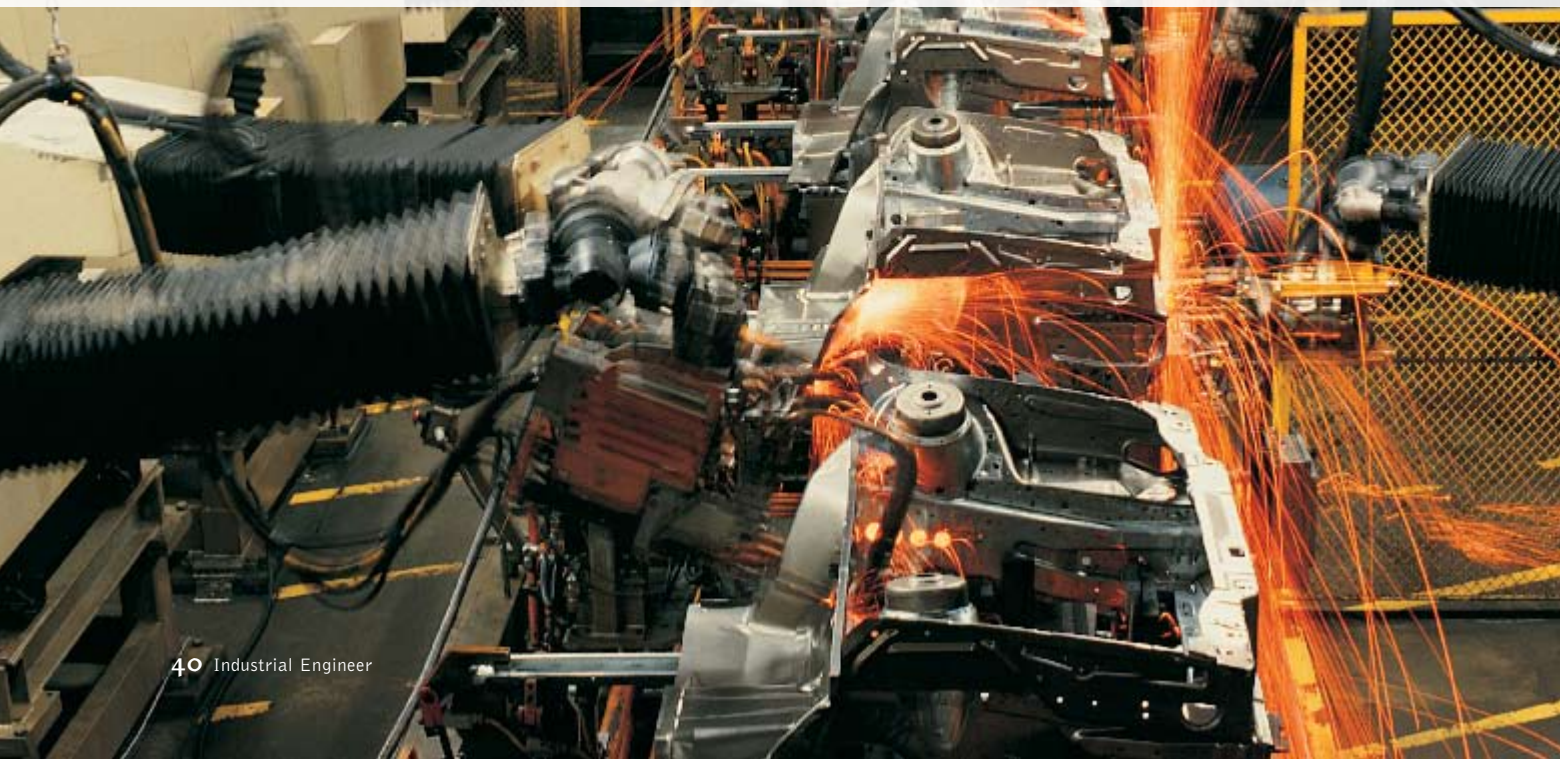




Service with a smile

Lean solutions extend beyond the factory floor

BY BETSI HARRIS EHRLICH



When Taiichi Ohno of the Toyota Motor Co. visited Ford Motor Co.'s River Rouge plant outside Detroit in 1949, he was impressed with the idea of continuous flow on the manufacturing line. However, other aspects of mass production appeared wasteful, such as the high number of indirect to direct workers and the use of expensive single-purpose machinery.

The rest of the story, how Ohno and Shigeo Shingo went on to develop the Toyota Production System, is well known. Lean production has proven to be one of the more significant advances in manufacturing since Frederick Taylor proposed the idea of work as a process that can be scientifically analyzed and measured.

Like Taylor's scientific management approach, most process improvement methods started in the factory, and lean is no exception. Though the service sector has been slow to adopt lean, the principles of identifying value to the customer, simplifying flow to minimize waste, and pulling demand for greater profitability applies to all types of business environments.

Mass Servicing

Mass production and economies of scale have been the leading paradigm in America since Henry Ford conceived the idea of the moving assembly line after observing cow carcasses moving through a Chicago slaughterhouse. The hallmarks of mass production are semi-skilled workers tending to expensive single-purpose machines churning out standardized products at high volume.

Large batches must be produced because of long change-over times and to keep machine efficiency high. The goal is to reduce the average unit cost by producing large quantities, thus the misleading notion of economies of scale. Not only does this longstanding paradigm fail to consider the overall costs involved with making a product, it creates extra layers of work that do not directly add value — muda, or waste. The result is long cycle times, high inventory, and complex scheduling and distribution systems, which lead to high defect rates and high costs.

Unfortunately, the same paradigm is responsible for the disappointing state of customer service prevalent today: Mass Servicing. The hallmarks of Mass Servicing are semi-skilled customer care representatives trained a mile wide and an inch deep handling a high volume of calls for all customer inquiries. The representatives are typically the lowest paid employees in

the company, yet the ones customers see as the company.

The goal is to reduce the average unit cost of a call, as measured through average handle time, and incentives are often tied to how fast the customer care representative can get the customer off the phone. This conflicts with the customer's desire to have the problem resolved on the first call, and yet results in repeated contacts, more work-in-process, and complex scheduling systems, creating extra layers of work that do not directly add value — muda.

How can service companies provide world-class service while increasing profitability? They can adopt the playbook from manufacturers who have transformed their factories from fat to lean production over the past 20 years.

The Lean Servicing roadmap

The solution to providing world-class service in the hyper-competitive and complex global business environment is Lean Servicing. Providing seamless one-stop customer service while eliminating the wastes of Mass Servicing is achieved through the same lean techniques employed in the factory:

- Identify value from the customer's perspective.
- Identify the value stream and minimize or eliminate all wastes that do not create value for the customer.
- Make the remaining value-creating encounters flow to customer demand.

The myths associated with transactional processes are often used to justify why lean cannot be applied to nonmanufacturing environments:

- Creative work cannot be standardized.
- Every customer request is different.
- Tasks are not repeatable.
- Time needed is unknown.
- Different steps are needed for each cycle.

The reality is that transactional processes must be standardized: repeatable and consistent inputs, processes, and outputs are required to reduce variability and consistently meet customer requirements. Standard work of basic core tasks associated with providing services frees the time and effort required to respond to changing or unusual customer demands. This is the have-it-your-way paradox: strict adherence to standard work provides the flexibility to deliver exceptional service.

A distinguishing feature of transactional service delivery is the high volume of employee-to-customer encounters known as moments of truth, which are absent in a factory or back-office setting. How well the brief encounter is handled

IDENTIFY WASTE

One of the first steps in becoming lean is to identify and eliminate or minimize wastes. When waste is eliminated, the order-to-cash cycle time (time from receipt of order to receipt of payment) is compressed. The result is lower costs and increased cash flow.

Servicing wastes include:

- Overproduction and non-value-added activities (excessive screens on servicing system, asking customers for unnecessary proof of claim, asking customers to call back during operating hours)
- Excessive inventories (excessive work-in-process, such as call transfers or escalation queues, customer request back-logs, excessive e-mails)
- Unnecessary transportation (non-valued-added movement of information, data, and documentation)
- Wait or idle time (long call hold times, slow response time for online self service applications, batch and queue of requests)
- Inappropriate work processes, inappropriate use of technology (non-CRM servicing systems, workarounds, manual error prone steps, multiple sign-offs)
- Unnecessary motion (accessing two different servicing applications, walking to printer, request handoffs, travel from desk to desk)
- Queries and quality defects (inaccurate information provided, error-prone online and manual forms with excess fields, outdated customer databases, rework)
- Unused creativity (lack of adherence to standard operating procedures; high absenteeism; low morale; human resources/assets not utilized; slow rate of improvement in quality, cost, and delivery)

The biggest waste of all is the waste of losing a customer through failing to deliver value.

determines whether the customer will want to conduct future business. The risk of losing a customer is highly correlated to the moments of truth.

Direct interface with a customer, such as in a call center or retail store, requires near flawless execution. It is difficult, if not impossible, to rework the transaction after it has been completed; the damage incurred from a 20-minute queue time along with an incorrect response to a question cannot magically be undone through even the most heroic service recoveries.



Jim Womack and Dan Jones, in their groundbreaking book *Lean Thinking* state, “Value is created when a specific product/service which meets the customer’s needs at a specific price at a specific time is delivered.” According to this definition, value can be created for the customer in a factory even when rework is required to produce a defect-free product. However, as we see from the example above, there is no tolerance for error in generating value in a transaction-based servicing environment. And yet, the Mass Servicing model of generically trained representatives, butts-in-seats staffing, and rushing the customer off the phone to achieve a low unit cost almost guarantees errors in these critical moments of truth.

There is an alternative. The Lean Servicing strategy of customer-centric work cells and simplified flow, resulting in faster service response time and less waste, can lead to the holy grail of increased market share, revenue growth, and bottom-line profits.

What Ohno observed at Ford in 1949 was a series of adjacent workstations where the product was produced in a continuous flow; there was no inventory because the workstations were balanced and synchronized. The products were produced and delivered to the customer’s demand with a short lead-time, minimal waste, and high quality — which is the essence of lean. The lack of complexity in this simple process flow is what makes it work. Expensive monumental equipment that must be kept at capacity through large batch runs for multiple products, and the resulting inventory build-up, introduces complexity that ensures long lead-times and wasteful activities.

The concept of customer-centric work cells in Lean Servicing is similar to Ohno’s observations: simplified flow of the cus-

customer's order or request by grouping all knowledge and tasks associated with servicing the customer (or customer segment) within a dedicated work cell of employees. Employees within the cell are multitasked and trained across several functional areas (order entry, order fulfillment, service and invoicing); the specialization is centered on the particular customer's requirements rather than a particular function. Unlike the Mass Servicing goal of keeping employee utilization high in order to minimize unit cost, the Lean Servicing goal is profitability of the customer across the total spectrum of the value stream.

The wastes of hand-offs, queues, bottlenecks, and lack of ownership of the entire customer experience are minimized, if not eliminated, through the work cell servicing model.

One of lean's key tenets, often forgotten or downplayed, is the relationship between salaried management and hourly employees. There can be no lean if there is an antagonistic relationship between management and employees and this is especially the case in direct employee-to-customer encounters.

Common sense dictates that an unhappy employee is less likely to provide value-added service; however, the strength of lean is the concept of kaizen or continuous improvement. The idea is to eliminate recurring problems or requests through having the employees, who are in the best position to see the problems, actually fix the problem. In return, management must strive to avoid lay-offs, provide ongoing training, and share the profits of the company. Root cause analysis and elimination of recurring problems ensure the ongoing pursuit of perfection and profitability.

WHAT ARE LEAN SERVICING REQUIREMENTS?

Lean's hallmark is the elimination of waste by producing to customer demand as rapidly as possible. This is accomplished by identifying value flow — servicing one customer at a time from start to finish. In the absence of continuous flow, a flexible, level servicing system is required to meet fluctuating levels of demands. Eliminating the wastes of inefficient processing, excessive inventories, and associated costs (through capable processes) is required for rapid cycle times and response. When waste is eliminated and the order-to-cash cycle time is compressed, profit margins and cash flow increase.

HOW ARE THE REQUIREMENTS ACHIEVED?

- Customer-centric work cells reduce cycle time and offer seamless one-stop service.
- A level servicing system is achieved through pulling customer demand and maintained through visible metrics, decreasing cycle time, and need for inventory and associated costs.
- Servicing to demand decreases the need for indirect labor and associated costs.
- Direct workers are provided ongoing training and a voice in the business in return for their continuous improvement ideas (kaizen) and flexibility.
- Quality and process controls are built into the servicing processes through poka yoke, standard work, and 5S, eliminating the need for quality checks and associated costs and time.

The work cell model is often implemented through a multi-day kaizen blitz where the servicing operation is changed from the classic call center model (butts-in-seats churning out generic responses to all customer segments) to cellular, customer-centric work cells.

Value stream mapping the activities and information flow of primary and secondary processes across the entire order-to-cash cycle is an essential first step in Lean Servicing. VSM and subsequent analysis identify wastes, bottlenecks, delays, excessive inventory, and opportunities to streamline. Simplifying the flow of work depends on minimizing waste throughout the entire value stream. VSM is especially important in the intangible area of transactional service delivery, bringing visibility to hard-to-see processes that often determine whether the customer perceives value in the transaction. Critical information flows on the VSM often highlight the difficulty in achieving rapid response to customer demand because of the workarounds required. Workarounds are the result of over-engineered, fat servicing systems that were out of date by the time the final requirements were approved. Lean information and servicing systems are modular and flexible, allowing incremental requirements and functionality to be built as the needs of the customer change.

VSM also identifies areas where critical performance metrics are lacking or nonexistent. Bringing visibility to transactional processes through the use of visible metrics is perhaps one of the quickest and most effective steps in the lean journey. Everyone

EXAMPLES OF LEAN SERVICING

1. Using a combination of vendor managed inventory and print-on-demand technology, partnering with a national print vendor leads to significant decreases in cycle time while increasing fulfillment rates.

The issues and symptoms typically addressed by this type of lean solution include:

- Multiple systems for order-entry and inventory management
- Low fulfillment rate performance
- Long fulfillment cycle time
- Little real-time visibility to order status or inventory levels
- Inventory not segregated by usage
- Inventory turns and other key inventory performance metrics not tracked
- High level of obsolete items

Typical results include significant improvement in fulfillment rates and cycle time metrics at a lower overall cost.

2. Satisfying the requirements of mega-retailers for high-touch on-demand service through a specialized customer-centric work cell leads to significant improvement in the customer relationship. The work cell handles all aspects of servicing the customer, from selling to on-boarding to servicing to payment processing.

The issues and symptoms typically addressed by this type of lean solution include:

- Knowledge required to create work is too far downstream, resulting in rework.
- Excessive wastes and opportunities for defects created from multiple handoffs and resulting queues.
- Batch processing of many customer orders, invoices, and service tickets that inherently add delay into the process.
- Multiple approvals that do not create value but are a holdover from the command and control paradigm.
- Increasing customer complaints and deteriorating relationships resulting from generic responses to recurring issues with no root cause analysis performed.

Typical results include increased cash flow from reduced cycle times, increased profit from reducing rework, and overall improved customer relationships.

Sunny Fresh Foods Much like fad dieters, most companies don't stay the course when it comes to lean manufacturing initiatives, according to Accenture managing partner Paul Loftus. In his article "Why Lean Companies Stay Fat," Loftus describes how total commitment to a lean lifestyle can make your company more competitive. www.iienet.org/magazine/aug06/loftus

ON THE WEB

involved with bringing value to the customer must be provided the same level and frequency of information on how well the process is performing against the customer's requirements.

Conclusion

Lean's hallmark is eliminating waste by producing to customer demand as rapidly as possible. This is accomplished by identifying the flow of value — servicing customers one at a time throughout the entire order-to-cash cycle. In the absence of continuous flow, a flexible, level servicing system is required to meet fluctuating levels of demands.

Eliminating the wastes of inefficient rework loops, excessive work-in-process, and associated costs through simplified flow are required for rapid response to customer servicing demands. The concept of time-based competition must be integrated into the primary customer-facing processes as well as the secondary support processes.

Lean principles, as developed into the modern day world of Dell, Wal-Mart and Tesco, are universal. It really is quite simple: Create a continuous nimble flow of value to the customer, whether in a factory, a call center, or retailer. That is what Ohno first recognized in 1949 at Ford's River Rouge plant and what servicing companies must now recognize in order to survive in the hyper-competitive global economy. ❖

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