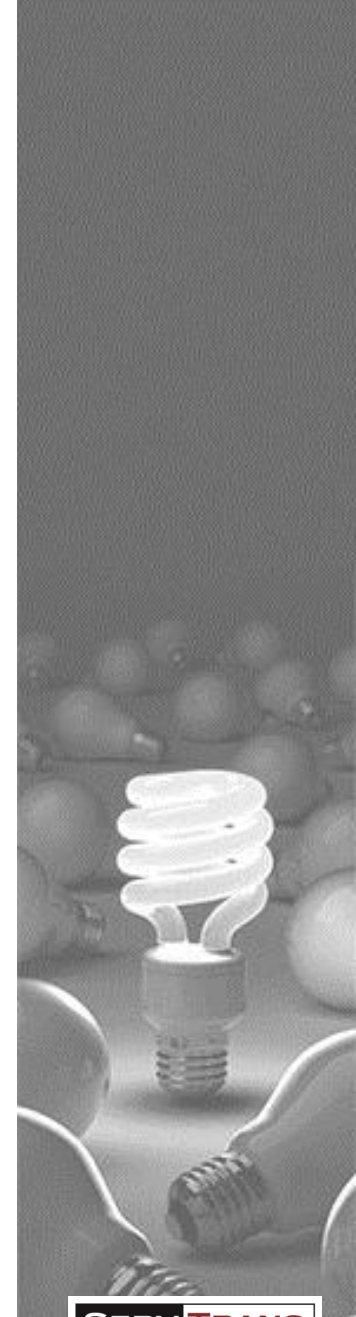


The World is Driven by Service and *...powered by customers*

UCSC April 2016



Douglas Morse
Founder / Chief Inspiration Officer



In the last 100 years ... *EVERYTHING has Changed*

- **Social Structures** have changed
 - We live and work in a global and interconnected multicultural community
- **Technology** has created enormous benefit
 - We live longer, eat better, we cure the incurable and **knowledge can be accessed any time and any where**
- We can be physically anywhere in under a day
- We can have a virtual presence anywhere in Nano-Seconds
- **Customers are more informed** than ever before
 - And "are purchasing ¼" holes not ¼" drill bits"

Ted Levitt – Harvard Marketing Professor

So how should business adapt?



Global Economic Shifts

Ag Economy



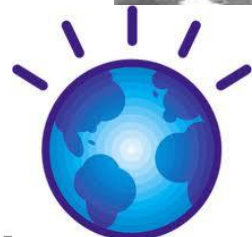
Industrial Economy



ISBN 0-918894-28-X



Service Economy



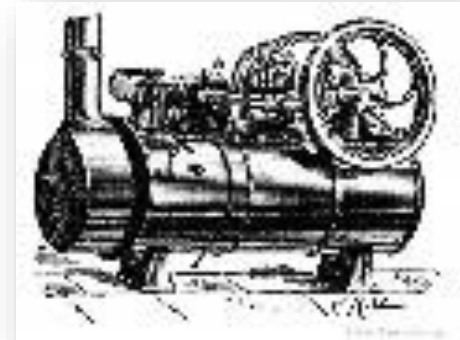
A Smarter Planet
powered by customers

Economic Drivers of Business



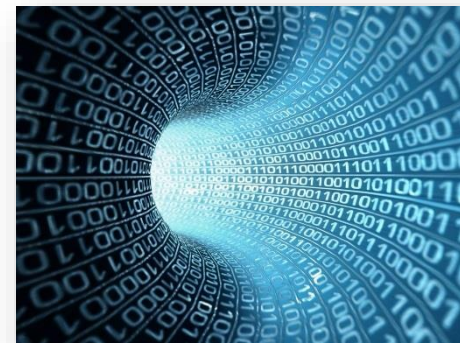
Powered by Labor

Powered by Machines



Powered by Technology

Powered by Information



Powered by Customers



% 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

Division of Labor

Country	Labor Force	Percentage of Total Workforce	Agriculture	Industry	Services
China	795,500,000	36.8%	36.7	28.7	34.6
India	487,600,000	22.5%	52	14	34
European Union	228,400,000	10.6%	4.7	28.7	66.6
United States*	153,600,000	7.1%	0.7	20.3	79.1
Indonesia	117,400,000	5.4%	38.3	12.8	48.9
Brazil	104,700,000	4.8%	20	14	66
Bangladesh	75,420,000	3.5%	45	30	25
Russia	75,410,000	3.5%	9.8	27.5	62.7
Japan	65,930,000	3.0%	3.9	26.2	69.8
Pakistan	58,410,000	2.7%	45	20.1	34.9

Percentage of Labor by industry

Source: CIA Handbook, International Labor Organization 2015

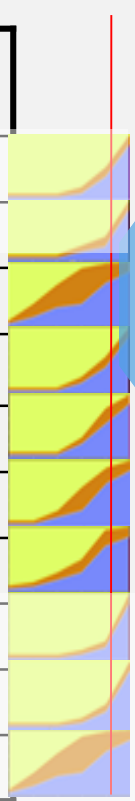


World's Large Labor Forces

A = Agriculture, G = Goods, S = Service

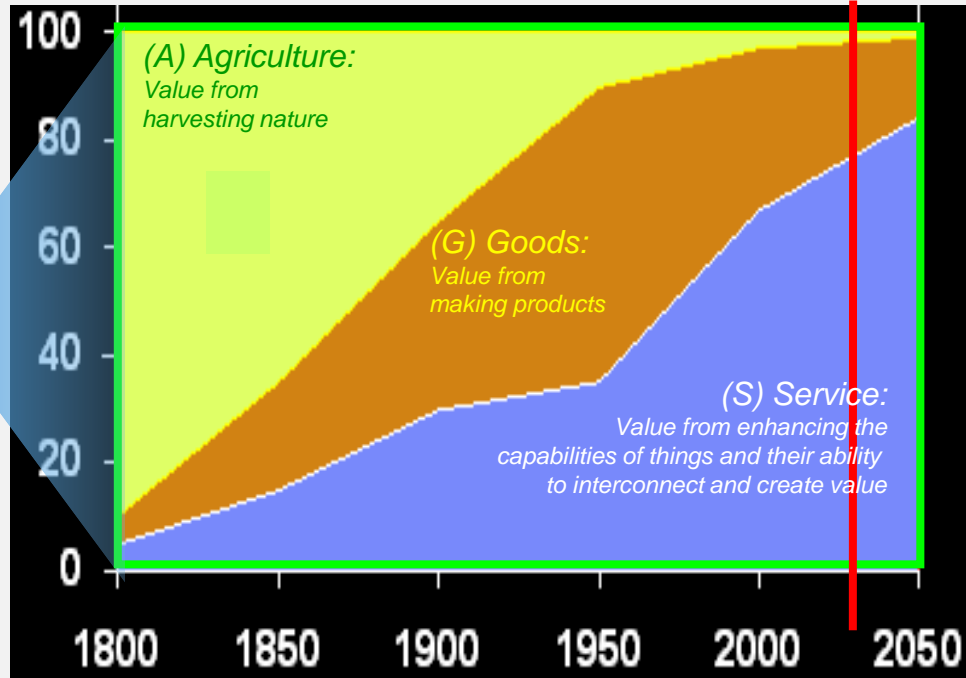
Nation	Labor %	A %	G %	S %	Service Growth
China	25.7	49	22	27	50%
India	14.4	60	17	23	28%
U.S.	5.1	1	20	79	25%
Indonesia	3.5	45	16	39	35%
Brazil	3.0	20	14	66	21%
Russia	2.4	10	21	69	39%
Japan	2.2	5	28	67	38%
Nigeria	1.6	70	10	20	30%
Bangladesh	2.1	63	11	26	30%
Germany	1.4	3	33	64	44%

2015



US labor force shift to service jobs

2015



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)

Projected US Service Employment Growth, 2008 - 2018

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



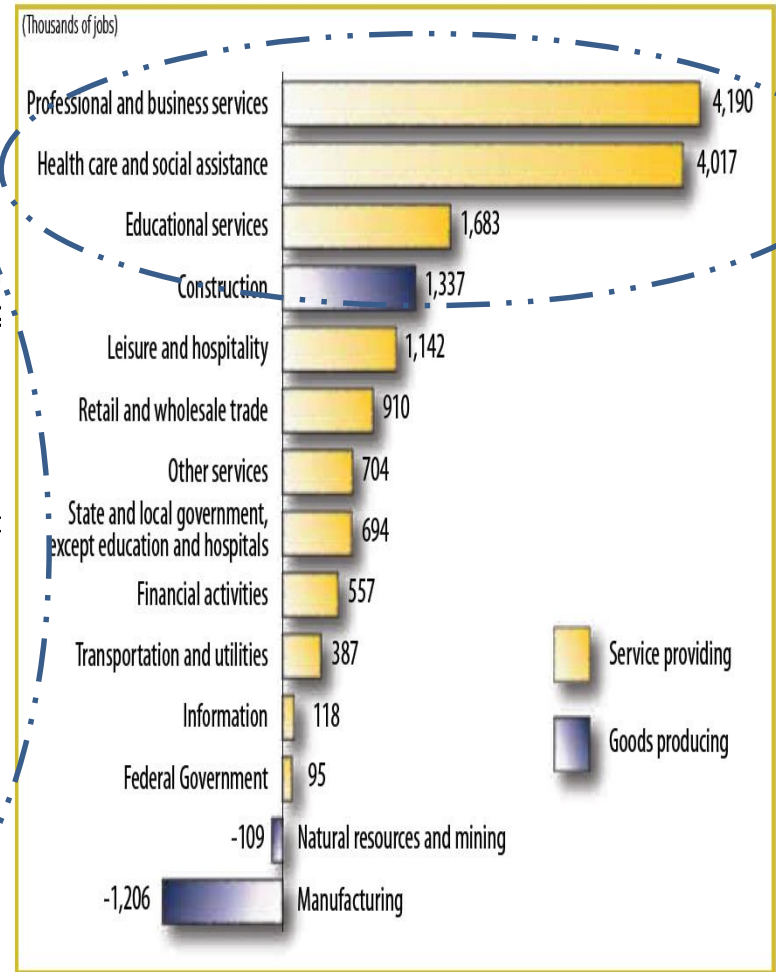
Service-providing industries are projected to account for **the most job growth** between 2008 and 2018.

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

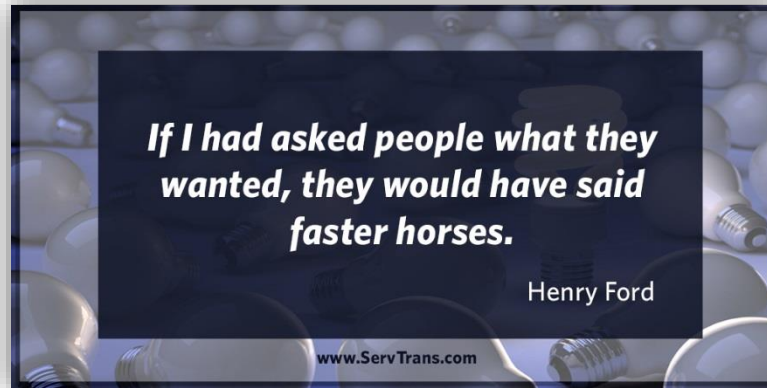
Numeric change in employment of wage and salary workers by industry sector, projected 2008-18



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.

US Bureau of Labor Statistics.
<http://www.bls.gov/opub/ooq/2008/winter/arto3.pdf>

Powered by Customers Core Principles



- ❖ If you ask a different question, you will get a different answer
- ❖ Companies exist because customers allow them to exist
- ❖ The value of a product (or service) is only in its intended use
- ❖ Organizations are perfectly aligned to achieve the results they achieve
 - ❑ Imperfect organizations achieve imperfect results

The World has Changed Since 1776...

...yet much of what is taught in Business and Economics is still deeply rooted from this literature and concepts

THE WEALTH OF NATIONS ADAM SMITH



- Divisions of Labor has changed
 - Global and Collaborative
- The nature of jobs has changed
 - Use of minds vs. use of hands
- Drivers of the Economy has changed
 - Services vs. Product vs. Agriculture
- Creation of Value has changed
 - Outcomes vs. Output

Isn't it time for new business model?

Powered by Customers

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 require change
 - New Cross Domain Skills Sets are Required



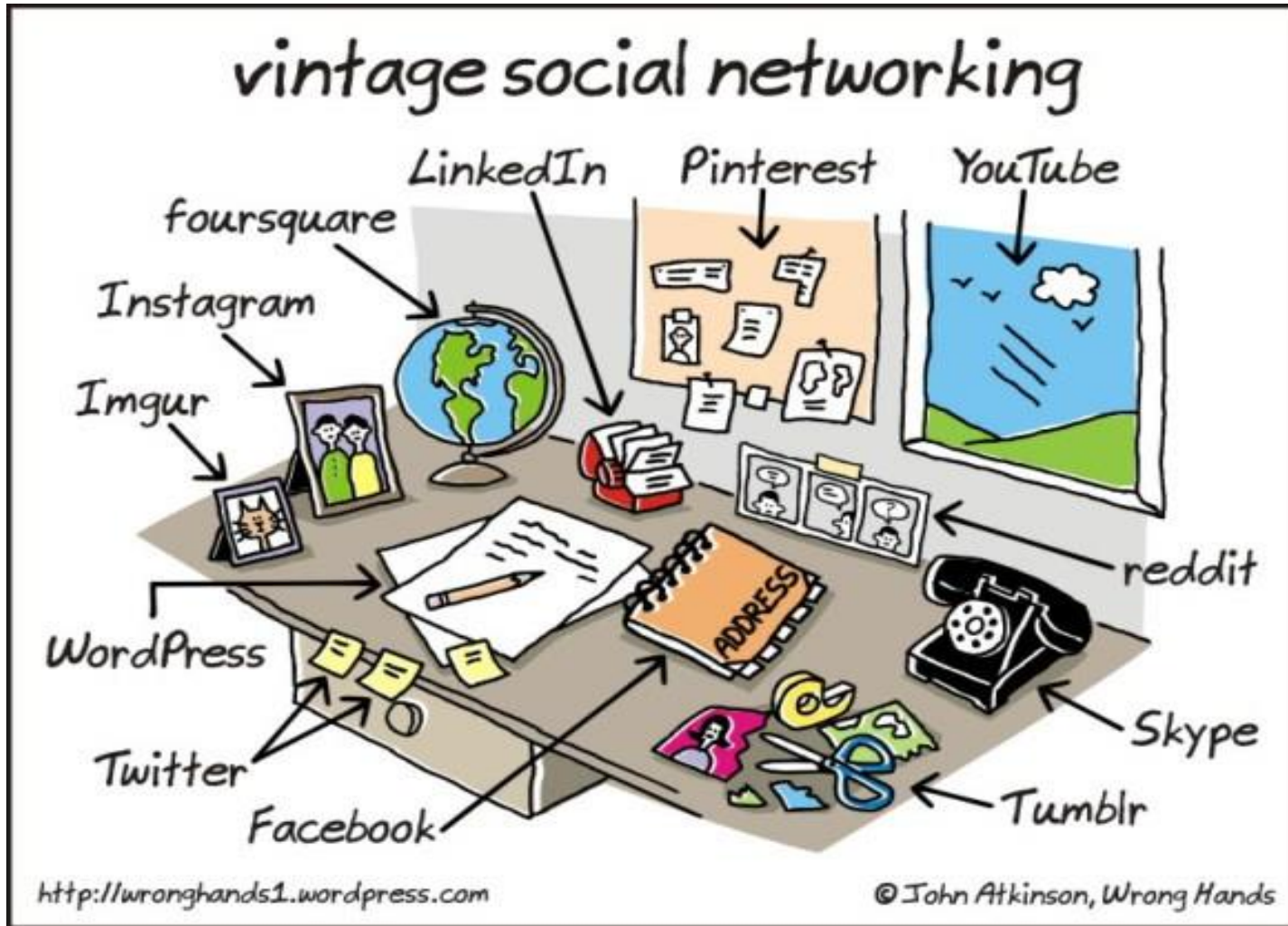
The Nature of Work has Changed

I USED TO
BRING IN THE
NEWSPAPER...
NOW, I JUST
FORWARD
LINKS.



- Manual labor to **cognitive thinking**
- **Outcomes** more important than output
- **Continuous skill upgrades** required
- **Systems thinking** not thinking systems
- **Global and 24x7**
- **Multicultural**
- **Networking and Teamwork** rewarded more than individual excellence

Value delivered in a new paradigm



How many jobs were created or changed by new Services?

The background of the slide is a photograph of the Space Shuttle Enterprise on display in a museum. The shuttle is white with black markings and is positioned diagonally across the frame. The word "Enterprise" is visible on its side. The museum's interior features a high, vaulted ceiling with a complex steel truss structure and several large, ornate chandeliers. An American flag is visible in the background to the left.

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

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

ServTrans

Our First Case Study



*What if you were just a
Sparkplug Company?*

*And how do you survive for 100 years with
drastically changing markets*



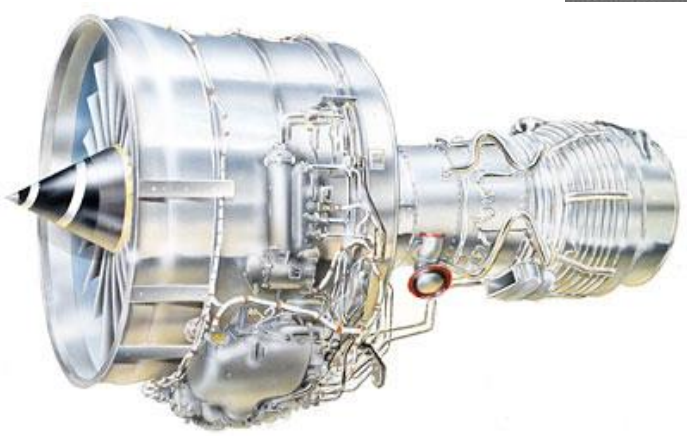
The electrifying history of Champion Spark Plugs



- 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

What do these have in common?

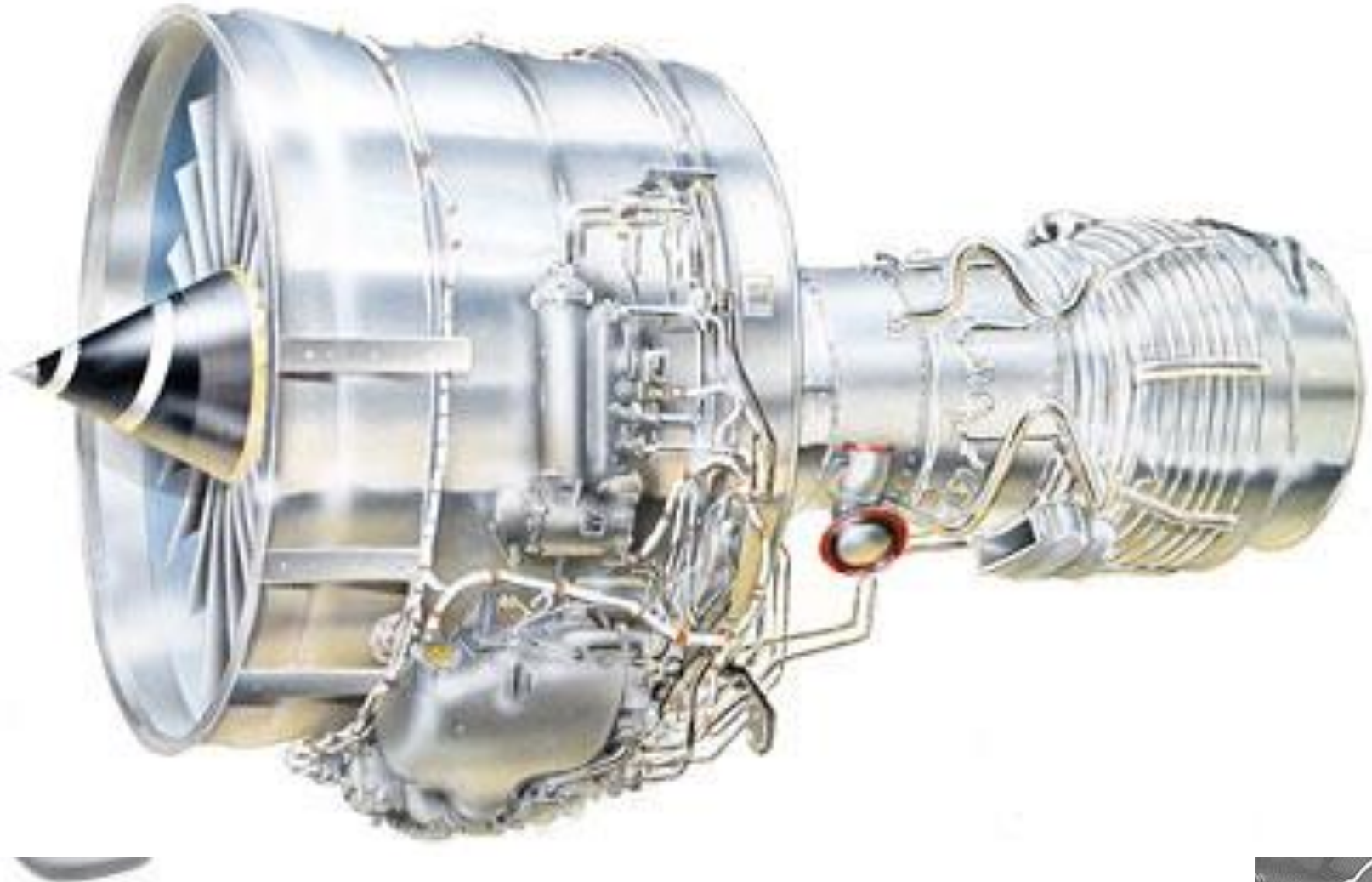


Tractors as a Service... increasing farmer success

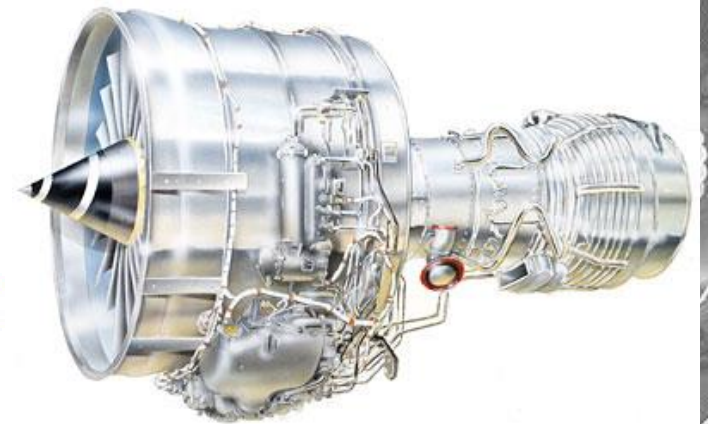


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powered by customers

Thrust as a Service – Data driven outcomes



Managing urban complexities as a service



Smart Cards = Smarter Cities





DATA from Over 50 million riders per day could be useful

New Value from Services

NEW Story



- Data on passenger traffic
 - Better urban planning
 - Improved Environments
 - Increase use of Mass Transit
 - Less wasted fuels
 - Less Pollution
- The Old Story*
Best in Class Fare collection systems

- 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



Automobiles to Urban Mobility



Sears PartsDirect

SERVTRANS
powered by customers

Cars as a Service

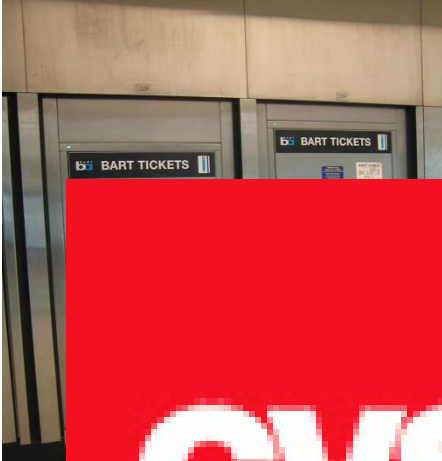
Ride sharing, Car Sharing, Autonomous Vehicles

Side•car
a whole new way to get around

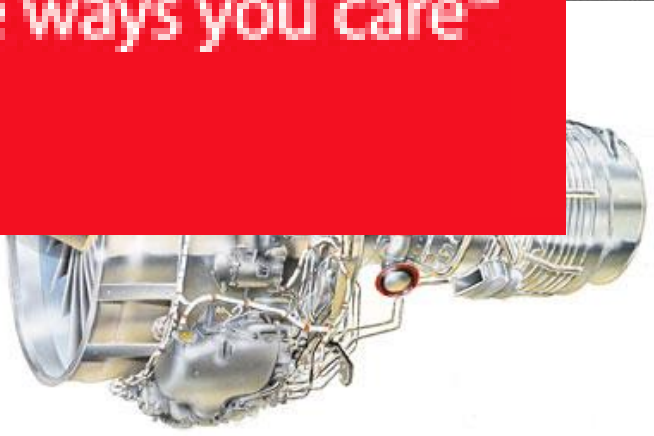
M^AVEN



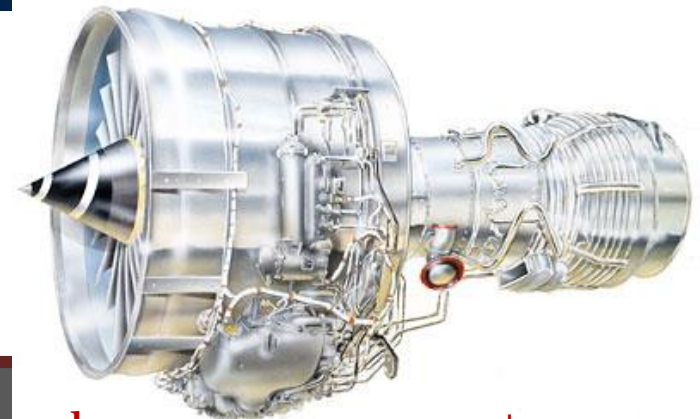
Pills to Predictive Analytics



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



Health management systems



Not all New Service Opportunities are Good

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

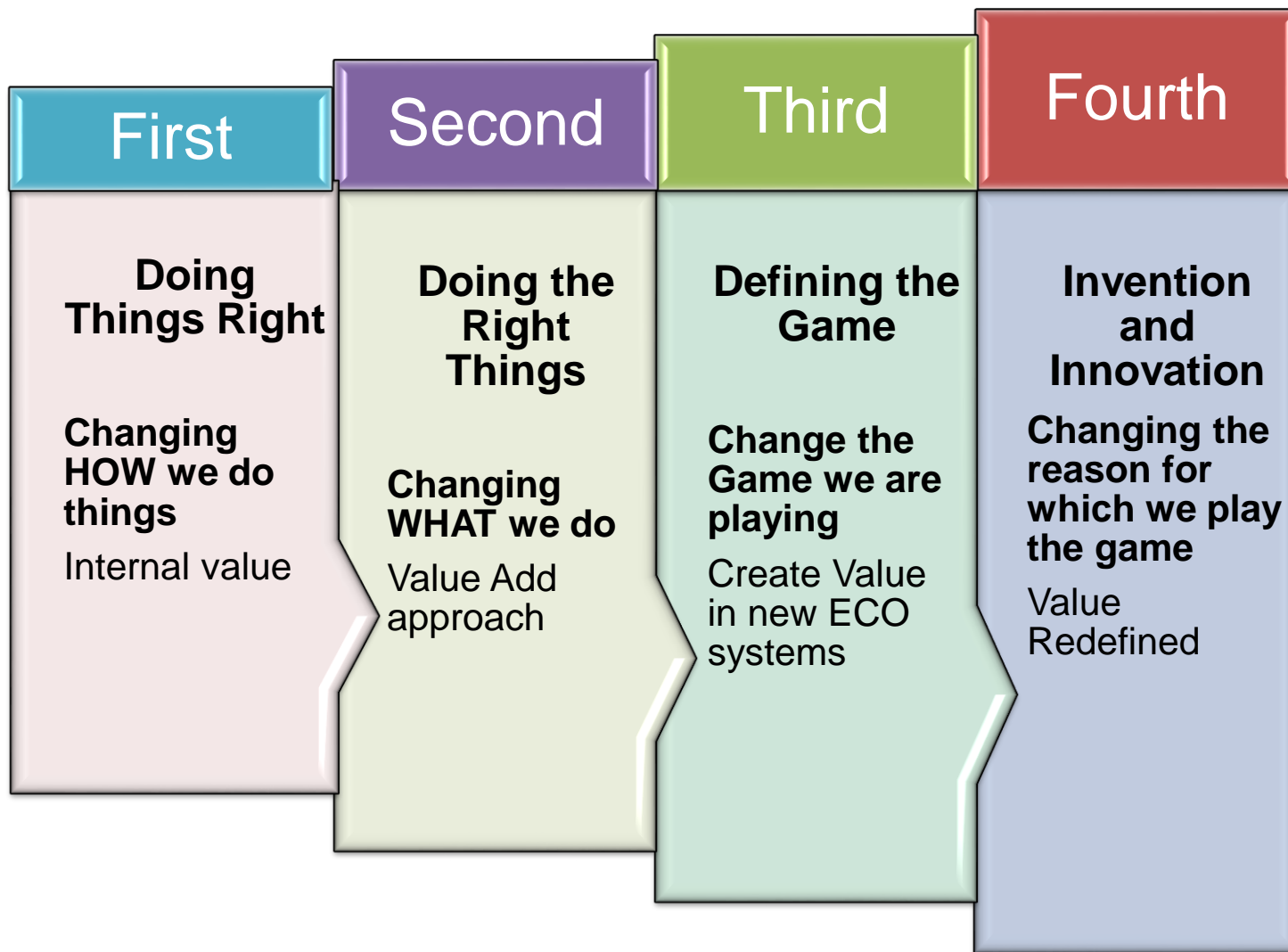
3 Ways CIOs Can Address Crimeware-as-a-Service

For \$13, hacktivists 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?

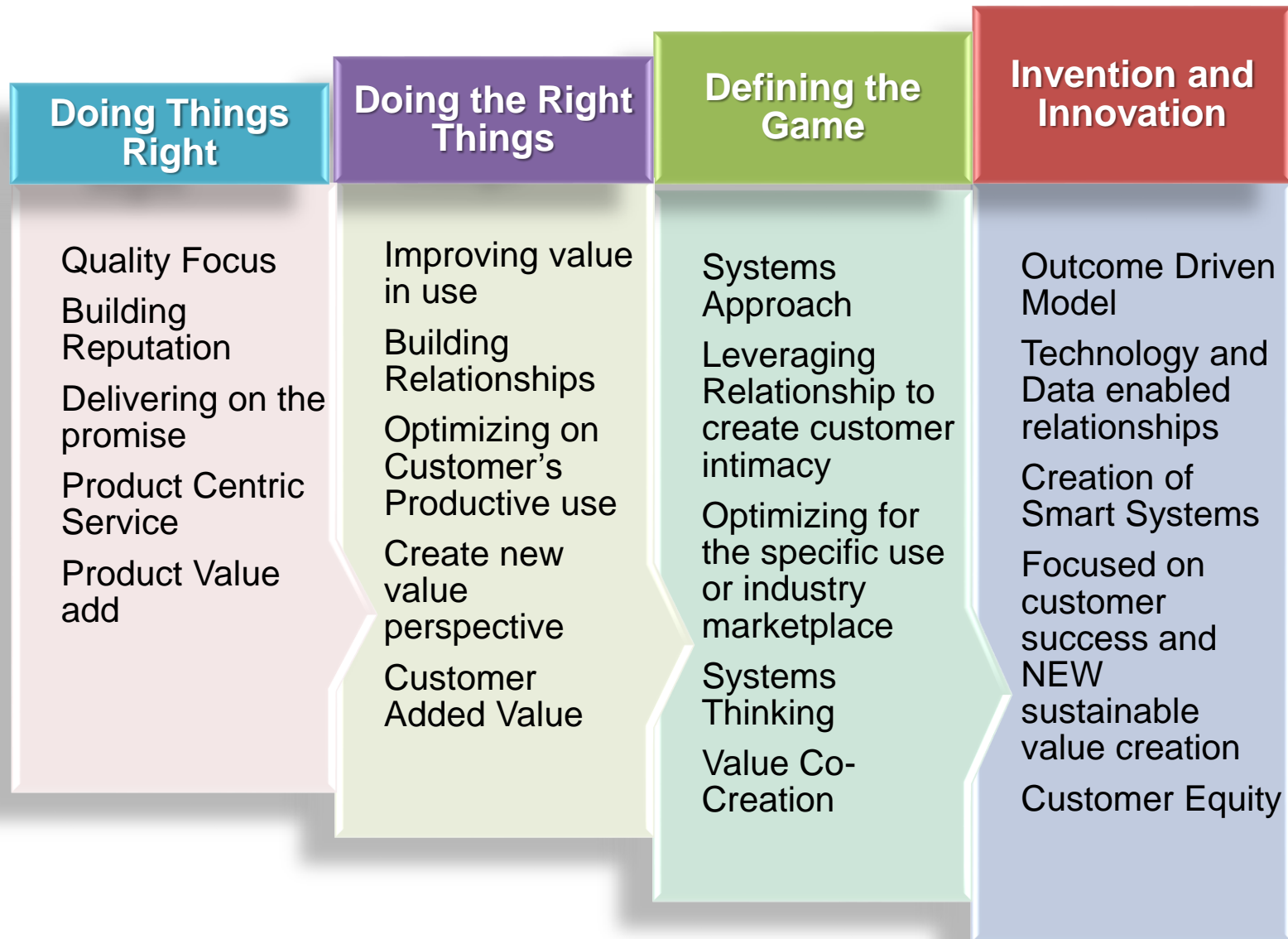


Wall Street Journal – CIO Section Oct 13 2014

Order of Change Schemata

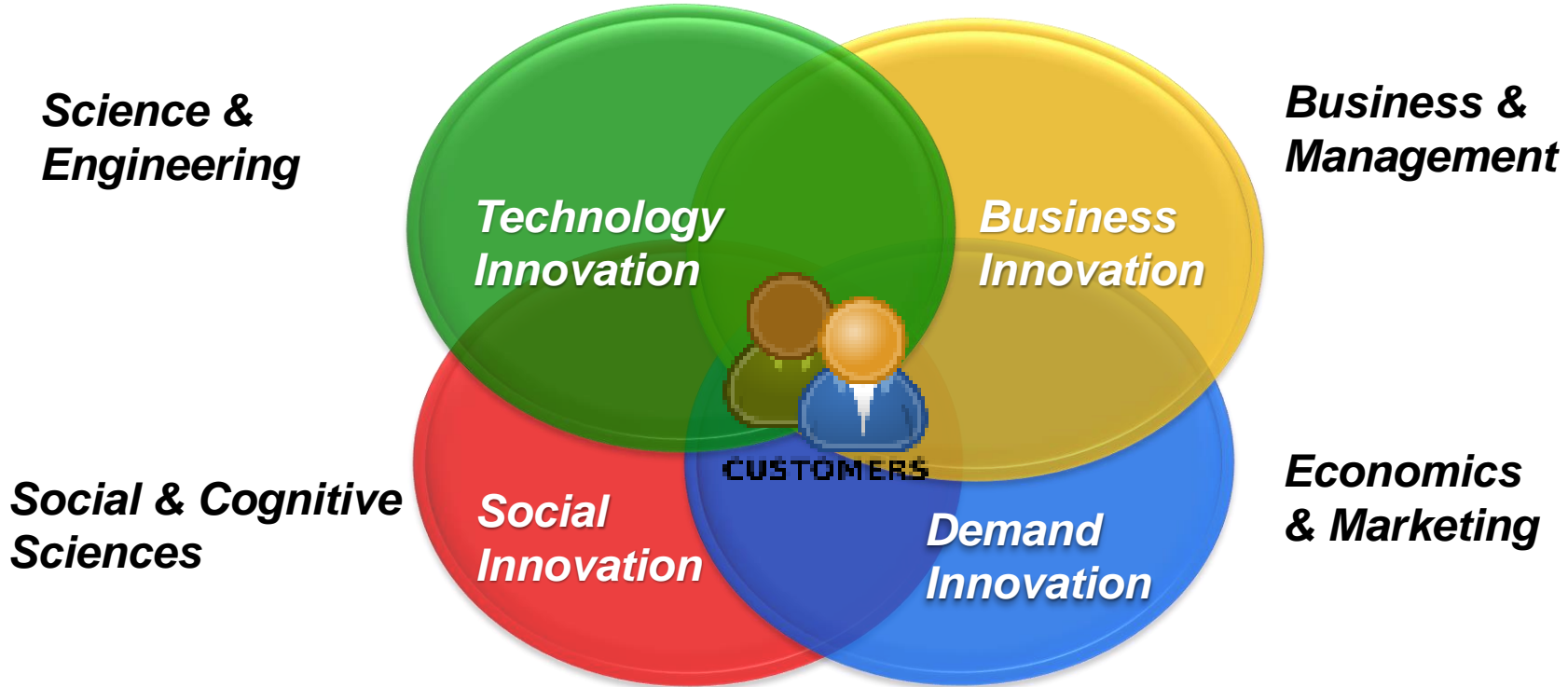


Order of Change Schemata



An Architecture for Service System Innovation

- A **service system** is a complex **socio-techno-economic** system
- Service Systems depend critically on **people, process and technology**
- Value Growth requires innovation that combines the **value** of **people, process and technology** in a service system



Powered by Customers

The New Business Model for the Service Economy

- **Relationship Driven Innovation**
 - Aligns the business to interests of the customer's success
 - Works to optimize the customer outcomes not internal processes
 - Leads to unexpected outcomes not imagined by the customer
- **Focus based on outcomes that create value** and are enabled by:
 - Symmetrical exchange of knowledge and data
 - We live in a connected world – real time smart sensors = DATA
 - Increased Customer Equity
- **Designed and engineered to be a service system**
 - SaaS, iTunes, ZipCar, UBER (service systems)
 - Leads to smarter systems



Why is change so hard?

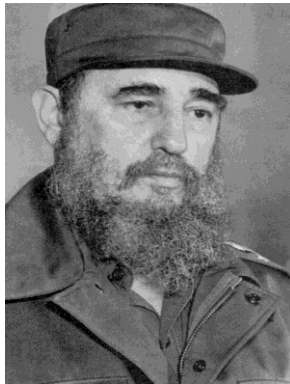
Evolution , Revolution or INNOVATION

“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



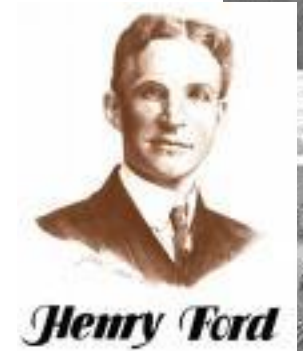
Darwin with cool shades



“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



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