

PA181 - Service Systems, Modeling and Execution

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Organization

- The lessons are voluntary
- Final project at the end of the semester to present knowledge
 - Related or similar to the presented case studies
 - The goal is to present own service



Content of the course

- ❏ Basic of Service Science
- ❏ How to model services (4-diamants model)
- ❏ Entrepreneurship ecosystem
- ❏ Business models
- ❏ Case studies
 - ❏ Energy market
 - ❏ Fuel distribution
 - ❏ Smart Grids
 - ❏ Smart Cities



What is service?

- services are processes, performances, or experiences that one person or organization does for the benefit of another
- In all cases, service involves deployment of knowledge, skills, and competences that one person or organization has for the benefit of another, often done as a single, customized job (Lusch & Vargo)



Characteristics of a service

- Services we speak about are information and knowledge intensive
- Output is intangible, hard to quantifiable and measurable
- Non-storable
- Lack of mobility
- Consumption runs simultaneously with the supply
- The customer is presented on the production
- Hardly specifiable



Basic Service Economy Paradigms

- Service is the fundamental basis of exchange
- The customer is always a co-creator of the value
- All social and economics actors are the resource integrators
- Value is always uniquely and phenomenologically determined by the beneficiary



Service is the fundamental basis of exchange

- The application of operant resources
 - The seller uses his resources to provide the service
- The basis for all exchange
 - There is not possible to simply exchange the product without using services or this possibility is only marginal
- Service is exchanged for service
 - Services are used on both sides of the market to finish the transaction
- Example: Credit cards transactions

The customer is always a co-creator of the value

- The role of the customer is interactional
- The customer can not be ignored
- Without interaction with the customer the transaction can not be finished
- Value creation is interactional
- Example:
 - You can not provide the cloud service without communication with the customer and analysing of his/her needs



All social and economics actors are the resource integrators

- Value creation is network of networks
- The sellers needs to buy other services
 - They are customers for other providers
 - They also participate on value creation
- The integration of the resources is kind of the service
- Example
 - Internet provider needs to integrate:
 - Wired infrastructure - rent from the other company
 - Power supply - from electricity company



Value is always uniquely and phenomenologically determined by the beneficiary

- Value is
 - Idiosyncratic
 - Designed for particular customer
 - Experiential
 - The knowledge and information are not static
 - Contextual
 - The combination of knowledge and information is unique in every particular case
 - Meaning laden
 - Client and provider should understand the meaning of the value (must see the value for both)



Advanced SDL Paradigms

- Indirect exchange masks the fundamental basis of exchange
- Goods are distribution mechanism for service provision
- Operant resources are the fundamental source of competitive advantage
- All economies are service economies
- The enterprise cannot deliver value, but only value proposition
- A service-centered view is inherently customer oriented and relational



Indirect exchange masks the fundamental basis of exchange

- The application of specialized skills and knowledge is the fundamental basis of exchange
- Service is provided through complex combinations of goods, money and institutions
- Service basis of exchange is not always apparent
- Example:
 - Operational leasing of the car
 - Car is seemed to be a prior goods
 - Prior is the service for the company - cost saving, additional services



Goods are distribution mechanism for service provision

- Goods deliver their value through use
- Using goods is the service
- We are not buying goods to own them but to use them
- Price difference is based on the difference of service the goods provide
- Example:
 - Two phones - cheap and expensive
 - Both provide the basic service
 - The more expensive one should provide more services including prestige (Vertu luxury phones)



Operant resources are the fundamental source of competitive advantage

- We speak about knowledge and information intensive services
- The services are provided by combination of specialized knowledge, ownership of information and combination of other resources (labour, capital)
- The comparative ability to cause desired change drives competition
 - Example:
 - Apple and iPhones - new way of communication



All economies are service economies

- Present economics systems can not exist without services
- Even developing countries are dependent on services
 - Example: Payments are done by mobile phones
- Services are now becoming more apparent with increased specialization and outsourcing
 - X as a Service, where X could be
 - Infrastructure
 - Software
 - Payment
 - Anything else



The enterprise cannot deliver value, but only value proposition

- Not only enterprise, generally every entity providing a service (provider)
 - School, university, state
- Provider can offer their applied resources for the value creation
- Collaborate on value creation following acceptance of value propositions
- Can not create and/or deliver value independently
- Example:
 - University and its study programs



A service-centered view is inherently customer oriented and relational

- Service is defined in terms of customer-determined benefit
- Service is co-created with the customer
- Only customer decide the final version of the service
- Co-creation is **inherently** customer oriented and relational
- Example
 - Development of the IT services
 - Always need to ask about the basic of the problem they are solving

Service modelling

- ❏ Service is some kind of action bringing some usefulness to receiver of this action.
- ❏ Purpose and/or goal of this action must be **the use** (usage) of the action results or outcomes
- ❏ Provided actions are strongly connected (related) to knowledge and information.
- ❏ Knowledge - information and final usefulness are positively correlated



Service proprieties

- ☒ Provider - somebody / something that perform the action and by this provide the service
- ☒ Client - somebody / something that receives results of this action
- ☒ Where somebody / something could be
 - ☒ Individuals
 - ☒ Organized group of individuals
 - ☒ Technology assembled and organized into value adding application
 - ☒ Any combination of previous items

Service proprieties

- ❖ Target is the part of the reality to be transformed or operated for the sake of client
- ❖ It could be practically anything
 - ❖ An individual
 - ❖ A group of individuals
 - ❖ An organization
 - ❖ Computer network
 - ❖ Technology
- ❖ It is the „source of the problem“



Service features

- A service can be one shot or repeatable
- Each service is connected with shared information
- Each service is connected with shared knowledge
- The key value is the performance (actions) of the services
 - Done now
 - Or promised in the future



Service system

❖ Provider

- ❖ Individual

- ❖ Organization

- ❖ Any of previous combined with the technology and/or piece of environment

- ❖ Technology that provider is responsible for

❖ Client

- ❖ Individual

- ❖ Organization

- ❖ Any of previous combined with the technology and/or piece of environment

- ❖ Portion of reality owned by Client

❖ Target

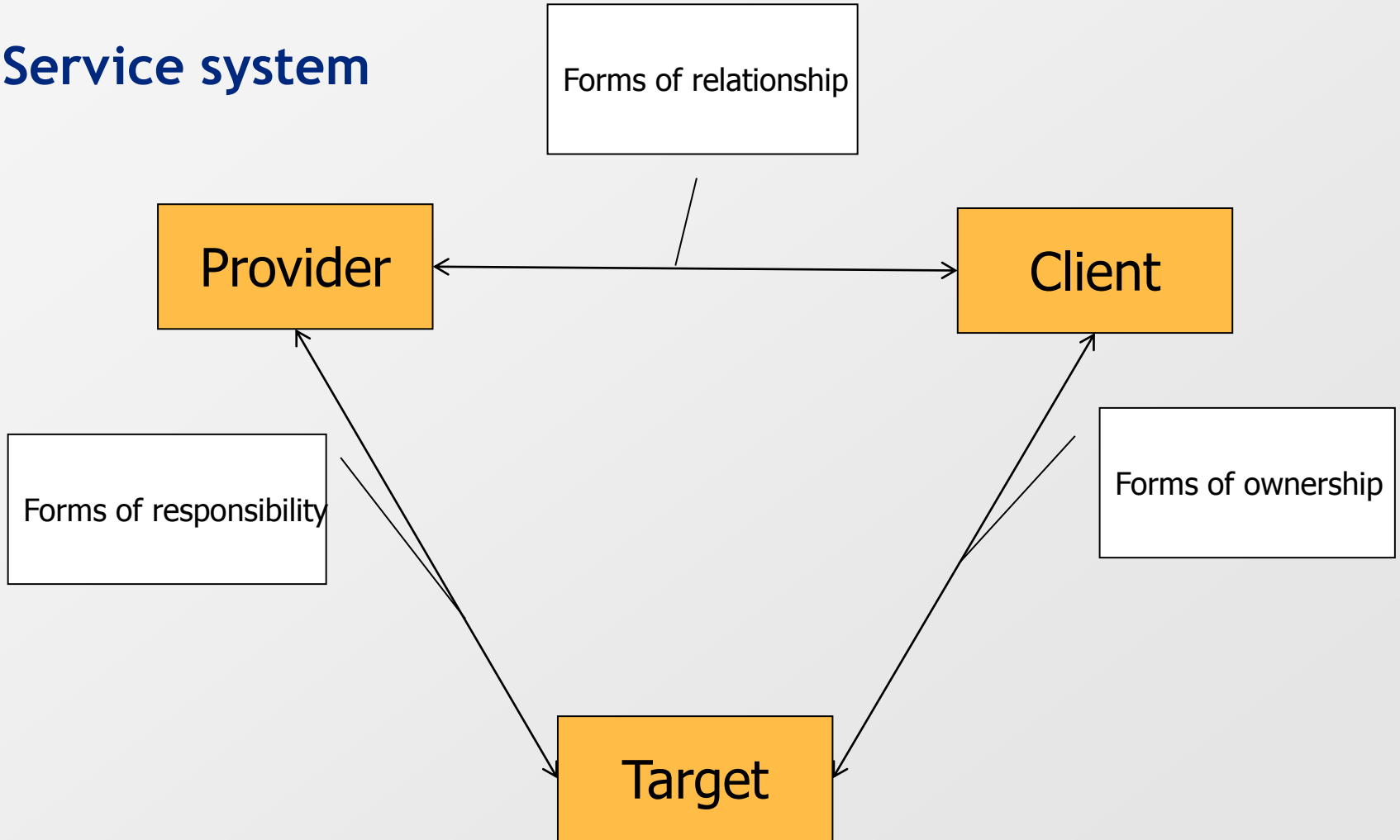
- ❖ The reality to be transformed or operated on by Provider for sake of Client

- ❖ People, dimensions of business

- ❖ Dimensions of products, technology artefacts & environment

- ❖ Information, codified knowledge

Service system





Client - Provider Relationship

- Information Sharing
- Knowledge Sharing
- Negotiations
- Balancing and establishing Value Proposition
- Repetitive reviewing of previous items
- In Mention Mode



Client - Target connection

- Client owns the Target
- Client owns rights to use and/or manipulate the Target
- Client has (owns) problem
 - Client recognizes a problem on the Target
 - Client is willing to invest to the problem solution
- The solution involves an operating and/or transformation of the Target
- Relation is in Use mode



Provider - Target Connection

- Kind of competence
- Provider knows and is able to operate on the Target
- Provider knows how and is able to transform the Target
- Provider understands the Target and is able to plan operation on transformation of it
- Provider improves in a way the Target for its better utilization by the Client (benefit for the Client)



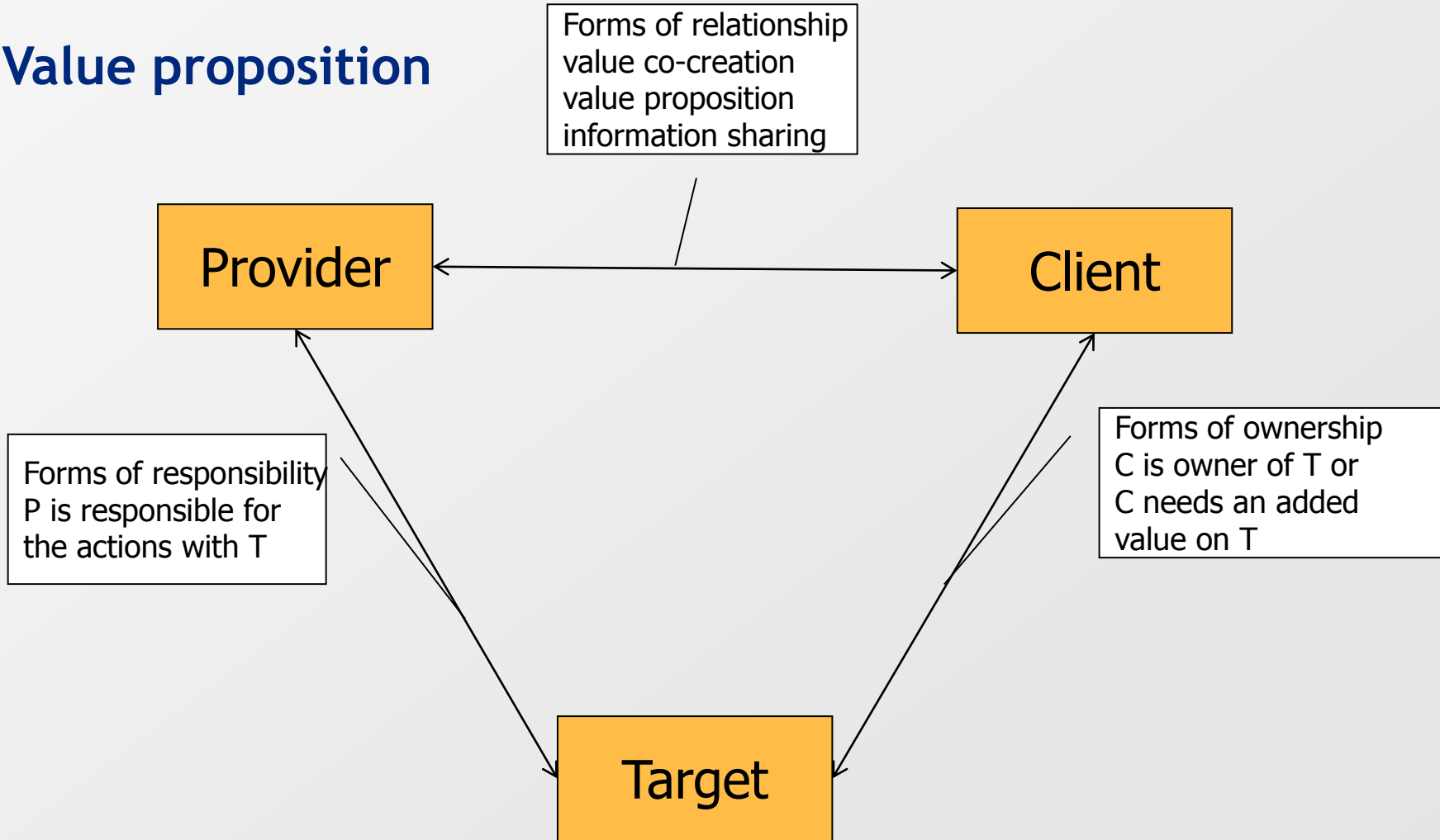
Value creation

- What is the value?
 - Sake of client?
 - The benefit of the client
- Value is strongly related with the target
- Value is created by both (client + provider)
 - Value is co-created
- Value can be created only if Client wants (or needs) an added value on Target
 - Identifying a gap

Value proposition

- The most important connection between C and P
- The offer done by provider to the client
- What he/she is able to do with the target to increase beneficiary of the client
- Based on
 - Knowledge about target
 - Information about client
 - Similarities on the market
- What we can do for what price

Value proposition



Mentioning and Using

➤ Mentioning

- To think about future actions

- What / how / who / where / when / why / for how much

- Negotiation between client and provider

➤ Using

- Use our capabilities to do some action to **bring a value**

➤ Duality between mentioning and using

- Each entity can mention, use or make both

➤ Project management

- Application of the principle of mention / use

Mention - Use

