

Transitioning from Business-as-Usual to Business-as-Exceptional: Creating Top-Performing S-Businesses

by James A. Alexander, Ed.D.

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Should you transition to s-business? Are you ready to cross the chasm from product-centered to services-led? What are the steps to successfully transitioning from business-as-usual to business-as-exceptional—a top-performing s-business?

The Marvelous Opportunity

My latest research¹ demonstrates that this transition to services-led s-businesses is in full swing, as 46 percent of the 157 survey respondents (all from product companies) stated that their organization's senior management felt that building professional services was a business priority. Wow! Since professional services are the lead element of solutions and the driver of s-business, this is quite remarkable. Furthermore, this same study shows that services (professional services plus break-fix services) now account for over 44 percent of total revenues (up five percent in the last two years) and are growing at an annual rate almost double that of products (16 percent vs. nine percent). The services potential looks awesome.

Cold, Hard Reality

Not so fast.... The troubling truth of the matter is that about three out of four major change efforts fail to achieve and sustain the desired objectives. My own experience in advising organizations confirms this, and your personal experiences probably do as well. Think back over the last few years during times when you experienced the launching of initiatives such as total quality, process improvement, or balanced scorecard. How many of these efforts have brought about the *lasting* value intended at the time of announcement?

Obstacles to Change

Figure 1

Why Changes Don't Produce Change

1. They're not tied to strategy.
2. They're seen as a fad or quick fix.
3. Short-term perspective.
4. Political realities undermine change.
5. Grandiose expectations vs. simple successes.
6. Inflexible change designs.
7. Lack of leadership regarding change.
8. Lack of measurable, tangible results.
9. Fear of the unknown.
10. Inability to mobilize commitment to sustain change.

Shortly, I will introduce the best practices of s-business change implementation. However, before discussing what to do, it is important to ponder what not to do. Ten common obstacles that occur time and again when organizations (and the people who compose them) attempt to do things differently are outlined in *Figure 1* (Ulrich, 1997).

Recognize any of these? I don't believe further elaboration is required. Needless to say, all must be recognized, and steps need to be put in place to deal with each of them. However, in addition to these 10 obstacles, there are some special challenges in transitioning to s-business that must be considered before embarking on the journey of change.

Special Challenges of S-Change

As already noted, big-time change (targeted at making major improvements in organization performance) is tough. Yet, making the transition to s-business is often on a more difficult order of magnitude. Two factors drive this. The first factor is the extreme difference between the two types of products of traditional businesses and s-businesses. First of all, in most cases, the goods produced by traditional organizations easily can be seen, felt, and described. However, the products of s-businesses (services and professional services) are intangible. Evert Gummesson probably said it the most eloquently, "Services are something that can be bought and sold but can't be dropped on your foot." The challenge of dealing with the added complexity of intangibility alone raises the bar. In addition, some other major differences between the two types of products, as shown in *Figure 2*, are worth noting.

Figure 2

Product Comparison: Goods vs. Services	
GOODS	SERVICES
Goods are produced.	Services are performed.
The goal of producing goods is uniformity.	The goal of performing services is uniqueness.
The customer is not involved in production.	The customer often is involved in the service performance.
Internal quality control compares outputs to specifications. If produced improperly, the product can be recalled.	Customers conduct quality control by comparing expectations to experience. If performed improperly, apologies and reparation are the only means of recourse.
The morale and skill of the production workers is important.	The morale and skill of service providers is critical.

These distinctions have a fundamental impact on how one produces, markets, sells, delivers, services, and measures the performance of s-business products and the success of the s-business itself. What may have worked extremely well in managing a traditional goods-based organization will be ineffective in the world of s-business. Hence, different characteristics and competencies in people must be sought, different management support systems created, and different metrics evaluated to reward performance and guide the enterprise. All of this is further complicated because, in most cases, s-businesses still produce and sell the goods of their former existence. This is a significant management challenge.

The second factor compounding the difficulty of s-business transition deals with organization culture. Whether it be a management consultancy, a bank, a software producer, or a heavy machine manufacturer, the principles and practices of total quality or process improvement ring true—there is a strong element of common sense built into these models that people can readily relate to. Who can be against quality? Who would not want to eliminate waste? And though it is difficult, people inside the organization at all levels can accept the tenets of the proposed new way of doing things over time. Furthermore, with some modifications to the management system, the organization eventually can integrate these types of initiatives into the culture.

But this is not so with s-business. Culture abhors attempts to change it and will do whatever it can to maintain the status quo. S-business is a full frontal attack on the existing culture, and the defensive mechanisms of the organization will resist any way it can. The fundamental problem is that, in most cases, the people running the show got there by being exceptionally good at making, marketing, selling, delivering, and servicing goods. Goods are their expertise, and this expertise got them promoted. Their past successes (built around goods) helped create, develop, and nurture the culture—a culture that lives, breathes, and reinforces goods-related success while shunning other alternatives to business.

In this setting, services were regarded as necessary evils that were tolerated because they were a requirement in supporting goods. Service was traditionally a cost center, and services were things negotiated and often given away either to make a sale or to keep a customer happy. S-business requires a serious flip-flop in thinking. Services now must be viewed as the principal products of the organization, the true value-adders, the potential differentiators in the marketplace, and the keys to profitable revenue. Executives now must view goods as customers have for a long time—as commodities that take a secondary role in a total solutions package. This is not an easy transition to make, as it flies directly in the face of the tried and true.

So the truth of the matter is that the very things that made you successful yesterday are the same things that hinder your success today. Bringing about this s-business mindshift is a leadership challenge of the highest order.

10 Steps to Implementing S-Change

Hundreds of organizations, however, have made the successful transition to s-business. Just as we know what can thwart the movement to s-business, we also know the best practices that can be followed to help make the transition successful. Here are 10 steps to smooth and ease a successful implementation:

- 1. Determine your organization's current s-performance and s-readiness.** This is the most important and most demanding step. Here you need to look outside at your strengths and weaknesses in the services you already provide, comparing this performance to customer expectations, needs, and competitive positions.

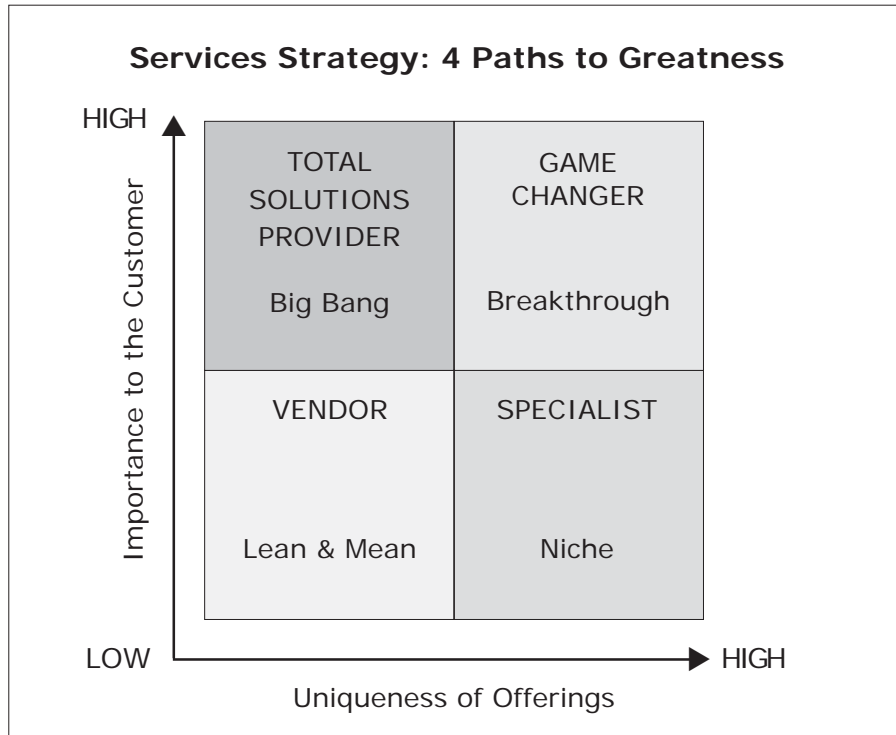
Next, you must look inside and perform an organizationwide evaluation to determine the size of the s-gap and the realistic probability of your ability to close that gap. The six s-business success levers in *Figure 3* show that all business drivers must be reviewed. Included in this audit should be a review of the management systems, people capabilities, and culture analysis. This step reveals the investment required in time, money, and pain.

- 2. Adjust the business strategy to support the new focus.** The shift to s-business will have anywhere from a major to a profound impact on the business. The strategy must be reconsidered to reflect this change and to better align with marketplace realities. *Figure 4*² shows the four strategic s-business choices that can be deployed.

Figure 3



Figure 4



3. **Develop and articulate a clear purpose and rationale.** The need for this transition will not be understood immediately nor bought into quickly by many in the organization. People must be sold on the concept, and a succinct purpose and well-expressed rationale are necessary first steps.
4. **Fully commit senior management to s-sponsorship and ownership.** Easily said, very difficult to do, yet a necessity. These are the same people who achieved their success and power through the very system you are trying to alter dramatically. Remember that it is rare for the ruling class to support the revolutionaries, so the case for change must be seen as the only choice for organizational survival.
5. **Inform and involve all key stakeholders.** If there is a secret to successful change, this is it. Everyone who is a stakeholder (those who have something to gain or lose because of the s-change) must have all relevant information presented to them in a way that demonstrates what is being done, why it is being done, and the potential benefits to stakeholders. Furthermore, there is a direct relationship between an individual's involvement with an issue and that person's commitment level to the final outcome.
6. **Change the people management systems to support new ways of doing s-business.** The shift to s-business requires different expectations, different objectives, different tools, different processes and procedures, different reward systems...different everything. All elements of people management must be reconsidered before implementation begins.

7. **Provide adequate resources.** Don't do it on the cheap. Bring in some outside experts who have done it before. Invest heavily in training, as there is a host of new knowledge and skills that must be acquired. You owe it to the people to provide everyone the chance to make the change; however, the reality is that a certain percentage of the organization won't make the necessary adjustments.
8. **Monitor progress.** Set up some milestones and review successes and failures on a regular basis. Your well-thought-out change plan will need to be altered as you tailor actions to align with what works and avoid what doesn't.
9. **Think holistically.** Remember that everything is interrelated. Making a change in one part of the system will have an impact on another. So although it is smart to look for low-hanging fruit to gain some quick successes, consider how it will affect everything else, and plan for it.
10. **Create a sense of urgency.** The logical facts and figures demonstrating the rationale for the transition to s-business are important. However, if one is not careful, the move to s-business may be put off until next month, next quarter, or next year as more analysis is requested and more time to "think things through" is sought. Yes, information is vital, a solid plan must be developed, and a core group of converts must be formed. However, change is time-sensitive, and prolonged hesitation only makes things more difficult. Leadership is needed to trumpet the cause and build the emotional momentum needed to break the status quo and get things rolling.

Crossing the Chasm to S-Business

Let's conclude this section by listening to the voice of those who have been there and got things right. I asked leaders who successfully have transitioned their organizations to s-

Figure 5



businesses about their biggest helping and hindering factors in making this journey.³ Displayed in *Figure 5* are the most common responses, ranked in order.

Starting with the helping factors, getting key people to accept the new business realities of the services potential (better growth opportunities and margin potential) topped the list. Once people accept this fact, the wheels of change begin to turn. The second-ranked helping factor, being customer-driven, doesn't refer directly to the old cliché so often repeated in customer service circles. In this situation, it has special significance, referring to basing the organizational strategy on the customer reality found in the readiness review,* not the best guesses of former thinking. The quality services personnel factor refers to already having in place a core of top-notch services professionals—people who stepped up to the plate to lead and develop others in the organization. Making a strategy/culture shift was also a key helping factor, as top performers realized that this transition was a cultural one and addressed it as such. Finally, changes on the product side (e.g., lack of proprietary products, pressures on growth and profitability, stiff new competition) were seen as a positive, as product chieftans were more open to new ideas when the old guard was under attack.

On the hindrance side, marketing challenges topped the list. Main factors here included lack of recognition in the marketplace, an unclear services concept, a weak services brand, and inadequate funding for services marketing. A close second challenge to making the transition was the sales performance/mindset. Two themes prevailed: the lack of capabilities required to sell services effectively and the product mentality of the sales team.

As the grouping title suggests, comments in the lack of talent category all revolved around not having enough qualified people. The elements included in external factors that were cited as a hindrance were a recessive economy, the reliability of new products, and services consolidation. Finally, the hindering factor of competition from the product side outlined the internal struggle proponents of a strong services initiative faced from those people in the organization who were pro-product.

But We Already Know Our Customers!²

Many times, organization leaders assume that they understand customer needs, new buyer behaviors, and emerging marketplace requirements. They assure us that although they have never done any specific services market research, they have all of the information they need to make sound business decisions. Nonsense.

The same people who, rationally enough, wouldn't consider buying a personal car without a dozen hours of research will make go/no go decisions on services businesses based on their intuition. Even executives with strong services business histories can be blindsided, as the pace of change continues to speed up, and what was hard fact six months ago is past history today. It is just bad business not to conduct ongoing, in-depth market research consistently, especially during the s-business ramp-up years.

Conclusion

Managing the transition to exceptional services performance is challenging, but the path is clear, and the steps are known. Understanding a leadership framework, following a proven model, and listening to the voice of those who already have made the journey can yield major rewards in a relatively short period of time. For most organizations, the time for s-business is now!

** Readiness reviews are future-oriented assessments designed to determine an organization's readiness to make a significant change. Readiness reviews take into consideration today's facts, tomorrow's possibilities, and the organization's willingness and ability to change. Properly implemented, the findings from a readiness review greatly improve the quality of decision making, compressing learning cycles and speeding desired results.*

1. Alexander, James A. 2004. *The state of professional services II: An industry comes of age.* Alexander Consulting, LLP and AFSM International.
2. Alexander, James A. and Mark Hordes. 2002. *S-Business: Reinventing the services organization.* Select Books. Page 225.
3. Alexander, James A. 2002. *The state of s-business: An international report of progress, performance, and best practices.* AFSM International.

Jim Alexander is founder of Alexander Consulting, a management consultancy that creates and implements professional services strategies for product companies. Contact him at 239-283-7400, alex@alexanderstrategists.com, or visit www.alexanderstrategists.com.

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