

Sharing economy and servitization for public sector

Kinga Szabó (szabokinga0630@gmail.com)

*PhD Student Széchenyi University's Doctoral Program in Management (SzEEDSM),
Doctoral School of Regional Sciences and Business Administration*

Abstract

Although the sharing economy has been part of human society for a long time, it has taken a new form and has grown considerably during the last two decades with transformation in technology and increase in per-capita income. The main aim of sharing economy is to use prudently the assets and services and these practice can be converted in public services to optimize the use of goods and service.

The purpose of this article is to evaluate the current status of sharing economy, and how the innovations of the sharing economy is used in the public sector.

Keywords: shared economy, ownership, the prospect in government sphere.

Abstract

Although the sharing economy has been part of human society for a long time, it has taken a new form and has grown considerably during the last two decades with transformation in technology and increase in per-capita income. The main aim of sharing economy is to use prudently the assets and services and these practice can be converted in public services to optimize the use of goods and service.

The purpose of this article is to evaluate the current status of sharing economy, and how the innovations of the sharing economy is used in the public sector.

Keywords: shared economy, ownership, type of sharing economy, the prospect in government sphere

Introduction

Sharing economy is an umbrella term with a range of meanings involving a variety of consumer options. Sharing economy is also known as collaborative consumption, collaborative economy or peer economy. According to the Harvard Business Review the word ‘sharing economy’ is a misnomer. Harvard Business Review (2015) suggested the correct word for sharing economy as ‘access economy’. There are some other scholars, who call it on-demand economy (Jaconi, 2014) or gig economy (Wilson, 2017), collaborative economy (Botsman & Rogers, 2010), crowd-based capitalism (Sundararajan, 2016), elancing (Aguinis & Lawal, 2013), mesh economy (Gansky, 2010), and the platform economy (Parker, Van Alstyne, & Choudary, 2016). While each of these terms have specific characteristics, they all fall under the broader scope of the emerging sharing economy. Despite uncertainties respected scholars are beginning to rally around the term sharing economy to capture the core aspects of the emerging digital economy, while recognizing the other dimensions (Belk, 2014a; Frenken & Schor, 2017; Sundararajan, 2016). For example, Sundararajan (2016) argues: “Although I find “crowd-based capitalism” most precisely descriptive of the subject matter I cover, I continue to use “sharing economy” ... because it maximizes the number of people who seem to get what I'm talking about.” (Sundararajan, 2016, p. 27)

Therefore coming up with a solid definition of sharing economy that reflects a consensus or a common usage is nearly impossible. There is a great diversity and baffling boundaries surrounding sharing economy. For example it may be debatable whether the use of common parks, public libraries, Airbnb, e-Bay, Uber, Mechanical Turk, traditional bed and breakfast services, cooperative movements, hotels, restaurants and so on form part of the sharing economy or not.

Historically, if we take a critical look, sharing economy is not an entirely new concept. It has existed in human civilizations for thousands of years in different forms. In the not so distant past there were agricultural practices where the crop from the land was shared within the family members on a yearly basis rather than dividing the plot ownership. Similarly renting hotel accommodation or an apartment is an example of sharing economy. In this case the customer, rather than acquiring the ownership of the property, prefers to acquire limited rights of use based on time and space. A very simple practice of sharing economy in everyday life is the access to books in libraries (Ozanne

and Ballentine 2010). This form of sharing economy is spread all over the world. There is a very well built system of libraries, which regulates access to books. Strictly speaking the concept of museum is also based on sharing economy. In this case the customer, rather than owning the art pieces, acquires the right to visit and enjoy the beauty of them (Chen, 2009). There are many examples in the world where houses and apartments are owned on a time-sharing basis. Such apartments are available to the owner only for a specific period of time, for example one month a year; so that twelve different owners can have the right to use it for one month each. Strictly speaking the concept of cooperative societies and associations can also form part of sharing economy. Under this concept several individuals pool their resources and share the benefits. Club membership is yet another example of sharing economy which has been in existence for centuries (Botsman and Rogers, 2010b).

The new current concept of sharing economy

The proper definition of sharing economy is not easy since the new practice of sharing rather than own has been named differently such as platform economy, crowd based capitalism, the collaborative economy, etc. (Benkler 2004; Belk 2014b; Kostakis and Bauwens 2014; Stephany 2015; Hamari, Sjöklint, and Ukkonen 2016; Kenny and Zysman 2016; Sundararajan 2016).

The fact that the sharing economy is part of capitalism while also offering itself as an alternative to capitalism is quite a paradox. Arun Sundararajan from New York University recently wrote in his book “The sharing economy: The end of employment and the rise of crowd-base capitalism” the following about sharing economy: “Capitalist or socialist? Commercial economy or gift economy? Market or hierarchy? Global or local economic impact? Regulatory arbitrage or self-regulatory expression? Centralized or decentralized value capture? Empowered entrepreneur or disenfranchised drone? Job destruction or work creation? Isolated or connected societies? As you may have realized by now, the answer to each of these questions in the sharing economy is “yes.” (Sundararajan 2016, p. 205)”

Sharing economy describes a new type of business and sometimes it is also considered to be a social movement, which is growing fast. Sharing economy can be described by two different business models. When individuals own and share the assets, like extra

rooms, household tools, music files or movie videos, their own free time and even their skills. The most well-known examples are Airbnb, Uber, Lyft. In other cases, companies own and lend out the assets, like automobiles, bicycles, scooters for example Zipcar, which is now owned by Avis, and Car2Go, which is owned by Daimler-Benz.

The popularity of the sharing economy began a few years ago, but it really started to enter the mainstream in 2013 and 2014, when the Internet providers reduced their prices and the Internet access on mobile devices became more widespread. Users are able to obtain services in real time at any location regardless of local knowledge (Ganapati, 2017). The sharing economy is a new kind of business that depends on digital platforms enabling people who do not know each other to access underutilized assets and to match customers with service providers for real-world exchanges such as short-term apartment rentals, car rides, or household tasks. The Internet has changed the life of people considerably and its effect on everyday life is tremendous. The recent widespread of sharing economy has been boosted by internet because its connecting power has brought people closer together and individuals can rely more on each other and less on faceless, distant corporations. Using the services of sharing economy helps somebody earn a little money and helps somebody save some time. Being an active participant in the sharing economy helps us to build our community instead of being passive and materialistic consumers.

Servitization

The major characteristic feature of sharing economy is peer-to-peer exchanges for renting goods or services utilizing Internet platforms. Sharing economy can consider being a service.

Services have been started to dominate the economies of the world and influence the strategic thinking of business. The business firms have added service to their offering as a means of increasing competitiveness, turnover, and market power. Businessmen had to change their views regarding their businesses and their costumers' problems, they had to approach them a more holistic way. It was not possible to divide goods and services anymore. The process of servitization has happened almost in all industries on a global scale because it has been swept by the forces of deregulation, the development of

technology, globalization, and competitive pressure. There is increasing interest in servitization as a theoretical construct, empirical phenomenon, and research field.

The whole process of servitization has been largely driven by costumers because costumers demand more services. The importance of products has shifted towards services that assist them to make right decisions, get the products when and where they want them. The expectations of costumers became higher and they are more critical and more difficult to please them. They wanted things more quickly and more conveniently, which pushes business firms towards servitization. The shift from goods towards services has been supported by the development of technology. The costumers are more informed than ever before and they know what they want, they have precise information on what firms offer, to whom and at what price. It gave a different approach to servitization, from a point where firms considered their offering in terms of “goods or services,” through “goods and services,” to the marketing of bundles of “goods + services + support + knowledge + self-service.” (Vandermerwe and Rada; 1988)

Sharing economy and servitization for public sector/services

Public services to a greater or lesser degree are monopolies and often behind the business in their approach the world and they do not operate on the business rules and strategies. Before the Internet, it did not matter that the public services were slow and inefficient but in the era of Internet and especially with the rise of digital platforms it has not only become desirable but it became essential. It is known that the servitization of business adds values. The challenge lies in linking this fact to the services, which are offered by the public sector and put into practices. The opportunity for public sector and individual public departments is challenging but inspiring.

Some innovation of sharing economy can provide new opportunities for the public sector with its innovative digital platforms and new business models. The current form of sharing economy is being driven by the young people, whose life is driven by digital tools and they are living digital world. One reason for the popularity of modern sharing economy is its simplicity and ease of use. Everything is available from anywhere in the world with just a few simple clicks on the phone. For example booking a taxi, hotel etc. These young people are also using the public services and they want to use the public

services in a user-friendly way. It poses the question, why cannot register to vote, booking doctor's appointments or booking an appointment for renewing your ID card.

Purchasing and maintenance cost of assets put a very heavy financial burden on public agencies. The procurement norms are strictly ruled in most countries but the actors of the public sectors should open to the market to make their operation more cost-efficient. Digital government platforms can use assets at capacity for both realizing internal organizational efficiencies and enhancing external public services and the sharing platforms enable efficient sharing of the assets on-demand and this way public agencies can reduce the large inventories of owned assets that are not fully used.

Peer government agencies can reduce their cost of using the sharing platforms or renting from each other. The waste reduction goes with the circular economy with the aim to use products and components at their highest utility through their life-cycle (Lacy and Rutqvist, 2015; Stephany, 2015). There is a good example for the maximum use of goods in public sector San Francisco City's online platform called Virtual Warehouse enables used appliances, electronics, office furniture, and supplies to be recycled among city agencies, non-profits, and schools. MuniRent (<https://www.munirent.co>) is a broader platform that facilitates sharing assets, which are mainly large equipment such as bulldozers, excavators, forklifts, street sweepers, pavement roller and infrequently used by public agencies. They can be shared between government agencies in a region, within a large city and state government agencies. (Ganapati, Reddick, 2018).

The public agencies have already begun to change their procurement practices and focusing on peer rental. In most cases, the procurement change is with assets generally include equipment and vehicles where the government agencies may have large inventory, but the agencies do not use the inventory at capacity. The practice of shared services between government agencies are not new (Grant, McKnight, Uruthirapathy, & Brown, 2007). Vertical integration for shared services like human resources, information technology, and human resources is already being implemented, but the differences between shared services and the sharing economy models should be clarified. Shared services imply "the concentration of dispersed service provisioning activities in a single organizational entity" (Janssen, Joha, & Zuurmond, 2009.) meanwhile sharing economy models are platforms for sharing assets between organizations, where the assets could be distributed across the organizations.

Sharing economy has widespread in the last 10 years and its regulatory framework has not worked out entirely. The legislation expert and economist just try to understand its impact and system. There is a long ahead of us to use the simplicity and the of innovation of sharing economy in public sector since the public sector is all over the world overregulated and it is not easy to put a new system in practice there.

Conclusion

Although the concept of sharing economy is not completely new, only the modern trends in sharing economy are new.

The sharing economy covers a variety of areas, such as housing, agriculture, sports, entertainment, and transport. Although it is based on Internet technology platforms, the sharing economy is a business model and a kind of service, which is based on renting. Sharing economy becomes more and more popular and wide-spread especially in cities since the sharing economy platforms are at the forefront of innovation and platforms and have invested in new and emerging technologies, which are offering very user-friendly platform.

The current form of sharing economy is not completely regulated therefore, public agencies have exhibited mixed reactions to the rapid growth of sharing economy. Sharing economy is a kind answer for the problems of the 21st century, therefore future policies should support the sharing economy for its innovation while developing strategies to address the challenges.

Acknowledgement

The work was created in commission of the National University of Public Service under the priority project KÖFOP-2.1.2-VEKOP-15-2016-00001 titled „Public Service Development Establishing Good Governance” in the Ludovika Research Group Servitization of Public Services (2016/146/NKE ÁKK).

References

Aguinis, H., & Lawal, S. O. (2013). eLancing: A review and research agenda for bridging the science–practice gap. *Human Resource Management Review*, 23(1), 6–17.

- Belk, R. (2014b.) Sharing versus pseudo-sharing in web 2.0. *Anthropologist*: 7–23. doi:10.13140/RG.2.1.1630.3842.
- Benkler, Y. (2004). 'Sharing Nicely': On shareable goods and the emergence of sharing as a modality of economic production. *114 Yale Law Journal* 273: 273–358.
- Boosting Demand in the "Experience Economy, (January-February, 2015). *Harvard Business Review*. Retrieved from <https://hbr.org/2015/01/boosting-demand-in-the-experience-economy>
- Botsman, R., & Rogers, R. (2010). What's mine is yours: The rise of collaborative consumption. New York, USA: Harper Collins.
- Chang, Jae-Hee; Gary, R & Huynh, Phu (2016). ASEAN in transformation: how technology is changing jobs and enterprises. ILO-Report. Retrieved March 16, 2018 from http://www.ilo.org/wcmsp5/groups/public/---asia/---ro_bangkok/documents/publication/wcms_504330.pdf
- Cowen, T. (2013). Average is over. New York: Dutton
- Retrieved from http://ylpr.yale.edu/sites/default/files/YLPR/davidson_infranca_article22.pdf
- Ford, M. (2015). Rise of the Robots. New York: Oneworld Publication
- Frenken, K., & Schor, J. (2017). Putting the sharing economy into perspective. *Environmental Innovation and Societal Transitions*, 23, 3–10.
- Frey, C. & Osborne, M. (2013). The Future of Employment. Oxford
- Ganapati, S. (2017). Mobile location based service (LBS) apps for public sector: Prospects and challenges. In Y. C. Chen, & M. Ahn (Eds.). Handbook on information technology in government. New York: Routledge.
- Ganapati, S., Reddick, C., (2018). Prospects and challenges of sharing economy for the public sector, *Government Information Quarterly* 35, 77–87
- Grant, G., McKnight, S., Uruthirapathy, A., & Brown, A. (2007). Designing governance for shared services organizations in the public service. *Government Information Quarterly*, 24(3), 522–538.
- Hamari, J, Sjöklint, M. and Ukkonen, A. 2016. The sharing economy: Why people participate in collaborative consumption. *Journal of the Association for Information Science and Technology* 13. doi:10.1002/asi.23552.
- Jaconi, M., (2014, July 13). The 'On-Demand Economy' Is Revolutionizing Consumer Behavior — Here's How. *Business Insider*. Retrieved from <http://www.businessinsider.com/the-on-demand-economy-2014-7>
- Janssen, M., Joha, A., & Zuurmond, A. (2009). Simulation and animation for adopting shared services: Evaluating and comparing alternative arrangements. *Government Information Quarterly*, 26(1), 15–24.
- Kastakis, V. & Bauwens, M. 2014., Network society and future scenarios for a collaborative economy. London: Palgrave Macmillan. doi:10.1057/9781137406897.
- Kenny, M. and Zysman, J. 2016. The rise of the platform economy. *Experimental Agriculture* XXXII no. 3, <http://issues.org/32-3/the-rise-of-the-platform-economy> (accessed: February 6, 2018). doi:10.17226/21913.
- Lacy, P., & Rutqvist, J. (2015). Waste to wealth: The circular economy advantage. London: Palgrave Macmillan UK.
- Ozanne, L., & Ballantine P. (2010). Sharing as a Form of Anti-consumption? An Examination of Toy Library Users. *Journal of Consumer Behaviour*, 9 (6), 485–98. doi: 10.1002/cb.334
- Parker, G., Van Alstyne, M., & Choudary, S. P. (2016). Platform revolution: How networked markets are transforming the economy and how to make them work for you. New York: WW Norton company, Inc.
- Stephany, A. (2015). The business of sharing: Making it in the new sharing economy. Springer.
- Vandermerwe, S. Rada. J. Servitization of business: Adding value by adding services *European Management Journal* Volume 6, Issue 4, Winter 1988, Pages 314-324, doi: [https://doi.org/10.1016/0263-2373\(88\)90033-3](https://doi.org/10.1016/0263-2373(88)90033-3)
- Wilson, B., (2017). What is the 'gig' economy? Retrieved from <http://www.bbc.com/news/business-38930048>
- World Economic Forum (2016). The Future of Jobs. Davos. Retrieved March 16, 2018, http://www3.weforum.org/docs/WEF_Future_of_Jobs.pdf