

Managing Services
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Lecture – 23
Services Excellence - Culture

Hello, I am Jayanta Chatterjee from IIT, Kanpur and we are interacting on Services Management contemporary issues. In the last session, you would recall we were discussing about the famous, globally famous Indian service organisation, Aravind Eye Hospital and their associated organizations and we examined how by creating processes based on scientific principles, by creating workflow design in a way that jobs are partitioned in a replicable modules, standards are set, in such a way that a large number of people can be trained for a standardized process for optimal performance.

We also examined that how through proper time and motion study, through techniques like line balancing, through techniques like queue management, one can create a very human, but very efficient system by virtue of which today Aravind Eye Care Foundation and their various units deliver world class service at a cost that can be observed by people at the bottom of the economic pyramid.

We also saw briefly their revenue management strategy, how paying customers who come to Aravind in spite of knowing that it is actually primarily a hospital meant for poor people. Paying customers come there, because the high quality of their service and the payments that are received from such customers, subsidize the service to the economically deprived people, a great service model. I am sure you have already seen on the internet through Google, through YouTube, many presentations and several case studies that are available to you free of cost for reading, appreciating the nuances of this great service organization.

And I would urge you again, if you have not already done then please go, go beyond what we discussed in the last session and read very high quality resources, case studies, audio video presentations that are available to you on Aravind. Now, many of those cases, many of those reports talk about McDonalds to max surgery, talks about the inspiration Dr. V received from high quality, low price delivery of McDonald's and how Aravind Eye Care units replicated some of those principles into their service delivery.

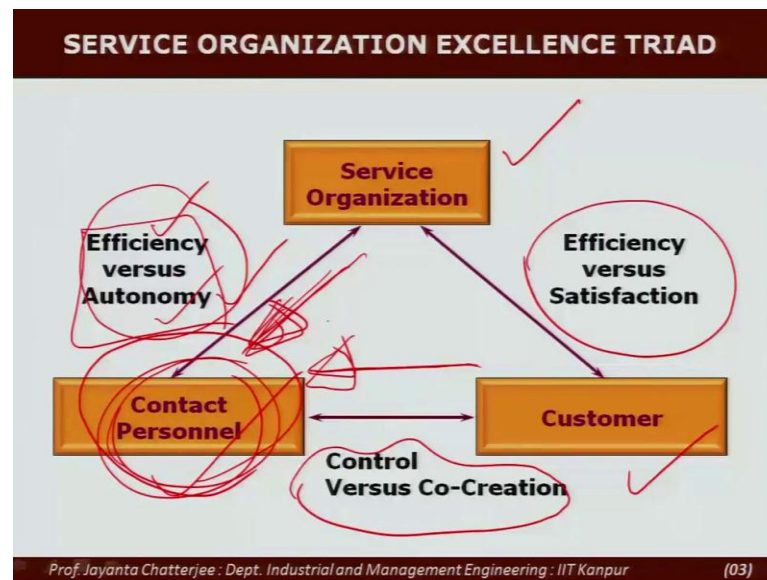
In today's session I would like to discuss another important aspect for service excellence, which is not very well covered in those repositories of case studies and reports. Some of them do refer to this particular aspect and that aspect is about human resource management and leadership at Aravind Eye Care. So, I am continuing to use that example as a life case study to highlight this other soft site which often is much harder in creating service excellence, the people site.

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So, simply put this strategy that Aravind follows for their human resources can be called the culture of empowerment. Simply put they invest in their people; they recruit the right kind of people and invest continuously in their learning. We will go into that little bit detail of this that what is the meaning of recruiting the right kind of people, but before that I would like to clarify few fundamental concepts.

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The diagram in front of you, this service organisation excellence triad is an evolved version of the triangle of service which I had discussed with you earlier. As you remember at the three corners of this triangle, we have the service organisation, the service customer and the service personnel. Today, I would like to draw your attention that on every segment of this triangle we have some kind of paradox.

So, service organisation expects from their employees just as in Aravind we were discussing, repeatable standard service efficiency. But, interestingly this kind of inspired efficiency can only be had if the people have autonomy, one feels from the assembly line concept that people will operate exactly within a defined boundary, they will act like automatons and they will act exactly tightening the same bolt again and again or hammering the same point and again and again as jobs move over the assembly line.

So, even though Aravind or such excellent service organizations adopt the process excellence by creating repeatable modules, they create the efficiency chain, but at the same time they give autonomy decision making latitude to the people at the front line. So, this is one sort of dilemma paradox or dialectics that we observe. Similarly between the service organization and the customer, we have this dialectics of efficiency versus satisfaction.

The very important aspect that we will discuss a little bit more in the later session, when we discuss about emotional labour, we discuss the particular challenges faced by service

sector employees, this paradox, this dilemma control versus co-creation will be treated in depth there. But, at this moment we identify that there are certain tensions in this efficiency versus autonomy or satisfaction versus productivity, customer satisfaction versus service productivity and control versus co-creation.

Now, one of the things you will notice here that this contact personnel, they are normally simultaneously under two kinds of pressure. One set of pressure comes from the service organisation, service organisation wants them to behave in a particular manner, all the time, smiling, polite, accommodating and so on; whatever may be their internal mental condition, service organisation wants them to behave in a sort of standard way.

Researchers called it manage the heart; the organisation wants to manage the heart of the frontline employees. In the same way, the customer also wants good response, polite response, empathy, reliability. So, in some way the contact personnel appears to be under sort of a dual pressure, then we will discuss this later on.

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The slide features a dark red header with the text "ARVIND EYECARE SERVICE EXCELLENCE" in white. Below the header, on a light grey background, is a diagram. At the top of the diagram, the text "Culture of Empowerment" is enclosed in a red oval. A red arrow points from this oval down to a list of two bullet points: "Invest in people" and "Recruitment and Continuous Learning critical". A red checkmark is placed to the right of the first bullet point. A red horizontal line is drawn below the second bullet point. At the bottom of the slide, a dark red footer contains the text "Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur" on the left and "(02)" on the right.

But, right now I would like to draw your attention that, this thing that we were discussing a little while back, the culture of empowerment.

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ARVIND EYECARE-ORGANIZATIONAL CONTROL			
Beliefs Systems	To contribute	Core values & mission	Identify core values
Boundary Systems	To do right	Specify and enforce rules	Risks to be avoided
Diagnostic Control Systems	To achieve	Build clear targets	Critical performance variables
Interactive Control Systems	To create	Encourage learning	Strategic Uncertainties

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This culture of empowerment is can be seen in this kind of control philosophy or how the organisation manages through a sort of self management process. So, you see here I have highlighted that whether it is in the belief system, whether it is in the diagnostic control system, their emphasis is on to contribute, to do right, to achieve, to create. So, we are wanting the service employees in such organisations, who achieve this kind of global excellence to be almost missionary like. They should feel that they are doing something not just as a job, but they are doing something which goes beyond the call of normal duty, missionary zeal that is sort of caring, learning, involvement with their jobs.

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Recall...			
Theory	Management Style	Process	Critical Aspect
X (Taylor 1911)	Scientific	"Waterfall"	Lack of creativity and initiative
Y (Mc Gregor 1960)	Motivation based	Creativity and initiative	Conflicts and lack of coordination
Z (Ouchi 1981)	Japanese	Corporate Culture	Relationships among different companies
W (Boehm 1988)	Negotiation based	Maximise satisfaction	Lack of corporate strategy

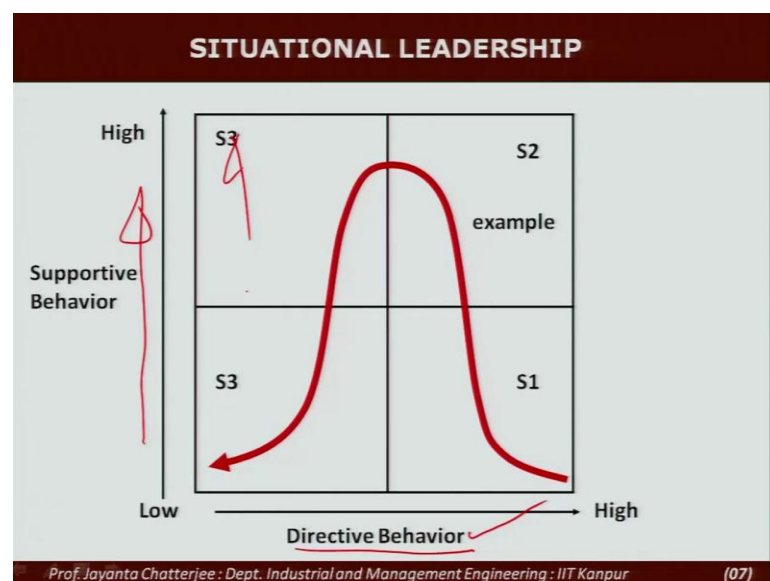
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Now, how do we achieve this? I will just recall this is not exactly, we do not have the time to go into the depth, but I would recall and if you want, if you are not familiar with this concepts I would request you that you can easily go to the net and study through Wikipedia and other open resources, some of these concepts. That even though we had talked in the last session about McDonalds like assembly line like process system at Aravind Eye Care, in the people management; however, in their approach to people, they do not believe in the theory X which goes with Taylor, the father of modern mass manufacturing concepts.

So, such organizations do not believe like in theory X that people are they do not really like to work and so in general, people lack creativity and initiative therefore, you must provide them a very defined job descriptions and not much room to manoeuvre. These organisations mostly and if you study many of these service organisations, you will find that they combine the best of the so called American system, the so called very regimented very controlled system.

But, at the same time they also practice theory Y which is motivation based, creativity and initiative based processes. So, some people have talked about theory Z and so you might like to understand global excellence in service domain to understand organisations like Aravind Eye Hospital, you may like to study a little bit about theory Y and theory Z, but this was just a tangent which I thought will be interesting.

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What is interesting is to understand the kind of people you want and how, what sort of leadership you provide. Again, this is another well known concept; this is the concept of situational leadership. So, as you know in some of you were familiar from organisation studies or organisation behaviour, again if you have not studied this, you can easily go to situational, there is in fact, almost a very low price 10 book also available on one minute leadership, I think it is the name of the title of the book.

So, situational leadership means that the leaders behaviour or the directive behaviour and the employee behaviour. If they are put in two axis, then we can develop different strokes for different folks and we can recruit train, develop, encourage, inspire the right kind of people and what do you mean by right kind of people.

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SITUATIONAL LEADERSHIP

- There is no single management style: it depends upon the managed people (Blanchard and Hersey)
- the leadership style of the leader must correspond to the development level of the follower - and it's the leader who adapts.
- Four styles and four commitments:
 - ❑ S1. Directing
 - (high guidance and little backing/support): people with low maturity and low commitment
 - ❑ S2. Coaching
 - (high guidance and high backing/support): people mature but not yet independent
 - ❑ S3. Supporting
 - (little guidance and high backing/support): people insecure (but ready to take responsibilities)
 - ❑ S4. Delegation
 - (little guidance and little backing/support): mature and autonomous people

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What we mean is that we are looking for people, who can be placed in this quadrant S 4 and S 4 as you see here is here; that means, where the directive behaviour is low and the supportive behaviour is high, which means that we are looking for people who can work with little guidance and they are mature and autonomous people. So, in fact, in this sort of organizations we may, we will hardly recruit people at this level; that means people with low maturity and low commitment.

We would like to take such people who believe in Aravind Eye Care, who believe in the mission of the organisation, who feels that this organisation is providing service, which goes beyond the mere need of profitability. So, many times such organisations display

clear values, belief in principles like say the triple bottom line, people planet and profit. So, this social concern, the social orientation is quite clearly visible in most excellent service organisations of global centred and to be able to do that we have to recruit people who do not need much of guidance and who can be then developed into this delegatory frame.

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SERVICE ENCOUNTER SUCCESS FACTORS		
Customer	Service Provider	
	<i>Human</i>	<i>Machine</i>
<i>Human</i>	Employee selection Interpersonal skills Support technology Engender trust	User friendly Verification Security Easy to access
<i>Machine</i>	Easy to access Fast response Verification Remote monitoring	Compatibility Tracking Verification Security

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So, we are looking at this domain, human to human interaction and so employee selection, interpersonal skill development and even in the technology support, that can engender trust is very important. In such organisations even in the machine to human interface there are design principles that should be followed.

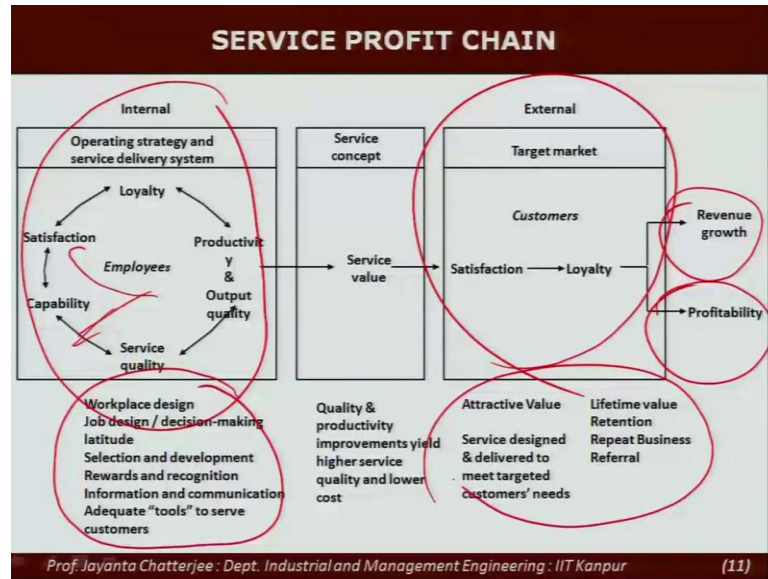
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But, we will remain into the people to people framework and this is an very excellent model this is called the satisfaction mirror and this basically highlights that customer satisfaction cannot be derived if your employees are not satisfied. So, more familiarity with customer needs and ways of meeting them this is the employee attitude, the front line attitude will lead to more repeat purchases. If you give people more autonomy greater opportunity to recover from service errors, that will be matched with encouragement to customer to complain.

Because, the more the customer provides feedback greater is the opportunity to recover from the error and create a deeper relationship with the customer. So, higher employee satisfaction with this kind of autonomy, with this kind of system which encourages the customer to communicate we can create this relationship higher employee satisfaction, leading to hire customer satisfaction. Of course, normally that will lead to higher productivity lower cost and improved quality of service giving better result.

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This is a very famous research output model from Haskett, this is called the service profit chain, it highlights the same concept, the original article again you can just search service profit chain and you can find this paper. In fact, I think there is a book also based on the same principle. It again basically says that in the external market satisfaction, loyalty, revenue growth, profitability can only be derived if internally you have operating strategy and service delivery system that focuses on employee satisfaction, employee capability and so on.

So, this balance or this continuity at the systems approach we are highlighting again and again throughout this course and this is another way of representing that, that how this work place design, job design, the decision making latitude, the autonomy provided to the front line employees are so related to customer loyalty, customer retention, customer advocacy and customer co creation very deeply related.

Now, two more concepts, this kind of organisation where we are able to manage simultaneously, autonomy and efficiency can only happen if you have well trained committed highly inspired people and this commitment inspiration the sense of mission creation is the responsibility of the leadership. I do not have much time today, because this session is focused on the issue of paying equal attention to human resource as you pay attention to the process design to create service leadership.

But, those of you who are interested, this is again in this session as you see I have I am again and again referring to certain fundamental concepts of organisation behaviour and organisation design. So, you may like to read up some of those if you have not already done so.

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HUMILITY + WILL = LEVEL 5

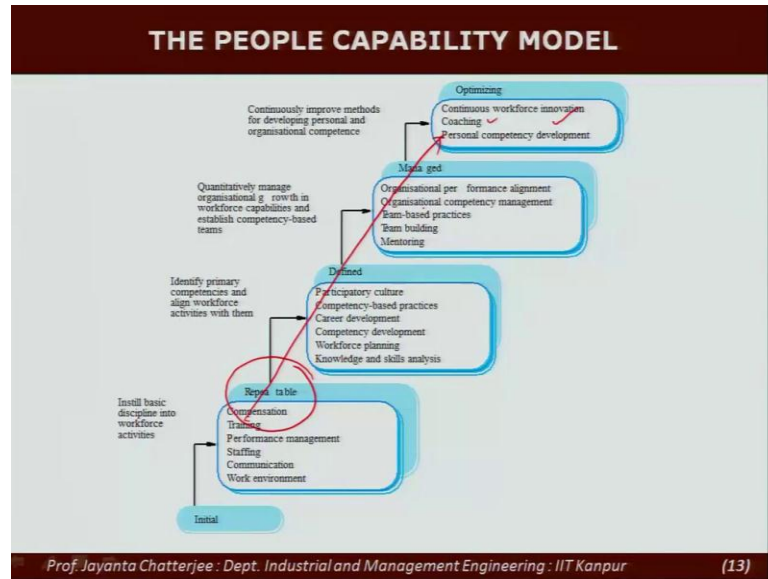
- Level 5 leaders are self-effacing individuals who display a fierce resolve to do whatever needed to make the company great
- They channel their ego needs away from themselves and into the larger goal of building a great company.
- Their ambition is first and foremost for the institution, not themselves.
- Level 5 leaders are a study in duality: modest and willful, humble and fearless.
- Ex: Dr. G.Venkataswamy and Arvind Eye Care Group

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So, this concept is about level 5 leadership, a level 5 leadership is fundamentally that level 5 leaders are study in duality, they are modest as well as wilful, they are humble as well as fearless, at first site it appears to be contradictory just as contradictory as the paradox I was highlighting about efficiency and autonomy, but even at the leadership level these globally excellent organisation, display some interesting paradoxes or management dialect management of dialectics that leaders in such organisations are modest their humility.

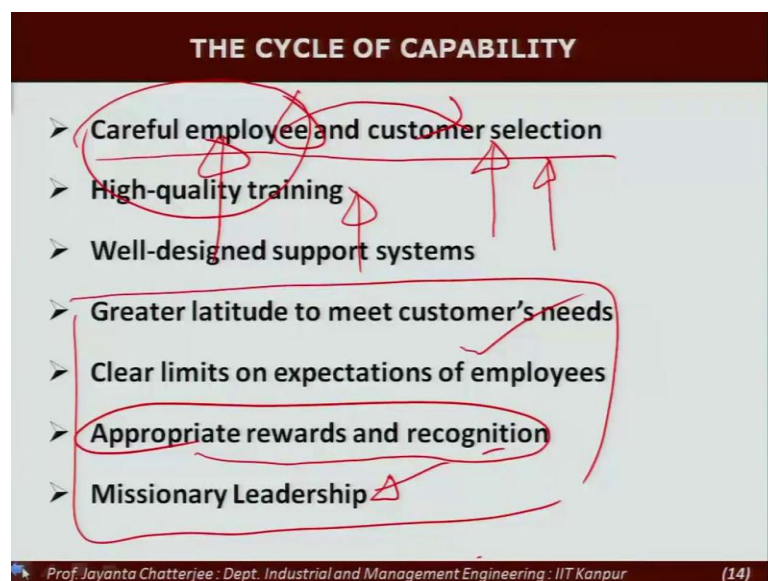
But, at the same time they have very strong will humility as well as will, focus on the super ordinate goals as well as attention to details, the helicopter view as well as the microscopic attention to details this duality is so well depicted in the life of Dr, V. G. Venkataswamy. I briefly described discussed about him in the last session, his life his biography is highly inspirational great reading to understand service leadership, service oriented business philosophy that we have been talking about and I highly urge that get hold of his writings listen to him on YouTube and understand the nuances of this level 5 leadership.

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To conclude, I am going into a little bit an academic frame work and I am leaving it with you that for service excellence the leadership must practice this people capability module. That means, starting from repeatable task performance at high level of efficiency, one has to travel across this to the level of optimising achieve through continuous workspace workforce coaching. So, coaching, learning, creation of the learning organisation all these concepts are highly relevant for creating this service excellence. So, from repeatable tasks well defined, well managed to optimizing this will be our trajectory, this will be our travel.

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So, I will conclude that to create the highly capable organisation, service organisation for travelling on this people capability module. We need to create the cycle of capability, where we have to carefully select employees and I will discuss this a little bit more next week that you have to also carefully select your customers, just as Aravind Eye Care choose cataract affected poor people as their customers and the choose people with visionary zeal to serve the people at the bottom of the economic pyramid.

So, this matching focus on the right kind of customer, segmenting and targeting the right kind of customer and creating the right kind of value proposition through your people and continue to excel there by high quality training, well design support systems to provide greater latitude to meet customer needs autonomy at the front line which however will not disturb the process flow will not go against the scientific principles of work design and process flow design.

Of course, this appropriate rewards and recognitions will be there, but today session if you revised you will understand the focus has been on creating this missionary leadership and creation of this capability trajectory for people, the people capability model. So, please study these it will be very important that you have clear ideas on these visit the Aravind website, read about level 5 leadership, read about the concept of situational leadership, so that we can handle the next session in greater depth.

Thank you.