

Bringing open innovation to services



Services comprise more than 70% of aggregate gross domestic product and employment in the Organization for Economic Cooperation and Development countries. For services, the value chain must be replaced by a different kind of graphic – one with creating customer experience as its focus. Open innovation works somewhat differently in services business [than product businesses], in part because the role of the customer is different in such businesses.

Services are intangible by nature, so that customers often cannot specify exactly what they want. The customer may need to participate throughout the innovation process. Interesting quotes to chew on, we think. For instance, we also see that customers usually are less central in the product business. However, is this the way it should be? Shouldn't customers be just as central in both types of business? Another thing that struck us in the article is the searching way Chesbrough wrote down his sentences. It's not: You should work like this, but: It could be that.

.. And It may be the case that...

We think this is interesting. This area of business is new and we are all learning. Chesbrough is providing guidelines, a framework to move forward. However, it is not the definitive guide to services innovation; the way forward will also be defined by co-creation.

In a sidebar Chesbrough addresses barriers to service innovation in a product-oriented company, e. g. changing service pricing and adjusting sales compensation incentives. We recognize many of the points. We'd like to add a barrier to the list: Cannibalization of current product business.

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For many product businesses moving to services, this is an issue. The services business seems to take away revenue from the ' old' business. This can make senior management hesitant to move into the services space.