The group convinced the executives to sanction a training program in SD called "Service Design Academy" (SDA) in seven business units (in Europe and Asia) from 2014–2015. Its goal was to train the key decision makers in "thinking like a designer" and to provide process support to change the way of working by using SD thinking, including the main elements from the CJF.

The training program followed the same procedure in all business units. It was based on the principles of active learning, involving minimum lecturing and maximum practice in cross-functional teams. The participants learned that SD thinking was an iterative approach to problem solving that emphasized empathy, user-centricity, integrative thinking, cross-functional collaboration, and actively using ideation and visualization tools. In addition to having the existing CJF as a core element, the SDA included various SD tools such as personas (fictional representative customers), co-design with real customers, visual communication (drawing), design facilitation (managing cross-functional collaboration), brand and service personality (designing services that fit with the brand), wow experience (designing radical services), and experience prototyping (service staging). In developing the SDA content, the coaches—two SD professionals—aimed to infuse the organization with these new ways of thinking and doing. They encouraged the participants to challenge the established mindset and practices by looking for "what might be" rather than "what must be" or "what is." They placed customers and customer experience at the center of the program

and focused on understanding and mapping customer emotions in each of the existing or potential touchpoints, moving focus from the functional toward the emotional.

Discrepancy Between New Symbols and Old Practices

Organizational vocabulary change. From the onset of the SD initiatives, organizational members showed a remarkable ability to absorb new terms and concepts. "Customer journey," "experience," "user-centricity," "customer perspective," "user-friendly," "mapping," "persona," "co-creation," "engagement," "holistic," "cross-functional team," "collaboration," and other SD-related terms quickly joined the organizational vocabulary. Managers from all business units actively used them in presentations and informal conversations, especially with the top management group. SD terms provided them with legitimacy and the possibility to speak with authority, demonstrating that the speaker kept pace with organizational development. The SDA participants eagerly shared their experiences after training, and many of them were genuinely excited about their newly obtained skills:

> Everything I have learned during the last 20 years has been thrown up in the air, and has landed upside down—in a good way. (SDA participant)

Essentially, SD approached "buzzword" status. Introducing formal requirements on customer journey mapping and announcing SD as one of the core organizational capabilities contributed to the inclusion of SD terms in the organization's shared language. In turn, the high diffusion speed of the SD vocabulary ensured a wider recognition of the fact that focus on end users and their experiences had previously been lacking in the organization.

Since SD terms conveyed calls for human-centricity, empathy, and collaboration, they were particularly appealing to organizational members in Norway—a country with a strong

focus on humanism (and the company's headquarters). Refuting, resisting, or ridiculing the message behind SD terms would have been inconsistent with one of the field logics of the company—Norwegian society's core values. As a result, both managers and employees became more than simply aware of SD terms—they got used to them and eventually assimilated them. In some cases, SD terms substituted similar notions verbally. For example, "SD" substituted "new product development," and "user experience design" replaced "software engineering."

Action inertia. Although organizational members had quickly adopted the new vocabulary, they were much less ready or willing to adjust their actions to it. The organizational logic, through the established mindset, short-term priorities, and appreciation of day-to-day tasks, still constrained SD initiatives from actually infusing the material practice of the organization. Even a new regulatory institution in the form of a formal requirement to create customer journeys for both existing and new projects did not bring real change in practices with respect to SD principles. Managers began using the term "customer journey," but they were referring to a simplified version of the service blueprint, which they drew as a detailed description of the company's procedures, and without involving customers—similar to the original form that Lynn Shostack suggested in 1982. Searching for customers and spending time with them on a regular basis did not correspond to their normative institutions and thus were out of the schedule. Many managers saw no need to interact with customers; they believed they could "guess" customer emotions by imagining themselves as customers. As a result, many of the SDA participants simply gave up:

> I have tried to draw customer journeys [properly] —I thought I would go crazy! And in the end, I did not manage to get people to see it in this way, because I think the right mindset is not there yet.

The lack of "the right mindset" was not caused by misunderstanding—all of the respondents provided correct descriptions of SD tools in the interviews—the principles were becoming institutionalized only as symbolic constructions. Organizational members used their knowledge of SD tools to assign new labels to existing practices, but then they intentionally sustained the latter. In most cases, this was a decision dictated by the same incentive that once led to the initiation of the SD initiatives—meeting personal KPIs. Restrained by routine tasks, organizational members saw SD tools as consuming too many resources, especially time, without promising secure results. They suspected that this could deter them from achieving their local goals. In addition, existing projects with pressing deadlines did not leave room for new actions:

> It is nice to go to such courses and learn a lot of interesting things, but then you come back and have a lot of things you have to do and finish in time. I would love to draw customer journeys more and reflect upon how they should have been. But I can't because we have a lot of other priorities. (SDA participant)

Some of the SD tools, such as service staging and role play, aroused skepticism even in the minds of the SDA participants. During the training program, institutional restraints were softened and participants expressed clear signs of excitement and engagement when they practiced these tools. In interviews, they consistently announced that they had "a lot of fun," which was also evident during observations. Nevertheless, the normative institutions of the organizations proved to be more powerful, as the participants, when back in their regular work environment, judged these tools as being too "playful" and not suitable for the daily work of an employee, especially a manager of a "serious" organization.

Instrumental use of new symbols. Most teams diligently drew customer journeys in the form of simplified service blueprints because of formal requirements: "It is decided . . . so

we do it." However, some of the participating managers resorted to applying customer journeys and other SD tools in their intended form to increase the chances of communicating their ideas to relevant stakeholders more successfully. They recognized that SD was not only the "shared language," but also trendy. On average, they were no less skeptical than the others, but they saw it as a chance to demonstrate their new expertise and support of the company's new strategy, increasing their visibility and legitimacy in the organization. Some even invited newly hired service designers to their projects. Yet, these in-house designers felt their work was not finding a fruitful ground. Many of them noticed the instrumental approach to SD and pointed out the resistance to real changes in innovation and delivery processes:

> Sometimes we try to squeeze in our way of working in the existing models, but we do not get it in our way. It creates a lot of frustration . . . Sometimes I feel that our involvement is merely symbolic because then they can say that they have used service designers. (In-house designer)

Managers allocated resources in several competing projects at the same time, and SD projects—usually more costly—suffered from lack of time, funding, and human capital. Moreover, managers were reluctant to release their best resources to work on interdisciplinary projects within cross-functional teams because this implied the loss of project ownership and direct control. Considering the experimental nature of SD, the projects were too fuzzy, messy, and risky—nothing like the conventional formal stage-gate process, which was disheartening:

> Service design is supposed to drive innovation, but it needs room for flexibility, uncertainty, and chaos . . . So how can you innovate and develop new concepts when you have four hours a week scheduled to 'think-out-of-the-box'? Everyone has 'commitments' to be elsewhere and is continuously running from one project meeting

to another. The premise to work effectively as a designer is simply not present. (In-house service designer)

Emergence of a New Logic

Understanding the power of new symbols. After a while, many managers noticed that drawing service blueprints—although under the name of "customer journeys"—could be very useful. In addition to satisfying the formal requirement, they were pleased with getting an overview of the whole delivery process, allowing them to see what kind of resources they actually needed and to assess the general setup of the value chain. This positive side effect demonstrated the potential of taking the holistic perspective encouraged by SD proponents.

However, considerable changes in the organizational logic occurred through shocks and surprises that managers experienced when they saw the results of a more active application of the SD tools. Just as the results of the early exploratory SD studies in the organization were revelatory for the top management who sanctioned more formal SD initiatives, the managers' first-hand experience with SD had given them knowledge about the limits and potential of their own work. Some managers discovered—to their surprise—that their teams offered services that customers neither wanted, liked, nor used. For example, after the presentation to higher-level decision-makers, one SDA participant revealed the following:

When the directors saw how many red cards there were on customer journey maps [reflecting negative customer emotions arising during the service delivery], they have actually realized that there is a problem.

Including the user research results (e.g., images, videos, quotes, sketches) turned out to be a winning argument in discussions about funding and developing new projects. Moreover, managers who dedicated more resources to SD eventually recognized that the SD

tools indeed allowed their teams to identify previously unnoticed or unthinkable customer problems and needs. For example, one manager reported that when his team contacted a random customer to map her experience with the company's broadband service, he was shocked to hear that the customer had recently called customer service about 30 times to get one of her problems fixed. The team did not have a protocol in place to identify the frequency of calls from a particular customer, but this customer counted diligently for herself. Thus, even simple single-case inquiries had demonstrated the ability to provide input for new ideas. The full-scale field studies provided an even deeper insight. Managers realized that the goal of ethnographic studies was namely to get this insight, not to collect ready-made solutions from customers. The managers further understood that no SD tool guaranteed getting the required insight because without attempting to empathize with customers, the SD tools were of little use. When talking about empathy in user research, one of the project managers stated, "The most important tool is ourselves."

Convergence of new symbols and new practices into institutions. In many teams, the SD-induced shocks resulted in the introduction of formal functions related to SD, a more active use of SD tools, and genuine support for cross-functional collaboration. For instance, new SD-related employee profiles emerged (e.g., a digital customer journey analyst), while teams began to map real customer journeys and use storyboards, walkthroughs, and prototyping with customers. Actions started to gradually converge with the symbols that were earlier crystallized in the organizational strategy and vocabulary. Customer satisfaction became the third evaluation criterion—in addition to profit and cost—in selecting ideas for new services. In one of the business units, the SD-inspired managers began advocating for the inclusion of net promoter scores (NPSs), a customer loyalty metric, in the KPIs even of the teams that did not interact with customers directly. A top manager from one of the

business units noted, "Regarding service design, we are not built that way at all, but now we are moving."

While Telenor's organizational logic is still metamorphosing due to the described internal processes, new external events and trends continue to influence it as well. Recently, the global competition has moved to digitalization encouraged by the extraordinary customer interest in digital interactions. Telenor's newly appointed CEO and president emphasized a "nightmare scenario" for telecommunication companies, where startups capture millions of customers by offering digital solutions while telecommunication incumbents are stuck in a commodity business delivering connectivity. To prevent this scenario, the top management group launched a new strategic agenda for 2016–2020 to make Telenor "a more expertise driven company and an attractive employer for people with a digital mindset and competence" (www.telenor.com). Becoming "loved by customers" now implies becoming "the customers' favorite partner in digital life" through providing "the best network experience, personalized customer interactions, and digitized and automated customer journeys" (www.telenor.com). Essentially, "customer experience" and "customer journey" have become rhetoric devices to promote digitalization. This again created an opportunity for SD enthusiasts to bring SD thinking into the innovation agenda. Before our data collection ended, they had already begun promoting it as an agile way of working and fast learning through designing and prototyping together with customers.

A Process Model of Organizational Logic Change

Organizational logic change is a complex process characterized by the interplay between the macro- and micro-level. Our 10 second-order constructs represent the key elements of this process. We identified different but interrelated mechanisms that unfolded in

the symbolic and the material dimensions of organizational logic. Figure 2 illustrates the model of organizational logic change—the four large rectangles correspond to the four states of the organizational logic during our study (S1, S2, S3, and S4). Noteworthy, these states do not represent four distinct logics but the SD-fueled modifications of the organizational logic due to the inclusion of new symbolic and material elements or the gradual substitution of the existing ones.

[Insert Figure 2 here]

The company's external environment (e.g., market, government, industry) created grounds for introducing new symbols, while believing in top management's authority—ingrained in the initial state of the organizational logic—secured their acceptance by organizational members. Sanctioned by top management, the transformation of the symbolic dimension was easier and faster; in this sense, it was a *top-down mechanism*. The transformation of the material dimension of organizational logic required more time, resources, and more importantly, the actual recognition of the value of new practices. In this context, sensemaking, local problem solving, and experimentation played a decisive role, reflecting a *bottom-up mechanism*.

The initial state of the organizational logic naturally constrained organizational members' beliefs and actions (the feedback loop in S1) and continued to influence them while the symbolic dimension was being transformed (arrows to the material dimensions of the logic in S2 and S3). Yet, the very same logic created a driver of search and exploration that was inherent for organizational members—the intention to increase personal performance and visibility. The original organizational logic's dualism, inherent discrepancies, and gradual erosion created opportunities for organizational members to act

proactively for their personal reasons. When organizational members turned their attention to SD, the feedback loop between the organizational logic's symbolic and material dimensions was disrupted. In the next three states of the organizational logic, changes in the symbolic emerged from the material of the previous state, prompting corresponding changes in the material of the current state.

The bold arrows in the model represent the *integrative mechanism* that resolves discrepancies in the symbolic and material dimensions emerging from the top-down and bottom-up mechanisms. This mechanism relies on both the organizational members' explorative actions and their revelations (insights, surprises, and shocks) related to the results of these actions. In our case, the presence of these two conditions was necessary for a disruptive change to happen. Without such revelations, the existing symbols would be maintained and the established routines would be repeated, implying a new feedback loop. Although SD-related actions eventually led to the emergence of a new organizational logic, this was an unintended consequence—none of the early SD initiatives aimed at the organization-wide transformation of symbols and practices. Even during the SDA, the coaches presented the SD tools as potentially complementary to the existing practices.

DISCUSSION AND CONCLUSION

Theoretical Contributions

Our systematic examination of Telenor's experience with SD provides in-depth insight into why and how an organization adopts SD and how this influences organizational mindset and practices. In the SD field, our study demonstrates that in contrast to the typical views on SD within traditional innovation research (e.g., Goldstein et al. 2002; Menor, Tatikonda, and Sampson 2002), SD is more than a practice for innovating services or a stage

in the new service development process. Instead, it becomes the new service development process itself and grows into a powerful transformative force that is capable of changing institutions. None of our respondents paid particular attention to new services in describing the SD adoption, but they actively stressed changes in the organizational mindset and practices that SD brought. SD also ensured a more active role for customers by embodying their personal experiences in a way that resonated with managerial cognition better than traditional reports. In this sense, we provide the systematic evidence on and the detailed analysis of the far-reaching effects of SD on organizations that multiple researchers have recently suggested (Deserti and Rizzo 2014; Lin et al. 2011; Bailey 2012; Junginger and Sangiorgi 2009; Sangiorgi and Prendiville 2017; Sangiorgi, Patrício, and Fisk 2017; Holmlid, Wetter-Edman, and Edvardsson 2017). Our study also explains the reasons behind many employees' resistance to designers' activities, even if a company's top management supports SD (Deserti and Rizzo 2014; Yoo and Kim 2015). As we show, this resistance and action inertia are not the results of misunderstanding or vice but of the discrepancy between organizational institutions and SD practices. This is in line with Junginger and Bailey (2017), who speculate about the profound impact of an organization's past experiences with design on its current design practices and thinking. We demonstrate that, in addition to design narratives and design conversation pieces (Junginger 2015; Junginger and Bailey 2017), dealing with existing organizational institutions—organizational design legacies—implies extensive institutional work. This includes political (e.g., defining SD as a strategic capability), technical (e.g., the development of CJF), and cultural (e.g., establishing the SDA) institutional work. Yet, in our study, design legacies as manifestations of the organizational logic based on the logic of market and corporation not only hindered the adoption and use of SD, but in a dialectical fashion, prompted its introduction and diffusion. The inherent

impulses of this dialectical motion were individuals' explorative actions and revelations. Interestingly, both impulses are in line with the spirit of SD, encouraging exploration and the creation of "wow experiences" (e.g., Lin et al. 2011; Stickdorn and Schneider 2012; Zomerdijk and Voss 2010).

Our study also contributes to the service innovation research. Recent literature has increasingly focused on investigating service innovation capabilities (e.g., den Hertog, var der Aa, and de Jong 2010; Kindström, Kowalkowski, and Sandberg 2013). However, it has paid less attention to understanding the development and application of these capabilities. We show how a new service innovation capability, that is, a service design capability, emerges in the course of institutional work from a combination of change routines (e.g., the formal stage-gate innovation process), routine changes (e.g., launch of a new strategy), and changes in routines (e.g., involvement of customers in the innovation process). Importantly, we find that the effect of SD on our case company is not unidirectional. In Telenor's transformational journey, SD as an innovation process was continuously re-interpreted and revised. Becoming less of a designers' prerogative and more of the "common" managers' toolbox, SD as an innovation process has started to embrace the broader attributes of organizational practices. For example, it has become increasingly characterized in various degrees by strategic prioritization (e.g., selecting SD projects with quick benefits), division of labor (e.g., assigning formal designer responsibilities), satisficing behavior (e.g., the "minimally acceptable" use of formally required SD tools), authority (e.g., gaining informal power through the specialized knowledge of SD), organizational politics (e.g., using SD techniques to pursue own interests), and performance measurement (e.g., introducing SD-related KPIs). Although this might be due to the influence of the previous innovation practices, we consider this as an inevitable consequence of the very nature of organizations that always necessitates

routines and structures. This may also explain why most innovation capabilities eventually become core rigidities (Leonard-Barton 1992) and require occasional myth debunking (e.g., Cooper 2008).

Service logic is a central concept in service research, and there has been intense debate on what constitutes service logic (e.g., the debate following Vargo and Lusch 2004). However, the process by which a new logic in itself materializes in and among service ecosystem actors has received much less attention. Paradoxically, this issue is primarily addressed within the servitization literature due to the idea that the adoption of service logic is most challenging for manufacturing companies (Kindström, Kowalkowski, and Sandberg 2013). However, as Vandermerwe and Rada (1988) argue in their seminal article, service organizations, particularly large banks and telecommunication companies, also face the challenge of logic transformation. Our study contributes to service research by developing a model that describes the process of logic transformation in a large service organization and by demonstrating how SD methods and tools that carry a shared logic may be highly instrumental in facilitating such transformation.

There have also been calls within the field of service research for more empirical studies on the role of institutions in service innovation (Vargo and Lusch 2016, 2017). In response, some researchers have already started to focus on resource integration in service ecosystems through the lens of institutional theory (e.g., Edvardsson et al. 2014; Koskela-Huotari et al. 2016). Yet, the complexity of the institutionalization process that leads to new service ecosystems and new practices of resource integration is likely to vary significantly between actors. As our study shows, for large organizations, this process is highly complex, evolves over the years, and is best understood through combining the lenses of institutional work and institutional logics. By focusing on the microfoundations of institutionalization

(Powell and Colyvas 2008), we identify how and why institutional logics, necessary for value co-creation in service ecosystems (Edvardsson et al., 2014), are created, maintained, and disrupted. Acknowledging the role of individuals, recent studies have mainly suggested two types of processes of institutional logics change. The first is characterized by the intentional efforts of institutional entrepreneurs to strategically configure and reconfigure existing logics (e.g., Dalpiaz, Rindova, and Ravas 2016; Spicer and Sewell 2010). The second describes institutional change as emerging "accidentally" from situated improvising by practitioners who carry different logics and try to cope with novel complexities (Smets et al. 2012). Both types assume the availability of distinct logics at the field level (e.g., in the service ecosystem) that either coexist or collide at the organizational level. In contrast to previous research, we found that the organizational logic itself contained the potential for its own transformation. It both constrained and enabled organizational members who, by acting for personal reasons that were coherent with the organizational logic, eventually disrupted it. This process was characterized by discontinuous changes resulting from personal revelations rather than by gradual, controlled adoption.

Managerial Implications

Instead of expecting immediate outcomes in the form of new services and more satisfied customers, managers who experiment with implementing SD should prepare for organization-wide transformation that includes changes in employees' mindsets and routines. As our case demonstrates, the success of embedding SD in an organization depends on the employees' understanding of the value of SD principles and tools. This understanding is necessarily a result of first-hand experiences with the intended application of SD, but existing institutions that typically favor performance orientation and formal, linear processes hinder

such an application. Top management can overcome these hindrances by encouraging the creation of a SD-based corporate language, by realigning KPIs with SD principles and objectives, and by providing room for experimentation. Specialized training in the form of workshops is particularly valuable in familiarizing managers and employees with SD and in stimulating organizational vocabulary change. In fact, such training can be more effective in diffusing SD in an organization than hiring external designers. Employees' revelations that result from their personal experiences with SD can further ensure a smooth transition from a rigid shareholder-value-focused firm to a more flexible customer-centric and design-driven organization.

Future Research

An important future research direction is exploring the intriguing link between SD, institutional logics, and service-dominant logic. Vargo and Lusch (2004, 2016) use the rhetoric of the institutional logic perspective—both implicitly and explicitly—to contrast the so-called "goods-dominant logic" (GDL) and "service-dominant logic" (SDL). The authors' notion of GDL is analogous to what Thornton, Ocasio, and Lounsbury (2012) name "institutional logic of market" and what Prahalad (2004) calls "the dominant logic of the traditional value creation process" (p. 174). In addition, the principles of modern SD closely correspond to SDL's axioms (Kimbell, 2011; Morelli and de Götzen 2016; Wetter-Edman et al. 2014). A rapidly growing interest in SDL as a logic that is network-centric and experience-focused (Lusch and Nambisan 2015) indicates its potential to become institutionalized in the near future. Considering the coherence between SD and SDL, SD's diffusion among organizations may become a strong driving force for the institutionalization of SDL, extending it from the theoretical domain into practice. Essentially, SD stimulates the

overt micro-level processes of mobilizing discourse and legitimation that challenge the existing GDL-based organizational symbolic constructions and material practices. At the same time, SD offers numerous tools that are congruous with SDL and allow taking a holistic perspective on the actor networks (e.g., Patrício et al. 2011; Stickdorn and Schneider 2012). This provides the basis for the covert micro-level processes of experimentation in innovation practices that eventually result in new SDL-compatible organizational routines. Investigating these SD-induced processes of the institutionalization of SDL among a wider system of actors may provide valuable insights about the dynamics of value co-creation and contribute significantly to theory development within SDL.

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Table 1. Data sources: The descriptive characteristics

Source	Amount	Period
Interviews	*64*	2012–2016
Participants in the Service Design Academy (SDA)	30	2014–2015
Directors	11	
Project/program managers	12	
Telecom-related experts	4	
Internal advisers	3	
Stakeholders of the SD-based innovation project	8	2016
Project members	2	
Directors/functional management	5	
Top executives (level 1 and 2)	1	
SD team	8	2016
Innovation managers	18	2012, 2014
Participatory observation		
HQ meetings (SD-related), weekly	84	2014–2016
Project meetings, every second week	18	2015–2016
Global all-hands meetings (CEO- and executive VP levels)	20	2014–2016
Strategy meetings (VP and senior VP levels)	Sporadic	2012–2016
SDAs across the company, 40 participants each	10	2014–2015
General executive management session (introduction to SD)	1	2014
Innovation workshops	2	2014, 2015
Archival records		
Project reports on the CJF	40	2008–2016
Strategic presentations CJF	20	2008–2016
Strategy documents (global, marketing, and innovation strategies)	6	2012–2016
Global and local organizational culture assessments	1	2014
Global intranet news	Sporadic	2012–2016
Facebook@work (Interest groups on SD, innovation)		2016
Informal conversations with key stakeholders across operations	*>200*	2012–2016

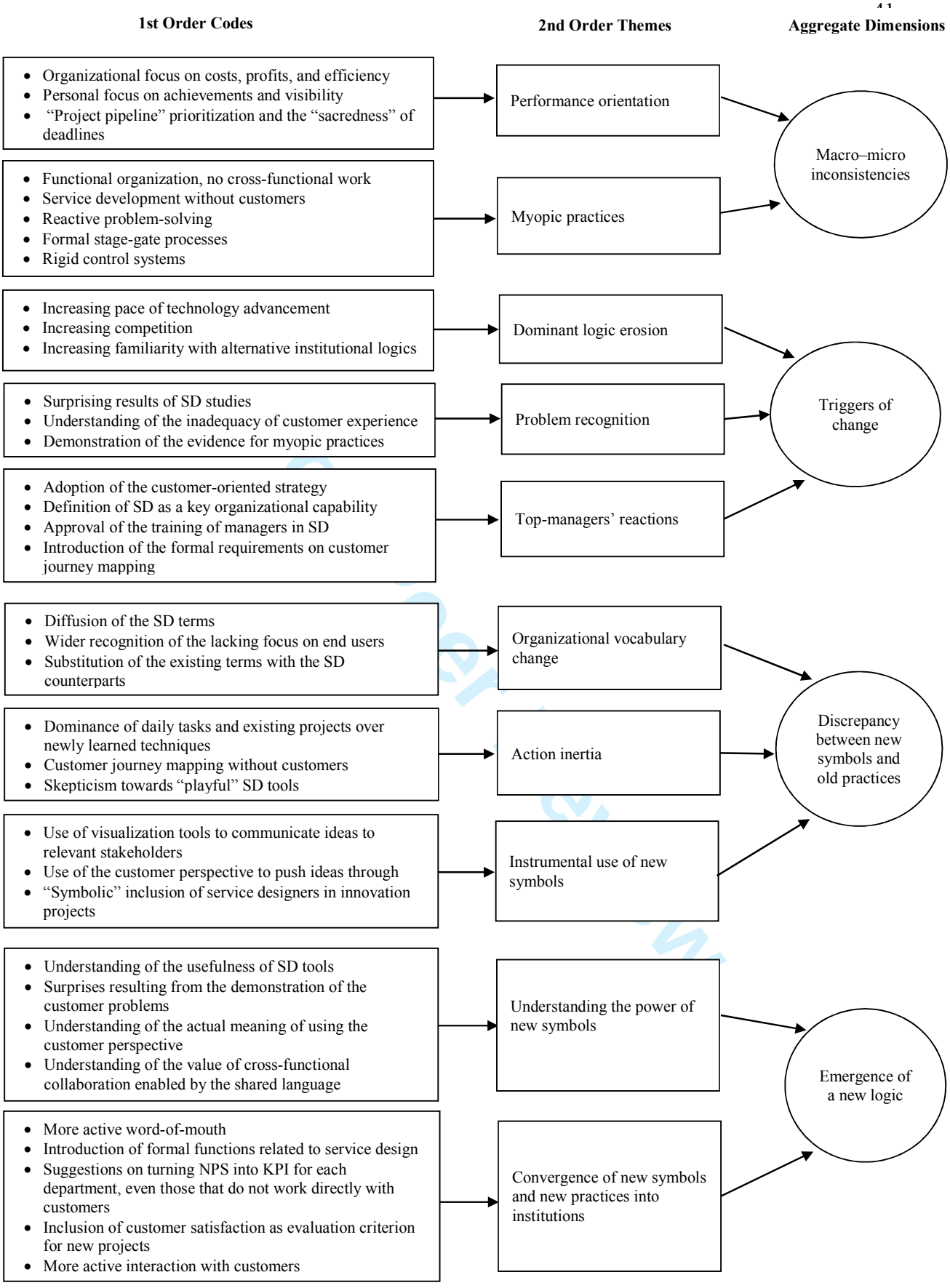
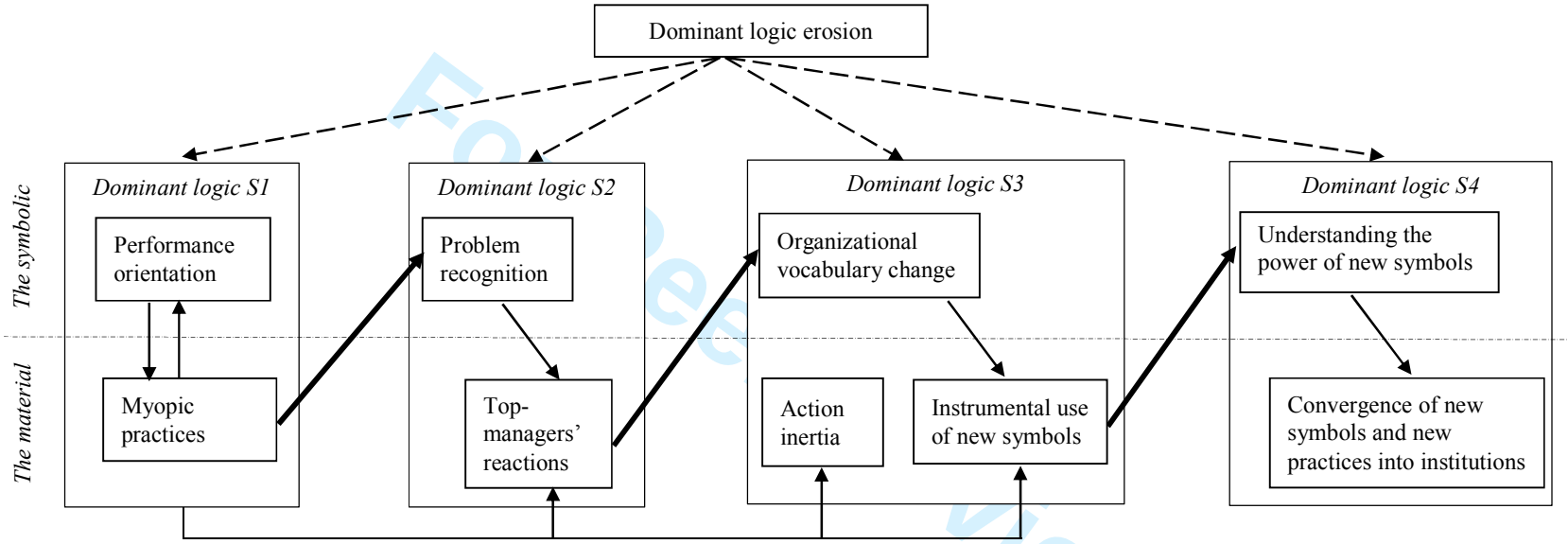


Figure 1. Data structure

Table 2. Representative quotes supporting the data structure

Theme	Representative quotes
	Macro–micro inconsistencies
Performance orientation	"Our organization is used to thinking from the profit perspective as a simple truth." "Deadline is sacred. It sits in the minds, and the mindset is connected to money. We should show that a new business case can save money or bring new profits." "When you develop new projects, there are many people sitting and controlling whether you have done that and that. Checking 'done,' 'done,' 'done' at every single gate . . . These are important milestones in the project delivery, and we have to think like that all the time."
Myopic practices	"Often, we use ourselves as customers when we try to develop our services." "We talk inside the company but rarely to customers outside. When you are sitting on a specific touchpoint, you know just this touchpoint." "The product development was more a reactive mechanism. Once the products had gone to market, we used to test them and see if there were any problems with them." "If some customers complain about the quality of the network, they can actually get a lower speed. You do not go and spend several thousands on one customer. Taking down the speed is the easiest and cheapest."
	Triggers of change
Problem recognition	"We believe that we know the customer. But when we talk to the customer, we see that it is something else that is relevant!" "It's good to be project-oriented, but it does not mean that you will get a good product." "Even if we get new people, the culture is there. . . . It requires a major change if we are going to use service design more actively."
	Discrepancy between symbols and practice
Organizational vocabulary change	"It is formally written that we are going to become loved by the customer, so everyone talks about customer friendliness." "People are talking a lot about customer journeys, and they are talking much more about the customer." "Customer journey becomes a shared language—when I was recently on a meeting and someone used it in a draft, suddenly I recognized it."
Action inertia	"We draw some customer journeys, but we do not involve customers in the process. . . . In a busy everyday life, we have to focus mostly on what we have to deliver because, at the end of the day, only deadlines are important. And the projects in a pipeline." "It is a tough ambition to become loved by customers. I feel that so long as it does not affect profitability and it is about making some small things more user-friendly, it is ok. But if you try to make big projects of this type, you will be stopped. The existing system does not allow it. If something costs more than it tastes, we'd rather not do it."
Instrumental use of new symbols	"We used the tools to show to the management what we wanted. We used different kinds of visualization before and it was still not clear enough. But when we made one with the customers' point of view and one with the company's point of view, it became very clear to them what should be changed and what should not be changed. " "SDA has given us tools to communicate things to stakeholders."
	Emergence of a new logic
Understanding the power of new symbols	"It's the fact that when we have talked with the customer and gotten evidence from the field studies, then it's not easy [for the management] to argue against it."

Theme	Representative quotes
Convergence of new symbols and practice into new institutions	"When managers saw the existing customer journey for the first time, they were shocked that customers had so many problems without them knowing it . . . they realized that they make so many offers, so many products, and they are so revenue-centric that sometimes you need to stop and get the customer perspective." "After we used the visualization tools and the customer journeys, we realized that we are not competitive enough and do not deliver a wow experience that makes customers choose us." "Before launching new services, we do the entire emotion mapping and persona building as we learnt at the SDA and then we present them to our stakeholders." "We are now talking with customers directly one-to-one, and the customers themselves appreciate it. We probably have a smaller sample size, but we can really dig more into it." "We synthesized the insights—now we involve different stakeholders in the organization and use storyboards to sketch new opportunities together." "It is wrong to design experiences internally . . . We now have a person responsible for drawing customer journeys and working more with customers." "It is incredibly important that the entire ecosystem is involved—from programmers to marketers. You get a common understanding of what the customer problem is, and you get lots of energy in finding solutions together." "If anyone had asked me one year ago about the meaning of doing prototyping with customers, I would have definitely not given priority to it within my area. Today, I support this way of working in almost every case."



Note. S1, S2, S3, S4 are states of organizational logic

Figure 2. Theoretical model of organizational logic change

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