



*CCLFI Philippines*

# Service Innovation

## Some Philippine Trends and Experiences

10<sup>th</sup> Asia Pacific Knowledge Management Conference

Hong Kong, PRC, 4 December 2008

**Dr. Serafin D. Talisayon**

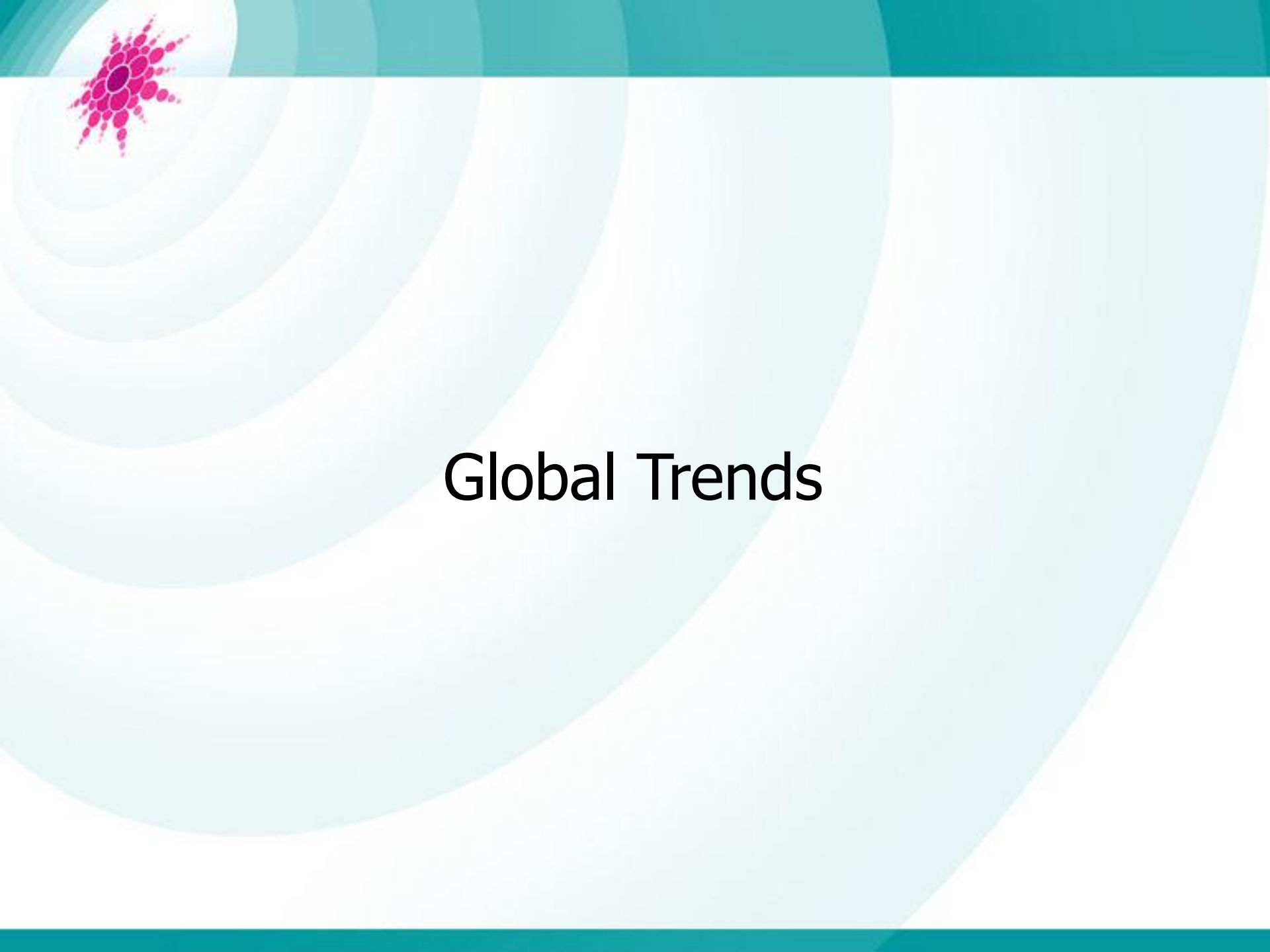
Chair, KM Association of the Philippines/Director for R&D, CCLFI.Philippines

with Ms. Jasmin Suministrado-Rimando

Director for KPA Programs, CCLFI.Philippines

and Mr. Alwin Sta. Rosa

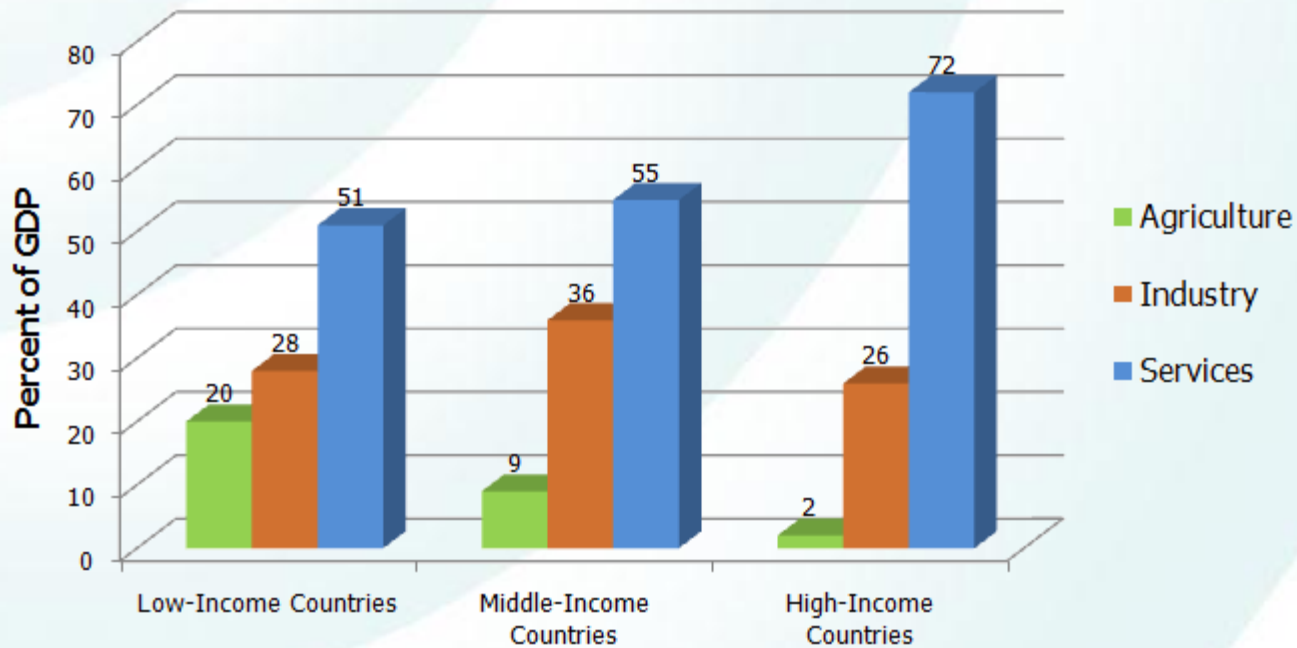
Member of the Board, CCLFI.Philippines



# Global Trends

# Global Wealth Creation: Mostly from Services

World Bank: World Development Report 2008





# Growth of Global Service Trade

Since 1985:

- International trade in services grew faster than international trade in goods/ commodities
- Value of international trade grew 2x faster than world output of goods and services

Growth in global service trade

>

Growth of global trade in  
commodities

>

Growth of global output  
of goods and services



*"The days when incremental or continuous improvement preoccupied corporate managers are over. It is to **innovation and breakthroughs** that those managers have turned their attention. For achieving innovation, the most relevant tool is no longer quality control or quality management. It is knowledge management in its broadest sense.."*

– Secretary General Takenaka  
Asian Productivity Organization, Tokyo



# Global Trends

**1**  
Wealth Creation:  
Services

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**2**  
Trade Growth:  
Services

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**3**  
Competitiveness:  
Innovation and  
Breakthroughs

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```
graph TD; A["1  
Wealth Creation:  
Services"] --> D["Service Innovation"]; B["2  
Trade Growth:  
Services"] --> D; C["3  
Competitiveness:  
Innovation and  
Breakthroughs"] --> D;
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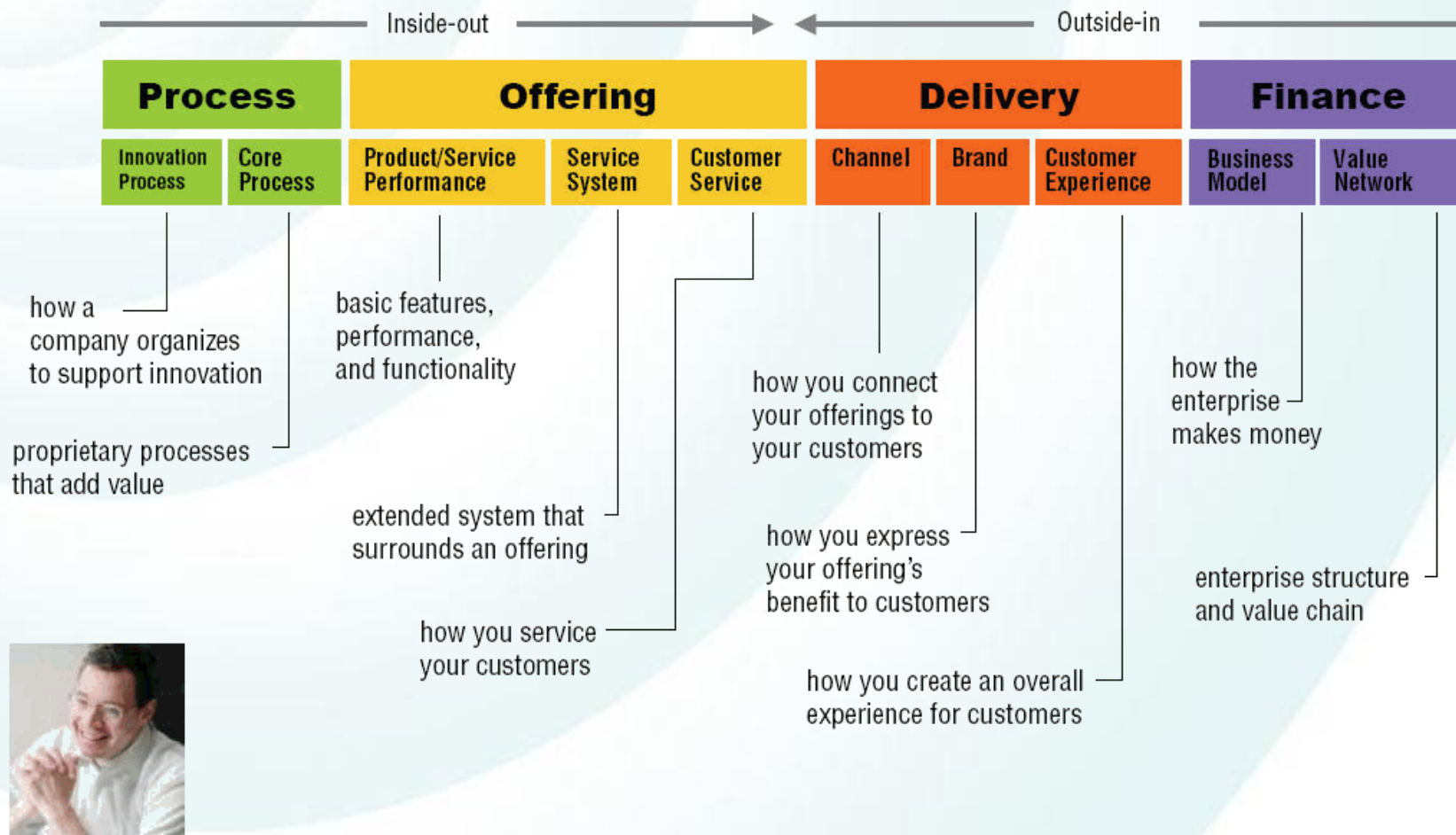
Service Innovation

The background features a teal header and footer. On the left side, there is a graphic consisting of several concentric, semi-transparent light blue circles. At the center of the innermost circle is a red starburst or cluster of small dots.

# Disaggregating “Innovation”



# Doblin's 10 Types of Innovation

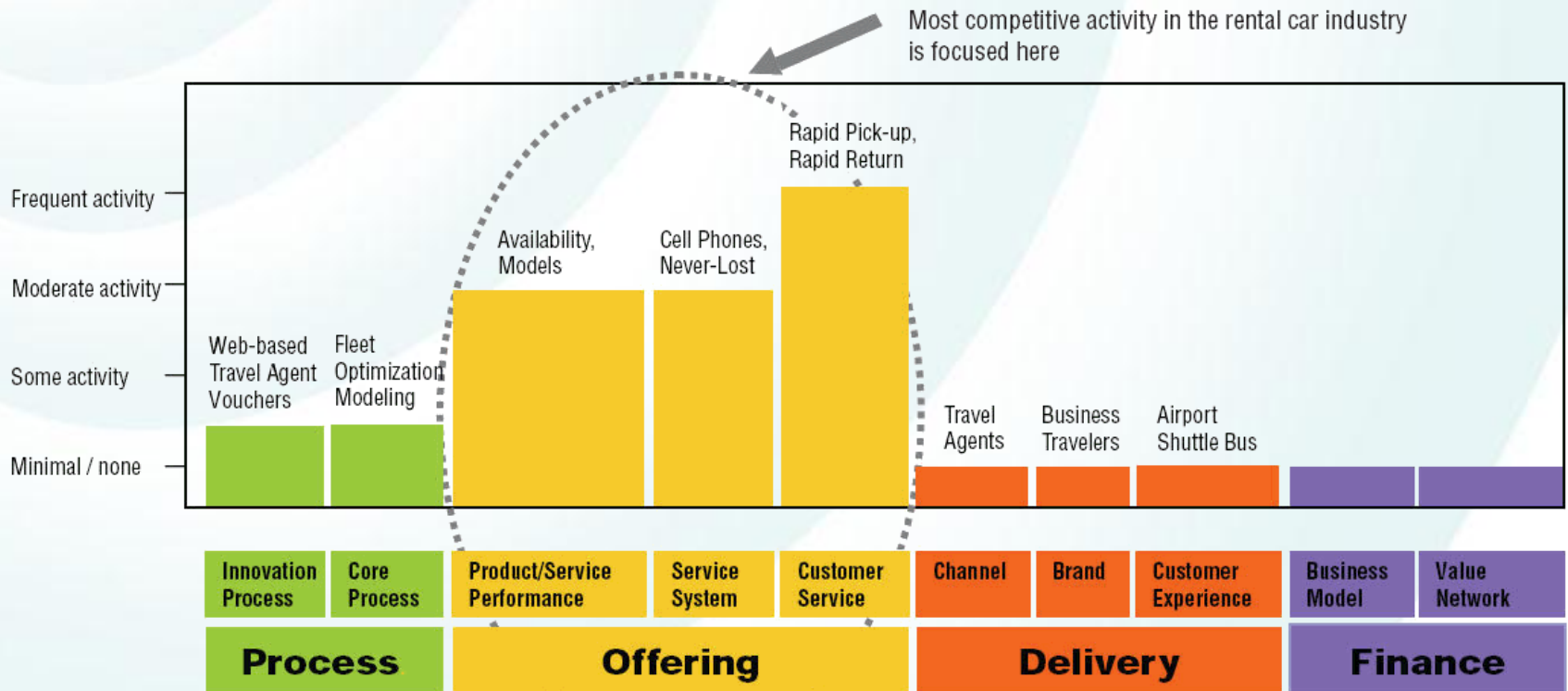


"The Ten Types of Innovation", by Larry Keeley/Doblin Inc. (1999)

Source: Peer Insight: Seizing the White Space: Innovative Service Concepts in the United States. Technology Review 206 (2007).



# Analysis of the US Car Rental Industry



Source: Peer Insight analysis, Dec 2004

Source: Peer Insight: Seizing the White Space: Innovative Service Concepts in the United States. Technology Review 206 (2007).



# Market Leaders

## U.S. Car Rental Industry

	Market Share (2006)	
	US Airports	Total US
Enterprise Rent-a-Car	7.6%	37.4%
Avis Budget Group	30.3%	19.6%
Hertz Global Holdings	28.4%	18.4%
Vanguard Brands	19.7%	12.4%
Dollar Thrifty Automotiv Group	11.6%	8.5%

### **Business model** of Enterprise Rent-a-Car:

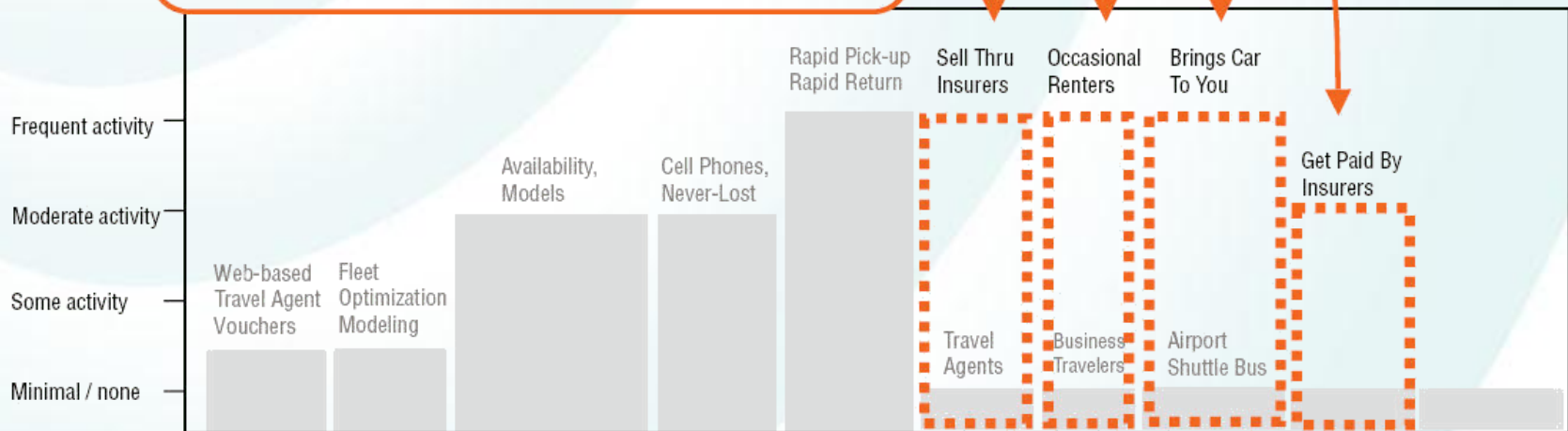
- Target users: car owners who need a temporary service unit while their damaged car is being repaired
- Client: car insurance company pays for rental
- Car is delivered to, and picked up from, user
- Fresh college graduates recruited to set up in profitable locations



# Innovations by the Leader in Car Rental



- Largest car rental company (\$6.9B vs. \$4.9B for Hertz, \$2.5B for Avis)
- Targets the occasional renter
- Uses the insurance company channel
- Brings the car to the renter; avoids cost structure of airport real estate

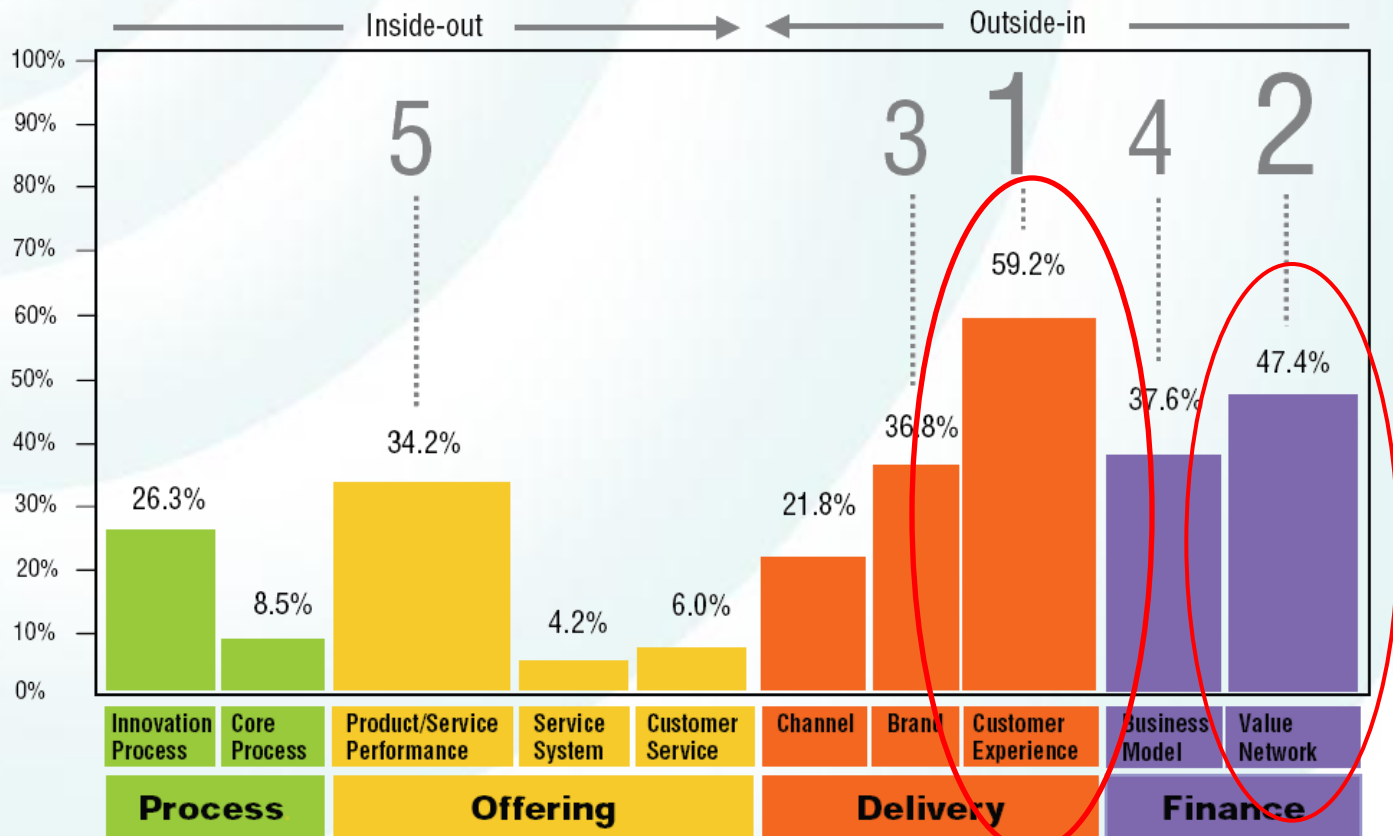


Source: Peer Insight analysis, Dec 2004

Source: Peer Insight: Seizing the White Space: Innovative Service Concepts in the United States. Technology Review 206 (2007).



# Top Differentiator: Customer Experience

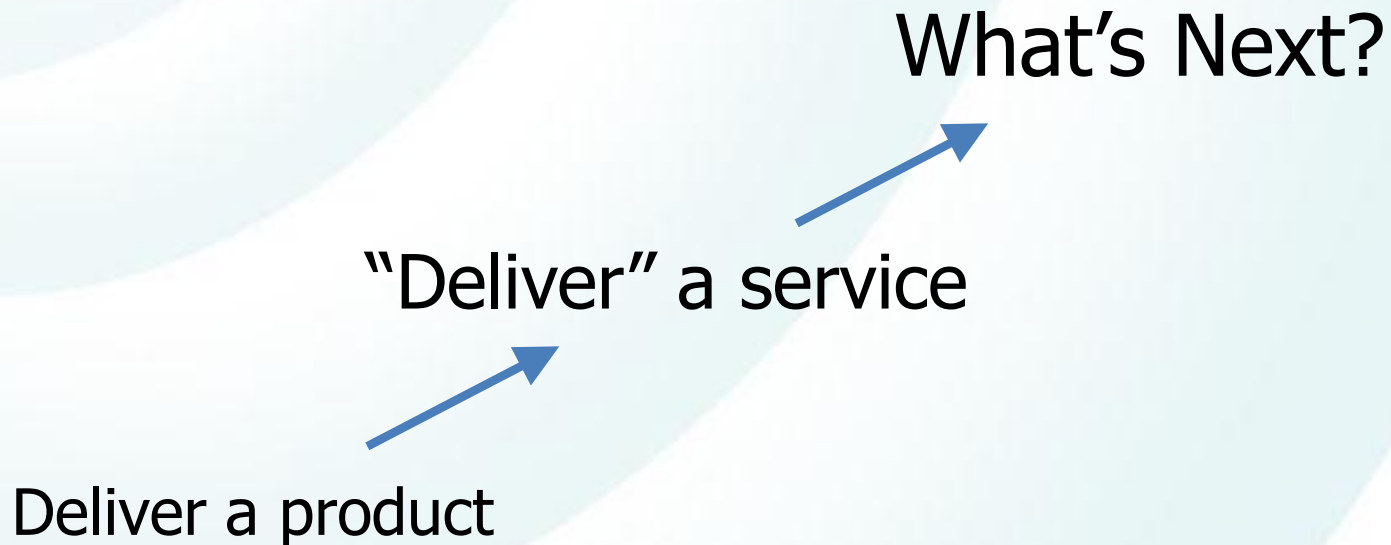


Source: Peer Insight analysis, Nov 2006

Source: Peer Insight: Seizing the White Space: Innovative Service Concepts in the United States. Technology Review 206 (2007).



Common “Service Delivery” concept  
is patterned after traditional Product Delivery





Not product/service “delivery” but provide  
**High-Value Experience**

**Delightful  
Experience**

Deliver a service

Deliver a product

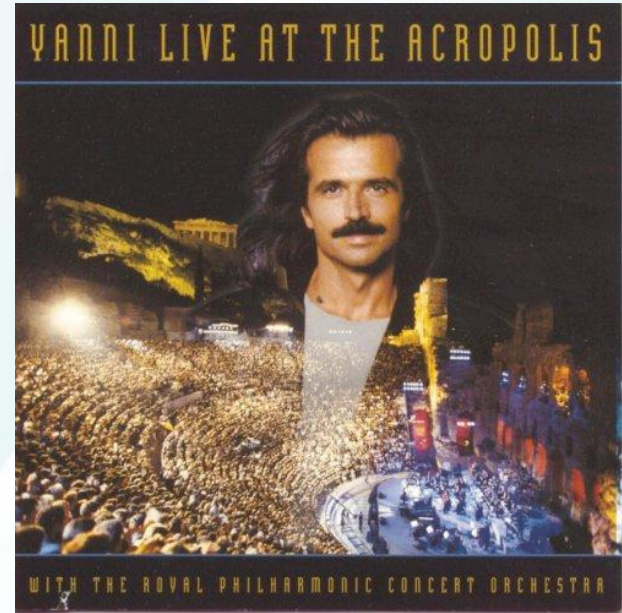


# From Yanni: A Superb Customer Experience

Superb  
Performance



Superb Score



Yanni playing Yamaha PSR 3000;  
L-Acoustics V-DOSC, dV-DOSC and ARC speakers;  
Two Yamaha PM-4000M monitor/mixers (128 channels  
each);  
16 HD video cameras;  
QSC Powerlite amps;  
Mikes: Audio-Technica 4033, ATM-35/25, Shure SM57/58,  
B&K 4006, Sennheiser MKH-40, MD 431II, Sony ECM-66,  
Shure Beta 87 A UHF wireless;  
Shure, Sennheiser and Future Sonics PEMs

# Other Examples

- "*Dreamketing is touching the client's dream and promoting the dream, not the product*" – Gian Luigi Longinotti-Buitoni, CEO of Ferrari-North America
- "*What we sell is the ability for a 43-year old accountant to dress in black leather, ride through small towns and have people be afraid of him*" – a Harley-Davidson executive
- "*Club Med is more than just a 'resort'; it's a means of rediscovering oneself, of inventing an entirely new 'me.'*" – Jean-Marie Dru

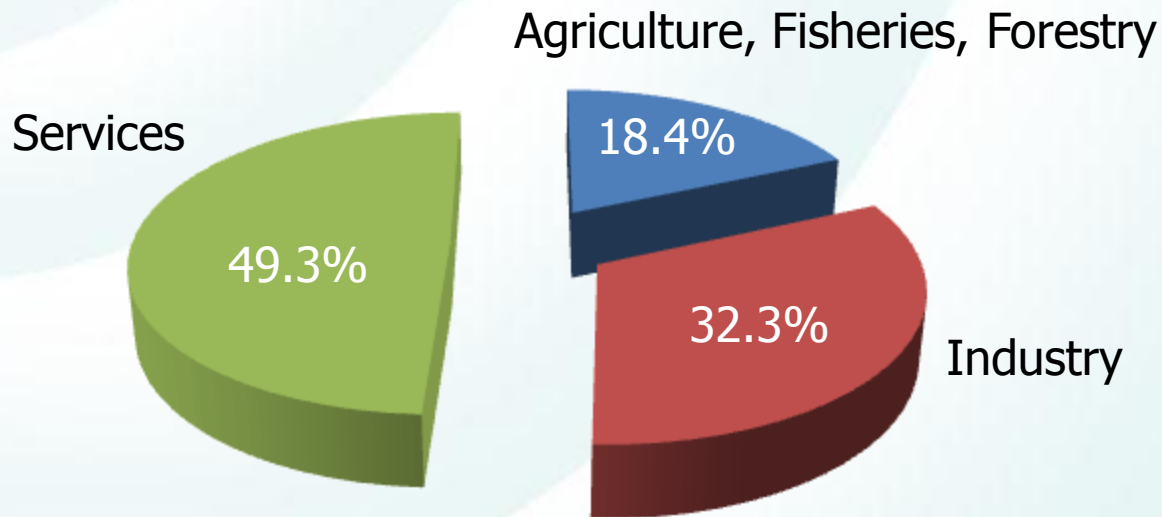




# Philippine Trends: Service Trade

# Philippines: a Service Economy

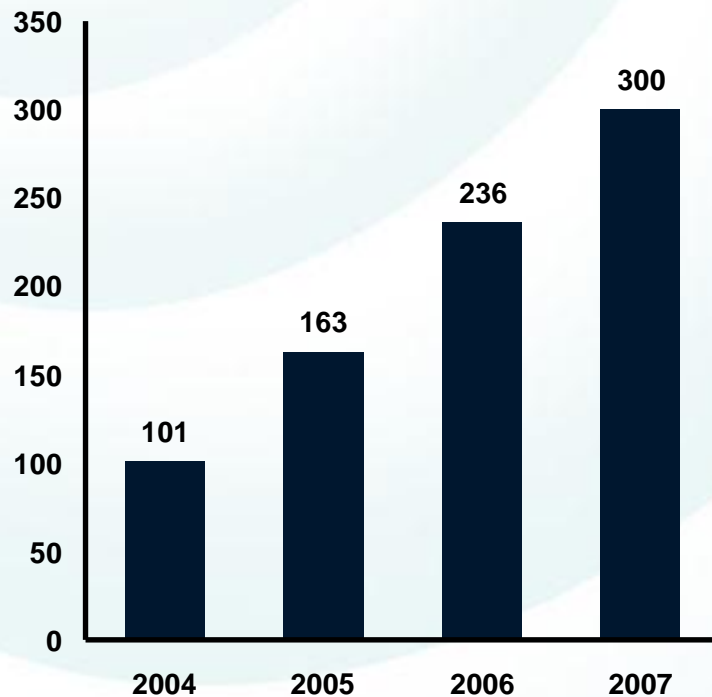
## Sources of Philippine GDP in 2007



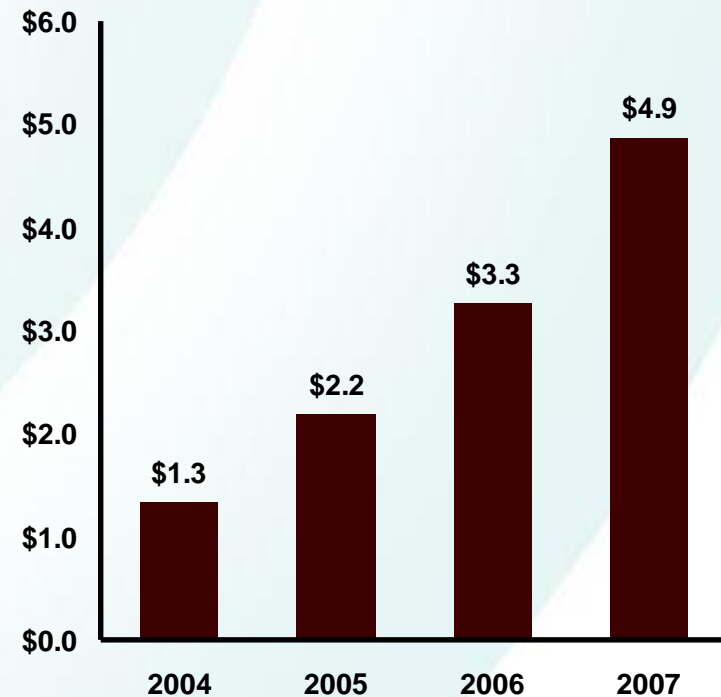


# Growth of Outsourcing/Offshoring Industries in the Philippines

Total Employees (000s)



Annual Revenue (US\$B)



Source: BPAP



# Recognitions in Outsourcing/Offshoring



Offshoring Destination of the Year:  
**Philippines**



Top 10 Outsourcing Cities in Asia Pacific:  
**#2 Manila**



Top 50 Emerging Outsourcing Cities:  
**#4 Cebu**  
**#23 Pasig**  
**#36 Baguio**

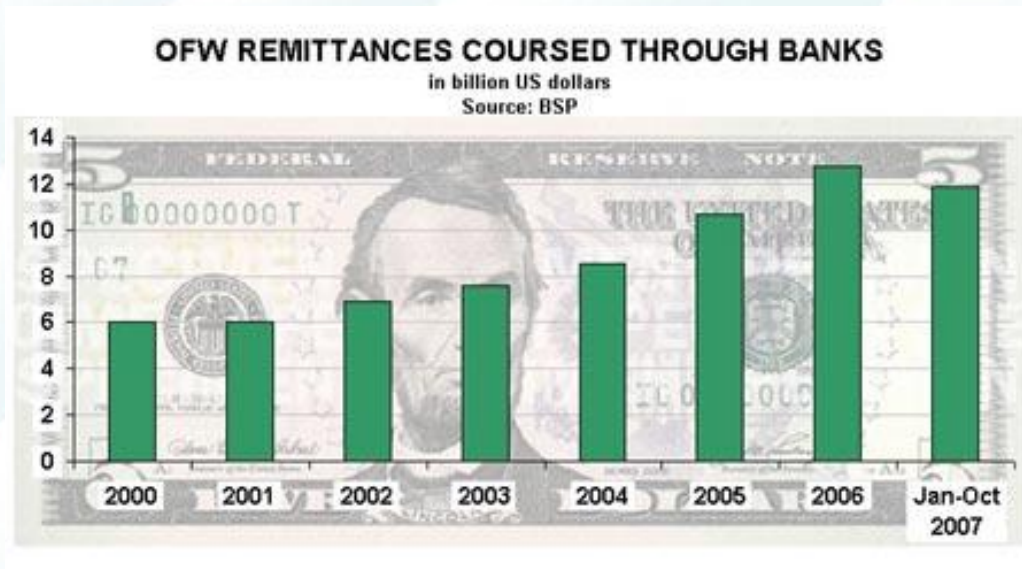


Top 10 Asian Cities of the Future:  
**#7 Quezon City**  
**#8 Cebu**  
**#10 Davao**

Source: CICT



# Remittances from Overseas Workers



↗ \$20 billion  
total in 2008

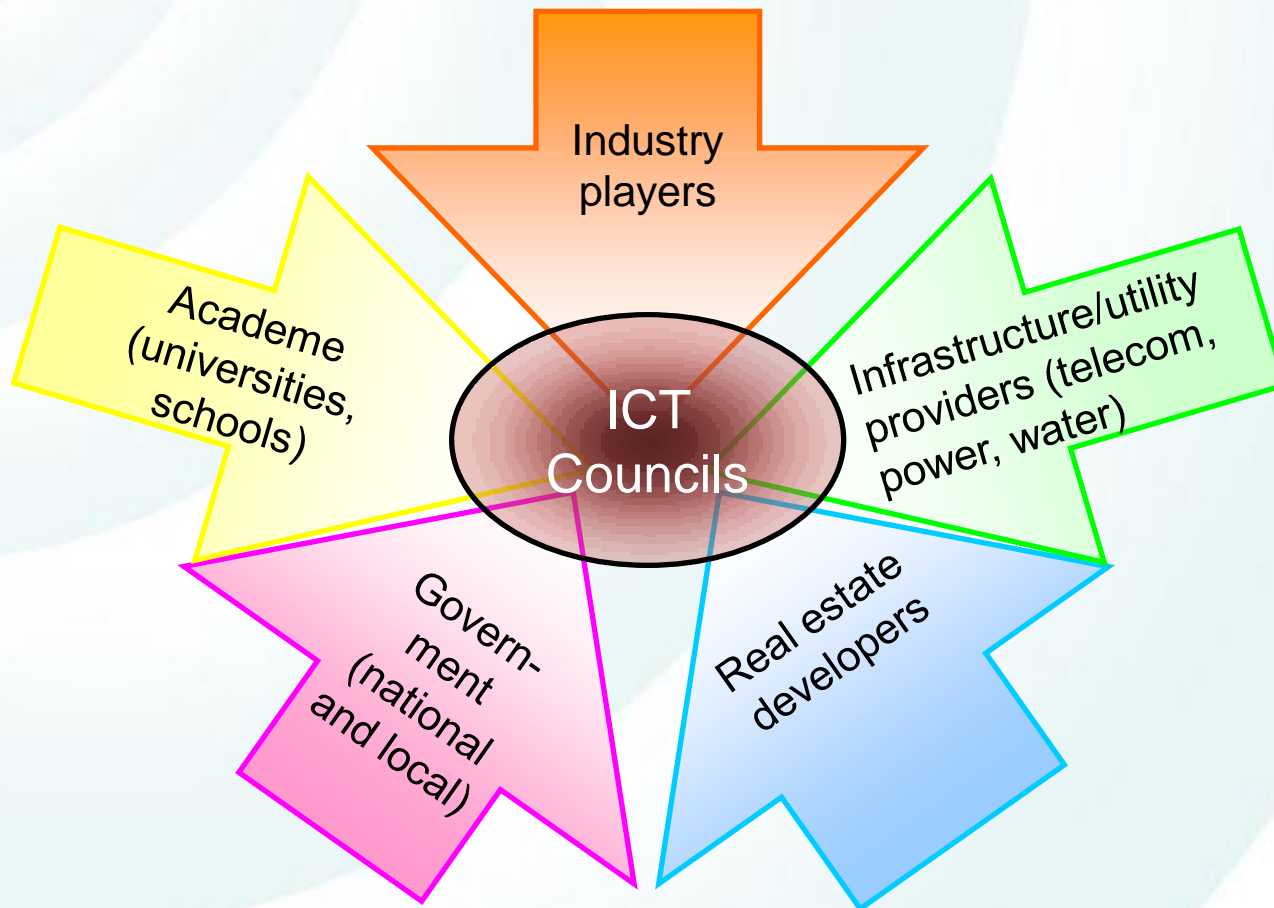
Remittances sent through banks = 79.3% of total remittances.

IMF: The Philippines ranks third behind India and Mexico in remittances from overseas workers



# Philippine Trends: Support Systems for Service Trade

# Regional ICT Councils





# ICT Councils Established

<b>Albay</b>	<b>Albay ICT Association</b>
<b>Angeles</b>	<b>Angeles City ICT Council</b>
<b>Bacolod</b>	<b>Bacolod Negros Occidental Federation for IT (BNEFIT)</b>
<b>Bohol</b>	<b>Bohol ICT Council</b>
<b>Cagayan</b>	<b>Cagayan (Tuguegarao) ICT Council</b>
<b>Cagayan de Oro</b>	<b>Cagayan de Oro ICT Business Council</b>
<b>Cebu</b>	<b>Cebu Educational Development Foundation for IT (CEDF-IT)</b>
<b>Dagupan</b>	<b>Dagupan ICT Council</b>
<b>Davao</b>	<b>ICT Davao</b>
<b>General Santos</b>	<b>ICT Solutions Association of Region 12 – General Santos City (ISA12 GENSAN)</b>
<b>Iligan</b>	<b>Iligan ICT Council</b>
<b>Iloilo</b>	<b>Iloilo Federation for IT (IFIT)</b>
<b>Koronadal</b>	<b>Technology of Information and Communications in Koronadal (TICK)</b>
<b>Laguna</b>	<b>Laguna ICT Council</b>
<b>Quezon City</b>	<b>Quezon City ICT Council</b>
<b>Urdaneta</b>	<b>Urdaneta City Council for ICT (UCC-ICT)</b>



# Cyber Corridor

## Cities with Operators

Bacolod  
Bacoor  
Baguio  
Batangas  
Cabanatuan  
Cagayan de Oro  
Cainta  
Camarines Sur Province  
Cebu  
Clark/Angeles  
Davao  
Dumaguete  
Iloilo  
Legazpi  
Lipa  
Metro Manila  
San Fernando, Pampanga  
Sta. Rosa

## Other Ready Cities

Dagupan  
General Santos  
Leyte Province  
Subic/Olongapo  
Tagbilaran  
Tuguegarao  
Urdaneta



● Cities with Operators  
● Other Ready Cities

Source: CICT

The background features a teal header and footer. On the left side, there is a decorative graphic consisting of a pink starburst pattern of dots of varying sizes, centered within a series of concentric, semi-transparent light blue circles that overlap each other.

# Philippine Trends: Service Innovations

# Collaboration towards SSME

Commission on  
Information and  
Communication  
Technology

Business Processing  
Association of the  
Philippines

IBM Philippines

**SSME: SERVICE SCIENCE, MANAGEMENT AND ENGINEERING**

## CICT-BPAP-IBM MOU on SSME Collaboration Program



Picture: courtesy of Mr. Alejandro Melchor III, IBM Philippines

# Curriculum Innovations for SSME



**Asia Pacific College (APC)**, integration of SSME into its Masters in Information Management Course.



**Saint Louis University Baguio (SLU-B)** New "Master of Science in Service Management and Engineering", an Inter-Faculty MS program shared by the Faculty of Commerce, the College of Information & Computer Sciences CICS and the Faculty of Engineering.



# An Innovation in Public Service: Open Academy for Philippine Agriculture

- Cyber Clinic via Internet and satellite links
- e-Learning: on-line training on specific commodities, interactive CDs for technology delivery
- Call/SMS Center: mobile phones for connectivity to experts
- School-on-the-air: reaching farmers via radio
- Agriculture/Food portal
- Mobile Bus: use of a moving vehicle complete with ICT
- Cyber communities: networking of communities of practice (CoP) in agriculture and food



# Several Service Innovation Contests

- SWEEP Customer Service Innovation Competition by SMART Communications Inc., the leading mobile communications company (55% market share in 2008)
- e-Services Awards, including “Most Innovative BPO Company” and “Animazing Shorts” (animation contest among students), of the Center for International Trade Expositions and Missions of the Department of Trade and Industry
- eDWARD (or e-Commerce Development Awards) for Product/Service Innovation of the Philippine Internet Sellers Organization
- Software Innovations Philippines by Microsoft Philippines
- Innovations Forum among government executives, sponsored by the Civil Service Commission, a Philippine government agency



# 3 Examples of Service Innovations:

Attention to Affective + Cognitive Dimensions  
in Provision of Knowledge Management Services

by CCLFI.Philippines

<http://www.cclfi.org/>



# Case A

Managing “organizational energy” +  
Managing organizational learning in a  
Government Department



We asked many groups\* this workshop question:

*"What helps you do your job well?"*

Their answers always fall into 4 clusters

\*Bureau of Agricultural Research, Department of Agriculture  
MPM class, Development Academy of the Philippines  
Asian Development Bank  
KM Systems Bureau, House of Representatives  
Department of Health KM Team  
Health IT Professionals  
City Development Strategies, League of Cities of the Philippines  
UP TMC KM classes, 4 semesters

Commission on Information and Communication Technologies  
Canada International Development Agency, 4 batches  
Philippine Business for Social Progress  
Baganuur Joint Stock Company, Mongolia  
Davao City Chamber of Commerce and Industry  
National Water Resources Board  
Peace and Equity Foundation  
PMAP Executive KM Course



### **Human Capital**

Your character, attitude  
Your knowledge, skills, experiences  
Your health, recreation  
Human capital of your colleagues  
Self-motivation

### **Structural Capital**

Access to information (internal)  
Business processes  
Training, innovation and learning processes  
Structures, tools, guidelines and support systems  
Vision and direction; fair, caring and empowering policies

### **Relationship Capital**

External linkages: partners, customers, suppliers, government support, Internet  
Brand, reputation  
Support from peers, teamwork, morale, cooperation and interpersonal relationships  
Support, inspiration, recognition and trust from superiors  
Support from family, friends and community

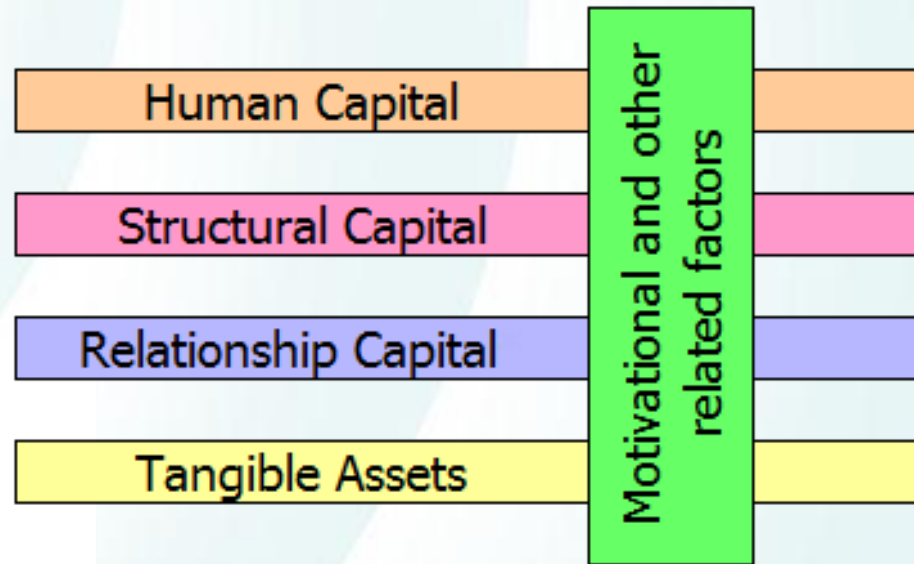
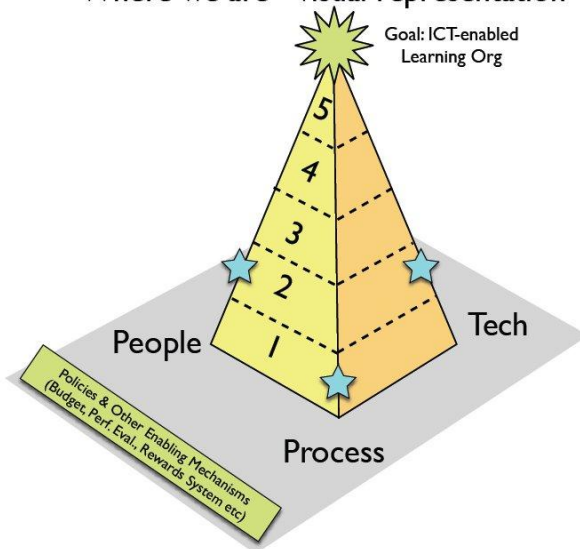
### **Tangible Assets**

Technology, equipment, facilities, books and other commercial information  
Financial resources  
Physical Accessibility  
Conducive workplace  
Good pay, benefits, incentives, perks

- “Intellectual” capital does not capture all important elements
- Motivational factors (green highlight): cut cross and account for 44% of answers
- KM is not enough!



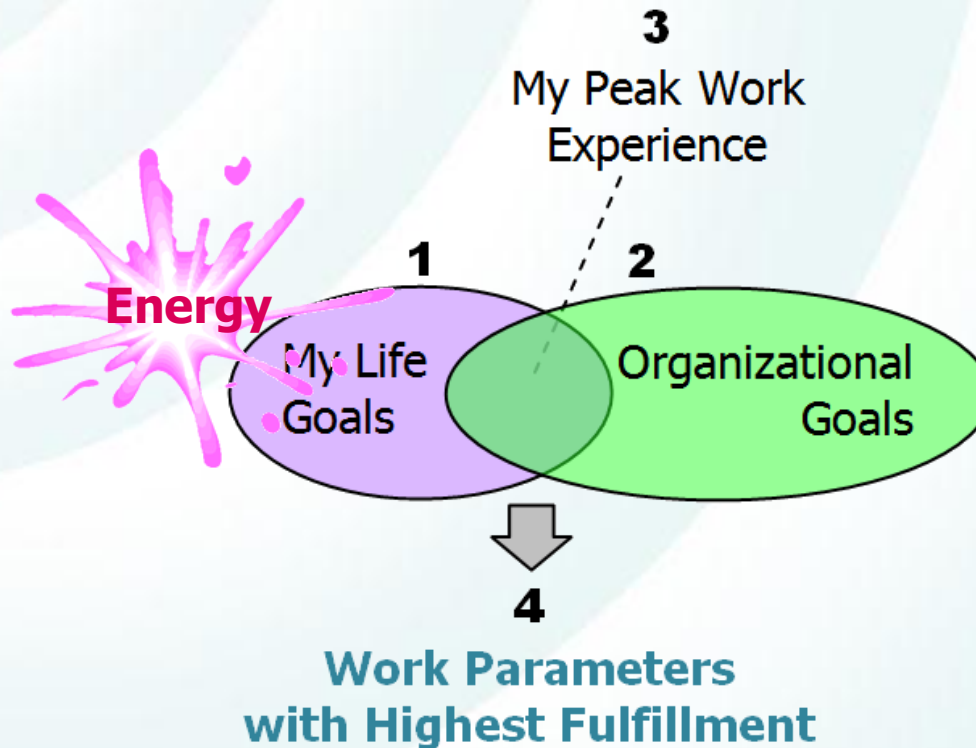
Where we are - visual representation



**...to this Model  
because KM is **not** enough!**

**From 3 years ago...**

# Peak Work Experience = a "Best Fit" Situation



Epilogue: After two years, the KM Team is an active and robust cross-functional team



## Case B

Managing high-value non-technical qualities  
to enhance productivity in a Multinational  
Corporation



# Step #1: Elicit with FGD

FGD trigger question:

*"From your experiences and observations of your high-performing colleagues, what non-technical (not found in the ordinary CV, job specification or project TOR) skills, qualities or attitudes affect your work performance the most?"*



FGD

**Non-Technical Skills which most  
Affect Work Performance**

# Result of FGD

## OWNERSHIP or SENSE OF RESPONSIBILITY

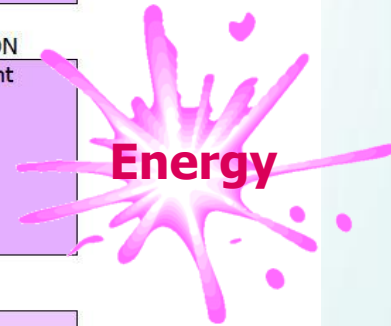
\*\*\*\*\*  
ownership (not limited to 8am-5pm and other work minimum)  
ownership (sense of responsibility)  
accountable/responsible

## FOCUS ON PRIORITIES

\*\*\*\*\*  
vision/mission awareness  
understanding of the team's purpose/goal  
failure to focus  
priorities  
lack of time (many projects to handle)  
multi-task  
flexibility

## MOTIVATION, COMMITMENT, PASSION

\*\*\*\*  
commitment - continuous improvement  
initiative  
motivation  
passion for work  
passion  
passion  
dedication



## TEAMWORK

\*\*  
"chemistry" or teamwork  
rapport  
concern for the team = malasakit

\*  
foresight

## ORGANIZATIONAL SAVVY

see the "big picture"  
ability to understand the working environment  
lack of organizational knowledge (political savvy)  
knows "who", "what" and "how"  
"streetsmart" in a corporate sense

communication skills  
lack of communication

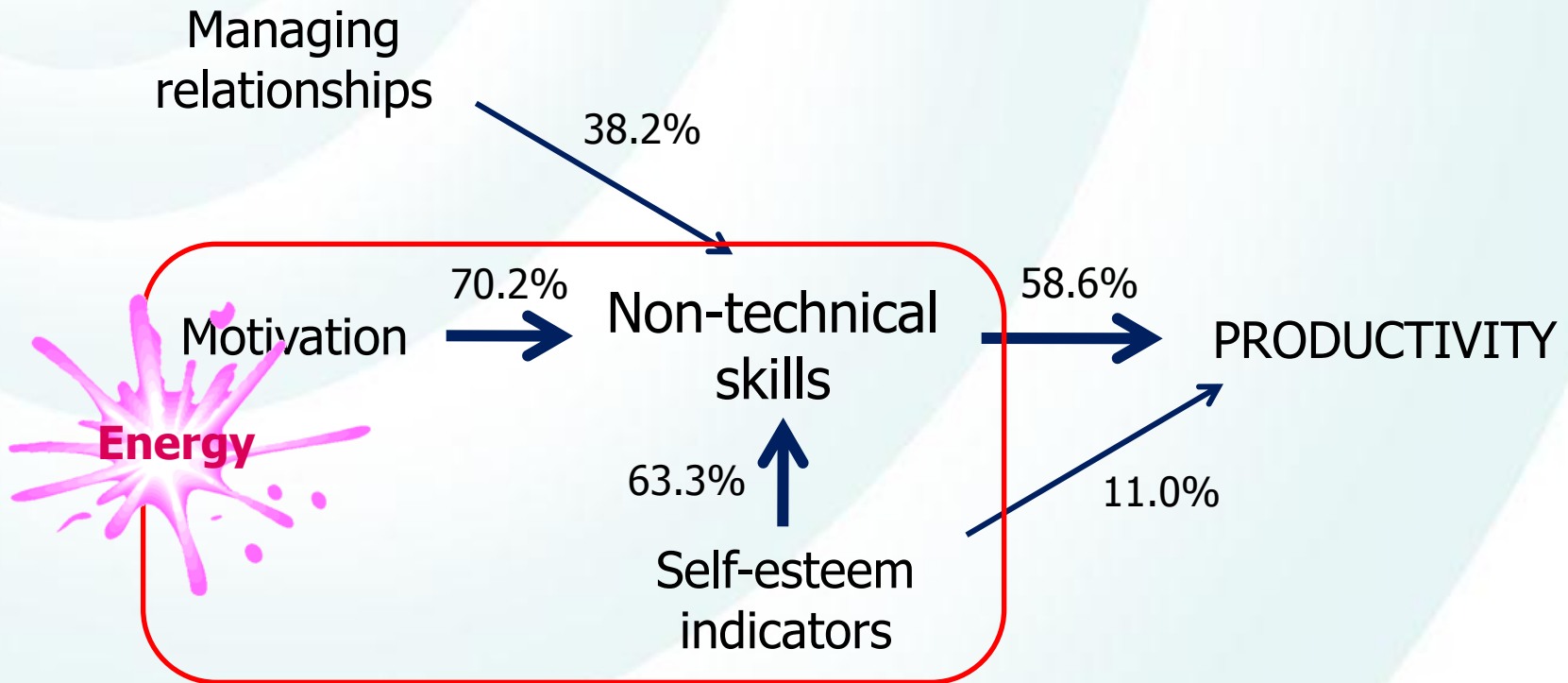
resourceful  
resourcefulness

creativity



# Step #2: Identify Critical Factors

Path analysis on data from customized 360° behavioral survey



Epilogue: Upper management is now making choices from a shortlist of appropriate management interventions for Phase 2



## Case C

Linking personal dreams with global opportunities in reinventing business model for a Multinational School



# Strategic KM vs. Operational KM

Superior enterprise model  
**=Strategic KM**  
New or better product/niche

More effective/efficient process

More effective/efficient performance  
= Operational KM

Valuable Results  
Revenues↑ , Growth,  
Customer Satisfaction↑



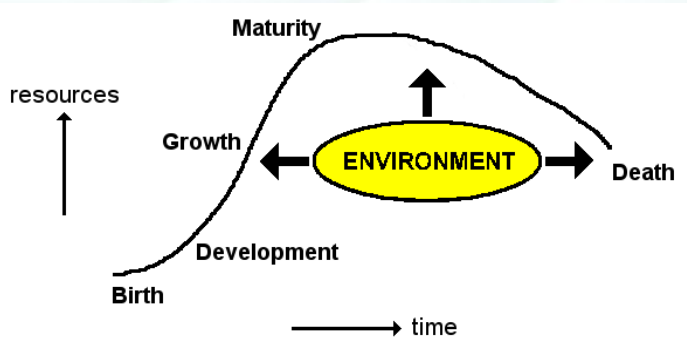
Business Process  
Effective Action



Knowledge Assets  
Useful Know-How



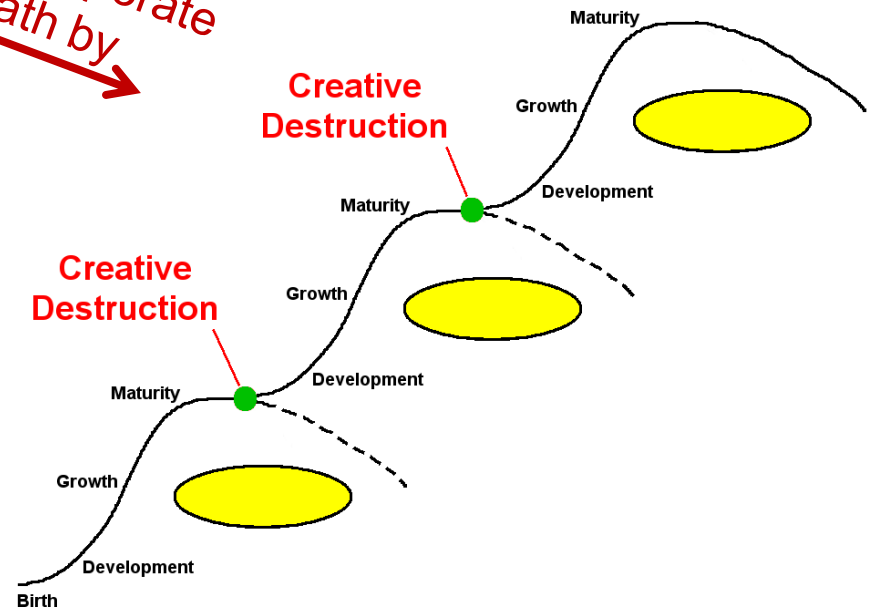
# Reinventing the Business Model



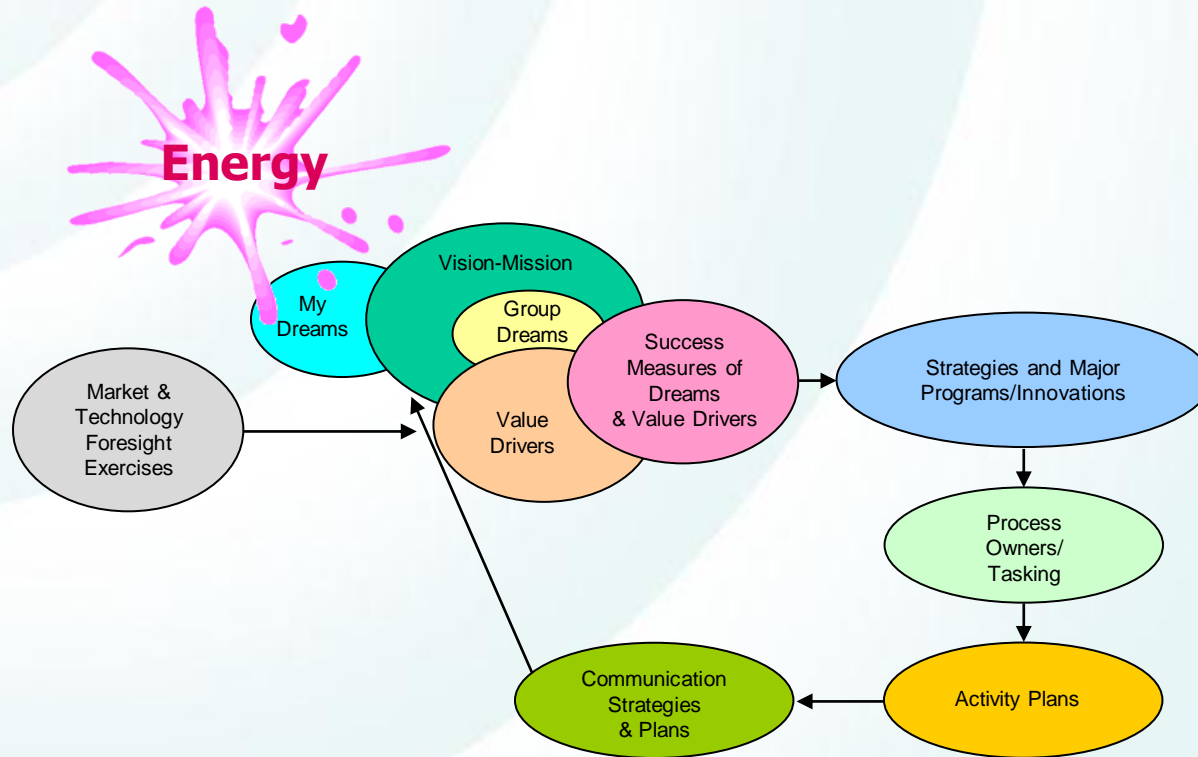
Average corporate lifetime  
< 30 years

Average lifetime of  
Fortune 500 corporations  
< 50 years

*Evade corporate  
death by*



# Green Spot<sup>©</sup> Strategic Planning



Epilogue: In the following school year, freshmen enrolment almost doubled.

The background features a teal header and footer. On the left, there is a graphic of concentric white circles. The innermost circle contains a pink starburst pattern made of small dots. The circles expand outwards, creating a sense of depth and movement.

# Cultural Underpinnings of Service Innovation for the Philippines



# US Demand: Tacit Interactive Jobs

According to a 2005 McKinsey study of jobs in the US:

- 70% of jobs created in 1998-2004 require judgment and experience (“tacit interactive jobs”)
- Tacit Interactive Jobs are growing 2.5 times faster in 1998-2004 than jobs involving routine transactions
- In 2004, 41% of the labor market are Tacit Interactive Jobs
- Tacit Interactive Jobs pay 55-75% more than routine transactional jobs

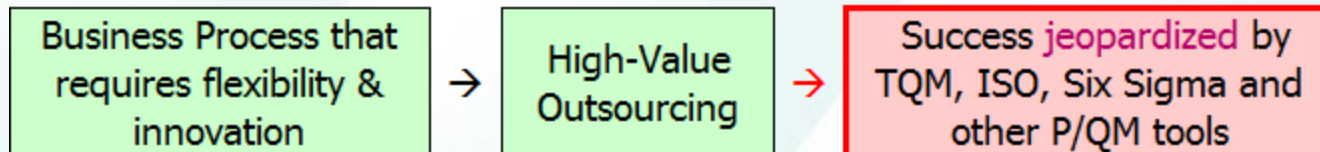
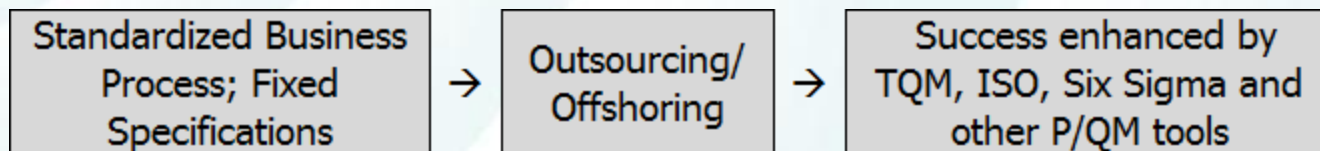
More complex jobs grow in the US as simpler jobs disappear due to:

- Streamlining of business processes
- Outsourcing/offshoring to developing countries
- Automation



# Shifting to High-Value Outsourcing

Experience of a large Indian-owned Multinational BPO Firm



- ↓
- > "Right" product instead of "conformance to specifications"
  - > Agile protocols to handle change requests
  - > New ICT technologies to support thinking/deciding together between client and service team, e.g. real-time interactive work screens and audio/video link
  - > Knowledge management techniques, e.g. service team also has a "domain expert" and common taxonomies
  - > Single manager across client and service team; offshore vs. onsite team boundaries tend to be blurred

**Tacit Interactive Process →**

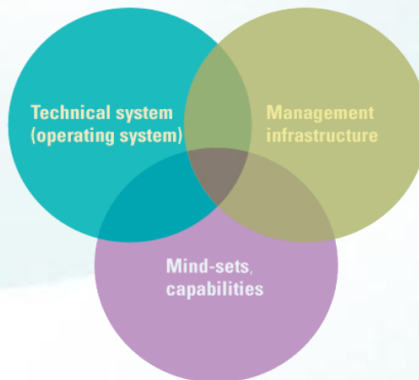




# Conclusion of a McKinsey Study

*"By focusing on the "soft" side of Lean and Six Sigma initiatives, leading global companies gain substantial, scalable, and sustainable advantages."*

– Fine, D., M. A. Hansen, and S. Roggenhofer:  
"From lean to lasting: Making operational improvements stick."  
McKinsey, November 2008.



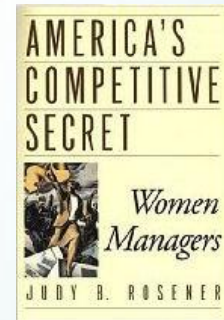


# Cultural Imperatives

of the new knowledge economy match women's strengths

According to Judy B. Rosener, *America's Competitive Secret: Women Managers*)

- Link (rather than rank)
- Comfortable with sharing information
- Favor multi-dimensional feedback
- Readily accept ambiguity
- Honor intuition as well as pure rationality
- Inherently flexible
- Value technical and interpersonal skills, individual and group contributions equally
- Sees redistribution of power as victory, not surrender
- Interactive-collaborative (instead of top-down) leadership style
- Appreciate cultural diversity





# Cultural Imperatives of the New Knowledge Economy compared to Elements of Filipino Culture



- Link (rather than rank)
  - Interactive-collaborative (instead of top-down) leadership style
  - Comfortable with sharing information
  - Sees redistribution of power as victory, not surrender
  - Favor multi-dimensional feedback
  - Value technical and interpersonal skills, individual and group contributions equally
  - Readily accept ambiguity
  - Honor intuition as well as pure rationality
  - Inherently flexible
  - Appreciate cultural diversity
- Value of relationships: *suki*, family and kinship, *pakikisama*, *compadre/comadre*, *kami* and *tayo*, "texting" capital of the world
  - Non-confrontational: peaceful EDSA revolution, go-between, unable to disagree face-to-face
  - Democratic, freedom-loving and people-oriented: *pakikipagkapwa*, *pagkatao*, *pakikibaka*
  - *Bayanihan*, *pakikilahok*, *malasakit*
  - Leadership qualities valued: caring, principled and determined, fairness
  - Spontaneity
  - *Kutob*, *padamdang* and *pakikiramdam*, *kalooban*
  - Pluralism: ethnolinguistic, religious



Tacit Interactive Jobs →  
Tacit Interactive **Caring** Jobs?  
+  
Technology support  
=  
High Touch + High Tech Services



# An indicative Business Model: Training for ICT-Enabled Health Care Services

**BusinessWorld**

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## Corporate News

BY RUBY ANNE M. RUBIO, *Senior Reporter*

### STI planning to go public, eyes P2 billion

**COMPUTER SCHOOL-turned-nursing school chain Systems Technology Institute (STI) is planning to raise P2 billion from an initial public offering (IPO) to be used for new campuses in the provinces, documents showed.**

The STI board discussed plans to go public last October, but STI President Monico V. Jacob told *BusinessWorld* the target proceeds could still change since the company is still in talks with its underwriter, ATR Kim-Eng Capital Partners, Inc.



The De Los Santos-STI school in Quezon City — Jonathan L. Cellona

# Some Indicative Service Innovations

- Imperial Silver Town Retirement Village, in Nasugbu, Batangas: first “**retirement village**” model launched last April 2007.
- “**Medical tourism**”: several companies have emerged in this new service area, such as



- “**Golf Performance Clinic**” and “**Sleep Laboratory**” (to cure apnea or snoring) at the Asian Hospital and Medical Center.



# Summary

## Shifts in business mindsets:

- Product innovation → Also service innovation
- Capture “white spaces” (in Doblin model) in your industry (a version of Kim and Mauborgne’s “Blue Ocean Strategy”)
- “Deliver” service → Provide delightful customer experience
- Business process → Also “customer process”
- Outsourcing of standardized business process → Outsourcing of higher value tacit-interactive business process
- Excellence only in technical aspects → Mix of hard + soft, or cognitive + affective (e.g. caring)



Thank you for your attention

Q&A

Or email me: [serafin.talisayon@cclfi.org](mailto:serafin.talisayon@cclfi.org)

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