

Service Quality: The Elephant in the Room?

A Lesson for Service Management from Containerised Cargo Services

Trevor Lea-Cox

Presentation

- Introducing Service Management
- Business Background
- Containerised Cargo Management Example
- Lessons Learned: Then
- Lessons Learned: Since!

Introducing Service Management

ITIL and ISO20000

- ITIL® :
 - ITIL® and IT Infrastructure Library® are Registered Trade Marks of the Cabinet Office of the UK Government
 - They are best practice guidelines for Service Management
 - ITILv2 – Focus is on Process
 - ITILv3 – Focus is on the Service Lifecycle
 - Released 2007
 - “ITIL 2011” – revision of ITILv3 (2007)
- Service Management Standard :
 - BS15000 – based on ITIL
 - Superseded by ISO/IEC 20000 -1:2005
 - Current version: ISO/IEC 20000 -1:2011
 - Focus is on the Service Management System

Business Background

Preliminaries

- Presentation is based on a major Management Review done for a division of a large Transport and Logistics Group
- The lessons learned from this review and the resulting improvement programme highlights many of the key Service Management dynamics affecting Business Services that occur within a single company and even within a department within a company
- Service Quality turned out to be a major issue – but it was constantly put in the “too difficult” box – hence the title of this talk.

Business Background

- The Problem Area:
 - Containerised Cargo Importation Process
 - Time to deliver cargo to the Consignee was taking longer than that benchmarked in Europe
 - Several mitigating factors, but all involved agreed there was room for improvement
- Key Objective:
 - To reduce the time to deliver imported containerised cargo to the consignee (customer)
- This presentation:
 - Focuses on the management review
 - The outcome was not what we had expected!

Containerised Cargo Management Example

Simple Overview of Container Movements

Shipping – Inbound Cargo



Containers unloaded and stacked ...

... then moved to the Container Depot



Cargo unpacked, inspected, released, etc.

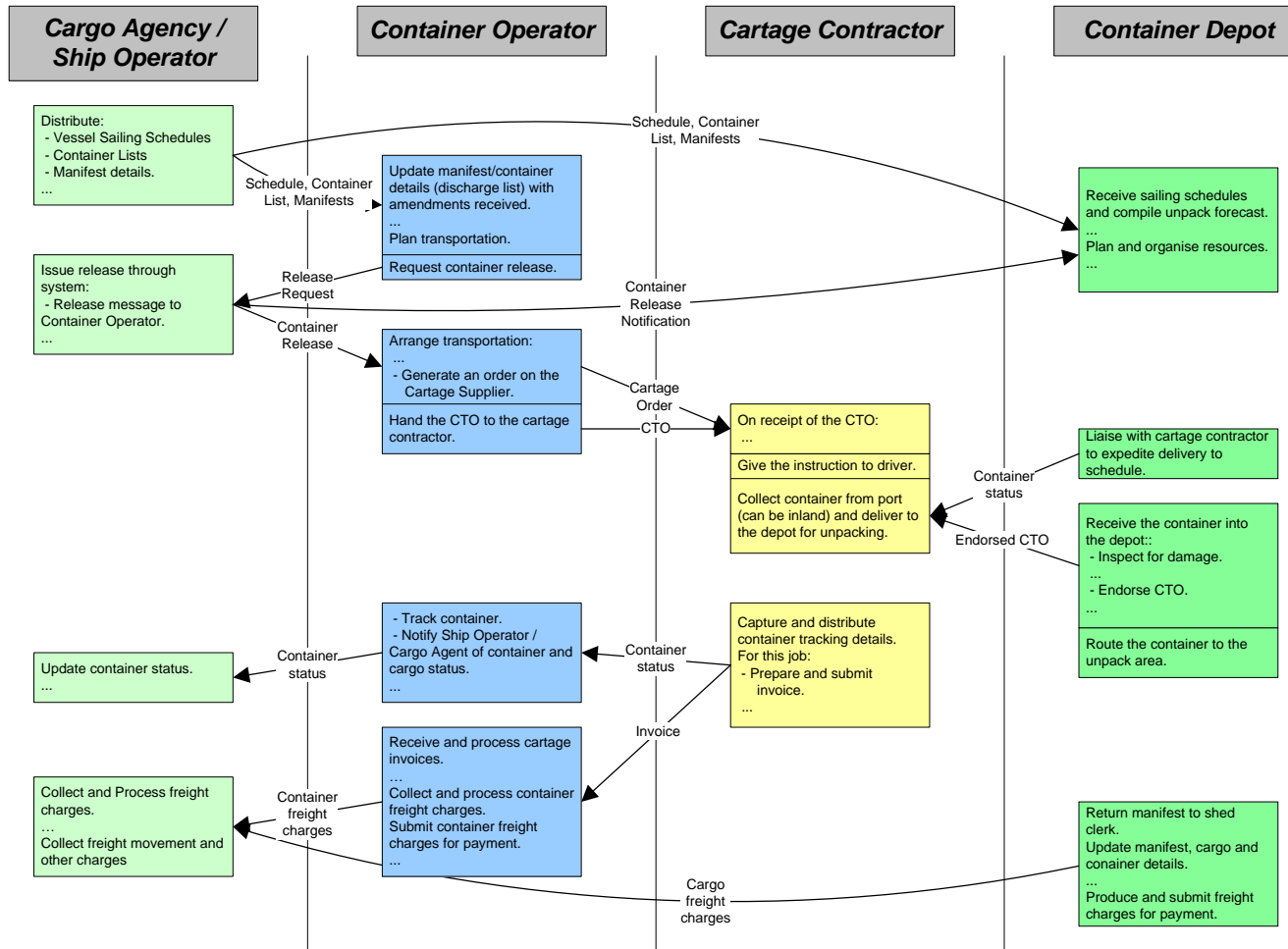


Container / Cargo delivered to Consignee

Operating Environment

- Four main types of Companies
- Affected over 120 organisations providing Services of all types
- Complex regulatory environment
- Relatively complex information flows
- Many different types of containers and types of (containerised) cargo
- Packed containers are relatively high value (so cost of error is often high)

Summary of selected Information (Document) Flows



Summary of the Information, Systems and Technology situation

- Group had grown significantly (by acquisition)
- All companies operated independently – no “shared IT services”
- Four years prior started big IT standardisation and governance programme
- Had also started implementing ITIL (v2)

Key Issues and Problems

In the companies reviewed, a large number of issues and problems were identified – the following were the most important:

- Process and Information synchronisation:
 - Not well coordinated and integrated across companies
 - Information condition patchy
 - Inconsistent information between companies
- Differences in Operating (Service) Contracts:
 - Lacked focus on some key servicing issues – although also some complexity here
 - Originally prepared at different times and in “local” contexts
 - Not consistent along operating supply chain
 - An “SLA” challenge

Key Issues and Problems continued

- Managing operating incidents, exceptions and claims:
 - Difficult to coordinate resolution of incidents and problems especially inter-company (across the supply chain)
 - Lots of legitimate “exception conditions” added significant operating complexity
 - No common Incident and Problem management systems
 - Claims management system well-established but operated in difficult conditions
 - Responsibilities and accountabilities in this area “could be improved”



Key Issues and Problems continued

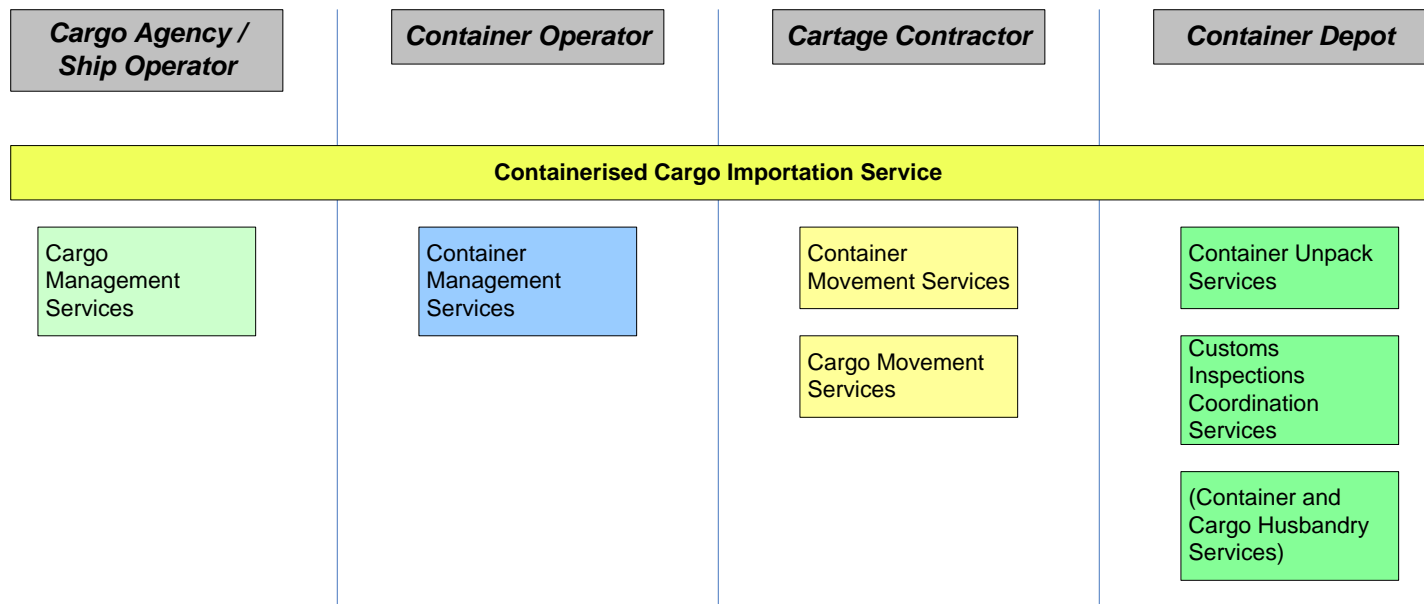
- Operating Objectives and Performance Measures not synchronised:
 - Still thinking business “Processes” not “Services”!
 - Process Objectives not well aligned, especially between companies
 - Overall the Group was not meeting its own objectives

Turning Point!

- Identification of business **services**, not processes, as the subject of interest
- Subsequently the review changed character and became a lot more **strategic** in its focus

Key Issues and Problems continued

- Key Services identified:



Key Issues and Problems continued

- Service Objectives and Performance Measures not synchronised - continued:
 - Focus on Key Service Objectives:
 - Containerised Cargo Importation Service - generally:
 - Minimise total transportation cost to customer
 - Deliver cargo to Consignee on time
 - Adjust to meet customer requirements in exception situations
 - Ensure cargo arrives in good condition
 - Actual customer requirements and objectives varied widely
 - Further analysis showed significant variation of performance measures, targets and priorities for each “service”
- From the customer perspective, there were clearly significant opportunities for improving Service Quality
 - Service Quality was not appropriately monitored and measured

Key Lessons Learned: Then

Services are powerful business “building blocks”

- Containerised Cargo Importation Service was the focal point in this case – all other services were subordinate (supporting services)
- The Cargo Owner (often the Cargo Consignee) was the customer – not the next higher order service in the “chain”
- Services are a powerful way of “compartmentalising” operating capabilities and effort where processes cut across operating boundaries
- Several Group (Service Provider) and Customer objectives were aligned (i.e. were not opposites) – e.g. Minimise the time to deliver cargo to the customer

Service Quality has a major impact on results

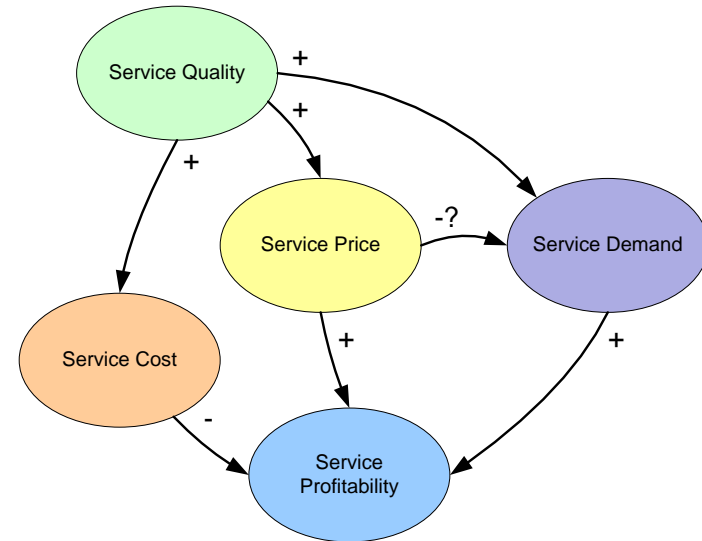
- Service Quality is a key Critical Success Factor (CSF):

- Service quality has to be appropriate to customer needs
- It has a big impact on Service Profitability:

- Determines the total cost of the Service
- Together with Pricing it affects Demand

- It has a big impact on Intangible factors such as Customer and Employee Satisfaction and Corporate Reputation
- It has a big impact on the intrinsic structure of the organisation, especially:

- Capabilities required
- Quality and Risk decisions in respect of the supporting infrastructure



Significant business integration was required

- To deliver a Containerised Cargo Importation service of good quality to our customers, consistently and reliably, we had to achieve a significantly greater level of inter-company integration, especially the alignment of:
 - Operating Objectives
 - Customer Requirements (needs)
 - Operating Contracts (Service Level Agreements)
 - Managing adverse incidents and events
 - IT systems and information
- But ...using the concept of Business Services *facilitated* integration!

Key Lessons Learned: Since!

First, some key definitions

- ITILv3:
 - **Service:** A means of delivering value to Customers by facilitating Outcomes Customers want to achieve without the ownership of specific Costs and Risks
- ISO/IEC 20000-1:2011:
 - **Service:** Means of delivering value for the customer by facilitating results the customer wants to achieve
 - Note 1: Service is generally intangible
 - Note 2: A service can also be delivered to the service provider by a supplier, an internal group or a customer acting as a supplier.

First, some key definitions

- ISO/IEC 20000-1:2011 continued:
 - **Service Management System:** Management system to direct and control the service management activities of the service provider
 - Note 1: A management system is a set of interrelated or interacting elements to establish policy and objectives and to achieve those objectives.
 - Note 2: The SMS includes all service management policies, objectives, plans, processes, documentation and resources required for the design, transition, delivery and improvement of services and to fulfil the requirements in this part of ISO/IEC 20000.
 - Note 3: Adapted from the definition of “quality management system” in ISO 9000:2005.

Service Quality is effectively determined by your Service Management System

- For organisations focusing on expensive or complex products, Service Quality is frequently the most important CSF
- Service Quality is **appropriate** quality:
 - Utility – “fit for purpose”
 - Warranty – “fit for use”
 - Encapsulated by the Service Value Proposition
- Sustainable Service Quality is “intrinsic” – it is best (and most cost-effectively) built in at the design stage
- The **Service Management System** determines how a Service is planned, designed, developed and subsequently managed. It has a big impact on the **Actual and Perceived Quality** of a Service by a Customer
- Quality Management plays a key role in ensuring that this is the case

Business Service and SMS Quality are underpinned by good quality Architecture

- The Quality of both Business Services and the Service Management System are underpinned by good quality **Architecture**:
 - The **Architecture for Business Services**:
 - Provides a consistent, coordinated framework for building up an organisation's Business Services
 - Provides the “blueprint” required for developing, maintaining and operating each Business Service
 - The **Service Management System Architecture**:
 - Provides a consistent and coordinated framework for building the organisation's Service Management System
 - Provides the “blueprint” for each ITIL Process Area implemented as part of the Service Management System (which when implemented provides a new Service Management Capability)

Discussion and Questions?

- *Planning a (strategic) Review of Service Management using ITIL?*
 - *Starting, or want to introduce ITIL?*
 - *If you would like me to post to you a (free) booklet which is **essential input to Service Management strategy**:*
- “Increasing the Profitability of Business Services using ITIL:
Eight key dynamics underpinning successful Service Management”**
- *Please speak to me, or send an e-mail with your name and address to:
tlca@esmarchitecture.com*