

Chapter 1

Strategic Relationships: A Service Science Perspective

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ABSTRACT

Strategic relationships between entities shape the nature of collaboration and competition, as well as the competition for collaborators in markets - customers, employees, suppliers, investors, and others (Spohrer, Kwan, & Fisk, 2014). Rethinking strategic relationships from a service science perspective is the focus of this chapter. The rise of the collaborative, sharing, or more accurately, platform-enabled person-to-person value co-creation economy has increased the dynamic nature of markets across diverse industries and regional jurisdictions. Within the service science literature, “service” is defined as value co-creation interactions and outcomes between entities, all happening over time, space, and scale as part of the evolving ecology of nested, networked service system entities (Spohrer & Maglio, 2010). In this chapter, three types of service system entities are compared and contrasted from the perspective of strategic relationships: businesses, nations, and NFL sport teams.

INTRODUCTION: MOTIVATION AND GOALS

Uber, the world’s largest taxi company, owns no vehicles. Facebook, the world’s most popular media owner, creates no content. Alibaba, the most valuable retailer, has no inventory. And Airbnb, the world’s largest accommodation provider, owns no real estate. Something interesting is happening—Geoff Colvin

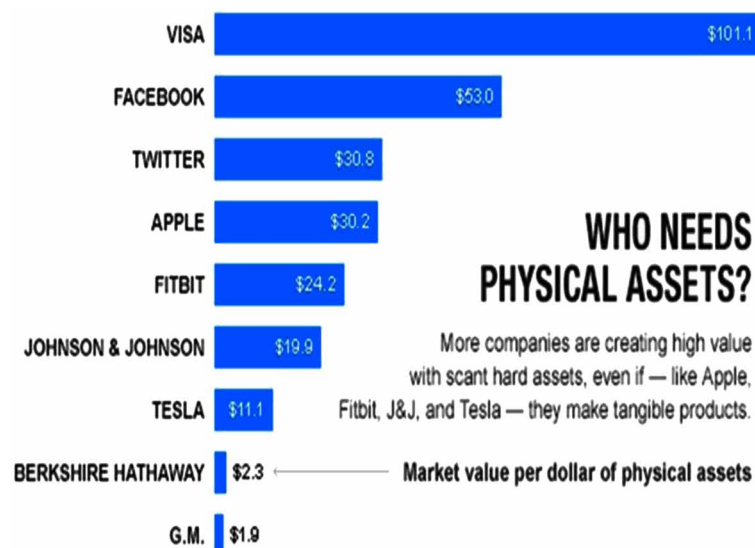
Collaborative economy or sharing economy is one of the big trends in service innovation (Owyang, Tran, & Silva, 2014; Andersson, Hjalmarsson, & Avital, 2013). It is one kind of sharing economy where peers provide access to belongings such as rooms, cars, foods, and so on, under-utilized resources that can generate income for them. As the collaborative economy grows, customers gain access that is convenient

DOI: 10.4018/978-1-5225-2084-9.ch001

and cost efficient without the financial, emotional, or social burdens of ownership, and without interacting with traditional large businesses. The creative use of technology opens up flexible new ways for people (peers) to share access to resources within reputations systems that are designed to support trusted and reliable interactions between strangers, though there are new and old complexities that are as yet poorly understood (Keymolen, 2013). The success of collaborative economy depends directly on sophisticated techniques for trusting strangers, which is a trait that is arguably highly advanced in economic life today (Seabright, 2010). ‘Stranger-danger’ is the most important impediment to overcome in the collaborative economy and depends on a well designed reputation system for gaining trust among the customers and providers (host) (Gebiba, 2016). Joe Gebbia, the co-founder of Airbnb, bet his whole company on the belief that people can trust each other enough to stay in one another’s homes. How did he overcome the stranger-danger bias? Through good design. Now, 123 million hosted nights (and counting) later, Gebbia sets out his dream for a culture of sharing in which design helps foster community and connection instead of isolation and separation. Reputation systems and active supplier screening maintain quality, and the need for insurance keeps customers from bypassing the marketplaces. The access economy may not involve face-to-face interaction of strangers as in the collaborative economy, and the more general access economy is where customers and providers access resources mediated through the well-developed technology platforms or customer interface (Sundararajan, 2013). The access economy is changing the structure of a variety of industries, and a new understanding of the customer is needed to drive successful business models. A successful business model in the access economy consist of convenient and cost-effective access to valued resources, flexibility, and freedom from the financial, social, and emotional obligations embedded in ownership and sharing (Eckhardt & Bardhi, 2015).

Since the Industrial Revolution, the world has developed complex supply chains, from designers to manufacturers, from distributors to importers, wholesalers and retailers, it’s what allowed billions of products to be made, shipped, bought and enjoyed in all corners of the world. More recently, the power of the Internet, especially via smart phones, has unleashed a movement that’s transforming these layers

Figure 1. Who needs physical resources
(Adopted from Colvin, 2015)



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