Key Themes

- What is a service business?
- What is a service?
- General trends in the rise of service businesses
- How to establish a service business
- Reading and managing service businesses
- The structure of this book

This book explores the challenges and problems of running and managing service businesses. It is not just about what works, but also about what does not work. The book’s focus is on understanding and managing private sector service businesses. Nevertheless, it is also relevant for understanding and managing public services and service functions within manufacturing-orientated production systems.

Terminology and typologies are important. The focus of this book is on service businesses. This includes understanding the on-going shift towards the production and sale of all types of service products. The term ‘service’ both characterizes the process of producing a service and also describes the outcome of this process. This outcome is a ‘product’ or a ‘service product’. Product bundling occurs when a company combines different services together into a combined product or service package, for example, insurance policies or meal deals. A good is a ‘tangible manufactured thing’. Tangible goods are increasingly being combined with service products to produce hybrids. These are both goods and service products. Manufacturing firms, or firms that orchestrate the production of goods but are not directly engaged in production, are increasingly altering their position on the goods-service continuum to produce product-service combinations or product-service bundles.

The approach adopted in this book is to provide an overview of service research and theory (Chap. 2) before exploring strategy and operational issues (Chaps. 3, 4, 5, 6, and 7). This includes a discussion of service business models, operations and productivity and personnel management. The focus then shifts from process and product innovation (Chap. 7) to exploring marketing and customers (Chaps. 8 and 9) before exploring the internationalization of service firms (Chap. 10). The analysis then explores the role logistic services have made to underpinning internationalization and the shift within manufacturing companies towards the production of goods that are supported by services (Chap. 12). In Chap. 13, the measurement of company performance and customer satisfaction is explored before the book in Chap. 14 concludes with the development and application of an integrated case study approach to reading service businesses (Chap. 14).

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Managers, employees, students, academics and others interested in understanding and running service businesses will benefit from this book. It can be used as a reference book where selected topics and tools can be found in each chapter, or it can be read entirely. Each chapter explores core business and management processes as they relate to the creation of services and to running and managing service businesses. This chapter presents definitions of the core phenomenon—service and service business. Part of the challenge is how to read a business or to engage in an analytical process that informs management decisions.

Services play an important role in enabling all types of economic activities and in facilitating everyday living. Logistics, financial services and information services underpin all economic transactions and all economic activities. Service businesses matter. This book is targeted at those whose working lives will be predominantly focused on the management and delivery of services. It develops a holistic and integrated approach to understanding service businesses by highlighting and exploring the key elements and processes required to develop and manage service businesses. It is intended to provide the reader with an integrated or systemic understanding of service businesses and this understanding will inform the reader’s ability to adopt, apply and use management and organizational tools. All businesses function through complex interactions between different but interrelated activity systems, or business domains, ranging from processes that focus on learning and development to monitoring and evaluation systems.

Firms are highly complex socio-technical systems formed by ever-shifting coalitions of people, technologies and organizational systems. To survive, such systems must contain adaptive capacity and must be open to new ideas and ways of organizing production. This book’s object of study is the totality of systems and processes that come together in service businesses of all types. These processes include marketing, operations, innovation, customer satisfaction and human resource management, and each is explored in this book with a focus on identifying key challenges, opportunities and business and management tools. To establish and run a service business it is essential to understand each of these processes and how they are woven together inside firms to support the co-creation of services between service providers and consumers.

The first section of this chapter defines service businesses and the concept of ‘service’. The next section then explores the development of service businesses by focusing on the shift towards service-led or service-dominated economies. The focus is on charting the rise of service businesses, activities and employment, but in relation to the whole economy. This section provides an overview of the history of the development of service firms, activities and employment. The final section explores the rationale and structure of this book with a focus on understanding how to read and manage service businesses.

1.1 Definitions

1.1.1 What Is a Service Business?

In principle, it is straightforward to define a service business as a commercial enterprise delivering work performed in an expert manner by an individual or team for the benefit of customers. The typical service business provides intangible products, such as accounting, banking, consulting, cleaning, landscaping, education, insurance, treatment and transportation services. Put another way, a service business helps in an organized, structured and skilled way to resolve problems experienced by its clients or customers. Look more closely at these statements and it rapidly becomes apparent that they incorporate some assumptions. For example, that a service business is a commercial enterprise, that it delivers work informed by expertise, that it delivers work to benefit customers or that it provides intangible products. You might be thinking that the notion of ‘intangible products’ is a contradiction; surely a product is a tangible (physical) object and it cannot be intangible. Yet, you will see plenty of references to ‘service products’ and this highlights the requirement to think more expansively about
something that is produced—a commodity that has both a use and exchange value—alongside something that is marketed or sold as a commodity—a service.

Nonetheless, the distinction that is made in some official statistics between goods-producing and service-providing industries implies that there is a sharp distinction between these categories of business, but some further reflection may lead you to ask whether this distinction is actually very useful in understanding the production process.

1.1.2 What Is a Service?

The word service is very problematic as it has too many meanings and associations. The word comes from the Latin servitium or ‘slavery’. The meaning of the term service has altered so that the act of serving is no longer associated with slavery. There are many types of ‘service’ including the occupation of a servant, a public or civil servant or religious associations based on church service, public worship or ‘Divine Service’ and serving God. The various meanings of the term service are all based on the concept of the ‘act of serving’.

It is important to first establish what the term ‘service’ means. Much depends on whether the term is used as a noun, an adjective or a verb. As a noun, a ‘service’ could be the duties performed by a bartender, providing overnight accommodation for a traveller, delivering a package from an online store to a customer, any helpful act or activity, supplying utilities such as electricity or water, providing public transportation and so on. If an adjective, a ‘service’ includes supplying services rather than goods (such as services provided by teachers or doctors), supplying repair or maintenance (vehicle or computer service centres) and charging for a service (a tip provided after a restaurant meal). As a verb, ‘service’ is used in relation to an object, such as to service a vehicle, to meet monthly payments on a loan, or to supply information or aid to a third party. We also sometimes refer to being ‘at someone’s service’ or to ‘be of service’. The use of the word ‘service’ as a verb is a very recent development. In this context, Gowers noted that the verb ‘service’ ‘is a useful newcomer in an age when almost everyone keeps a machine of some sort that needs periodical attention’ (Gowers 1982, p. 46). It was only in 1925 that the term ‘service’ was first applied to describe ‘expert advice or assistance given to customers after sale by manufacturers or vendors’ (Oxford English Dictionary 1991, p. 1950).

These examples are not exhaustive, but it should be apparent that the meaning of ‘service’ is multi-dimensional. You can add to this the fact that what constitutes a ‘service’ also depends upon whether you look at this from the perspective of the individual user or customer, whether the supplier is a public institution or a private company, whether it is a single-person enterprise or a major multinational corporation or whether or not the user is in the same business as the supplier. Again, the possibilities are wide-ranging and suggest that a proscribed definition or meaning of ‘service’ is very hard to pin down.

The question ‘what is a service?’ therefore elicits almost as many responses as there are types of services.

1.1.3 Goods and Services

It is critical to answering our earlier question about whether the distinction between goods-producing and service-providing activities is useful (Table 1.1). Clients who ask what someone can make for them are thinking about a good, while those who ask what someone can do for them are thinking about a service. Famously, The Economist (2010) defined a service as the output from any activity that ‘you can’t drop on your foot’. This makes sense but what about digital products that are weightless apart from the physical media upon which they depend to exist? This neatly captures the ease with which exceptions to definitions of services are readily identified. It is not necessary here to consider all the possibilities, but we suggest that the following may be helpful.
A service has the purpose of solving a problem. It is an activity that includes the use of human (soft) resources and material (hard) resources. The balance between soft and hard resource use will vary according to the type of interaction or transaction involved, but common to both is the use, and application, of knowledge (the body of truths or facts accumulated over time) (see Grant 1996, for a useful discussion of knowledge as residing within individuals). A business that offers a service is contributing to the solution of a problem of some kind. Sometimes the dimensions of the problem and how it can be solved is understood in advance; in other circumstances, the solution is not known in advance and the service is acquired on the basis that it will hopefully lead to a solution to a problem at some time in the future. If you reflect on these alternatives you may well conclude that a goods-producing business such as a white-goods manufacturer is actually providing a solution to a service problem, that is, how can individual households, or service businesses such as restaurants or hotels, manage the cleaning of significant quantities of linen or crockery in a timely and efficient manner. Likewise, when purchasing a new car (a product), the driver is simultaneously gaining access to services such as the use of the vehicle to travel to work, to send and receive telephone calls in transit or to plan the fastest routes avoiding traffic congestion using satellite navigation systems. You can probably construct your own examples based on other goods-providing businesses such as headphones, cameras, smartphones or computer chip manufacturers.

It seems, then, that services and goods can both be used to solve problems, but they achieve this in different ways. A service business can offer a customized solution that fits closely with a problem, much more so than a good where the fit is likely to vary given that it is based much more on a one-solution-fits-all approach. But this implies that the relative cost of providing a solution tends to be higher for a service than for a good unless the former can develop a standardized solution that can be applied to different problems. This explains why setting up a service business can be less attractive compared to establishing a manufacturing company; as a general rule, the ratio of revenue to enterprise value is lower for the former than the latter.

Manufacturing firms are evolving to provide services or good/service combinations. In the same way, some service firms evolve from producing customized service solutions to the provision of good/service solutions or a packaged service—a customized service that has become

| Service products | Goods |
|------------------|-------|
| Intangible—difficult to see and compare. For marketing purposes, there may be emphasis on branding, or some strategy to connect consumers with the service ‘product’. | Tangible—can be seen, assessed and compared with one another. But may include services that are intangible. |
| An experience based on a relationship or a service encounter in which some transformation will have occurred—a change of state, but with no exchange of a physical artefact. | Satisfy a need or a want involving a physical exchange—the ownership of a good, a thing or an artefact. |
| Many different choices of provider, but the nature of the service might be the same. A visit to a general practitioner (GP) should produce the same outcome as any visit to any GP. | Many choices of artefacts—colour, style, size, fashion, raw materials. |
| Very difficult to assess quality without using some form of proxy—branding, third party referral. Never certain that the service will be the best that could be obtained. | Quality can be assessed through direct comparison of the physical good. A test drive of a car or the outcome from using a good. |
| Much harder to return a service as the service is consumed during the point of delivery. | A good can be returned for a refund or a replacement. |
| A service encounter cannot be stored. A service encounter that has no customer cannot be stored. Thus, a hairdresser or a lawyer with no client appointments is unable to store this time and sell it at some time in the future. A vacant hotel room is a service that can never be resold in the future. | Goods can be stored and sold at some later date. |

Source: Authors’ own
standardized. There is an on-going blurring of the services/goods distinction given the ability to transform customized services to packaged services and to transform goods into products that deliver service outcomes (see, e.g. Bryson and Daniels 1998). In a packaged service, the price of the service is based on value rather the hours of staff input so that profitability is improved. When service businesses consolidate expertise into the design, implementation, integration and management of the use of very desirable but complex goods, then these can be priced at a premium to create even higher margins. Alternatively, scaling service products provides revenue streams based on low margins combined with mass consumption. Innovations in app-based business models represent one way of packaging services for mass consumption.

On the opposite side of the coin, and as the examples above suggest, service-providing businesses often rely on the availability of suitable goods from goods-producing businesses for their services to be useful for solving problems; sophisticated payroll management software has little intrinsic value unless loaded on to an appropriately specified computer system. That said, a service does possess some attributes that are not present in a physical good. For example, a customer for a service must trust that the supplier is able to deliver the expected solution to a problem or can offer another way of dealing with the problem. There is also scope for differing assessments of whether a solution offered by a service has sufficiently resolved the customer’s problem; the advice from a management consultant on the best way of re-organizing a failing business may be state of the art but implementation depends on the willingness or ability of the customer to implement the necessary actions. It is also possible for a service to change as it is delivered to the customer, perhaps because of the drafting in of new personnel or because of changes in the regulations or standards determining the type or quality of service that must be provided.

Although there are interdependencies between goods producers and service providers, a service is not a good. When acquiring a good, the purchaser can see beforehand exactly what it is; there can be no negotiation between the goods provider and the customer about what it might comprise (as can happen for service) although the customer may be able to specify a bespoke configuration, for example, cars or laptops.

A key challenge is comparing and contrasting the characteristics of different types of service businesses. Many different approaches can be adopted to developing typologies of services. One approach is to group services by sector, for example, retailing, financial services, business and professional services and tourism. One difficulty is that within each of these service sectors, products, outputs or values can be delivered in very different ways. A retail service can be delivered through a face-to-face experience or via e-commerce, or legal services can be provided from a call centre or via face-to-face. This suggests that another type of classification would be based on differentiating between capital- and labour-intensive services. Nevertheless, as we have seen, the same type of service can be delivered by employing many people or by substituting labour with capital. Alternatively, it is possible to differentiate between knowledge-based services and more manual-based services, for example, contract cleaning. The difficulty is, for example, that contract cleaning is based on specialist knowledge.

The key challenge is the diversity of service businesses and the diversity of approaches to the delivery of services. An alternative approach is to classify services by the type of experience or output that is created (Table 1.2). These categories are not mutually exclusive. The important point to note is that the diversity of service types and functions makes it essential for students and practitioners of service businesses to identify the primary characteristics of a service business that adds value and provides competitiveness. This is one of the rationales behind this book’s structure. The diversity of types, functions and values in service businesses makes it important to develop an integrated approach to understanding service businesses that includes an appreciation of different business models, technologies, innovation processes, operations, employee management, marketing and customers.
1.2 Trends in the Development of Service Businesses

1.2.1 Services: A Growing Business Sector

Since the 1960s, one of the most important transformations in the structure of national economies has been the shift towards various forms of service work. In developed market economies, more than 80% of all jobs involve some form of service work. Much of this work is directly related to final consumption including service activities related to retailing, tourism and hospitality management. In some interpretations, this shift towards service work has been considered to challenge the primacy of manufacturing as a source of innovation and economic growth. Against this, however, the fastest growth in services, in many national economies, has been in ‘business and professional services’ such as management consultancy, computer services and technical and financial services. To the extent that these activities are inextricably linked to, if not

| Table 1.2 A typology of service businesses by service experiences |
|---------------------------------------------------------------|
| Core service experience | Characteristic | Examples |
|-------------------------|---------------|----------|
| Creative                | Incorporate, represent or present ideas that are used to shape production, encourage consumption or interpret culture and identity. | Advertising services, design services, art galleries, museums, theatres, film production. |
| Enabling                | Many services act as intermediaries in the sense that they enable other tasks or objectives. | Telecommunications services, public transport facilities, executive search consultants, employment agencies, contract lawyers. |
| Experiential            | Requires presence of the customer or user who expects to experience something tangible or intangible. | Ballet or opera performance, massage, haircut, gastronomic meal at a restaurant, visit to a theme park. |
| Extending               | Tasks intended to extend the life of a good, to maintain reliability, to encourage customer loyalty and repeat transactions. | Full replacement warranties for specified times or levels of use, other after sales services, consumer satisfaction services, installation and updating services, ‘health’ checks. |
| Entrusted               | Undertaken on behalf of customers or clients at their request or as part of a contractual arrangement, usually without the need for the customer to be present. | Car servicing, watch or camera repair, financial portfolio management, return-to-base warranties. |
| Information             | Decision making on a wide range of personal and corporate matters is facilitated by access to information; some is freely available, some can be accessed for a fee, some is privileged. | News agencies, data mining services, real estate agents, stockbrokers, travel agents, Internet search engines, electronic data base services, broadcasting. |
| Innovation              | Highly dynamic and rapidly changing as yesterday’s innovations are replaced by today’s innovations. | Platform-enabled services; services based on predictive artificial intelligence (AI). |
| Problem solving         | Individuals and firms are constantly confronted with financial, management, restructuring, staffing, infrastructure (cleaning and facilities) and many other problems. | Management consultants, tax consultants, marriage counselling, Citizens Advice Bureaux, IT consultants, engineering and planning consultants. Cleaning and rescue services. |
| Quality of life          | Services that reflect availability of increased leisure time, opportunities to counteract illness or threats to things such as the environment. | Adult education services, health services, sports and recreation services, tourism services, waste disposal services, security services. |
| Regulation              | Much of the economy (and indeed society) operates within a framework of rules and regulations that apply at all levels ranging from the local to the global. | Police services, patent agents, legal services, planning services, environmental services. |

Source: Authors’ own
dependent on, manufacturing, this reflects not the decline of manufacturing, but the growing complexity of production functions and organizations.

Manufacturing is also being transformed as goods are increasingly incorporated into product-service systems with the emergence of service product/good combinations that are the outcome of a hybridization process of manufacturing and service tasks. A smartphone is simultaneously a physical product with materiality and a conduit for accessing services. Economic development, or growth, is all about the evolution of the division of labour combined with a continual process of creative destruction and reconstruction. Central to this process is the continual obsolescence of institutions, societal practices, economic practices, techniques, infrastructure, designs, business models, companies, professional practices, artefacts combined with globalization or on-going alterations in the relationships between places. Part of this process involves the destruction of jobs and their replacement with new forms of work.

The on-going debate on artificial intelligence (AI) and robotics heralds another stage of creative reconstruction, but it is only part of a continual cycle of replacing variable costs (labour) with fixed costs (machines). Flows of people, knowledge, components, goods and raw materials, including energy, continue as part of an on-going process of increased or deepening internationalization. There are two conflicting processes at work here. On the one hand, there is the on-going internationalization of economic activities that can be traced back to before the industrial revolution. On the other hand is the continual rebalancing of national economies towards services. There is a conflict here between the internationalization of manufactured goods and the very different and more localized geographies of services.

It is worth noting at the onset the common mistake of assuming that the transformation of economies towards services is a twentieth century phenomenon. In 1971, the economic historian R.M. Hartwell proclaimed that the service sector was the ‘neglected variable’ in the economic history of the industrial revolution compared to the dominance of research on manufacturing and agriculture. As the UK was becoming an industrialized society, it was simultaneously being transformed into a service economy; growth in manufacturing employment went hand-in-hand with the growth of service employment. In his analysis of Britain and the industrial revolution (1700–1850), Mokyr noted that ‘Even if these sectors were rather modest in size compared to say, agriculture, they contributed disproportionately to the economy, much as a lubricant to a well-functioning engine’ (2009, p. 199). Services play a critical role in Mokyr’s account of the industrial revolution. There are two important points to make here.

The first is that ‘no market economy can operate without an extensive service industry that supports trade and travel’ (Mokyr 2009, p. 250). Innovations and investments in services underpinned the development of national economies and the wider processes of internationalization. The overemphasis placed on manufacturing in the literature on global value chains (GVC) or global production networks (GPN) obscures the catalytic role played by services functions, workers and businesses in the shift from national economies to a more internationalized economy. Innovations in logistics and financial services have been at the centre of internationalization. Second, the on-going evolution of market economies depends on generating, assembling, distributing and interpreting more and more information. The industrial revolution, to Mokyr, can be seen as the age of communication in which ‘knowledge was placed in the public sphere, sometimes free of charge, sometimes sold’ (2009, p. 250). This involved growth in specialists—all service workers—involving in creating and distributing knowledge (teachers, academics, journalists) and the emergence of new professions focused on the creation and application of technical expertise (engineers, accountants, consultants). All this information was then translated by entrepreneurs and speculators, and the outcome was a continual process of creative reconstruction.
1.2.2 Development of Different Service Industries

A forecast of the fastest growing businesses in the US between 2016 and 2026 is dominated by services (Table 1.3). This pattern is a symptom of the long-term shift in many countries from creating goods to providing services, especially in advanced economies, but also increasingly in emerging economies such as China, India or Brazil. In 1960, about 28% of workers in the US were in goods-producing activities (including manufacturing); by 2010, this share had fallen to just 14% as the share of service-providing activities increased from 60% to 86%.

What lies behind the growing share of service providers in most economies worldwide? (see, e.g. Bryson et al. 2004). As personal incomes have grown, initially in the advanced economies and more recently in the emerging economies, there has been more scope for income-elastic demand to take the form of consuming services. Increases in all kinds of legal, market, environmental and other regulations in response to the rise of globalization and the growth in international trade, for example, have led to an escalation in the division of labour and the spatial division of labour. Structural and demographic changes in economies, such as ageing or the shift to knowledge and expertise inputs as key to business success, have increased demand for education and for health-related services.

In most economies, employment in public services has expanded almost continuously for more than 70 years, creating additional employment as well as demand for private sector service businesses.

| Industry                                      | Employment | Change, 2016–2026 |
|-----------------------------------------------|------------|--------------------|
| Industry                                      | 2016       | 2026   | Number | Percentage |
| Management occupations                        | 9533.1     | 10,340.4 | 807.3  | 8.5        |
| Business and financial operations occupations | 8066.8     | 8840.7  | 773.8  | 9.6        |
| Computer and mathematical occupations         | 4419.0     | 5026.5  | 607.5  | 13.7       |
| Architecture and engineering occupations      | 2601.0     | 2795.4  | 194.3  | 7.5        |
| Life, physical and social science occupations | 1299.5     | 1424.3  | 124.8  | 9.6        |
| Community and social service occupations      | 2570.7     | 2942.6  | 371.9  | 14.5       |
| Legal occupations                             | 1283.3     | 1399.5  | 116.2  | 9.1        |
| Education, training and library occupations   | 9426.5     | 10,315.4| 888.9  | 9.4        |
| Arts, design, entertainment, sports and media occupations | 2772.9 | 2941.0  | 168.1  | 6.1        |
| Healthcare practitioners and technical occupations | 8751.5   | 10,088.1| 1336.6| 15.3       |
| Healthcare support occupations                | 4315.6     | 5335.2  | 1019.6 | 23.6       |
| Protective service occupations                | 3505.6     | 3663.8  | 158.2  | 4.5        |
| Food preparation and serving related occupations | 13,206.1  | 14,438.1| 1232.0 | 9.3        |
| Building and grounds cleaning and maintenance occupations | 5654.1   | 6177.9  | 523.8  | 9.3        |
| Personal care and service occupations         | 6419.7     | 7647.4  | 1227.6 | 19.1       |
| Sales and related occupations                 | 15,747.8   | 16,206.5| 458.7  | 2.9        |
| Office and administrative support occupations | 23,081.2   | 23,230.8| 149.6  | 0.6        |
| Farming, fishing and forestry occupations     | 1060.1     | 1056.7  | −3.5   | −0.3       |
| Construction and extraction occupations       | 6812.5     | 7560.0  | 747.6  | 11.0       |
| Installation, maintenance and repair occupations | 5905.4    | 6293.6  | 388.2  | 6.6        |
| Production occupations                        | 9356.9     | 8950.0  | −406.9 | −4.3       |
| Transportation and material moving occupations | 10,274.2   | 10,908.4| 634.3  | 6.2        |

Source: Adapted from Lacey et al. (2017)
1.2.3 Relocation of Service Business: Outsourcing and Offshoring

Even though world trade flows are still dominated by goods, services have increasingly been involved, following a trend that is also evident for interregional trade within countries. One of the most important drivers is the outsourcing phenomenon whereby businesses choose to contract out some of their internal business processes to specialist providers of business services (Massini and Miozzo 2012). From the 1980s onwards, business process outsourcing has included domestic as well as foreign contracting and may also involve the physical relocation of some of a company’s business functions to another country, known as offshoring (see Chap. 10). Outsourcing may be used for non-core activities (e.g. payroll, cleaning, transport or marketing services) or core activities (e.g. executive recruitment, computer maintenance services). Developments in information communications technologies (ICT) have enabled some services to be managed and delivered over considerable distances, such as call centres, website design, or Internet marketing and sales, and have also encouraged enterprises to focus on what they do best and to outsource the rest (Drucker 1989). Although there are risks, outsourcing enables enterprises to pay for only those services which they require; it allows greater budget flexibility and control, reduces the need to recruit and train specialized staff, brings in fresh expertise and reduces capital and operating expenses. In addition to peripheral or non-core functions, enterprises may also use outsourcing to minimize the impact of externalities such as taxes, energy costs or government regulation/mandates.

Whichever types of service activities are outsourced, external service providers tend to be predominantly located in the same region rather than elsewhere in the same country or overseas (Table 1.4). Service outsourcing is more of a local rather than international process reflecting the importance of both meeting local regulations, including non-tariff barriers, and delivering highly localized service inputs. Data from eight EU member states, for which data was available in 2003 for 14 types of services, shows that between 60% and 70% of external service providers were located in the same region as their clients with outsourcing to another country usually accounting for less than 1% of transactions (Alajääskö 2006).

The demand for services will continue to grow, especially for large manufacturing and service enterprises (250+ employees), and especially for business services, such as market research, human resource management, logistics, transport and computer software services including teleconferencing, which are now recognized as contributing to the competitiveness of users as well as of the wider economy (see also Table 1.4). Service businesses have increasingly become more innovative. Not least, the development of IT platforms has led to the emergence of completely new service fields (e.g. Internet banking, goods and service assessment systems such as Trustpilot and sharing economy platforms such as Airbnb). This has created new opportunities for companies and consumers to acquire external expertise not previously available and it has stimulated the growth of additional jobs.

1.2.4 Small Businesses Dominate

While the growth of service multinational enterprises (MNEs), or translocal corporations (TLC), in banking, advertising, legal or accountancy services tends to dominate media coverage of service businesses, the reality is that the vast majority of service businesses (98%) are small- and medium-sized enterprises (SMEs). SMEs are non-subsidiary, independent firms that employ fewer than a specified number of employees (OECD 2010). National statistical agencies set the threshold at different levels, although probably the most frequently used is an upper limit of 250 employees. This is common across EU countries, but some countries set a lower limit at 200 employees and others, such as the US, consider SMEs to be firms with fewer than 500 employees.
Many of these small firms are concentrated in the wholesale and retail trades, hotels and restaurants, communications and business services. SMEs predominate in the important business service subsectors including marketing, computer software and information processing, research and development, human resource management and business organization. The trend towards increased outsourcing by major manufacturing firms, alongside the availability of new technologies, has enabled knowledge-based service SMEs to fill market niches, reflected in a 10% annual growth in these services in recent years. The average firm size in strategic business services is many times smaller than the average size of firms in manufacturing or in the economy as a whole; this underlines the importance of SMEs in service business.

A service business is an attractive option for starting a business because the start-up costs, such as equipment or space requirements, are almost always lower than those for their manufacturing counterparts. They are also more flexible insofar as during the early stages of formation, the tasks involved can be fitted around other commitments or undertaken on a part-time basis. The dynamics of service businesses are down to entrepreneurs; they are central to the constantly changing landscape of births, expansion, contraction and deaths of firms (see, e.g. Hisrich et al. 2012). Entrepreneurs are individuals who cannot be neatly classified; some have never worked for anybody else; others are disillusioned about working for others, while some may have been identified as surplus to employers’ requirements. Whatever the circumstances, they must use their accumulated knowledge or expertise to identify new business opportunities, possess a willingness to take risks, be creative or innovative and have a sense for what might constitute a promising service business opportunity. The one thing to note about the service economy is the diversity of business opportunities (Table 1.5).

The extent to which entrepreneurial opportunities are recognized and pursued varies between countries as well as across and within regions and cities within them. The economic, social, political, institutional and cultural milieu is key to the availability of resources and attitudes to risk taking that will encourage or discourage entrepreneurs (Salder and Bryson 2019). Obstacles such as unsupportive institutions, poor education and training, and unhelpful regulations will discour-

| Table 1.4 | Location of external service providers (2018; by number, all NACE activities) |
|-----------|----------------------------------|
|           | Total   | Domestic sourcing | International sourcing | Function is not sourced |
| Bulgaria  | 4949    | 71                | 28                     | 4855                    |
| Denmark   | 3078    | 727               | 364                    | 2152                    |
| Germany (until 1990 former territory of the FRG) | 66,859 | 1462             | 1133                   | 64,530                  |
| Italy     | 21,476  | 1067              | 709                    | 19,870                  |
| Latvia    | 1600    | 64                | 17                     | 1524                    |
| Lithuania | 2511    | 61                | 22                     | 2430                    |
| Hungary   | 4302    | 800               | 172                    | 3421                    |
| Netherlands | 8595  | 433              | 519                    | 7743                    |
| Austria   | 1382    | 230               | 110                    | 1089                    |
| Poland    | 18,094  | 1186              | 350                    | 16,687                  |
| Portugal  | 6183    | 785               | 407                    | 5254                    |
| Romania   | 9842    | 2444              | 364                    | 7340                    |
| Slovakia  | 3061    | :                 | 90                     | 1637                    |
| Finland   | 3545    | 1037              | 378                    | 2314                    |
| Sweden    | 5602    | 402               | 385                    | 4883                    |
| Norway    | 3715    | 239               | 239                    | 3300                    |

Source: Adapted from Eurostat (2018)
Entrepreneurs need not necessarily rely on just their own ideas and resources but may also make use of opportunities to share information in localities where there are clusters of related services and other businesses; an excellent example is Silicon Valley (California), others include Digital Media City (Seoul), Paris-Saclay (south of Paris), Bangalore (India), Silicon Fen (Cambridge, UK) and Silicon Delta (Shenzhen, China). The nexus of social, cultural and intellectual capital typical of such business clusters not only stimulates entrepreneurial activity but also benefits small and micro firms, many of which will be service businesses that find it difficult to finance in-house services such as training, research or marketing. The competitive advantage of service businesses within clusters will also be enhanced with this success stimulating the emergence of new entrepreneurial firms. Service firms that are located in localized agglomerations, or clusters, are embedded in formal and informal institutional and firm networks. Embeddedness has a long history, but emphasis has been on socio-spatial embeddedness combining notions of social capital and networks. This sociologically informed

| Table 1.5 | 115 Service business opportunities |
| --- | --- |
| Service sub-group | Types of service business |
| Personal services | Mobile pet grooming; Beauticians; Collectibles search; Dry-cleaning pickup and delivery; Image consultancy; Mobile locksmith; Graffiti removal and abatement; Golf-club cleaning; Self-defence instructor; Adventure tours; Pet sitting; Mobile massage; Personal chef; Mobile mechanic; Seamstress/tailor; Court-paper serving; Porcelain repair; Cover letter/resume service; Mystery shopping; Tax-form preparation; Wedding-guide publishing; Mobile car-wash and detailing; Used-car inspection; Professional organizer; Tutoring; Power washing; Windshield repair; Private investigation |
| Business services | Business-plan consulting; Packing and unpacking service; Business travel management; Carpet dyeing; Hospital-bill auditing; Specialized staffing; Bookkeeping; Computer repair; Referral service; Video brochure; Executive search; Freight brokerage; Long-distance reselling; Computer consulting; Limousine service; Language translation; Office relocation service; Office plant maintenance; Professional office consultant; Miniblind cleaning; Office support service; Apartment prepping; Debt collection service; Restaurant delivery services; Catering; Seminar promotion; Window washing; Valet parking; Professional organizer; Power washing; Employee relocation services; Cyber Security; Teleconferencing services |
| Marketing and sales services | Sales-lead generation; Public relations agency; Copywriting and proofreading service; Direct mail/coupon; Public relations agency; Mailing services; Sales training; Welcoming service; Social media |

| Table 1.5 (continued) |
| --- | --- |
| Service sub-group | Types of service business |
| Home services | Packing and unpacking service; Handyman services; Carpet dyeing and cleaning; Home entertainment installation; Mortgage/debt reduction service; Swimming pool services; Lawn care; Home inspection service, House painting; Local moving service; House-sitting; Home decorating; Miniblind cleaning; Pet food and supplies delivery; Custom closet systems; Window cleaning; Residential cleaning; Security services; ironing |
| Computers and technology services | Computer repairs; Computer consulting; Internet research; Website designer; cyber security |
| Children’s services | Children’s party planning; Child identification programme; Children’s fitness; Children’s transportation services; Babysitting; Computer training for children; Nanny placement; New mother/infant home care; Home tutoring |
| Event services | Photography; Errand runner/personal shopper; Family history video; Mobile disc jockey; Wedding planning service; Event planning; Limousine service; Photo birth announcements; Videotaping service; Reunion organizing |

Source: Authors’ own
analysis of embeddedness highlights that entrepreneurs are social agents who are situated within a wider structure of socio-economic relationships (Salder and Bryson 2019).

There is also a gender dimension as the number of women entrepreneurs is rising with the number of women-owned businesses in some countries, such as Canada, growing faster than the growth of new businesses in general (McAdam 2013). While women-owned businesses account for about one-third of the worldwide population of businesses, there are still obstacles such as access to finance, sex discrimination, education and training opportunities, and attitudes towards women managing their own businesses.

New business service start-ups, as well as established SMEs, constantly scan the customer environment for new opportunities. This is often broadly characterized as innovation and although SMEs are on average less likely to be innovators because of the constraints imposed by their size and financial capabilities, in business services about 40%–60% will be in this category (OECD 2010). Research and development (R&D) is mainly the prerogative of larger service firms, with business service SMEs focusing more on refining, improving, diversifying, enhancing pre-existing processes and products. Examples include enhancing productivity by introducing different organizational arrangements, re-engineering existing or creating new business models, in response to changing market requirements, or devising new techniques for increasing sales.

SMEs that innovate most successfully are classified as ‘gazelles’, or all enterprises up to five years old with average annualized growth greater than 20% per annum over a three-year period, and with ten or more employees at the beginning of the observation period (Eurostat-OECD 2007). Research on the total number of ‘gazelles’ by sector has revealed that the share of service ‘gazelles’ exceeds the share of manufacturing ‘gazelles’ (Kubičková et al. 2018). Firms that are identified as ‘gazelles’ grow rapidly compared to their counterparts or so-called elephants—large companies employing many thousands, but which do not create significant numbers of new jobs. The problem with the ‘gazelle’ concept is that the focus is on employment rather than productivity. Thus, ‘sleeping gazelles’ have been defined as enterprises which have experienced high growth rates in profits over a three-year period, but without any corresponding increase in employment (Grundström et al. 2012). Managing a service business is an exercise that should focus primarily on value and productivity rather than on rapidly creating new employment opportunities.

The performance of service business ‘gazelles’ is not just about their capacity for innovation, but it is also likely that they will be more outward looking. There is a perception that SMEs, especially those offering services, largely engage with domestic markets. Many will continue to do so but others are active in international markets, and often the most successful will grow faster than their domestic equivalents. Here it is important to appreciate the role that online platforms can play in the emergence of service business models that can be scaled up and internationalized including companies like Tencent, Uber and Airbnb (see Chaps. 3 and 4).

The benefits from clustering are again relevant in that service businesses can use their local networks to collaborate with other SMEs, or larger service multinationals, to fulfil customer needs or to link into international networks used by their clients (Salder and Bryson 2019). Combined with the opportunities offered by advances in ICT, service businesses can set up joint ventures, strategic alliances or licensing agreements with partners outside their home country. It is important to differentiate between service firms that focus on providing services to local clients and those that have become international businesses (see Chap. 10). Service internationalization involves local investment either to support local face-to-face service experiences or the localization of online platforms and related infrastructure.
1.2.5 IT and Social Media and the Emergence of New Service Businesses

There has been a dramatic shift from an analogue to a digital economy transforming everyday living. In the 1970s, an office worker would be woken by an analogue alarm clock which might switch on a cable analogue radio. On their way to work, they would read the printed edition of a newspaper. Once at work, they would open letters and then work perhaps with a typewriter or a very early form of word processor. Communications involved physical letters and landlines. By 2020, all this had changed. Digital alarms on smartphones have replaced alarm clocks. The news and weather are provided by a smart speaker—a digital assistant—Amazon Alexa, Google Assistant or Siri from Apple. Travel to work might be via a taxi hailed by an app. At work they log in and check e-mail, but they will have already checked all their accounts before arriving at the office and the most recent e-mails will have been read via smartwatches. This office worker might be a virtual assistant, an independent contractor, providing various administrative services to businesses or individuals from their home and via the Internet to access required documents and shared calendars. Global positioning systems (GPS) play a critical role in underpinning everyday living. GPS is an invisible utility that links customers with providers of services including bank payments, stock markets, power grids, digital television, cloud computing, just-in-time logistics systems, farming, construction, fishing, surveying, container cranes at ports and emergency services (Billing and Bryson 2019). In 2020, with Covid-19 and lockdown, it is worth appreciating the telecommunication innovations that have transformed everyday living and have facilitated the rapid transition to homeworking.

Businesses within market economies are in a continual process of becoming as they respond to endogenous and exogenous change. Radical revolutionary change is unusual, and much change is the outcome of an on-going accumulation of incremental adaptations by individuals, firms and societies. There are times of radical and rapid change, for example, the rapid adaptations to Covid-19 by individuals, businesses and governments.

The shift towards service-dominated economies and internationalization is an on-going gradual change. Nevertheless, there are times when disruptive innovation occurs that destroys existing business models and companies. On 9 January 2007, Steve Jobs introduced a new product that transformed lifestyles, societies and economies. This was the iPhone, the first smartphone. From 2007, individuals could carry a miniature computer with them everywhere and use this to access information, but also existing services and new services. It is extremely unusual for a new product to be introduced that then becomes an essential artefact for the majority of people to carry at all times; clothing was the first such product, followed perhaps by the watch and then the smartphone.

The smartphone represents one of the most important recent cultural or technological inflection points, or a major turning point, facilitating radical societal, cultural and economic transformations. The smartphone has played an important role in the on-going transformation of service businesses by revolutionizing the ways in which individuals interact with place and space, with government and with businesses. It has destroyed and disrupted existing business models and has facilitated the on-going shift towards e-commerce, but also the emergence of companies like Uber, DiDi, WeChat, Twitter and Airbnb. All these developments in IT and social networks have created new opportunities to establish new service-based business models (Chap. 4).

1.2.6 Increasing Customer Expectations

Wider socio-economic trends enable purchasers and users of a wide range of services or products to be much better informed about their statutory rights, about how to identify the relative merits of similar offers by different service providers or about the attributes of good customer service. Consumer expectations are rising exponentially
and present challenges to service businesses in relation to service quality or achieving a level for outcomes that exceeds that achieved by competitor service businesses. Waiting on a telephone line for a call centre operative to answer, or long and complicated menus to wade through before (possibly) reaching a human operative to respond to a problem, is now widely condemned as poor-quality service. This is already far removed from the time not so long ago when customers were expected to wait several days, or even weeks, for service businesses to respond to customers. Failure to address pressures on customer response times, given the ease of finding and contacting alternatives, is easily rectified by potential customers identifying a service business that does fulfil escalating customer expectations.

Alongside the challenge of providing comprehensive and well-organized solutions to clients, there is also the challenge of identifying and even anticipating their future requirements (perhaps even before they themselves are aware that they need them). Learning from, and interacting with clients on a regular basis, whether using social media, e-mail or face-to-face, requires investment in time and staff resources but does allow a service business to try to persuade its clients that it is still the best choice for solving their problem(s). It is a challenge for smaller service businesses to juggle such activities alongside preparing and delivering solutions for clients, especially when the outcome from being client-aware is never guaranteed.

1.3 Reading and Managing Service Businesses

1.3.1 A Holistic Approach

This book emerged from an on-going discussion that commenced in the 1980s regarding the rise and role of service businesses and the contributions that they made to employment, management and the nature of work and to local and national economic development. This discussion included a focus on understanding innovation in service businesses, the creation and management of new service businesses, the internationalization of services, service operations including learning and productivity, service business models and the evolving spatial divisions of labour within the service economy. We have been engaged in a process of reading service businesses (Bryson et al. 2018). This has included exploring the ways in which service businesses form, evolve, innovate and are managed. There is an issue of scale here. We appreciate the importance of micro-processes that occur within service businesses and in shaping service encounters and experiences. Nevertheless, it is important to understand inter-firm relationships and the on-going internationalization of service businesses.

These discussions led to this book. This book has been a journey of discovery in which we have focused on developing a more integrated understanding of the management of service businesses. This approach to reading service businesses builds upon the debate over the emergence of a specialist service science. This is to argue that service tasks and businesses are complex and require the development of multidisciplinary approaches that break down the existing rather siloed approaches to understanding business. The literature on the service economy continually highlights that the service sector is heterogeneous. We do not disagree with this statement, but it is worth considering that heterogeneity also exists across manufacturing.

In this book, the primary object of study is service businesses with a focus on understanding the interplay and interactions between different processes and activity systems. Existing approaches to understanding service businesses have tended to emphasize marketing, operations, innovation and other specific topics. Our approach is very different; establishing and running a service business involves developing a holistic approach to management and we have tried to mirror this in the structure of this book. We argue that the primary aim of the social scientist interested in firms and businesses is to develop approaches to reading businesses and these approaches must appreciate the complex interactions between different processes that occur within and between firms and institutions and in place and across space and time.
1.3.2 Reading Service Businesses

Managing a business involves understanding a firm or company and an economic sector; intervention, strategy formulation, alterations to business models and adaptations within a firm all must be preceded and followed by a process based on analysis leading to understanding. This process is similar to reading. Reading is a mental process involving written signs—words—that are structured into sentences and paragraphs. Reading results in comprehension or understanding of texts. Our texts are service businesses of all types. These businesses are structured as they contain different, but related, activity systems.

Reading a business is a process in which the reader—the student, the company analyst or the manager—needs to identify and understand the structures, systems and processes that lie behind the creation of all forms of value. It is only then that effective management can occur. The process of reading to comprehend and understand a business is a capability that is applied before, during and after interventions. But this should be an on-going process in which managers continually observe and read the business, and then act. This is a process of continual strategic reflexivity that informs minor and major interventions including incremental adaptations to routines, but also alterations to the values-in-use that are co-created with customers. Service employees, during the service encounter with customers, must continually read these encounters to make minor adjustments to enhance the quality of the service experience. This includes on-going diagnostics to identify problems and to identify possible innovations and refinements.

This action of reading is critical for managers and employees of service businesses. A manager must engage in a continual process of reading the business. This includes measurement based on key performance indicators, but also understanding how to manage employees and how to maximize the creation of value for consumers. Reading is a process of continual analysis and must precede and follow any intervention. In this account, the emphasis is on an evidence-based informed view of the managerial process that is based on collecting information, understanding business processes and appreciating the interplay between a firm’s business model, operational processes, employees and the co-creation of value with customers.

Reading service businesses is both a necessary pre-condition and a tool for managing service businesses. This approach to reading service businesses provides a more nuanced account of the management of service companies. It presents tools to run service companies, but it also prepares managers and other practitioners for the difficulties and challenges that this can imply.

How does one read a business? This is a question that is rarely asked. The answer is complex. Any reading of a business will suffer from information asymmetry or information that can never be accessed. There is a real danger that business is considered to be a very rational process with informed entrepreneurs and managers making correct decisions. This is not the case—too often business decisions must be made rapidly and there is never sufficient information to make a completely informed decision. The development of a science of business has had a tendency to ascribe too much rationality to what is a people-centric, highly politicized and culturally inflected process.

1.3.3 Fourteen Questions as the Foundations to Reading Service Businesses

Reading a business involves developing answers to 14 questions. These are high-level questions, and each reflects a series of business processes and activities. These questions have informed the structure of this book, with each chapter focusing on one core question. However, it is worth noting that some of these questions cut across chapters, highlighting the interdependencies that exist between business activity systems. The first question—on value—is one example of a cross-cutting question. The questions and their relationship to the book’s structure are as follows:
1. How is value created and what types of values are created by service businesses? (Chaps. 3, 5, 7, and 14)
2. Which business models and strategies do service firms adopt and develop? (Chap. 3)
3. How are new technologies, particularly digitization, altering service business models? (Chap. 4)
4. How are service operations organized, and how is productivity growth achieved? (Chap. 5)
5. How is the management of service personnel organized? (Chap. 6)
6. How do service firms innovate new services and processes? (Chap. 7)
7. What role do customers play in service businesses? (Chap. 8)
8. How do service firms sell their services to customers? (Chap. 9)
9. How do service firms internationalize—can they export? (Chap. 10)
10. What role do service businesses play in global supply chains? (Chap. 11)
11. What role do services play within manufacturing firms and their products? (Chap. 12)
12. What measurement instruments have been developed to control and manage service businesses and how are they used by firms? (Chap. 13)
13. What theories have been developed to understand the rise, role and management of service businesses and how do these contribute to understanding services? (Chap. 2)
14. How do different business activity systems interact within and between service businesses? (Chap. 14)

The first question is critical. The focus may just be on profit or on the return on invested capital and time or it might include wider societal and environmental values. The ‘what’ aspect tends to be ignored or relegated as a matter of secondary importance, with the focus of much academic enquiry being on the ‘how’ (operations and innovation), the ‘where’ and market positioning. In many respects, these 14 questions are central to any reading of a business as an integrated business model (see Chap. 3). A business model is developed based on the identification of a problem that requires a solution, resulting in some type of revenue generation process. A business model highlights strategy rather than operational processes; it simultaneously enhances the understanding of business strategy whilst obscuring the importance of other business processes. A business model-based analysis is thus only one dimension of reading a business.

These 14 questions are interrelated (Fig. 1.1). These are a set of questions that reflect drivers of change and transformation. These include new business models, new forms of competition, new technologies and socio-economic changes (Questions 2, 3, 7). These transformations create opportunities that may result in new service products. Service businesses alter existing operations, develop new approaches to managing employees, engage in process and product innovation, internationalize and measure the performance of the business (Questions 5, 6, 8, 9, 10, 12). Finally, a set of outcomes are produced. These include the creation of all forms of value, including value-in-use, service experiences, productivity enhancement, new forms of work and the application of services to manufacturing (Questions 1, 7, 4, 6, 11). Understanding service business also involves engaging with service theory as these assist managers in understanding how to create value-in-use and service experiences (Question 13).

Reading service business naturally leads to managing service businesses and to identifying, developing and implementing changes to enhance value. This process of management involves identifying new business opportunities and engaging in incremental or radical alterations to existing processes. At the centre of this process is understanding the management of processes that create value, and especially, value-in-use. It also involves appreciating the interactions between value creation and different business activity systems including operations, management of employees, understanding customers, co-creation of value with customers, and measurement and monitoring.

There are three recurrent cross-cutting themes in this book. These highlight some of the central management challenges facing the managers of service businesses.
The first is about value. There are different forms of value explored through this book including value for customers, value for employees and wider societal values. There is also value that is created through the interplay between a firm’s business model(s), operational processes, employees and customers.

Second is the role of technological development and its impacts on service businesses and service work. This includes the rise of platform-based business, gig style work, AI and many different forms of algorithm.

Third are the interdependencies between different business activity systems. A technological innovation may lead to an alteration in a business model impacting service employment and leading to the co-creation of new form of value-in-use for customers. Here it is worth highlighting the symbiotic relationship between technological innovations and process innovations in service businesses. Managing innovation within a service business must include innovations that occur at the interface between technological innovation that occurs elsewhere in the economy and process innovation within service businesses. Internet-enabled online platforms, for example, represent bundles of operational processes that have been designed to create service value. Moreover, the interrelationships between the Internet, platforms and smartphones are reconfiguring capitalism and one outcome are new forms of work, service business and lifestyle.
1.4 Structure of the Book

Our approach to reading and managing service businesses unfolds over 14 chapters.

The first chapter sets out our approach to reading and managing service businesses and highlights the role that service work and businesses play in the wider economy. In Chap. 2, the focus is on service theory. Here the approach is chronological and the intent is both to review the ways in which theory has been developed to inform understanding of services, but also to provide a guide to theory that can be used to inform debates that are explored elsewhere in this book. It is important to note that all chapters engage with theory and that not all theories explored in this book are contained within Chap. 2.

Chapter 3 focuses on the emergence of service-based or -orientated business models. The focus is very much on exploring strategy and service businesses by identifying the emergence of different types of business model. In Chap. 4, the analysis shifts to focusing on technological developments, including the rise of AI and robotics, and the impacts on, or consequences for, service businesses. Chapters 3 and 4 should be considered together. Technological development opens up possibilities for the development of new service business models.

Productivity plays an important role in competitiveness and is currently considered to be a critical policy topic for developed market economies. Chapter 5 combines a focus on exploring service operations with understanding the productivity challenge experienced across all types of service businesses. People, and the interface between people, process and technology, play an important role in service operations and productivity. These topics are considered in Chap. 6, which explores service workers and their management.

Innovation plays an important role in destroying existing business models and operational solutions and enabling new forms of business to develop. For services, both process and technological innovations matter. These are explored in Chap. 7.

It is difficult to isolate customers from the marketing of services. The development of customer relationships is examined in Chap. 8 and service marketing in Chap. 9. Service delivery and customer relationship marketing must be explored as a distinct feature of service businesses and this must be combined with exploring more conventional approaches to marketing services.

Most service businesses are small local enterprises. This is not to argue that they are disconnected from the international economy as they will be directly and indirectly woven into complex flows that link places together. Nevertheless, there are extremely important and large international service businesses, and service internationalization is explored in Chap. 10. Chapter 11 explores service supply chains and the role service logistics firms play in lubricating global value chains or global production networks.

Manufacturing continues to matter, but manufacturing has been transformed. Here it is important not to overstate the development of product-service systems or servitization. This process has been on-going for many decades and can be traced back to the early years of the industrial revolution. Manufacturing firms have always sold services. Both production-related and product-related services are explored in Chap. 12.

Business is about attending to detail and in understanding the day-to-day operations of business processes. For smaller firms, the owner can keep track of processes and is able to identify and respond to problems as they arise. Larger firms must monitor and track processes, and this requires the development and application of approaches to measuring and monitoring business processes and customers; these are explored in Chap. 13.

The final chapter, Chap. 14, develops a set of integrated case studies to highlight the complexity of managing service businesses. These case studies are indicative. By this, we mean that we highlight and explore key features rather than develop comprehensive case studies. This chapter is meant to encourage debate, but also further
research to extend the case studies. We are conscious that a case study represents an assessment of a business in the past rather than in the present. Business, if it is about anything, is about adaptation and this means that all case studies should be in a process of continual development. Cases are used across the 14 chapters to illustrate points and to explore problems.

1.5 Wrapping Up

Reading and managing service businesses is an exercise in identifying challenges being experienced by firms and in identifying and exploring adaptation strategies. These strategies may include alterations to business models, to operational processes, to supply chains, to logistics and to customer relationship management. Here it is important to develop a more holistic approach to reading and managing service businesses. This approach should recognize that establishing and managing a business is partly an art and partly a science. Nevertheless, all managers and specialists in reading businesses should expect the unexpected and identify outcomes that emerge from strategic interventions—or best practice management—combined with chance or serendipity.

All firms, and their employees, will have developed idiosyncratic routines that reflect the interplay between people, business and place. These idiosyncratic routines may be just as important, perhaps even more important, than best practice routines; idiosyncratic routines will be known, unknown and will often be inimitable. Part of the challenge of reading and managing businesses is to accept that all firms are different in their own way and that these differences matter.

Learning Outcomes

• A service has the purpose of solving a problem. It is an activity that therefore includes the use of human (soft or intangible) resources and material (hard or tangible) resources.
• The meaning of ‘service’ is multi-dimensional, and it includes production and operational problems as well as delivery systems and customer care.
• The typical service business provides intangible products, such as accounting, banking, consulting, cleaning, landscaping, education, insurance, treatment and transportation services.
• New service businesses are evolving, particularly connected to ICT and social networks. Here, tangible elements become more dominant.
• Service is a growing industry.
• Reading service businesses naturally leads to managing service businesses.

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