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System Theoretical Approach to the Historical Formation of the Service Sector

In the second half of the 20th century services became as important as goods. In the economy and economics, generally established and accepted, services and goods constitute a central distinction. Applying system theory, the paper is to explain at the distinction services/goods the historical formation of the service sector as re-entry.

As suggested (PhD in progress), the historical development shows, abstract as well as universal, a sequence of three phases: diffusion, differentiation, and re-entry. The first state of diffusion means interrelation without differentiation. Accordingly, in pre-industrial times a supplier of goods was always also a supplier of related services, such as providing support or credit. During the industrial revolution beginning in 18th century England, a distinction between services and goods was implemented, however, in this second historical phase to identify as differentiation without integration, solely oriented at mass production of physical goods. The later rise of intangible services can conceptually be explained as re-integration of the neglected side “services” by maintaining the evolutionary achievement of a differentiation of services and goods.

The paper illustrates the importance of services in the contemporary economy: a) services as a tertiary sector of the economy (e.g. insurance, consulting), b) service provider as currently crucial members of the value chain, particularly in transport and logistics, c) services offered increasingly in retailing (e.g. financing, home delivery), and d) customer care services by the manufacturer as added value to the core product, on saturated and highly competitive global product markets, now distinguishing and decisive. Subsequently, the paper pinpoints classic system theoretical assumptions on differentiation: a) a distinction is drawn and not given, b) a distinction consists of two sides, the one side being valued positively and emphasized and the other side being neglected, and c) a tendency towards re-entry of the devalued secondary side. Based on historical and actual appearances, a system theoretical conceptualization of the development of services from diffusion over differentiation to re-entry is introduced.

