



Cambridge Service Alliance

IfM Briefing Day
21.5.2013

Capabilities for Service Business Winning
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Coverage of this Session

- **To introduce the Cambridge Service Alliance.**
- **To provide a short brief on the Business Model research theme and its findings to date.**
- **To explain the Capability Audit Tool, its benefits and value to complex service enterprises.**
- **To present some of the findings that we from case studies to date and what we aim to do in the future.**

The Cambridge Service Alliance

- Cambridge University, BAE Systems, Caterpillar, Pearson and IBM have a collective interest in understanding better the **future for complex services**.
- We have joined forces to create:
 - A business led consortium
 - With no more than 10 core partners
- Academic input will be:
 - Facilitated by Cambridge University
 - Structured to engage the best minds globally
 - Designed to support the development of future talent
- Knowledge and technology transfer will be enacted through:
 - Clearly defined and well developed commercialisation routes
 - A range of education programmes, including executive education
 - An active programme of engagement and exchange

We are focusing on three questions

Business model innovation

Which future business models will best enable firms to create and capture value through services?

Service and support capabilities

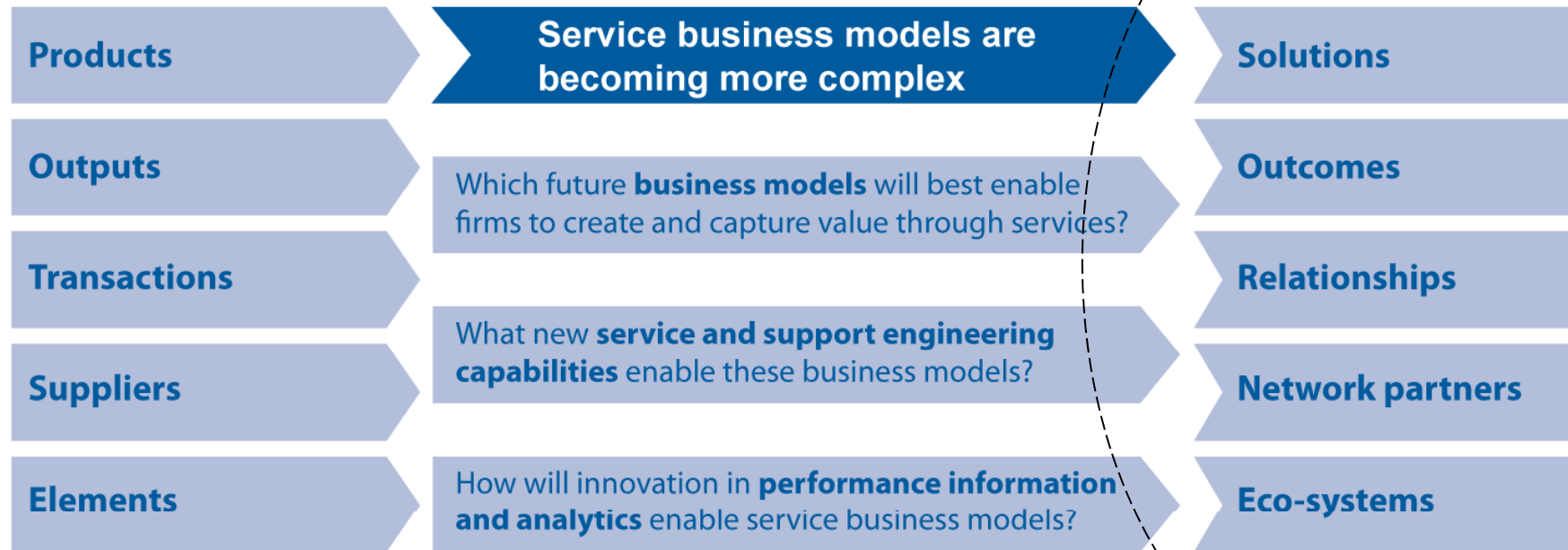
What new service and support engineering capabilities enable these business models?

Performance information and analytics

How will innovation in performance information and analytics enable service business models?

Delivering services is challenging

From a world of...



- **Services are not easy to scale – costs are high, margins are compressed**
- **Services often involve long term commitment and performance based contracts**
- **With multiple parties co-operating to ensure delivery**

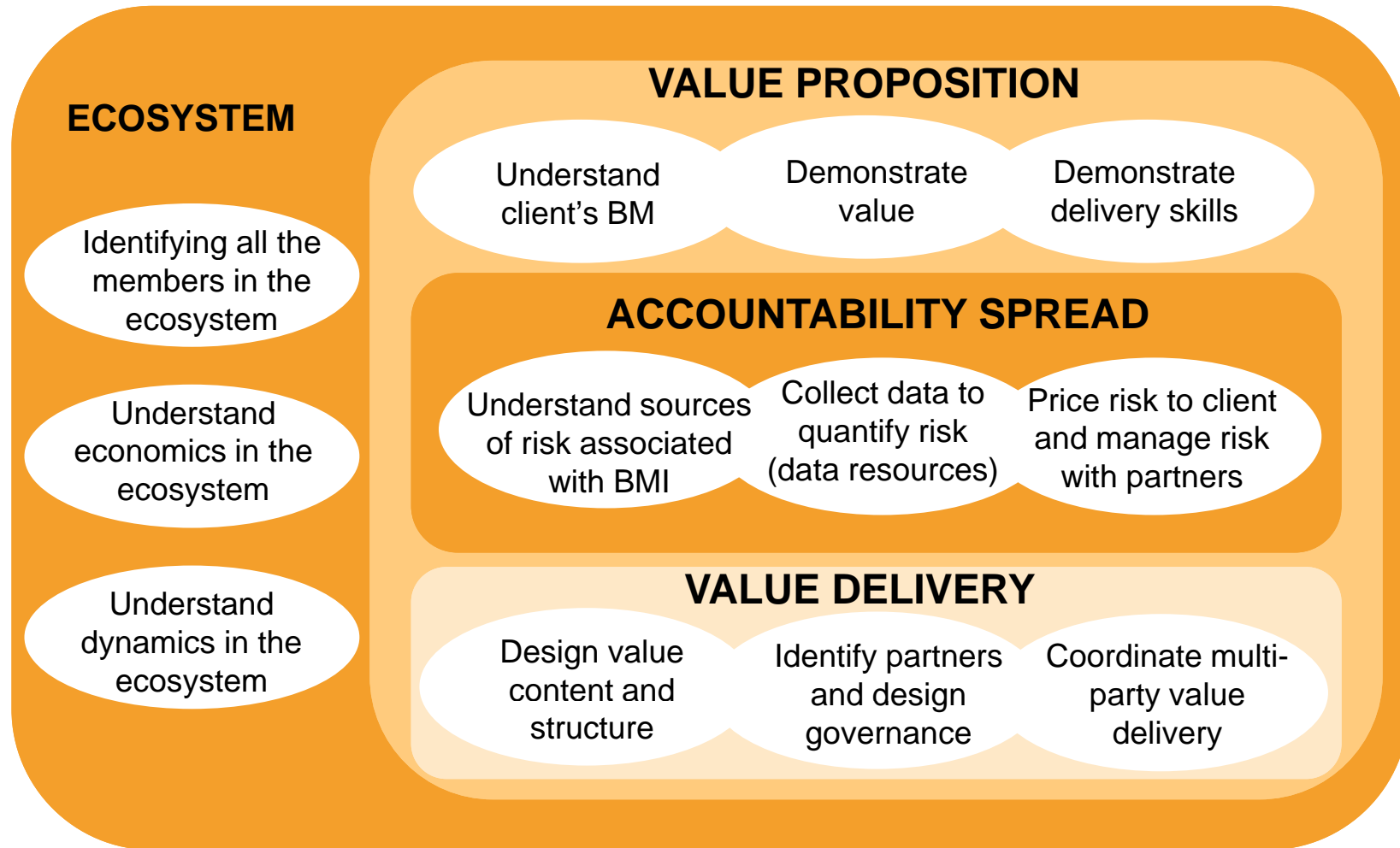
We researched how a diverse set of organisations innovated their service business models

Diversity across ecosystems/sectors	Comparable companies within ecosystems/sectors
Rail ecosystem	<ul style="list-style-type: none"> • 2 train solution providers
Defense ecosystem	<ul style="list-style-type: none"> • 2 defense solution providers
Utility ecosystem	<ul style="list-style-type: none"> • Water service provider • Energy service provider
Local public ecosystem	<ul style="list-style-type: none"> • 2 support service providers
IT sector (multiple ecosystems)	<ul style="list-style-type: none"> • 2 IT solutions provider
Professional service (multiple ecosystems)	<ul style="list-style-type: none"> • Supply chain consultancy • Open innovation consultancy

Exercise 1: Key Capabilities of a complex services business

- What capabilities would a complex service business need in order to innovate its business model and why?
- 5 minutes!
- Work in pairs
- Write down on the sheet in front of you
- Then we'll debrief

12 capabilities that underpin service business model innovation





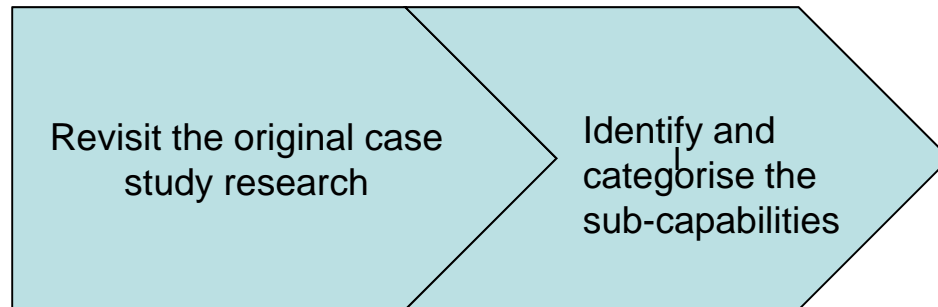
TOWARDS CAPABILITY AUDIT TOOL...

Steps involved in developing the capability audit

Revisit the original case study research

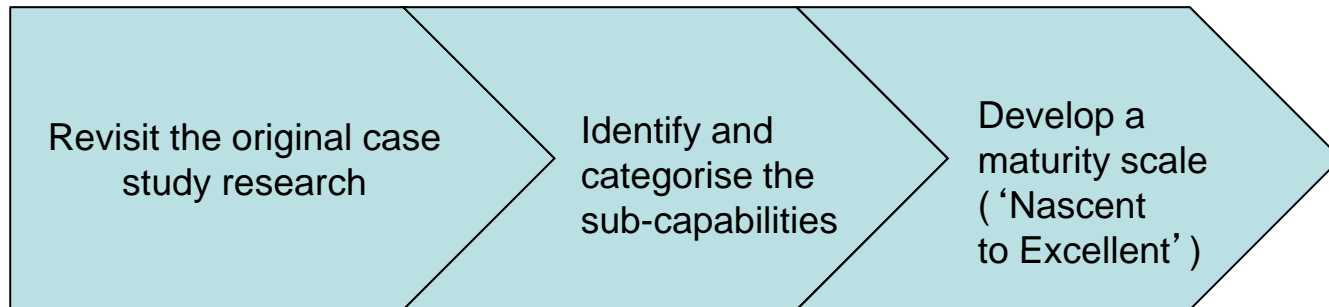
Diversity across ecosystems/ sectors	Comparable companies within ecosystems/sectors
Rail ecosystem	• 2 train solution providers
Defense ecosystem	• 2 defense solution providers
Utility ecosystem	• Water service provider • Energy service provider
Local public ecosystem (councils*)	• 2 support service providers
IT sector (multiple ecosystems**)	• 2 IT solutions provider
Professional service (multiple ecosystems)	• Supply chain consultancy • Open innovation consultancy

Steps involved in developing the capability audit



- **Review of the original case studies allowed us to identify around 70 sub-capabilities that fell under the heading value proposition, value delivery system, ecosystem and accountability spread**
- **These sub-capabilities clustered under the broad capabilities in the original framework**

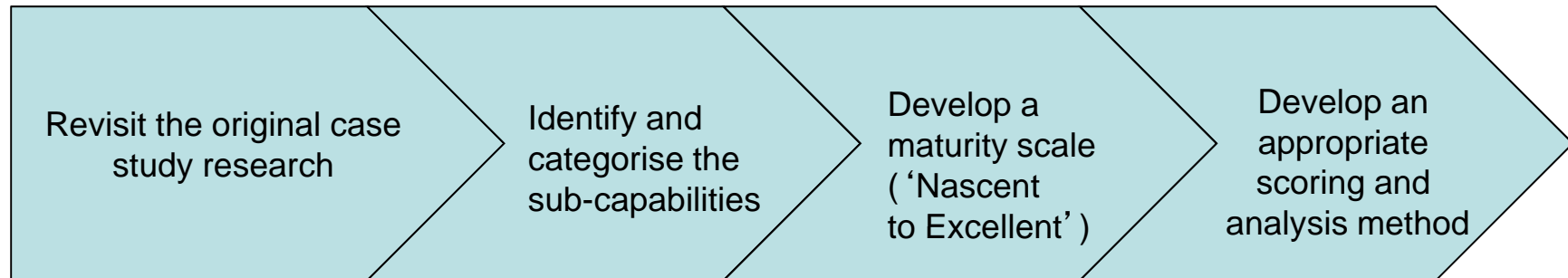
Steps involved in developing the capability audit



For each sub-capability we have developed a maturity model...

	Ad hoc	Emerging	Leading
Value creation...	We have a general understanding of how our customers create value.	We have a deep understanding of how our customers' customers create value.	We have a complete understanding of how all significant organisations in our ecosystem create value.

Steps involved in developing the capability audit



- **The scoring mechanism covers both maturity and importance.**
- **Codified in an excel template the analysis is automatic once scores are entered.**

Filling out capability audit

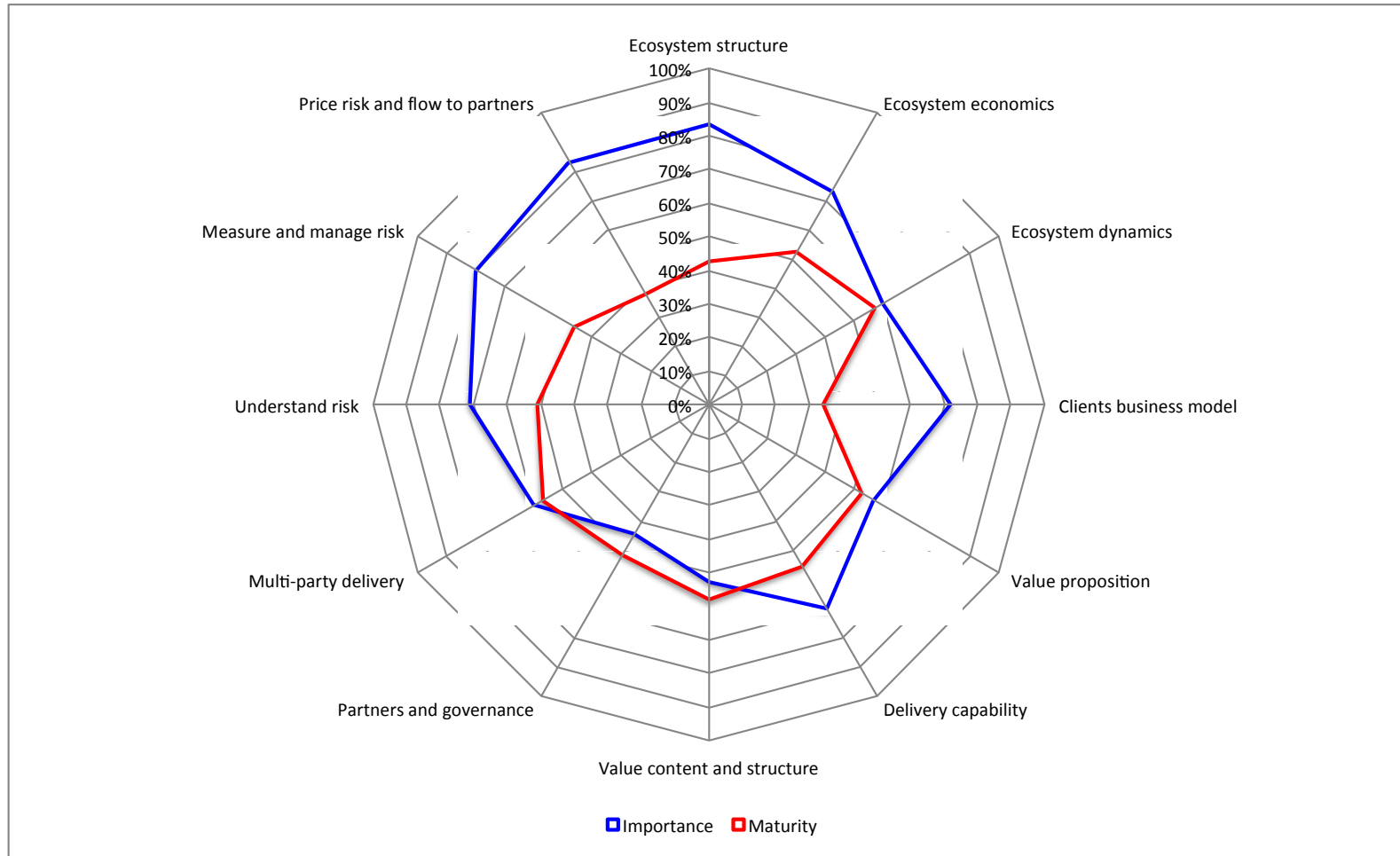
- Audit can be completed separately in divisions or projects
- Participants need to individually estimate the level of maturity and importance using drop down menus in an excel file:

	Capability	Importance	Maturity	Nascent	Ad hoc	Basic	Emerging
<i>How well do you know the members of your eco-system?</i>							
<i>The supplier perspective</i>	EA1			↔	We have identified and understand all of our suppliers.	↔	We have a good understand suppliers and our potential
<i>The customer perspective</i>	EA2			→	We have identified and understand all of our current direct (internal and external) customers.	↔	We have a good understand current and potential direct (internal and external) customers.
	EA3						
<i>How well do you know the members of your eco-system?</i>							
<i>The supplier perspective</i>	EA1				↔	We have identified and understand all of our suppliers.	
<i>The customer perspective</i>	EA2				→	We have identified and understand all of our current direct (internal and external) customers.	
	EA3				→	We have identified and understand all of our current end user customers.	

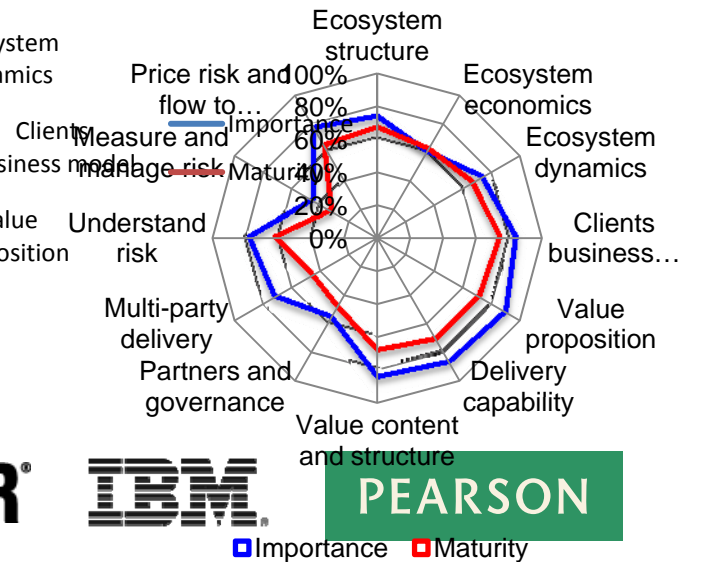
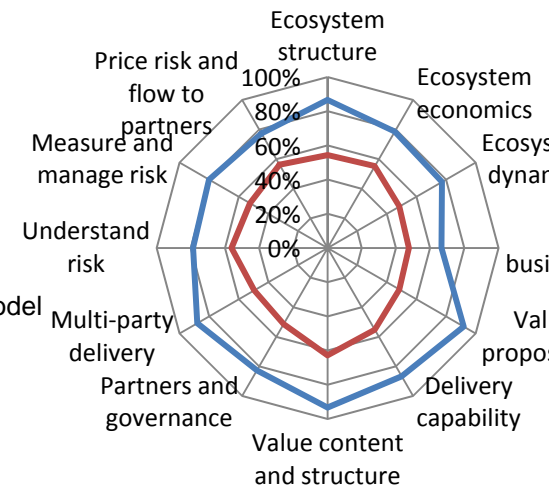
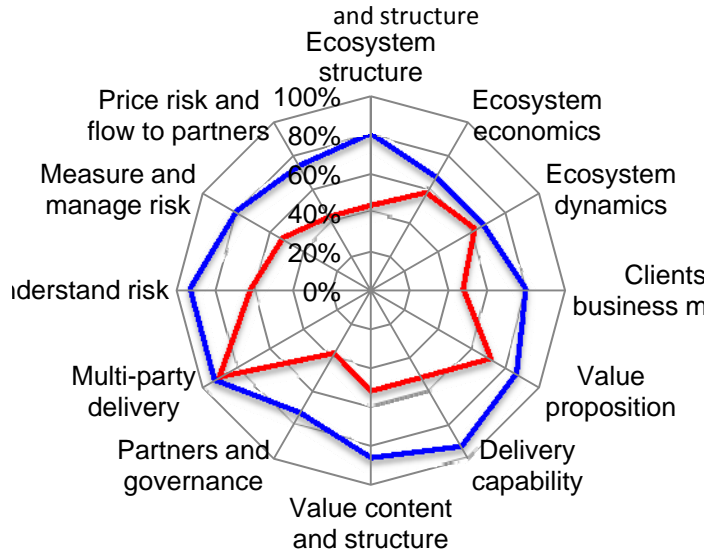
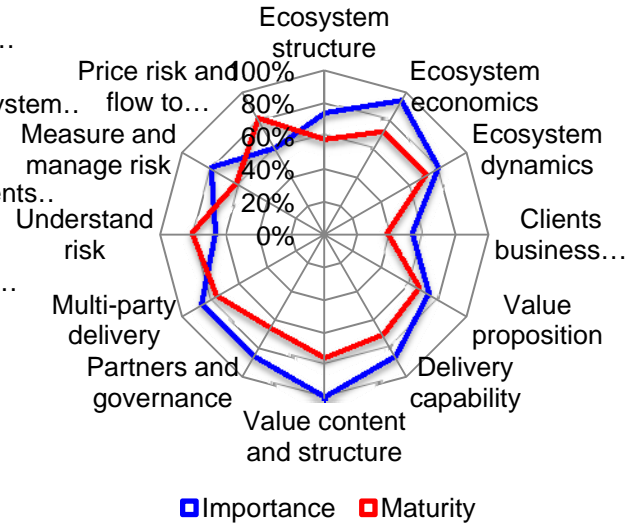
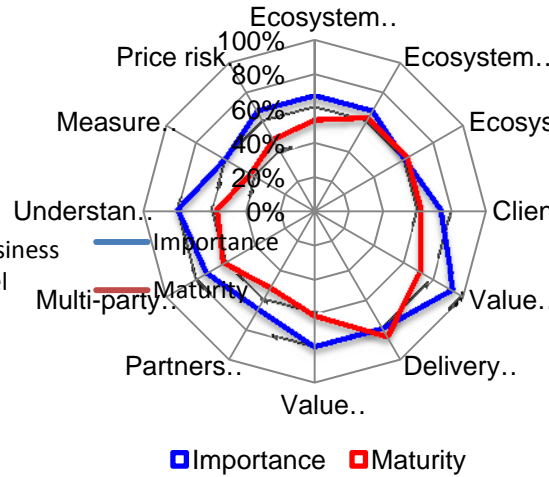
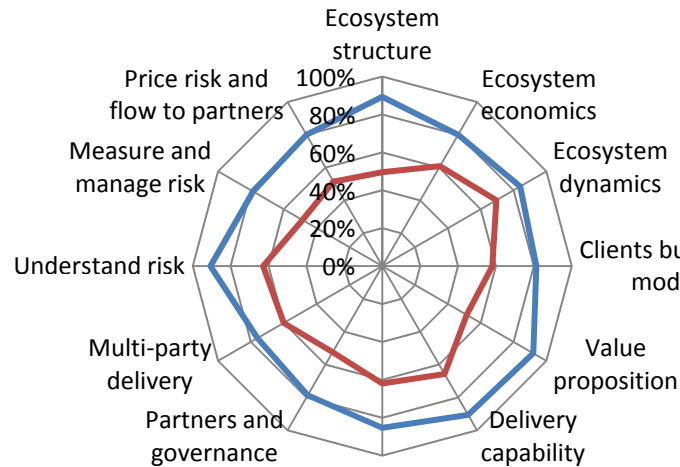
Exercise 2: Using the Tool!

- Work in pairs
- Decide on a services business you want to score
- One plays COO, the other plays researcher
- 10 minutes!
- Score for Importance and Maturity
- Accuracy is less important than getting the hang of it
- Then we'll debrief

Once the audit is completed: individual output



AUDIT GRAPHICS (MODIFIED DATA)



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Importance Maturity

MEAN VALUES (MODIFIED DATA)

Capabilities	Mean	
	Importance	Maturity
Ecosystem structure	80 %	48 %
Ecosystem economics	77 %	60 %
Ecosystem dynamics	78 %	60 %
Clients business model	79 %	54 %
Value proposition	90 %	54 %
Delivery capability	80 %	58 %
Value content and structure	79 %	50 %
Partners and governance	81 %	44 %
Multi-party delivery	70 %	55 %
Understand risk	83 %	54 %
Measure and manage risk	76 %	40 %
Price risk and flow to partners	65 %	53 %

STANDARD DEVIATION (MODIFIED DATA)

Capabilities	Standard deviation	
	Importance	Maturity
Ecosystem structure	8 %	14 %
Ecosystem economics	9 %	9 %
Ecosystem dynamics	9 %	9 %
Clients business model	11 %	15 %
Value proposition	6 %	12 %
Delivery capability	8 %	11 %
Value content and structure	9 %	10 %
Partners and governance	16 %	7 %
Multi-party delivery	15 %	6 %
Understand risk	13 %	9 %
Measure and manage risk	15 %	15 %
Price risk and flow to partners	4 %	10 %

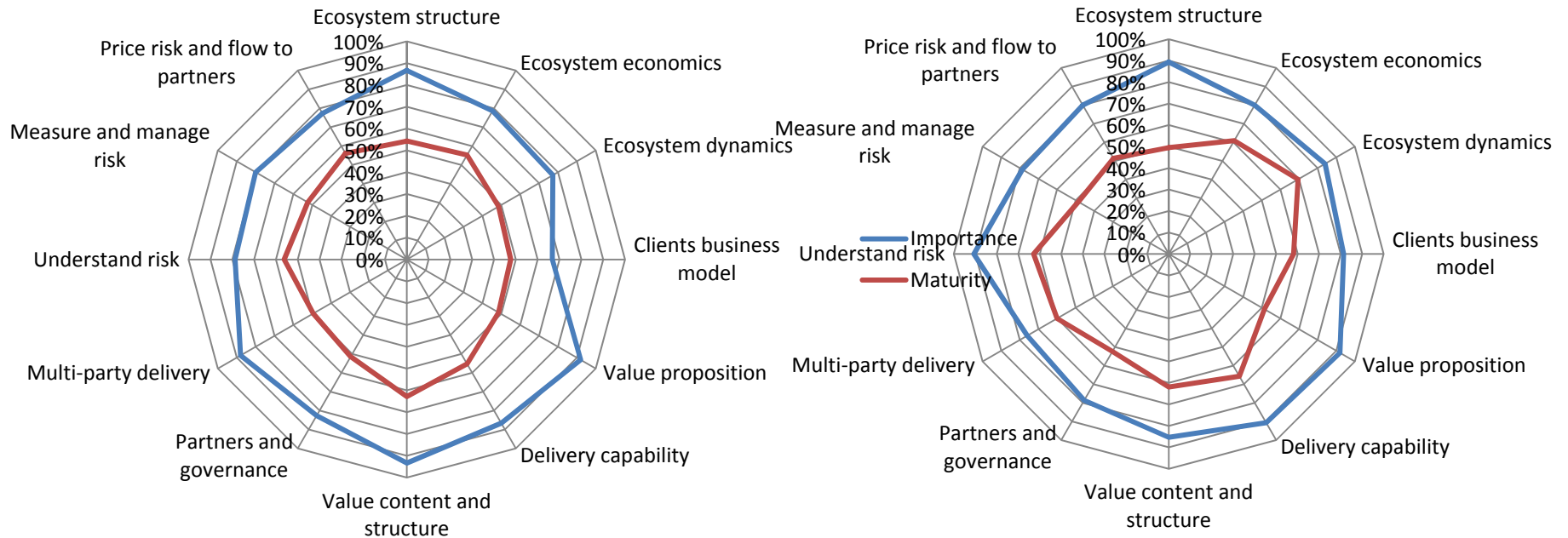
MATURITY & IMPORTANCE QUANTILES (MODIFIED DATA)

Capabilities	Lower quartile		Median		Upper quartile	
	Importance	Maturity	Importance	Maturity	Importance	Maturity
Ecosystem structure	73 %	29 %	80 %	38 %	87 %	67 %
Ecosystem economics	67 %	51 %	73 %	62 %	87 %	71 %
Ecosystem dynamics	73 %	43 %	73 %	52 %	90 %	65 %
Clients business model	73 %	38 %	80 %	62 %	87 %	67 %
Value proposition	87 %	43 %	88 %	48 %	93 %	67 %
Delivery capability	70 %	40 %	80 %	57 %	87 %	67 %
Value content and structure	75 %	43 %	80 %	50 %	87 %	67 %
Partners and governance	80 %	38 %	80 %	43 %	86 %	73 %
Multi-party delivery	73 %	52 %	90 %	57 %	80 %	45 %
Understand risk	69 %	48 %	80 %	52 %	90 %	67 %
Measure and manage risk	59 %	35 %	78 %	38 %	87 %	62 %
Price risk and flow to partners	67 %	48 %	73 %	52 %	80 %	62 %

RANGE (MIN, MAX) (MODIFIED DATA)

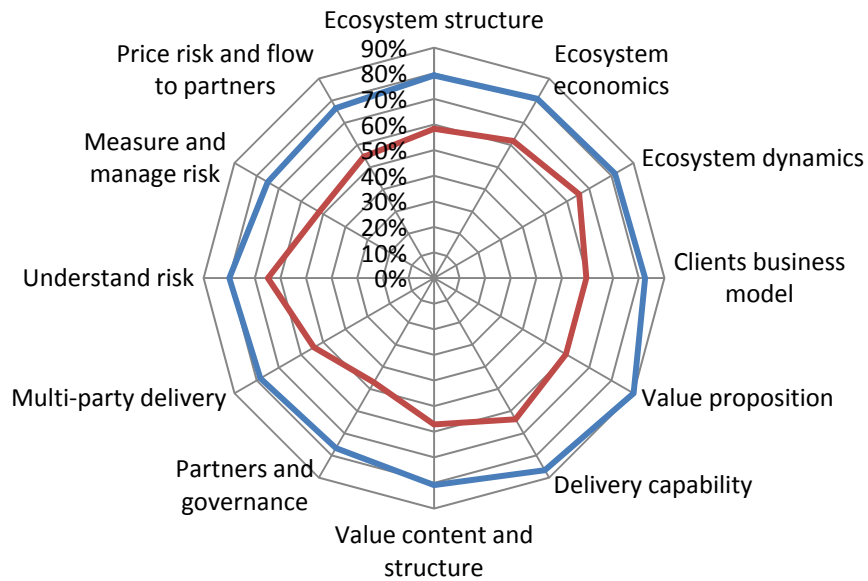
Capabilities	Range (min, max)					
	Importance (Min)	Importance (Max)	Range	Maturity (Min)	Maturity (Max)	Range
Ecosystem structure	67 %	93 %	26 %	38 %	71 %	33 %
Ecosystem economics	67 %	93 %	27 %	48 %	71 %	24 %
Ecosystem dynamics	67 %	93 %	27 %	38 %	67 %	29 %
Clients business model	60 %	90 %	30 %	33 %	71 %	38 %
Value proposition	73 %	100 %	27 %	43 %	71 %	29 %
Delivery capability	67 %	93 %	26 %	43 %	76 %	33 %
Value content and structure	65 %	87 %	22 %	43 %	67 %	24 %
Partners and governance	60 %	93 %	33 %	33 %	52 %	19 %
Multi-party delivery	60 %	87 %	27 %	43 %	62 %	19 %
Understand risk	70 %	90 %	20 %	38 %	67 %	29 %
Measure and manage risk	60 %	100 %	40 %	19 %	62 %	43 %
Price risk and flow to partners	60 %	80 %	20 %	33 %	67 %	33 %

COMPARISON BETWEEN DIFFERENT UNITS (MODIFIED DATA)

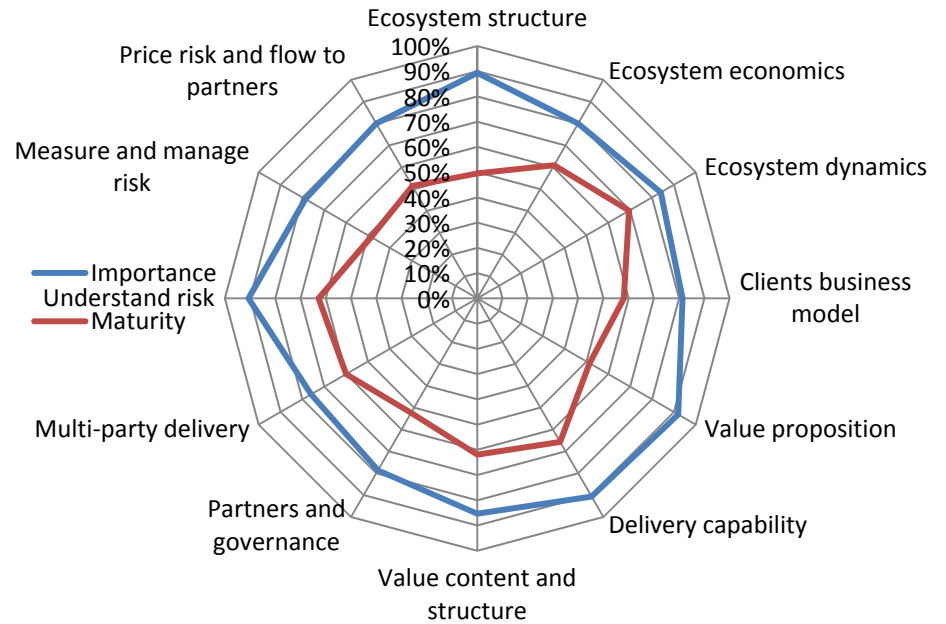


MARKET AREA COMPARISONS (MODIFIED DATA)

USA



EUROPE



So what have we found?

- The capability audit has been now tested, verified and further developed.
- To perform this work we have been doing several case studies with organizations aiming to transfer their business model.

SUMMARY OF THE CASE STUDIES

- Four case studies were performed in manufacturing organizations that had been successful in changing their business models towards services

Case	Products	Number of interviews	Target business unit
Case 1	Components	6	Subsidiary in Finland
Case 2	Park facilities	5	Service business unit
Case 3	Minerals processing products	7+6	Service Business Unit & Service Product Unit (FI)
Case 4	Pulp & Paper processing products	9+8	Subsidiary in Europe & US

FINDINGS ACROSS CASES (1/4)

FINDING 1: Acting in multiple ecosystems

- Capability audit presumes that each individual firm acts in single or few ecosystems.
- Yet, our cases suggest that many players are involved in multiple ecosystems which leads to the dispersion on answers to the questions such as:
 - “How well do you know the members of your ecosystems?”
- These questions then arise:
 - To which degree do companies really need to know their ecosystem structure, players and dynamics?
 - How do these dynamics affect the business and what can these firms do if the population is too large?

FINDINGS ACROSS CASES (2/4)

FINDING 2: Network structure and history in product business restricting business model innovation

- If a company has been in a certain position in their ecosystem (supplier/ upstream position in supply chain), the leap to a different position in services might be too long.
 - If a company is used to act as a supplier position in product business how can it develop and deliver services?
 - What kind of services could this company provide?
 - How would this change the dynamics of an ecosystem? (e.g. interfering customers business)

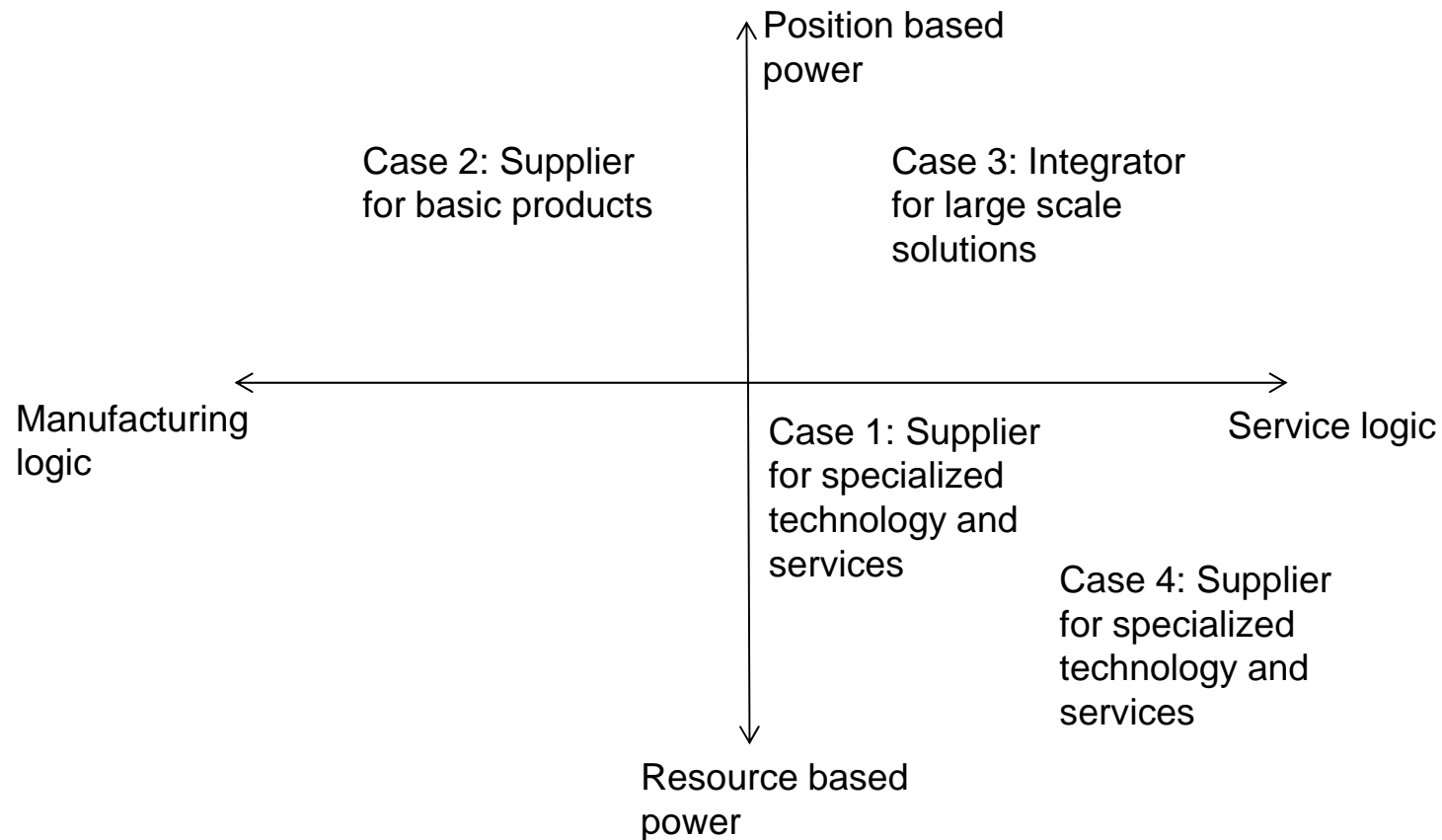
FINDINGS ACROSS CASES (3/4)

FINDING 3: BM transformation from products to services is different and requires different sort of strategy than transformation to solutions

- Companies that were aiming for solutions were different in nature than companies that provided transaction based services. These companies differed in:
 - Size
 - Position in supply chain
 - Type of business (relationship based vs. projects)
 - Degree in which their products were applicable across industries

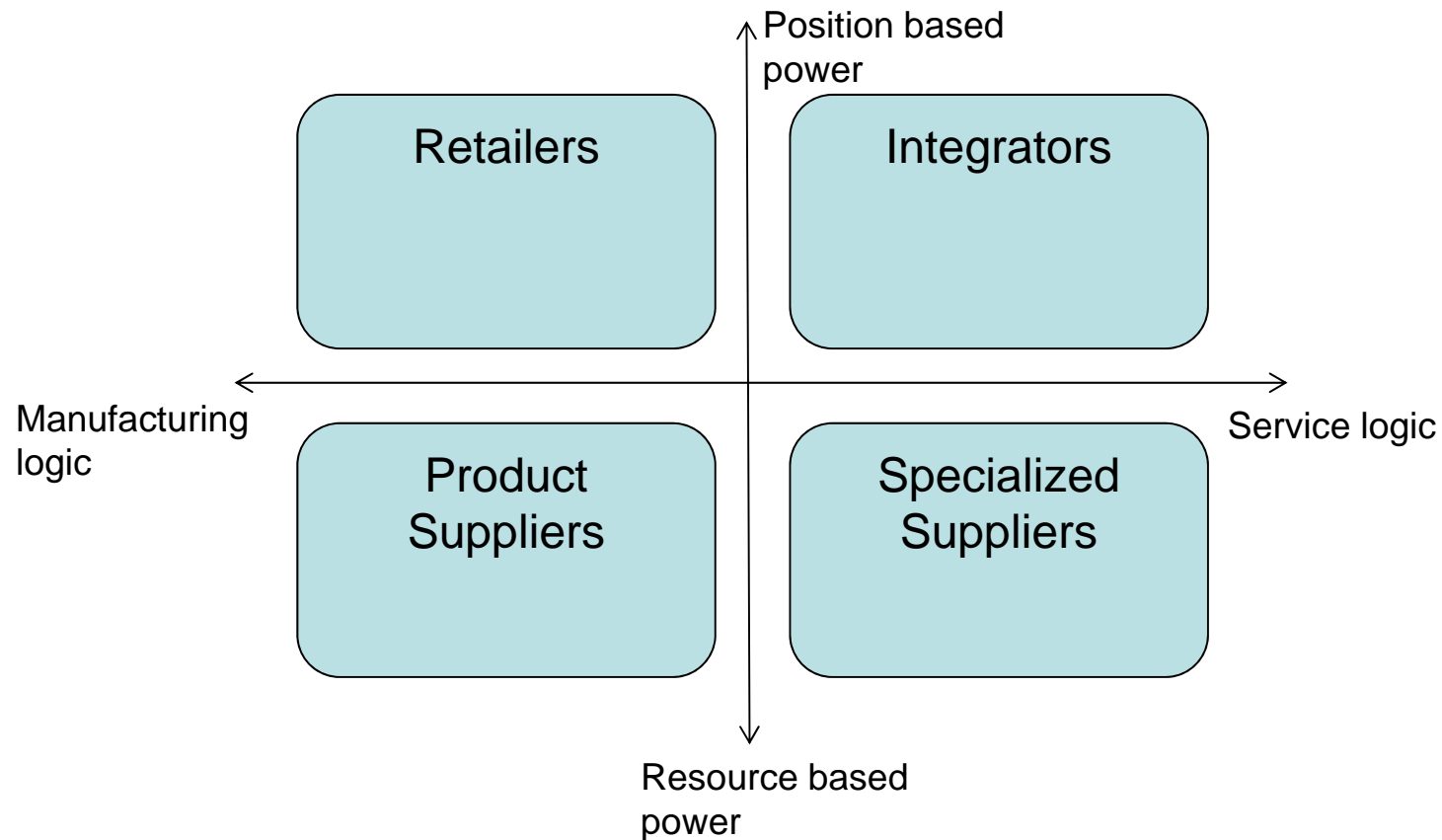
FINDINGS ACROSS CASES (4/4)

- FINDING 4: Different ecosystem roles



FINDINGS ACROSS CASES (4/4)

- FINDING 4: Different ecosystem roles



Research will continue...

Next we are eager to find out:

- *Under what circumstances should companies aim for integrator position?*
- *How companies build strategic partnerships to achieve integrator role?*

Thank you!

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