

Almaden Services Research

Service Science, Management, and Engineering (SSME): An Interdisciplinary Approach to Service Innovation

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On the need for service research...

"Services account for more than 80 percent of the U.S. gross domestic product, employ a large and growing share of the science and engineering workforce, and are the primary users of information technology. ... [The] academic research enterprise has not focused on or been organized to meet the needs of service businesses. Major challenges to services industries that could be taken up by universities include: (1) the adaptation and application of systems and industrial engineering concepts, methodologies, and quality-control processes to service functions and businesses; (2) the integration of technological research and social science, management, and policy research; and the (3) the education and training of engineering and science graduates prepared to deal with management, policy, and social issues."

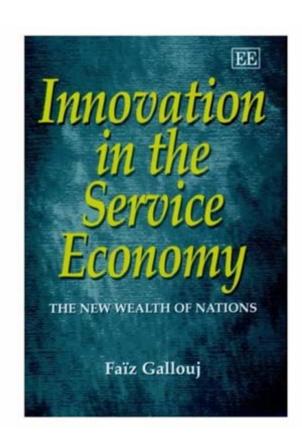
National Academy of Engineering (2003). "The Impact of Academic Research on Industrial Performance"



Put more crisply...

"... modern economies are both service economies and economies of innovation. Paradoxically, they are not regarded as economies of innovation *in* services, that is as economies in which service firms' innovation efforts are proportional to their contribution from the major economic aggregates. It is as if service and innovation were two parallel universes that coexist in blissful ignorance of each other."

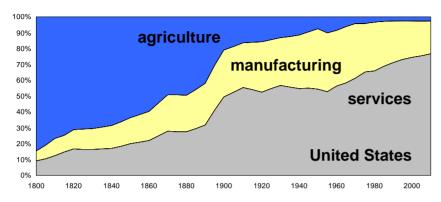
Gallouj, F. (2002). *Innovation in the Service Economy: The New Wealth of Nations*. Cheltenham UK: Edward Elgar.

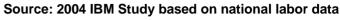


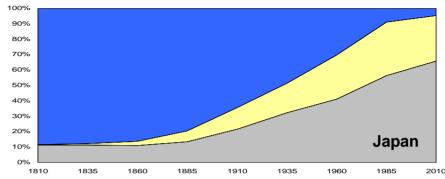
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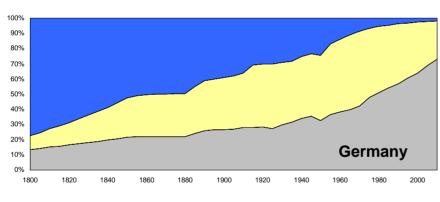


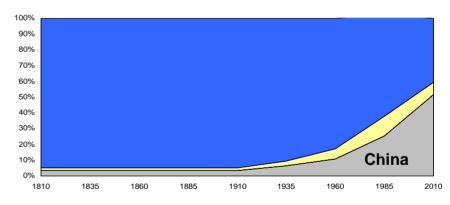
The Rise of the Service Economy

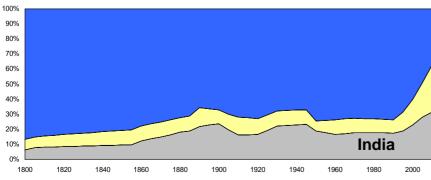


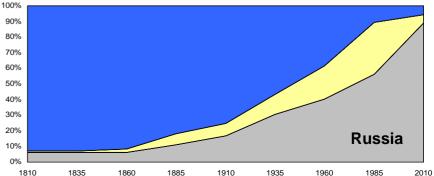














Service Jobs are High Skill Knowledge Worker Jobs

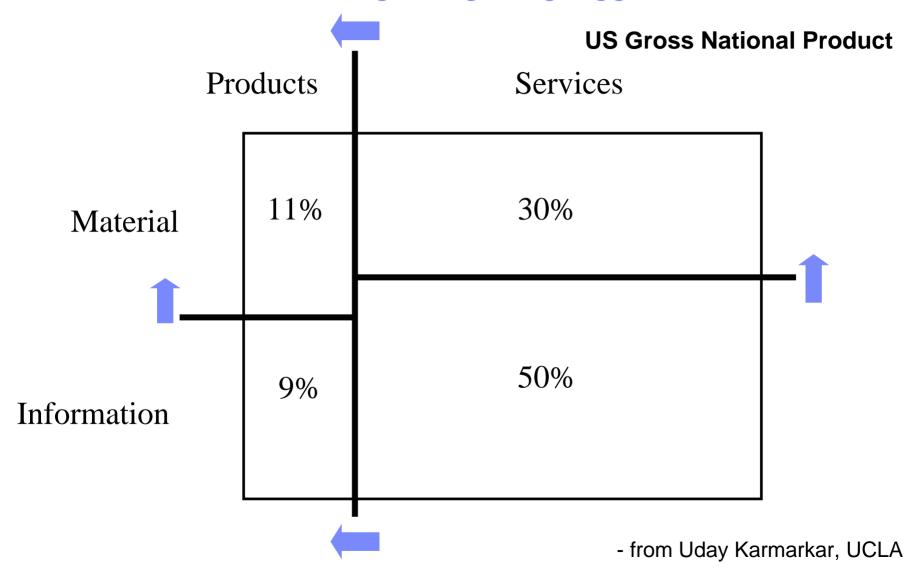
Type of work system	1979	1996			Example
		All	Service	Manufacture	
High-skill Autonomous	34%	40%	40%	40%	Executive, Scientist
Semi- Autonomous	35%	30%	30%	35%	Admin., Manager
Unrationalized Labor Intensive	25%	25%	26%	15%	Maid, child care
Tightly Constrained	6%	5%	4%	10%	Call center, Fast food

Source: Herzenberg, Alic, & Wial (1998). New rules for a new economy. Employment and opportunity in postindustrial America. Cornell University Press.

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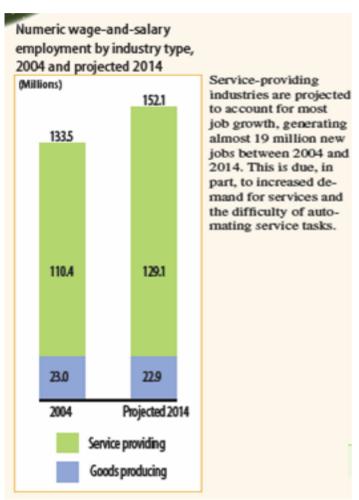


Information Services are big and getting bigger

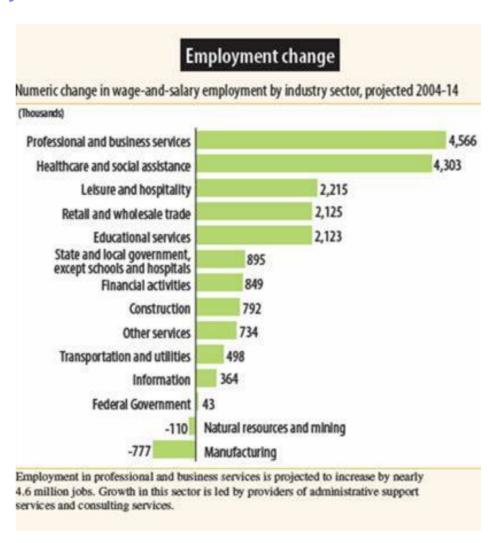




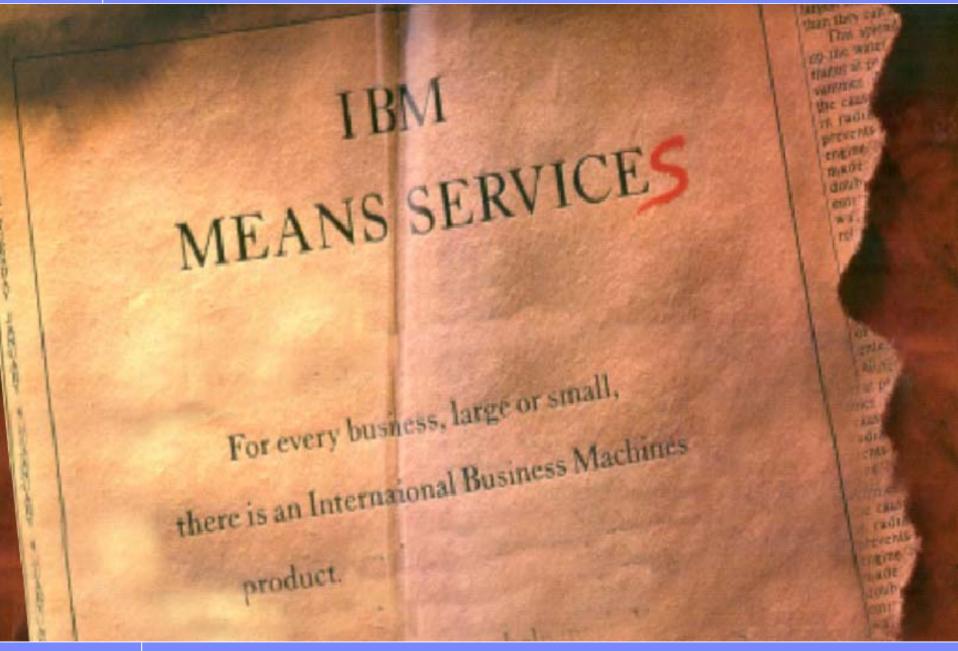
Projected US Service Employment Growth, 2004 - 2014





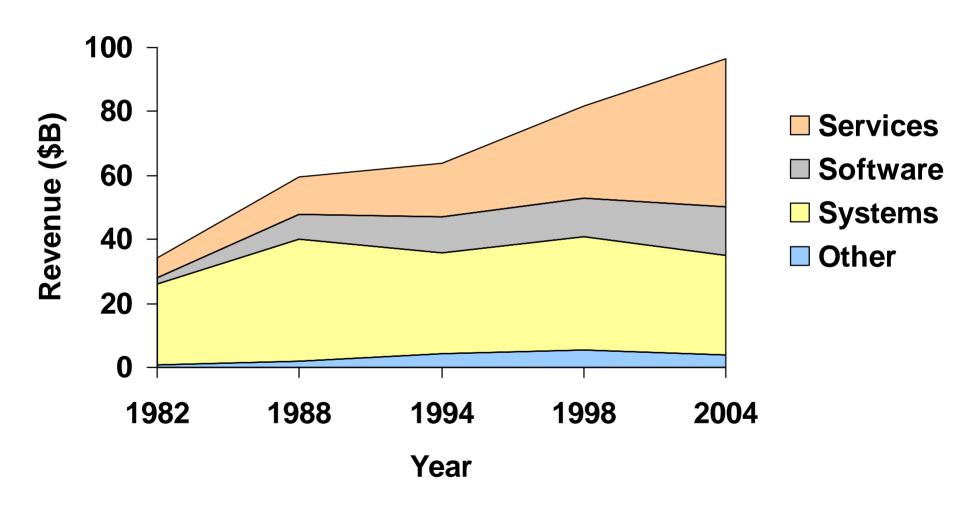








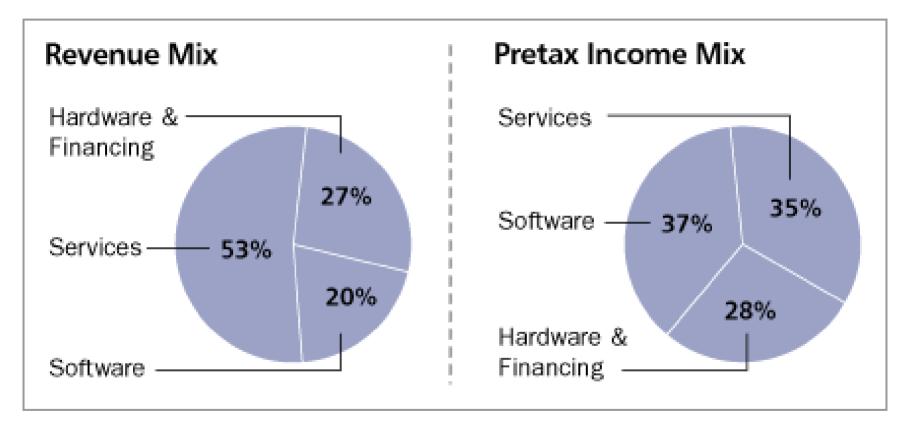
IBM Revenue Growth is Now Led by Services...



9 January 16, 2007 © 2007 IBM Corporation



IBM: Why understanding service innovation matters

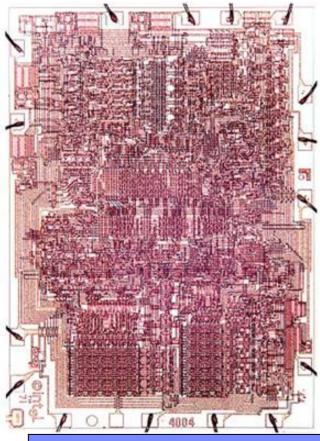


Fundamental Service Science Challenge:

Scaling & Learning Curves Different from Manufacturing Identical Products Variance may be opportunity (customize) or waste (standardize)



How to Invest to Make Systematic Improvements? (improvement = year-over-year increase in capabilities)



Computational System

Shrink Transistors



Service System

- 1. People (division of labor, multi-tasking)
- 2. Technology
- 3. Internal and External Service Systems
 Connected by Value Propositions
- 4. Shared Information (language, laws, measures)

People do more, high value win-win actions



So What is Service?

In economics and marketing, a **service is the non-material equivalent of a good**. Service provision has been 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.

By supplying some level of **skill, ingenuity, and experience**, providers of a service participate in an economy without the restrictions of carrying stock (inventory) or the need to concern themselves with bulky raw materials. On the other hand, their investment in expertise does require marketing and upgrading in the face of competition which has equally few physical restrictions.

from Wikipedia, see http://en.wikipedia.org/wiki/Services

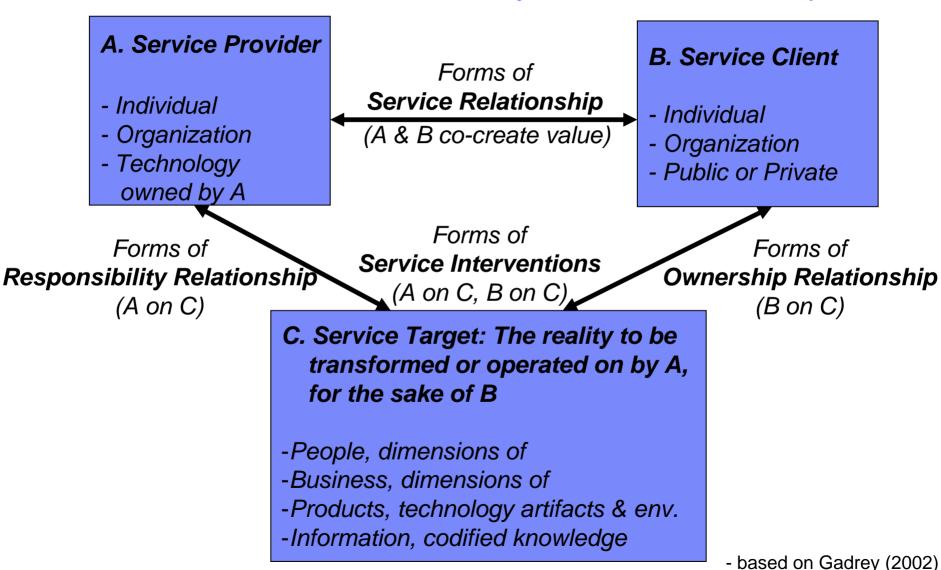
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What Really Defines Service?

- Deed, act, or performance
 - Berry (1980)
- An activity or series of activities... provided as solution to customer problems
 - Gronroos (1990)
- All economic activity whose output is not physical product or construction
 - Brian et al (1987)
- A time-perishable, intangible experience performed for a customer acting as co-producer
 - Fitzsimmons & Fitzsimmons (2001)
- A change in condition or state of an economic entity (or thing) caused by another
 - Hill (1977)
- Deeds, processes, performances
 - Zeithaml & Bitner (1996)
- Application of specialized competences through deeds, processes, and performances to benefit another
 - Vargo & Lusch (2004)



Another definition of Service... as systems of relationships





From Computer Science to Service Science...

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Comput

Science

Harvard Business Review >

THE HBR LIST

Our annual survey of emerging management ideas considers the downside of reliability and the upside of flip-flops; new directions for evolving technologies; and the persistent questions of who we are and what we fear.

Breakthrough Ideas for 2005

14. Toward a New Science of Services

Henry W. Chesbrough

Services contribute even more to the global economy than products do. So shouldn't the science of services be an academic field in its own right? Whether it becomes one may depend on the same criteria—including the extent of corporate support—that set computer science apart from engineering, math, and physics.

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Business & Management

Economics & Markets

tists



Can there really be a science of services?

"Wherever there are phenomena, there can be a science to describe and explain those phenomena. Thus, the simplest (and correct) answer to "What is botany?" is, "Botany is the study of plants." And zoology is the study of animals, astronomy the study of stars, and so on. Phenomena breed sciences."

Newell, A., Perlis, A. & Simon, H. A. (1967).
 Computer Science, Science, 157, 1373-1374.



Possible Objections... to Computer Science

- Only natural phenomena breed sciences
- The term "computer" is not well defined
- Computer Science is the study of algorithms, not computers
- Computers are instruments, not phenomena
- Computer Science is a branch of another science
- Computers belong to engineering, not science

- Newell, Perlis, & Simon (1967)

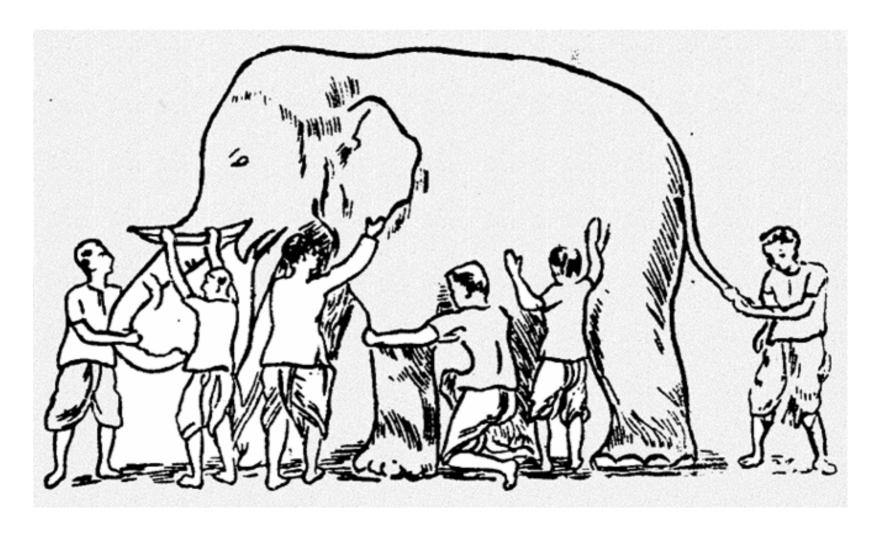


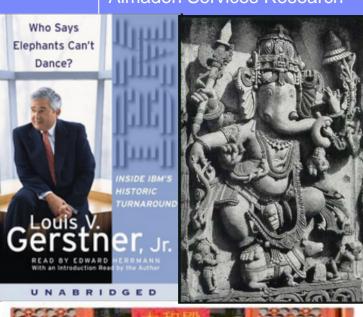
Possible Objections... to Service Science

- Only natural phenomena breed sciences
- The term "service" is not well defined
- Service Science is the study of work, not services
- Services are performances, not phenomena
- Service Science is a branch of another science
- Services belong to engineering (or management), not science

- with apologies to Newell, Perlis, & Simon (1967)

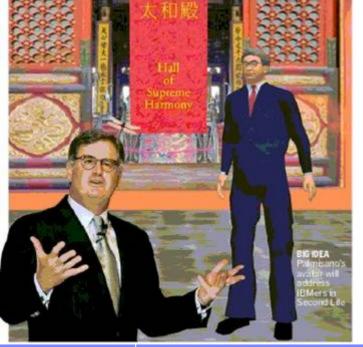
"Service science is just _____"





Now, About Elephants...

- What I learned at IBM is that culture isn't part of the game. <u>It is the game</u>.
 - Louis V. Gerstner
- Actually, the cultural change required for ITIL [IT Infrastructure Library, related to ISO 20000 Standard for IT Service Management] success is often a much greater challenge than the implementation of any supporting technologies.
 - Brian Johnson, in CIO News Headlines Oct. 1, 2006
- We strongly believe that development of an effective services science curriculum in Chinese universities will have a direct impact on China's economic growth
 - Sam Palmisano, quoted Infoweek, Nov 14, 2006





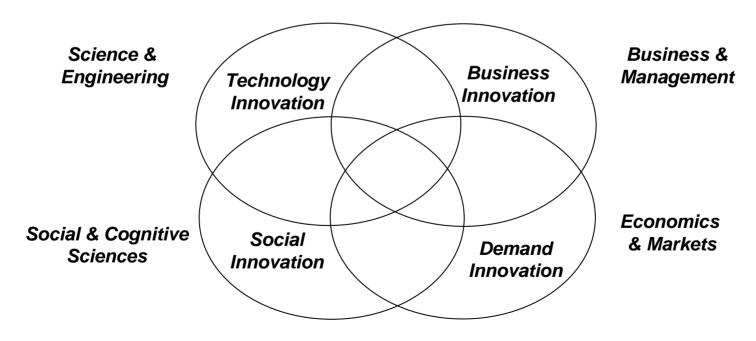
Need shared vocabulary and understanding of what a service system is – a type of complex adaptive system

- Operations Research and Industrial Engineering
 - More realistic models of people
- Computer Science and Electrical Engineering, Information Systems
 - Software and systems that adaptively change with business strategy
- Economics and Business Strategy, Service Management and Operations
 - Better models of scaling and innovation
- Law and Political Economy
 - Better models of social innovation in what way is passing a law innovation
- Complex Systems and Systems Engineering
 - Better model of robustness and fragility of service systems (sustainability)
- Service systems are value coproduction configurations of people, technology, internal and external service systems (connected by value propositions), and shared information (language, laws, measures, models, etc.)
 - Examples: People, families, cities, businesses, nations, global economy, etc.



What I see...

- Services depend critically on people, technology, and co-creation of value
- People work together and with technology to provide value for clients
- So a service system is a complex socio-techno-economic system
- Growth requires innovation that combines people, technology, value, clients





So what is "Service Science" or SSME, really?

- An urgent "call to action"
 - To become more systematic about innovation in services
 - Complements product and process innovation methods
 - To develop "a science of services"
- A proposed academic discipline
 - Draws on many existing disciplines
 - Aims to integrate them into a new specialty
- A proposed research area
 - Service systems are designed (computer systems)
 - Service systems evolve (linguistic and social systems)
 - Service systems have scale-emergent properties (economic systems)



Some Fundamental Service Questions

- What are the concepts, typologies and methodologies that might serve to bring some order to the diversity of services particularly with a view of measuring and evaluating results and performance?
- What are the role and social organization of knowledge and intelligence in the production, innovation, consumption and trading of services?
- What are the role of ICTs in the development of services and the rationalization of the processes whereby they are produced, as well as in innovation in services?

- Gadrey & Gallouj (2002). *Productivity, innovation, and knowledge in services*. Cheltenham, UK: Edward Elgar.



Some Service Research Areas

- Measuring work, service intensity, and service complexity
 - What are the limits to self-service? How much work can we shift to end-users?
- Representing and cataloging skills
 - How do we organize and breakdown the human skills needed to do work? How can we take this into account in composing and optimizing teams?
- Global communication tools
 - What are the barriers to highly productive human-human coordination? Distance, trust, communication, common ground, culture, technology?
- Service workforce management
 - Application of supply chain methods to service supply chains, which are people-centered
- Effective service automation
 - Understanding tradeoffs in human vs computer effort in creating customized business services



Grand Challenge: Moore's Law of Service?

- Moore's Law: Computational power doubles at a predictable rate.
- Are there capability-doubling laws in service?
- Consider Amazon's book recommendations
 - Quality of recommendations depends on accurate statistics the more purchases made, the better the statistics for recommendations.
- Consider call centers
 - Speed and quality of call center responses can be improved given accurate statistics about the kinds and number of queries that are likely to be received. In both, traces of activity are used to improve productivity and quality.
- Imagine three improvement "laws" for service
 - The more an activity is performed (time period doubling, demand doubling), the more opportunities to improve.
 - The better an activity can be measured (sensor deployment doubling, sensor precision doubling) and modeled, the more opportunities to improve.
 - The more activities that depend on a common sub-step or process (doubling potential demand points), the more likely investment can be raised to improve the sub-step.



Grand Challenge: Formalizing Service, Defining Innovation?

Problem

- Investment is drawn by the ability to capture value,
- Patenting of service innovation is immature, relatively unknown
- But where would computers be if it had been difficult to patent transistors, disk drives, and the like?
- Government policies must encourage growth of private investment in service innovation. But how?

Approach

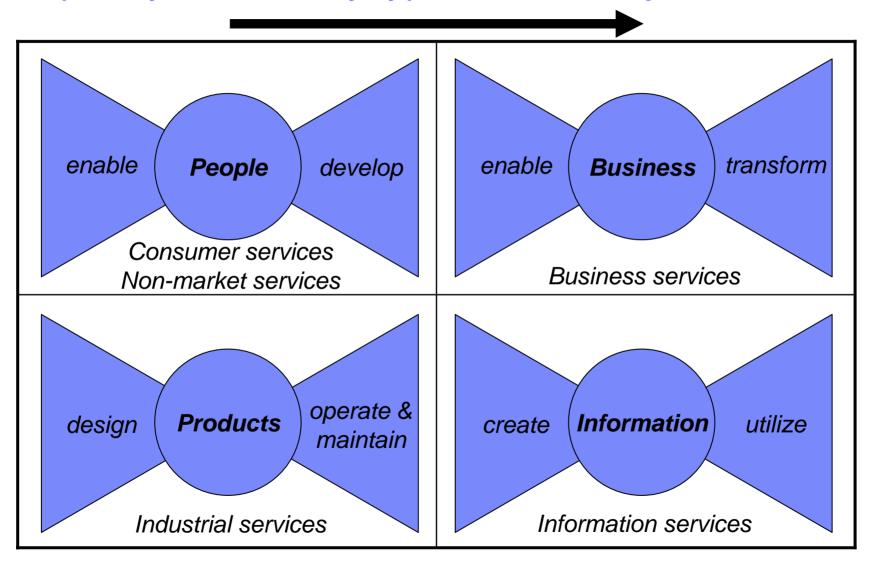
- How can we assess novelty in complex sociotechnical systems?
- What formalism can we use to express design of such systems?
- What methods do we have to understand or at least simulate processes in complex sociotechnical systems?

Solution?

- The problem is that when we have people working in coordination with one another, taking account
 of capabilities, motivations, incentives, interactions, and such is not straightforward or predictable.
- Government can bootstrap investment in services research
- Develop tools for specifying service system designs, allowing for formal specifications and simulations to assess novelty.

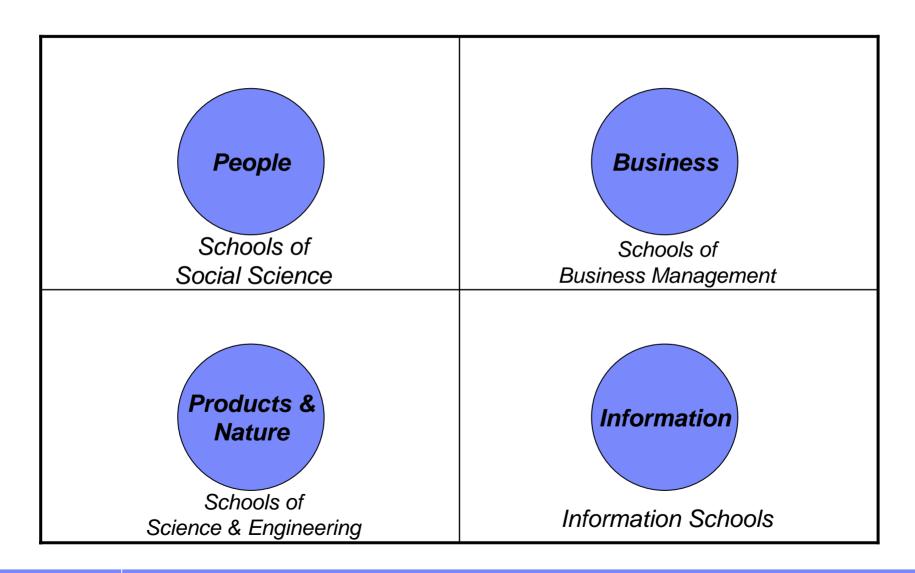


Complexity 1: So many types of service jobs/industries





Complexity 2: So many academic disciplines...

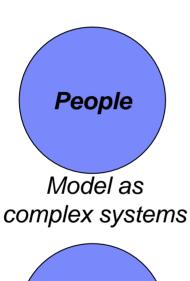




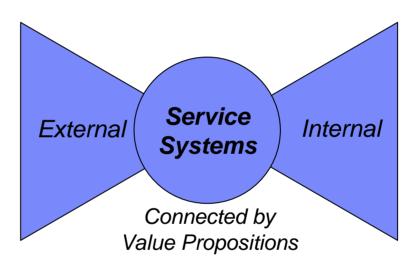
Complexity 3: So many definitions of service...

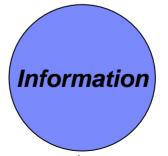
Service: The application of competence for the benefit of another

Service System: A value-coproduction configuration of people, technology, internal and external service systems, and shared information









Language, laws, metrics, standards, culture, etc.



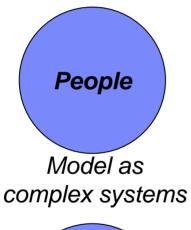
Complexity 4: No unique, fundamental problems...

What are the origins, types, and evolutionary patterns of service systems?

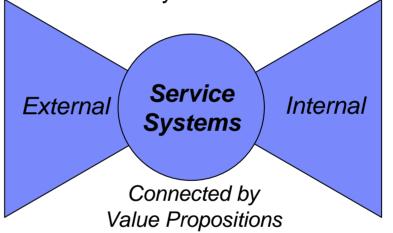
How are service systems similar to/different from other types of complex systems?

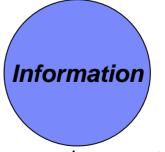
Are service systems the most complex type of complex system? How to invest?

How are competences transferred from one service system to another?





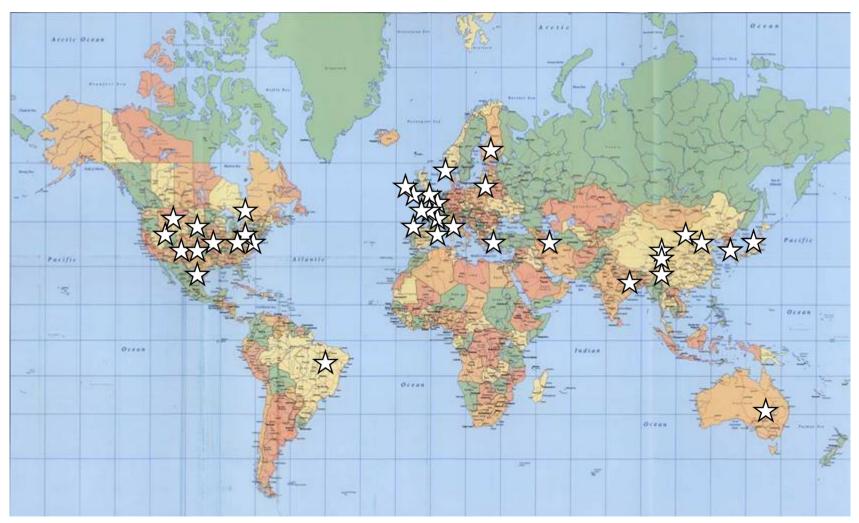




Language, laws, metrics, standards, culture, etc.

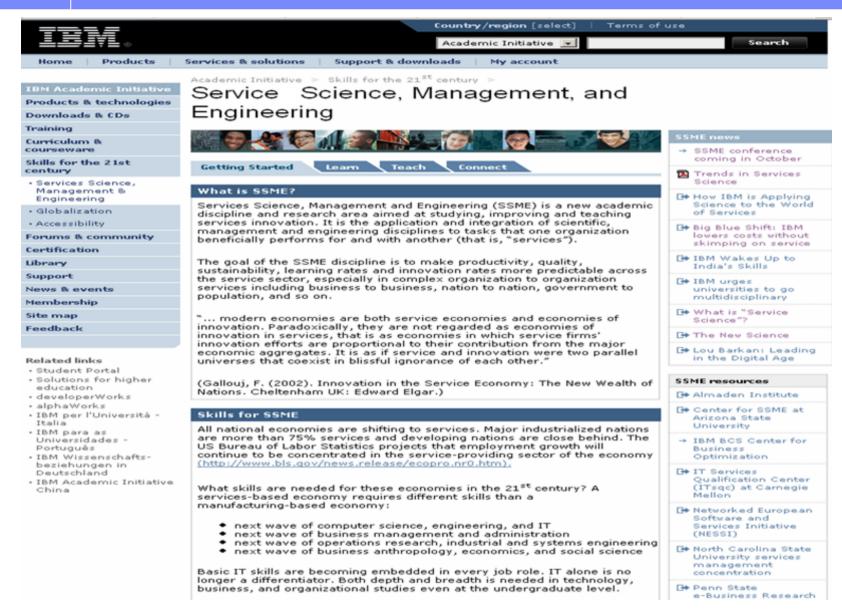


Part II: Progress – An Urgent Call to Action (2004-2006)



"The SSME Palisades event was the biggest and most diverse gathering ever in support of service education." – Roland Rust (Oct. 15, 2006)





http://www.ibm.com/university/ssme



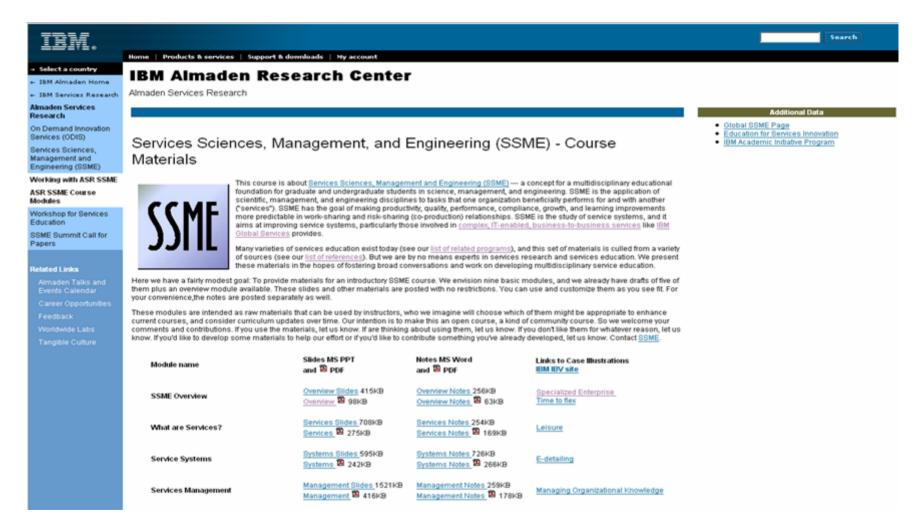
Service Research and Education is Interdisciplinary



Need more T-shaped people – both deep and broad



IBM's SSME Course Materials



http://www.almaden.ibm.com/asr/SSME/coursematerials/



The New Hork Times

Business





Kurt Koester, a Berkeley student, is complementing his engineering studies with a course in services science.

or China?

The answer, according to a growing number of universities. corporations and government agencies, is in what is being called "services science." The hybrid field seeks to use technology, management, mathematics and engineering expertise to improve the performance of service businesses like transportation, retailing and health care - as well as service functions like marketing, design and customer service that are

also crucial in manufacturing industries.

A couple of dozen universities - including the University of California, Berkeley; Arizona State; Stanford; North Carolina State; Rensselaer Polytechnic Institute; and Georgia Tech - are experimenting with courses or research programs in the field.

The push for services science is partly a game of catch-up — a belated recognition that services now employ more than 75 percent of American workers and that education, research and policy should reflect the shift. "Services is a drastically understudied field," said Matthew Realff, director of a new program at the National Science Foundation to finance university research in the field. "We need a revolution in services."

http://www.nytimes.com/2006/04/18/business/18services.html

THE WALL STREET JOURNAL.

September 12, 2006

Majoring in IBM

Dissatisfied With Graduates, Companies Design and Fund Curricula at Universities

By ANNE MARIE CHAKER Septembes 12, 2006; Page D1



IBM's Craig Nygard addresses the first Services Management class at North Carolina State University last month.

RALEIGH, N.C. -- When graduate students at North Carolina State
University took their seats on the first day of a class called Services
Management, the kickoff lecture wasn't delivered by a professor.
Instead, it was given by a manager from International Business Machines Corp.



Glacorio Marchesi

The company, in fact, helped develop the curriculum and awarded grants to the school with the expectation that the course would be taught -- all with the aim of producing graduates better prepared to work for IBM. The guest speaker, a regional manager, began his lecture by saying, "My name is Craig Nygard, and I am a services professional," later adding, "You have started thinking about tackling big problems and turning them into revenue opportunities."

Communications of the ACM, July 2006

TRUST BEYOND SECURITY . CONCEPTUAL INFOGLUT PRINCIPLES OF PROBI SOLVING MANAGERIAL IT UNCONSCIOUSNESS

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Service Science

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Serving the Services

The emerging science of service management opens opportunities for operations research and management science.

By Brenda Dietrich and Terry Harrison

The services industry continues to be a rapidly growing segment of many developed economies, including the U.S. economy [1, 2]. Although a significant portion of the services industry is focused on providing services to individuals (medical, insurance, legal, financial), the business services sector, in which one company provides service to another company, is also a rapidly growing segment [3, 4]. Examples include traditional consulting, design, technical support (typically for products), call center operations, IT implementation and IT outsourcing. New business models, based on improving efficiency through automation, aggregation of risk, economies of scale or reduction of capital assets, lead companies to outsource and in some cases off-shore business processes that do not provide differentiation in the marketplace. Transportation and warehousing, procurement, manufacturing, benefits management and back-office processes such as accounting are all now being provided as services. Business services are complex, and are typically purchased and managed by separate organizations within an enterprise.

Over the past several decades mathematical models of traditional manufacturing and logistics systems have been developed and used for strategic planning. More recently similar models have been used to support operational decision-making. Significant gains in efficiency within the manufacturing and logistics industries have been attributed to the use of such models, together with a supporting information technology infrastructure [see 5, 6, 7, 8 for examples]. Manufacturing Resource Planning (MRP), which automated the calculations of material requirements within manufacturing, evolved in to Enterprise Resource Planning (ERP), which monitors all manufacturing enterprise processes, and formed the information base for advanced planning and e-commerce.



Science & Technology Trends
Quarterly Review

QUARTERLY REVIEW No.19 / April 2006

3

Trends in Services Sciences in Japan and Abroad

KAZUYOSHI HIDAKA Afflikated Fellow

Introduction

American and European universities are taking a new approach to services. By regarding services as part of science and applying scientific methods to solve problems associated with services, they intend to increase productivity and bring about innovations in services, thereby invigorating the economy. This emerging academic discipline is called 'Services Sciences, Management and Engineering," or simply "Services Sciences," The services here refer to the interactive process of creating economic values between the service provider and the user, and include not only the service industry as a tertiary industry but also the service business in the manufacturing sector. This article explains how services sciences have developed (Chapter 2), what services sciences are (Chapter 3), services sciences in European and American universities (Chapter 4), and the current status of this field of research in Japan (Chapter 5), followed by a conclusion (Chapter 6).

Background

2-1 U.S. investment in service research as a national strategy

The U.S. Council on Competitiveness published a report (commonly known as the 'Palmisano Report'^[10]) in December 2004 that emphasizes the importance of national innovation strategy from the three perspectives of human resources, investment and infrastructure. Based on an analysis of the current position of the U.S., the report cites, as the reasons that the country needs innovation, threats from other countries as a result of globalization, a slowdown in research in science and technology, and delays in smooth

technology transfer to the manufacturing sector. It also points out the service sector's lack of research investment in innovative business process design, organization and management, despite services' major contribution to the economy. To put it simply, a factor behind this report is a perception that research investment in services should be addressed as part of U.S. national strategy. The report triggered a move toward integrating many recent approaches to services in academia into the term 'services services in academia into the term 'services services.

2-2 Development of the service economy

What kind of role are services given in the global economy? Nowadays, services are increasingly important to the economy. This is evident from two facts: the service industry has grown significantly, and even companies that fall outside of the service industry are more and more reliant on "service-based business."

(1) Development of the service industry

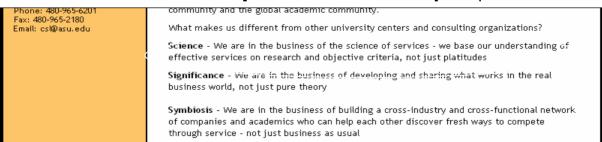
Trends in the working population by industry demonstrate that the workforce in the service industry has increased sharply worldwide. Figure I shows the change in the working population in the world's top 10 countries by workforce size over the past two centuries[2]. In developed countries, mainly in Europe and North America, the working population in the secondary (manufacturing) industry increased sharply over the periods of the First Industrial Revolution, which was ushered in by the improvement of spinning machines in England in the late 18th century, and the Second Industrial Revolution, which took place as a result of the increased use of oil and electricity in the late 19th century. However, by the middle of the 20th century,



Service Science at ASU



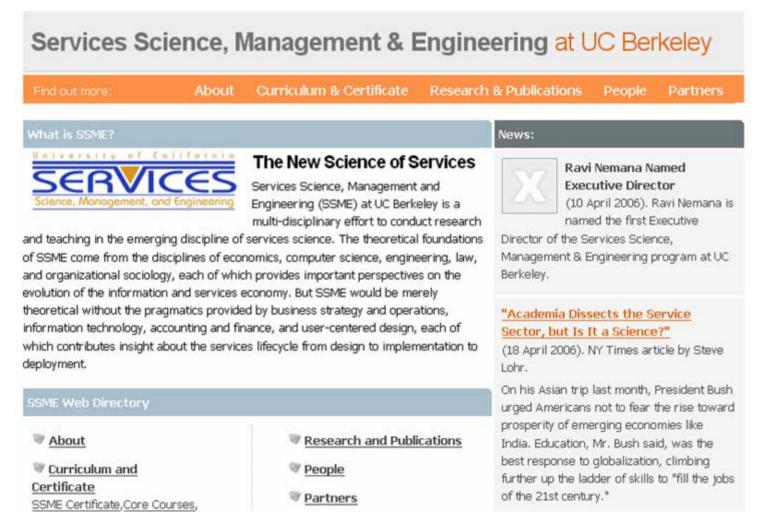
Science - We are in the business of the science of services - we base our understanding of effective services on research and objective criteria, not just platitudes



http://wpcarey.asu.edu/csl/



Berkeley SSME Certificate Program



http://ssme.berkeley.edu/



NCSU SSME Curriculum for MBA



http://www.mgt.ncsu.edu/news/2006/mba_ssme.php



Minor in Service Science at UC Merced



http://ssha.ucmerced.edu/2.asp?uc=1&lvl2=77&lvl3=77&lvl4=87&contentid=124

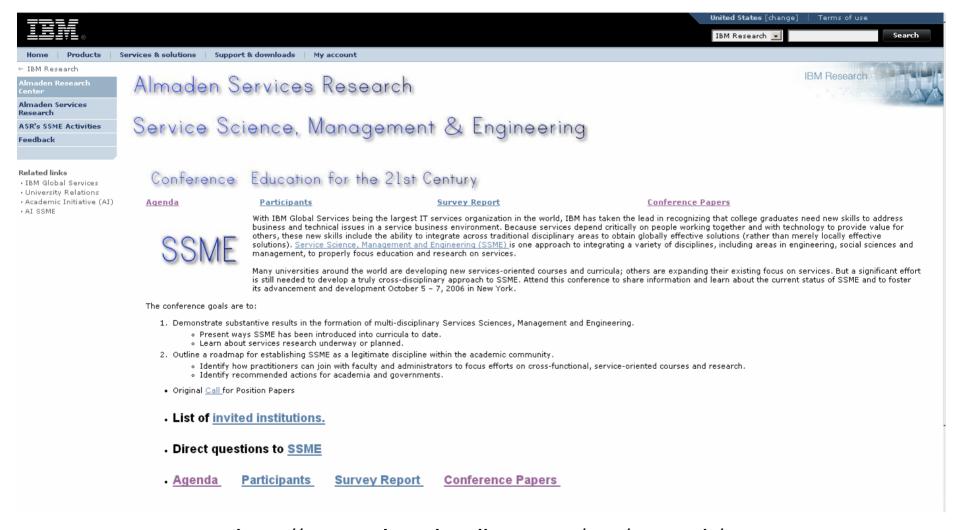


Some Other University Courses and Curricula

- Tsinghua University and Beijing University
 - Service Science courses offered Spring 2006
- UC Santa Cruz
 - Technology and Innovation Management program started Fall 2005
- EPFL Switzerland
 - Computer Science Master's for SSME in Fall 2006
- Carnegie Mellon University
 - Master's course "Managing Service Organizations", eSourcing
- RPI
 - Service Engineering Masters offered (for 5-10 years)
- Penn State
 - IE undergraduate degree adding services focus (past 3 years)



IBM SSME Summit, Oct 5 - 7, 2006



http://www.almaden.ibm.com/asr/summit/





http://www.rhsmith.umd.edu/ces/frontiersconference.html



Questions?

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