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Engagement within Ecosystems: Platform Architecture Facilitating Value Co-creation

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THE UNIVERSITY
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BUSINESS SCHOOL

Patterns of Engagement within Service Systems

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Universität Hamburg
DER FORSCHUNG I DER LEHRE I DER BILDUNG

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1 MOTIVATION

2 WHY ECOSYSTEM?

3 WHY ENGAGEMENT?

4 WHY ENGAGEMENT PLATFORMS?

5 WHY PLATFORM ARCHITECTURE?

Marketing Theory

Special Issue: Advancing Knowledge about Markets and Marketing
and Service Dominant Logic
Guest Editors: Roderick J Brodie and Kaj Storbacka

Contents

*"S-D logic is **a meta-idea** and has been developed as a framework of **high level of abstraction** so it can provide a **foundation for a general theory***

*To advance the S-D logic what is also needed is the development of **mid-range theory and frameworks that bridge theory with practice** thus allowing for empirical investigation"*

SERVICE-DOMINANT LOGIC

PREMISES, PERSPECTIVES, POSSIBILITIES

ROBERT F. LUSCH
STEPHEN L. VARGO

CAMBRIDGE
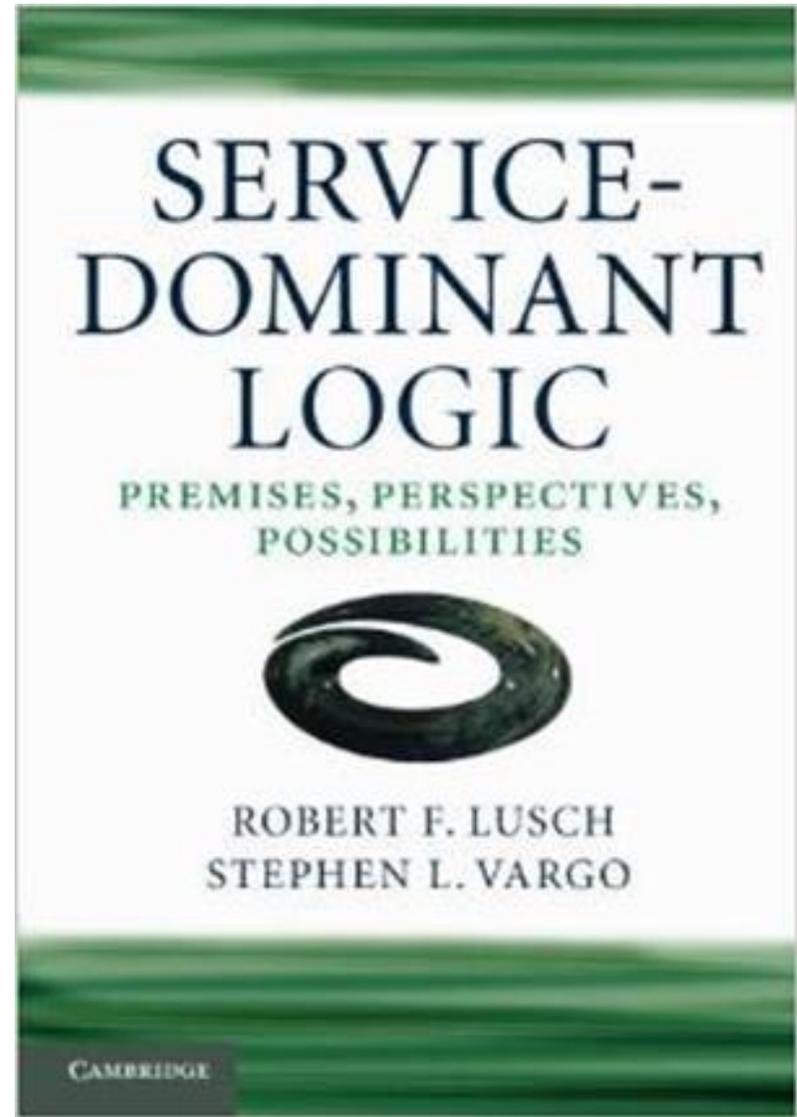
Empirical Domain
practical knowledge

Theoretical Domain
theoretical knowledge
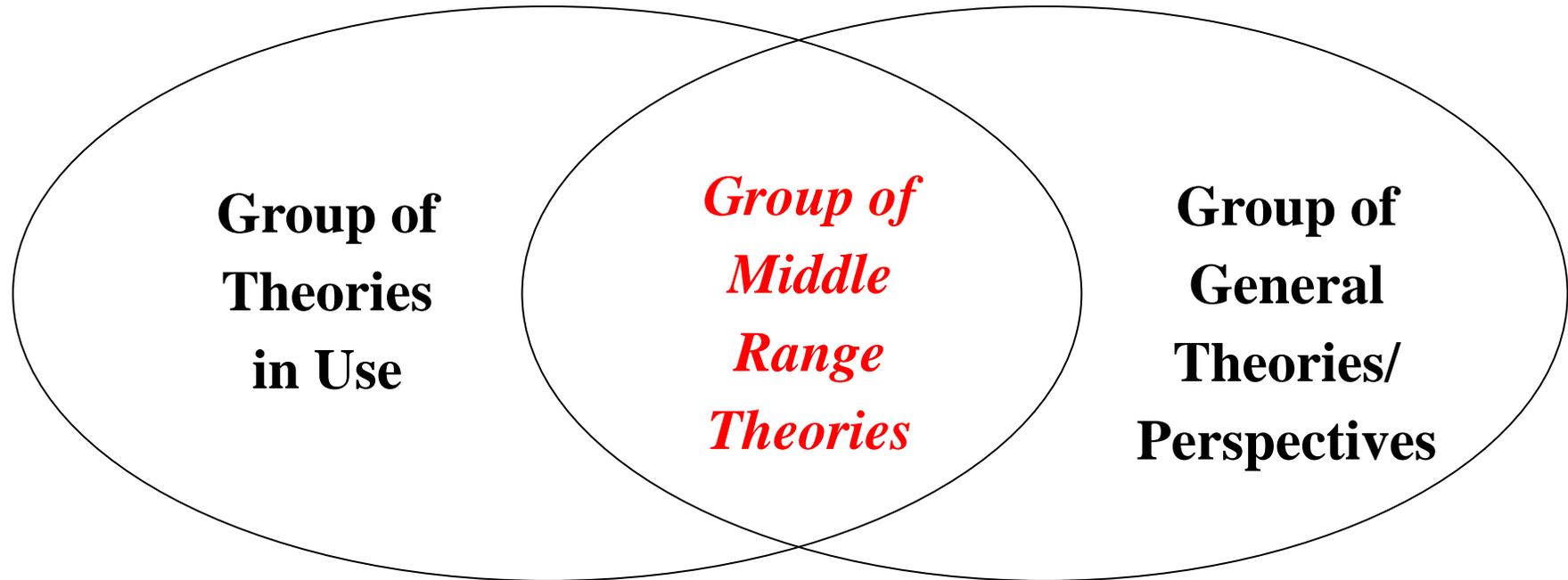
**Group of
Theories
in Use**

*Group of
Middle
Range
Theories*

**Group of
General
Theories/
Perspectives**

managers, customers & other stakeholders understanding of empirical phenomena, mental models that are context specific & not formally expressed

theories are less broad in scope & focus on specific phenomena, bridge gap between general theory & empirical observation

perspectives framed at a conceptual level that is broad in scope and integrative & beyond the ordinary range of perception

Bridging role of Middle Range Theory
(Brodie et al. 2011)

Context of Justification

Shaping & Verifying

Verifying & Consolidating

Empirical Domain (theory in use)

Middle Range Theories (propositions & hypotheses)

General Theories (foundational premises)

Formulating & Interpreting

Formulating & Substantiating

Context of Discovery

Core Narrative & Process of Service-Dominant Logic
(Vargo 2014)

Bridging Theory & Practice

Service ecosystems
- Nested & interlocking

Generic Actors

Value Co-Creation

Resource Integration

Institutions
- Actor generated

Service Exchange
- Coordinated through
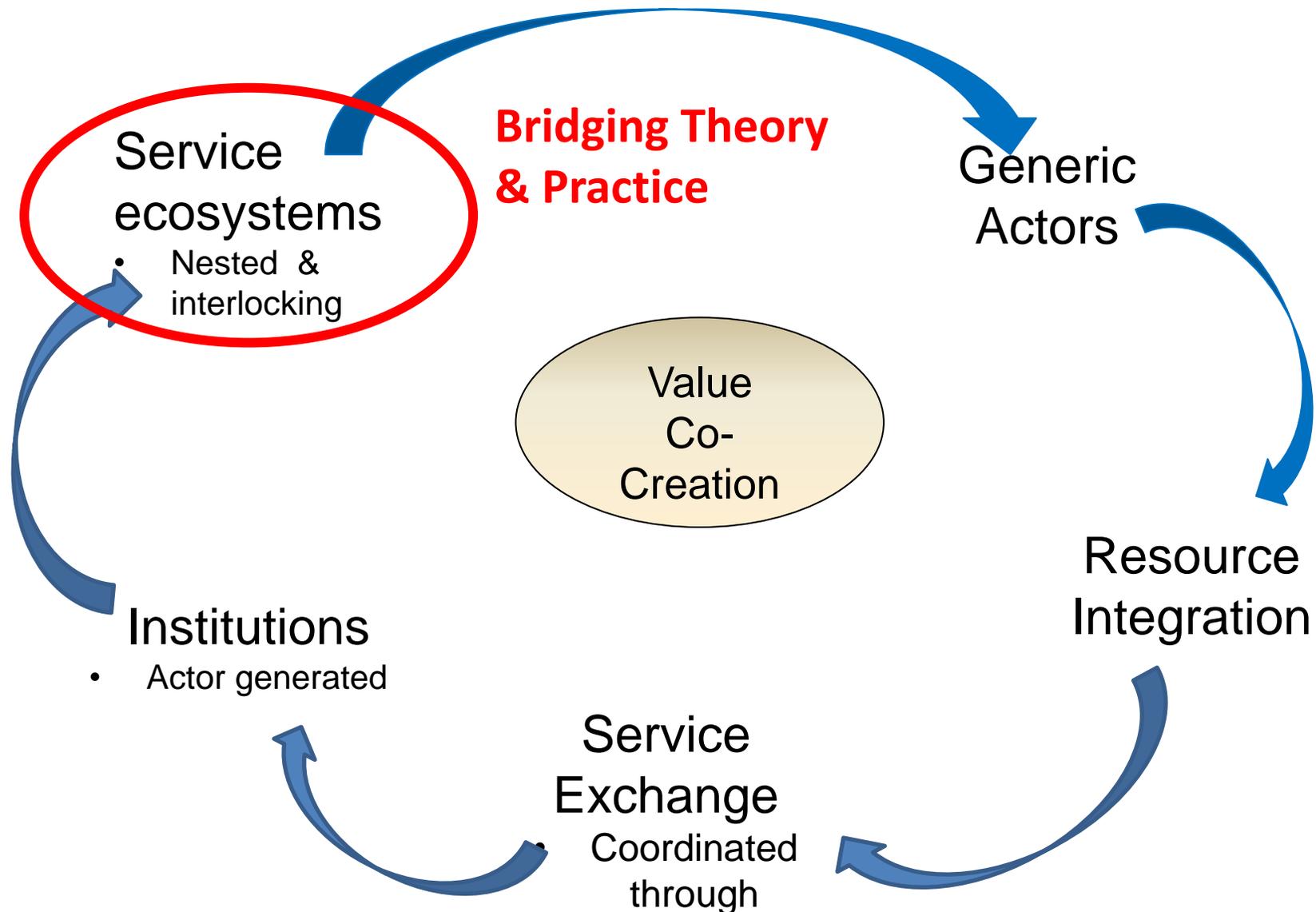
"Ecology and Competition" Moore 1994 HBR

"........I suggest that a company *not be viewed as a member of a single industry* but as **part of a business ecosystem that crosses a variety of industries**.

.........companies **co-evolve** capabilities around a new innovation:

..........they work **cooperatively** and **competitively** to support new products, satisfy customer needs"

Google Scholar entries

# of Articles (y-axis)

y-axis values: 0, 100, 200, 300, 400, 500, 600, 700, 800

x-axis values: 2000, 2002, 2004, 2006, 2008, 2010, 2012

Legend:
- Business Ecosytem
- Service Ecosystem
- SDL & Ecosystem
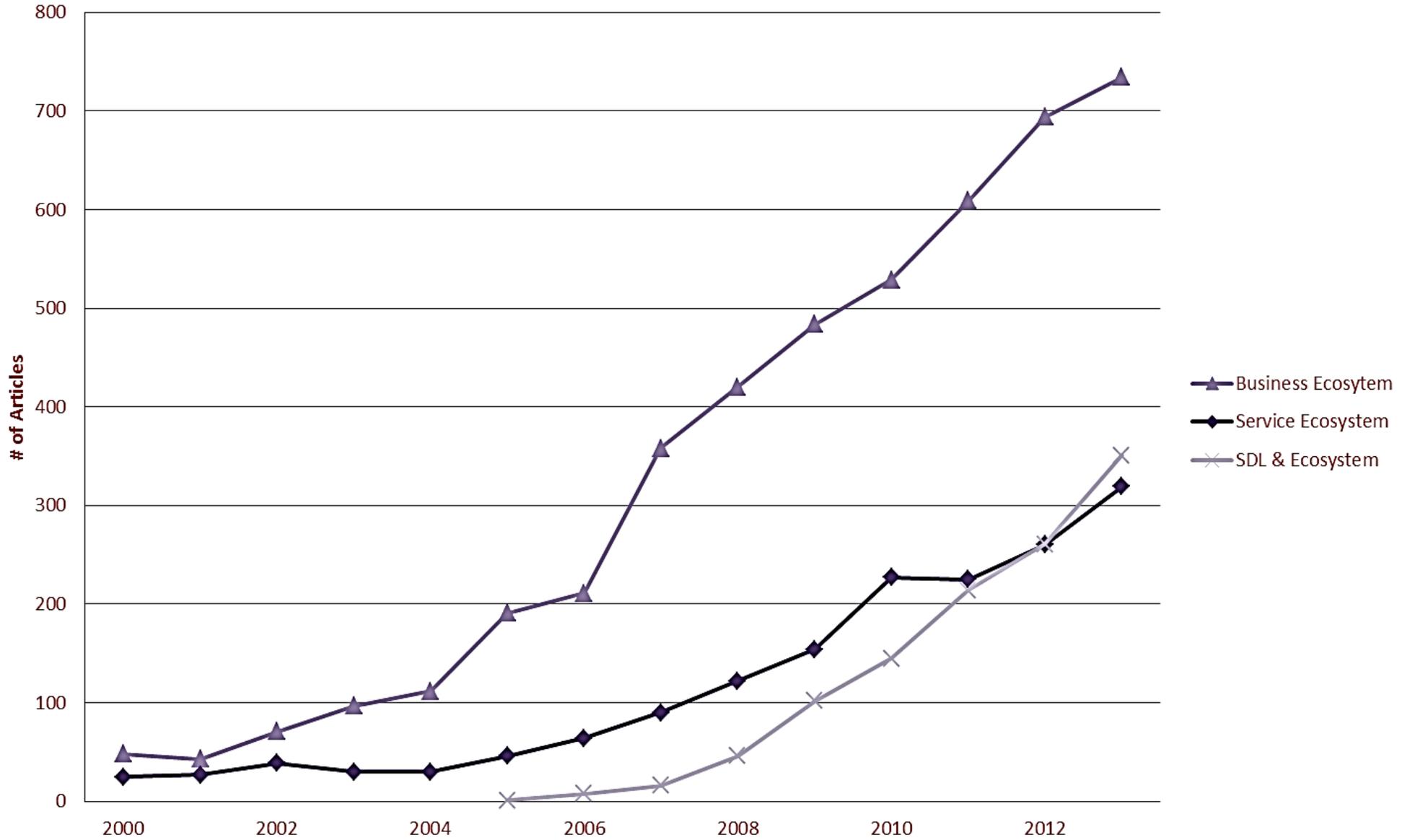
Ecosystem edge
Iansiti and Levien (2004)

65%

global procurement	0.5%
centralized buying	2%
optimized product mix	2%
distribution efficiencies	2%
other operating efficiencies	2%
information sharing	6%
lower shrinkage rates	0.5%
preferred real estate rental rates	2%
lower labor costs	5%
Wal-Mart's total margin advantage in retail groceries	22%

benefits attributable to ecosystem management

Iansiti & Levien (2004)
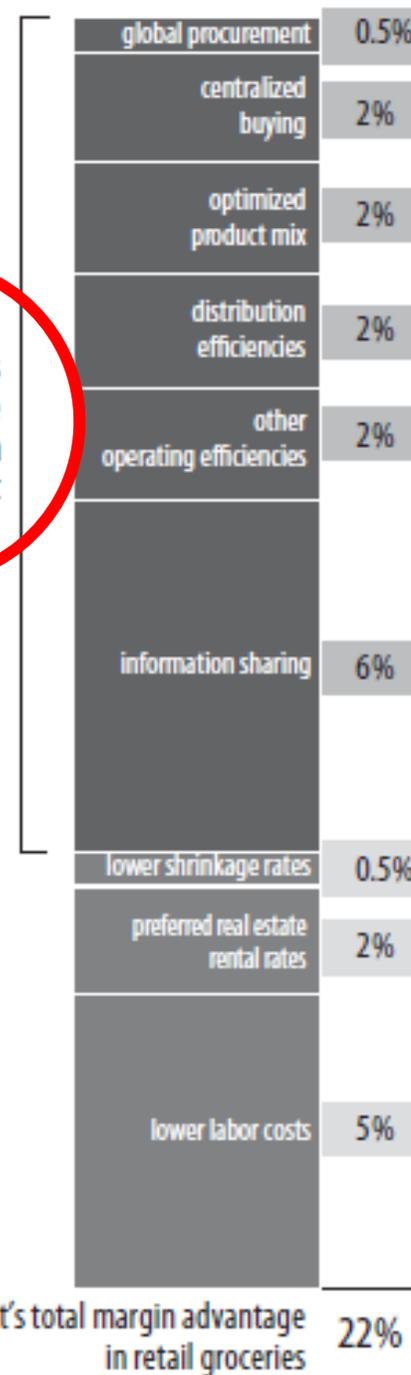
Is the Biological Metaphor Useful? (Mars et al 2014)

Biological Ecosystems

- always emergent

- not always healthy, functional and persistent
  - stability dependent on keystone species
  - interaction linked by flows of resources & information

- species can be specialized or generalized

- nestedness arises within networks of species interaction
  - resiliency & collapse when removed

Business Ecosystems

- most cases emergent
  - organizations trying to do more system-wide design

- not always healthy, functional and persistent
  - stability dependent on keystone actors
  - interaction linked by flows of resources & information

- actors can be specialized or generalized

- nestedness arises within networks of actor interaction
  - resiliency & collapse when removed

Service ecosystems as complex adaptive systems

Vargo and Lusch (2011)

"a spontaneously sensing and responding spatial and temporal structure of largely loosely coupled, value-proposing social and economic actors interacting through institutions, technology, and language to (1) co-produce service offerings, (2) engage in mutual service provision, and (3) co-create value."

a relatively self-contained, self-adjusting system of resource-integrating actors that are connected by shared institutional logics and (engaging) mutual value creation through service exchange

Strategies for MArket SHaping
SMASH consortium in a nutshell
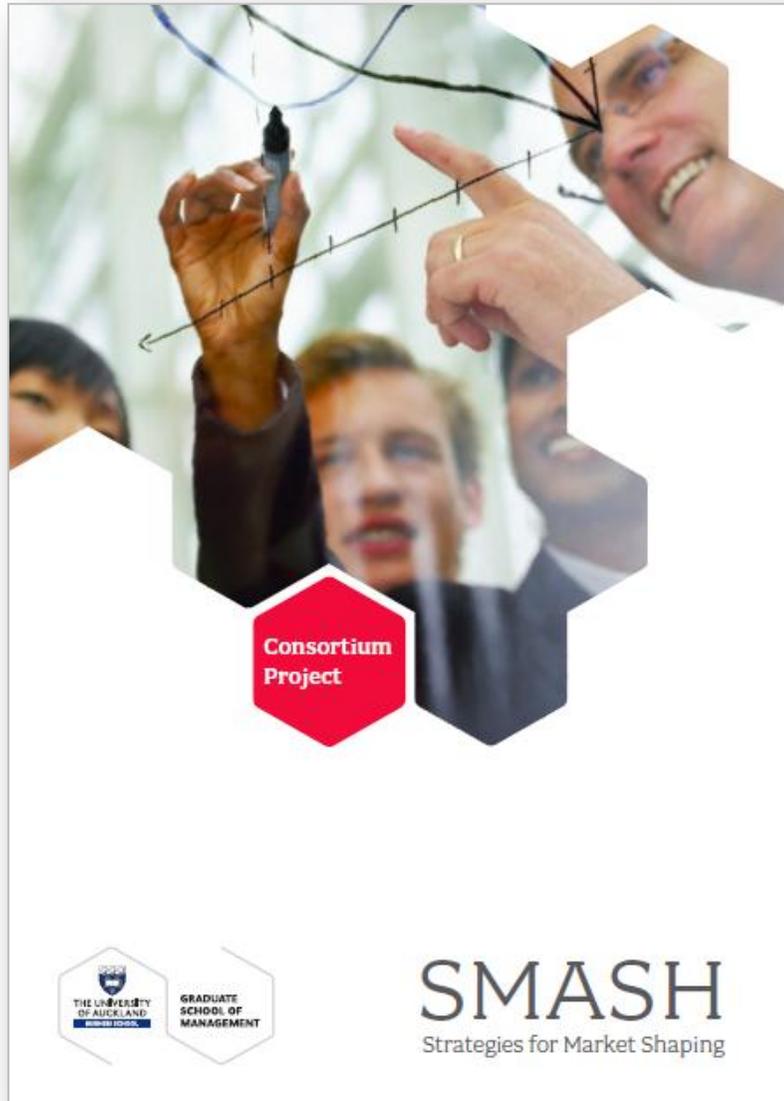
Research <u>with</u> managers::

- 9 firms from 9 industries
- 34 executives
- 2.5 workshops days, 8 months
- 32h of in-depth groups interviews

Reversed logic:

- First managerial outputs:
  - 25 tools for strategy processes
  - 9 primary data case studies
  - 54 secondary data case examples
- Pure academic research after this

Consortia based research
Theorizing *with* managers

Publications
Academic and managerial publishing

Research idea
Informed by exposure to management reality

Relate to theory
Analyze in terms of theory

Research questions
Interviews with managers to explicate RQs)

Reporting sessions
Firm specific application – in search of utility

Literature review
Multi-disciplinary – many mid-range theories

Reflective practitioners

Self-assessment
Firm specific assessment against best/next practice

Workshops
Intensive dialogue (also interfirm) + member check

Management tools
Aggregation of new thinking tools

Case work
Mapping managerial best and next practice

What is the best route for dissemination of new theory?

Surprising dilemmas?

What is the theoretical contribution?

What are the relevant questions?

What are implications of using the tools?

What does the literature tell us?

What are areas of improvement?

What resonates with managers – what has utility?

What are new tools or practices that solve the dilemma?

What existing practices (theories-in-use) can be identified?

Six characteristics of market ecosystems
Markets as complex adaptive systems

1 Market ecosystems are results of both **emergence** and **purposeful design** efforts by individual actors

2 Ecosystems develop towards **stasis** – a period or state of static balance or equilibrium during which little change occurs

3 Market ecosystems are **self-organizing** - capable of generating order

4 The mechanism for emergence and stasis is based on both **positive and negative feedback** - what works gets stronger and what does not work gets weaker

5 Periods of stasis are **punctuated by sudden shifts and radical change** (punctuated equilibrium)

6 The stability of market ecosystems is dependent on **keystone actors** - that are central to the system or have extensive clout

Why 'engagement'?

*Practicing manager had little understanding
of the abstract concepts concept of value co-creation,
operant resources and resource integration.*

*Concrete concepts of 'engagement',
'engagement platform' and 'platform architecture'
aligned to the actionable language of business practice.*

Defining the conceptual domain of customer engagement (JSR 2011)

Empirical Domain

Theoretical Domain

Service Dominant Logic

FP6 customer is always a co-creator of value

FP 9 social and economic actors are resource integrators

FP 10 value is always uniquely ... determined by beneficiary

FP 8 service-centered view ...customer-oriented & relational

Theories in Use

Bridging Theories

General Theories

business practice discourse (conference papers, blogs, company reports)

marketing literature (how does engagement relate to other relational concepts, is engagement theoretically distinct?)

social science disciplines (e.g., sociology, psychology, education, organisational behaviour)

# From Customer to Business Engagement?

Brodie, Hollebeek, Juric, Ilic (JSR 2011)

Definition based on 5 propositions

1. ....psychological state, which occurs from *interactive experiences* within business networks

2. ....occurs within a *dynamic, iterative process* of business networks that *co-creates value*

3. ....plays *central role* within a *social*/ network of relationships

4. ....is a *multidimensional concept* (cognitive, emotional and behavioral dimensions)

5. ....different conditions lead to differing *levels of engagement*

Engagement is **conceptually distinct** from participation and involvement because they don't explicitly embody interactivity and experience

But business engagement is more

Immersive, embedded

H2H, H2M, M2H, M2M?

$H2\frac{H}{M}$

Active, interactive

Multilateral

Engagement

Reciprocal

Resource mobilization
Resource integration

Dynamic,
evolving over time

Scheme for evaluation/
Value creating
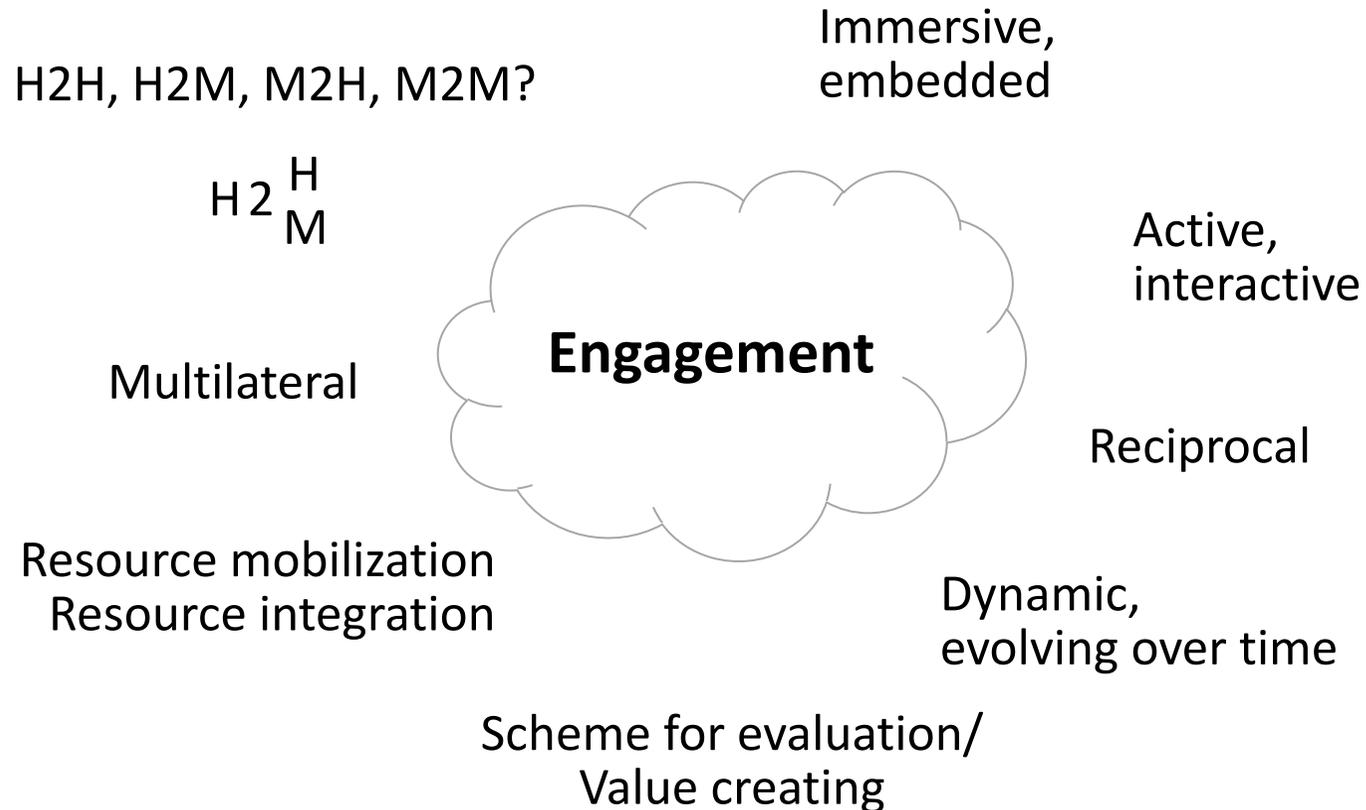
From dyads to triads to patterns

H2H, H2M, M2H, M2M?

H2 H
   M
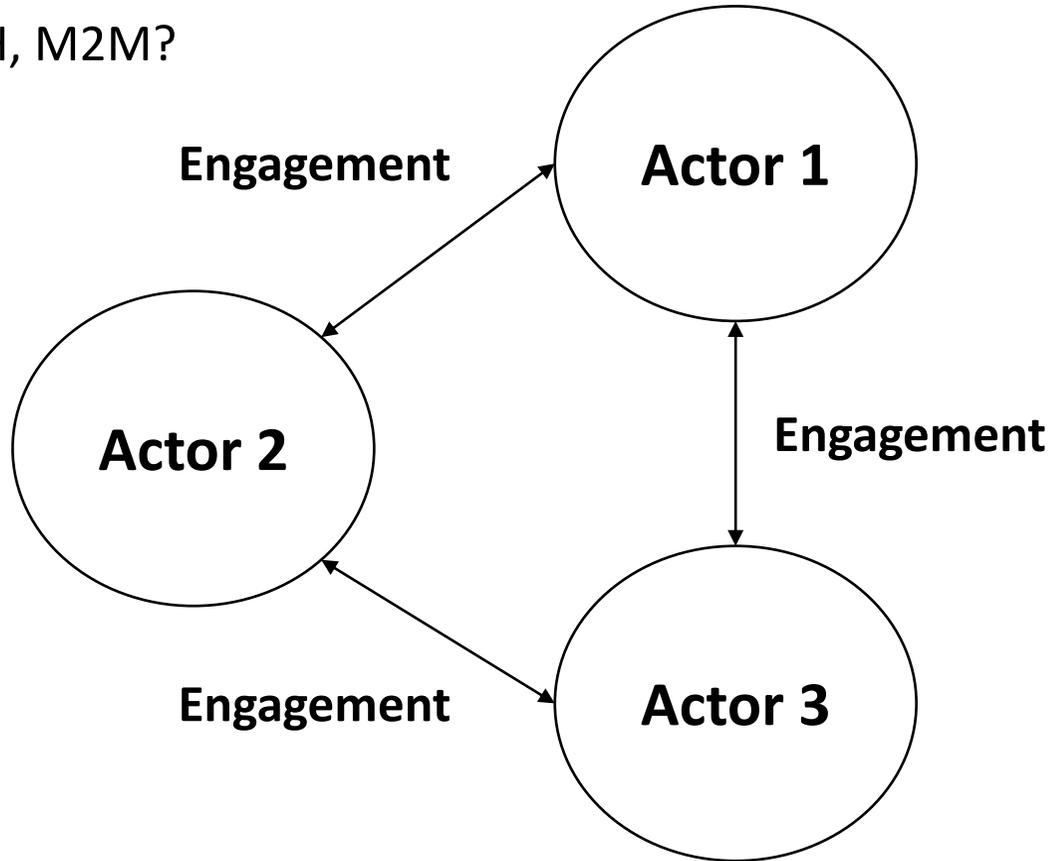
Engagement

Actor 1

Actor 2

Engagement

Engagement

Actor 3

Why engagement platforms?

- Effective value co-creation (resource integration) is dependent on a "*platform for actors to engage*"
- Consists of *multiple touch-points* made up of a combination of:
  - virtual & physical interactions
  - human & machine interactions

The fundamentals of engagement platforms
(Ramaswamy, 2009)

D Dialogue	• Deep understanding of other actors' perspectives • Active involvement and dialogue • Let other actors engage the way they want • Co-creation of meanings and experiences
A Access	• Experience value through other means than ownership of products – from ownership of to access to • Become embedded in each others' processes – help other actors to integrate own resource with market-facing resources • From relieving customers to enabling customers
R Risk	• Other actors should be supported in their risk-reward assessments • Help other actors to 'de-risk' their decisions • Demands increased level of information availability
T Transparency	• Trust cannot be built without information transparency • Other actors will not share vital information without trust • Firms must open up processes for participation by other actors • Collective accountability for mutually beneficial decisions

Different kinds of engagement platforms exist

	Electronic application	Tool / product	Event / physical space	Process	Personnel group
Platform as a business	• Facebook, YouTube • Last.fm, eBay • Threadless • MS Health Vault • Hitlantis	• Medtronic • Fitbit	• Coffee houses • Night clubs		
Platform as an enabler	• MyStarbucksIdea • WreckAMovie • P&G BeingGirl	• Kone maintenance network tools • iOS Developer tools • Galeries Lafayette	• Unilever headboxers • T-mobile sing along Trafalgar Sq. • Forestcluster InnoLabs • IKEA	• Cleveland Clinic • P&G Connect and Develop	• Media houses / user generated content support • Schlumberger • Intuit

Engagement Platforms & Ecosystems
(Briedbach et al. 2014)
Illustrative Case : Google Stores

Google's Engagement Platforms

App Marketplace

Physical Stores

Devices

Online Services

Operating Systems
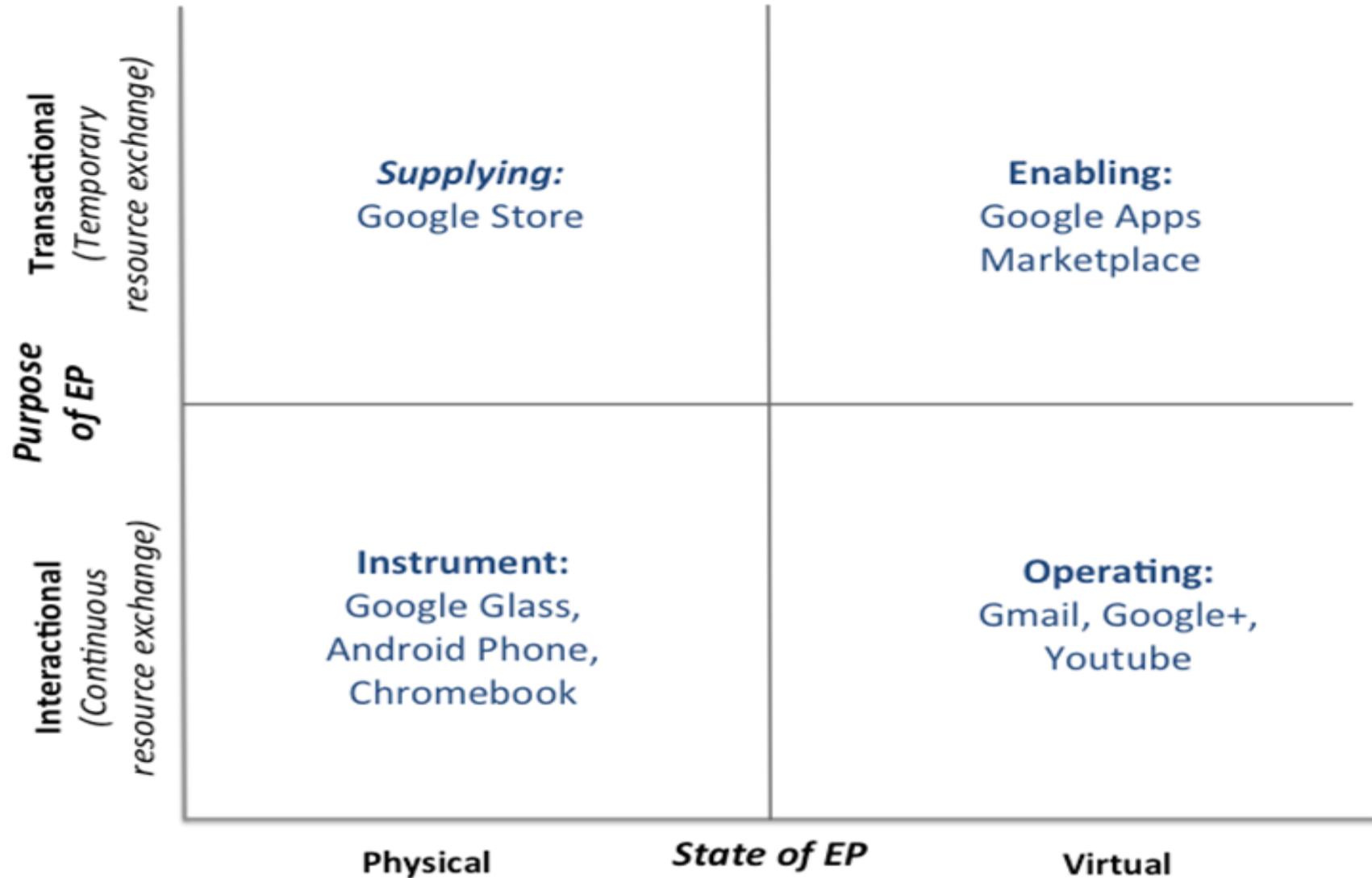
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Google's Engagement Platform

Purpose of EP (vertical axis)

- **Transactional** *(Temporary resource exchange)*
- **Interactional** *(Continuous resource exchange)*

State of EP (horizontal axis): Physical — Virtual

Supplying:
Google Store

Enabling:
Google Apps
Marketplace

Instrument:
Google Glass,
Android Phone,
Chromebook

Operating:
Gmail, Google+,
Youtube

Why platform architecture?
(Baldwin and Woodard, 2008)

- 'Platform architecture' is a **modularization** which partitions the system into:
  - a set of components whose **design is stable** and
  - a complementary set of components which are allowed—indeed encouraged—to **vary**

- Combination of stability and variety is accomplished via **"stable, yet versatile" interfaces**, which govern the interactions of components:
  - interface specifications are **part of the platform**;
  - indeed they **may be the only elements that remain truly stable** over long periods of time.

Example platform architecture components

Actors	**Activities**
Level of engagement	**Duration of engagement**
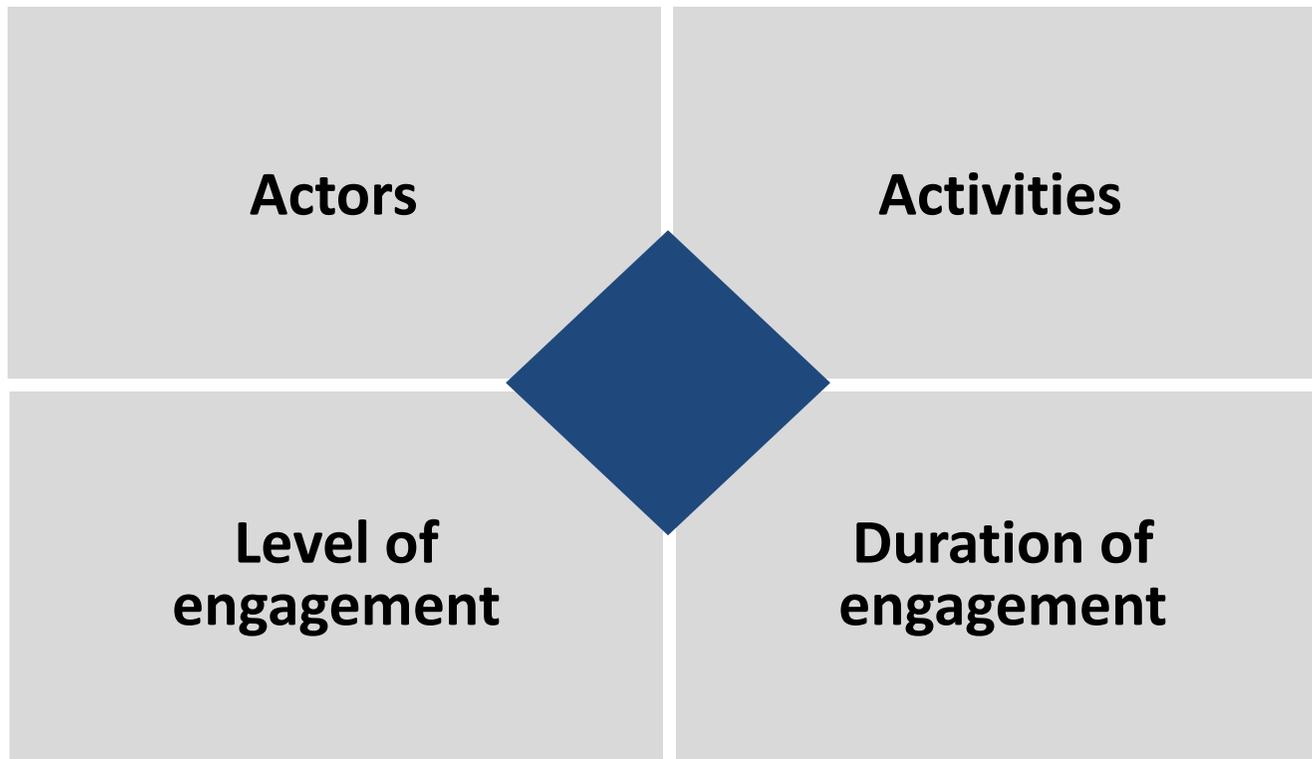
Research questions

|	
Engagement	• How do we conceptualize A2A engagement within service systems? • What is effective engagement (antecedents and consequences) • When is the dyad not enough as a lens for analysis and design?

Patterns	• What are effective patterns of engagement within service systems?
	    • What are the patterns that we found in a set of cases?
	    • How do we characterize these patterns?
	    • How do we use these patterns to design service systems ?

Implications	• How do you design engagement platforms using patterns of effective engagement?
	    • Do you need and engagement platform?
	    • How do you find out what you already have (in terms of EP)?
	    • What kind of EP is useful and doable in specific situations and contexts
	• EEPA: Effective Engagement Platform Assessment – tool ☺

Template for design

Regularity

Template for solving
a specific problemen

Patterns
(of engagement)
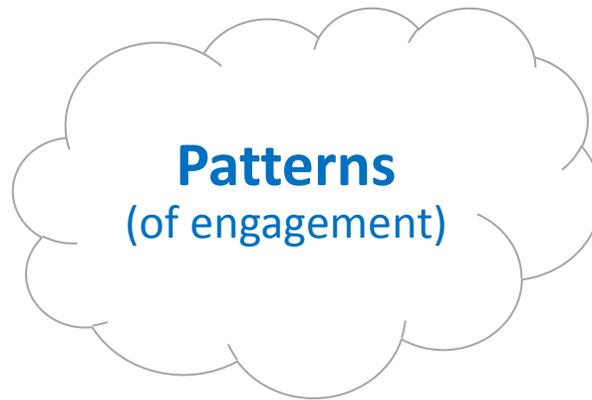
Repeatable,
without beeing
standardized

Capabilities
and resources

Structure (components)
and behaviour (action)

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