

The logo consists of the letters 'KT' in white, bold, sans-serif font, centered within a black square. To the left of this square is a teal square, and below it is a larger black square containing a collage of images: a person running, a lightbulb, a person sitting, a person standing, and a group of people. Below the black square is a yellow square, and to its right is another black square containing a person standing next to a large green arrow pointing right, with a smaller orange arrow pointing up from the green one.

KT[®]

Closing the 21st Century Service Capability Gap

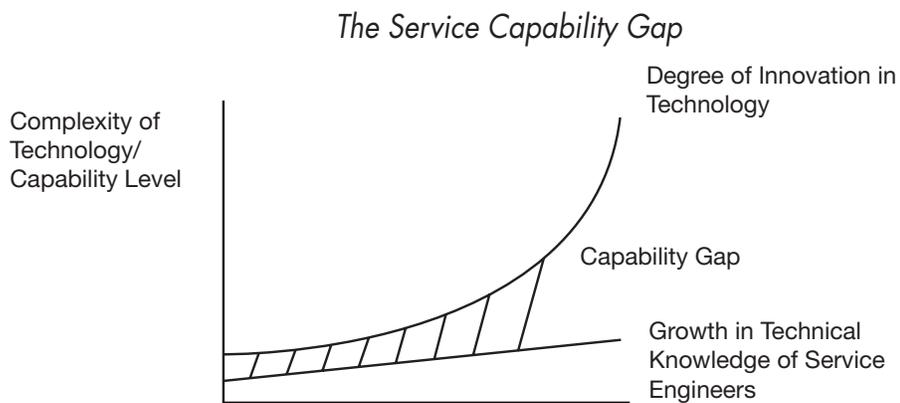
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The natural affinity of technology service organizations towards software and technical training as the predominant solutions to their service challenges leaves them with a widening gap between customer expectations and actual service capability.

The changing service landscape

With the ongoing commoditization of products driven through globalization and the omnipresence of the internet, the pressure is more than ever on the service business to come to the rescue. Not only to provide additional sources for revenue growth and defending sliding product margins, but as a way to provide a level of differentiation from other technology providers by establishing an intimate relationship with the customer that goes over and above the product functionality. This value-added service approach has to go beyond the traditional “break-fix” model of technical product support to provide true customer service, i.e. supporting *the business* of the customer. Not surprisingly, recent research conducted by Xerox showed that their overall customer satisfaction was more impacted by the customer service experience than by the performance of the product.

Furthermore, Customer Service needs to be able to support the rapid evolution of converging technologies—the CEO of Nokia once called this “the clash of IT and Telecom”. The resulting, steadily increasing complexity of technology leaves service organizations with a widening gap between the capability of the technology they are supporting and service engineers’ understanding of it (see illustration), which can no longer be bridged through purely product training—the speed of technological innovation is simply too high.



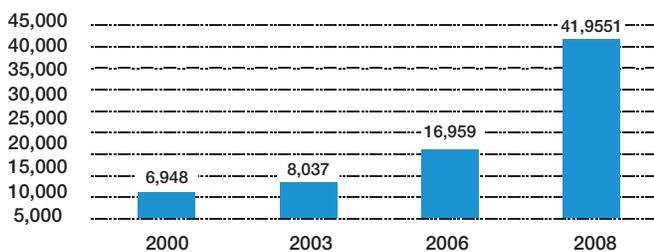
On the customer expectation side, things don’t look much better. With the global access to suppliers and vastly similar technologies to choose from, more than ever, we are dealing with a “buyer’s market”. In this environment customer expectations of customer service are only going up, putting additional pressure on service businesses to deliver not only a high quality, but consistent customer service experience... every time... and everywhere.

Automation strategies are failing in an increasingly complex world

With the above market trends, many service organizations have shifted their focus increasingly towards customer satisfaction as a key metric and managing the *Total Customer Experience*. Yet, most service organizations' investments in the last 10 years have been made into CRM (Client Relationship Management) systems and self-service tools, trying to automate the customer service process for mostly efficiency reasons. The result? According to the ACSI (American Customer Satisfaction Index), many organizations have at best stagnated in customer satisfaction performance while in some industries, like *Personal Computers*, customer satisfaction has plummeted by an average of 3.8% since 1995. These outcomes suggest that a change in strategy is required.

Incident Volume Explosion

What is the average number of new support cases received each month?



Source AFSMI/SSPA benchmark

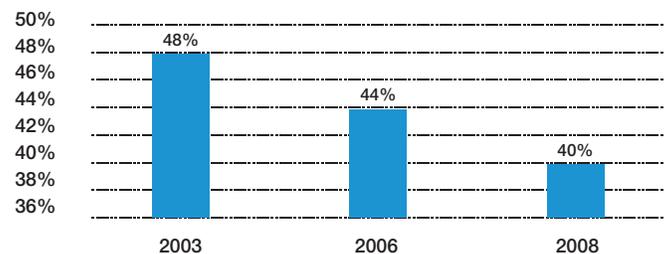
The SSPA (Service & Support Professionals Association) concludes: "According to the 2009 SSPA Benchmark, only 9% of members today say the products they support have 'standard complexity', while over 63% of members now claim their products are 'highly complex', up from only 42% in 2003. As technology complexity grows, support issues increase in complexity as well..."

The same research shows how the effectiveness of *Self-Service* has gone significantly down-hill over the last 5 years (see illustration *Self-Service Success Crisis*). When customers and service engineers come across issues they have never seen before, by their very nature, KM and self-

While service executives universally agree that customer satisfaction is a strategic goal of any service business, as it represents a key driver of customer retention, they often fail to analyze what the major drivers of satisfaction are in their business when it comes to resolving complex customer issues. KM (Knowledge Management) systems and online support tools have helped to push more support to the web and resolving simple and known problems faster, but they only go so far in a world where the complexity of technology is continuously increasing, which in turn drives up the percentage of complex incidents faced by a service organization (see illustration *Incident Volume Explosion*).

Self-Service Success Crisis

What percent of visitors to the self-service website successfully find the answer they are looking for?



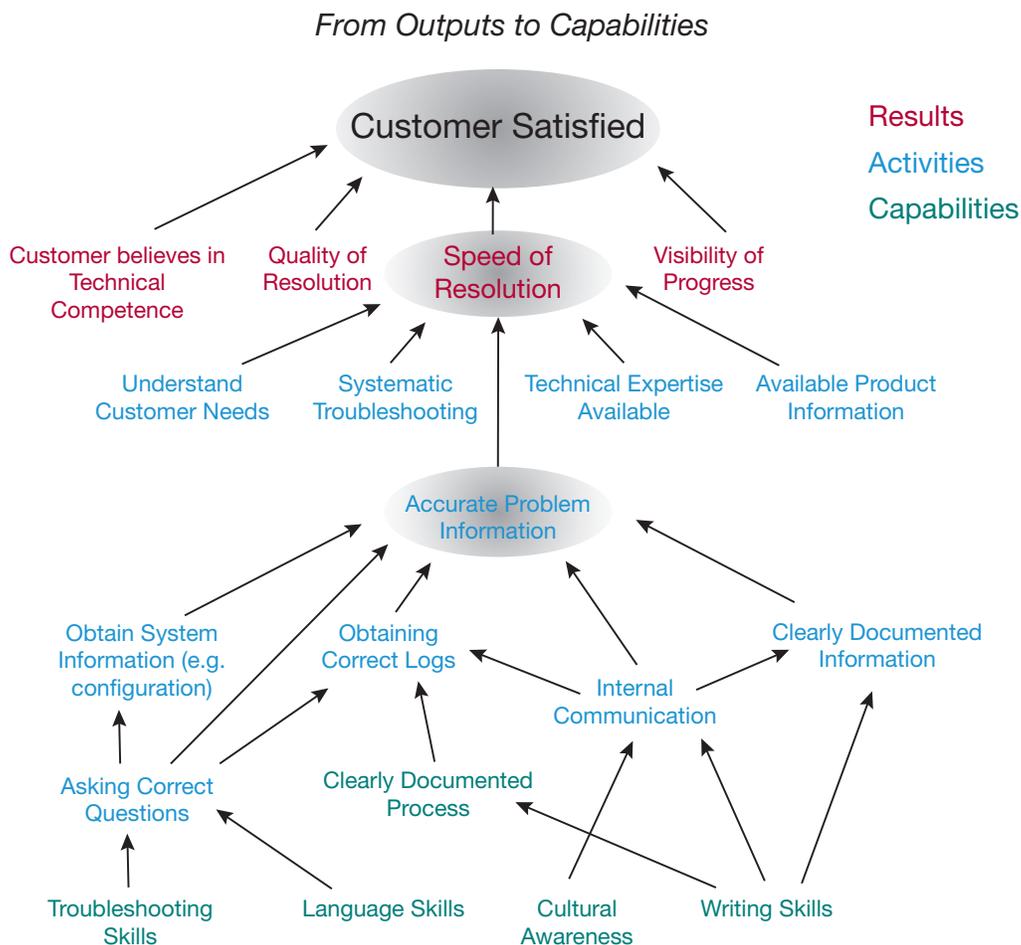
Source AFSMI/SSPA benchmark

help tools will only have limited value to resolving the problem. Consequently, it doesn't come as a surprise either that year-on-year *First-Time-Fix-Rates* have also declined in 2009 to 44% from 54% for Technology Service businesses.

It's about the relationship stupid!

Service is about relationships and relationships are ultimately about human interactions. When looking at what truly drives customer satisfaction in a business, we suggest taking a random, "post-mortem" sample of customer cases and comparing "good cases" (high customer satisfaction) with "bad cases" (low customer satisfaction). You will quickly find out that there is a pattern to what behaviors drive a positive versus a negative customer experience in your business. While quality and speed of resolution are generally good predictors of customer satisfaction, the real question is what constitutes *quality* in the eye of the customer and what is the *perceived speed* of resolution, given the nature and complexity of customer issues they experience.

Below is a flow-chart displaying how such an analysis can be used to identify key capabilities required in people, systems and processes that will help drive customer satisfaction up.



Setting the context for closing the gap by defining the Service Strategy

Another contributing factor to the widening Service Capability Gap is the general lack of direction and priority setting in service businesses on how to close the gap in critical areas of the business. This often stems from a lack of strategic clarity around the service portfolio that is being provided and the missing segmentation of different customer types and their needs.

It is impossible for the organization to prioritize its time and investments without clearly articulating what its focus is around customers and services and defining how it will differentiate itself from its competition.

The situations described below are typically evidence of a lack of a clear vision:

- A one-size-fits-all service model—there is no differentiation between different customer types and the services they receive, everyone gets more or less the same level of service
- Middle managers and team leaders struggle to make effective and consistent day-to-day operational decisions regarding hiring, training, compensation, tooling, resourcing, etc.
- Project proliferation—lots of projects get started, few get completed and nobody knows which projects are more important than others
- General lack of clear priorities—when asked about the strategic improvement priorities in the business, every manager comes up with a different set of answers and/or different priorities for what needs to happen first

When we recently started working with the “Premium Service” arm of a leading Telecom device company, the organization already knew that it had issues with living up to customer expectations because of gaps in its service processes and troubleshooting capabilities. However, an initial analysis of the root causes of these issues revealed that it had never clearly defined what it would actually mean to be recognized as a “world-class” service organization in their market. After going through the process of segmenting its customer types and looking at innovative ways of bundling and growing their revenue producing services, they had a much clearer picture of where their priorities lied with respect to capability development and process improvement. In the following year, they restructured their business to align with the new strategy and embarked on a capability improvement program that after only 6 months showed dramatic improvements in customer satisfaction and service efficiency. Without a clear strategic focus to begin with, this organization would have never been able to move this quickly and get the level of buy-in from the organization that it had created by developing a unifying vision first.

The three major sources of service gaps: Process, People, Performance System

Critical Customer Service is ultimately delivered through *People* as part of a *Process*. Problems are solved by people and relationships are created by people, not software! However, software can play a critical role as an *enabler* to make this process as efficient as possible by helping to capture, store and retrieve the information in the way you want your service engineers to think, engage with customers and create knowledge! If the design of the software is not modeled after the service work flow—which it is supposed to enable—service engineers will soon find creative ways to minimize their need to use the system or circumvent it completely in order to reduce, what they would consider, bureaucratic, non-value-added work.

We suggest that service organizations need to focus on two basic performance outputs:

- Providing a **high-quality customer experience**
- Providing a **consistent customer experience**

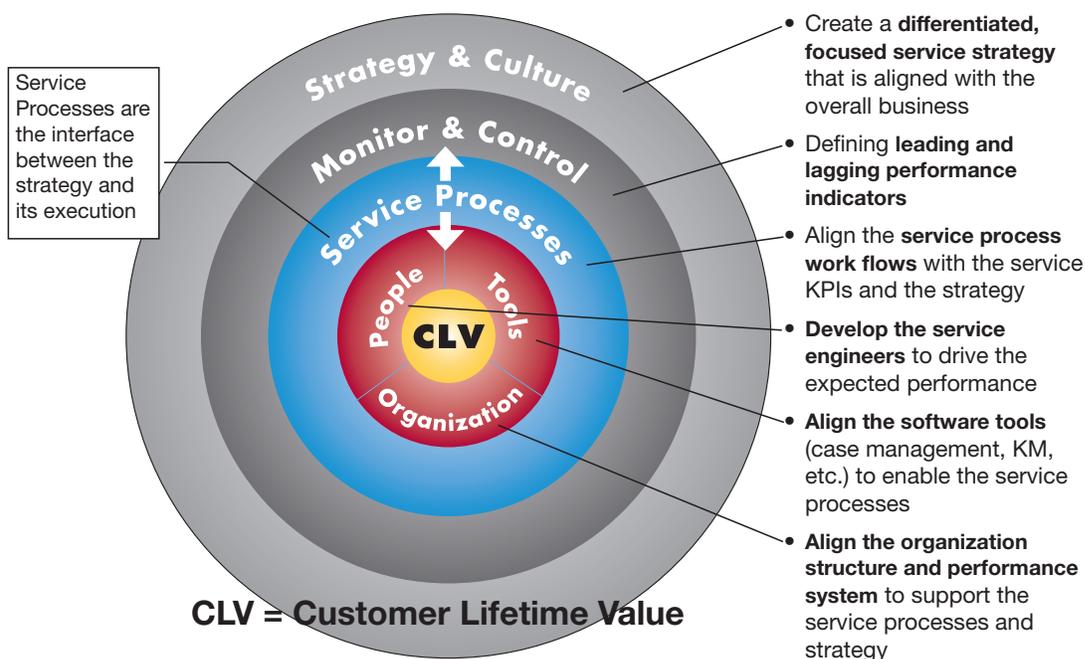
Both of the above are primarily behavior driven and therefore require a renewed focus on “the human service interface”, which is largely driven by service processes, the skills of service engineers and their performance system.

Processes

In the 2009 Gartner survey, CIOs ranked “Improving Business Processes” the number one business priority. During the same time, *Information Week* asked the question “How does your your company plan to innovate with Technology in 2009?” The top answer (60% of respondents) reflecting the same conclusion: “Make Business Processes more efficient”.

Services Processes are about “how work gets done” in a service business, i.e. how the service is actually being delivered to customers. The service process design informs the quality and quantity of the service resources required in terms of people, tools and the organization’s performance environment and links them back with the service strategy and its performance goals (see [Kepner-Tregoe \(KT\) Service Value ManagementSM Model](#)). Without effective service process management, investments into people and software happen in a vacuum and without a clear link to the strategic goals of the service business.

Kepner-Tregoe Service Value ManagementSM Model



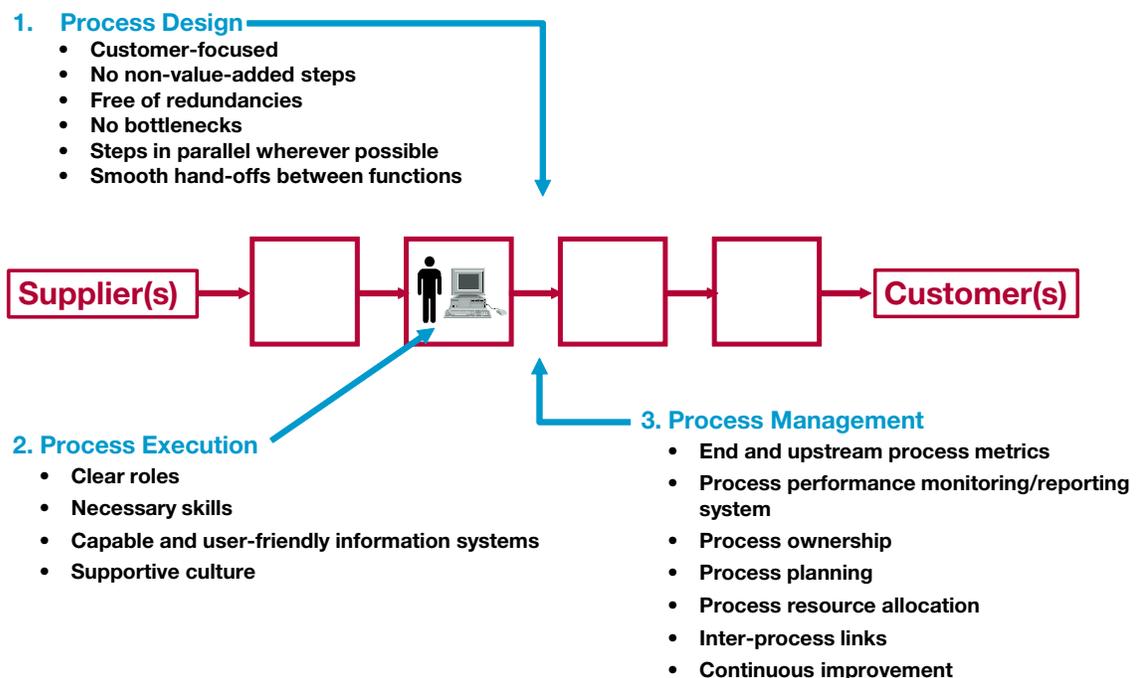
Unfortunately, business process thinking is often the weakest link in service businesses despite the lip service that is being paid to process-driven quality management frameworks like ITIL® (IT Infrastructure Library). While many organizations have embarked on business process improvement journeys, they typically fall victim to one of two major pitfalls:

- **Lack of “how to” thinking**—service processes are defined, but at a level that’s too high and too generic to provide engineers with the necessary detail on how to effectively work through customer issues in a consistent fashion
- **Lack of focus on “value-added” activities**—many service processes are primarily focused on capturing technical client or product data, but do not provide guidance on the critical rational thinking steps necessary to work through a customer incident, problem or service request, which is the real job and value of the service function

When assessing process capability, make sure you verify what is written on paper! We consistently find in our work with service organizations that what the process manual says and what people actually do can be two very different things. The reasons for deviating from the defined process work flow typically have their roots in deficiencies in the *Performance System* (see later section). To find out what your service engineers actually do, we suggest conducting DILo (Day-in-the-Lifetime-of)-studies, which document the service engineers’ real activities and their duration during an average work day to compare them against “the Should”.

Successful Service Process Management requires a higher level of attention to detail and focusing on the value-added steps of service provision. We recommend to assess and improve processes against 3 dimensions of process maturity: Design, Execution and Management (see illustration).

The three dimensions of Process Maturity



People

Two major factors will further widen the service capability gap: the speed of innovation and the convergence of technologies. The rise of the BlackBerry® and the Apple iPhone have demonstrated where the development of technology is heading—towards a further integration of technologies into a minimum number of devices that fulfill all business user and consumer needs whether it's computing, communication or gaming.

The underlying complexity of networked hardware and software cannot be coped with by sheer technical product training of service engineers. Consequently, service businesses need to recalibrate their training efforts towards critical thinking skills that are independent of the technologies or products in order to bridge the service capability gap. Service organizations will only be able to provide a consistent customer service experience to their customers if they develop the ability to partially decouple their service engineers' level of service provision capability from the level of technical knowledge, i.e. they need to reduce their dependence on product knowledge.

Moreover, to make sure that the backlog of unknown problems does not build up, CRM and KM systems need to be modeled after the service process (and not the other way around!). KM systems are only as good as the retrievable knowledge that's in the database. In order for service engineers to provide meaningful input into the KM database, these systems need to be based on what the *Knowledge Centered Support (KCS)* approach calls a *content standard*. This quasi "information code" needs to reflect how service engineers solve customer problems, i.e. troubleshoot! Yes, troubleshooting and knowledge creation are indeed two parts of what should be one integral process, not two separate ones!

The illustration shows how problem information can be "coded" in order to a) drive problem resolution and b) create a common way of problem documentation and knowledge creation.

Throughout many projects we have clearly seen the tight link between human capability and service performance. Just by getting the *Problem Statement* consistently "right" (i.e. a clearly defined single object and single defect) we are seeing on average an 18% reduction in time to resolve issues where the cause was unknown.

Knowing "the Code": Aligning Problem Resolution with Knowledge Creation

Problem Analysis

Describe Problem

State the problem Include both the object and the deviation in the sentence.

One Way traffic on <truck equipment>

Specify the problem

	IS	IS NOT
WHAT		
What object?	<truck equipment>	<comparable equipment>
What deviation?	One way voice	Package being lost
WHERE		
Where geographically?	Hutchison Telecom	In lab
Where on the object?	<exact location>	<test rig>
	<equipment name>	<equipment name>
	<card name>	<package sent see logs>
WHEN		
When first?	18th August 00:30	BEFORE
When since?	Intermittently	Constant/Periodic
When in the life cycle?	After loading patch set 11	After previous reset
EXTENT		
How many objects?	1	<>
What is the size?	Complete loss for ~5 minutes	<>
How many deviations?	40 instances reported	<>
What is the trend?	Stable	Increasing/Decreasing



Source: Kepner-Tregoe Problem Analysis Process

Performance System

How often have you heard the old management adage “If you can’t measure it, you can’t manage it”? While this is true in most cases, you also can’t make a pig fat by weighing it. The reality is that the service industry has developed an obsession with measurement. That’s not per se a bad thing, however, if we measure the wrong things and make them part of the service engineers’ performance system, the results can be disastrous because we are driving the entirely wrong behaviors. The Harvard Business study “Goals Gone Wild” pointed to the negative side-effects of overprescribed goal-setting.

In a recent engagement we found one of the central metrics that service engineers were being measured on to be the number of cases they touched during a day. Guess what happened? Engineers made it a sport to spend at least one hour of their day just opening and immediately closing again as many cases as they could in the CRM system.

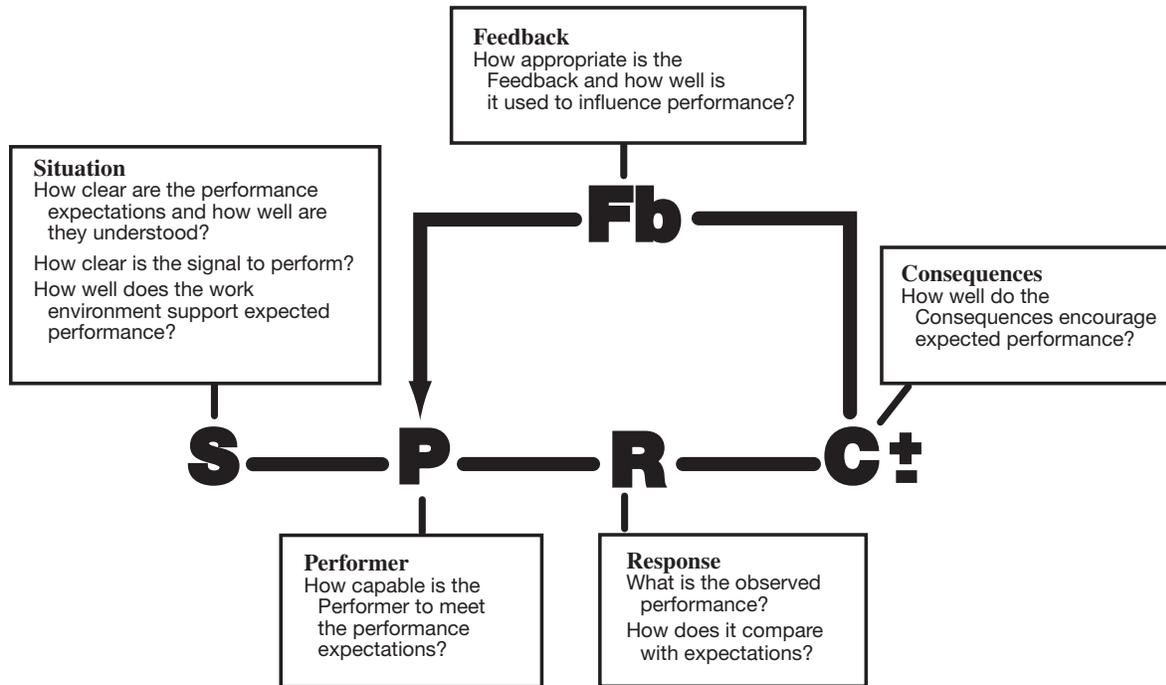
We typically find two major shortfalls with measurement systems:

- **Too much focus on quantitative vs. qualitative metrics**—response time and resolution time might be good measures for assessing capacity needs of a service organization, but they often times fail to measure the real impact on the customer experience and therefore be a predictor of customer retention. Measures like the Net Promoter Score are trying to address this weakness, but still have a long way to go in being more widely adopted by the industry
- **Too much focus on lagging vs. leading indicators**—even customer satisfaction is just a lagging indicator as it measures the outcome after the fact! It does not necessarily provide any feedback on what went well or badly during the actual service process and it doesn’t allow the service organization to prevent service break-downs in the first place. Leading indicators, on the other hand, aim to measure the performance of processes and people’s behaviors. Measuring the quality of problem statements, for example, has shown to be a certain predictor of improvements in resolution times and escalation rates

Clearly, the performance system is about more than just how we measure performance and provide rewards to service engineers, but is much more about what we do to actively influence behaviors to align with the organizational goals.

“If you want people to do a better job, give them a better job to do!” *The Kepner-Tregoe Performance System Model* provides for a more holistic analysis on how an organization either by design (e.g. through metrics tracking, compensation systems, job specifications) or potentially unintended (e.g. through lack of or inconsistent feedback, unclear priorities) influences the performance of service engineers. At the end of the day, the performance of a service team is a function of how the individual team members behave. If we don’t pay attention to their performance system we don’t stand a chance of sustaining good practices and weeding out the bad ones.

The Kepner-Tregoe Performance System Model



Where do we go from here?

Reducing the Service Capability gap will require a new type of thinking, away from blindly investing into tools and measurement systems towards understanding what truly drives a repeatable, high-quality customer service experience and efficiency in how services are being delivered. If we can get it right, the price to be won will be worth the effort: customers that not only are loyal to our business, but that act as willing apostles for our products and services. It is then that customer service will become a genuine competitive advantage and a driver of future revenue and profits.

The natural affinity technology service organizations towards software and technical training as the predominant solutions to their service challenges leaves them with a widening gap between customer expectations and actual service capability.

Kepner-Tregoe (KT) helps organizations dramatically improve strategic and operational outcomes. Combining proven technologies, capabilities, experience, and a way of doing business—the KT Way drives predictable, measurable results. KT collaborates with organizations to diagnose their greatest needs and design effective solutions. KT brings together just the right resource to deliver rapid results. Because the work is collaborative, improvements are sustainable and add lasting value. The approach offers a more effective alternative to traditional business consulting.

KT has a systematic, ITIL®-recognized approach that streamlines customer care programs, accelerate resolution, and reduces cost. In collaboration with KT, support organizations dramatically reduce the time and cost to resolve the most expensive, high-risk, mission-critical problems, preserving and strengthening important customer relationships.

For more information visit us at www.kepner-tregoe.com/servicevalue/
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CHRISTOPH GOLDENSTERN

Partner, Global Vice President of Service Excellence

Christoph Goldenstern leads a global team of consultants who serve clients in a range of high tech industries. The focus of his practice is grounded in service excellence. In addition to supporting KT ResolveSM, Kepner-Tregoe's ITIL[®]-recognized approach to troubleshooting that is used in the support organizations of many of the largest tech companies, Christoph's team provides a full range of consulting services called KT Service Value ManagementSM, dedicated to helping clients achieve strategic and operational improvements.

Christoph takes a holistic approach to life. "Rather than look at things in isolation, it is important to really understand the different variables in a situation, how they work together, and how they impact each other. With an appropriate strategy in place, a business can achieve significant improvements in customer service, operations, and the bottom line."

Clients such as Nokia, Siemens and IBM are thankful for Christoph's holistic perspective and strategy expertise. For IBM Rational, Christoph and his team developed and implemented a strategy that dramatically improved the quality of technical support. By taking into account both processes, tools and the people, the team helped raise IBM's customer satisfaction rating above 90%, reduced the backlog of unresolved cases by nearly half and sustained these improvements over the last three years. The Service Excellence Practice has consistently achieved outstanding results in service excellence projects for clients throughout the world.

Prior to joining KT, Christoph provided business and marketing strategy advice to a host of business-to-business clients. He earned a Diplom-Kaufmann from Hochschule Bremen in Bremen, Germany and was a foreign exchange student at the University of North Carolina in the United States.

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