

Service Innovation and Performance in a Digital World

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The world is changing. New technologies - especially the internet of things and big data analytics - are opening up new opportunities for business model innovation. Digital businesses - like Alibaba, Amazon, Spotify and Tencent - are disrupting traditional industries. Global e-commerce giants like Baidu, Facebook, Google and Twitter are all changing the way people interact and share information. New digital businesses, such as Gild, GoSquared, OpenSignal and Trendspottr, are creating innovative new business models based primarily on their ability to access, aggregate and utilize data. These changes have profound consequences for the nature of organisations and the competitive landscape they operate in. For established businesses the challenge is spotting these new “upstarts” and deciding whether they represent real disruptive threats. For new businesses, the challenge is how to scale and grow, ensuring that competitors are locked out in the process. And for all business, issues of how to design and deliver outstanding customer service and experience become crucial in this increasingly competitive environment.

In the 21st century services have become core to the operations of both manufacturing and traditional service businesses. Understanding service processes - both how they are configured and structured; as well as how they operate in the eyes of the customer - is a crucial organizational capability. Thinking about the role of technology and how it can help you innovate your service processes to deliver ever better, more efficient and targeted customer outcomes is vital. Exploring new and innovative ways of measuring and managing service performance, aligning incentives and metrics to strategy and behavior to ensure rapid and agile strategy execution is fundamental. Challenges leaders of world-class service organisations face in the 21st century include:

1. **Competing in an ecosystem** - increasingly competition is played out not between firms or even supply chains, but instead between ecosystems. The strategic debate centres around how to shape and influence ecosystems using partnerships, platforms and technologies.
2. **Designing and delivering world-class services** - in this open economy, where power lies in the hands of customers and consumers, creating great service experiences, time and time, is a key organizational capability. How do you design personalized services that you can deliver seamlessly and efficiently to multiple customers?
3. **Measuring and managing performance in a digital economy** - the digital economy opens up new opportunities to capture and analyse data in ways unthought of before. What is your strategy for performance measurement and

management in the digital age? How can performance data be used to deliver new insights that drive ever better service?

4. **Business model innovation** - we see shift from products to solutions; from outputs to outcomes. Increasingly customers are demanding that their providers deliver to them the outcomes they value rather than straight forward products and services. How do you make this organizational transformation, focusing on service and solutions, rather than products and outputs? What new capabilities do you need to innovate your business model?

Answering these questions is not straight-forward. The issues they raise and the implications they have for organisations are profound. However to start exploring these issues there are three things you have to get right. First, you need to develop a deep and nuanced insight into the minds both of your customers and their customers. You have to visualize your job as helping your customers help their customers. Second, you need to explore the broader operating ecosystem, understanding how this will evolve and how best to position your own organization within it. Third, you need to think about changing risk profiles - as you take on more responsibility for helping your customers help their customers do a better job in the context of an evolving ecosystem, you need to clearly articulate the risks and the consequences of these risks as you innovate your business model.

Professor Andy Neely, Director of Cambridge Service Alliance, and Fellow in Business Performance Measurement & Management at Cambridge Judge Business School of Cambridge University will be running the executive education programme - "Delivering Great Services" - between 16-17 June in collaboration with the Hong Kong Management Association.