

"The Service Excellerator"

Service Management Excellence, LLC

Issue 2

2008

TRANSFORMING YOUR SERVICE BUSINESS TO ACHIEVE EXCELLENCE AND PROFITABILITY™

Service Business — "Quo Vadis"?

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Robert Reich, former Secretary of Labor, Professor of Public Policy at the University of California at Berkeley

Service Businesses — "Where are you going?" This is the question many of us are asking these days as the stock market rides the roller coaster – more down than up. "We are in the midst of a once-in-a-century credit tsunami," said Greenspan on 10/23/08. He continued, **"Given the financial damage to date, I cannot see how we can avoid a significant rise in layoffs and unemployment."**

From Oct 20 to Oct 22, 2008, I attended a conference in Las Vegas **"Winning Service Strategies in a Shifting Global Economy."**

Maybe some of you were there as well and had the privilege of listening to Robert Reich, the former Secretary of Labor. His originally planned key note address was titled "Finding and Keeping Talent," but due to the dire economic situation we are in right now he adjusted the subject and gave the

audience his view as to why we are in this situation and **what we as business people and consumers can expect in the coming years.**

Reich on 10/20/08: "Credit is not flowing to distressed homeowners. It's not flowing to small businesses. Why? Because the underlying problem isn't a liquidity problem. The problem is that lenders and investors don't trust they'll get their money back because no one trusts that the numbers that purport to value securities are anything but wishful thinking. **The trouble, in a nutshell, is that the financial entrepreneurship of recent years -- the derivatives, credit default swaps, collateralized debt instruments, and so on -- has undermined all notion of true value."**

Robert Reich puts most of the blame squarely on Al Greenspan, and when the Feds promoted easy credits with little or no oversight a few years ago. "The bubble just had to burst, like every bubble will and did, like the 17th century 'tulip mania' in Holland*, where even garden-variety tulip bulbs became objects of frantic speculation."

Reich continues, "So far this year, nearly a million jobs have been lost in the private sector. **The official unemployment rate for September was 6.1 percent.** But the Labor Department's most comprehensive measure -- which includes people who want work but have stopped looking because they can't find it and those working part time who want full-time jobs -- is 11.0 percent, its highest rate in 14 years."

*Some background: Fundamentals, such as earnings, were ignored in the tulip mania. The only apparent "fundamentals" that applied were the scarcity of the varieties and the beauty of their blooms. The speculative climax occurred in the winter of 1636-37, when the bulbs had already been planted and wouldn't bloom until spring, and many investors had only vague descriptions to guide their bidding.

Special points of interest:

- THE CURRENT ECONOMIC SITUATION IS BAD, AND WILL GET WORSE. AL GREENSPAN, "GIVEN THE FINANCIAL DAMAGE TO DATE, I CANNOT SEE HOW WE CAN AVOID A SIGNIFICANT RISE IN LAYOFFS AND UNEMPLOYMENT."
- HOWEVER, THERE ARE CERTAIN OPPORTUNITIES IN A SLOWING ECONOMY THAT SERVICE BUSINESSES CAN AND SHOULD TAKE ADVANTAGE OF. SEE PAGE 2 AND FIND OUT WHAT YOU SHOULD DO.

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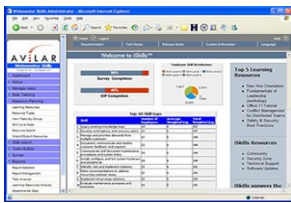
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In a slowing market you should try to renegotiate leasing or buying terms for your service fleet.



Now is the time to do a complete and comprehensive skill inventory of your service employee base.

Where should Services go in today's economy?

So, what can and should you, who are managing service businesses, do in the present market situation? The good news is, according to Robert Reich, that you still have a time buffer, because at least some of your services revenue is most probably recurring revenue, e.g. inspection and maintenance contracts.

Here are some of my conclusions and suggestions, based on Robert Reich's description of the current economic situation, his predictions for the next few years, and based on some additional research I have done:

- **All companies** which are in the service business **need to establish** or update **the skill inventory of their employee base**, looking especially for transferable skills.
- The automobile sector suffers from the very tight credit market. It might be a good time to **(re)-negotiate car leasing or car buying terms** and conditions for your service fleet.
- Service businesses which heavily depend on the housing and building market, like **Fire detection and suppression** companies, should **launch special promotions** and campaigns **selling and upgrading inspection / maintenance / service contracts**. Use your most qualified service people to do just that...start now.
- Prepare for the worst, assess your organizational structure, look at the ratio of revenue generating personnel to administrative personnel. This is the time some companies are head-hunting and looking for your very best people, **make sure your best talent does not leave** you when you need them most. On the other hand it might be an excellent opportunity for you to hire new talent with experience in cross and up selling.
- **Engage a good and trustworthy consultant** who can provide you with an unbiased assessment of your service business and who has a deep knowledge of best practices in the area of Technical Services and Service Operations.

What exactly is Technical Services?

Questions & Answers of common interest to the technical service community

When I talked to several vendors (mainly focusing on software applications and professional services) on the Expo floor at the AFSMI conference in Las Vegas, I introduced myself as an expert and independent consultant in the area of Technical Services. To my surprise many of them asked what I meant by Technical Services. Here is my definition:

Technical Service or Service Operations **is the management discipline of delivering repair, inspection, diagnoses, and maintenance**...as well as MAC (Move, Adds, and

Changes) and small installation services, either on the customer premise, in the repair shop, or remotely. Examples of products or systems serviced: telephone systems, computers, photo copiers & printers, intrusion / fire alarm equipment, video surveillance & security systems, medical devices, ATM machines, air conditioners, etc, etc, etc.

The **main challenge** in Technical Service or Service Operations is having customer engineers / technicians with the **right skill-sets**, the **right parts**, the **right tools** at the **right time** to perform the required services.

I am curious as to how you would describe it...send me an email with your thoughts.

Yours, Wilhelm Lembeck



Technical Services deals with repair, inspection, diagnoses, maintenance, and small installation tasks.

We are on the web. Please check us out:
www.ServiceManagementExcellence.com