

# **Diversity of Individuals and Teams in the Service System Value Creation**

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## **Abstract**

Service systems are dynamic configurations of people, technologies, organizations and shared information that create and deliver value to customers, providers and other stakeholders. This paper analyzes the meaning of individuals and team diversity in the service system value creation and organization performance. This paper is based on the literature and practical findings.

**Keywords:** Service system, Value creation, Diversity

## **Introduction**

Today cost, quality, and technology leadership are no longer sufficient for companies to secure a successful position in markets (Bullinger et al. 2003). Companies in various industries have to differentiate themselves from their competitors by enhancing their customer value creation (Hemilä and Vilko, 2013). During recent years, many industries have found services to be the best way to differentiate in markets. Today, services are a fundamental part of business ecosystems and almost any organization can be viewed as a service system (Maglio et al. 2009). A service system is a structured configuration of people, technology and shared information that interacts with other service systems to create value (ibid.). A service system can be seen as the application of skills and knowledge for the benefit of another party (Vargo and Lusch, 2008). The factors that determine a firm's success increasingly depend on the firm's ability to extract value from knowledge resources rather than physical resources (Barile et al. 2014). Thus, the share of added value that comes from intangibles (R&D, design, product customization, customer care) is larger than the share from tangible aspects (ibid.). Knowledge creation, utilization and sharing are strongly supported by ICT tools. As a result, graduates require better training and preparation than in the past, because they must be proficient in the many new technologies and capable of handling complex information systems (Kordova and Frank, 2014). In the service economy, services are produced in the customer interface, which in most cases means interaction face to face and human interaction with the customer. Because of that, hard issues alone, such as ICT, are not enough, but "soft" areas, such as communication skills and human resource management can increase the efficiency of processes in which the human factor is involved (ibid.).

According Olson et al. (2008) talent bench shortfall causes about 9% of companies' growth stalls. Talent bench shortfall includes situations when organizations have had an internal skills gap, narrow experience base, loss of key talent and key person dependence. A new kind of human resource policy and management in leading companies is needed today. In this paper we clarify the meaning of individuals and teams in value creation, particularly in service systems.

## **Research design**

This study is based on the state-of-the-art service system value creation from the literature review and on the empirical data from expert interviews. More specifically, we have used the literature findings when trying to find meaning of individual and team diversity in a service context. Additionally, our research included a visiting research period in San Jose State University, in the Silicon Valley area of California, United States. During the visiting research period we had several discussions with experts while trying to find opinions, experiences and knowledge about the topic. The experience and insights of the experts was considered essential in order to make in-depth sense of the phenomenon (Eisenhardt, 1989). As a summary, the aim of this paper is to increase understanding of what companies should consider when maintaining human resources, hiring new professionals and creating diverse teams for value creation.

## **Service System Value Creation**

Traditionally firms emphasized creating value through offering a high quality product or services, and the value proposition was based on the functional features of product-service offering (Hemilä et al. 2014). Economic value has been a hot topic since mass customization and is still so today in times of continuous global economic crisis (*ibid*). However, offering low prices is no longer the preferred means of attracting new customers. Because of service characteristics, the meaning of emotions, feelings, experiences, reputation and trust are becoming more important in service systems value creation (Leek and Christodoulides, 2012). The unique characteristics of service include a high level of customer contact and influence, simultaneity of production and consumption, intangibility, non-storability, perishability, and labor intensity. The importance of symbolic value has been already noticed, when customers prefer recyclable materials, organic food, human rights in production, and other symbolic values (Hemilä et al. 2014).

Companies should define their own role in the service ecosystem and that will affect which kind of resources are needed for the value creation. Despite the fact that businesses have implemented technologies widely, decisions are still mostly done by humans and the human factor exists in every processes. Technologies have an important role in supporting business processes and operations, but the human element is even more important in the service sector. At the customer interface, both technical skills and communication skills are necessary for a successful service offering. Humans need to communicate with customers in a service process, but at the same time also need to utilize technologies.

## **Meaning of individual talents and diverse teams for Service system**

Service system success is dependent on human resources; despite this, ICT can have supporting and enabling role. Processes can be automated or managed by using ICT, but still most of services are performed by humans. Of course, decision making and management must be performed by humans. Organizations should be aligned to value chain activities, by recruiting competent employees and ensuring that requirements match available resources. We took part in several Silicon Valley start-up pitching sessions. The typical format for elevator pitches is to create a story for people, not for the company or product. Usually start-ups say who they are, where they are from, and with whom they have done business. The focus is mainly on individuals and the team together. After that comes the product or service offering. In traditional European industries, such as manufacturing industries, the story is not based on the individual. Maybe the owner or CEO can be presented as the face of the company, but the engineers and other product and service developers are faceless. In the US, this is different in both good and bad ways. People like Mark Zuckerberg from Facebook, or Apple's Steve Jobs are examples of entrepreneurs, innovators and developers. The whole business story is built on those people and their character. Conversely, in the US, unsuccessful businesses cannot escape being connected with notorious characters too. A well known example from the automotive industry is General Motors, which recalled 2.6 million cars that were built with a faulty switch design. Design Release Engineer Ray DeGiorgio undermined the standards and procedures of General Motors and approved an ignition switch that didn't meet specifications and then secretly replaced it with an upgraded switch (Fortune, 2014). These people mentioned have a huge effect on their business, but no-one is alone in the business environment. Individuals should be a part of the team and preferably a diverse team. Employee diversity is often considered to be positive since it might create a broader knowledge space and make the firm more open to new ideas and to being more creative (Østergaarda et al. 2011). At the beginning of 2015, Intel announced it was investing \$300 million to advance the hiring and retaining of more women and under-represented minorities as engineers and computer scientists with the Diversity in Technology initiative. Human resources diversity has many dimensions, such as vocational training and experience; and a demographic dimension, such as gender, age and cultural background, which affect the application and combination of existing knowledge and the communication and interaction between employees (ibid.).

IBM have developed and implemented the T-shaped professional concept, for managing both disciplinary expertise, but also communication skills internally and externally. In the basic representation of T-shaped professionals, the vertical bars represent the disciplinary specialization and the deep understanding of one system and are characterized by analytic thinking and problem solving competences. However, what is crucial to services is the horizontal bar, which is represented as qualifying the ability to collaborate across a variety of different disciplines thanks to capabilities of understanding, critical thinking, communications, and global thinking.

In different functions of the organization, different kind of expertise and communication skills are needed. For example, a product developer needs deep technical skills, while for sales and marketing personnel, communication and negotiation skills are the way to success. On the other hand, real business is not so black and white, and that is

why T-shaped professionals with context and communication skills are needed. The success of an organization depends not only on the combined skill sets of the employees but also on their personalities and ways of approaching and solving problems.

## Conclusion

This paper has presented several arguments about the meaning of individuals and team diversity in service value creation. The guiding theme behind the paper is that coordination and management of human resources is essential for the success of a business. A successful organization needs diverse employees. Diversity among employees can create better performance in creative tasks such as product development or targeting new markets, and managers have been trying to increase diversity to achieve the benefits of innovation and fresh ideas. Creating teams with diverse experts seems to be an effective human resources strategy, but in practice, the use of diverse teams might also create unique challenges and results in suboptimal performance. Despite many practical examples, the impact of team diversity on team outcomes and moderating variables potentially affecting this relationship are still not fully answered, with mixed findings in the literature (Horwitz and Horwitz, 2007). Team diversity can potentially create a positive organizational synergy, the same idiosyncratic expertise and experience that leads to advantages can also engender significant difficulties resulting from coordination, tension, and intra and intergroup conflict (*ibid*).

Practitioners should pay attention to organization competence maps: what is needed for value creation and business targets, and how resources fit to the need. Clear responsibilities and organizational structures help employees to realize their own role expectations and how they are expected to collaborate with other stakeholders.

Further research should focus on the case studies and should obtain more practical evidence on the T-shaped concept in practice and how companies should ensure competences and communication skills within different positions.

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