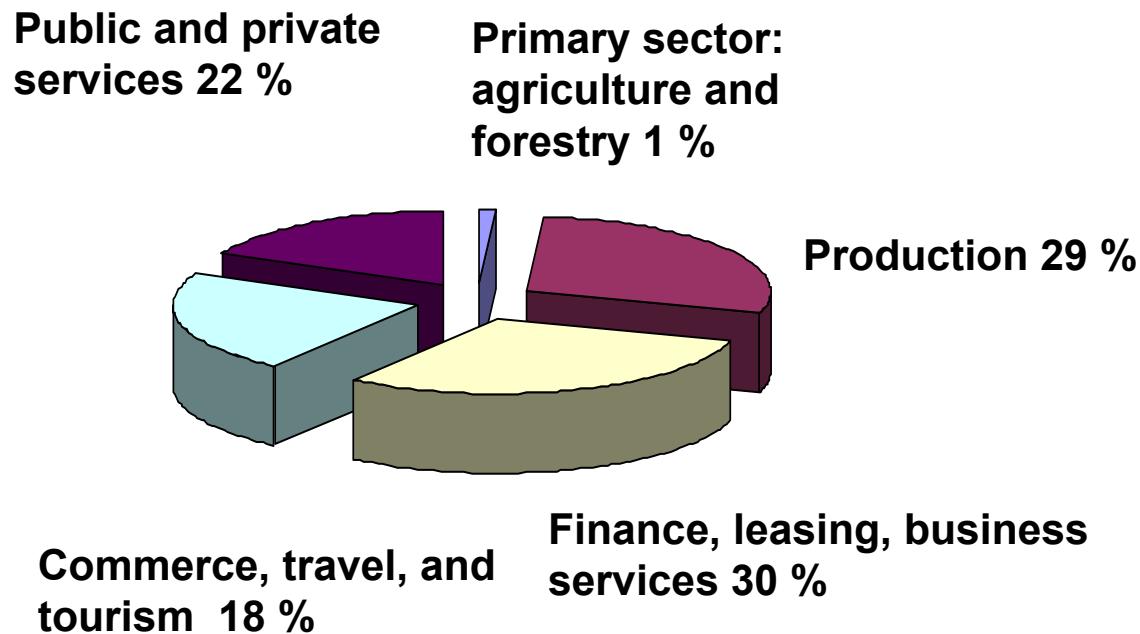


# The Service Factory

Thomas Zinnöcker

## Around two thirds of all German employees were working in the service sector in 2003



But the degree of professionalism in most service firms is low:

➔ This has created a wave of insolvencies instead of a growth industry

## Scientists and Researchers have Defined the Following Factors Influencing the Success of Service Management:

- **Methods and procedures from the science of engineering**  
Design to market, Lean Management, Business Reengineering, etc.
- **Business concepts**  
Key Account Management, proactive controlling, process cost accounting, etc.
- **Approaches from psychology, social science, and organization**  
The learning enterprise, leadership and motivation, self-starting and responsibility at the workplace, etc.
- **Design of supportive – although often inflexible – IT systems**
- **The necessary interdisciplinary and holistic integration**  
Process orientation, management cybernetics

**But examples of pragmatic implementation are mostly lacking**

## DTI Facts

- **Facility Management serves to maintain the value of all types of real properties while optimizing life-cycle costs:**

Development and implementation: 33%

Operating costs: 66%

- **For its normal business operation, Deutsche Telekom needs around**
  - 35,000 units of real property  
(administrative and technical buildings)
  - 16 million m<sup>2</sup> building area
  - 1 million pieces of technical equipment  
(UPS, VACS, heating, elevators, etc.)
- **Operating costs of around 1 billion euros are distributed internally over some 90.000 leases**

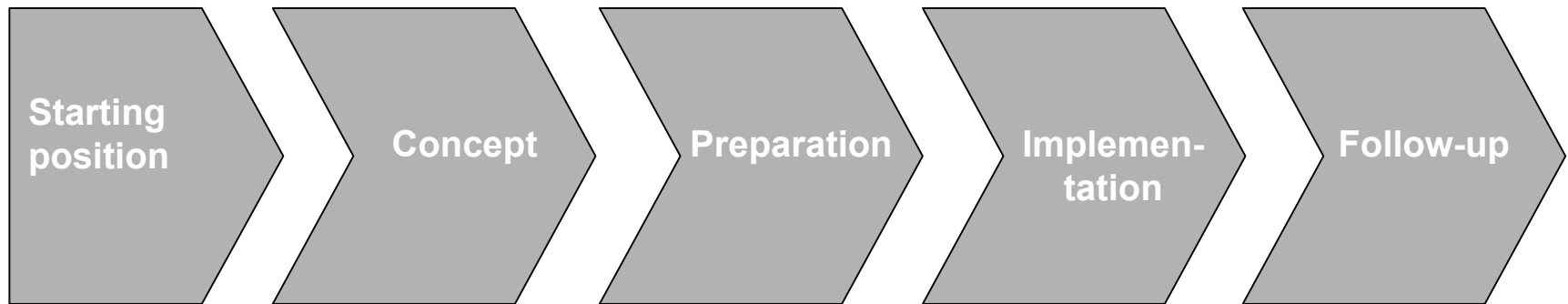
## DTI Tasks

- **Deutsche Telekom Immobilien und Service GmbH is the exclusive shared-service provider for the entire portfolio**
- **The product range includes**
  - Surface area optimization
  - Real property lease administration
  - New construction and revitalization
  - Maintenance/inspection of technical equipment
  - Providing infrastructural services (cleaning, security, waste disposal, catering, etc.)
- **Internal customers expect a high degree of availability for their space based on high qualitative and individual needs, and they are highly price sensitive if faced with a negative impact on their competitiveness**

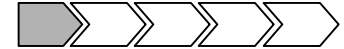
## The DTI 2004 Project

- **Initiated in 2002, the optimization project DTI 2004 follows the goal of professionalizing the management of FM services in the company to such a level that**
  - Conditions for a marked improvement for business cost optimization are created
  - and
  - The value of DTI is improved for its intended spinoff from Deutsche Telekom

# The DTI 2004 Project

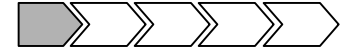


## Starting Position (1)



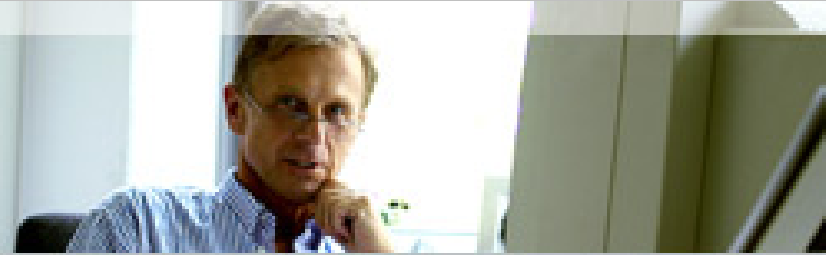
- **Product and service definitions are based on traditional and mostly technical experience with**
  - a high degree of detail
  - barely measurable qualitative features
  - cost-based price-setting models
  - high standards for documentation and proof.
- **The regional profit center structure led to wide variation in service performance:**
  - The same product for the same customer was produced in a different way and at different prices each time.
- **There was no transparency as to the status of service performance:**
  - Scheduling agreements with customers was like playing the lottery.
- **Responsibility for the production process was shouldered by many:**
  - Reciprocal finger pointing and long decision-making processes were common.

## Starting Position (2)



- **The new integrated IT system was felt to have a constraining rather than a simplifying effect**
- **Disruptions came from headquarters in the form of micromanagement and evaluative hyperactivity**
- **Managers with clerical duties had little time for their coworkers**
- **Employees were only creating value around 50 percent of the time**

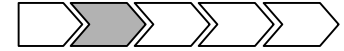
 **Low customer satisfaction. Poor image. No service orientation. Weak morale. Meager performance**



“Start with what is necessary, then do **your utmost**, and you will suddenly achieve the impossible.”

Francis of Assisi

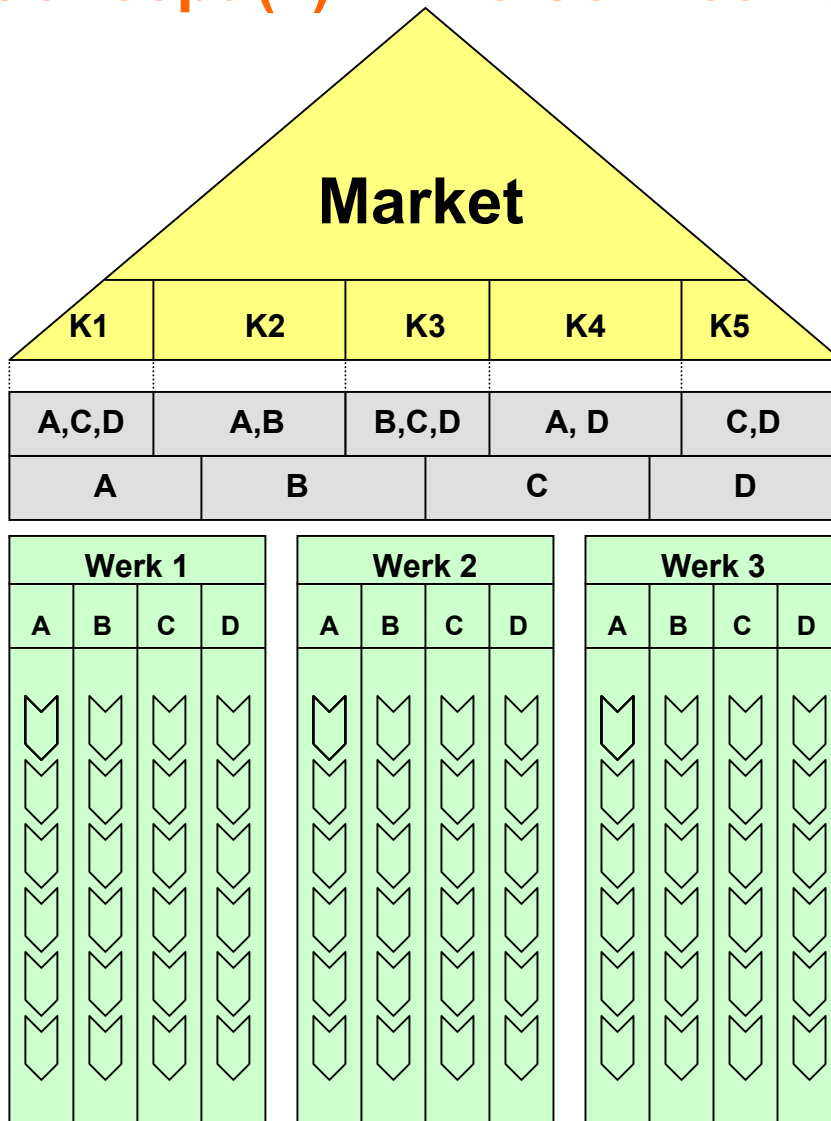
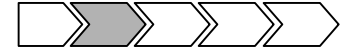
## Concept (1) – The Difference that isn't...



- **The productive output of industrial firms can be standardized 100 percent**
  - and the services performed by service firms, too
- **The output of industrial firms can be measured and products are subject to known competitive factors**
  - and the services performed by service firms, too
- **The output of industrial firms give customers benefits that can be measured, and this can be thought of as value creation**
  - as can that of service firms

**Service firms can also be viewed as service factories that produce their services at office desks or on site on their customers' premises instead of in factories**

## Concept (2) – The Service Factory



### Central customer management

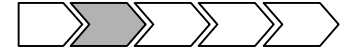
- Offers customer-specific package solutions
- Customer care (dedicated accounts)

### Central product management

- Configuration and redesign of customer package solutions
- Definition and production control of standard services

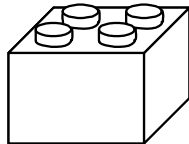
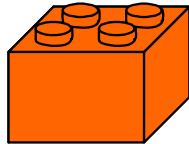
### Regional production management

- Implementation/production of defined standard services
- Process and module control
- Resource control
- Supply management



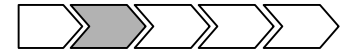
## Concept (3) – The Lego Principle of Industrialization

Focus on the service creation process



- **Process standardization along with interface modularization and definition assures data exchange between modules**
- **Clear agreements between customers and suppliers in the company determine the quality, method, and form of data transfer**
- **Descriptions of internal and external customer-supplier relationships define the complaint handling and escalation levels**

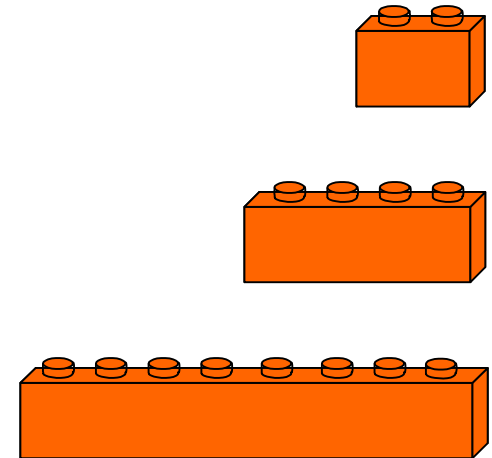
**The methodology of equipment modularization, as it is known in industry, defines the construction principles for service products**



## Concept (4) – The Lego Principle of Industrialization

Focus on modules, that is, on self-contained process units with

- Job instructions and aids
- Process times
- Resource use (personnel, material, aids)
- Necessary qualifications

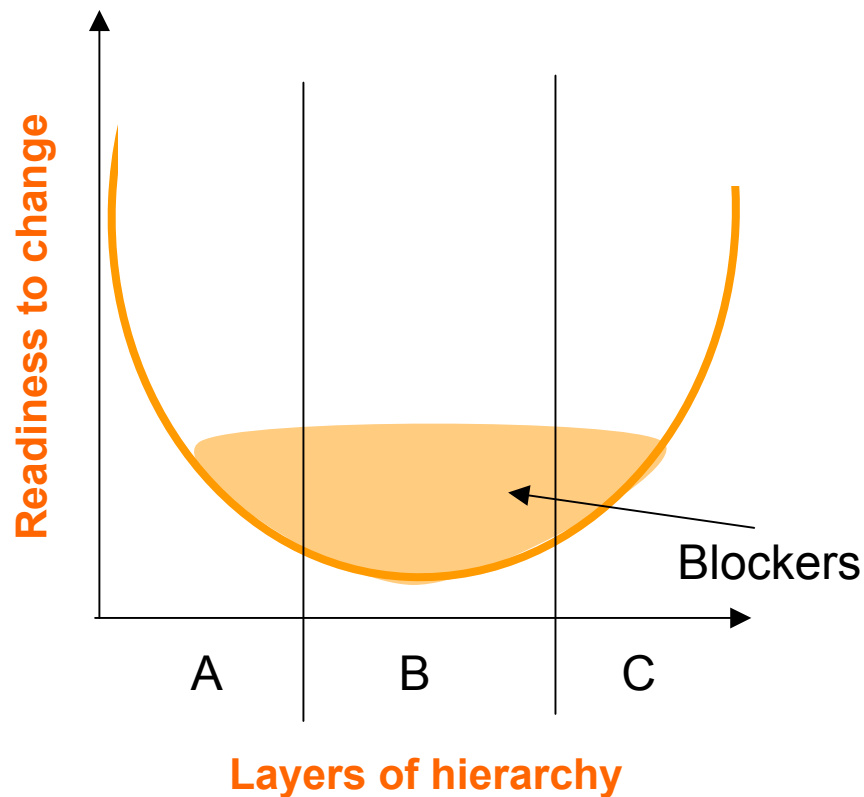
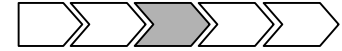




“*Genius* is one percent inspiration and 99 percent perspiration.”

Thomas Alva Edison

## Preparation (1) – Change Management: Top down and Bottom up.

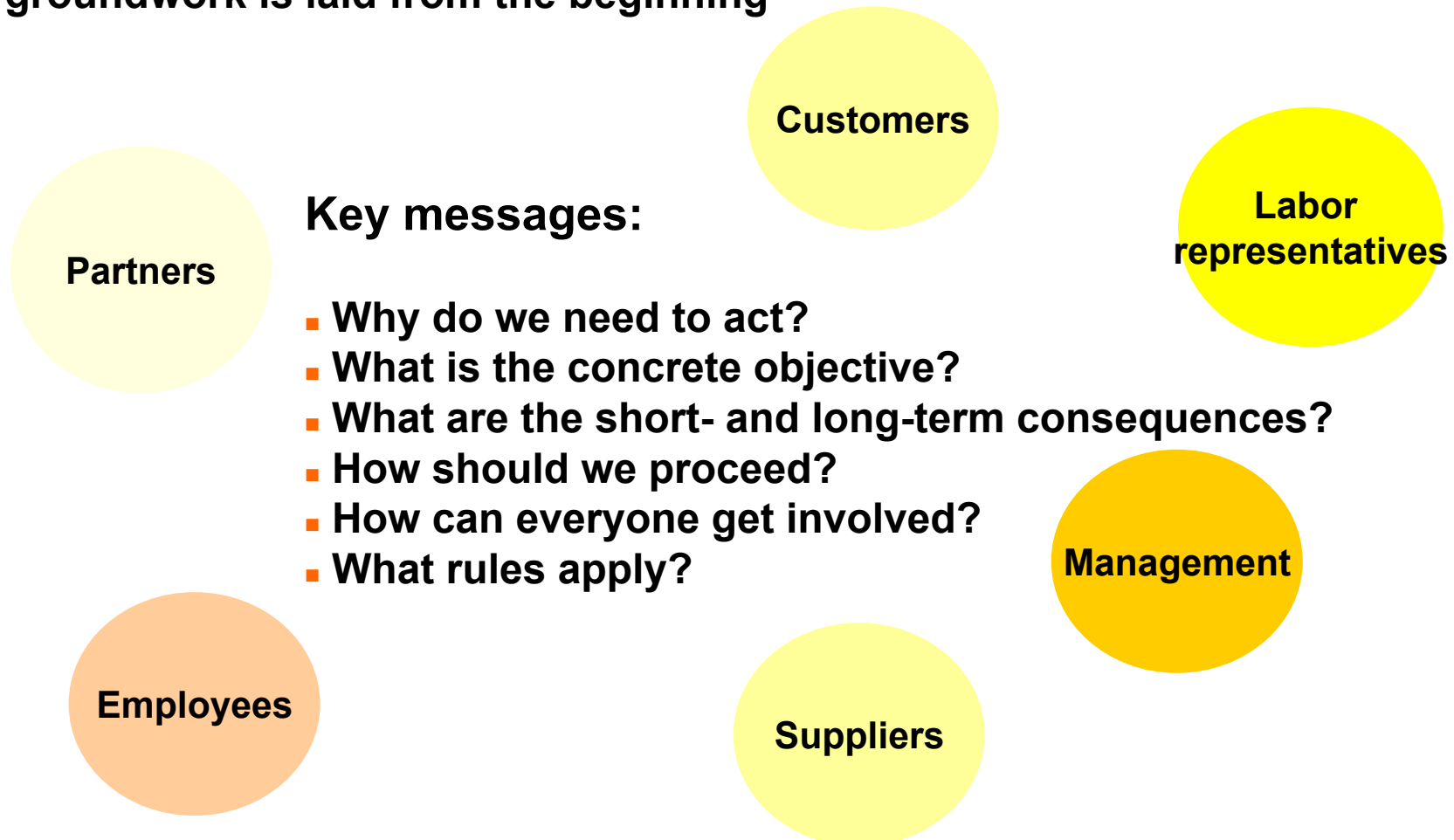


- The leadership role model (management duty)
- Integrating by informing and involving (challenge)

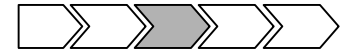
➔ Open communication is essential

## Preparation (2) – The Communication Concept

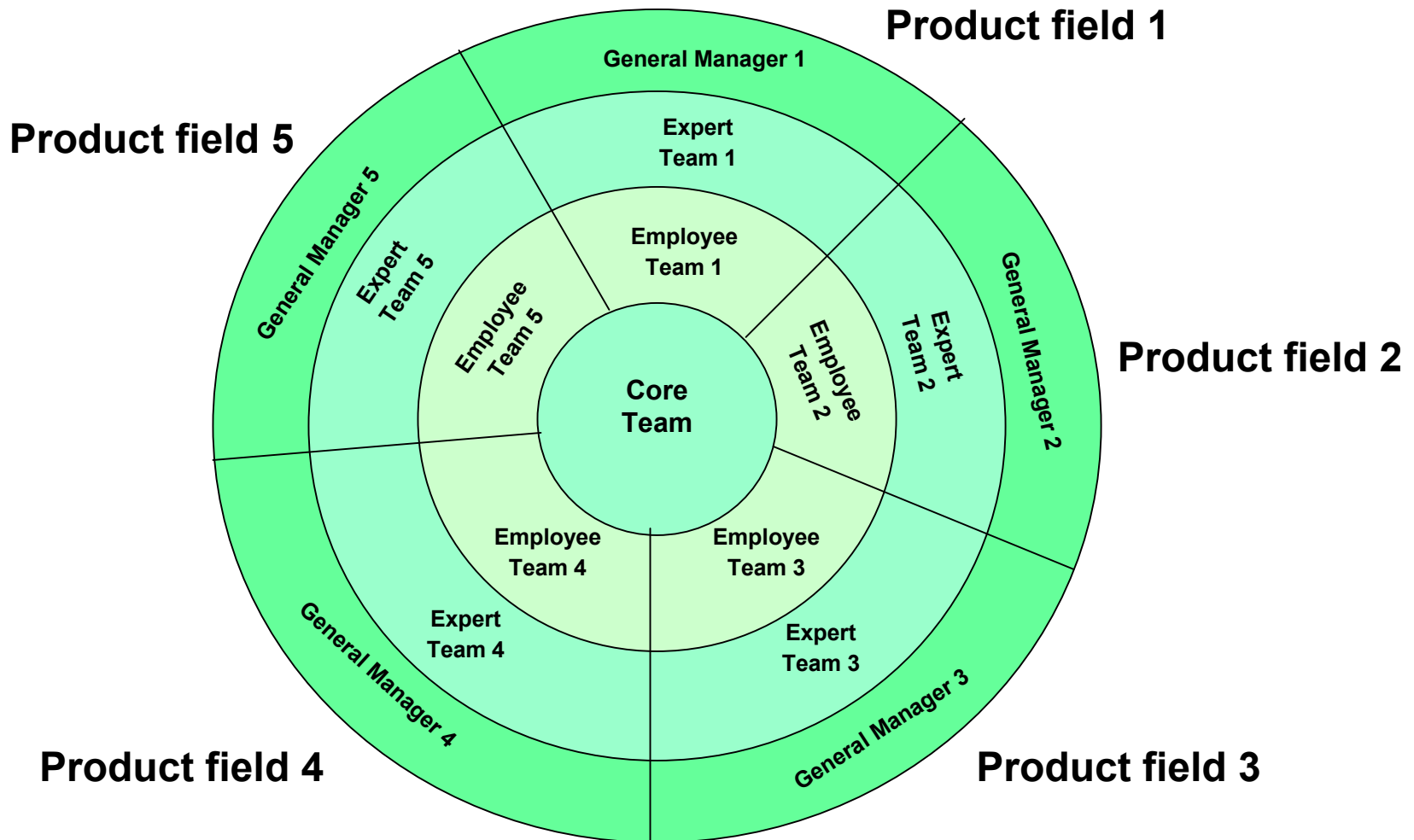
Trust and credibility are based on open and clear communication – the groundwork is laid from the beginning

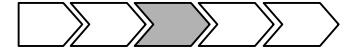


# Preparation (3) – Project Organization



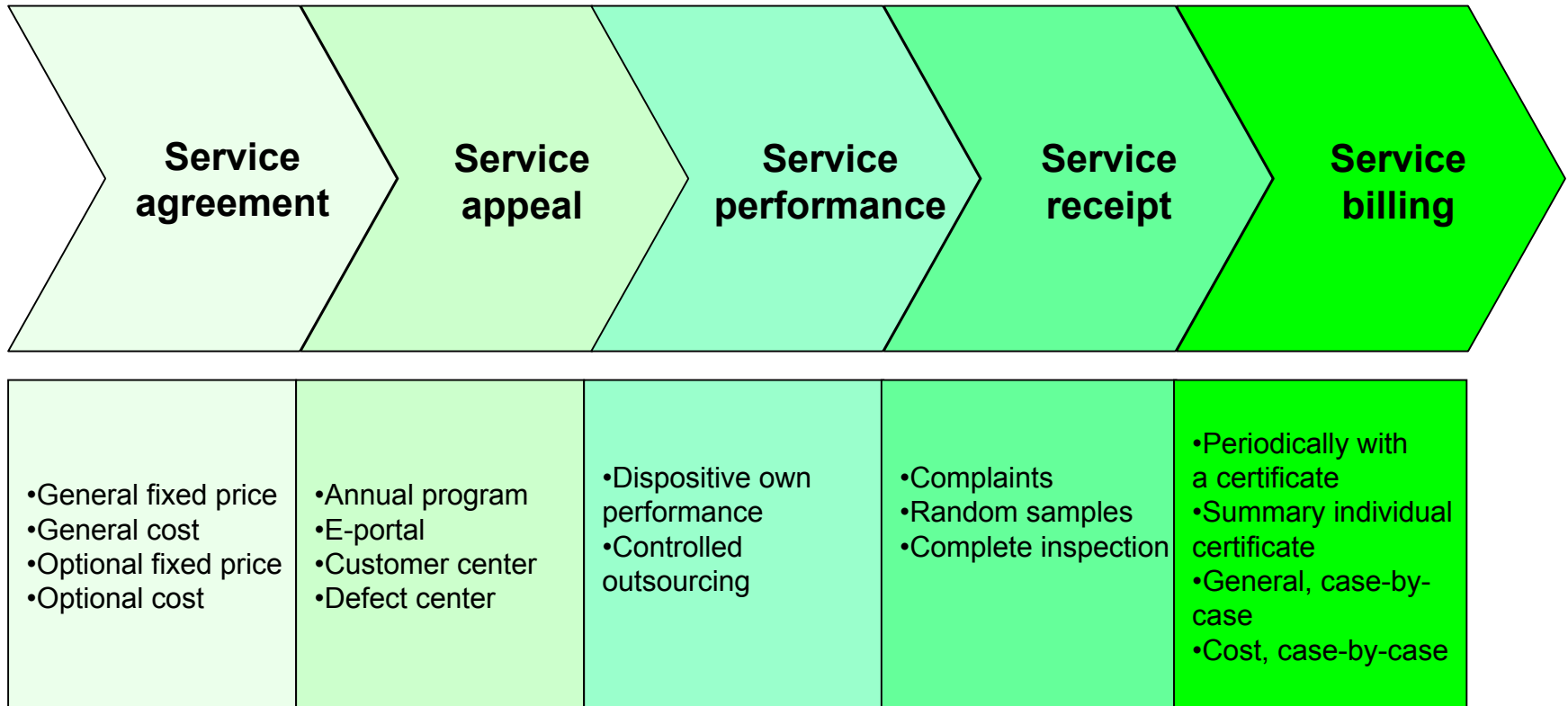
Including employees, experts, and decision-makers





# Preparation (4) – Standardizing the Product Creation Process

5 service phases, 17 variants, 384 combinations

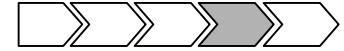


“Man can conquer anything, but only if the conquest is a **necessity**.”

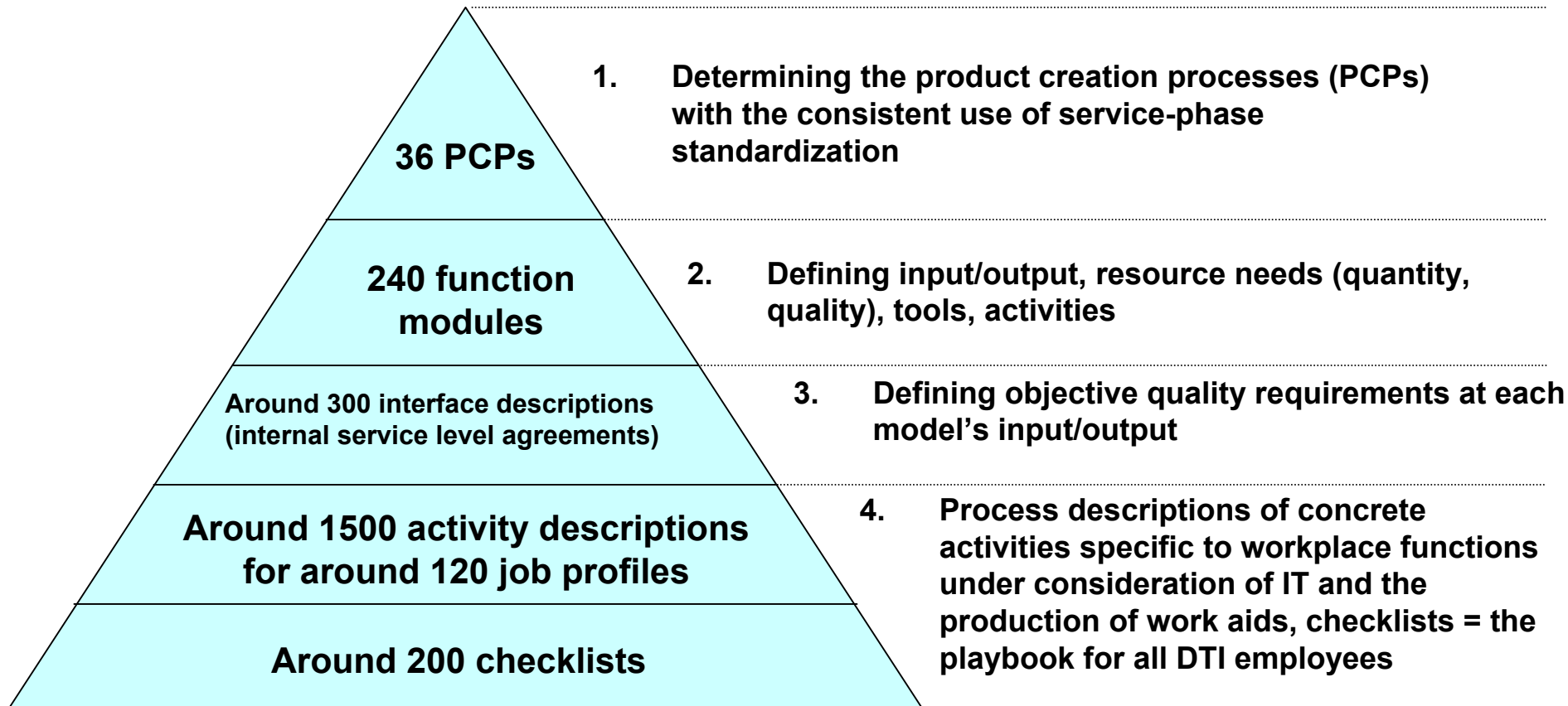
“Man can do anything when necessary.”

Ludwig Feuerbach

# Implementation (1) – Modularizing the Product Creation Processes

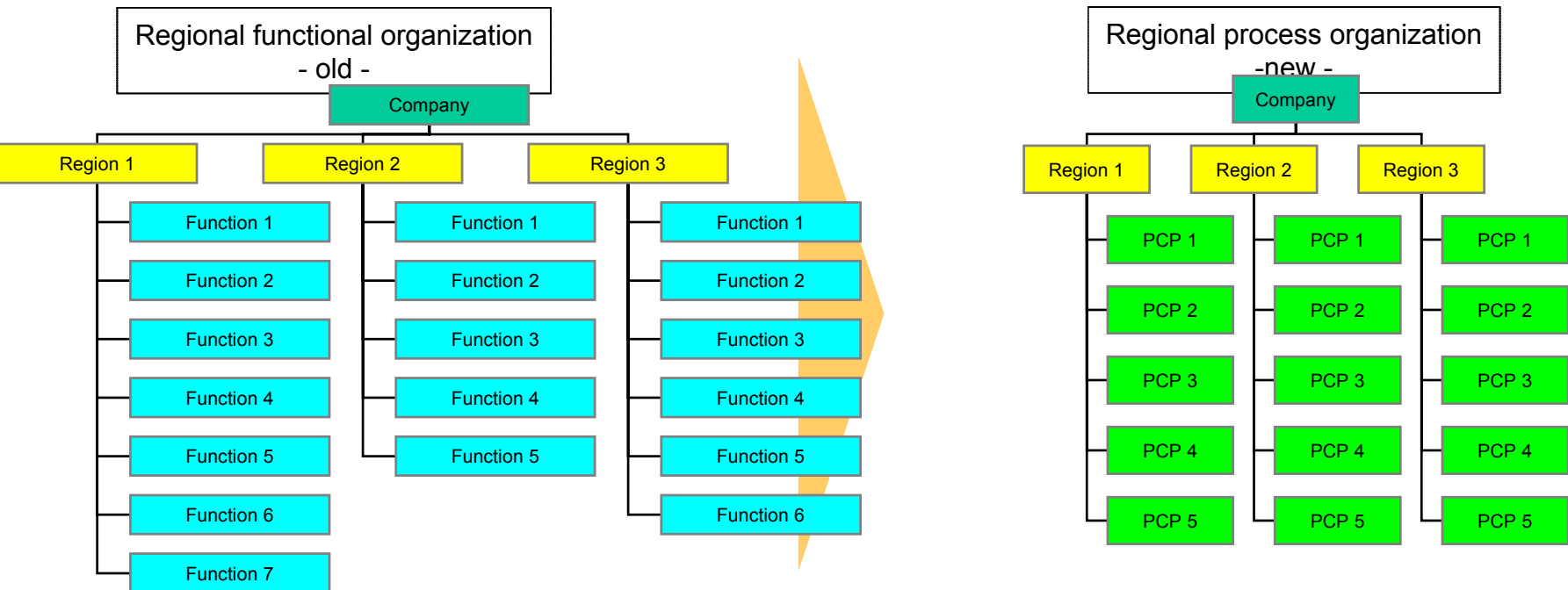


Creating transparency about value-creating activities and their process contexts (top-down approach)

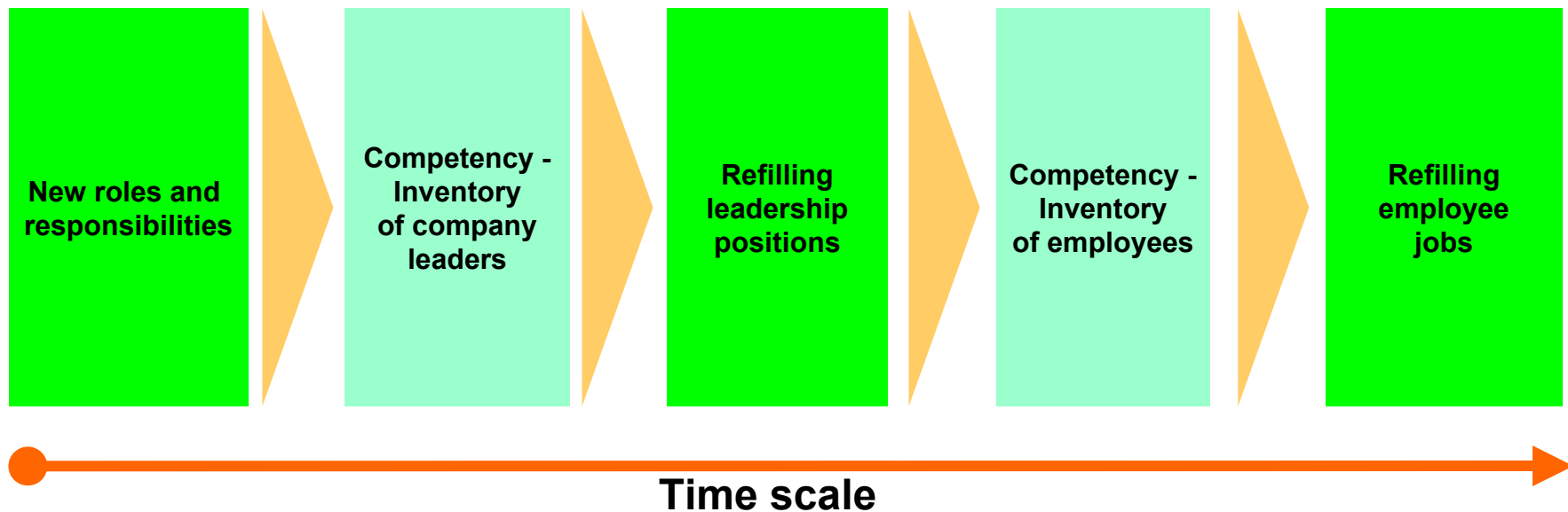
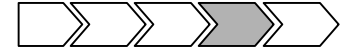


## Implementation (2) – Defining Process Responsibilities

Defining interfunctional process responsibility so as to agree on clear responsibilities for uniform service creation

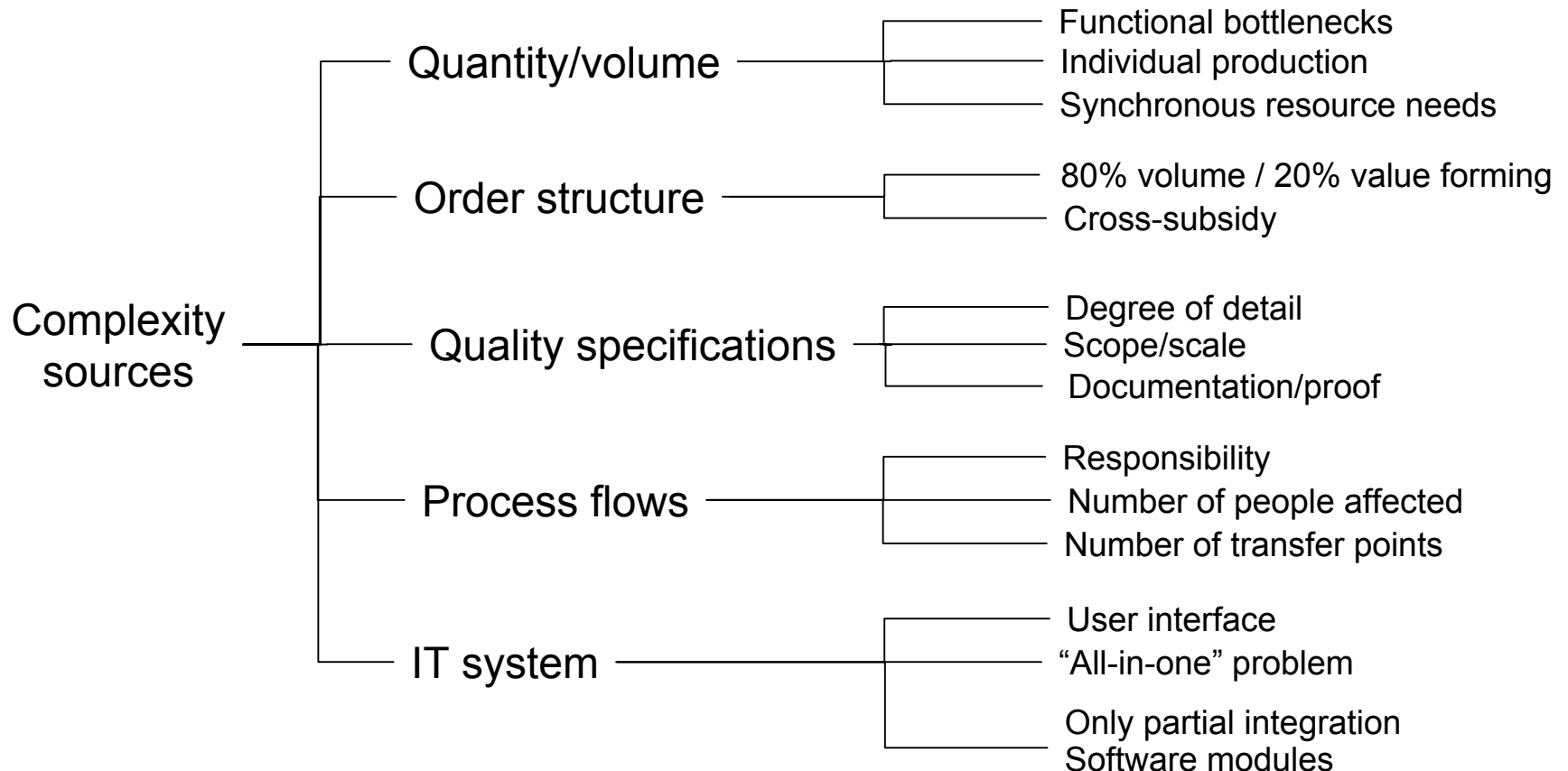
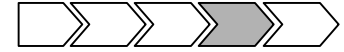


## Implementation (3) – Identifying Promoters Looking at Leadership and Employees

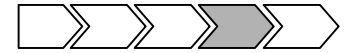


**New responsibilities, new rules for cooperating, new tools – identify the management leaders and employees who see these as their future opportunities**

## Implementation (4) – The Structured and Systematic Record of the Product Creation Processes Allows Identification and Reduction of Complexity

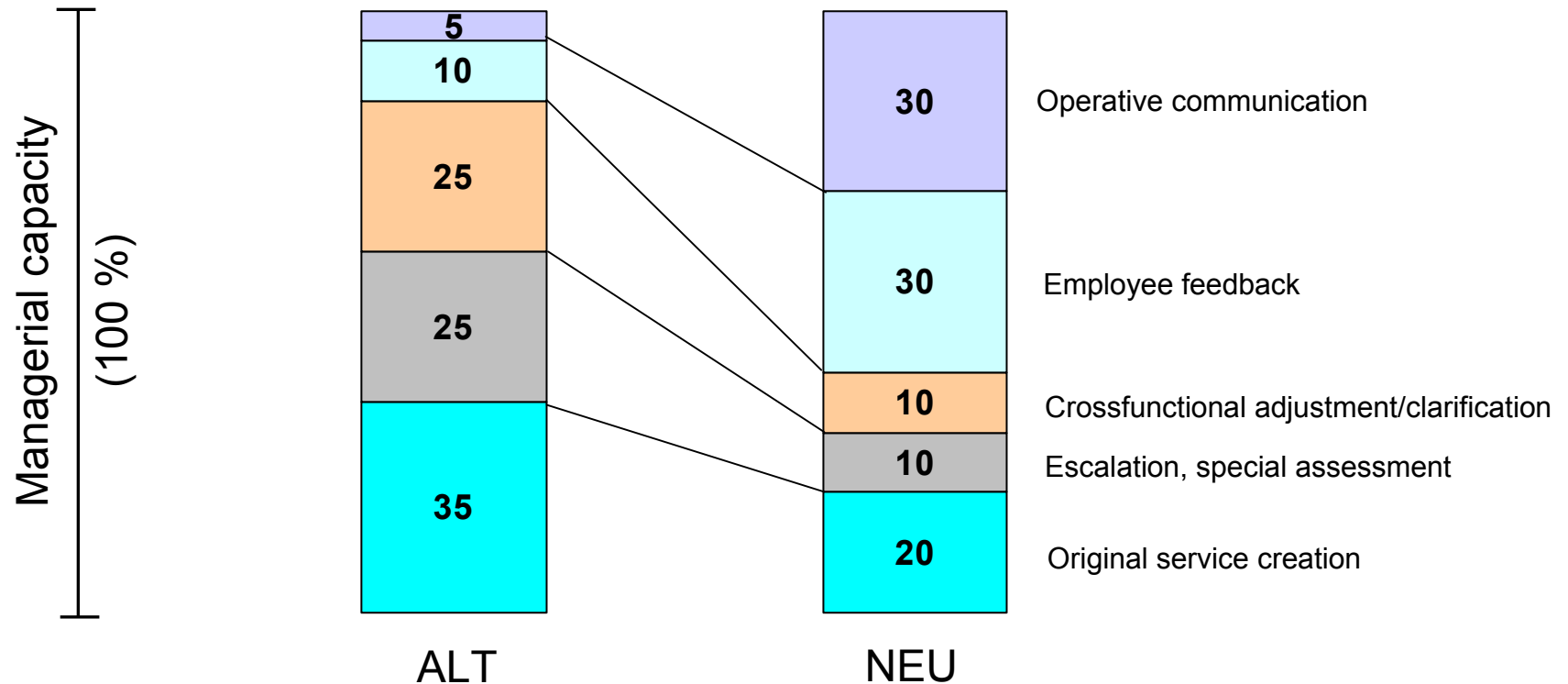


# Implementation (5) – Transparent Product Creation Processes Enable Testing/Correction of Existing IT System Architecture



		Entry barriers	Flexibility	Costs	Areas of application
E-business	<p>e-order e-control e-testing e-invoice</p>	low	high	Low	“Catalog” products; High standardization required
Customized solutions		medium	medium	Medium	Data management; partly integrated special solutions
Standard		high	low	high	<u>Basic load</u> ; Large quantities of similar standardized data processes

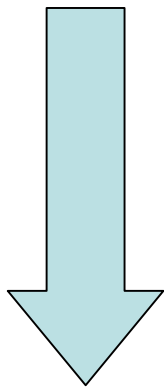
## Implementation (6) – Developing Managers from the Role of “Noble Clerks” into Entrepreneurial Coaches for Fellow Employees



# Implementation (7) – The Change Management Process Defines the Key Roles of Managers: Defining Goals and Designing, Controlling and Optimizing the Service Creation Process

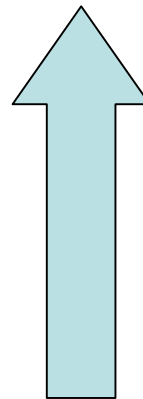


Goal setting,  
concept, defining  
barriers



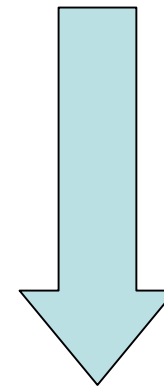
“Top-down“

Creating processes,  
modules, interface  
descriptions, activities,  
checklists



“Bottom-up“

Communicating and  
practicing new  
responsibilities, new rules for  
cooperation, new tools, new  
meaning of leadership



“Top-down“

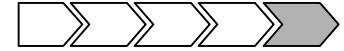


**Enthusiasm** is so precious because it gives the human spirit the power to do and to continue to do its best.

I have been working.

Samuel Smiles

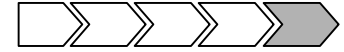
## Follow-Up (1) – The First Results of DTI 2004 Suggest that Ambitious Goals can be Achieved



- **Proportion of value-creating activities** from **55% to 70%**
- **Development of quality UPIs:** ↗
- **Development of scheduling UPIs:** ↗
- **Development of scheduling profitability UPIs:** ↗
- **Development of employee satisfaction:** ↗
- **Development of customer satisfaction:** ↗

Note: All figures are tested by third parties (accountancies, TÜV, auditors) according to a predefined procedure (quality gate)

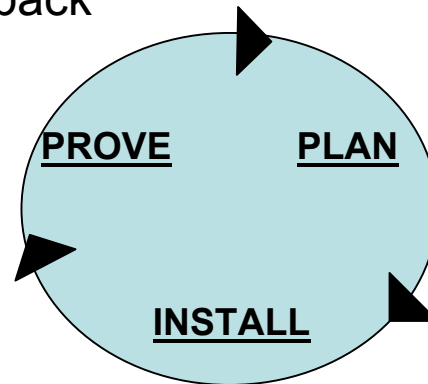
## Follow-Up (2) – Assuring Sustainability by Introducing a Continuous Improvement Process (CIP)



### Step 3:

Systematically record and analyze feedback from

- Customers
- Employees
- Suppliers



### Step 1:

Develop concepts

### Step 2:

Implement changes sustainably at employee workplaces



"I never did anything worthwhile by chance.  
My inventions were never created by chance.  
I worked for them."

Thomas Alva Edison