Service Platforms and Ecosystems as a Chance for Empowerment

Four Steps to Become a Platform Organization

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Prof. Dr. Markus Warg

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Paradigmshift: from Goods-dominant Logic to Service-Dominant Logic

The success of Netflix, ShareNow, and Spotify shows what customers want: individualized value in use, and making it easy, fast, transparent, and appropriate to their situation. Only in very few cases do customers really want to own a product such as a DVD, a car or a CD; rather, they want to consume entertainment, move around and listen to music according to their individual context.

Service as the dominant perspective on value creation is not new, but with the Service-Dominant Logic (SDL) it has a consistent theoretical foundation. It describes a paradigm shift from a Goods-dominant Logic and property-oriented value creation (exchange value) to a Service-Dominant Logic, focusing on value co-creation and value in use (Vargo and Lusch 2004).

The product - e.g. the physical DVD - recedes into the background, the product providers are threatened by the danger of a "commodity trap", i.e. the value of the product tends to be reduced to the value of the raw materials it contains.

Netflix has found the way out of this "commodity trap". With the possibilities of streaming films independently of place and time, individual film recommendations generated from interaction and user behavior, and the integration of a large number of film offers, Netflix has focused on the consumer benefit for customers and has developed from a DVD rental company to a platform company. In the following, the functionality of platforms and ecosystems is explained using Netflix as an example.

Service Platforms and Ecosystems

The value of platforms for organizations lies in empowerment. Platforms connect actors and integrate resources that generate benefits when used (Zolnowski and Warg 2018). In this way, Netflix connects customers (subscribers), content providers, technology providers, directors, and other stakeholders. Integrated technical capabilities enable the streaming of movies anytime, anywhere and on a variety of devices. This usage benefit explains why more than 170 million people use Netflix and many of them do not own a TV.

Exhibit 1

Service Platforms

Platforms connect actors and enable the integration and orchestration of resources that by their application (interaction) generate value in use
(Warg, (2018))

Goods-dominant: exchange value

Anbieter — Nachfrager
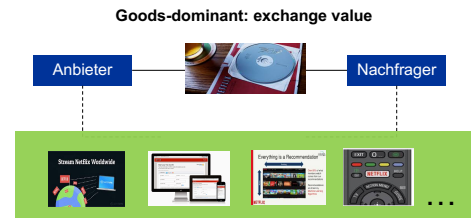
Service-dominant: Value in Use
- Independent of time
- Independent of place
- Giant offer
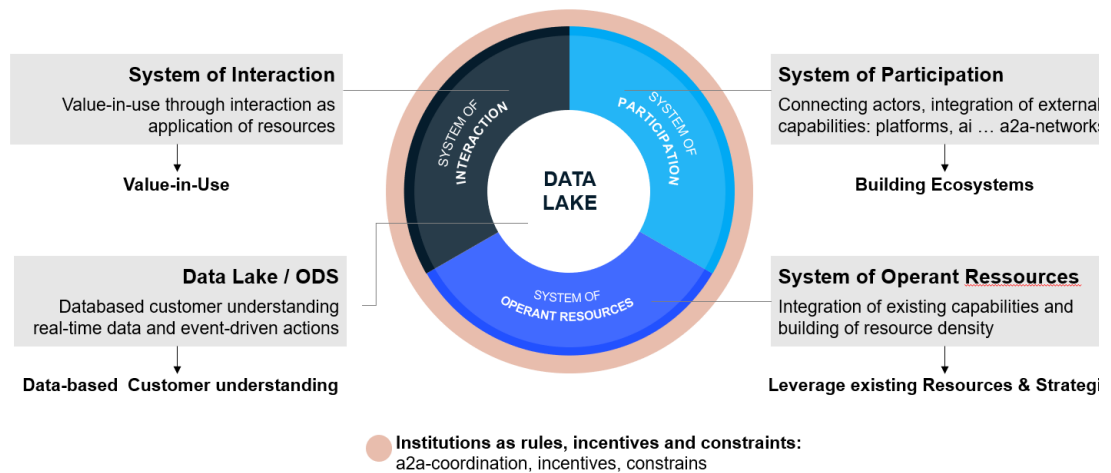- Personalized Recommendations
- Data-based fil production

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Ecosystems are created by connecting resource integrating actors through shared institutional arrangements and mutual value creation (Vargo and Lusch 2016). Netflix, for example, connects directors and content according to user behavior and dynamically builds and expands the resources that are needed.

For the transformation process from Goods- to Service-Dominant Logic and the establishment of new business models, however, traditional organizations require not only state-of-the-art platform technologies, but also a design logic or target image.

The Service Dominant Architecture implemented as a platform achieves exactly this by transferring the core elements of Service Dominant Logic to an architecture. Three service systems (Spohrer, Vargo et al. 2008, Spohrer, Kieliszewski et al. 2019) and a data lake enable real-time interaction, the connection of actors and external capabilities, the integration of existing capabilities and the building of data-based customer understanding. Institutions regulate the coordination of actors and rights in the process of service exchange.

Exhibit 2

System of Interaction		System of Participation
Value-in-use through interaction as application of resources	DATA LAKE	Connecting actors, integration of external capabilities: platforms, ai … a2a-networks
Value-in-Use		Building Ecosystems
Data Lake / ODS		System of Operant Ressources
Databased customer understanding real-time data and event-driven actions		Integration of existing capabilities and building of resource density
Data-based Customer understanding		Leverage existing Resources & Strategi

Institutions as rules, incentives and constraints:
a2a-coordination, incentives, constrains

Four Steps to Become a Platform Organization

The challenge for traditional companies is to find a way that allows them to take advantage of platform and ecosystem opportunities to become value-driven, open, fast and agile without compromising the stability of ongoing operations.

For this, the platform organization with suitable architecture seems ideal. Thus an enterprise creates a sustainable connection of the existing organization with an innovative service platform. As shown in the following diagram, a platform organization enables both the maintenance of ongoing operations with simultaneous modularization and SoA-fication of monolithic structures, as well as the rapid implementation of customer-centric solutions and the creation of service ecosystems.

Establishing platform organizations requires four steps (Warg 2018, Warg 2019):

1. Management and employees are required to understand and live the paradigm shift from Goods-dominance to Service Dominant Logic.

2. Service Dominant Architecture is to be defined as the target architecture for customer-centric processes and implemented as a platform. It is used to map all resources relevant to the customer's benefit in a reusable way. The superior goal is to generate a high resource and service density that serves as the basis for new innovative business models and solutions.

3. Develop the culture of the organization from a hierarchical and silo thinking to a collaborative approach with a focus on teams and agility.

4. The existing organization should be connected with the platform to the platform organization. In this way, the capabilities of the platform are combined with the strengths of the existing organization.

Exhibit 3
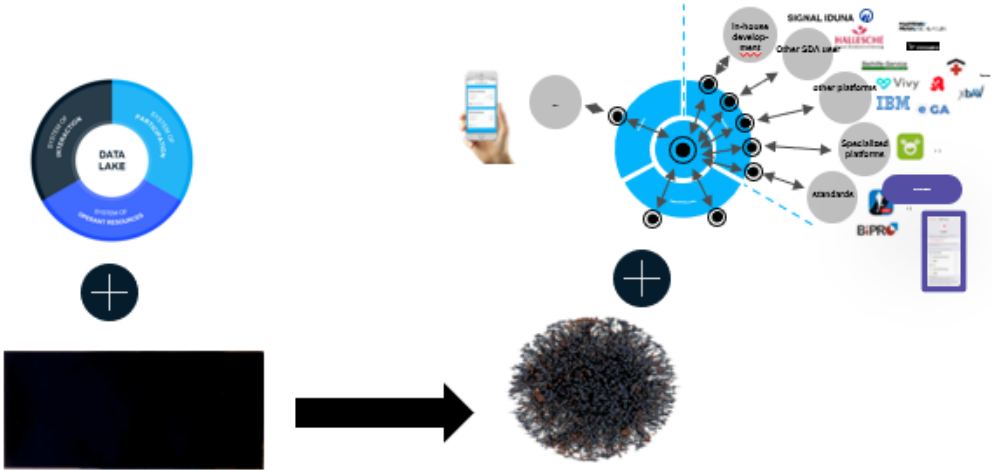
These four steps enable the design of platform-driven solutions and new digital business models that also leverage the strengths (knowledge, data, processes) of the existing organization for the customer service experience.

Prospects

In a nutshell, the development can be summarized in the following thesis: The exchange of digital solutions (services) is the trade of the 21st century – service platforms are the boats of conquerors.

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