Why Service Design ?

In sequel with the service strategy where numerous suggestions, presentations and board meetings where held to shape the business goals , this second manual concentrates on how to transfer those well planned strategies and business management goals devised inside the four walls to the papers .In short it is a blue print, DNA of what the future of the business looks like . Activities such as License and Agreements that we 'agree' whenever installing a new app on our tablets, Service Level Agreements that we sign in the offer letters, Limited floor access of our id cards at offices due to information security measures are all extensively developed, designed and detailed to precise for the future enhancements in this phase

Service design has itself a life cycle to it which begins with its process , and end with measuring the metrics gained through the process , there by carrying it on to the next phase , service transition where all the holistic systematic changes of the organization happens in order to improve the business further.

To understand that block buster faced problems in its design phase its important to go through the overview of service design that is illustrated in the simple diagram .

Scope of Service Design :

Figure: Scope of Service Design

By now one can infer that it suffered in the very first objective of service design that is in mapping the compliance of 4 ps .

People: Are the people involved in the business (workers, managers) aware of the business goals ? Do the people who receive the benefits of the products(customers) are satisfied for its value ?

Products :Is the product outcome as expected as planned and devised ?

Process :Are the processes are on track with business policies ?

Partners : Are the partners get what they want ?

A wide misconception and a common mistake that people in the business make is to set the whole objective concentrating one 'P' and believing that it would automatically manage the compliance of the rest of the P's involved . Block buster exactly did the above . It was extremely satisfied with the idea of "DVD Rentals" (product) delivered to the customers (people). And it outright miscalculated that People (customers) will remain just happy as they were on the day 1 when they first walked into the store .Inevitable customer change and that is the ultimate drive of any business to flourish. It also missed out devising a customized policy covering its process .Unfortunately , blockbuster followed a traditional well-oiled business policy with legacy process and policies that does not match the needs of the product they deliver ,which makes the company to underestimate the drive of partners (suppliers/contractors/business partners) and their relations .

Blockbuster Path to success

But how come a business model with a defective design phase attain success at all after its launch in the first place?

As the former CEO of Blackberry recalls in an Times Interview about blackberry's failure "We are singled out ,because of our success " ,block buster was a lone lion in its own territory ,for a while at least ! [1]

It delivered a product that was long dreamt by the customers . World was slower then and digitalization was still in its embryo. Almost everyone irrespective of age ended their exhausting day at work or family get togethers or play date sleepovers with a movie they rented . Not only the remarkable idea, Block buster's traditional yet partial service design objectives initially quenched the thirst of the necessity at that time . They did follow a simple buy-go-comeback model of product distribution which was an instant hit. Refer the bulleted design objectives that are ranked on the order of importance given by blockbuster contradicting the way it should be as with ITIL architecture .

1.Quality[2] : Blockbuster DVDs are of original quality directly leasing from 'The Weinstein Company'. It strictly restricted itself to family friendly collections ,building up a business value to that of family chain businesses which in turn built their brand value among the public.

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[1] Allen Tsai, News Desk (The True Story behind the rise and fall of BlackBerry. Retrieved from http://2machines.com/184127/

[2] Business model .Retrieved from https://en.wikipedia.org/wiki/Blockbuster_LLC#Business_Model

2.Consistency : It had a wide collection of movies ,ranged for all ages. their competing rental companies

3.Cost Effective : Comparing other rental video companies at that time , Blockbuster was considered affordable by most of the customers. People are offered to rent a newly released movie for a one time flat fee of $65 while others priced the same ranging from $75-$100.Without a question, people waited for blockbuster dvd movie releases. Seasonal offer prices were much lower and made attractively as low as 3.99$.

4.Adaptation : They followed the idea od "depth of copy" which is stacking up large volumes of movies in demand and widely promoting it. Other than that, In stores, Customers were shown "recently viewed by others" list to let them try new genres which made them to buy fast going movie DVD's. Blockbuster stick to the idea of holding up new movies as DVD's at a lower price during the initial period of release. Movies that were more than an year old was titled as "favorite" movies and was promoted to boost the sales of old movies .

Problems with current scopes of Blockbuster and Need of v3 Service Design:

From above, it is clear that Blockbuster did all it could do in terms of service design objectives with respect to People and Products but completely blindsided on Process and Partners . That is why when blockbuster actually started to feel the problems one by one , it was extremely difficult for them to change the basics of underlying process and policies of the company which the entire deck of cards were built on and with no choice left, when they attempted replacing the base card(policy and process) the house of cards started falling apart within a short period of time.

Hence it becomes essential for a business architecture to be flexible, adaptive at any point of time . Service design of v3 suggests the same with more enhanced features. It allows the organization to review its decision within the phase itself before proceeding to the next phase.

Refer the flow of service design template of v3 for a profound understanding.

Overview and Outline of Service Design Process :

Itil v3 suggests following set of processes to be carried out in the service design phase :

Service Level Management -Define the goals, document the requirements, Agree the terms ,monitor and measure the metrics achieved

Capacity Management -Understanding the financial resources of the organization and mapping the resource needs relevant to the demands

Availability Management – To ensure design and plan comprises all parts of services and continuously monitoring the availability requirements and documenting the managements events that needs immediate attention with respect to the ongoing process.

IT service continuity Management – To understand the fact that IT expenses are actually an investment and making the it enabled service, operations interconnected with each other under business timescales .To predict risks, and evaluate best of methods to apply in times of jeopardy .

Information Security Management– To ensure that the required data is available to all the resources whenever required and to consistently maintain the data integrity ,confidentiality and authenticity through various intensive security control measures

Service Catalogue Management -Responsible for designing and developing service level agreements, requirements ,operational level agreements, related analysis on accuracy of information to be carried over to the service operation processes.

Supplier Management -To generate a value for money with all the parties involved, to consistently in compliance with the agreements, contracts, knowledge of process life cycle, trends and behavior of the company .

Role of Service Design Organization :

For best results of service design ,it is important to allocate the process duties to the suitable people within the organization .ITIL v3 elaborately define the roles and responsibilities of the process involved on the whole life cycle model . With this definition ,lets approach the problems that we identified in the problem statement to each of the service design roles who had been there in the first place would have now averted the crisis.

Process Owner :

The main role of the process owner is to take care that all the ongoing process are performed as per planned and designed. He is responsible for documenting, reviewing , monitoring , assisting and enhancing and promoting /publicizing the process in the future. He evaluates the key performance indicators (KPI's) otherwise can be simply put as the process perks. He participates in the service plan , eligible to suggest improvising and innovative details that could enhance the product and he bridges the gap between the management and the staffing requirements.

Applying the role of process owner who is in compliance with itil v3 design flow to our scenario, for example , process owner of the Service Level Management who takes care of mapping the business goals to IT service goals , reviewing and monitoring plans , should

have identified that the business goals are blindsiding the feedback that they are receiving from the customers.

To support this analysis further its essential to learn the quarter results issued by the company during the downfall time. Blockbuster in 2007 started the mail-in video rentals to compete with the then small start up Netflix. With an established brand value already and through huge advertising its new yet late feature ,it was not quite challenging for them to achieve what Netflix done in a short span of time . Even the company announces that they have exceeded their performance and achieved 2.2 million of customer more than the targeted 2 million of customers at the end of the 3rd quarter results. 3 years after this the company files for bankruptcy .

So , Were they achieving results ?, Yes !

Was it fruitful ?,No !

Because, the process was not well defined as a result of poor SOA governance and reviewing , the final outcome was not in balance with the current trends especially what customers actually wanted , despites its results, it has left with no choice.

In the article ,'Mapping of interconnected SOA Governance on ITIL V3' (2011) the authors discuss the role of soa and its governance . They believe that partial or less governance of soa in an organization would eventually end up in failure as companies with no soa suffer in terms of coming up with a systematic process to manage service- an evaluative analysis to decide which process is generating what volume of outcome and how significant is the outcome to the business goal . Had the concerned process owner in the team have reported a revised plan of soa governance , an improved service plan that weights the measures of the process outcomes ,blockbuster would have predicted its policy flaw . From this ,we can infer that business like blockbuster whose profits are proportional to customer relations would need to revise their interactive evaluative validation of processes periodically to know better about their current progress ,a panoramic view of business instead of one sided approach.

Success Example of current Scenario : After 2008 market crash , Bank Of America ,reviewing its quarter results, consolidated all of its tedious multiple user account types to 3 major accounts and removing the fee (late) for availing services from the customers after receiving a unanimous negative feedback that was reflected as an ephemeral lag in its stock price.

Service Design Engineer :

The main aim of the service design engineer is to effectively map the service strategy plans to design phase and to ensure co ordination between the services, process and its activities. One of the main perspective of service design engineer should be focused on the

future improvements with respect to the current architecture. Quality assessments, process measures are all an crucial part of this job.

Example : Lets analyze the Capacity Management Process of v3 service design and apply the same to one of our identified problems.

Of many objectives of capacity management process, important one is to map the financial resources to the business needs and current IT trends .During the time of shut down the company had 8000 physical store locations plus 1000 warehouses (for online and mail rental system) . When Netflix invested its ¾ of the financial budget in reforming its architecture, unfortunately blockbuster had to spend nearly .half of its revenue for its store infrastructures and leasing contracts.

Had it focused on the process level requirements and activities of capacity management , analyzed its source of income , or to the least identifying the flaws would have made things a lot more easier. The author of the paper ,'Rethinking Capacity Management' (2016) suggests few innovative techniques to improvise the financial resource allocation of an organization including adapting a customized measuring tool to evaluate the efficient usage of finances towards the business goals.

Successful comparison of the current problem : Costco Whole sale retailer

Costco which was first established as in store only was able to successfully capture the online market with respect to the increasing demands, instead of setting up a separate warehouse for online and physical stores like blockbuster ,it stacked up the products at the in store locations to suit both online and in store purchase needs due to its flexible service design plans which exactly knows what ,where and how to improvise without disturbing the current plans.

IT Planner & IT Design Architect : Blockbusters #1 Mistake

This is one of the most sort out job of it enabled services in most of the companies today as it is solely responsible for connecting the company to the digital world . Such an effective job staffing would have probably changed the fate of the company for good. As an ideal db architect, he would have pointed out the future trends , demands of digitalizing ,would have analyzed number of technologies that suits the customized needs of blockbuster digitization saga.

Counteractive Suggestions from IT Service Continuity Management :

As the template of ITSM (v3) suggests ,the role of IT planner and designer must meet all of the below bulletins :

- What are the current trends ? Do our product eligible for the current demands of digitalizing. Apparently there is no need of digitalizing a inappropriate product.
- How cost effectively can I implement the technology to the product? (DVD)
- How the implementation will impact the current stand of the product ? Will it have a positive or negative effect, if so how effectively can I measure it (feedback/surveys if any)
- How distinctive can I make the digitalizing from the competitors?
- What is the stability ? How long the current demands sustain, do the reform be flexible enough to suit the future needs after all ? (what is the future of my business with that of the future of the digitalization,as there is no point in changing forms frequently)

Addressing all the above questions of ITSM,the IT team of blockbuster would have arrived at a fruitful case scenario. Or to the least , an IT planner would have predicted that the current architecture is prone to vulnerability day after day .Block buster not only failed to gear up for the current trends and need at the right time , but also failed to predict the major changes which is one of the biggest drawbacks of the business . Finally when the ceo of Blockbuster started picking up the pieces ,it was too late to see any positive changes. When he cut back the late fee of the videos , a loss of 200$ million dollar revenue was estimated and a reinvestment of nearly the same amount was required to spend on digitalizing the product. Thus Lack of importance of service design knowledge and the poor performance of IT Planning and designing team made a significant contribution to its downfall.[3]

Supplier Manager :

The role of a supplier manager as defined by the service design phase is responsible for maintaining a good relationship with the inventory suppliers , partners, contractors or any such 3rd party vendors . Through knowledge of service level agreements , legal patents, contracts ,periodical reviews of the contracts, renewing and updating ,ability to knowledge transfer the essential abstract details of the slas to the parties involved are some of the top preferred constraints of a supplier manager.

As deteriorating as it sounds, Blockbuster had a inefficient supply management team which was evident when Netflix sued blockbuster for patent infringement [4] soon after the company launched its first online rental system in 2004 . I 2007 one of the company's largest franchise operators ,Southern Inc sued blockbuster claiming that the new plans of blockbuster have significantly affected their instore purchases in turn violating the

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[3] Forbes,Author Greg Satell (September 5 2014) Retrieved from
http://www.forbes.com/sites/gregsatell/2014/09/05/a-look-back-at-why-blockbuster-really-failed-and-why-it-didnt-have-to/#8c9b50261ab7
[4] Wikipedia .Retrieved from https://en.wikipedia.org/wiki/Blockbuster_LLC#United_States

group's franchise agreement . This clearly shows that the company was not transparent or communicative enough about its future plans with its own franchise operators .

Suggestions from Service Design :

The process of supply management under the service design clearly defines the do's and don'ts of this important process to avoid the complications suffered by blockbuster . It suggests an exclusive in phase life cycle for the supply management activities to be clubbed together to ensure that the products and services of IT are not violating any sla's let alone policies ,that were planned and devised in the service management . It gives a flexible template with informative terms such as

Maintaining a Supplier and Contractor Database (SCD): Knowledge of both parties .

Service level agreements /requirements (SLA/SLR) Are the terms and conditions flexible enough ?

what are the limitations with respect to the recent changes?

Are the parties aware of it ?

Agreements of shared risk and award : Ratio of sharing the future risks and profits with the partners . This is a notable factor ,because blockbuster couldn't share its loss with any partners .

Conducting frequent reports /meetings with contractors to estimate and forecast the future relationship with the company.

Had Blockbuster simply followed the above template and check list provided by service design ,much of its agony would have been averted .

Influence of RACI Matrix in the design phase :

Besides the above definitions and suggestions , the ITIL suggests a highly efficient job measuring tool to be incorporated in the business architecture ,to enhance the growth of the process and activities in the right directions. It is extremely necessary to interconnect all group of workers with independent work agenda to achieve the common goal together.RACI matrix achieve this with its 4 important measures.

Figure: RACI Matrix

Need for organizing Service Design :

Although efficient due to the extensive coverage of details in the design phase, it is essential to assign suitable persons to the jobs depending upon the roles and responsibility. For this , V3 itself suggests the measuring metric model called RACI

R as in Responsible as to choose who to do which job , how effective the person can deliver the job ?

A as in Accountable- ITIL suggests that only one person should be accountable for the job done .

C as in Consulted : Opinions and advice matters .Be it as a technological professional or SME , whom to sought the advice from

I as in Informed : After the task done , whom to inform, and keep them updated.

Example : A team mate is responsible for completing a job . Despite the team work, team lead is accountable for the performance of the task .And Subject matter expert (SME) is consulted for the whole task for any improvisations .During time of jeopardy or complication or blow out , keep the executives informed about what is happening or informing them after accomplishing each milestones periodically so that the execs can be in position to estimate the progress of the project .

Almost all companies have this informative interactive raci matrix to track who does what and how far is the goal .This matrix provides information with a cubic perspective as per the view of the designated person.Hence a successful incorporation of RACI matrix inside the service design architecture is itself a productive step towards the goal .