

GUIDELINES FOR INTERNATIONALIZATION SUPPORT TO NEWLY DEVELOPED PRODUCT-BASED SERVICES - REVIEWED

D.T3.2.4

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THINGS+

Introducing service innovation into product-based manufacturing companies

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¹ The delivery month settled in the approved Application Form (February 2019) has been postponed upon decision of the Project Management Board to improve the quality of the deliverable. The delay did not have any negative effect on the project implementation.

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1. Introduction

The guidelines describe the process of commercialization and internationalization support that shall be provided during the last two phases of the servitization process. The key aim is to develop a sound commercialization strategy (and implementation activities) followed with internationalization efforts (wherever possible and applicable).

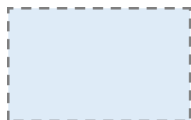
Starting point would be a servitization concept, elaborated during previous phase, combined with existing company capabilities and product portfolio and sales and distribution network (including post-sales support).

KIBS approach to the commercialization and internationalization support differs from the previous phases - at this stage development formats and activities are suggested but shouldn't be imposed.

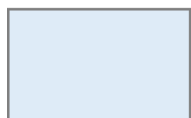
This stage should fit into existing company organizational and managerial procedures. The aim is not to substitute existing strategic management procedures and practice but to add and complement those with the servitization tasks. Existing strategy management processes should incorporate elements created during servitization initiative - there is no point in creating parallel management system (only in the case of spinoff or radical servitization leap where new and separate organizational entity or strategy management system might make sense). Therefore, suggested activities are supposed to create add-ons to existing company activities, procedures and operations.

Consequently, phases four and five (commercialization and internationalization) may need different implementation approach - less prescriptive and rigid structure, more adaptive to the company needs. The joint workshops may be beneficial and delivered to some participants - less experienced companies might need structure, workshops and mentoring about commercialization and internationalization. The advanced participants may need adjusted, simpler "consult and support" approach and additional perspective.

2. Legend of the workflow figures



Optional activity (during workshop, 1on1 consulting or homework)



Suggested activity (during workshop, 1on1 consulting or homework)



Key activity (during workshop, 1on1 consulting or homework)



Senior management approval / decision



Servitization initiative result

3. Phase 4: Product servitization implementation and commercialisation

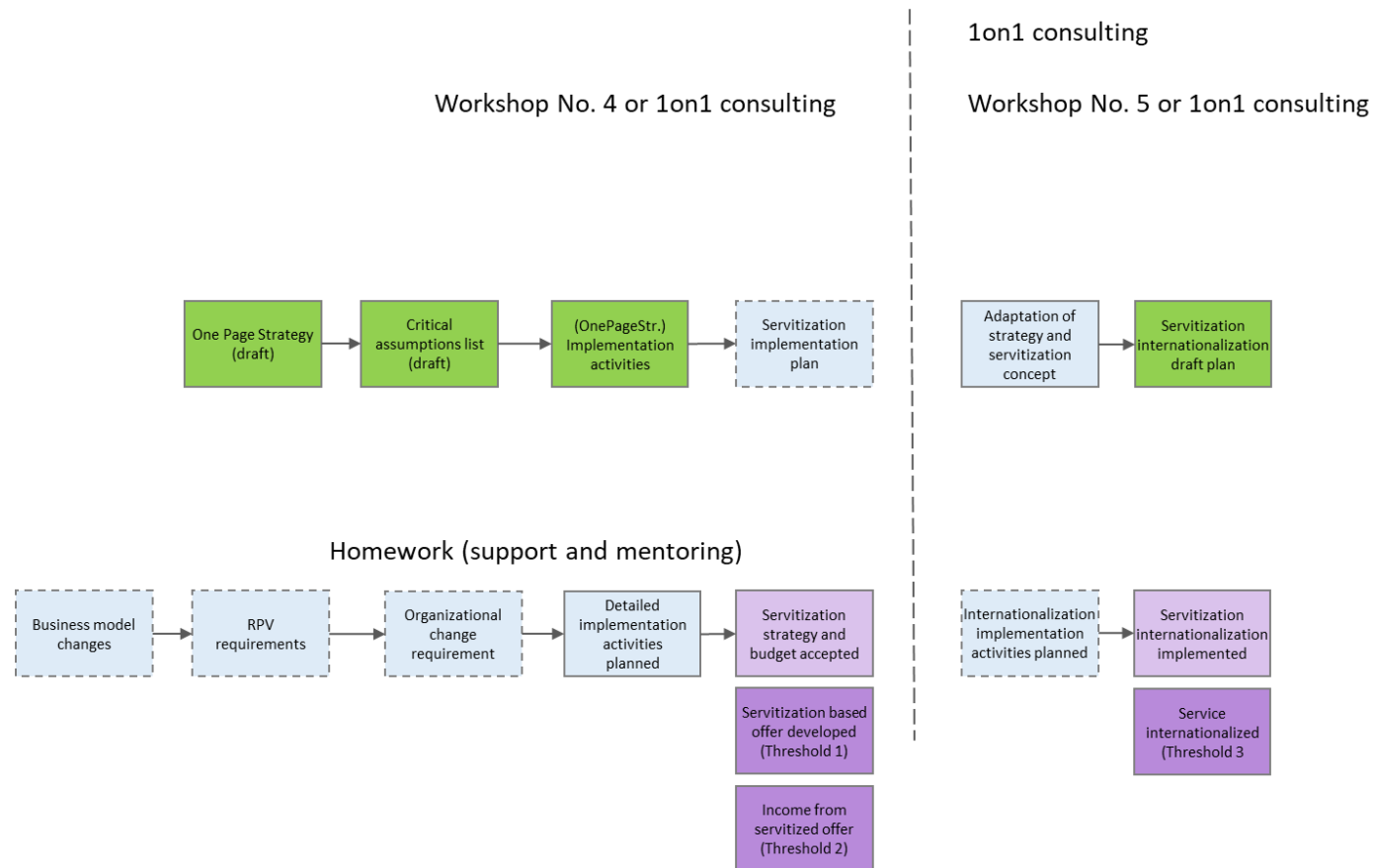


Figure 1 Workflow of the fourth and fifth phase of the Service Innovation Methodology

3.1. Workshop: One Page Strategy - servitization strategy formulation with implementation elements

Fourth phase's main focus is the creation of the strategy for the commercialization of the servitized product. It should be based on the

- previously defined elements (servitization concept, existing company capabilities and product portfolio, key business model elements like sales and distribution network including post-sales support, partnerships etc.),
- relevant inputs and reviews from the company
- existing strategy, performance, and operations management activities and
- acceptance by the company owners/senior management (if not part of the team).

Since servitization projects do not intent to transform the existing strategic management process of the participating companies, simple framework called “One page strategy” (or “Strategy on A4”) is suggested for the creation of the servitization implementation strategy.

It is strongly suggested to include internationalization aspects at the beginning, within the initial commercialization formulation, even if the internationalization won't be a part of the initial go to market efforts. Only when complexity and novelty (from the company perspective) are perceived very high, pure focus on the national/local market is justified.

Since companies could face many “unknowns” during the implementation, traditional strategic management approach based on the indicators, thresholds and goals is not appropriate. Discovery driven (or assumption based) planning is strongly suggested.

Discovery driven strategic management approach is based on the assumptions and expectations - in the servitization case those assumptions are about the environment, competitors, markets, organization and people capabilities and competences. Based on the assumptions, commercialisation plan and related expectations about indicators, goals and achievable results are drafted, and if assumptions are wrong companies can react even before the indicators are missed.

At this initial commercialization stage, learning what is possible is much more important than just achieving what was planned.

Two documents - “**One Page Strategy**” and “**List of Assumptions**” should be created in parallel.

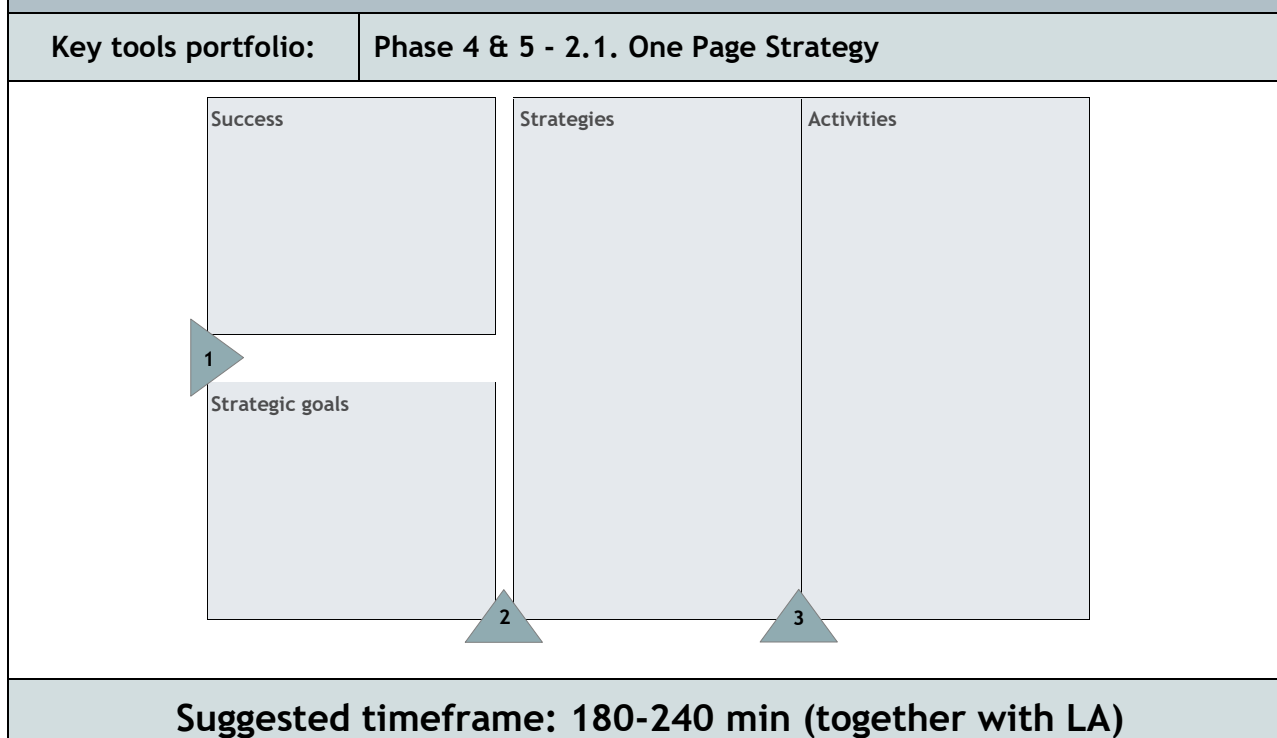
One Page Strategy consists of:

- description of the success (in this case it is what company ultimately wants to achieve with the servitization project)
- goals that are the measure of the success (which will show that the success was accomplished)
- strategies - answers to the two key questions: Where do we win? (on which markets, segments - in short it is about the positioning of the offering), How do we win? (which approaches will enable the accomplishment of the goals of the company's new servitized offer)

- activities that are needed to implement each strategy (operational description of all actions that are needed to make strategy work including a short description, responsible person(s), budget, timeline, resource requirements etc.)

Since servitization initiatives might have impact on many aspects of company performance, some kind of strategy alignment is important. In order to avoid too complex planning and decision-making procedure, One Page Strategy is proposed as a simple yet powerful strategy management tool.

It should enable seamless implementation of servitization initiative and its integration into broader, already existing strategy.



List of assumptions is used to document the assumptions that were used while crafting the strategy:

- assumptions about the markets and environment, competitors, legal framework etc. which were assumed while crafting the goals out of success description;
- assumptions about the company, its resources, distribution network, partnerships, financial or organizational capabilities, business model etc. which will enable implementation of the strategy;
- assumptions about the people who are responsible to implement the activities and deliver results - capabilities of the key staff/individuals, but also capabilities of particular positions within the organization (mechanic, salesperson, cashier, teller, operator etc.) which will enable implementation of the proposed activities.

One result of the One Page Strategy is a great number of assumptions regarding environment, markets, customers but also organizational and individual capabilities. Management based on the assumptions allows swifter response and better adjustment which is more in line with the lean startup thinking (customer development process) than traditional, inert approach.

Key tools portfolio:

Phase 4 & 5 - 2.2. Critical Assumptions List

Assumptions about:

1. Environment	2. Company	3. People

Suggested timeframe: 180-240 min (together with OPS)

One Page Strategy process and its sequence of elaboration is important, almost equally as its result. It is very strongly suggested that person(s) responsible for the management of the implementation would be a part of the One Page Strategy elaboration process.

One Page Strategy (OPS) / List of Assumptions (LA) sequence of elaboration:

1. OPS: Definition of the success (in the next three years or long enough to imagine, but not too long to accept responsibility).
Companies should be asked to define, from the perspective of the servitization project, the statement: "Our success in three years looks like...". It should be a short description of what is important to achieve. It provokes decisions, choices and focus and should be defined having in mind circumstances and capabilities of the company itself.
2. OPS: Identification of the strategic goals (measurable, three to five goals are suggested, sole measure of the success). In general, strategic goals are the measure of progress of the organization towards success. Goals should enable organization to answer:
 - How are we doing on our way to success (implementation of our servitization initiative)?
 - Where are we now - position on the market, share, customer perception...?



- Are we going towards the right direction (gradual measure of the defined goals)?
- Is our progress good enough?

Suggestions / best practices:

- Less is more - 3 to 5 goals that can be used to measure previously defined success. With the goals, companies can track their way to success. Usually those goals are indicators of the market position and company competitiveness - share, availability, areas covered, comparison with competitors...
 - Use balanced goals - those that track the progress, the current stage of development, advancement towards desired state and the final results. It should be a mixture of financial performance goals (income, profit, value of the transactions, margin... which are lagging behind the presence) and market or organizational goals (number of new customers, inquiries, trained employees, new distribution points, investment in customer trainings etc. which are leading indicators of the future outcomes)
3. LA: Assumptions about the market (according to which of the goals are chosen), society, customers, etc., based on the trends (identified in the previous phase or now as additional task) which are relevant to the particular company's performance and areas that are "measured" by the goals.
 4. OPS: Strategies - Where and How to win? (key strategies that will jointly enable achievement of defined goals); two strategy questions for companies to ask themselves:
 - Where are we going to compete?
 - "Where is the money?"
 - Where is the highest chance for our success?
 - Which customers, distribution channels, product and service categories, geographic areas, price range... we want to target?
 - How are we going to win?
 - "How are we going to capture customers / take the money available on the market?"
 - Which activities should lead to achievement of our goals?
 - How do we outperform the competition?
 5. LA: Assumptions about the company (which led to the chosen strategies, which are the reason for choosing particular market segments or competing elements)
 6. OPS: Activities - draft a list of key activities that are needed in order to implement each particular strategy.

Each activity „belongs" to the strategy and can be managed as a standalone project (e.g. strategy 1 and activities 1a, 1b, 1c...). Activities are elements that combined enable implementation of each strategy. Activities are documented through:

 - Short description: What is important and has to be done?

- Who is responsible?
 - Which results are expected and how to track (measure) them?
 - Timeline and deadlines for targets?
 - Which resources are needed (and when)?
7. LA: Assumptions about individuals that are responsible for (or will implement) particular activity.

Once the One Page Strategy and the List of Assumptions are created, additional descriptions and documentation of each implementation activity may be added (if needed - optional):

- Implementation activities description form

<p>During or after the creation of the One Page Strategy and the List of Assumptions, further elaboration and documentation of tasks can be done for each implementation activity. These forms can be used for further elaboration of key implementation activities drafted in the One Page Strategy, and also to better communicate and delegate elaborated tasks within the company's organizational structure.</p>									
<p>Key tools portfolio:</p>	<p>Phase 3, 4 & 5 - 2.3. Implementation activities</p>								
<table border="1"> <thead> <tr> <th>Strategy:</th> <th>Activity:</th> </tr> </thead> <tbody> <tr> <td colspan="2">Activity description/rationale:</td> </tr> <tr> <td>Responsible person(s)</td> <td>Expected results</td> </tr> <tr> <td>Resources</td> <td>Timeline/deadlines</td> </tr> </tbody> </table>	Strategy:	Activity:	Activity description/rationale:		Responsible person(s)	Expected results	Resources	Timeline/deadlines	
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This phase's main goal is the final preparation of the servitization project implementation and its adaptation for the integration into company operations and management system. Depending on the company and its existing management practice, discussion about the performance measurement system, challenges of integration and migration strategy might be discussed during the session.

All the above documents jointly create the “**Servitization implementation plan**” which is a key outcome of the Phase 4.

After the workshop/joint work, companies are supposed to follow up with additional homework:

- Implementation of servitization activities, performance management and reporting
 - Strategy, budget, resources accepted
- Decision: Servitization strategy acceptance by the company (formal) - Servitization based offer promoted and offered to the market
 - *Servitization based offer developed (addition to Threshold 1 - New service to be put in their portfolio)*
 - *Income from servitized offer (Threshold 2)*

Phase 4 summary		
Tasks	Supporting tools	Note
Workshop	One Page Strategy	180-240 min
	List of Assumptions	
	Implementation Activities	/
Homework	Implementation of servitization activities, performance management and reporting	/
	Servitization strategy acceptance by the company (formal) - Servitization based offer promoted and offered to the market	/



4. Phase 5: Product servitization implementation - international

4.1. Adaptation of the strategy and the servitization concept (business model, RPV needs and change elements related to foreign markets)

As already mentioned, internationalization is just a specific part of the commercialization activities. Once the participating companies start with commercialization framework, internationalization issues are more like logistical and organisational challenges than real business development efforts that were needed to envision servitization based offers.

Nevertheless, there are at least two key challenges specific to foreign markets when it comes to services or servitized product-based offerings:

- Need for development of new or transformation of existing distribution channels,
- Language dependencies and local culture related adjustments.

In case that the companies didn't include international markets in their implementation and commercialization strategy, same method and approach described in phase 4 is suggested to be used again for the foreign markets entrance strategy.

Distribution channels that include services usually involve more human interaction and activities. Even though personal relations are not always face to face, scalability in distribution requires scalability in available workforce (or creation of very robust and scalable ICT system that will improve productivity of existing workforce).

Some servitized products will need direct interpersonal relationship and presence of the workforce on site, during service delivery. Some servitized products will enable distant support and creation and delivery of the services through ICT enabled communication channels, even automated and based on the big data visualisation and artificial intelligence insights.

Radical transformation or creation of the distribution channels will also have an impact on the business model (distribution channels, customer relationships but also perceived value proposition and revenue streams) and company capabilities in general (mostly on the resources and processes, but also on values if criteria for customer servicing and relationships should be transformed, too).

If that is the case, phase 3 elements should be re-evaluated and, in case of need, redefined.

Second set of challenges, the local culture and language dependencies of the servitized offer can impose additional barriers to the servitized product commercialization. Those barriers are less of the strategic nature and mostly operational - need to adapt to particular language, working or buying habits, commercial or delivery terms etc. Some countries (especially outside of the EU) may impose additional standard or legal requirements.

Support during this phase is adapted to the specific needs of the individual company, therefore, 1on1 mentoring or consulting is suggested. Joint activities can also be useful primarily as experience sharing or best practice exchange.

Mentoring is suggested when trainers/consultants have previous experience with similar challenges related to the internationalization or specific knowledge of the targeted country(ies).



Individual consulting should consist of trainer's using already developed frameworks and concepts and helping companies to develop solutions and make decision.

This phase is based on individual interactions and additional homework during which internationalization efforts will (hopefully) create results.

- Decision: Internationalization activities strategy acceptance by the company (formal) - Servitization based offer promoted and offered to the foreign market(s)
 - *Service promoted, offered and sold on a foreign market(s) (Threshold 3)*