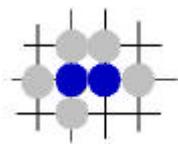


Defining Services in Your Organisation



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Introduction

Up until the 1980s most organisations and their managers thought about their enterprises in terms of the physical products they manufactured. They considered manufacturing as the core around which the entire organisation rotated. After all without products there was nothing to sell.

Today however over 60% of GDP in Australia is spent on services and the figure is growing every year. A larger proportion of an organisation's budget is being allocated to service provision, a cost which organisations are continually trying to reduce. This is proving to be a headache for the financial controllers of organisations caught up in the service provision "whirlpool". Services proliferate within organisations with very little of the research and development discipline deemed so necessary for the production of products, nor are they accurately costed or their consumption monitored to ensure that they are affordable whilst fulfilling customer requirements.

The cost of Services is growing – a concern to organisations

For many organisations the amounts allocated in annual budgets for the provision of services (both internal and external) have shown an alarming tendency to rise dramatically as more sophisticated methods are used to provide more sophisticated services to a more sophisticated market. In the case of internal services these costs are often allocated to the various parts of an organisation as a corporate overhead and can often make the difference between a part of the organisation showing a profitable return or not. Therefore, it should come as no surprise to learn that there is a growing tendency to analyse the cost of service provision more closely to ensure that:

- the services provided are cost-effective and meet acceptable quality standards
- the costs associated with service provision are fairly allocated to each area of the organisation based upon each areas' consumption of service, and most importantly
- the services being provided are, in fact, necessary to help the organisation achieve its objectives

The Importance of Clear Service Definitions

This cost analysis becomes even more essential to organisations when they outsource their services rather than provide them in-house in an effort to reduce these costs. As history has demonstrated however outsourcing services does not necessarily reduce the cost of service provision.

One of the most significant reasons for this cost increase (rather than reduction) has been due to the fact that the services being provided by the outsourcer have been inadequately defined. When the service is requested the customer finds that he is not receiving the service he thought he was paying for, while the outsourcer is delivering the service he assumed the customer wanted. The end result is that the customer either has to put up with services which don't meet their requirements, or pay more to get the services they originally contracted for and thought they were getting.

To overcome this difference in interpretation service providers must provide a clear understanding of exactly what the service comprises and how it will benefit the organisation. The service definition must provide sufficient explanation so that the customer can clearly understand exactly what it is they are getting for their money.

There is also another important reason for clearly and concisely defining services. Unless services are defined to this level it is extremely difficult to cost them to any degree of accuracy. Without a full definition it is almost impossible to accurately allocate resources to the provision of services or calculate with any degree of certainty the likely demand. Defining services to this level is akin to drawing up product specifications for the manufacturing departments - they have to be accurate otherwise the wrong product gets made. The same level of care in definition is required for services - they have

to be accurately defined otherwise the wrong service gets provided (and if you're lucky the customer will allow you to consume more resources to fix up the initial mistake).

However, it is important to remember that the services should be defined only to a level appropriate to the type of organisation, the range of services and whether the services are highly specific e.g. PC motherboard replacement (for a PC repair shop) or more generalised e.g. hardware support (for an internal IT department providing a wide range of IT support & services).

Defining a Service

Defining a service can be a very straightforward task provided it is performed correctly. A good service definition should contain complete, concise and clear information about the service, how it benefits the customer, what will be delivered how it will be delivered.

As a very minimum each service should be defined in terms of the ten areas outlined below. We have found that it normally takes between 8 to 12 hours to define a service using this method.

1. A Description of the Service

This is an explanation of what the service is written in language which the customers will understand and agreed to by the people who have to deliver the service (its no good defining a service in such a way that the service providers can't understand what is expected of them). The description should conform to the following:

1. No waffle, bureaucratise, legalese or jargon
2. Keep descriptions as concise as possible - your customers do not have time to read a novel about your services.
3. Check for ambiguity. If something you have written can be interpreted several different ways you can bet that your customers will always interpret it the way you don't want them to.
4. If you must use acronyms and technical terminology - explain them. Do not assume that your customers understand them just because they are in common use within your specialised industry.
5. Obtain agreement from any internal second-level support providers that the service you have described adequately covers what they do as well. (It might pay to get them to help with defining any services that they help to provide.)
6. Ensure that the service description conforms to any definitions detailed in any existing third-party service contracts.
7. Check that the Flesch reading ease level is above 60 and that the Flesch-Kincaid grade level equates to seventh to eighth grade (no higher) – Microsoft Word can help you with this. It is not clever to make something seem complicated but it is very clever to describe a complex concept in simple terms.

Flesch Reading Ease

Computes readability based on the average number of syllables per word and the average number of words per sentence. Scores range from 0 (zero) to 100. Standard writing averages approximately 60 to 70. The higher the score, the greater the number of people who can readily understand the document.

Flesch-Kincaid Grade Level

Computes readability based on the average number of syllables per word and the average number of words per sentence. The score in this case indicates a grade-school level. For example, a score of 8.0 means that an eighth grader (US) would understand the document. Standard writing approximately equates

to the seventh-to-eighth-grade level.

8. The test of a good description is that both your staff and customers should be able to read it once and understand exactly what the service is. Wherever possible ask several different members of your department/organisation and customers to read your descriptions and make comments.

2. Availability of the Service

In this section you need to clearly explain how the service can be requested and state the times that the service will be available to customers and consumers. This should include (where appropriate):

- Start and end hours per day (national and international organisations should be aware of and cater for time differences and must state what time-zone the availability hours are based upon)
- Any hours that service will not be available (sometimes there is a window between the start and end hours where service is unavailable)
- Any days that service is not available
- How holidays will be treated (national and international organisations must take into account national and State holidays)

Having made the above statement, the definition should indicate if and how customers / consumers may obtain urgent or out of standard hours assistance if such assistance is required. This may engender additional costs to the customer / consumer and if so these costs should be stated.

3. Reporting Requirements

This section identifies the reports (if any) that will be provided to the customer on a periodic basis to report on service usage. Each report must be given a simple one/two line description stating what is in the report, when it will be produced and if any value-added services such as trend analysis will be provided along with the report.

Reports may be as straightforward as monthly invoices / statements, an issues log, a report of all jobs done in the past month etc. However, some reports may become more complex e.g. equipment performance reporting and still other reports may provide real value to the customer through the addition of value-added services such as site usage analysis, forward trend projections, training implications etc. It is this level of value-added service that gives a service provider real differentiation and serves to cement customer loyalty.

4. Deliverables

A Deliverable is something that can be monitored and measured and which the user can clearly see as being delivered (or will know when it is not delivered). Some examples are listed below:

- Delivery of required information when needed.
- Server availability between the hours of ???? to ???? each working day
- Faulty goods replaced
- Network connections up and available??%
- Goods delivered on time
- Accurate paperwork

1. Follow points 1-4 of "A Description of the Service" above.

2. Deliverables should be stated in bullet point format - no long-winded statements

3. **A deliverable that cannot be measured is not a deliverable**

4. Be realistic - only state those deliverables which you know are required and which can, or must be achieved

5. Deliverables must be defined in terms of what the customer gets - the service provider then needs to determine what must be done to ensure that the customer gets the desired deliverable.

5. The Benefits to the Customer

The statement of benefits is a very powerful way of marketing the services to the customer. A benefit means that the customer is gaining an advantage in making use of the service. In order to identify the benefits you must first look at what real advantages the customer gets in using the service provided by you rather than:

- not bothering at all, or
- getting someone else to do it (including themselves)

One service may have one or many benefits. More benefits (especially if they are difficult to prove) does not equate to a better service.

A benefit can be subjective or objective e.g. “specified goods delivered within agreed time” (objective) and “improved working knowledge of application systems” (subjective). However all subjective benefits must be able to be translated into objective benefits by the customer - and you may need to provide some further information to help the customers quantify a subjective benefit.

A benefit must be quantifiable to the customer. The customer must understand what s/he is getting and the benefits must be such that the customer feels they are worth the costs involved.

6. Processes and Procedures

All services should be able to be identified in terms of the processes involved in the delivery of the service and then the procedures which each process covers. The analysis and documentation of accepted and preferred processes and procedures is a major part of any quality initiative. Typically, only processes are included in a service definition for external sale. Unless the customer is to be an integral part of any procedure, procedures should only be documented for internal use.

The difference between processes and procedures

These are often confused with the result that the documentation of the activities concerned is confusing and often incomplete. The following table gives a definition of both process and procedure and shows how they differ.

Process	Procedure
A process is a systematic series of actions that occur <u>over time</u> directed to some end.	A procedure is a series of consecutive steps that are made to complete an activity.
A process can be likened to a series of stages and thus is often documented in a “ <u>stage</u> table”. Each consecutive stage is described on a separate line in the stage table. Another popular way of documenting processes is by using a Life Cycle diagram.	A procedure is often documented in a <u>step</u> table. Each consecutive step is described on a separate line in the step table.

Process	Procedure
<p>The description of each stage of a process will usually start with a “thing” followed by what happens during that stage to the noted “thing”.</p> <p><u>Example:</u> “The order is approved by the purchasing department.” - this would be a stage in the process of “Purchasing”.</p>	<p>The description of each step of a procedure will usually start with a verb to describe what must be done for each step.</p> <p><u>Example:</u> “Check the value of the order to verify that it is above/below approval limit” - would be a step in the “Order Approval” procedure which in turn would correspond to a stage of the “Purchasing” process.</p>
<p>In data analysis terms a process will often involve many different data entities.</p>	<p>In data analysis terms a procedure is usually limited to one data entity and a step within the procedure usually involves only one attribute.</p>

7. Agreed Response and Resolution Times

“**Agreed**” means that the following all agree that the response time defined is achievable and realistic:

- first line support staff, and
- second line support staff and/or external contractors, and
- management, and most importantly
- the customer

“**Standard**” means that the response and resolution times defined are the standard for the service and these will be the times that will be used for any escalation routines.

“**Response**”, may mean different things for different services. You must clearly identify what constitutes a “response”. For example: *“Unless detailed differently in the Service Definitions, a response is defined as the time taken for the Service Centre to:*

- *be aware of the problem based upon the client's initial contact, and*
- *mutually agree with the client the definition of the problem, and*
- *provide a time scale for further actions.”*

Response time does not infer a resolution!

Warning!!!: Be very careful to analyse the contracted response times of any third party contractors. Any standard service response time must make allowances for contracted times.

“**Resolution**” is the agreed, accepted resolution of a problem or request such that the stated deliverables have been delivered and the customer is satisfied with the resolution. Therefore standard resolution times cannot be defined until the deliverables have been identified and agreed upon.

NOTE:

Resolution times will depend upon the identified processes and procedures that must be performed in order to provide any given service. Therefore resolution times cannot accurately be defined until the processes and procedures have been defined.

“**Time**” means the period of time within which it is determined that the response or resolution, as defined above, must be concluded before the request is escalated.

8. Key Performance Indicators

This is the section of the definition that documents what the service provider will be measured upon and what levels will be deemed acceptable or not acceptable. Effort must be expended to ensure that this area is as clear as possible – this is what customer satisfaction will be based upon.

Some common-sense must prevail in this area – it is pointless to measure a service provider on every aspect of service delivery – the administrative overheads of doing this negate any perceived benefits. The customer should decide (perhaps in consultation with the service provider) what aspect(s) of the service will truly indicate that value has been delivered and received. These aspects will typically be the areas of the service delivery which, if not delivered according to agreement, will harm the customers' ability to continue operations.

9. Variances

If there are any variances to the standard service they should be detailed in this section. If there are no variances then this should be clearly identified by stating so. Variances may include such things as faster resolution times, out of hours service, additional deliverables (maybe the value-added reporting services are extra to standard). Typically variances relate to additional service but sometimes they may relate to a lower level of service than standard that may be obtained at a reduced cost. This allows the customer to determine their optimum level of service according to their available budget and priorities.

10. Customer Obligations

Service delivery is a two-way exercise. With most services there are obligations that the customer must both understand and agree with and adhere to in order to obtain maximum benefit from a service. Sometimes these obligations are strictures placed upon the customer such as car rental firms not allowing hirers to travel on gravel roads, or equipment manufacturers declining warranty repairs if the customer has tampered with the equipment. Other times these obligations are an obligation of notification, assistance, provision of information, approval, having pre-required equipment or just being at the right place.

No matter what the obligations are, if the customer has not been made aware of these obligations then the service provider cannot complain when the customer does not comply.