



Service Innovation

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Today
TALK

Services **S**cience
Smart Services

Innovation

What is Innovation?

Strategy vs. Innovation

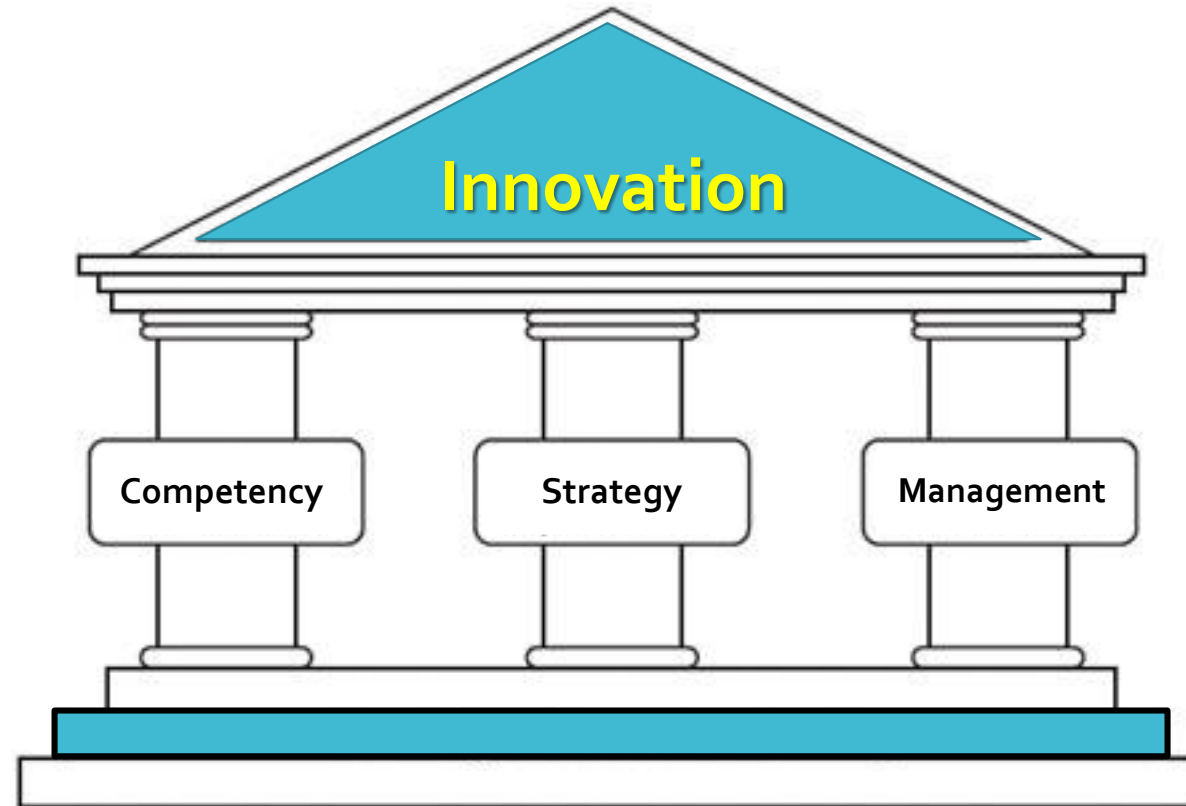
- **Strategy** is a coherent and substantiated logic for making choices to achieve a goal.
- **Innovation** is a messy business which creates novel solutions to important problems.



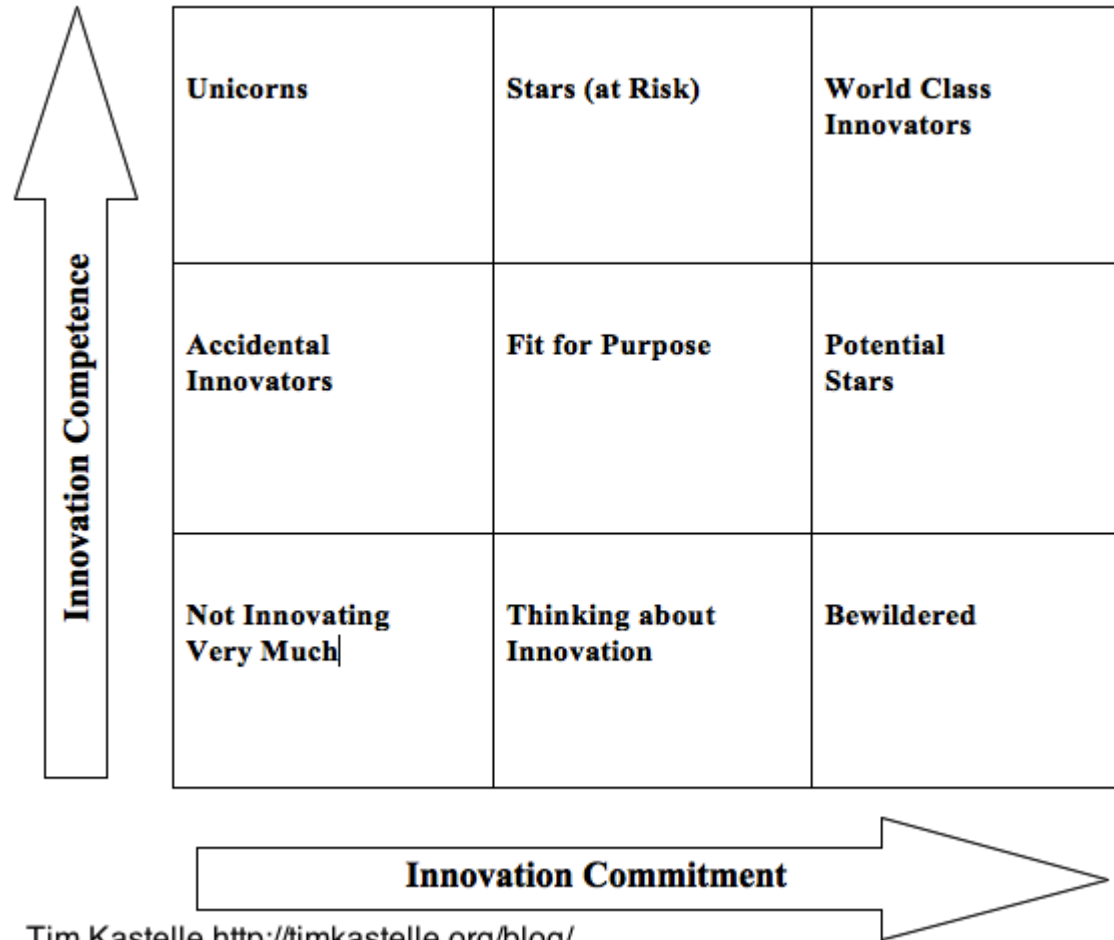
"Strategy is about achieving objectives, while innovation is about discovery, we never know exactly where we're going until we get there." :-Richard Feynman

We need to develop frameworks for innovation that are separate from, although compatible strategy.

The Three Pillars of Innovation

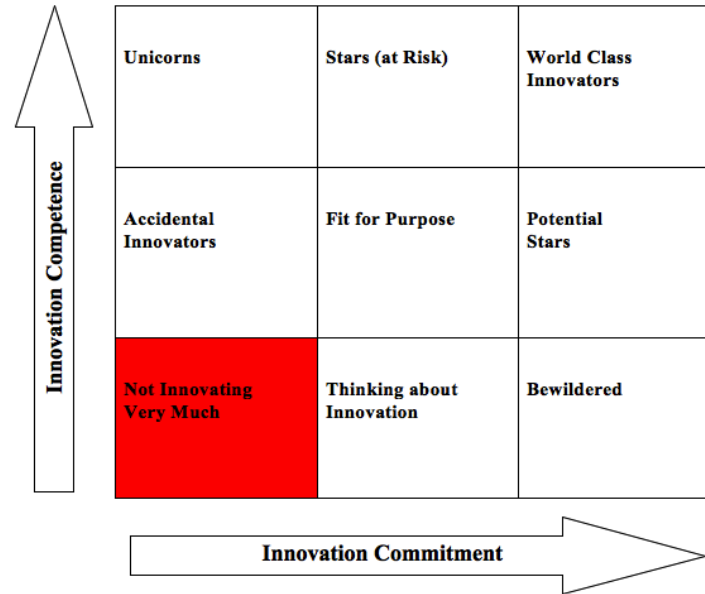


Pillar I: Competency



Tim Kastle <http://timkastle.org/blog/>

Pillar I: Competency



Not Innovating Very Much

Characteristics: Lack of innovation competency. Lacks of processes, skills and commitment for innovation. However, it's not necessary bad.

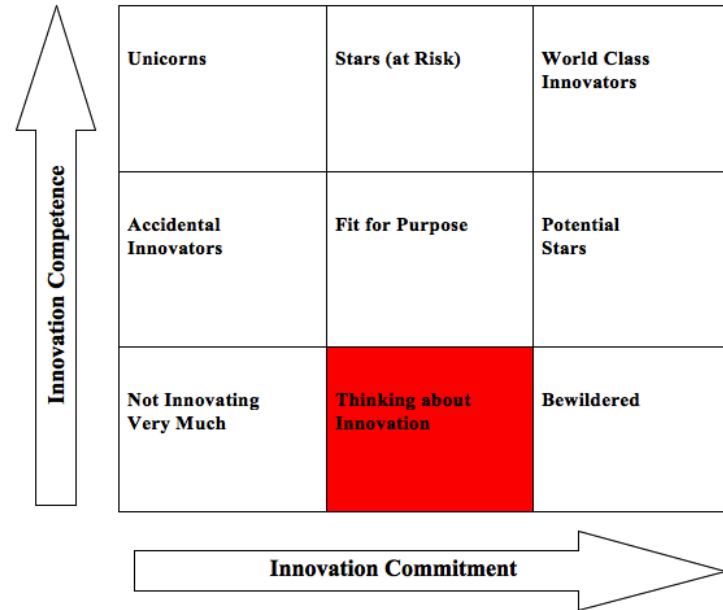
Examples:

- Well-established firms in stable industries
- Monopolies and oligopolies
- Some startups
- Established firms that have forgotten how to innovate

Strategy: There are two critical questions to consider:

- Is there a gap between your current performance and where you'd like to be?
- Is your environment changing?

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Thinking about Innovation

Characteristics: Innovation Competency is LOW.

- Lacking some of the other components of Innovation Commitment. The number of active resources (time and money) devoted to executing ideas is often very small. They're not very good at actually executing ideas and getting them to spread.

Examples:

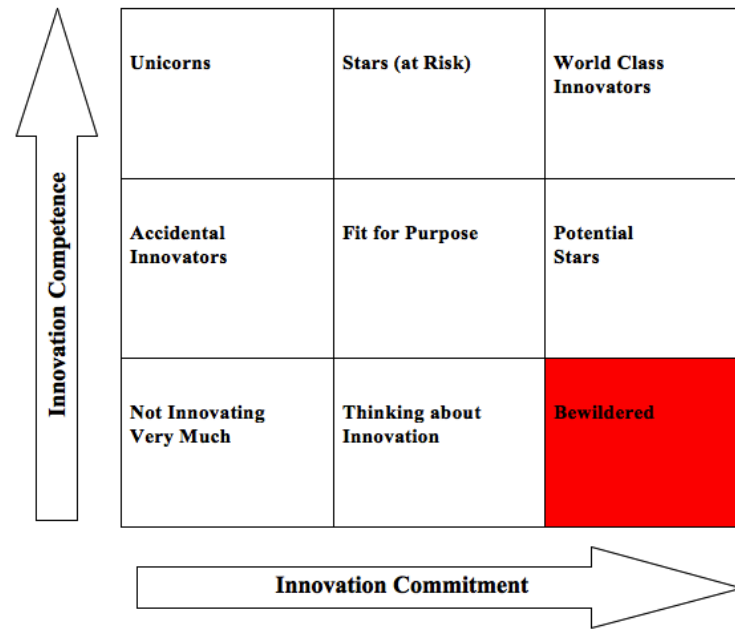
- Established firms in industries with changing environments.
- Firms reacting change but without a strong incentive to change themselves.
- Established firms trying to remember how to innovate.

Strategy: To increase competency is to increase commitment!

- Start managing innovation as a process
- Get rid of the air sandwich!!!



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Bewildered

Characteristics: Innovation Competency is LOW.

- Have full processes in place to support innovation and a well-funded R&D, or an extensive and well-documented idea management system. But somehow they can't make it happen!.

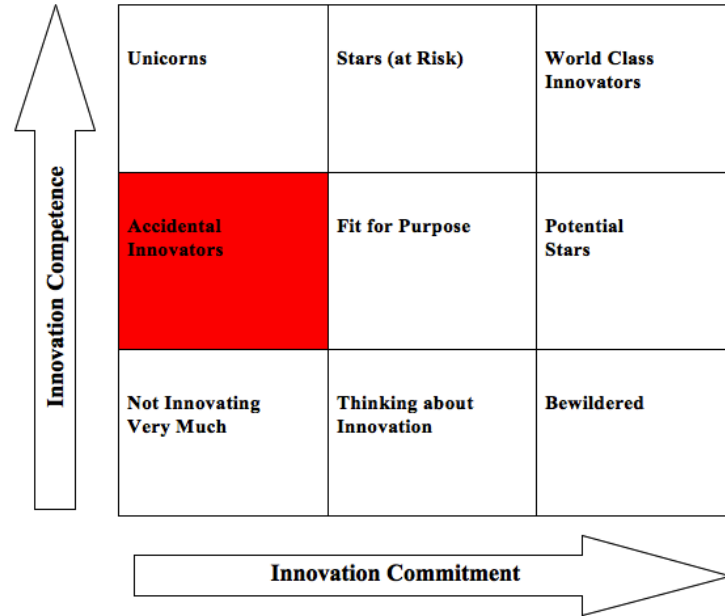
Causes of failure:

- Mistaking ideas for innovations.
- Your main problem actually isn't innovation.
- The processes you have aren't working right.

Strategy: Managing innovation as a process.

- Dismantle and then rebuild part of your innovation processes.
- Set the right successful measurements.

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Accidental Investors

Characteristics: Innovation Competency is Medium.

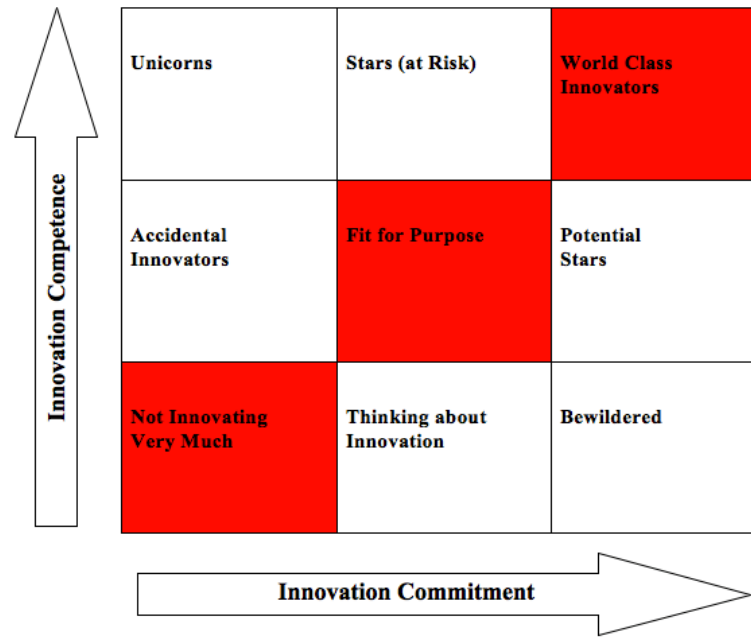
- They are pretty good at learning and executing ideas. Not enough support and commitment.

Examples:

- Firms in industries that require experimentation and learning.
- Most startups.
- Firms that innovate accidentally.

Strategy: Build innovation (repeatable) processes and increase commitment

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Fit for Purpose

Characteristics: Competency and Commitment are equal.

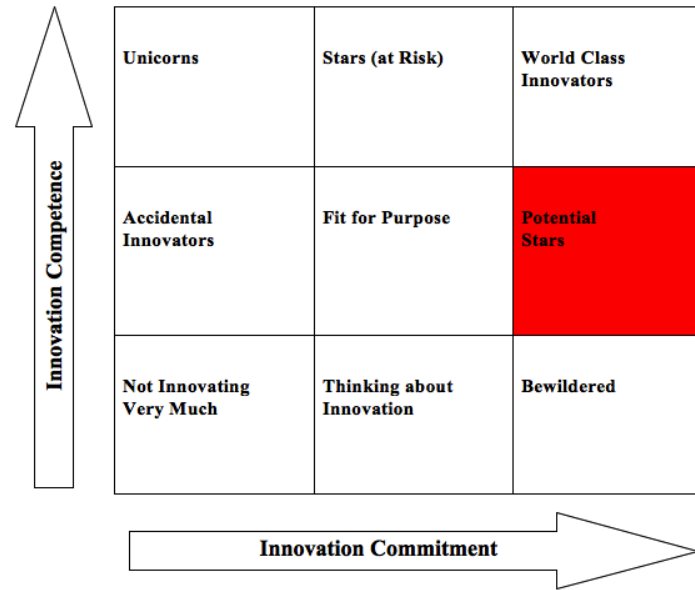
- The firms that are Fit for Purpose are even harder to find. They are usually not undertaking innovation that grabs your attention. But they still consistently seem to come up with interesting new ideas that they have executed.

Example:

- Good example is Microsoft

Strategy: Concentrate your innovation efforts on whatever makes you distinctive.

Pillar I: Competency



Potential Stars

Characteristics: **High commitment with average competency.**

- This means that they have innovation as a core value, and it is integrated into their strategy. They have resources committed to innovating, including high-level management time and attention. They have tools, systems and processes in place to support innovation, and they have good metrics for measuring innovation success.

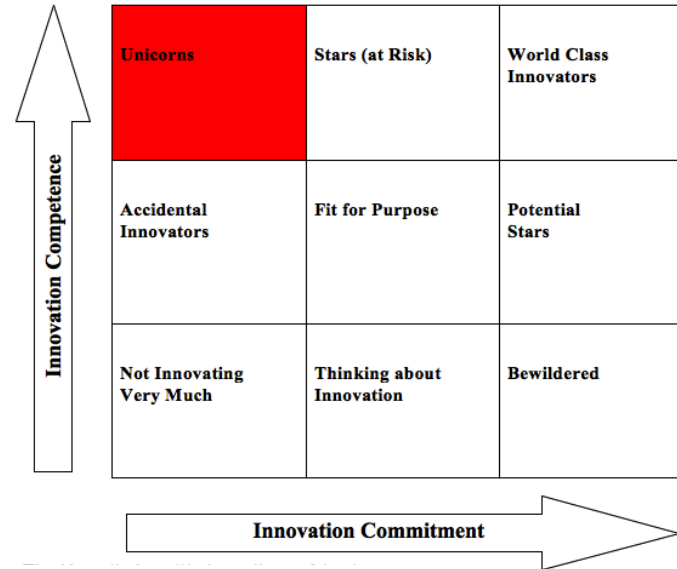
Causes that may prevent them to become “World Class Innovators”:

- They are not good at executing big ideas that might be potentially disruptive innovations.
- They are not very good at learning from failure.
- Give up!

Strategy: Figure out if your innovation capability is on the rise, or in decline...

- Rising case: identify gaps in your Innovation Competence and try to fill in those gaps.
- Declining case: This requires some forensic work to figure out what went wrong. What has caused the reduction in Innovation Competence? Solve the issues!.

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Unicorns

Characteristics: Less effort into innovation but are very good at it!.

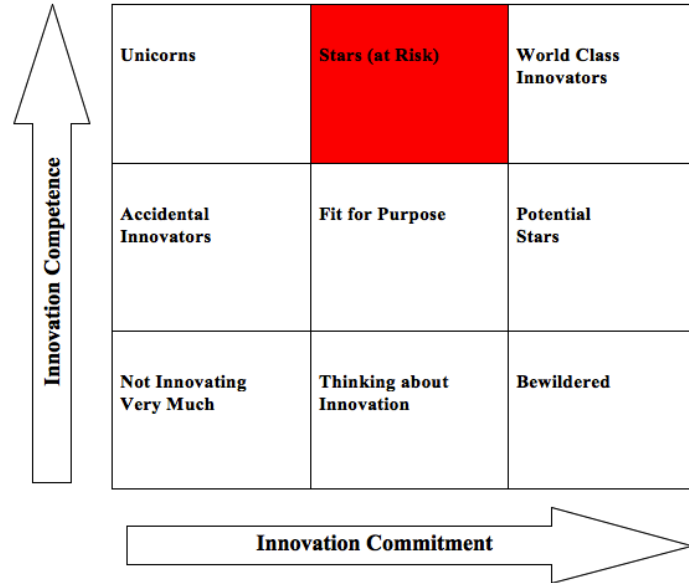
Causes of failure:

- Things that sound too good to be true.
- That's why Unicorns are mythical – they don't exist!
- If you expect to innovate without commitment, you might as well go to the forest looking for unicorns. It will be an equally productive use of your time!

Strategy: Avoid magical thinking

- Invest more effort (time and money) to make it becomes the "Star"

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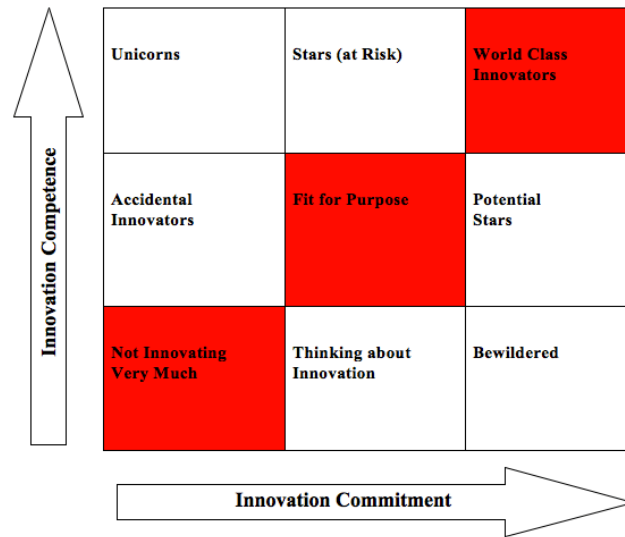
Stars (at Risk)

Characteristics: Innovation outcomes are excellent – that's why you're a star. But their investment is smaller than that of the World Class Innovators.

Strategy: To make the success sustainable

- Assess why you are successful
- Identify ways to increase your Innovation Commitment
- Figure out how to differentiate yourself through innovation

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World Class Innovators

Characteristics: High Innovation Competency and Commitment

- have a full complement of processes in place to support innovation.
- are outstanding at executing ideas,
- undertake different forms of innovation – not just innovating new products, they do both incremental and more radical innovation, and
- manage a portfolio of different innovation efforts across multiple time horizons.

Good Examples: Microsoft, Apple, Google

Strategy: Concentrate your innovation efforts on whatever makes you distinctive!

if you are differentiating yourself on innovation, then you can be a World Class Innovator

Pillar II: Strategy

Two crucial questions:



How well is the problem defined?



Who is best placed to solve it?



How well is the problem defined?:



- When Steve Jobs set out to build the iPod, he defined the problem as “1000 songs in my pocket.”
- He was a master at defining a clear product vision.



Who is best placed to solve it?

- Once Jobs defined the iPod problem, it was clear that he needed to find a **disk drive manufacturer** who could meet his needs and, once he did, he built one of the most successful products in history.

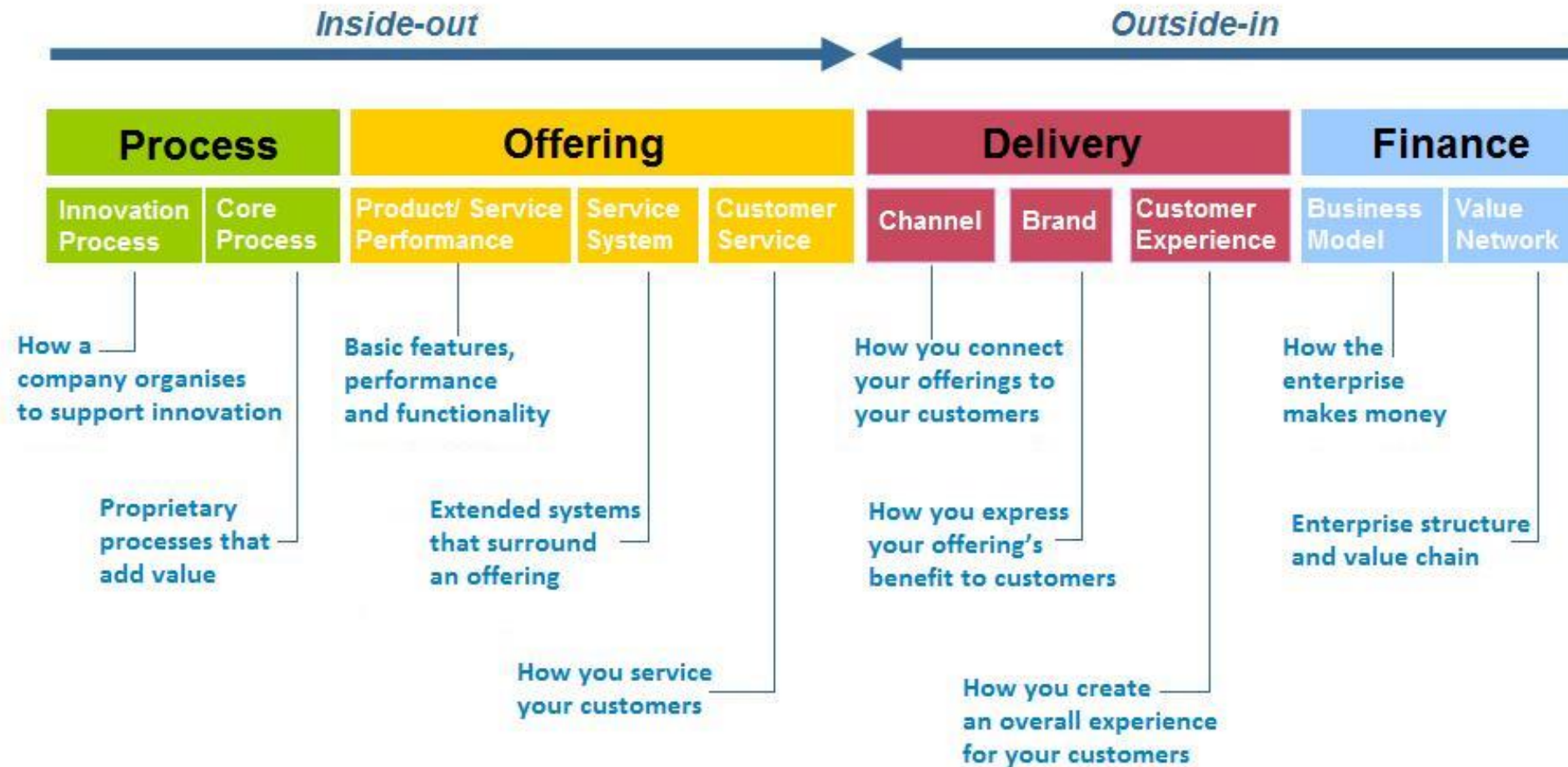
Domains of Innovation

Pillar III: Management

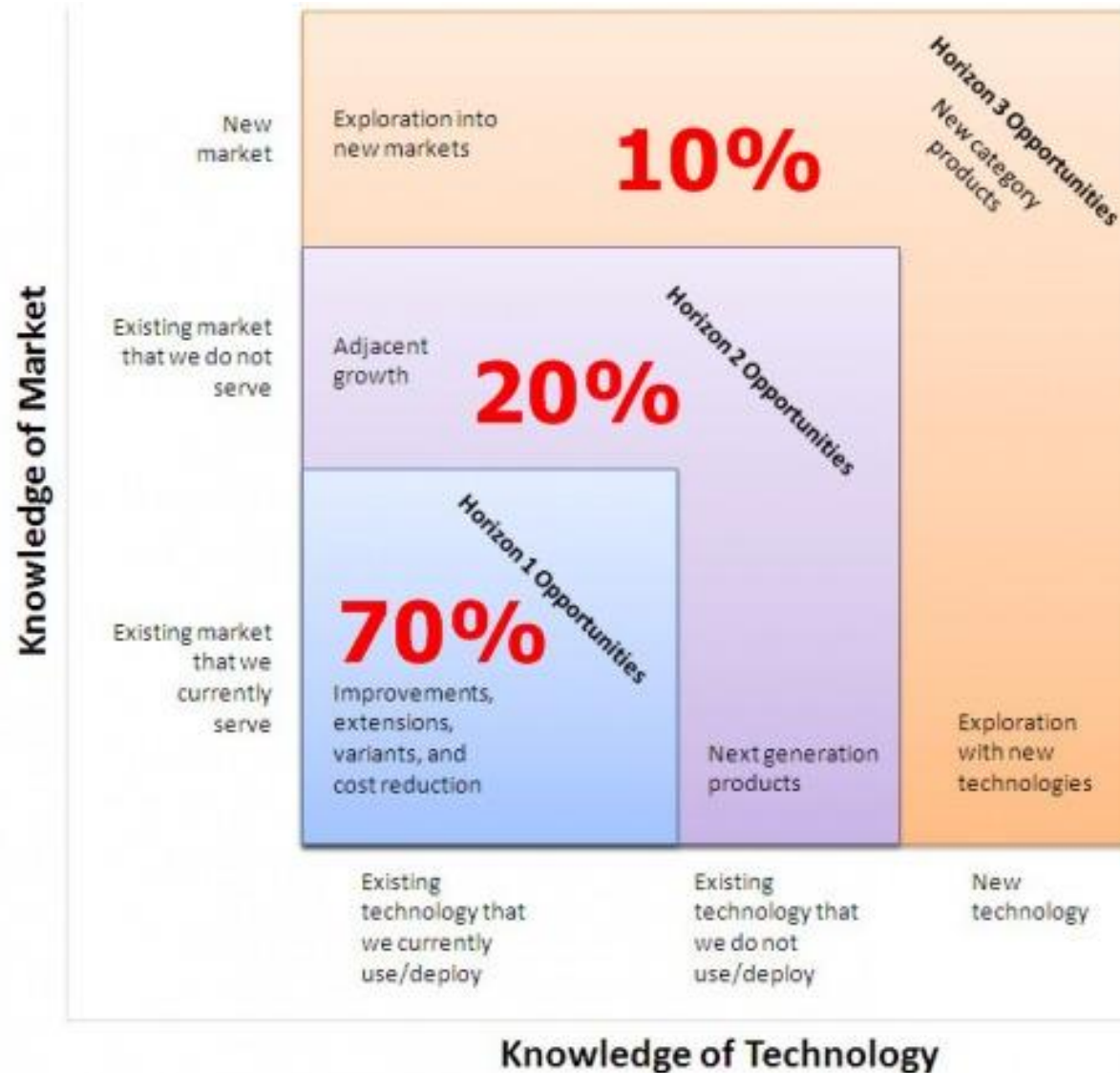
Innovation Matrix

Problem Definition	Well Defined	Breakthrough Innovation Skunk Works Mavericks Open Innovation/Prizes	Sustaining Innovation R&D Labs Outsourcing
	Not Well Defined	Basic Research Research Divisions Research Grants Academic Affiliations	Disruptive Innovation VC Model Innovation Labs 15% / 20% Rule
		Not Well Defined	Well Defined
		Domain Definition	

Ten Types of Innovation



Resource Allocation

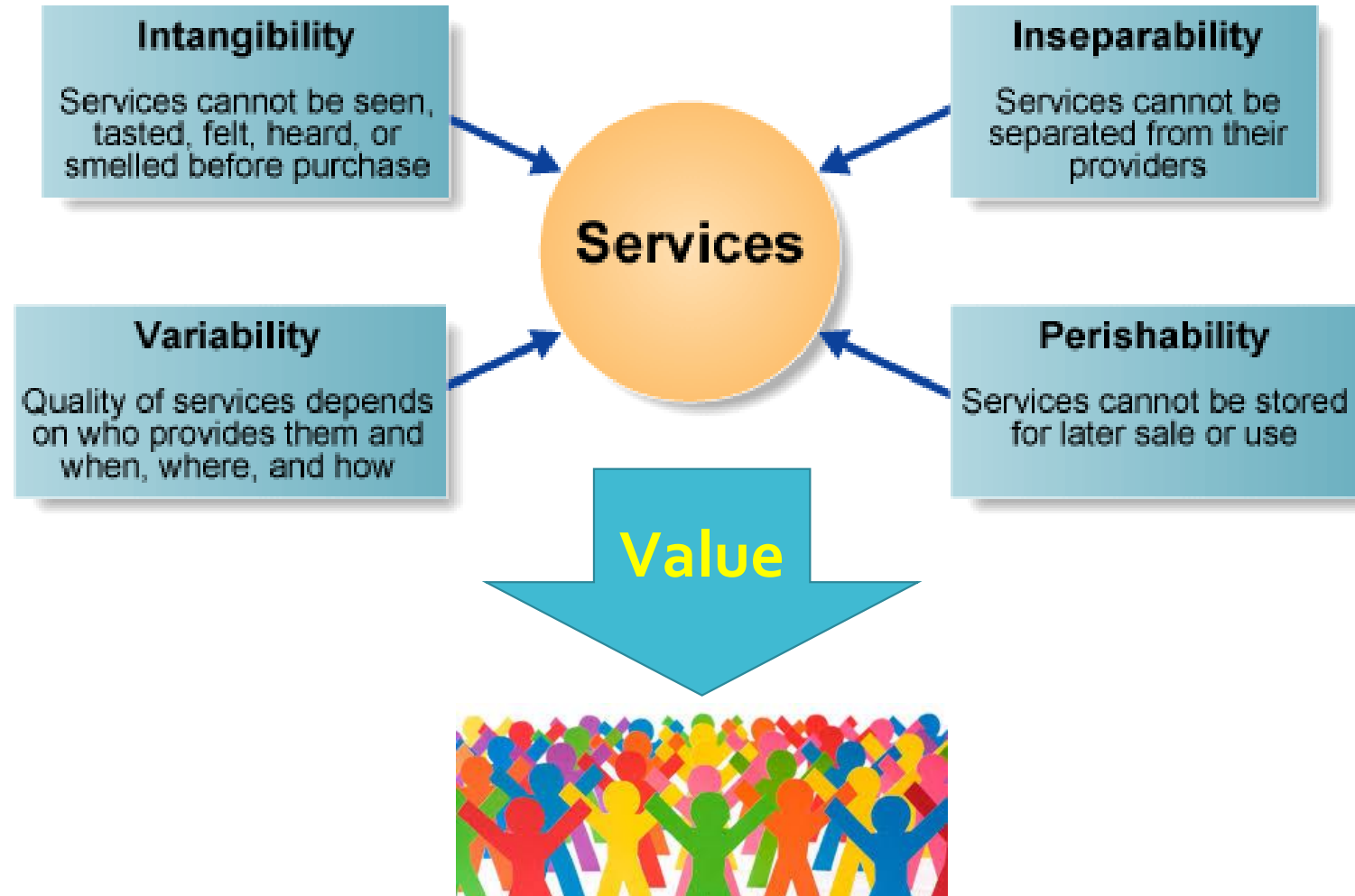


By [Tim Kastelle](#)

What about

Smart Service?

Service Characteristics



Smart Services is.....

- **S** – Simple with high security
- **M** – Mobility with more options
- **A** – Application as a service
- **R** – Recognized users' requirements and experiences
- **T** – Trendy but suitable for target customers

Is your service smart?

The Service- Profit Chain

- **Internal service quality:** superior employee selection and training, a quality work environment, and strong support for those dealing with customers, which results in...
- **Satisfied and productive service employees:** more satisfied, loyal, and hardworking employees.
- **Greater service value:** more effective and efficient customer value creation and service delivery.
- **Satisfied and loyal customers:** satisfied customers who remain loyal, repeat purchase, and refer other customers.
- **Healthy service profits and growth:** superior service firm performance.

What we need?

- Knowledge on service science and service marketing
- Customer models
- Innovation strategy
- Enterprise, Business, Innovation and Service management frameworks

Service Science

- an interdisciplinary approach to the study, design, and implementation of services systems
 - Services systems– complex systems in which specific arrangements of people and technologies take actions that provide value for others.

Goods dominant Logics vs. Services dominant Logics

	Goods-dominant logic	Service-dominant logic
Offerings	Products and service (P&S)	Value propositions
Resources	Operand resources are paramount	Operant resources are paramount
Value	Firms create value Value embedded in P&S Value in exchange	Value is co-created with customer Value-in-use and Value-in-context
Marketing	Marketing to customer	Marketing with customers
Customer	Exogenous Use P&S which render value	Endogenous Co-creates service which renders value
Knowledge	Asymmetry	Symmetry

Example: IKEA

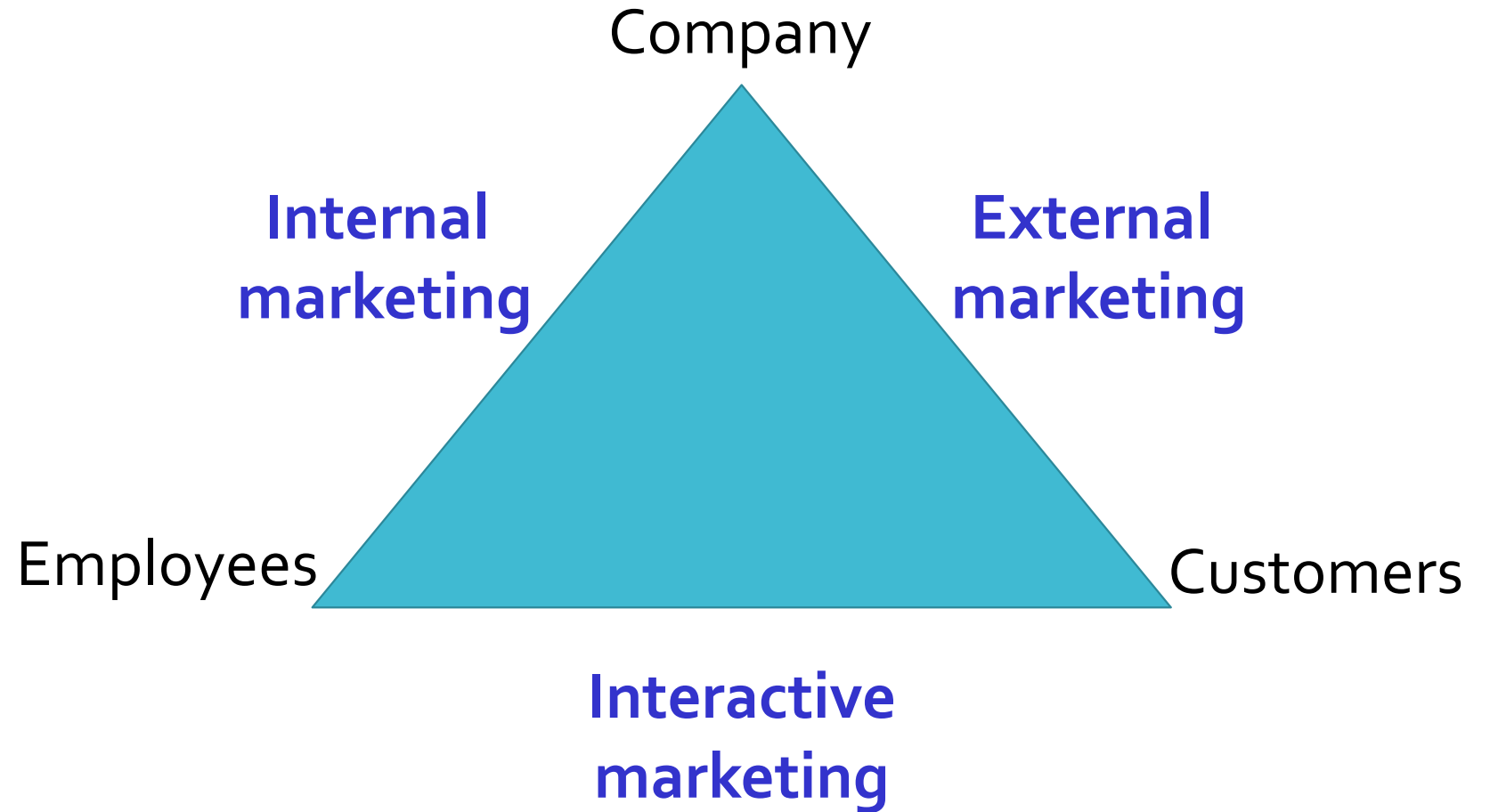
We've prepared your IKEA store for you to have a relaxed shopping experience



Example: TMB ME



Service Marketing

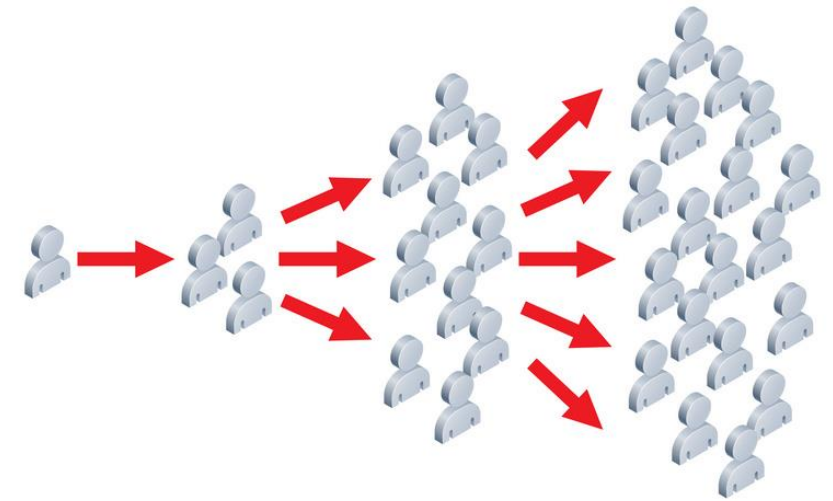


What we need?

- Knowledge on service science and service marketing
- **Customer models**
- Innovation strategy
- Enterprise, Business, Innovation and Service management frameworks



Customer Purchase Funnel



Advocacy



Source of images:

<http://www.meltwater.com/blog/social-media-to-social-marketing/>

<http://www.i-scoop.eu/four-multi-channel-touchpoint-marketing-models/>

What we need?

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- Customer models
- Innovation strategy
- Enterprise, Business, Innovation and Service management frameworks

Conclusion

*“There's a way to do
it better - find it.”*

THOMAS EDISON