



Productivity Methodologies, Tools, and Techniques

Creating value through service innovation



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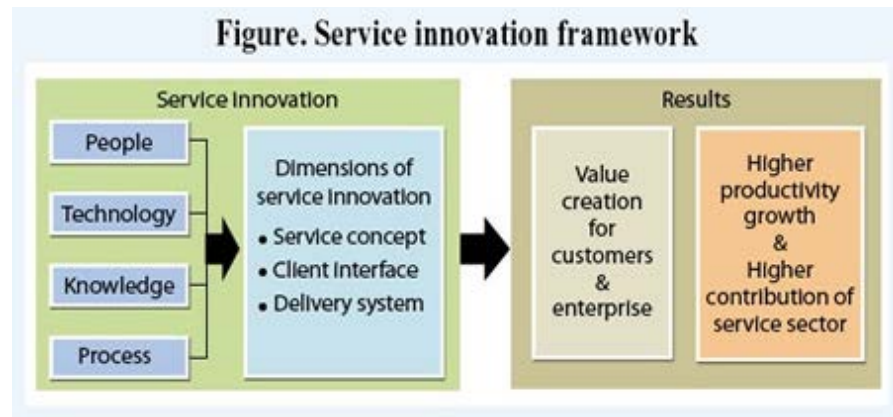
The rapidly changing marketplace calls for enterprises to use innovation as a strategic approach to outperform their competitors. The same scenario applies to the public sector as demands from the public and other stakeholders mandate that public agencies change their approaches in satisfying their clients' needs and expectations. In applying innovation as a strategic approach, many business leaders decide to focus on cutting-edge technologies and embark on intensive R&D hoping that they will be able to offer new inventions in products and services offered. In the public sector, agencies capitalize on information and communication technology as a tool to enhance their service delivery.

This strategic approach of using technology to innovate is part of a bigger solution to improve enterprise performance. However, enterprises must see beyond technology to innovate for the delivery of value-added products and services to their customers. According to Joseph Schumpeter, technical progress is part of innovation but the practice of innovation involves more than technology. Schumpeter argues that innovation could also be in the form of the production of new types of goods, changes in the properties of existing goods, or the introduction of new methods of production that may be based on new scientific discoveries, opening of new markets, the use of new sources of raw materials and intermediate goods, and new organization of production. Thus it is obvious that innovation takes place in many forms and formats so long as business value has been created. This value can be in the form of incremental improvements to existing products or services, the creation of entirely new products and services, or reducing costs.

At the macro level, the economic landscape has witnessed the greater importance of the service sector. In developed economies, this sector accounts for more than 72% of GDP and 70% of employment. The unique nature of service is that it is intangible in nature, more performance than object based, production and consumption occur simultaneously, and the provision cannot be stored. Thus it is imperative to promote service innovation that will ultimately result in creative and innovative offerings to the market.

What is service innovation? Service innovation is a new or significantly improved service-product offering, the way it is delivered to customers, and the interface with customers (Figure). In simple terms, service providers must project creativity and innovativeness in their products by understanding

customers' expectations and designing the best, most effective ways to meet them. This approach also requires the creation of niches by enterprises where customers will be able to experience superior product offerings. In this way, enterprises will be able to expand their market, potentially increase sales, and reduce costs.



What are the tools required to deliver service innovation? There are various tools that can be applied while planning for service innovation. However, the use of appropriate tools is dependent on what an enterprise hopes to achieve. Some of the tools that enterprises may consider are:

- ▶ **Service blueprinting.** This is a picture map that visually portrays the service system encompassing the process of delivery, role of customers and employees, and visible elements of the service. Every process is broken down into logical components and easily defined tasks and steps. Opportunities for mistakes or noncompliance according to customer standards are identified, and training must be provided to employees to reduce and eliminate those mistakes. Continuous improvement initiatives must be undertaken to ensure that opportunities for mistakes are eliminated.
- ▶ **Six Sigma.** This tool has been successfully used in the manufacturing sector and is equally relevant in the service sector. Six Sigma is a systematic method using the define, measure, analyze, improve, and control approach, utilizing data and statistical analysis to enhance operational performance by eliminating variance and waste. This approach focuses on meeting customers' requirements by controlling variations in production, thus eliminating errors and defects.
- ▶ **Business management solutions.** To create an enabling environment for service providers to be innovative, they must be supported with the right business management solutions that help firms to connect with their customers effectively and remain economically linked to suppliers. Through effective data and information mining, better and faster decision making, more efficient financial management and compliance, and quicker responses to market changes are possible, as well as managing people more productively. Today's challenging marketplace requires organizations to innovate, and the way forward for service providers is to embrace service innovation.

