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The New Manager - Management

Service before profit

In the future, service could replace profit as the primary metric of success.



Uncharted waters ... State Bank of India is a fine example of a company that has achieved success focusing on service.

Mohit Kishore

We live in a world where the simple greed of private enterprise has led to a large scale economic recession. Yet, there is no serious discourse happening on whether things have fundamentally changed in the manner in which business is to be conducted in the future. As Governments announce bailout packages of unheard of proportions, it is abundantly clear that we are witness to an extraordinary period of 'Keynesian' State intervention in private enterprises and the economy. This is as good a time as any to reflect on the fundamental motivations that drive business organisations and the role they need to be playing in the post-Industrial Revolution era. In fact, this period of time may well mark the last bridge between industrial era ideas of enterprise and the knowledge economy.

The Industrial Revolution

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The Industrial Revolution was brought about by inventions like the steam engine and the invention of other technologies that enabled the mass production of goods at centralised locations and their subsequent distribution to markets. It may be argued that the seeds of a consumerist society were first sown at this time. Clearly, if you had the technologies at hand to efficiently mass produce goods, then it is only logical that at some point you would like to sell things to people who don't need those things in order to keep the revenues coming in. Additionally, if shareholders demand growth in profits above all other considerations, the vicious circle becomes complete. In other words, all incentives point towards the creation of short-term bubbles in the quest for short-term gains.

Cross Currency

Service Oriented Organisation

- Rates

The post-industrial world clearly needs a new definition of what a business organisation exists for, particularly because service- and knowledge-based industries assume centre stage in it. It could be argued that this 'new' definition needs to place the notion of 'service' at its very heart. That definition could be as follows: 'A structured social and economic entity designed for the efficient and scalable delivery of service to society in a financially and environmentally sustainable manner.'

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It is important to note that this definition of an organisation does not include the word profit. Instead, it emphasises that a business needs to be viable both financially and environmentally. Man's conquering of nature was an important characteristic of the Industrial Revolution, but the problems that the world faces today (climate change, for one) makes it clear that there is a need to get back in synch with nature.

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In some ways, the definition also aims to integrate the western protestant work ethic (which some say helped achieve the Industrial Revolution), with the eastern notion of work as an offering (or service) to a higher power with no anticipation of results. Eastern philosophies pay more attention to the actual process of work and the attitude towards work as opposed to the results it produces. In our current context that means focussing on the everyday act of service to a customer as opposed to things like 'ticket size'.

Implications of Service-Oriented Organisations

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There are many implications arising out of using service as the primary metric of success. The first impact is on the notion of customer segmentation. Customer segmentation would now refer to the addressable group of customers who need a particular product or service, not necessarily those who can afford to buy it. Only when there is a genuine need can you genuinely 'serve'. Everything else is mis-selling.

Group Sites

Secondly, it impacts the entire notion of pricing. Typically, businesses use pricing itself as a 'strategy', whereby a price is set on the basis of the value perceived by a customer as opposed to being based

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on the actual value of the product. When the former strategy is used, pricing becomes all about manipulation of customer perception, value through branding and positioning. In the new order, marketing and communication would centre around the communication of value and not the artificial creation of value.

Thirdly, shareholders would be rewarded more through dividends and less through capital gains. In other words, the excessive obsession with growth and diversification that characterises current industry would make way for a greater emphasis on quality of service and retention of customers while focussing on core competences. Of course, this does not apply to early stage businesses that are yet to scale up. Here, we are referring primarily to the large, well established players in any industry.

Finally, there would be an impact on human capital. It is not difficult to surmise that employees in a service-oriented organisation are likely to be more loyal and satisfied, and contribute more, simply because serving other people is far more meaningful than serving only a 'bottom line'. It is easy to witness this phenomenon in public sector companies, which have a larger goal of 'nation building' that goes beyond mere profit.

None of these implications are beyond imagination. In fact, most successful organisations already use similar principles in various ways. Finally, it must be re-emphasised that a serviced oriented-organisation does not shun profits, but rather has its own way of looking at profits as part of a larger scope of end results and not the sole metric of achievement.

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