4IRConsult

Operational Excellence in the Digital Age

Fundamentals of OE in the Service Industry

Version 1.2

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INTRODUCTION

Operational Excellence is a relatively new term that has emerged over the last couple of years. There is very little standardisation around the definition of Operational Excellence with some definitions causing confusion as to the differences between Operational Excellence, Lean and other methodologies.

The definition that 4IR Consult subscribes to is from businessdirectory.com:

> Operational Excellence is a philosophy of the workplace where problem-solving, teamwork, and leadership results in the on-going improvement in an organisation. The process involves focusing on the customers' needs, keeping the employee's positive and empowered, and continually improving the current activities in the workplace.

The key word in the above definition is "philosophy". Operational Excellence is not a new management fad with the promise of new tools and principles to fast track an organisation to dizzy heights. The business world does not need any new tools and techniques as most companies have not yet figured out how to effectively apply the current ones. Operational Excellence unashamedly embraces the principles, tools and techniques found in Lean, Six Sigma, Theory of Constraints, Total Quality Management, Business Process Management and Customer Experience Management.

The focus of Operational Excellence is on how to effectively apply the existing principles, tools and techniques to create a work environment where customer needs are well understood and met, processes are well managed, problems are solved quickly and in a structured manner, quality is pro-actively managed, and the staff are engaged in their work and involved in continuous improvement.

The application of Operational Excellence in a services environment, whilst similar to that of a manufacturing environment, does has its own unique considerations. The first major difference is the absence of a tangible product. A manufacturing company produces a tangible product which the customer can touch, feel and interact with. The quality of the product will provide the customer with some sense of affiliation with the company brand. The customer's experience of the company brand is therefore driven largely by the interaction with the product that the company manufactures. In a services company, there is no tangible product and the customer experiences the company's brand purely based on the service experience they receive. As it is generally more difficult to consistently provide a high-quality service experience then it is to consistently produce a high-quality product, the services company is often a more complex environment to manage well. Where a company offers both a product and a service (such as a restaurant), then the customer's experience is going to be based on the collective experience of both the product and the service.

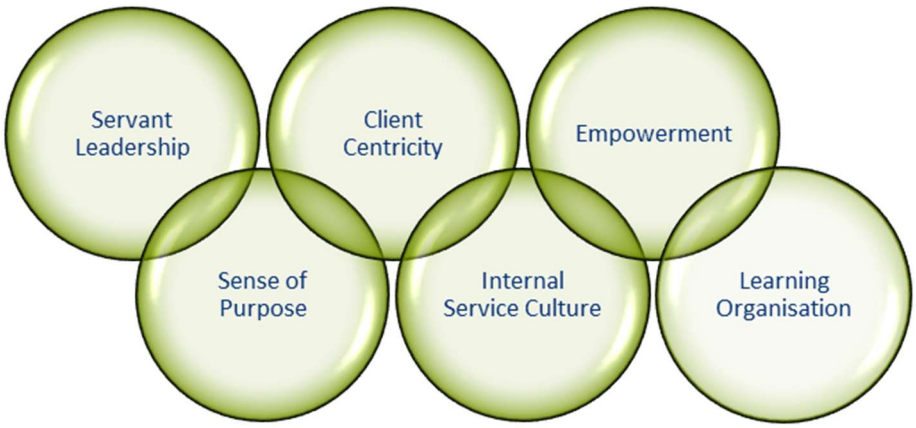
The second major difference between a services company and a manufacturing company is around the customer's involvement in the generation of the product or service. In a manufacturing company, the customer only experiences the product once it has completed the production process and left the companies premises. This

provides the manufacturing company ample opportunity to identify and rectify quality issues before the product reaches the customer. At the services company, the customer is often actively involved in the production of the service. They, therefore, experience any defects immediately and there is no opportunity to rectify defects before the customer experiences them. Think about an interaction you have had with a company's contact centre. You were inherently part of the service experience and would have experienced any waiting period, impoliteness, incorrect information or poor telephone line quality first hand.

Given this context, let's look at two models to help us understand Operational Excellence in a services industry.

SIX FOUNDATIONAL PRINCIPLES OF OE

The 4IR Consult approach to Operational Excellence is founded on six foundational principles that leaders are expected to adopt and promote in their organisation. These core principles are:



1. **Servant Leadership** – The role of a leader is to serve and not be served. It is their responsibility to create an environment in which their staff can thrive and perform at their best. When things go wrong, the servant leader first looks at themselves to see how their actions or behaviour could have contributed to the situation. When things go well, the servant leader looks around to see who they can congratulate. The success of the servant leader is based on the success of the team they lead.

2. **Empowerment** – A leader's responsibility is to ensure that their staff are fully empowered to perform their roles well. This means that the staff members have the Means (tools, equipment, data…), Ability (training, mentoring, experience…) and Authority (clear decision-making boundaries) to perform their roles. If an employee is not fully empowered to perform their role, they cannot be held responsible for any associated shortcoming in their performance. Instead, the immediate line manager must be held responsible for not creating the empowered environment for the employee to perform at their best. Things get interesting when one then asks if the line manager is, them self, properly empowered to lead their team. If they are not empowered to be a successful line manager then they cannot be held responsible either and the focus must now shift up the chain of command.

3. **Sense of Purpose** – It is critical that employees have a clear understanding of the company's purpose but it is a misconception that the company's purpose alone will motivate them to give of their best. There are very few companies that have such a compelling purpose that it alone motivates all the employees. Let's be honest, not all companies have a purpose as compelling as NASA! For the rest of the companies (and NASA), the employees need to be able to clearly

relate their own day-to-day work to the company's purpose. This is done through departmental and/or team purpose and customer value proposition (CVP) statements. It is leadership's responsibility to create a clear sense of purpose throughout the layers of the company.

4. **Client Centricity** – Successful companies need to be passionate about providing products and services that meet their customer's needs and delight them at every interaction. They put the customer at the centre of everything they do. This does not mean that the customer is always right but that the customer's needs and expectations are taken into consideration in the design of the products, services, organisational structure, and service models.

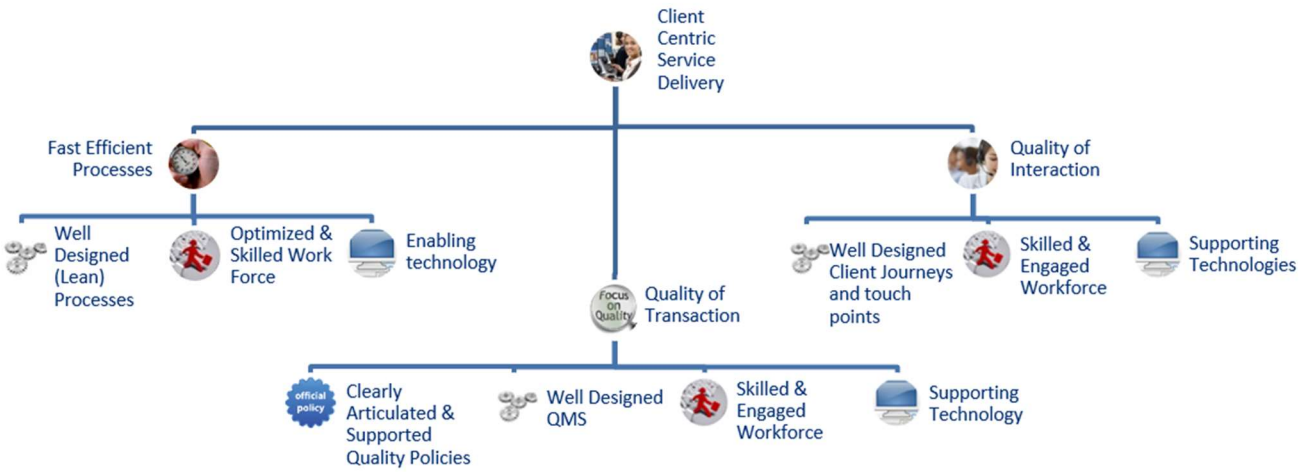
5. **Internal & External Service Culture** – You cannot build a strong external service culture without building a strong internal service culture. Many departments are interdependent on each other to provide a good service to their respective (internal or external) customers and therefore need to focus on understanding their internal service needs and nurture good service relationships. Good service culture is therefore built upon systems thinking, where the whole organisational system is designed to provide good service both externally and internally.

6. **The Learning Organisation** – In a Learning Organisation (Peter Senge), staff are encouraged to learn and contribute to continuous improvement in a safe, rewarding, supportive environment. Creating a Learning Organisation environment is critical to building the continuous improvement culture inherent in Operational Excellence. One of the biggest challenges in building an organisation with a strong learning culture is creating time to learn. An

organisation cannot just expect employees to engage in learning and continuous improvement in their own time. There needs to be formally scheduled time for the employees to attend learning events and engage in continuous improvement activities. Their key performance indicators (KPI's) also need to reflect the importance of them engaging in learning and continuous improvement.

CLIENT-CENTRIC SERVICE DELIVERY

The second model that 4IR Consult builds its Operational Excellence approach around is Client-Centric Service Delivery. The Six Foundational Principles of OE underpin the Client-Centric Service Delivery model.



The 4IR Consult Client-Centric Service Delivery model is based on three fundamentals that must work in harmony:

1. Quality of Interaction
2. Quality of Transaction
3. Fast and Efficient Processes

QUALITY OF INTERACTION

The first fundamental is **Quality of Interaction**. Quality of Interaction talks to how well a company interacts with their customers (both external and internal) at each touch point. The starting point is for a company to map out the "journey(s)" their clients have with their organisation or department.

A journey is a collection of interactions that cover the full extent of a customer's experience. A journey is not the same as a process as it often starts before a process is triggered and often ends after the process has completed.

Once the company understands their client's journey(s), it is time to examine every point of interaction that their clients have on a journey. These are referred to as "touch points". A touch point may be face-to-face, via electronic media, an interaction with a website or mobile app, or even through the company's marketing material. Each interaction must be scrutinised to ensure that it is providing the best possible experience thereby increasing the "moments of magic" and eliminating any "moments of misery".

The contributors to Quality of Interaction are:

Contributor	Description
Well-designed client journeys	A well-designed journey does not just leave the client's experience to chance but makes sure that the journey is consciously designed to provide a great experience at every interaction. In addition, the

and touch points.	journey needs to be aligned to the company's brand promise. The touch points also need to be well designed including any artefacts that are used in the interaction such as standard letters, forms, brochures, etc.
Skilled and Engaged Workforce	The success of a client journey will often depend on the skills and attitude of the staff who form part of the interactions. Staff need to be trained to be client-centric and need a good understanding of the journey and touch points. They need to be well trained to deal with clients enquiries in a clear, pleasant, timely and empathetic manner. Supervisory staff need to be trained to monitor the interactions and identify and rectify any problems before they escalate.
Supporting Technologies	A company may use several technologies to support the client's interaction. Technologies may include a website, social media platform, a Customer Relationship Management system, a Service Management system, a Complaints Management system, a telephony system or an Interactive Voice Recognition system, to name but a few. The most important thing to consider with any technology enabler is "how is it supporting the client's experience?". Airline self-service check-in kiosks allow a passenger to interactively check them self in, therefore improving their experience. They are successful because they have been carefully designed to be easy to use by passengers that have very little computer skills. Now imagine what the client's experience would be like if the airline

	had simply made the same computer terminal used by the check-in employees available to the passenger! It is most likely that using the computer terminal would be a very frustrating, negative experience for most passengers. Self-service technology should provide the customer with additional value over the full-service alternative if customers are going to be persuaded to use the self-service option. In the case of the check-in kiosk, the passenger can view a layout of the plane and easily view and select an available seat.

QUALITY OF TRANSACTION

The second fundamental is **Quality of Transaction**. Quality of Transaction makes sure that any transactions executed in support of the journey are done correctly the first time, every time. It is possible, and common, for a client to have a pleasant interaction with a company but the transaction is not processed correctly thereby destroying the experience.

A company that is serious about providing Client-Centric Service Delivery needs to develop a Quality Management System that continuously measures, analyses, rectifies and improves quality in the organisation. The Quality Management System should measure and improve both quality of transaction and quality of interaction and be

supported by clear performance metrics and objectives for all staff and operational leaders.

The contributors to Quality of Transaction are:

Contributor	Description
Clearly Articulated & Supported Quality Policies	An organisation that wants to provide Client-Centric Service Delivery needs to make quality an enterprise imperative. This starts with the organisation defining clear quality policies that will drive the design, implementation and execution of the Quality Management System. All employees need to understand and commit to the quality policies and demonstrate this through their day-to-day behaviour.
Well Designed Quality Management System	Once the organisation has developed and articulated the quality policies, it needs a well-designed Quality Management System (QMS). The QMS must ensure that transactions and interactions are continuously measured, analysed, rectified and improved against clear performance metrics. The QMS should include as many employees as possible in the management of quality to ensure maximum engagement and co-ownership.
Skilled & Engaged Workforce	Good quality is often attributed to the skills and attitudes of the staff members involved in the execution of the processes. Staff members need to be well trained on the processes and procedures and execute their duties with due care and attention. All employees should be on the lookout for quality failures and ensure that they are rectified before the poor quality reaches the client.

	As many employees, as possible should be trained and involved in Root Cause Analysis and process improvement. This will ensure that there is a wide-spread quality culture working to continuously improve the organisation's quality level. Supervisory staff need to monitor quality and take remedial actions when quality issues arise within their team. This may involve performance management of staff members who are not meeting the quality standard.
Supporting Technology	A good Quality Management System will require some level of supporting technology. This technology may be used to physically measure quality, identify quality issues and create quality metrics. Technology should also be used to track quality issues from identification through to resolution.

FAST AND EFFICIENT PROCESSES

The third fundamental is **Fast and Efficient Processes**. Whereas Quality of Interaction and Quality of Transaction both focus on quality (doing things right, first time), Fast and Efficient Processes ensure that the client is not waiting longer or (indirectly) paying more than necessary for their transactions.

The contributors to Fast and Efficient Processes are:

Contributor	Description
Well Designed (Lean) Processes	The starting point for Fast and Efficient Processes is to ensure that the processes are well designed, to begin with. Lean, Theory of Constraints and Designed for Six Sigma are all approaches that should be used in the design of the processes. Too many times, well-intended services do not meet the original design objectives once they are operationalised. This is due to the lack of formal methodology for designing services for operational execution. A welldesigned process should be as simple as possible with most activities adding direct value to the client. There should also be minimal hand-offs between departments as this is often a cause of delays and miscommunication. In a well-designed process, work spends minimal time waiting in queues and as much time as possible being attended to. Batch processing is minimised in favour of continuous processing as this often provides the most client-centric experience. Repetitive process steps should be automated as much as reasonably possible to minimise execution time and the chances of quality issues. Process step cycle times should also be balanced to prevent multiple bottlenecks in the process. Ideally, there should only be a single bottleneck in the process and this bottleneck must have sufficient capacity to meet normal customer demand. Maintaining a single bottleneck makes the process easier to manage as bottlenecks don't pop up all over the process resulting in constant firefighting.

	Finally, the process should be well documented with clear procedural guidelines to quickly bring new employees up to speed, ensure standardised execution between employees and as a reference for ongoing process improvement.
Optimised and Skilled Work Force	Fast and Efficient Processes are often dependent on the right staff, with the right skill being available at the right place at the right time. This is specifically important in contact centre environments where there is a high degree of real-time interactions. Optimised and Skilled Work Force draws on the science of Workforce Management to predict workforce needs and schedule the workforce for shifts, breaks, training etc. It also monitors the staff to ensure that they are adhering to their schedule and adjusts staffing levels due to variances in workload. In a back-office environment, the focus is on productivity management to ensure that the workforce is working at the expected (sustainable) rate to deal with the workload without sacrificing on quality. Overtime should never be the norm and should only be used to deal with unexpected spikes in demand. One of the principles that 4IR Consult subscribes to is “average people on excellent processes and not excellent people on average processes.” This principle allows companies to recruit and train employees much quicker and at less cost.

Enabling Technology	Fast and Efficient Processes often require a degree of technology enablement. This may be in the form of specialised functional systems, workflow and automation (BPM) tools, record management systems, collaboration systems, or case management tools.

SUMMARY

Operational Excellence is a very large topic with many associated disciplines. This article does, however, lay a foundation for the pursuit of Operational Excellence in a service industry company. Operational Excellence should not be done in your organisation by consultants as it needs to be embedded into the culture and fabric of the organisation. You may, however, need to make use of consultants to guide you on your journey and provide your staff with the necessary training and mentoring along the way.