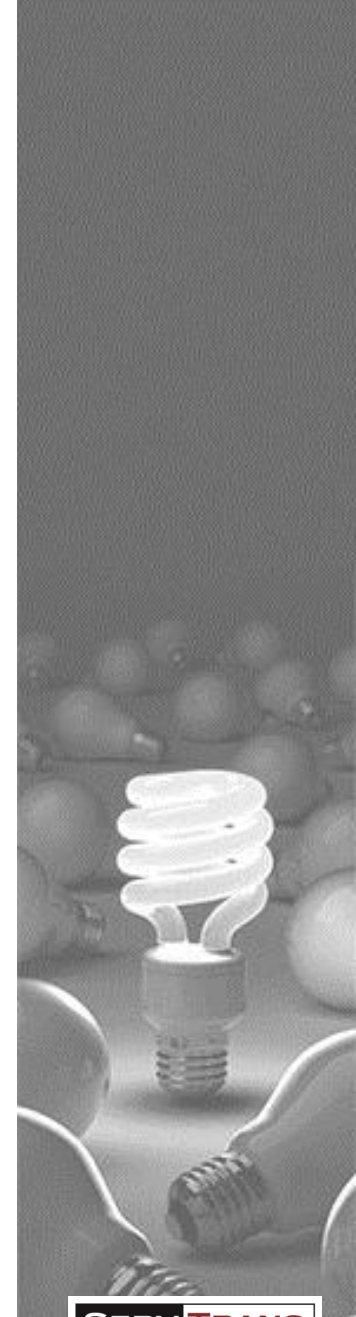


The World is Driven by Service and *...powered by customers*

UCSC Nov 2015



Douglas Morse
Founder / Chief Inspiration Officer



A Story in 3 Parts

I. Why Service is important to the economy and your job future

- Definition of Service
- Need for new skills and education

II. Economic Evolutions

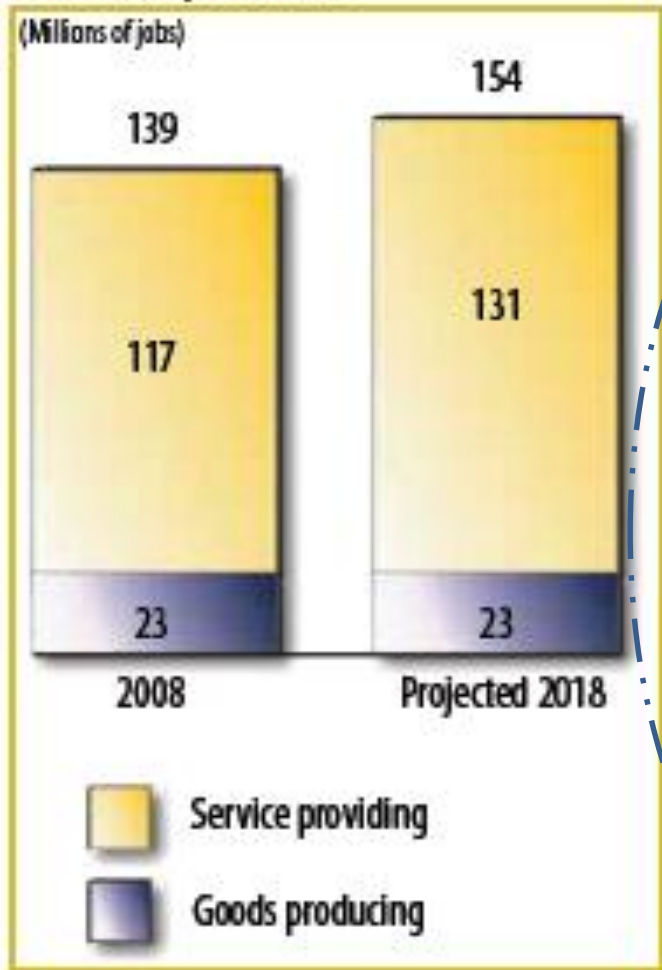
- Customer Driven Economy

III. Case Studies

- Understanding the power of relationships
- Ask a different question, you get a different answer
- Smart Services create positive change

Projected US Service Employment Growth, 2008 - 2018

Wage and salary employment by industry type, 2008 and projected 2018



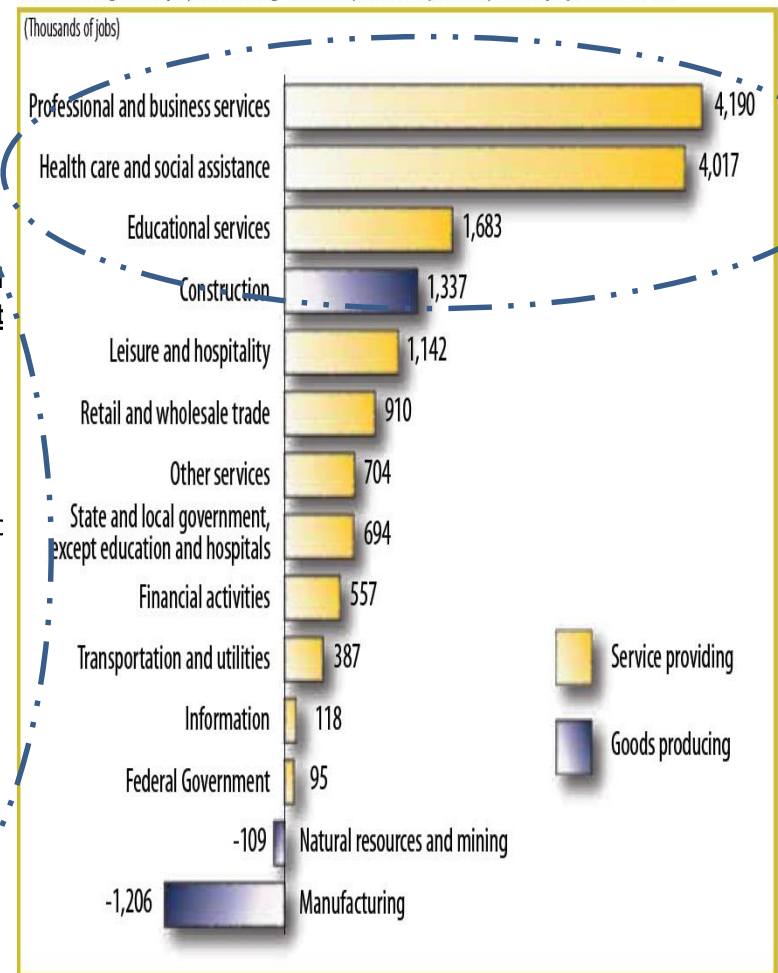
Service-providing industries are projected to account for **the most job growth** between 2008 and 2018.

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.**

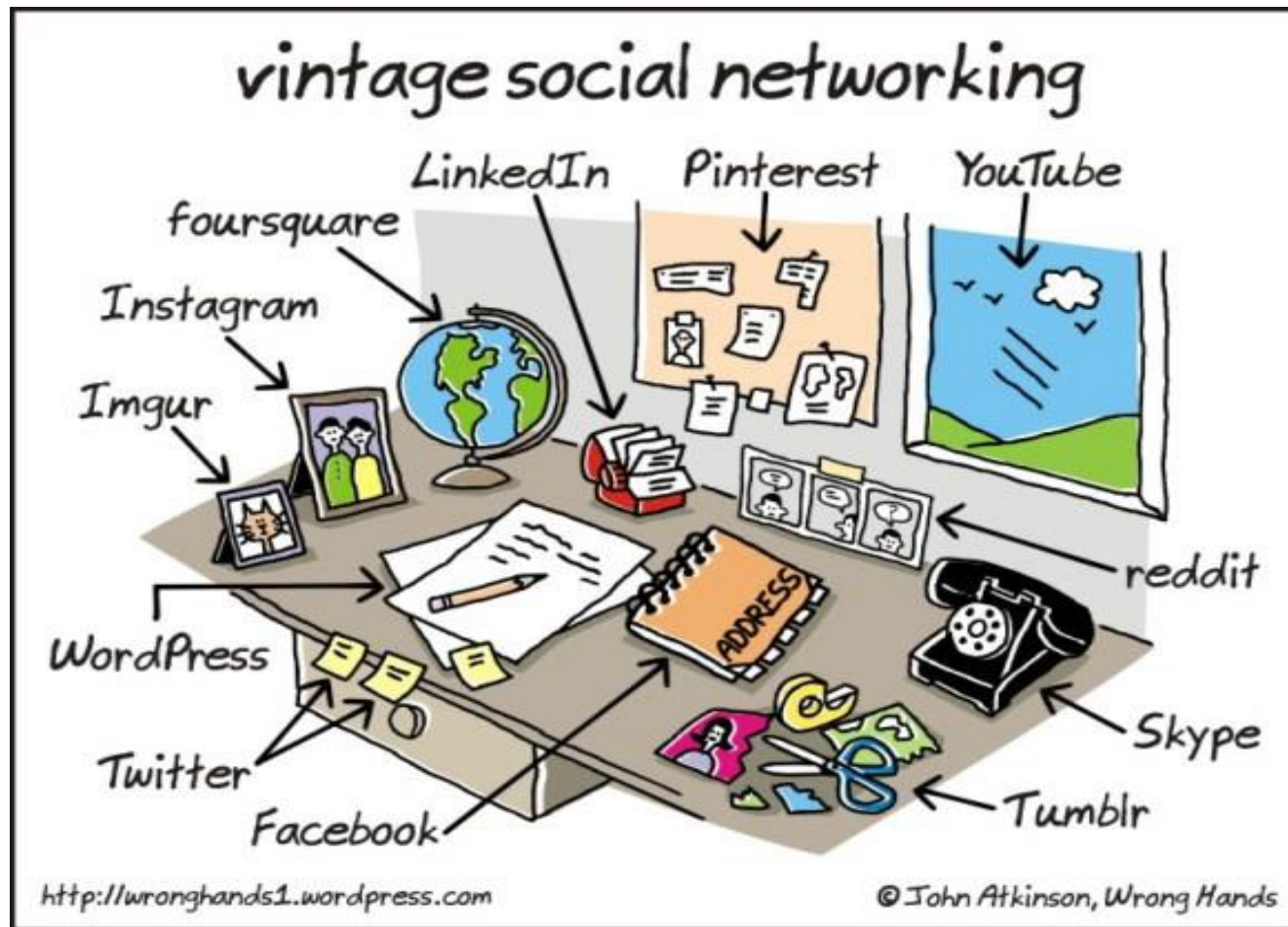
Employment change

Numeric change in employment of wage and salary workers by industry sector, projected 2008-18



Employment is projected to increase by more than 4 million in both the professional and business services sector and the health care and social assistance sector. Growth in professional and business services is expected to be led by providers of administrative support services and consulting services. Growth in health care and social assistance is expected to be driven by increased demand from an aging population.

Value delivered in a new paradigm



How many jobs were created or changed by new Services?

How Will YOUR job Change?

Manual labor to cognitive thinking

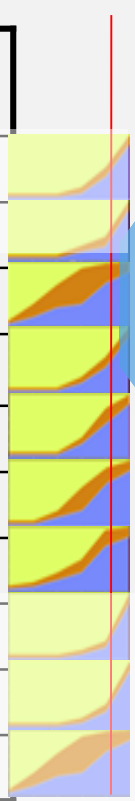


World's Large Labor Forces

A = Agriculture, G = Goods, S = Service

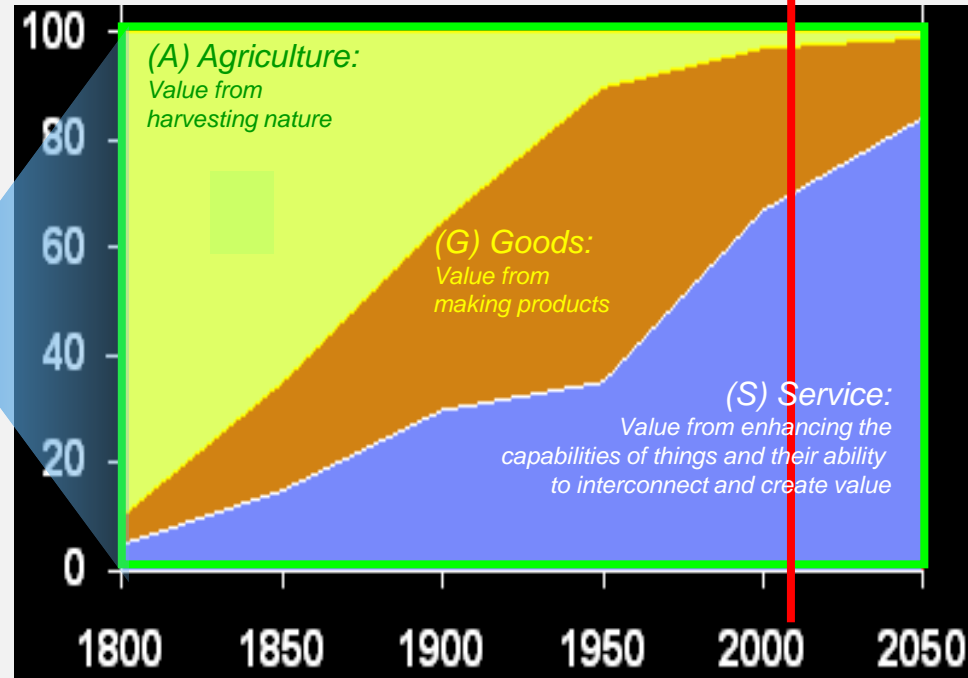
Nation	Labor %	A %	G %	S %	Service Growth
China	25.7	49	22	27	50%
India	14.4	60	17	23	28%
U.S.	5.1	1	23	76	25%
Indonesia	3.5	45	16	39	35%
Brazil	3.0	20	14	66	21%
Russia	2.4	10	21	69	39%
Japan	2.2	5	28	67	38%
Nigeria	1.6	70	10	20	30%
Bangladesh	2.1	63	11	26	30%
Germany	1.4	3	33	64	44%

2009



US labor force shift to service jobs

2009



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.

CIA Handbook, International Labor Organization

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

% GDP from Service

Country Name	2008	2009	2010	2011	2012	2013
United Kingdom	77.2	78.5	78.7	78.4	78.9	79.2
France	77.6	78.5	78.6	78.3	78.2	78.5
North America	76.5	78.3	77.9	77.8	77.7	
United States	77.2	78.8	78.4	77.8	77.7	
Italy	71.8	73.8	73.7	73.7	74.2	74.4
OECD members	73.0	74.7	74.1	74.0	74.2	
European Union	72.4	74.1	73.7	73.6	73.9	74.1
Euro area	72.1	73.8	73.4	73.3	73.5	73.7
Singapore	72.6	72.1	72.3	73.6	73.3	74.9
Japan	71.3	72.8	71.3	72.7	73.2	
Europe & Central Asia (all income levels)	71.0	72.8	72.3	72.0	72.4	72.7
World	68.9	70.6	70.0	69.7	70.1	
Australia	69.7	68.6	70.6	69.1	69.3	70.7
Germany	69.2	71.6	69.3	68.7	68.4	68.4
Latin America & Caribbean (developing only)	61.0	63.1	62.0	62.8	63.3	64.2
Central Europe and the Baltics	62.7	63.7	63.3	61.9	62.4	62.4
Latin America & Caribbean (all income levels)	59.7	61.6	60.4	61.1	61.7	62.5
Korea, Rep.	61.2	60.7	59.3	59.1	59.5	59.1
Sub-Saharan Africa (all income levels)	50.0	52.2	55.8	55.4	55.9	57.3
China	41.8	43.4	43.2	43.4	44.6	46.1
Middle East & North Africa (all income levels)			45.2	41.6	42.3	42.9

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™

Complexity

Changes in Global Economics



Global Economic Shifts

Ag Economy



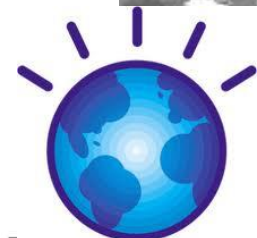
Industrial Economy



ISBN 0-918894-28-X



Service Economy



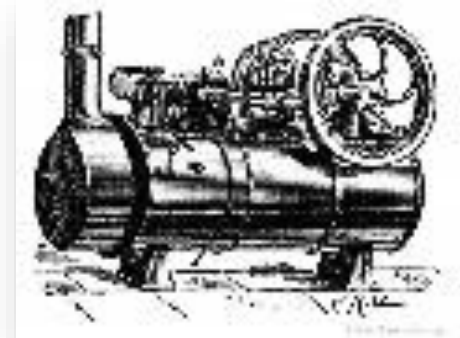
A Smarter Planet
powered by customers

Economic Drivers of Business



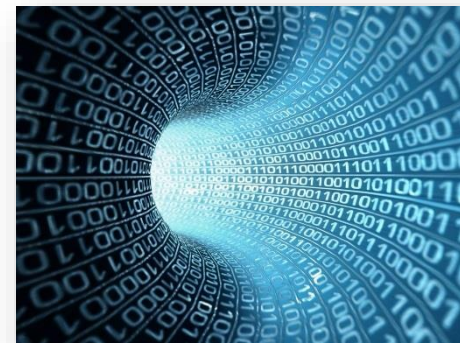
Powered by Labor

Powered by Machines



Powered by Technology

Powered by Information



Powered by Customers

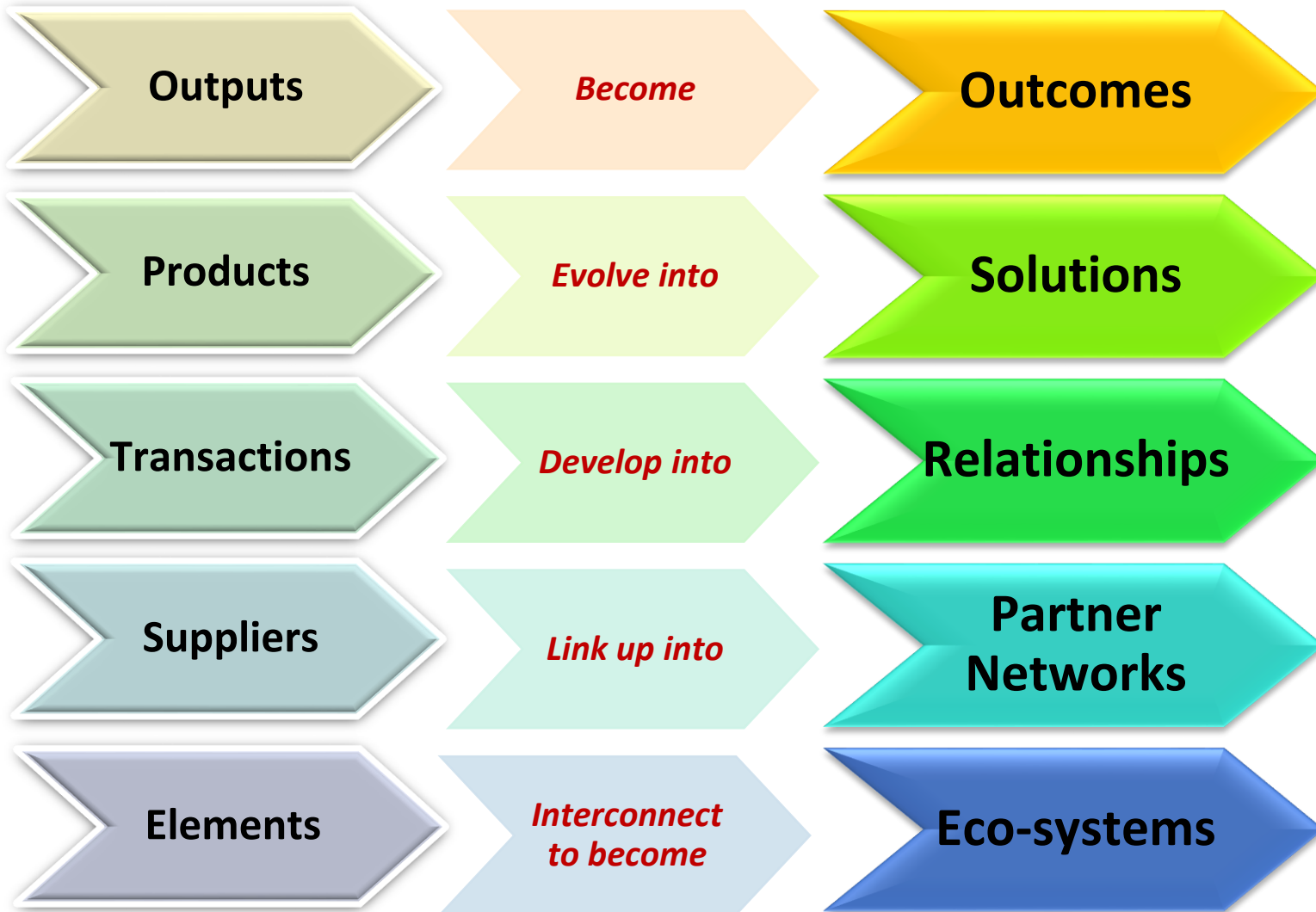
...and the outcomes they demand



Business Innovation Shift

Product Centric

Customer Centric



How did this journey begin?

Curiosity : How do companies survive for 100 years, and why??



Our First Case Study



*What if you were just 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

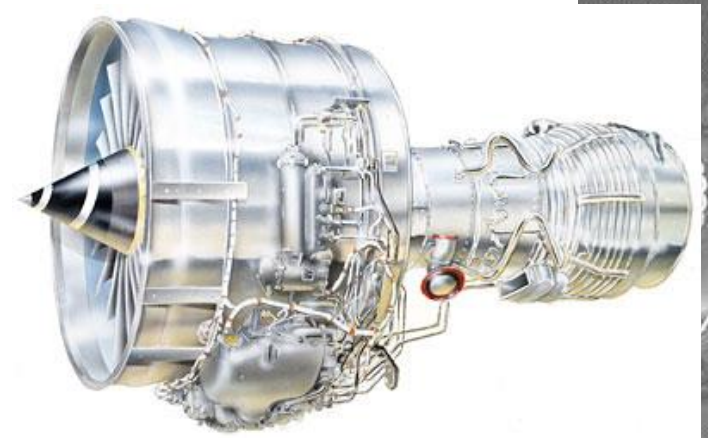
The background of the slide is a photograph of the Space Shuttle Enterprise on display in a museum. The shuttle is white with black thermal tiles and is positioned diagonally across the frame. The word "Enterprise" is written in black on the side of the orbiter. In the background, there is a large American flag and a complex, dark metal structure of the museum's interior. The lighting is dramatic, highlighting the shuttle's nose and cockpit area.

The Enterprise (Business) becomes a Service Value Network Powered by Customer Needs

**“When you ask a different question
you get a different answer”**

ServTrans

What do these have in common?

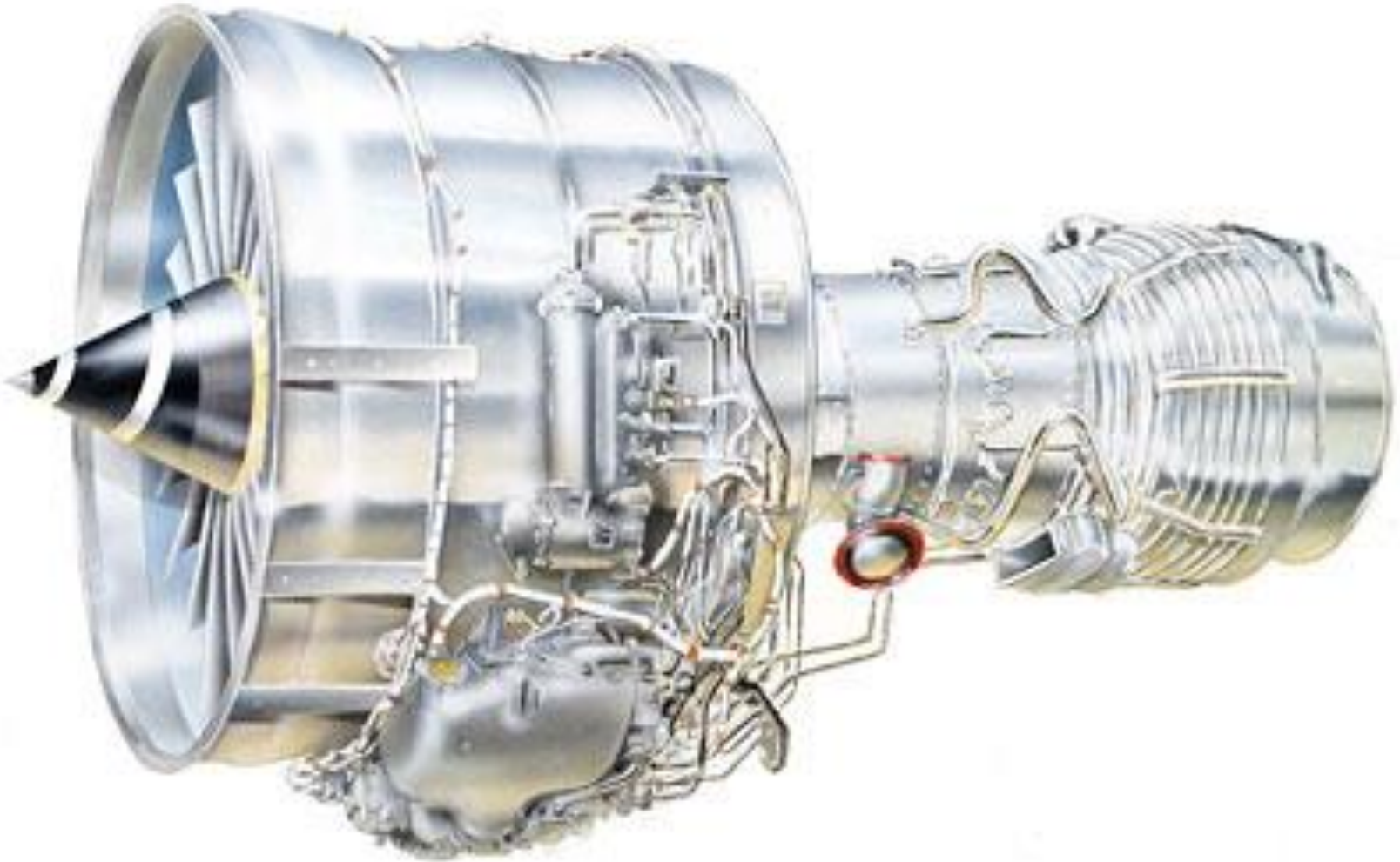


Tractors as a Service... increasing farmer success

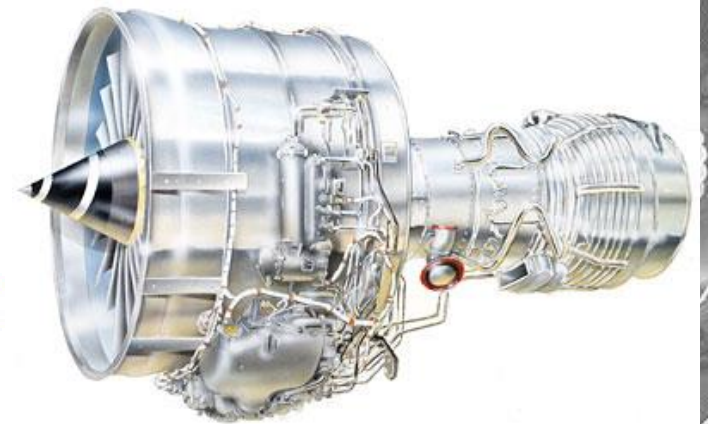


SERVTRANS
powered by customers

Thrust as a Service – Data driven outcomes



Managing urban complexities as a service



Smart Cards = Smarter Cities



“Intelligent Travel Made Real”

A photograph of a busy airport terminal. In the foreground, several people are walking, some with luggage. In the background, there are ticket counters and self-service kiosks. A sign above the kiosks reads "Tickets". The overall scene is a typical busy airport environment.

**DATA from Over 50 million riders per day
could be useful**

Intelligent Travel Made Real



New Value from Services

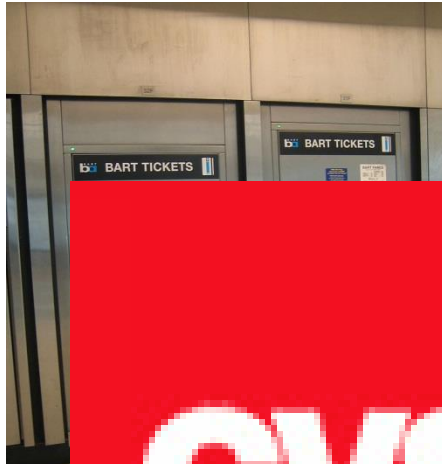
- Data on passenger traffic
 - Better urban planning
- Improved Environments
 - Increase use of Mass Transit
 - Less wasted fuels
 - Less Pollution
- Predictive impacts
 - Real time traffic management
- Better asset utilization
- New non-government funding sources
 - Advertising space



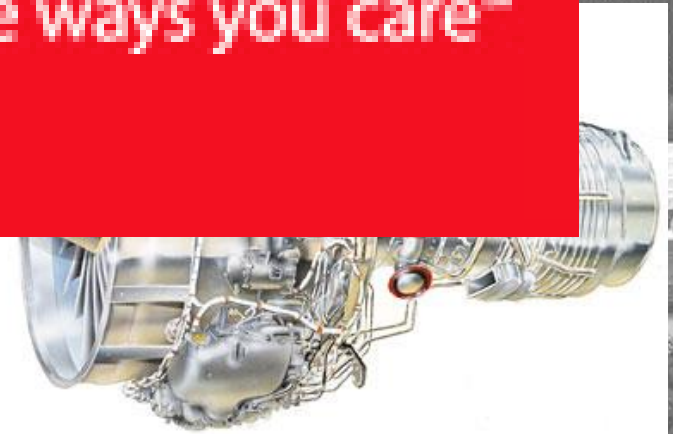
Over \$10 billion dollars in fares per year are accounted for with greater accuracy and transparency



Reducing Healthcare costs as a service



CVS/pharmacy[®]
for all the ways you care[™]



Telematics for the customer and environment



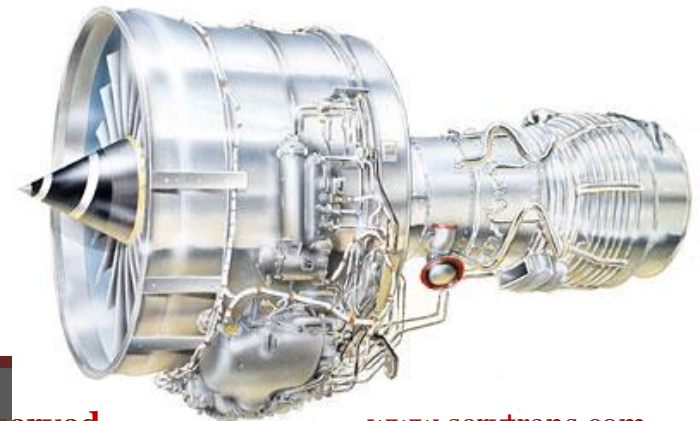
by



Health management systems



Star
by GM



Not all New Service Opportunities are Good

Deloitte. *Business-led, Technology-enabled Insight from Deloitte*



3 Ways CIOs Can Address Crimeware-as-a-Service

For \$13, hackers 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?

Wall Street Journal – CIO Section Oct 13 2014

The Goods to Services Evolution

Relationships Creates Information that leads to mutual success

Market Expansion



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

Solutions

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

Added Value

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

Value Add

- Product Centric
- Homogeneous
- Product P&L

Warranty

- Cost of Manufacturing
- Quality Focus

Relationship Intensity

Data Nexus

The Enterprise becomes a Service System

- Product Innovation is not enough
 - Outcome innovation is the new thing
- 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 Cross Functional Skills Sets are Required



Powered by Customers

The New Business Model for the Service Economy

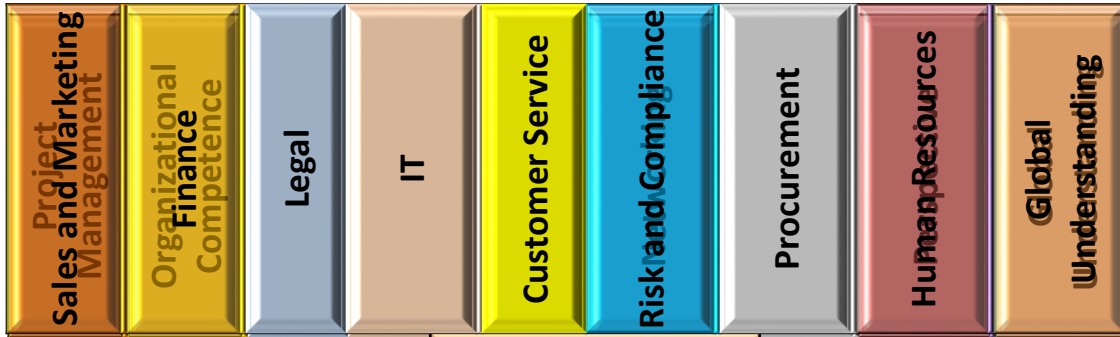
- We live in a connected world – real time smart sensors = DATA
 - Leads to smarter systems
 - Leads to unexpected outcomes not imagined by the customer
- Relationship Driven Innovation
 - Works to optimize the customer success, not internal processes
 - Aligns the business to interests of customer success
- 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)



T-Shape Skills Required in Complex Operating Environments

How T-Shaped are you?

T- Span



T- Stem

T- Influence

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

Why is change so hard?

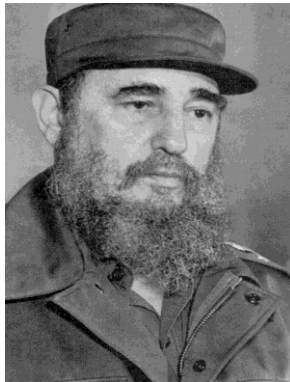
Evolution , Revolution or INNOVATION

“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



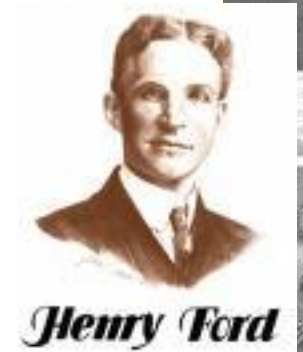
Darwin with cool shades



“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."



One last note...

Social Innovation is form of Service Innovation

Light-the-world.org



Legal Disclosures

Copyrights Reserved

You should assume that everything you see or read on this presentation is copyrighted and may not be used without permissions from, *ServTrans LLC*. All Rights are reserved.

Legal Disclaimers

The material included in this presentation has been compiled from a variety of sources and the presentation may include technical inaccuracies or typographical errors. Everything is provided to you "as is" without warranty of any kind, either express or implied, including, but not limited to, the implied warranties of merchantability, fitness for a particular purpose or non-infringement.

ServTrans LLC shall not be liable for any special, incidental, or consequential damages, including without limitation, any lost revenues, lost profits, or third party claims resulting from the use or misuse herein.

ServTrans LLC makes no warranties or representations as to the accuracy of the material presented. *ServTrans LLC* assumes no liability or responsibility for any errors or omissions in the content. *ServTrans LLC* uses all reasonable effort to ensure the accuracy of the information but reserves the right to change in its sole discretion the presentation, in any way and/or at any time, without notice.

