

Better *Faster* CHEAPER



A New Business
Improvement
Methodology
for Delivering
Standardized,
Complex
Services

STRATEGY

The gap in labor productivity between services and manufacturing continues to widen. The good news is that this gap can now be addressed.

By Maarten Tentij

In the fast-moving world of service delivery, it is sometimes difficult to know where to turn to find efficiencies and improved quality. There are many approaches available in today's business environment. This article provides a new approach for successfully delivering standardized, complex services reliably in a high-volume, distributed resource environment.

The standardization of service delivery processes reduces complexity, improves customer satisfaction, and increases operational productivity. The services sold and delivered by an organization can be simplified using a Service Products model. Think of this as a menu of services offerings. These service menu items are then "wrappers" that extend and enhance a catalogue of physical hardware or software products.



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To succeed in this, you need a simple way to connect a distributed and variable-skilled workforce to your service delivery processes. You also need a simple way of tracking what really happens in order to create a feedback loop back into the processes for continuous process improvement. If you don't standardize, you can't reliably make ongoing adjustments to your operations workflows.

The optimization of a single-task ("man-in-a-van") workforce is covered by many industry articles and soft-

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ware solutions. However, as the execution of an evolving suite of service products becomes more common and more challenging, a fresh perspective on team-based services delivery is beneficial and needed.

Lean Six Sigma Service Delivery

Michael George of the George Group published *Lean Six Sigma for Service* in 2003. In this book, he combines Lean and Six Sigma concepts from manufacturing and applies them to the services industry. A key observation he makes in the book is that in services, waste or "scrap" is largely invisible. There is little physical evidence of setup and rework—and this can lead to "bad" habits in the delivery of

complex services that are difficult to detect and correct.

Clearly, serious service departments have a wealth of information that they use as the basis for performance analysis and reporting. And typically, the less complex the services being delivered, the more accurately the costs of delivering the services are measured.

In the manufacturing industry, the use of data to find opportunities for process improvement and synchronization of work teams has long been understood and achieved. But

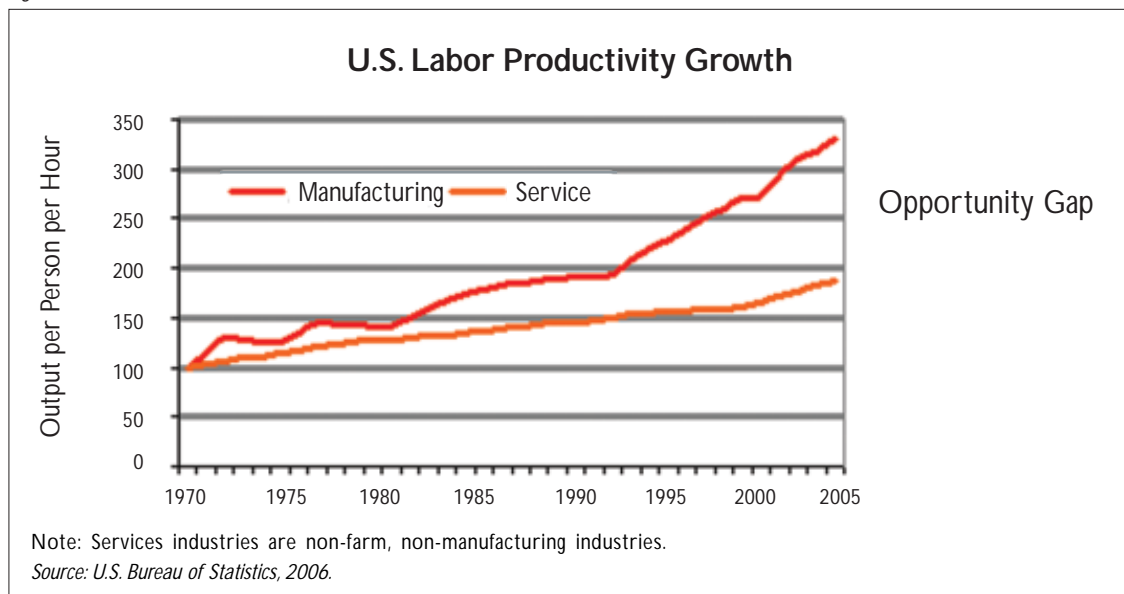
the services industry has lagged behind. And so the gap in labor productivity between services and manufacturing continues to widen.

The Service Delivery Opportunity Gap

The manufacturing industry has made significant productivity improvements since 1980 (*Figure 1*). They have done this by introducing rigor to their process improvement practice. Two main tools were used: Lean manufacturing (in all its guises, including Kaizen and TQM) and Six Sigma.

This focus on flow and quality improvement is well represented by the Toyota Motor Company and their spectacular growth over the past 30 years. The manufacturing indus-

Figure 1



try also has long understood the power of defined and standard “products”—which can be varied to some degree to provide mass customization. BMW’s revived Mini Cooper brand is a visible example of this idea.

Now it’s the turn of services organizations. According to George: “Costs of services are inflated by 30 to 80 percent waste, i.e., by activities that add no value from the perspective of the customer.”

One of the reasons for the gap is that service departments traditionally have little or no history in using data, because data is not available or is not used. As George has reiterated, “The capture and application of this delivery performance data is the key to significant improvements to operations’ bottom-line contribution.”

Two manufacturing practices—Lean and Six Sigma—have been applied successfully to services organizations to achieve important performance improvements. The focus of Lean processes is the identification of “waste” and the elimination or automation of activity that does not generate value. Lean achieves faster throughput of products that customers value at a lower cost than by using conventional means. Six Sigma simply means a measure of quality that strives for near perfection. Six Sigma is a disciplined, data-driven approach and methodology for eliminating defects in any process (driving toward 3.4 defects in one million opportunities).

Lean and Six Sigma are a great start to improved service delivery outcomes, especially because they help companies focus on repeatability through observation and mea-



surement. Lean and Six Sigma by themselves, however, are not quite enough and are not perfectly suited to the services environment. By combining Lean Six Sigma with the concept of Service Products and Throughput Management (also known as Critical Chain Scheduling), a very practical and powerful service delivery framework emerges (*Figure 2*).

Service Products

In any services business, the requirement is to run to schedule in decreasing cycle times and with minimal rework. However, high throughput with precision is not easy when service product lines are in constant flux and delivery teams

are increasingly virtual.

But there is a solution. The key to consistent services performance is reduced operations complexity and a robust mechanism to buffer you from Murphy’s Law. What follows is a my explanation of how Service Products and Throughput Management can help you can do just that.

You can reduce complexity and achieve a high degree of flexibility by standardizing the processes used to deliver your services. Standardization also simplifies your analysis and constant improvement initiatives.

Paradoxically, reduced complexity leads to more flexibility, reduced costs, and faster cycle times.

Let’s call a complex service offering a project. It has a number of components delivered to schedule, there is a budget for delivery, and Murphy’s Law is a constant threat. With Service Products, the idea is to reduce variation on the ac-

To crack the small to mid-size business market, IBM realized some time ago that an exploratory time-and-materials approach using high-quality teams would not work. So they decided to commercialize their services delivery know-how into more tangible assets that could be sold, reused, improved, and licensed. Selling what has been proven to work can be reassuring to a price-conscious customer, and can be reliably delivered at a reduced cost. This approach is also more forgiving of variable-skilled teams and assists in introducing changed and new services. These IP assets also add shareholder value.

tivities that constitute the service and to allow the activities to be combined in various ways in order to enable “controlled” service flexibility.

Service Products and Six Sigma

In a controlled services environment and using Service Products, it is easier to define delivery metrics and improve quality. Ongoing measurement and improvement of service outputs is key to the Six Sigma goals of defect reduction.

Service Products enable an organization to clearly categorize its services activities to the unit of work level. The execution quality of these activities then can be compared across one or more service delivery teams to identify common process hotspots. A change to the Service Product de-

livery process template then ensures that subsequent work is more accurate or correct.

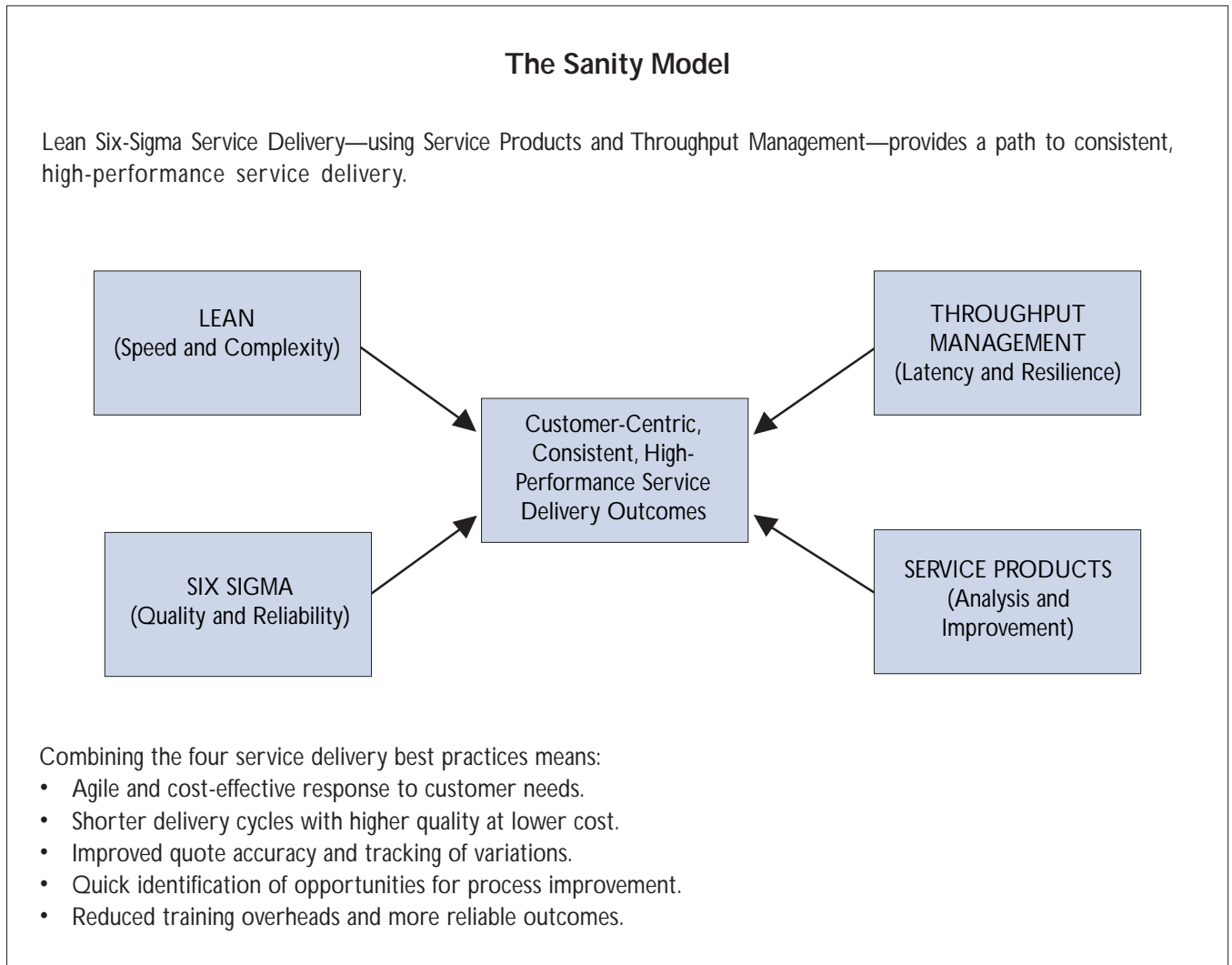
Six Sigma is the *quality* part of better, faster, cheaper.

Service Products and Lean

Lean looks at optimizing the flow of the quality practices, reducing or eliminating waste where it finds it. Anything that does not add value (in the eyes of the customer) is waste and should be removed from the process.

Service Products enable an organization to build common workflows used to deliver services. This means that the execution trace of each service flow can be overlaid to identify activities that add no value, such as internal issue resolution, wait time, and rework. These Service Products also help

Figure 2



to reduce complexity and increase schedule consistency.

Lean is the *speed* part of better, faster, cheaper.

Service Products and Throughput

As service complexity increases, so does uncertainty. While Lean targets workflow, it does not highlight the “weakest link,” i.e., the limiting process point that constrains throughput. Throughput Management is then about finding and fixing service delivery bottlenecks by identifying the throughput-limiting constraint. Usually, this is a skill set that is scarce or a workgroup that is inefficient.

However, having everybody busy and highly utilized does not always improve the result; in fact, it can have the opposite effect. When we go to see and hear an orchestra, we don’t want them to make as much noise as possible...we want them to make the right sounds at the right time, and it’s okay if they are not always busy.

On constraint identification, new process flows can be designed to address the chokepoint—and move it elsewhere—iterating until the delivery process is good. For example, in a high-volume complex services environment, the less a service spends “waiting” for execution, the better the quality and the lower the cost. Work-in-progress (WIP) must be minimized, so throttling workflow to match the capacity of the weakest link in the production system is important. But what happens when the flow is stopped unexpectedly?

Throughput Management has another “trick” to reduce cycle times and increase resilience. It positions buffers at key points to overcome task completion uncertainty. Throughput Management is focused on important dates, not every date, and buffers act as shock absorbers to smooth the flow of services through the system. Buffers enable Lean task-duration estimates and significantly increase on-time completion. Fifty percent faster and 50 percent cheaper is achievable. It is important to note that buffers are not padding, but are insurance against inevitable variation in tight schedules as plans encounter and overcome unexpected obstacles.

Throughput Management is the *profit* part of better, faster, cheaper.

Summary

So to recap, here is a snapshot synopsis of the four service delivery best practices we’ve discussed:

1. Six Sigma helps you to capture the data you need in order to make constant improvement decisions. You must capture what actually happens at the unit-of-work level so that you can identify common problems. Time tracking,

linked issues, and work categorization are tools that you can use to compare results across many instances of a service delivery activity.

2. Lean helps decrease cycle time and reduces complexity through streamlining activities. Reducing WIP improves quality, too. You need to define workflows and think deeply about which activities add no value in the eyes of the customer. Process-flow templates that reflect and standardize what you do can reduce operational complexity.

3. The concept of Service Products helps you to define, design, price, deploy, complete, sell, invoice, improve, and introduce services. They also let you better track variation and understand where your opportunities are for process and profit improvement. You need to build a catalogue of services and clearly describe each step in the delivery chain. Knowing what the base offer is helps to protect margin and manage expectation.

4. Throughput Management helps to synchronize the flow of work across your workforce to improve throughput and on-time delivery. A focus on constraints maximizes chain efficiency, and workflow buffers mean that Lean delivery techniques don’t break down when the unexpected happens. You need to see where throughput is getting jammed so that you can clear obstacles before they jeopardize delivery dates. Don’t focus on every date; only worry about key dates and buffer penetration rates.

Together, these four service delivery best practices can improve your service delivery results significantly, especially in high-volume environments.

A note of caution: Take care to not get bogged in a bureaucratic tangle of inflexible delivery processes and manual reporting overheads. Your service delivery must stay fast, agile, and results-driven.

Conclusion

The gap in labor productivity between services and manufacturing continues to widen. The upside is that this productivity gap is an opportunity gap for improved service delivery performance. Companies that apply Lean service delivery techniques, adopting Service Product and Throughput Management principles, can outperform their less-agile, less-efficient competitors.

Booz Allen Hamilton, a premium service delivery company, believes that you can standardize 80 percent of your services and charge a premium for the other 20 percent. Are they right? Is standardization *your* road to better, faster, cheaper? 🐼

10 Advantages of Service Products

1. Freedom to manage.

Management overhead is expensive. Your operations, sales, and executive teams should spend their time on revenue-generating activities, not on issue prioritization and resolution, status data collection, resource acquisition and assignment, or routine communication of work schedules and procedures. Standard service delivery practice reduces ad hoc and untested delivery execution.

2. Workforce protection.

Reliance on highly trained and skilled staff is costly for two reasons. Highly trained staff command high salaries, and when highly trained staff are unavailable, suboptimal service delivery loses money. Standard service delivery practice supports a variable, distributed, and mixed-skill workforce.

3. Accurate quotes.

When you bid on work, you should be sure that the price is right and that you will make your margin. High quotes to cover mistakes and rework may mean that someone steals your lunch. Low quotes mean that you pay your customers for the challenge of delivering a service. Standard service delivery practice results in better control over work effort and delivery timelines.

4. Precision delivery.

Precision is typically better than exploration when it comes to service delivery, especially for fixed-price work. Precision is also important when your workforce is distributed and perhaps temporary and unknown. You need to minimize mistakes and rework; they erode profit and your brand. Standard service delivery practice allows accurate work completion.

5. Central issue management.

When service delivery problems do occur, you want them to be clearly visible to appropriate stakeholders and organized across projects by customer, location, resource, portfolio, or program of works. Standard service delivery practice encourages associating issues and risks with specific workflows and units of work.

6. Margin protection.

Clarity about what you will provide—and when you will and can invoice—means profit margins are maintained. Accurately tracking variation from the standard service offering ensures extra work is charged for. Standard service delivery practice improves reliable work outcomes and cashflow.

7. High throughput.

Unfortunately, customers always reserve the right to order late and demand faster delivery. This means that high throughput is important. This also means that you must be able to mobilize a virtual on-demand workforce, carefully manage buffers, parallelize works streams, and optimize workforce engagement in a dynamic multiproject environment. Standard service delivery practice synchronizes workforce activity.

8. Embedded risk management.

Every service you deliver, every agreement, activity, or project you embark on, involves a degree of risk. Service Products help you to associate risk with each step of the process flow. Standard service delivery practice provides a clear understanding of risk and allows you to actively identify and reduce the current operational risk profile.

9. Confidence.

Knowledge that you have a workplace for reliable, repeatable, and consistent service delivery means confidence to grow your business, to take on competitors and win. Standard service delivery practice gives you the ability to scale and replicate your success.

10. Sanity.

You work in an increasingly unpredictable and complex operations environment. So you need a simple way to connect your dynamic “program of work” to your variable workforce to maximize accurate and timely communication flows. Doing this will ensure accurate recording and reporting of progress and status and will provide operational insights that will help you achieve continuous process-improvement goals. Standard service delivery practice reduces operational complexity.