Systems or Smiles - What Business Are You In?

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Introduction

What Business Are You In?

Problem Statement

Many Service Providers, either standalone businesses or programs/projects within large contracting companies, sometimes lose sight of what they do…

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Trains or happy customers?

Issue 2
Outside In versus Inside Out

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More than tools and IT

Implementation

How to improve - lean thinking for services

Summary

Refocus on what makes money – what the customer values
Introduction
Ian Clayton, author of the Universal Service Management Body of Knowledge (USMBOK) and the Service Management Body of Knowledge online best practice library, is a throw-back to an earlier time – a time when service management was being defined and implemented by giants of the industry like Theodore Levitt. A time when service meant SERVICE. When Levitt, leveraging those early proven and trusted principles, asked a railroad company in California what business they were in, they replied “We make the trains run.” When he asked that question of the folks at Disney, they replied “We are in the business of providing our guests with a positive, memorable vacation experience.” When he expressed his belief that Disney ran theme parks, they responded, “No, that’s HOW we provide the experience to our customers!”

There is a fundamental difference in those two responses, and not recognizing that difference can cause headaches for many of today’s service organizations.

Problem Statement
Clayton, following in the footsteps of early service gurus like Levitt and Richard A. Normann, in his consulting activities and universal service management workshops asks 3 questions: "What business are we in?", "Who do we serve?", and "How can we help our customers succeed?" The problem facing many service organizations is that they get the answer to the first question wrong – they think they are running trains instead of serving customers – and that leads to confusion about how to answer the other two questions. The more correct answer to the question for the train company would have been, “to get our passengers to their destination on time, in comfort, and providing a positive traveling experience.”

According to universal service management philosophy, this is centered on the concepts of two ways of thinking – Inside Out, focused on running the trains, and Outside In, focused on delighting the customer.

Until service organizations come to the realization that they must address both, they will struggle with efforts to provide lean, efficient and effective service in any environment.

Issue 1 - Trains or happy customers?

So the first question to answer is the hardest. Many service providers are very good at WHAT they do, and so, naturally, they focus on doing what they do better, cheaper, and faster. And that is a good thing. However, that is all based on the internal workings of the organization – engineering, manufacturing, designing systems, and maintaining systems – “running the trains”. What good service providers recognize, like Disney, is that is not the business they are in. They realize that all of these WHATs are simply HOW they do the real business of delighting their customers. They must take into account WHY they are trying so hard to do those WHATs.
Clayton, citing those earlier subject matter experts, believes that traditional production process approaches will not work for services, and there are some discernable conclusions to be drawn from analyzing both.

1. While in manufacturing there is a clear separation between production and consumption, in services there must be direct contact between operations and the customer
2. The service is derived from the interaction of customers with service facilities and personnel

Clearly, service providers must do something to steer their organizations toward managing their customers’ experiences, instead of concentrating on the systems of work behind the scenes. They must put the customer first. They must manage the 4Es – Encounter, Expectation, Experience, and Emotions. To do this they must understand the span of the service encounter and set key start and end points to enable the customer to measure the organization’s contribution - the greet and thank you moments of truth.

**Issue 2 - Outside In versus Inside Out**

For most organizations, it is a natural tendency to look inward at what they do. They are focused (sometimes totally) on how the work is designed and accomplished, and performance measures are geared toward achieving internal goals. Organizations with a heavy emphasis on engineering are especially prone to thinking this way. This Inside Out thinking is associated with a failure to consider the customer, to understand WHY the work is being done, and a failure to base performance on customer results and satisfaction levels. Failure to please the customer leads to, well, failure.

Outside In thinking has at its core customer experiences, made up of customer expectations, customer outcomes, and customer satisfaction. Designing and successfully carrying out these experiences requires a specialized skill set and a new way of understanding people and customers. It starts with thinking from the Outside In.

That means service providers must recognize that customer interaction is the reason work is performed, and that management of the customer experience is what service management is all about. In the universal service vernacular, this is grounded in what are called Successful Customer Outcomes (SCO).

Service providers must start by knowing what SCOs are expected by the customer, the activities they perform in pursuit of those outcomes, how the service provider enables and assists those activities, and identifying the work required to provide them, instead of focusing on the work first, then trying engineer or re-engineer it into fitting into what the customer wants.

Look from the Outside In, then, and only then, look inside.
**Issue 3 - More than tools and IT**

Service Providers need to design and manage a total service experience for their customers. Looking from the Outside In, that means much more than just providing process sets, tools and Information Technology. Many service companies, because they have strong production background, are in the habit of using a linear cause and effect chain to describe the service process. This misses the Key Interactions with the customer, where the customer has an opportunity to form opinions about the service and service provider. That process is unable to measure and reinforce feedback and satisfaction.

The path to service excellence leads thru managing the service experience. The path to operational excellence and true efficiencies leads through service excellence. To provide excellent service you must know your service encounters and the moments of truth they contain so you can target improvements without negatively damaging a customer experience.

I experienced an excellent example of this after leaving my Lean for Services workshop early in 2012. When I dropped off my rental car at the airport car return, I noticed a problem with my receipt. When I mentioned it to the attendant, she said she couldn’t do anything about it and directed me to the return counter (*key interaction #1*). At the return counter, I was told I would have to discuss at the main counter inside the terminal (*key interaction #2*). After waiting several minutes in line (*key interaction #3*), the next available counter person attended to someone from the other direction who had not waited in line and essentially had cut in front of everyone else (*key interaction #4*). When I questioned that, the attendant pointed a finger at me and told me to wait (*key interaction #5*). When I finally did get to the counter, another attendant tried to help me, but explained that he couldn’t because the “ticket was closed” (*key interaction #6*). He was interrupted constantly while waiting on me, and left the counter more than once without explaining why (*key interaction #7*). By this time my “emotional genie”, as Clayton describes it, was about to pop its cork! I had a plane to catch! A manager finally appeared, assured me that my problem would be addressed, reassured me that I didn’t have to wait any longer, that she would handle it by email and that I should go on with my trip. After I returned home, the manager did contact me, she did handle the problem, and, because of the less than satisfactory experience, she removed the charges for my rental. Reacting quickly to the problem, solving it, and going beyond to repair the customer relationship went a long way. I will remain loyal to this company. The manager turned a potential damaging encounter into an SCO.

SCOs operate in solar systems. In this case, that system revolved around me, the rental company, and the manager. We all experienced an SCO. Because it was all connected, we achieved alignment and proper responses for the right reasons!

But look at the solution that made it possible. There probably was one technology/IT factor involved here – the inability of an attendant to reopen a “ticket” after it was closed. And that probably was the only process factor, too. The rest were “people” issues. So
concentrating on the internal technology, process and system would have done little to solve this service problem. Concentrating on the service experience of the customer, however, went a long way. What the manager did was conduct a ‘service recovery’ based upon an authorized program. Service recovery restores customer satisfaction. Satisfaction leads to loyalty, loyalty to advocacy. Service providers must understand that their business begins and revolves around this experience, which is much more than tools and technology.

**Implementation**

So how do service providers change their thinking, define customer experience, execute SCOs, and build satisfied, loyal advocates in their customer base? Fortunately, there are some mature, robust methodologies out there already. They just have to be tailored to fit into the service business way of life.

Lean thinking has been around for quite a while. It has its roots way back in W. Edwards Deming’s Quality Management Plan-Do-Check-Act circles formulated in the 1940s and 1950s. Lean thinking has grown and matured into many different iterations, but has at its core the same basis for Outside In thinking – the customer. Both emphasize that the only viable definition of value comes from the customer, those WHATs that must happen to accomplish satisfaction. Once an organization establishes that base, then it can build upon it to define the generation of that value, which must include all aspects of the customer experience, into the provider’s internal HOW systems.

Lean thinking has a set of customer principles at its core. In the seminal work *Lean Thinking*, James P. Womack and Daniel T. Jones actually discuss encounters and experiences under the topic of ‘value’. *Lean Solutions*, again by Womack and Jones, spoke to the ‘voice of the customer’, including these tenets:

- “Solve my problem completely”
- “Don’t waste my time”
- “Provide exactly what I want”
- “Deliver value where I want it”
- “Supply value when I want it”
- “Reduce the number of decisions I must make to solve my problems”

Lean can be leveraged in many ways in service scenarios – defining the customers’ expectations, creating value stream maps, conducting Kaizens to enable problem solution, implementing change throughout an organization, and establishing itself as the foundation for continuous and continual service improvement. In a causal analysis exercise, service organizations should be able map the key concept of each “why” to a vital mission activity tied to a successful customer outcome. There’s no need to re-invent the wheel, it just needs to be put on the right vehicle.

Key interactions should be mapped from a customer, outside-in perspective and some could then be co-designed by the customer and service provider as moments of truth. If
these interactions are designed from a “what” or a service provider only perspective, it runs the risk of inside-out thinking and missing the customer value.

**Summary**

Some important points to remember:

- Service management programs cannot succeed unless the 4Es are managed
- Lean cannot be successfully used within a service business unless the voice of the customer is understood and respected
- Outside In thinking ensures this happens
- Universal Service Management uniquely combines service management, lean and outside-in thinking.

So what business are you in? If you can answer that question, and the answer is providing smiles, not running trains, then you can begin to see your world from the Outside In, intelligently look at your tools and technologies from the Inside Out, design and develop Successful Customer Outcomes based on customer experiences, Lean your organization with a constant focus on improvement, and realize the benefits of being in business in the first place – letting your customers happily pay you for the value they receive.