

The

SERVICE-CENTRICITY

PLAYBOOK

7 PHASES of Morphing from Product Provider
to Trusted Advisor

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KLAUS GLATZ

Chief Digital Officer of ANDRITZ

The spotlight is on service as a means to differentiate, diversify, and grow your business.

As Hilbrand Rustema, Managing Director of Noventum puts it, “Which other investments than in the service business are going to deliver you double digit growth and double-digit profit margins?” Manufacturers from household names to industry juggernauts are diligently working to seize the service opportunity. In fact, the firm found in a research study in early 2020 that more than 80 percent of manufacturers were either currently delivering advanced “customer business related services” (32 percent) or that they were planning to develop customer business related services (49 percent).

“Our guidance and ability to help customers optimize their facilities is increasing in demand and so is the transition to guaranteed outcomes and more predictive service,” says Klaus Glatz, Chief Digital Officer of ANDRITZ. “Service is a huge focus area for ANDRITZ. Across all businesses, service generates the highest margins. If we can keep innovating to meet these expanding customer needs, it presents a lot of potential for our business.”

Peloton recently made the strategic decision to invest in field service to differentiate its brand. “If we’re successful, the competition is going to come, and that’s why the investment in field operations,” says Jamie Beck, VP of Field Operations at Peloton. “By investing in field operations team, to deliver this great brand experience in being able to service and repair products, it helps put a strategic moat around what we’re doing as a business.”

While the potential is vast, the transition from product provider to trusted advisor (and beyond) is no simple feat. In fact, it is a journey spanning strategic vision, company culture, operations, and technology that usually spans years to truly master. As you see in Noventum’s Service Growth Model, companies progress through a continuum from product supplier to strategic business partner. To achieve successful forward motion on this path, these seven steps are critical.

STEP 01

Confirm and Define the Service Business Opportunity

You can read a wealth of research that will illustrate why service is the path forward for manufacturers, but what is your company's service growth potential?

That's for you to determine. Rustema suggests starting with benchmarking companies like yours to get an idea of their paths. "You want to assess companies similar to yours in terms of their maturity level and a ballpark financial impact of their progress to confirm the growth opportunity," he says. "Then you want to further that confirmation by talking with your customers and researching their needs. Engage all stakeholders in the case for change; there should be a strong imperative for change at all levels."

Ensuring you get firsthand input from customers is imperative – making assumptions on what customers want and need can be detrimental to your efforts. However, it's important to keep in mind that they may not have all the answers – if you simply ask them what they want from your company, you may not get an accurate picture of the opportunity. This is because sometimes customers aren't quite sure what suggests Rustema. "What are the business challenges? As you examine under the surface level, you may uncover pains you can alleviate or value you can add with knowledge or capabilities you either have or can acquire."

Once you feel confident in the opportunity that exists, you want to weigh the risk as well. "Look not only at the positives but perform a risk analysis and define your prerequisites for success," suggests Rustema. Be pragmatic and do your due diligence but avoid complacency at all cost. Sae Kwon, VP of Customer Experience at Cisco, discusses the company's decision to disrupt even when "business as usual" was performing incredibly well. "Having that courage to disrupt early on is really important. It can be very risky and scary, but if you do that, you open more room for growth," he says. "Rather than allowing a really strong business to slow down or plateau, if you make that transformation at the right time, then you can go through that growth curve again."



STEP 02

Develop A Service Vision & Strategy

When you're sold on the case for change, step two is to determine what your vision is and what your strategy is for achieving that vision. Start by asking, what will your business look like in three to five years if you seriously

pursue service? "You want to consider which types of services you believe you can sell and work backwards to determine what capabilities you need to gain to deliver on those outcomes," says Rustema.

There's no plug-and-play blueprint for developing that vision or strategy, but there are some important aspects to consider:

01

As you develop your services vision and roadmap to the future, be sure you are engaging a cross-functional team in the process. The concept of Servitization isn't an evolution that can happen in a silo. "The service business vision and strategy should be fully aligned with the overall business vision and strategy," says Rustema. "In fact, in the end, growing your service business becomes the business strategy."

02

You need to be able to articulate what you want your company to be known for, which will be a big change from being known for your products. Rather than being recognized for features and functions, you'll be recognized for outcomes and experiences – and this is a big shift in thinking that takes some time to embrace.

03

To make progress toward your vision and ultimately achieve success in growing service revenue, the value proposition for customers must be right. "The value proposition needs to be not around what you do or how you do it, but the value it brings your customers," explains Rustema. If you don't lead your evolution through this lens, you will struggle to see results. "This is one of the top areas of complexity faced by manufacturers today, with 57% of respondents from our Drivers for Growth research answering that their biggest challenge is the need for new business models," adds Rustema.

04

Is your strategy realistic? It's commendable to think big; in fact, you should. However, you need to balance your innovative ideas with a practical strategy. You are better off having a well-thought-out five-year roadmap to your ultimate vision than to rush progress at the detriment of your employees, your customers, and your success.

05

Remember that your strategy isn't set in stone. It is a working plan that can evolve as market pressures, technological factors, and company circumstances change. If you have an engaged, cross-functional team involved in the process, you will adapt as needed along the way – but having a guiding force to propel you to your vision is essential.

STEP 03

Rally the Troops – Create Internal Alignment on Your Service Vision

You can have the greatest vision for service there has ever been, but if you can't create buy-in for that vision across your organization – from the leaders to the front line – you won't get far.

To achieve measurable success, you need to be able to inspire and engage employees to see the big picture. In most instances, we're talking about fundamental changes in how business is done – significant evolution of what's often a longstanding company culture – and this step absolutely can't be overlooked or underprioritized.

"You need to ensure your entire leadership team understands how you create value through service, and why doing so is important to the company – and to them," says Rustema. "They need to understand and adopt a service growth model – to understand that if your products are similar to the competition, then you need a brand-driven service strategy to create long-term differentiation from your competition. This requires a deep knowledge of the reasons your customers choose your brand and the values in your brand that define the customer experience you deliver."

For a company built around products, this shift is monumental. "This is a major culture change," explains Rustema. "It's very different to strategically differentiate on service versus product, and the education on why and how can't be overlooked or taken lightly. We always recommend companies push the service vision and strategy as far as the culture and attitudes will allow and repeat that process every year. The organization will gradually understand more about the need to change, the business potential and how to transform." Furthermore, the rallying of the troops needs to persist across functions – it is a company-wide initiative and

change. Organizational functions beyond service, including sales, marketing, HR, product development, and finance all need to be a part of this journey. Roel Rentmeesters, Director of Global Customer Service at Munters acknowledges the significance of a shift toward service. "We know we need to make ourselves ready to provide a different kind of service – to move away from break/fix work and move toward guaranteeing uptime to our customers," he says "This is a significant shift for Munters, and we have begun taking steps to enable our success with Servitization."

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MIKE GOSLING

IT Service Platforms Manager, Cubic Transportation

Tackling human nature's resistance to change and ensuring your employees won't simply comply but will enthusiastically support your service vision is arguably the hardest part of this journey.

"It's fairly straightforward to examine your processes and uncover what needs to change, but you also have to consider that you need to examine the legacy thinking that exists within the company as well – that is harder to identify and also harder to change," says Mike Gosling, IT Service Platforms Manager at Cubic Transportation. "It's just human nature to want to stay within your comfort zone, and it takes effort to take your entire workforce along on this journey, help them understand why and how things are changing, and get them to buy into the mission."



STEP 04

Set Up Governance

Even with proper alignment and buy-in, the tendency to deviate from your charted path is strong with a change this vast.

To ensure you stay focused on your ultimate objectives and make continual progress toward your service vision, you need to set up governance. The reality is your service transformation won't be successful – or even possible – without accountability and management. “Service transformation at this scale can take three to five years because it is a massive change,” says Rustema. “Governance is what will help you to set smart objectives, manage experiments, assess risk, gather and incorporate feedback, and ultimately track progress toward your big-picture goals. Sponsors from the C-suite are essential for success.”

And creating buy-in may take some work at first. “Internally we met resistance to change, as we expected. Knorr is a proud company, a worldwide market leader, so why should we change? We needed to keep communicating and explaining this strategy to our people,” says Meike van 't Hoen, head of the Rail Service Product Management Team at Knorr Bremse. “This is also one of the main reasons that we involved the management team from the start and made them sponsors of each new service we were developing. Our services offering has impact on all processes, tooling and for example also our accounting department when moving from selling products to subscriptions.”

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HILBRAND RUSTEMA

Managing Director of Noventum

Servitization requires a delicate balance between innovative, big-picture thinking and daily, pragmatic progress.

As Glatz of ANDRITZ puts it, you need to think big but start small. “Our ultimate vision is to delivery fully autonomous solutions to our customers. It's very ambitious. That's why you need to have a very clear plan, which steps you need today in order to get there,” he shares. “We started very small, examining where we are and how we need to develop our competencies and our skills in order to be able to achieve our vision. You need a budget and you need to have a project sponsor and you need to have someone who has a vision; you need to be able to break a big thing into small pieces and then be quick in the delivery. Our evolution is driven by customer needs, so collaboration is critical. It's important not to work two years in a protected environment, go out to the customers and learn you're off. Failing is also okay. Think big and start small.”

In this collaborative, co-creation process with your customers you will need to experiment to see what works. Rustema advises that while it may make sense to start small, you also have to be prepared to scale. “You don't want to achieve success on a small scale that can't be scaled as value to all customers,” he says. “It's important to keep in mind as you're creating what will be required to deliver the outcome across the organization – if that isn't possible, the experiment isn't worthwhile.” Keep in mind how influential the customers you select to begin this journey with will ultimately be – it will behoove you to choose to work first with customers that are themselves innovative and open to exploration.

Governance within most organizations often means new roles within the company, specifically to spearhead and drive the transformation. Asking someone within your organization that already has full-time responsibilities to take this on in addition to their daily work will not yield the focus you need to see real traction.



STEP 05

Determine Organizational Design & Service Delivery Evolution

Adapting a service mindset isn't enough to grow service revenue – doing so will ultimately require changes to your organizational design and an evolution of how you deliver service.

A company built and structured to sell products will not successfully evolve to a solution provider without organizational and operational changes. If you look at your ultimate vision, what would the company structure need to be to deliver that end result? Work backward from this point to determine what tactical steps it will take to evolve in the ways needed.

One of the largest areas of challenge for organization is that many companies are structured in siloes. “Product-centric businesses are organized for the convenience of the company,” explains Rustema. “This doesn't work for customer-centricity. To servitize, companies need to become market-centric which means a new organizational design centered around the convenience of the customers. This requires an elimination of siloes. Companies may decide to create a new Customer Experience journey with designed customer touchpoints or a Customer Success organization that combines product and service roles as well as sales and service delivery. Examples are Philips Healthcare, which organized around customers and markets; Abbott Laboratories, which created a customer ambassador role combining sales and first-line service activities; and Husky Injection Molding which is now creating a Customer Success organization to offer integrated product and service solutions.”

Organizational redesign often follows the commitment to service as a strategic focus, because it is difficult to achieve real progress otherwise. “Service has become an increasing strategic focus for Alfa Laval as we have a huge, installed base with which we need to continue to position ourselves as a trusted partner,” says Cedric Domont, Global Service Sales Director at Alfa Laval. “Service is a key enabler of differentiation and has a critical impact on customer experience. These are the major reasons that Alfa Laval's focus on service has, and will, continue to increase.” However, like any other manufacturer on the path to Servitization, Alfa Laval knows this journey takes some time and involves some foundational changes. Jens Pulczynski, Manager Global Service Operations at Alfa Laval, points to a significant shift in company alignment that has enabled the company to make the progress it has. “In 2017, the company was reorganized, and the total lifecycle of products was clarified for alignment, including service sales and service execution,” he says. Another important consideration as you look at breaking down siloes is to facilitate greater collaboration between service and R&D. Ultimately, the insight of your customers and the perspective gleaned from delivering advanced services should feed into the company's product innovation efforts.

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CEDRIC DOMONT

Global Service Sales Director at Alfa Laval

As you evolve along your journey, processes need to be both examined and standardized. Panasonic Appliances Air-Conditioning Europe shares its experience: “There's been a recognition within Panasonic that we need to adopt more of a service mindset,” explains Karl Lowe, Head of European Service at Panasonic Appliances Air-Conditioning Europe. “As we develop the maturity of our service organization, we have to examine the historical perception of service within the organization which is in more of the technical sense.” Lowe explains that the process is complex because Panasonic operates in so many countries and regions and those operations have been conducted very independently until now. “We have this kind of silo mentality because each country works independently,” he notes. “But what we're trying to do with service is offer top-down governance in the way that we work operationally, how we work from a service sales point of view and how we work technologically. We don't want to take away the independence or the free thinking of our National Sales Companies (NSCs), but we do want to move away from each country doing it in their own way. We believe that offering common approaches and processes will really help our organization.”

Lowe himself is new to Panasonic, brought on to lead this charge. As you examine what organizational and operational changes will be necessary to achieve your service vision, keep in mind that – again – it may require new roles, different competencies, and fresh skill sets to bring your service vision to life.



Align Your IT Infrastructure

Technology is indeed only one piece of the Servitization puzzle, but it is an imperative piece.

“The insights demanded, and information needed, the ability to minimize downtime, the transition to predictive service – none of it is possible without digitalization,” urges Glatz of ANDRITZ.

An IT platform is essential for the scalable growth of your service business. But understand that digital transformation, like Servitization itself, is a continuum. You need to create a strong foundation from which to build upon. “Aligning your IT infrastructure to your service vision requires getting the basics right and then advancing from there,” explains Rustema. “You want to start by mastering the operational efficiency of your support center, field service scheduling, dispatch, service execution, service lifecycle management. This alone can take a large company nine to 12 months, and it requires the implementation of a globally standardized service operating model to align service management practices, processes, performance metrics and organizational roles across all geographies. Only once you’ve mastered this phase can you move to incorporating more sophisticated technology to aid in your progression to delivering advanced services.”

“Operational efficiency and visibility are crucially important to us as we grow our service business and continue to develop our offerings,” says Per Ahlmann Andersen, former Global Business Solutions Senior Director at Carlsberg. “We chose a platform to manage our service operations and serve as a central repository for our inventory visibility and IoT data. We can house space and planogram insights, Digital DraughtMaster data, inventory availability and use the platform to view

and maintain all of our assets. We are a capital-intensive business with costly equipment in the field – having a single view of our assets, whether fielded at customer sites or located in our repair shops and warehouses, is hugely beneficial.”

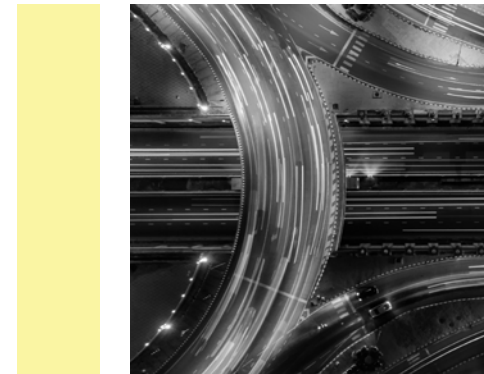
Rustema echoes the importance of a platform approach. “You cannot build success on one or two disparate applications; you need a platform. You want technology that can scale as you evolve and grow your business, not a one-off solution that you will outgrow. Select technology providers that have proven success in helping others achieve your objectives. Getting this wrong can ruin your business,” he warns.

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PER AHLMANN ADERSEN

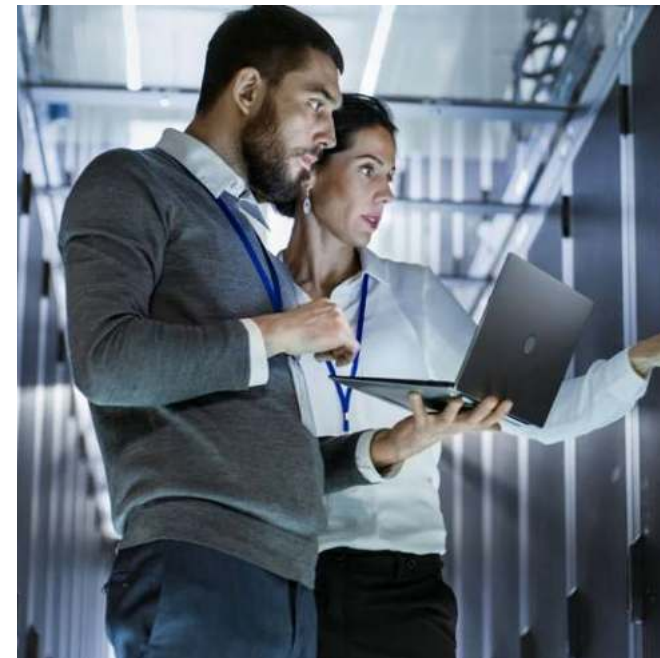
Former Global Business Solutions Senior Director, Carlsberg



With a solid foundation in place you can move to augmenting your capabilities to support your evolution to delivering more advanced services.

Technologies like augmented reality and remote service, knowledge management, IoT, data analytics and artificial intelligence help transform your business from product-centric and reactive in service to a fully servitized, outcomes-based solution provider. This transformation is slower, more continual than that of achieving operational efficiency as it happens alongside more of the cultural, organizational, and operational change. “The ultimate and goal is designing your products for serviceability,” says Rustema. “Where service and product work as one to achieve that strategic business partner status which is what leads to double-digit growth.”

Gone are the days that the evaluation, selection, and implementation of your technology can involve IT alone. Service centricity requires digital transformation that bridges IT and business objectives in a coherent solution architecture. “The most successful companies establish a partnership between the service business and the IT function,” says Rustema. “However, the business is in the driving seat when it comes to the strategic decisions. Even when that collides with the IT strategy.”



Bring Your Vision to Life – Facilitate, Implement, and Manage Change

Change management for an evolution of this magnitude is critical and cannot be overemphasized. This is the most common area of struggle for organizations and the aspect of this evolution that most companies underprioritize.

“You need to start early with the education of leadership on service concepts and why the move to service centricity – on why new service business models are the future of the company,” says Rustema. “Begin by creating a common language around service within your company to aid in the necessary alignment across functions, teams, and roles.”

You may think that your vision, or strategy, or technology selection is what will be the primary driver of success – but it is your people. “Human capital is really an asset for a company, if used correctly,” says Henrietta Haavisto, Head of Service Transformation Change Management at KONE. “To create an unparalleled customer experience, your people make it or break it.”

Communicate early and often, and always in the language of the stakeholder – why and how the change will ultimately serve them. “Change always creates some fear, so to say,” says Glatz of ANDRITZ. “It’s important that you communicate, you get people on board, you provide a lot of visibility and transparency in what you’re doing. We missed out on change management at the beginning a little bit too much and learned firsthand why this is very, very important.”

For a product company that perhaps has a deep, rich history, don’t overlook the validity of the emotional

aspect of change. Ignoring your workforce’s feelings and concerns will not make them magically disappear. Gosling of Cubic points out that while the process of weeding out legacy mindset can be challenging, it’s imperative to success. “Take the time to get to the root of what they’re thinking and saying – overcome their concerns rather than dismissing them,” he says. “It takes bravery to overcome this legacy thinking, but you have to be brave and work through it or it will hold you back from your future.”

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HENRIETTA HAAVISTO

Head of Service Transformation
Change Management, KONE

Remember that communication is only one aspect of change management, ensuring that your employees are properly trained, coached, and enabled to do what you’re asking of them is also critically important.

“Generic training won’t cut it for this level of transformation,” cautions Rustema. “You need role-based people learning and development programs that include a multi-format approach. E-learning, live events, coaching, and mentoring are all important.”

And, last but not least, create a culture that normalizes failure – you cannot innovate without it. “Don’t try to avoid mistakes; they propel you forward. When you’re innovating, mistakes will naturally occur,” says Gosling of Cubic. “Making decisions means making mistakes. Mistakes are a learning opportunity that all too often are avoided when they shouldn’t be. As a leader, it’s important to set the example by owning your own mistakes and communicating clearly with your team about what happened, what was learned, and what will be different next time.”



Conclusion: It's A Marathon, Not A Sprint

The journey to Servitization isn't one on which you'll really cross the "finish line" per se – it is a journey of continual improvement and refinement.

"There's a common misperception that the organization needs a break from the constant change – the reality is that constant change is the new normal," says Rustema. Even when the journey feels daunting, you must fight complacency or "that's good enough" thinking. "Avoid 'that'll do' thinking at all costs," says Gosling of Cubic. "This journey is one of continual improvement. If you pop the champagne and put your feet up as soon as you hit your success criteria, you'll fall back below quickly [or you need more challenging success criteria]. When you master one area, you keep watch of it and move on to another. You constantly assess where you are and where you're going next, and out of this process is where the new innovative ideas are born. But you have to be in a constant state of assessing and looking ahead."

You will flex your service centricity muscles and build strength in successful change. This will mean that as your customer needs and opportunities for you to deliver value grow, you will be more adept in meeting those needs and seizing those opportunities. "Service centricity requires a relentless drive for communicating the vision, measuring progress, celebrating wins, getting customer feedback, and then moving on to the next phase," says Rustema. "There will always be new factors to consider: New services, new customer experience improvements, new software releases, new technology breakthroughs, people learning and development needs, new service best practices, and so on. Your service innovation process and team are key to driving transformation and achieving success."

Ensuring you get firsthand input from customers is imperative – making assumptions on what customers want and need can be detrimental to your efforts. However, it's important to keep in mind that they may not have all the answers – if you simply ask them what they want from your company, you may not get an accurate picture of the opportunity. This is because sometimes customers aren't quite sure what suggests Rustema. "What are the business challenges? As you examine under the surface level, you may uncover pains you can alleviate or value you can add with knowledge or capabilities you either have or can acquire."

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About the Authors



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Sarah is a well-known figure in the industry having served for more than a decade as Editor-in-Chief of Field Technologies before creating the Future of Field Service platform in late 2018. As a writer, podcast host, and keynote speaker, Sarah is passionate about aiding businesses in realizing the full potential of service.



Future of Field Service is an educational resource for service leaders to gain knowledge and perspective to help shape their organization's journey into the future. The platform provides objective insight, success stories of service business transformation, firsthand perspective from service leaders on foremost service topics, and analyst perspective on industry trends. Our mission is to focus on sharing the voice of the industry – in their words – and to share real-world stories of trials and triumphs.

Join the conversation at futureoffieldservice.com.



Hilbrand Rustema

Managing Director & Founder of Noventum Service Management

Based on his belief that the service business leads the way to abundant and sustainable growth and prosperity, Hilbrand founded Noventum 20 years ago with the mission to unlock the unlimited potential of service business. He has led hundreds of successful service transformation programmes with his global team of service management consultants, service IT experts and trainers.



Noventum specializes in helping manufacturers grow profitable and sustainable revenue streams from services by helping to identify new service value propositions, designing new services, and helping manage the organisational transformation towards new service business models. Noventum's Digital Service Transformation Centre provides on-line access to the best practices, and we offer coaching to guide management teams of manufacturers to create and implement winning service business strategies. Noventum's track record includes hundreds of successful service transformations with some of the worlds' leading companies.

Learn more at noventum.eu.



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