An overview of Breakout Group Discussions

During the industry day conference, the delegates gathered as a service community into breakout sessions to discuss the learnings of the day. The overwhelming feedback was that it is great to hear from other companies about how they run and transform their service offerings, along with insights from a top academic research centre. Novel business models and many different technologies were mentioned during the day, as well as an impressive ability to sensor. This summary follows up on some of the topics discussed in greater detail by the four groups.

Challenges in services

When it comes to service operations and design there are many challenges and unanswered questions. The key question during the day, which was addressed by the presentation of Dr Veronica Martinez, was that of defining leadership and how to scale up services, and the challenges that poses. This relates to how to disrupt your own business model. Not only changing the **value proposition** once, but repeating the process constantly. There is a lot of impact on services expected, when it comes to **data**, hence a digital, as well as cultural, transformation is needed to accommodate and reflect the needs. All this within an always changing **organisation** internally, but as well using the wider **business ecosystem** to change the value proposition. And the new challenge and interesting input is the thought of **gamifying** the user experience. Below the discussion will be split into these areas.

Data

Is Data the new Oil? What real value will data bring to our companies? Data is now readily available. However, deriving intelligent properties from the data is challenging for most organisations. It is meaningless to have data available without the extraction and use of its meaning leading to business actions, which create value for the company and its customers.

To get to this point however new education and leadership culture is needed. The skills around digital transformation and the understanding of data are different to the business skills that were needed a decade ago, which is valid for all levels in the organisation. Data needs to be understood and be used to aid the competitive advantage of the company. The talks by Uber and Trackunit were taken as examples of how data can be used to help organisations to understand and further develop their competitive advantage in the market.

On a different level, thinking about assets and the data derived from sensors, we are now entering an age where we can define that a service failure is due to a lack of data integration. Many organisations are not this far yet, but the future is pointing in this direction. Many companies are turning ‘digital’, and towards the Internet of Things to achieve a seamless information flow from their assets to integrate services offerings and business models.

There were discussions around whether or not data can be seen as the key enabler to service transitions. Creating value propositions through the evidence of data may create

benefits for all involved in the service delivery, as an evidence of service as well as a general enabler to create value. The biggest hindrance for the use of data is seen as the talk about data ownership. Data ownership discussions should focus more on the benefits of sharing data and the humanisation of data (e.g. detecting trends). But from a law and protection point of view the question remains, 'what happens to ownership of data?'

Developing new value proposition

The description used by a manufacturing company investing in services is: 'investing money is being in the service market, having a product is the foot in the door of the customer!' However, when developing novel and strategic services offerings, the expectations for financial returns are high. For managers, it is complex to define benefits upfront, as well defining if the service value proposition is a success from the outset. Hence, a different approach is needed within the organisations to develop new value propositions. The questions of 'how do we define benefits upfront?' and, 'how do we define the organisation that is enabled to do so?' One example in discussion is 'which direction to take as an organisation?' 'What is the relationship between availability of services, e.g. spare parts and assets and cost?' Organisations would like to develop availability cheaply, but need to know what it is and how to define it legally, as well as how to organise it strategically.

Another discussion was around how to improve the current value proposition. The example discussed was how Uber constantly disrupts itself as well as traditional market models. The implications of this are not discussed often in society. A wider question posed was 'how should we deal with the people we are disrupting?', hence 'how should we retain wealth in the society, as well as with the people and workforce?'

Business model innovation

Attendees stated that businesses like Tesla and Netflix do not worry about intellectual property, which allows them to innovate faster. They focus on the business model and the speed of innovation. More traditional firms view innovation with their existing business in mind, as well targets / KPI's etc. It was seen that for many traditional businesses it is easier to just offer products. Even where competitive issues drive firms down the services path and they need to increase value based on market expectations.

The question that remains to be asked, is 'how we market new services that are interrupting the businesses?' Hence, 'how do we own and market a self-driving car, when the experience of driving is taken out of the equation?'

In the same way as with business models, we need to work closer with the customers to address needs better and reconsider offerings to customers. This includes defining and trying different types of co-creation, and building strong B2B relationships, allowing delivery of a better service.

Understanding your business ecosystem

There was an acknowledgement that, in the new world of services, the relationship with people is key to new business. This does not only mean to customers, but also to partners and suppliers. Using the ecosystem to innovate and to join and orchestrate what people do. One example mentioned was that Uber is including the driver of the car and his needs in the service process definition. Rightly so, as the driver has a central role in their business model. So the design of services needs to consider all stakeholders through the lifetime, and as well in the product design. For example, 'how do you get diesel on and off a ship when it is needed during its lifetime?', 'who is filling the tanks?' etc. Extending this, there is a part of understanding the company and customer culture as well. So, one of the challenges seen was to understand how to capture changes in configuration from customers to reflect value proposition and process.

Company internal challenges

Within the internal structures of companies one of the biggest challenges seen is that most companies do not have a try and fail culture, which was seen as necessary for a successful development of a service. There is the need for leadership that helps to transform, gets the vision and leads the team. The answer to this may be to have a transformational director or executive that delivers on a set service strategy, and can work against the cultural challenges. This feeds from a team that is enthusiastic about service delivery and has a service mind set.

One area that was discussed, was how to deal with investors of companies, and specifically how to communicate to them on progress and process, as well as on the potential cannibalisation of the product business, due to an increase in the service business. Traditional companies, like Siemens, experience more difficulties to replicate and to scale up, whereas for start-up companies, like Uber, it is easier to scale up as they are more digital. Traditional companies are more complex and rigid than Uber. Joint venture may be one solution. The main challenge is how to change the mind-sets of people. They have different employees and different customers with different acceptance of digital business and digital offerings. For customers, it is important to demonstrate the business case, and demonstrate the success to the customers. For employees, it is important to change the engineering thoughts and to find out the methodology, e.g. try and fail, designed thinking, customer based thinking, etc.

Risk

Risk is seen as different in a service organisation than in a product firm. The interesting observation was that a product firm has a lot more upfront costs than new products being developed, and hence more risk than service firms. When it comes to services, product firms seem to be less inclined to invest and take on risk. There are not many facts around who has grown services faster in recent years to know what they have done differently. But when it comes to taking on risk, people seem to do things the old way versus the new way in service

businesses. This is problematic; as without taking risks, and multiple iterations, it is difficult to develop services, and without failure it is difficult to learn. But, we are not allowed to fail. We should have more tolerance on failure. There is a general view that big versus small companies handle risks and decisions, as well as accept failure, differently. In a start-up company they are not breaking rules or taking risks, they just start up. In older organisations this is seen as very different. Everything seems to be connected and interlinked. So one good question is, 'how can you train the leadership to handle the risk?'

Gamification of services

One newer theme of discussion was the topic of gamification of assets and their use. For example, building a competition out of operating diggers and machinery within the quarry in the most effective way. Operators make it a game to be good at efficient use or if gamification goes wrong, make it a game to be bad. The incentivisation used by some of the company was that people can work towards a CV or better job postings if they are good. There are always more popular sites to work than others, for example, with less commuting time or not to go to the smelly landfill site for work when operating machinery. Organisations can use gamification as a means of monitoring performance in equipment, and improve the quality of the handling, if applied successfully. However, the question remains as to how you transfer this into other industries, or is this a success in other industries. Can you use gamification in Industry 4.0 / smart factories?

Overall the 'Cambridge Service Alliance – Industry Day' was well received and delegates took away learnings and actions for their next day in their organisation.