Foreword

IT STANDARDISATION: THE HIDDEN ANSWER TO LOW PRODUCTIVITY GROWTH IN SERVICES?

In today’s economy, productivity growth of services is a major societal issue. In the last decades, throughout the industrialized world, employment in services has grown to some two-thirds or more of the total work population, at the expense mainly of employment in the industrial sectors. So far, so good. We have a network society (Castells 1996), we have a post-industrial society (Bell 1973), we have a service economy, that is just fine. What is not fine at all is that, in those same last decades, productivity growth in the manufacturing sectors has mostly been around some 3%, whereas productivity growth in most sectors has been marginal at around 1-2%, or less, or zero, or even negative (Breitenfellner & Hildebrandt 2006). Productivity growth remains the “lubrication oil” of our modern economies: the mere fact that there is just a little bit more to divide amongst all of us makes many economic processes run smooth. No or minimal productivity growth, and our economies risk institutional sclerosis.

At the same time, it is not so that services have sacrificed productivity growth for an extreme customer orientation either. Again throughout the industrialized world, service have been noted to “stink” (Business week 2000), or, more academically formulated, “poor service prevails” (Gerstner & Libai 2007). In the Netherlands, two cable companies and one telco ranked the top-3 of most irritating companies, just ahead of the Dutch equivalent of the Internal Revenue Service. In a recent survey, less than 40% of customers saw banks and health care insurers as “customer-focussed”, “open”, “honest” or “reliable”.

This forms an enigma. In the marketing literature, it is assumed that one major difference between manufacturing and services is that in manufacturing, higher quality means more standardization of the operational processes, but that in services the opposite is true. “In service delivery, the emphasis is on the perception of the customer and real-time customization to meet the needs of the customer. In other words, providing high-quality manufactured goods means standardizing as much as possible, but providing high-quality service means customizing as much as possible to whatever the individual customer desires” (Rust & Chung 2006, p.568). So, one could live with a world in which service did not reap the productivity benefits of standardization because they were more geared towards customized service delivery. However, it seems that neither productivity nor customer orientation are being achieved in most service sectors until now.

One potential solution to this enigma, and to the societal issue of low service productivity growth at the same time, is more and better IT standardization. IT supports work processes, but that does not mean that these processes have to be conducted in precisely the same way every time. The person providing the service can still mix and match the standardized components. However, the current state of the art in IT performance in the service sector is a far cry from such a setting. Service professionals have to work their way through a jungle of historically grown, often obscure and outdated IT systems on their way
to serve their clients. Apparently, despite the many billions that companies in the service sectors have invested in information technology so far, better IT support is not so easy to achieve.

Clearly, IT standardization is very important and very difficult at the same time in services, and yet few executives will treat it with the priority it deserves in this line of reasoning. Hopefully, the present volume will be helpful in making changes in this situation. The author bases his recommendation on an in-depth understanding of what it really takes to achieve effective IT standardization in one of the most important service sectors, that of Banking. Its longitudinal perspective is rare in the academic literature, but precisely what we need to better understand the challenges in IT standardization, as these processes evolve over time.

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