

# NOW IS THE TIME FOR PROCESS IMPROVEMENT IN SERVICE ORGANIZATIONS

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Willie L. Carter

## INTRODUCTION

U.S. service firms have been hit hard by the current downturn in the economy. Business slowdown in the service sector, combined with increased deregulation and foreign competition, has created a fiercely competitive environment. Many service industries have experienced difficulty in responding to these new circumstances. The magnitude of the problem is indicated by the wave of savings and loans closures, financial services bankruptcies, downsizing of real estate organizations, and banking mergers now occurring.

One of the reasons service firms have been particularly hard hit stems from their dismal lack of competitiveness. In the recent past, growth in demand for services was so strong; it gave the impression that service industries were "recession proof". Toiling under this false notion, service firms focused on increasing capacity to satisfy rising demand. They paid very little attention to improving quality and productivity. During the 1980s, while productivity in the manufacturing sector was growing at a rate of almost 4 percent per year, service sector productivity grew less than 1 percent per year.

Failure to improve quality and productivity has left many service firms unable to compete in today's economic environment. Mergers and downsizing are a short-term response to improving a service firm's competitiveness. With the new competitive environment expected to continue indefinitely, these changes may be a prelude to a massive shakeout within the service sector, similar in size and scope to the restructuring that occurred in the manufacturing sector.

Further exacerbating their woes, U.S. service firms need to drastically improve the quality of their outputs and outcomes just to maintain the status quo. Foreign competitors are making inroads into previously untapped markets (financial services, airlines, retailing, hospitality) based on their ability to produce high-quality products and services. They have proven that there is nothing mysterious about identifying customer needs, wants, and desires. To the chagrin of their U.S. counterparts, foreign firms are consistently delivering service levels that meet or exceed customer expectations.

Consequently, service managers need to recognize that "trimming the fat" and emphasizing "lean and mean" policies are only short-term, knee-jerk reactions to a lack of competitiveness. Actions such as these do not contribute to high quality, nor do they enhance productivity. In fact, if nothing more substantial is done to improve quality and productivity within the services sector in the U.S., there will be even more rounds of downsizing or mergers in response to declining competitiveness.

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## CONTINUOUS IMPROVEMENT STRATEGIES

To enhance their competitiveness, service firms need to embrace systems such as Lean, Six Sigma and practical problem solving, within their organizations to ensure continuous process improvement. These systems are capable of providing individual providers with the opportunity to meet and then surpass the challenge of competitors. A philosophy of continuous process improvement enables a service firm to cultivate a process-oriented way of thinking and developing strategies that assure continuous improvement involving people at all levels of the organizational hierarchy. Such a system requires a new organizational culture that considers change, rather than complacency, the norm.

In a change environment, continuous process improvement by all employees is repeatedly emphasized and supported by senior management. Service firms need to redesign their existing structure to develop multi-skilled employees, and establish team processes for continuous improvement.

## IMPLEMENTING A PROCESS IMPROVEMENT STRATEGY

A burning platform for implementing a continuous improvement system is widespread dissatisfaction with the current way in which the organization functions. In the case of profit-making service organizations, dissatisfaction is heightened by red ink or lost market share. However, with respect to non-profit service organizations such as government, education, and utilities, these kinds of competitive pressures are largely absent. Therefore, organizational dissatisfaction must be created from within by the leadership team.

Top management must provide leadership by establishing a vision for a better organization. This vision must then be communicated to all employees. Only by creating a high "discomfort index" can non-profit service organizations hope to create a desire, and thereby garner the necessary support, for organizational change. To sustain continuous improvement initiatives, top management should be aware of the crucial role it plays in helping to formulate the vision, mission and values of the organization. In this regard, the role of senior management must change from providing solutions to empowering others within the organization.

## A FOCUSED APPROACH TO PROCESS IMPROVEMENT

Service organizations should consider a focused approach to process improvement because a disciplined, management led, focused approach is essential if process improvement

### A Focused Approach

**Prepare** —lay the foundation for process improvement by organizing the Leadership Team and creating a compelling vision and mission. Assess the organization to uncover the gaps between the current state and future state.

**Plan** —create a strategic process improvement plan and focus on the organizational processes critical to achieving the vision and mission.

**Execute** —make the process improvements happen by putting the strategic improvement plan into action.

**Sustain** —make process improvement a way of life in the organization by shifting the organization's culture from a fire fighting mode to one of continuous process improvement.

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efforts are to succeed. The approach must be targeted at improving the key business processes that provide a service to a customer. Most key business processes are cross-functional in nature which means they must be managed across all the functional areas that play roles in delivering the services.

Tightly focused process improvement initiatives produces results and enhances performance. In the end, the focus should be on the things that are most important to the organization, but are not being done well. Many times service organizations focus on the wrong things—the things that waste time and effort, which are of no value to the customer or to achieving the strategic goals of the organization.

### GETTING FOCUSED

I use a four step proven approach for getting focused on process improvement.

#### Step 1: Prepare

In this step senior management and managers organize and create a Leadership Team and develop a compelling vision, mission and set of values. They identify critical success factors and key organizational processes, prioritize those processes, and conduct an assessment of the organization to determine the current state and what the future state looks like.

The importance of this step cannot be overlooked because facilitative leadership is required to create a culture that encourages and rewards continuous process improvement. Strong leadership from management is a crucial determinant for maintaining process improvement.

#### Step 2: Plan

The second step is creating a strategic continuous improvement plan based on the results of the organizational assessment completed in step one. This plan has two components a process improvement plan so that those key processes important to the customer can be improved, and an organizational improvement plan to prepare the organization for the future.

The process improvement plan is designed to close the gap between current and future states and is used to select major improvement opportunities and form process improvement teams to improve the processes by eliminating non-value -added activities and closing performance gaps.

The organization improvement plan is a roadmap for establishing training, rewards and recognition, communications, and measurement programs that support the process improvement initiative.

Incentive and pay structures for motivating behavior and performance under continuous process improvement systems are purposely designed to encourage group

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team-building behavior and performance rather than individual effort/output. Rewarding non-group behavior tends to be counterproductive because financial rewards for individual performance send the wrong message to employees, who in turn will undermine the process-oriented or team approach.

Training refers to the skill building and staff development that is required for continuous process improvement. New capabilities are necessary if employees are to identify and solve problems as a team. If any of these elements are missing, the change process will break down. Therefore, as employees engage in continuous improvement, they need to acquire additional skills or be cross-trained to perform new or expanded roles and jobs.

### Step 3: Execute

Once the process improvement teams have been formed and trained it is time to execute—actually improving the process. Process improvement teams examine the process to understand how the process works. They spend time analyzing data to determine how the process is actually working and measure its current performance. The next step is to decide how it can be improved and then test the improved process. Improvement may require refining, redesigning or reengineering the process. Based on their results the team makes recommendations for approval and implementation.

### Step 4: Sustain

The final step is to sustain a process improvement culture. This step makes process improvement a way of life in the service organization. It demands carefully managed change to ensure the cultural shift from fire fighting to continuous process improvement. Sustainability only occurs when all employees not just process improvement teams have the necessary skills and the authority to do what is required to fix processes and make lasting improvements.

A key element of sustain is employee empowerment. The main drivers behind continuous process improvement mean that employees are increasingly in need of a broader and richer skill set along with the authority and responsibility to make customer-facing decisions. Job skills must be expanded to include not only the basic work tasks, but also the problem-solving skills necessary to change the way in which organizational work is performed. This enables them to respond to various demands. In other words, they must be empowered.

Employee empowerment means that a firm entrusts decision-making authority to frontline workers in situations where such authority traditionally resided solely with management. It is important to note that empowerment cannot be mandated from senior management. To feel empowered, a number of preconditions must be in place: (1) a shared vision and a common set of values must exist organization-wide; (2) individuals must be properly trained; (3) benefits must be fairly and equally distributed;

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(4) managers must have faith and confidence in their employees; and (5) the overall culture of the organization must support risk-taking and not pointing blame.

### SUMMARY

The service sector of the U.S. economy is undergoing a significant transformation. In its wake, traditional methods like restructuring and reorganizing are stop gap and fleeting solutions. Methods that were popular in the early 1980s (downsizing and mergers) no longer ensure long-term competitiveness, nor do they remedy the inconsistencies caused by knee-jerk reactions. A more focused approach for improving quality and productivity has to be found. One such alternative for increasing competitiveness is to introduce a focused approach to continuous process improvement into service organizations.

*The opinions expressed in this article are those of the author only and do not represent the views of the Techman/Kanata or of any of its directors, officers or employees. The author, Willie L. Carter, can be reached at [wcarter@quantumassocinc.com](mailto:wcarter@quantumassocinc.com) or by phone at 847-919-6127.*

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