The Service Oriented Enterprise™

...powered by customers

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Founder / Chief Inspiration Officer
A Story in 3 Parts

• Why Service is important to the economy and your job future
  • Need for new skills and education
• Definition of Service – Thinking differently
• Understanding the power of relationships
  • How did this research journey begin
• Servitization and the evolution of Services
• Smart Services and the “Services Oriented Enterprise”
Service-providing industries are projected to account for the most job growth between 2008 and 2018. In goods-producing industries, employment is projected to stay about the same over the decade. This is due, in part, to increased demand for services and the difficulty of automating service tasks.


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How many jobs were created or changed by new Services?
**World’s Large Labor Forces**

*A = Agriculture, G = Goods, S = Service*

<table>
<thead>
<tr>
<th>Nation</th>
<th>Labor %</th>
<th>A %</th>
<th>G %</th>
<th>S %</th>
<th>Service Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>25.7</td>
<td>49</td>
<td>22</td>
<td>27</td>
<td>50%</td>
</tr>
<tr>
<td>India</td>
<td>14.4</td>
<td>60</td>
<td>17</td>
<td>23</td>
<td>28%</td>
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<tr>
<td>U.S.</td>
<td>5.1</td>
<td>1</td>
<td>23</td>
<td>76</td>
<td>25%</td>
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<tr>
<td>Indonesia</td>
<td>3.5</td>
<td>45</td>
<td>16</td>
<td>39</td>
<td>35%</td>
</tr>
<tr>
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<td>3.0</td>
<td>20</td>
<td>14</td>
<td>66</td>
<td>21%</td>
</tr>
<tr>
<td>Russia</td>
<td>2.4</td>
<td>10</td>
<td>21</td>
<td>69</td>
<td>39%</td>
</tr>
<tr>
<td>Japan</td>
<td>2.2</td>
<td>5</td>
<td>28</td>
<td>67</td>
<td>38%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>1.6</td>
<td>70</td>
<td>10</td>
<td>20</td>
<td>30%</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>2.1</td>
<td>63</td>
<td>11</td>
<td>26</td>
<td>30%</td>
</tr>
<tr>
<td>Germany</td>
<td>1.4</td>
<td>3</td>
<td>33</td>
<td>64</td>
<td>44%</td>
</tr>
</tbody>
</table>

CIA Handbook, International Labor Organization

Note: Pakistan, Vietnam, and Mexico now greater than Germany (since 2005)

**US labor force shift to service jobs**

The largest labor force migration in human history is underway, driven by global communications, business and technology growth, urbanization and regional variations in labor and infrastructure costs and capabilities.

[Graph showing the shift from agriculture to service jobs]
**Agricultural sector**

*Agriculture* (a term which encompasses farming) is the process of producing food, feed, fiber and other goods by the systematic raising of plants and animals. Agricultural output is a component of the GDP of a nation.

**Industrial sector**

*Industry* is the segment of economy concerned with production of goods (including fuels and fertilizers). Industrial output is a component of the GDP of a nation. It includes mining and extraction sectors.

**Service sector**

*A service* is the non-material equivalent of a good. Service provision is defined as an economic activity that *does not result in ownership*, and this is what differentiates it from providing physical goods. It is claimed to be a process that creates benefits by facilitating either a change in customers, a change in their physical possessions, or a change in their intangible assets. Service output is a component of the GDP of a nation. The service sector includes farm and factory related activities.
From Transaction to Value Exchange – definitions of service(s)

Service (s)

The **application of skills and knowledge** (operant resources) for the benefit of another party. (Vargo and Lusch 2004a; 2006), *Service Dominant Logic*

*Or*

Service is any transaction of economic value that can not be dropped on your foot. “The Economist “ -2006

**Service System**

Service has a greater focus on the management of knowledge as an asset and the channels through which knowledge, information and signals flow.

Therefore, a **Service System** is a dynamic configuration of value co-creating resources that includes people, organizations, shared information, and technology connected holistically and organized to create new value outcomes by optimizing the creation and use of skills and knowledge for the benefit of others.

**Service Value Network**

A (service ) value network is a web of **relationships** that generates economic value and other benefits through complex dynamic exchanges between two or more individuals, groups, or organizations. Any organization or group of organizations engaged in both tangible and intangible exchanges can be viewed as a (service) value network, whether private industry, government, or public sector.

*Interpreted from: Verna Allee from ValueNetworks.com™*
How did this journey begin?

Curiosity: How do companies survive for 100 years, and why?
What if you were a Sparkplug Company?

And how do you survive for 100 years with drastically changing markets?
The electrifying history of Champion Spark Plugs

- 1907 Champion is established in Boston
- 1909 Launch of Champion X spark plug
- 1910 Champion moves to Toledo Ohio
- 1922 Champion established in Britain and France
- 1924 Champion enters the aviation market
- 1939 Introduction of revolutionary five rib insulator
- 1958 Builds most modern research and testing facility
- 1959 Introduction of zinc-plated finish
- 1984 Launch of copper-cored spark plug
- Today – largest designer and builder of ignition systems

Turns out, customer relationship is key for success and SERVICE is key to the relationship
Relationship Creates Value

Transaction: $ 
Interaction: $$$ 
Experience: $$$$$

Commodity
Packaged
Service
Experience

Prevailing prices for various coffee offerings

1¢–2¢ Per Cup
5¢–25¢ Per Cup
75¢–$1.50 Per Cup
$2–$5 Per Cup

Source: BusinessWeek 2005
**Relationships Drive Success**

**Goods to Services Evolution**

**Warranty**
- Cost of Manufacturing
- Quality Focus

**Value Add**
- Product Centric
- Homogeneous
- Product P&L

**Added Value**
- Heterogeneous and customer oriented
- Reduce Total Cost of Ownership
- Speed up productive use
- Services P&L

**Solutions**
- Current State for most product companies
- “Professional Services”
- Solves for business problems and technology issues
- Services P&L

**Powered by Customers**
- Customer centered business strategy
- Outcome Driven model
- Focus on customer success and value creation
- Technology enabled Business Innovation
- New economic models
- Enterprise P&L

**Relationship Intensity**

**Market Expansion**

**Data Nexus**
A Change in Global Economics

The Enterprise becomes a Service Value Network
Powered by Customers
Global Economic Shifts

Ag Economy

Industrial Economy

Service Economy
Economic Drivers of Business

- Powered by Labor
- Powered by Machines
- Powered by Technology
- Powered by Information
- Powered by Customers

...and the outcomes they demand
Business Innovation Shift

Product Centric

Outputs

Become

Outcomes

Evolve into

Solutions

Develop into

Relationships

Link up into

Partner Networks

Elements

Interconnect to become

Eco-systems

Customer Centric

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What do these have in common?
Tractors as a Service... increasing farmer success
Thrust as a Service – Data driven outcomes
Managing urban complexities as a service
Recognize these?
“Intelligent Travel Made Real”

Data from Over 50 million riders per day are processed by Cubic systems
Intelligent Travel Made Real
Over $10 billion dollars in fares per year are accounted for but the real value is data

- Data on passenger traffic
- Better urban planning
- Advertising space
- New non-government funding sources
Reducing health care cost as a service
Telematics for the customer and environment
Health management systems
3 Ways CIOs Can Address Crimeware-as-a-Service

For $13, hacktivists can use an online service to attack a company's website. Spammers can rent botnets for as little as $25, and $100 can get a cyber criminal 1,000 malware-infected host computers stationed in Belarus. Welcome to the world of crimeware-as-a-service. With prices like those, is it any wonder cyber crime poses an increasing threat to organizations?
Powered by Customers
The Service Oriented Enterprise

• We live in a connected world – real time smart sensors = DATA
  • Leads to smarter systems for smarter relationships
  • Leads to unexpected outcomes not imagined by the customer

• Relationship Driven Innovation
  • Works to optimize the customer success, not internal processes
  • Aligns the business to interests of customer success

• Focus based on outcomes that create value and enabled by:
  • Internet of things that enables more symmetrical exchange of knowledge
  • Products are designed and engineered to be delivered as a service system
    • SaaS, IaaS, PaaS, ZipCar, Google Glass (service systems)
The Enterprise becomes a Service System

- Product Innovation is not enough
  - Outcome innovation is the new value
- Financial success based on co-creating customer value
  - Sharing in customers success and outcomes financially
- Removes division of labor in organizations
  - Changes Adam Smiths' 200 year old model
  - Economic metrics & valuations change

New Skills and T-shaped people with cross domain skill sets are critical
T-Shape Skills Required in Complex Operating Environments

How T-Shaped are you?

T- Span

Sales and Marketing
Organizational Competence
Legal
IT
Customer Service
Risk and Compliance
Procurement
Human Resources
Global Understanding

Operational Expertise
Memberships / Authorships and Recognition
Education, Degrees and Certification
Tools and Systems Proficiency
Methods, Skills, Process Proficiency

T- Influence

- h-Index
- Sum Journal Impacts
- Likes for your Blogs
- Twitter followers
- LinkedIn connections
- LinkedIn Profile Views
- LinkedIn Endorsements
- Klout score

T-Stem

Courtesy of Dr. Lou Freund

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Why is change so hard?

**Evolution, Revolution or INNOVATION**

“it is not the strongest of the species that survives, nor the most intelligent, but rather the one most adaptable to change”  
Clarence Darrow on Darwin’s theory of survival of the fittest

“A revolution is not a bed of roses. A revolution is a struggle between the future and the past.”  
Fidel Castro

"If I had asked my customers what they wanted they would have said a faster horse."  
Henry Ford
One last note…

Social Innovation is form of Service Innovation

Light-the-world.org
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