A CEO's mantra: Stop customers from suffering

For a regulated public utility like Madrileña Red de Gas, what's the bottom-line incentive to pursue customer-service improvements? The CEO, Alejandro Lafarga, explains his business calling.



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At the headquarters of the natural gas distributor Madrileña Red de Gas in Madrid, the CEO Alejandro Lafarga has no office. He works in a light-filled, hangar-like space without walls — a sign of the changes afoot in his business. "Here we're sharing a common corporate culture and putting our brains together to solve problems and stop customers from suffering."

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He explains, "In energy, there are high barriers to entry, so we tend not to look to other utilities for service model innovations; we look elsewhere." Lafarga found inspiration in a simple app to reserve restaurant tables online, as well as from Amazon: "They deliver when they say they will." Could such things work in his business?

Hitting the books

It was in Beatriz Muñoz-Seca's classes on service operations at IESE that Lafarga (PADE '17) says he started to focus beyond core pipeline functions to really consider "the extended enterprise." In Madrileña's case, that includes the several suppliers that compete in a liberalized market to secure customer contracts. "We have about 120 direct employees but another 350 to 400 people in 'the extended enterprise' who do everything field-based," driving their trucks to customers' homes to read meters, make repairs and conduct mandatory inspections. The idea of integrating these people — and the services they offer — broadened the scope of his business strategy. "We decided that we have to share values and work together as one team."

After that, Lafarga's new mission was to let customers have more say in their service. But could that be accomplished with no additional resources, just more efficient operations?

Consider the old way: customers would receive a letter informing them that they should be home on Wednesday at 11 a.m. But what are working people supposed to do? That prompts customer anxiety.

Their solution? "This year we launched an app for customers to choose an available time and date. This requires more complex planning and different work hours from before, but our suppliers agree to take this on and make it work. Overall, it will be more efficient for everyone. For suppliers, it means less knocking on doors when no one is home. And customers like having the freedom to select when they want inspections, using online tools." Besides fulfilling the company's new mission, being the first utility in the country to do this has been a point of pride.

Putting it into practice

They started by analyzing their employees' capacities, then how they were using resources and where they were being used best. By going through such an exercise, the company discovered spare resources that could be reallocated toward this new project. "You may not earn more," Lafarga says, "but, crucially, you're not going to earn less while still being able to

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make vital service improvements that stop your customers from suffering." Above all, taking time to assess your current service in search of operational improvements means "we're not accepting the status quo."

Tips and questions for assessing your service operations

Analyze

- What are your company's "promise," its "essence" and its "flame red"? In other words: What
  does your company wish to accomplish? And what does it have in its DNA to deliver on that promise? And what special spark does it have that can help it be the best?
- What are your client archetypes?
- What are your customers' hidden needs?
- How can your company deliver a new portfolio of services based on these needs

Build capabilities

- On what do your employees spend time?
- What do your employees know today and what must they know by today?
- What must they know by tomorrow?

Be one team

- How can you put your heads together to get things done?
- Think different: look to other sectors for customer journey improvements.
- Consider rethinking your office layout to improve efficiency and build a new operational culture.

Focus on the extended enterprise

- Which service providers beyond your core employees could be engaged in better delivery?
- How is the service configuration for all of your ecosystem?
- Are you extracting all the value added from all the service players?

Look beyond

- Technology should add value and efficiency.

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- Take a Renaissance approach, appropriate for the times in which we are living. Can you find inspiration beyond business experiences? From anthropology? Culture? Sociology?

MORE INFO

In Beatriz Muñoz-Seca's books,"How to Make Things Happen" (Palgrave 2017) and "How to Get Things Right" (Palgrave 2019), which contain blueprints for solving problems and designing systems that deliver your service strategy.

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