

# DROP THE COSTS, RAISE THE SERVICE, CHANGE THE THINKING

## BACKGROUND

Our client is a division of a large Australian telecommunications company. One of this division's primary lines of business is to maintain telecommunication networks.

Approximately 80 percent of their workload is sourced from the parent company, and the remainder from other telecommunications companies. However, the division must compete for the company's business with other service providers.

## OBJECTIVES

Market conditions have changed. Competition is stronger and the parent company now has a policy to put a much larger share of its network maintenance business out to tender.

Our client's management knew their cost structure was high and they needed to ascertain if and how they could become cost-competitive. This is crucial to the strategic plan to substantially increase revenue and profits. However, cost cutting alone will not be enough to meet growth targets.

## KEY RESULTS

- Approximately 11 percent was identified in bottom line savings.
- Actual savings of 20 percent was achieved.
- The cost of service delivery to customers has been reduced, while the company has exceeded contract service targets by one percent.
- Major operational and cultural improvements have been achieved in commercial focus and customer management.



The company's business culture was to get the technical solution right, regardless of cost. The company needed to learn how to achieve the same technical excellence in a commercially competitive manner.

The company had a hit and miss business. They made money on some jobs, lost money on others and rarely knew which until after the event.

In part, this was due to their cost plus mentality. Contracts were managed clerically – orders were processed and people were sent out. However, while technicians working on each project, and the people supervising them, had great technical skills, they neither knew nor understood the commercial aspects of their work.

This culture was costing the company a lot of money and had to change if it was to stand up to competitive pressures and become a more commercially focused organisation.

## A PLAN... OF SORTS

The company planned its workload, but not very well. Resources were often pulled from a project to handle an emergency, or crews were moved off one job and onto another in response to customer pressure.

This could easily cost the company half a day of work, as crews put in temporary connections, packed their equipment and made pits safe for pedestrian and vehicle traffic.

## THIS SOUNDS BETTER

A new organisation structure was developed with the company divided into two core sections. Contract management (the people who manage clients) and service delivery management (the people who manage and perform the work).

Areas of responsibility are clearly delineated. Contract managers, whose role was

primarily administrative, now manage a customer in a commercial environment. Instead of merely processing orders and conducting administrative duties, they have been taught skills in negotiating contracts, determining service levels, managing variations and ensuring the service a customer wants is provided at a profit to the company.

Service delivery managers are now accountable for managing the work, the crews and the costs – something that was previously impossible to do when crews were continuously hijacked and sent to other projects.

Staff are now allocated according to three types of work:

- Emergency - such as a fibre optic cable being cut by a road crew.
- Planned - projects that are on the books for up to three months ahead.
- Predictable - although not specified or ordered, from experience the volume and nature of the work can be predicted.

A three-month rolling plan was introduced to enable control of these work categories. This brought greater efficiency and certainty, and resulted in fewer technicians being required to complete the work, a reduction in the number of vehicles by 37 percent and a reduction in overtime by six percent.

## CHANGING THE THINKING

A new approach was introduced to roles, responsibilities and accountabilities which will form the backbone of longer-term improvements.

The business is shifting its thinking from a company focused on performing technical tasks to a company skilled at managing those tasks – whether through internal or external resources.

New job descriptions were created, skill gaps were identified, and staff were put through a range of external and internal training programs.

In addition, people were taught to broaden their thinking, such as looking beyond the definition of their role and seeing new business opportunities for the company. For example, technicians in remote areas climb towers to repair or service the parent company's transducers. If they pass a competitor's transducer on the way, they relay this to the division as a business opportunity.

More commercially astute thinking is being deployed in other ways. For example, improved communications between planners and technicians is reducing the number of times technicians return to base for instructions. This reduces costs for the company and improves response time to customers.

## PHASE II - LOOKING FURTHER DOWN THE LINE

With the fundamentals now either in place or on the way, the next step for the company is to increase its share of traditional markets, and enter new arenas to compete against established operators.

The company is no longer sitting and waiting for customers to call, then quoting. It is being positioned to aggressively go after new business – including expanding its services to business areas such as facilities management and network management.

To place it on the right path, a new business model has been created which sets out the company's value chain – 'as is' and 'to be' for each component of the business.

This outlines what characteristics the company needs to exhibit, where it is now, what the gaps are and how to overcome them.

## IMPLEMENTATION NOTE

This program started as a pilot in Victoria and was rolled out nationally. Part way through the program, the parent company brought the division back in. The parent company's management were impressed with some of the initiatives and progress, and implemented parts in other divisions of the organisation.

## EASY ON PAPER

This project, like many of our engagements, looks straightforward on paper. The reality is far from it. Our skill is not just in identifying problems and designing solutions, but in making those solutions work - often in a tough business and cultural environment.

GPR Dehler has an excellent record of implementing change programs in Australia, New Zealand, Asia, Europe, North America and Southern Africa. Everything we do is geared towards achieving results - not writing reports. We have the management and planning skills as well as hands-on consultants with experience to overcome obstacles and transform good ideas into effective and successful programs. Significantly, we do this with minimum disruption to our clients' business operations.