BLUE OCEAN STRATEGY CASE STUDY

“Transforming government service delivery to the people of NSW”

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Foreword

Service NSW is an important initiative in the delivery of an improved customer experience for the citizens and businesses of New South Wales.

I was pleased to be a part of a committed team in 2012 bringing Service NSW to life, tasked with meeting the NSW Government's commitment to improve customers' experience with Government services.

As the NSW Government's one-stop shop for government service delivery, as at July 2014, Service NSW had delivered over 3.5 million customer interactions across 3 integrated channels. This is outstanding performance in customer service and a testament to the approach for its development. Service channels are designed with customers, for customers and delivered by staff that are empowered and supported to deliver higher quality services.

Whether in the centres now operating around NSW, through the improved digital experience or the telephone service, people are embracing the Service NSW proposition in ever increasing numbers. Such success is due to the dedication and commitment of the Service NSW team. It is continuing to spearhead the customer service transformation that is underway in the public sector and is setting new benchmarks for customer service.

Michael Pratt
Customer Service Commissioner
Department of Premier and Cabinet

1 Introduction

Blue Ocean Strategy[1] has been used extensively to transform the public sector around the world at a local, state and national level. Most prominently, since 2009 the Malaysian government has implemented a National Blue Ocean Strategy to lift the living standard of the country and to structure the approach to national development and modernisation[2]. Many case studies of public sector initiatives are listed on the Blue Ocean Strategy web site[3]. Notably however there are no case studies of the use of Blue Ocean Strategy in the public sector in Australia.

This case study is about the transformation of government service delivery in the New South Wales (NSW) state government of Australia and shows that even if Blue Ocean Strategy may not have been explicitly used in the Australian public sector, Blue Ocean thinking has been applied in at least one government agency in NSW recently.

This study looks at how Blue Ocean Strategy principles explain the success of a new organisation established by the government of New South Wales, Australia. The new agency called "Service NSW" was created when government moved out of the red ocean of overcrowded, complex and confusing department-centric service delivery to a new model of government transactional service delivery that added significantly improved value, reduced costs and engaged people both inside and outside the organisation to transform the experience of people transacting with the NSW government. Service NSW moved into a new blue ocean of simple customer-centric service design and delivery with a one-stop-shop model delivered across three integrated channels (digital, phone and service centres) to make it easy for customers to transact with government. The service delivery model was built around the concept of a one-stop- shop - one phone number, one web site, and integrated service centres focused on high quality service delivery to transform the customer experience for people transacting with government.

This was an example of value innovation in government. It demonstrates that by creating a government organisation designed from customer feedback to address customer pain points and by challenging traditional market boundaries between the public and private sectors, the experience of transacting with government can be rapidly transformed for customers; the employment experience can be transformed for staff; and government can achieve cost savings through rationalization of overlapping services.

Service NSW was set up with the mission:

To simplify the way customers do business with government and to transform our customers' experience through excellent service and quality at an optimal cost to serve.

In six months and with very limited resources, an experienced team of people set up a new organisation that delivered convenient, simple, quality modern services on behalf of state government agencies across digital, phone and service centre channels, supported by a leadership and employee experience which has transformed customer satisfaction from levels as low as 13% to consistently higher than 95% since opening for business in mid 2013.

[1] *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant* by W. Chan Kim & Renee Mauborgne (HBR Press, Boston, 2015)

[2] https://www.blueoceanstrategy.com/malaysia-nbos/public-service/

[3] http://www.blueoceanstrategy.com/blue-ocean-strategy-for-national-development/

2 Background to the establishment of Service NSW

Australia has a three-tiered system of government – the federal (or Commonwealth) Government of Australian, state governments and local government. New South Wales (abbreviated as NSW) is the most populous of the six states of Australia and covers an area of 809,444 sq km or 312,528 sq miles on the east coast of Australia with Sydney as its capital city. It has a population of 7.5 million people. Every year these people undertake approximately 40 million transactions with the NSW government.

At the NSW state elections of 2011 the Liberal–National Party won government in the biggest landslide swing against any sitting Australian government since WW2 after being in opposition for over 16 years. The state economy was in the doldrums, the state government had a $49 billion debt, there had been a lack of investment in modern government services, in infrastructure and in people leadership. A survey conducted by the Boston Consulting Group and DBM[4] showed that customer satisfaction with NSW government service delivery was at 60%, 17% below the next lowest government in Australia and 28% below the leading state government. Customers (most of whom were also voters) in NSW were dissatisfied and frustrated with their experience when transacting with government. The new government had set out an ambitious strategy for change before the election and transforming the standard of government service to the people of NSW and restoring trust in the State government as a service provider was part of that plan[5].

The creation of Service NSW was an early high profile action by the new government to transform the citizen's experience of transacting with government and was targeted at delivering a one-stop shop service for a range of high volume state government transactional services. These included services from a handful of key state departments and covered such services as vehicle registrations, certificates, licences, identification cards and payment of fines.

The Rationale for Change

60% average & variable customer satisfaction with government service delivery

380+ government operated shop fronts

100+ government call centres

8,000+ phone numbers

900+ individual government websites – including **52+** transactional websites

[4] *Customer Services Transformation, July 2012* https://aiia.com.au/documents/event-presentations/2016/nsw/nsw_govt_forum_customer_service_transformation_jul_2012.pptxx

[5] *NSW 2021* https://www.nsw.gov.au/sites/default/files/initiatives/nsw_2021_goals.pdf

At the end of 2012 there were an estimated 380 NSW government shopfronts, 100 call centres, 8,000 phone numbers and 900 web sites that customers needed to select from and navigate through if they needed to transact with the NSW government. Service standards were patchy, at best; operating hours were usually restricted to within standard business hours; services were usually designed from a government department's viewpoint, not a customer viewpoint; and the general standard of services across digital, phone and service centre channels had not kept pace with improvements that had been occurring in the wider community. Overall customer satisfaction with the service they received was at 60% but this disguised a wide variability in service with satisfaction as low as 13% in places. The customer experience of doing business with government was increasingly falling behind community standards at the same time that government costs needed to be contained and reduced.

A business case had been put together from within government incorporating customer research and proposing the creation of a "one-stop-shop" government organisation for the delivery of government services to replace a confusing array of existing service locations. This became the initial focus for the newly appointed NSW Customer Service Commissioner in July 2012. The Commissioner's role included developing practical and sustainable ways to ensure the customers of the NSW Government received the modern quality service they had been promised.

3 Scope of this Case Study

This case study focuses on the start-up phase of Service NSW from December 2012 to July 2014. The business case for Service NSW was formally approved by the New South Wales government in early 2012 and Service NSW opened for business in July 2013.

As at the date of writing this case study (December 2015) Service NSW is still expanding as new services are offered through its one-stop-shop business model.

The following table shows the time line of relevance to this case study.

History and Milestones of Service NSW start-up

Date	Item
March 2011	New NSW government elected
Early 2012	Business case for Service NSW approved by Cabinet
July 2012	Premier appoints inaugural Commissioner Customer Service from private sector with first task to oversee establishment of Service NSW
Nov 2012	Service NSW CEO appointed
Dec 2012	Service NSW executive leadership team in place
Dec 2012	Industrial action delays staff recruitment
Jan 2013	Program of work underway to implement 'proof of concept' phase of Service NSW
July 2013	Service NSW goes Live - one website, one phone number and first service centre in Kiama. Customer satisfaction at 98% and never drops lower.
July 2014	18 centres open, 800 plus transaction types offered, 926,000 customers served in service centres, 417,000 customers served by phone, 1.5 million visits to website, and expansion continuing. Customer satisfaction at 98%.

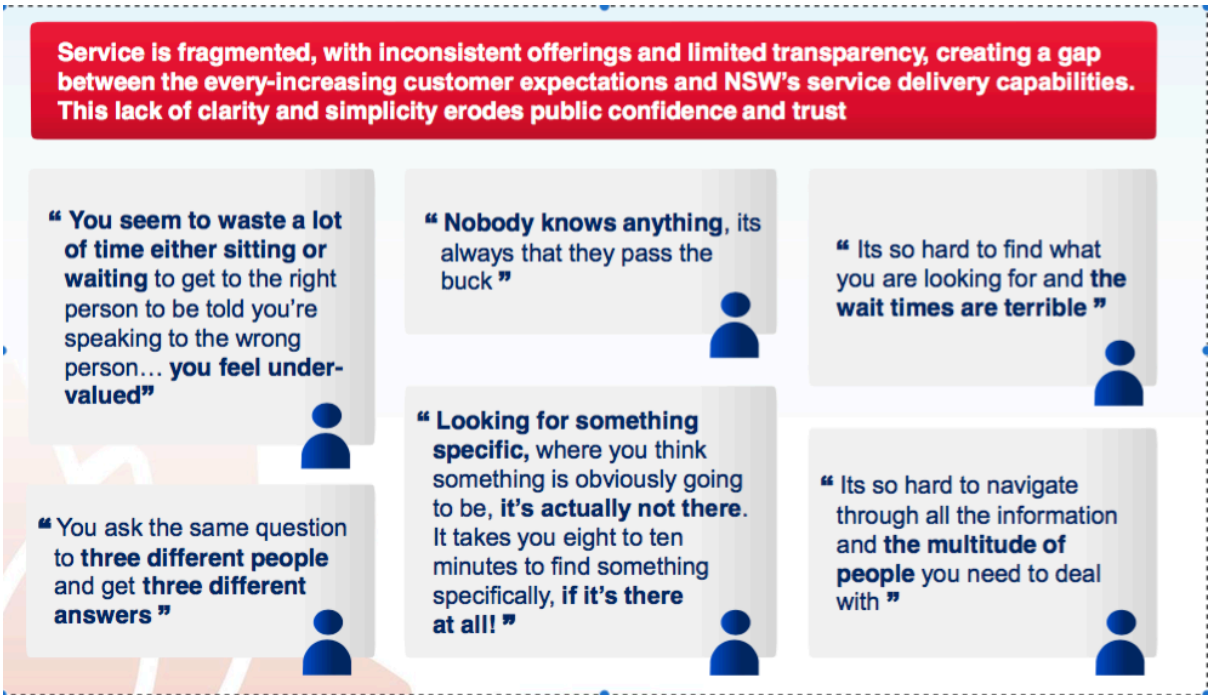
4 Blocks to Value Innovation in NSW Government Service delivery

One of the election promises of the incoming NSW Premier O'Farrell was: "To restore trust in the state government as a service provider"[6]. The reputation of the state government bureaucracy and government was at a low point and hence a priority issue was to restore trust that such a government promise would and could be kept. Delivery in the eyes of customers was a critical issue for the new government's credibility and one of the early actions of the new Premier was to fill a new role of the first Customer Service Commissioner in Australia with a senior leader from the financial services sector. The Commissioner was to be responsible to the Premier for the delivery on this promise.

4.1 The Buyer Utility Model

Customer research[7] highlighted that customers found it hard to make sense of government service delivery, where to find the services they needed, how to get reliable information from the correct source, and how to do this without wasting a lot of time.

Feedback from Customers



Customer research had identified recurring customer pain points when they tried to transact with government. The buyer utility map below shows a summary of these at different stages of the service delivery and customer experience cycle and the impacts on customers' satisfaction with government service delivery in general.

[6] *NSW 2021* https://www.nsw.gov.au/sites/default/files/initiatives/nsw_2021_goals.pdf
[7] *The Customer Imperative: Redesigning for "Customer Inside"* by Michael Pratt, Customer Services Commissioner, July 2014 http://bx2014.org/sites/bx/media/248.pdf

The hundreds of websites, phone numbers and government shopfronts providing advice and transactional services to the people of NSW were fragmented and designed to suit the departments' requirements rather than the customers'. They were hard to find and access and often required long wait times and involved confused customers going to the wrong place, or having to go to multiple places to do the range of things they needed to do. The standard of service was highly variable and led to a poor reputation for government services and a belief that government was bureaucratic, inefficient, out of date and not focused on service.

Buyer Utility Map

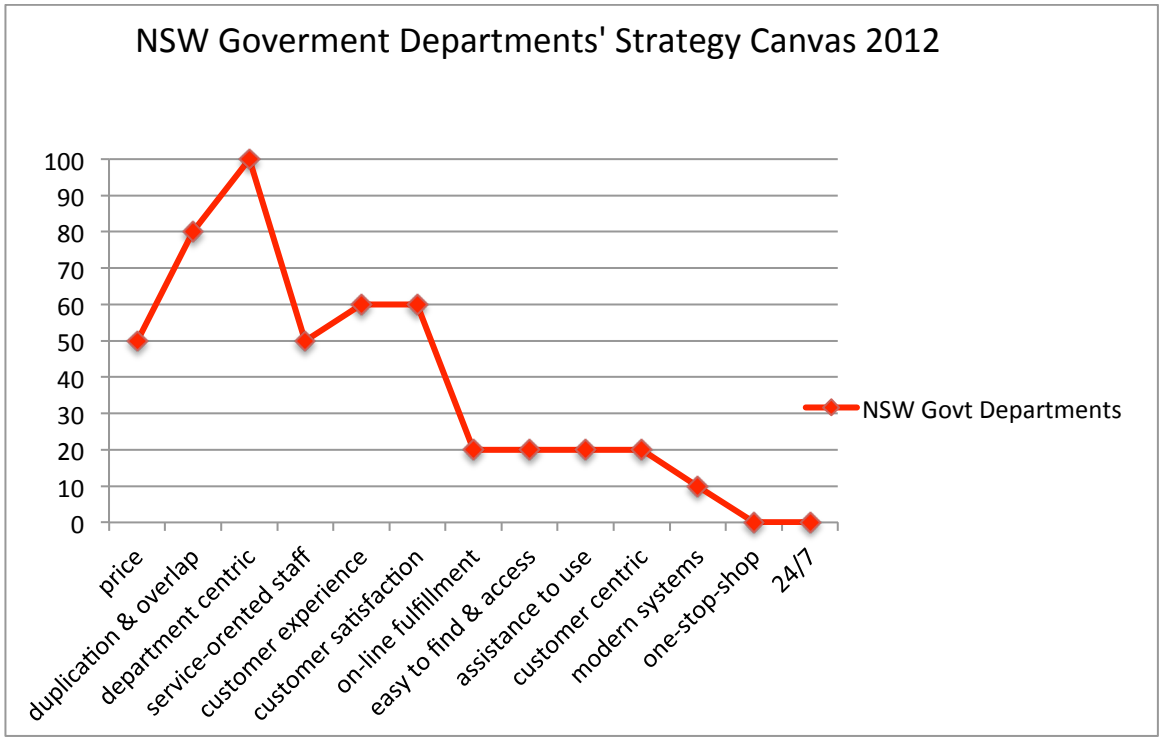
Utility	Experienced need / life event	Search for service	Experience of service	Delivery or fulfilment	Impression of government	Voting behaviour
Customer productivity		Time wasting	Variable standard, fragmented, wasting tax	Manual & face to face	Inefficient	Negative
Simplicity	Fragmented across departments	Confusing	Bureaucratic & rule-bound	Error-prone, manual delivery or collection	Unnecessarily complex & bureaucratic	Negative
Convenience	Organised for department not customer	Complex & bureaucratic	At department's convenience	Inconvenient & time consuming	Bureaucratic, inefficient & out of date	Negative
Risk			Overly risk averse & rule bound		Bad press	Negative
Fun & Image	Customer had to fit in	Tedious, frustrating, confusing	Variable, officious, annoying, bureaucratic	Slow, old fashioned, inconvenient	Serious and impersonal	Negative
Environmental friendliness				Manual & paper based	Old fashioned	Negative

Inconsistent and out-dated service standards, fragmented service points for different services, multiple customer interactions for the one issue, and lack of on-line fulfilment in service delivery all created many opportunities to fix customers' pain points and reduce the cost-to-serve. This customer experience pattern produced strong dissatisfaction amongst voters with government service delivery and contributed to the biggest landslide swing against any sitting Australian government since WW2. The election promise of the in-coming government to restore the electorate's trust in the state government as a service provider was a contributor to the change of government.

4.2 "As-is" Strategy Canvas for NSW Government service delivery in 2012

Even though the customer experience was not universally poor, the prevailing public image of government services was of poor quality service. The "as-is" strategy canvas below represents the predominant view of government service delivery and indicates dimensions that created customer frustration and informed the development of an alternative business model.

This “as-is” strategy canvas highlights the Blue Ocean opportunity areas that existed for improving service delivery through improving value for customers and also for reducing cost.



5 A Blue Ocean approach to transforming service delivery

At the end of 2012 the new Service NSW leadership team was recruited to bring the business plan to life. The goal was to establish Service NSW within 6 months and transform the quality of customer service across millions of government transactions per year and deliver a consistently high standard of service whilst reducing costs. The new business would provide modern simple to use integrated digital, phone and service centre channels initially covering transactions from six different departments and 800 different transaction types.

No other government had successfully achieved such an ambitious project in such a short time frame. Many design and execution challenges and risks had to be managed successfully to deliver on the objective.

In analysing what was actually done and why it was so successful, the establishment of Service NSW can be seen as an example of the application of many of the principles of Blue Ocean Strategy in managing both strategy formulation and execution risks.

Blue Ocean Strategy describes four types of strategy formulation risks and two types of execution risk that need to be effectively managed to successfully deliver such a project. The principles proposed by Blue Ocean Strategy for managing these risks are set out in the tables below. The following sections of this paper will examine how these risks were managed in the set-up of Service NSW.

Principles for Formulating Blue Ocean Strategies

Strategy Risks	Principles to Shape Strategy
Search	Reconstruct market boundaries
Planning	Focus on the big picture not the numbers
Scale	Reach beyond existing demand
Business Model	Get the strategic sequence right

Execution Risks	Principles to Shape Execution
Organisation	Overcome key organisational hurdles
Management	Build execution into strategy

6 Principles for Shaping Strategy

6.1 Reconstructing Market Boundaries

Search risk occurs when organisations do not open their eyes to new and different opportunities and thus limit the options they consider in strategy development. Instead of taking the established market boundaries for granted the Blue Ocean strategist questions and challenges them. In this case the design of Service NSW challenged existing government market boundaries and mindsets.

The Six Paths Framework offers a structured approach to thinking about ways to reshape market boundaries. Blue Ocean strategists explore all six and seek to use all or as many as possible in formulating innovative strategy. In Service NSW the reconstruction of market boundaries and the introduction of experience from other industries was the critical element that brought success to the new organisation and allowed it to become so successful so quickly.

The Six Paths Framework

6.1.1 Looking across Industries

Standards of customer service had been significantly improving in private sector service industries over many years and yet these improvements had not been adopted in the NSW government. Retail banking in particular had worked through many issues in transactional service delivery in service centre, phone and on-line and mobile channels and much of this was applicable to transactional

service delivery in government. The Customer Service Commissioner and many of the top executives recruited to set up Service NSW had extensive experience in retail banking as well as other industries and were able to see the opportunity and very quickly introduce key elements of this retail banking experience into the Service NSW business design and replace traditional government department-centric approaches to service delivery with modern tested customer-centric approaches that also reduced the cost to serve.

Experience from the retail banking sector in multichannel integrated service delivery and how to migrate customers to lower cost phone and on-line self-service channels was applied to the Service NSW service design. Taking a customer-centric approach to service design and involving customers in this design was an accepted part of private sector service design but was new to the NSW government. Modern service centres with fast-moving queues and a helpful concierge to assist with queue management and with conversion to using alternative phone and web-based services also had been in operation in retail banking for many years but were not used as effectively in government service centres. Banking customers now expected high quality phone and internet banking with provision of 24/7 services with easy self-service and on-line fulfilment. These channels improved customer service options and reduced the cost-to-serve in banking and were a core part of the retail banking business model but tended to be absent from government service delivery models.

Good people leadership skills and practices to create and manage a customer-centric service culture with staff who were motivated and empowered to solve problems and create a positive experience for customers were also known in other industries but tended to be absent from government where there was a preoccupation with rules, regulations and policy, cumbersome processes and avoiding risk or responsibility. Other industries with requirements for regulation and compliance (such as banking) were somehow able to manage risk and compliance but also deliver a better transactional experience for customers. This experience was also brought into the Service NSW design and traditional government approaches that overcomplicated, confused and built in layers of cost and delay were challenged.

6.1.2 Looking across Strategic Groups

Blue Ocean strategists do not focus on their competitive position within their current strategic group but rather look across the strategic groups within their industry. In this case the industry was the range of government departments that had built up their own service offerings in isolation and often in budgetary competition with each other. Government departments created their own siloes of department-centric service provision. This resulted in significant duplication, cost and confusion.

Service NSW redefined the boundaries of service provision to address customers' pain points and design services to fit customer life events rather than departmental responsibilities. Services were amalgamated into a one-stop-shop so customers could access services from a range of government departments at one site – one web site, one phone number and one service centre designed, not around departments, but around customers needs and easy access to services.

6.1.3 Looking across the Chain of Buyers

Blue Ocean strategists look for opportunities to market to as many customer segments as possible and look for ignored or neglected groups. In the case of the NSW government, some groups had been neglected in service delivery. People who found it difficult to transact within normal business hours, who were time poor and found it difficult to physically visit service centres to transact, who were less mobile or who found it difficult to navigate and find government services were not well

serviced. Although these people still had to access government services from time to time, access was very inconvenient for them. The 24/7 phone and digital services, the increase in on-line transactions and fulfilment, and the introduction of a concierge in service centres improved services for these people as well as for all customers.

6.1.4 Looking across Complementary Product or Service Offerings

Complementary products and processes affect the total customer experience, the cost of a service, the environment within which staff supply the service, and the ability to introduce improvements quickly and at low cost. The whole chain of activities that affect what happens just before or after a service is received and the services provided by suppliers to assist in delivery of your service can impact the service experience for customers. Solving the problem that the customers face in the total process can radically affect the value of the service. Thus the Blue Ocean strategist does not focus on maximising the value of their product or service only but looks across the complementary products and services normally considered out of scope of a business.

At Service NSW service providers and business practices from a range of sectors and suppliers were used to quickly introduce modern commercial practices into service delivery design and use. This expertise provided a rapid leap in service quality across a wide range of elements of Service NSW's operations. It also modernised the work environment of staff, the service environment for customers and the speed of feedback received from customers on their immediate service experience. For example:

- an outsourced call centre provider was used to get high quality phone services up and running quickly and transform the systems and customer experience on the phone,
- a well known Australian designer was used for corporate wardrobe design to professionalise the image of service staff,
- consultants specialising in customer experience were engaged for customer-focused business process design,
- assessment centres supported by an external recruitment company assisted with staff selection for service orientation,
- various providers were used for rapid modernization of IT system interfaces,
- retail banking experience was applied to service centre design to modernise the environment for customers,
- retail banking experience influenced the use of a concierge service for customer greeting and training customers in self service,
- a specialist web design company designed the user-driven website and intranet design, and
- finance industry experience influenced the rapid touchscreen customer feedback system on service which provided direct quick feedback to individual staff on their customers' service experience.

All of this contributed to a rapid and efficient transformation in service to customers through end-to end processes that supported the business goals.

6.1.5 Looking across Functional or Emotional Appeal to Buyers

Government transactional services usually gravitate towards functional rather than emotional appeal. However in service centres in particular, the unexpected impact of the modern visual presentation of Service NSW outlets, the welcoming atmosphere created by the concierge, the elimination of long wait times and the invitation to provide simple feedback with new technology created an emotional unexpected "wow" in the customers' service experience. On the phones, the immediate helpful service by a person rather than an IVR and no long wait to speak to someone also

created a “wow” in the customer’s experience. This was all very different from what they had grown used to expecting from government.

The service experience stirred an emotional response of pleasure that is reflected in the consistent 98% customer satisfaction ratings. Even now, eyes will light up and customers will smile with pleasure and comment enthusiastically about their experience and the improvement in service when the author asks people about their experience as a customer of Service NSW.

The change in service outlet presentation from this …..

To this …..

6.1.6 Looking across Time

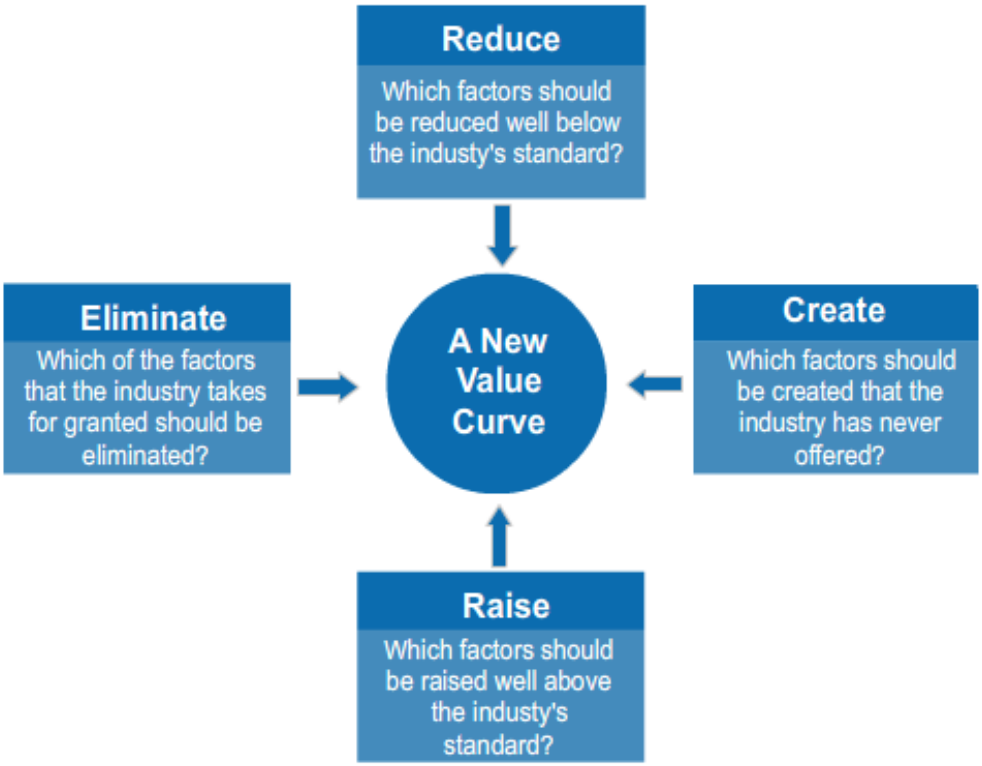
Government services had not kept pace with trends that were already strongly entrenched in the wider society. Increasingly 24/7 access to services and the shift to digital self-service and on-line fulfilment and access on mobile devices were becoming the norm in service provision. The modernisation of service delivery with Service NSW helped to bring government transactional service delivery into the current era of service standards and positioned it for further developments in a modern digital, mobile era.

Meeting the accelerating customer demand for digital and mobile self-service, although requiring investment in new technology, provided a platform for the reduction in duplicated shopfronts and a shift to lower cost delivery channels that customers are increasingly expecting.

6.2 Focusing on the Big Picture and a new Business Model

Planning risk occurs because we lose sight of the big picture. Blue Ocean Strategy uses the strategy canvas as a tool to focus on the big picture for both the "as-is" and the "to-be" business strategy and uses the Eliminate / Reduce / Raise / Create framework to highlight the focus areas for value innovation in the design of the new business model.

The Four Actions ERRC Framework



Research on customer pain points gave a very clear picture of what aspects of the government service could be eliminated, reduced, raised and created to place Service NSW in a new Blue Ocean of service delivery. These areas are shown in the following ERRC grid.

Service NSW Eliminate Reduce Raise Create (ERRC) grid

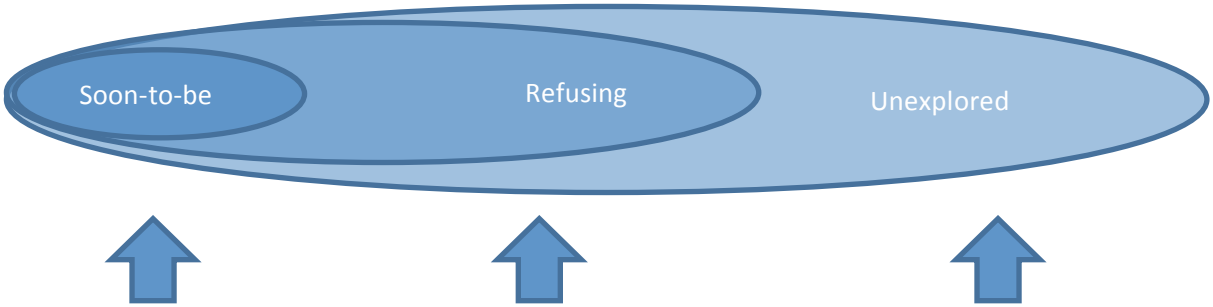
Eliminate • Poor public reputation of government services (poor customer satisfaction) • Government bureaucracy-driven service design for customer-facing transactional services (not customer-centric) • Transactional services that are fragmented, complex confusing spread over hundreds of phone numbers, websites and service centres of different government departments (not easy to find and access)	**Raise** • Public satisfaction with government transactional services (customer satisfaction) • Staff selected for service orientation and people leadership skills (service oriented staff) • Quality and consistency of people leadership of staff (customer-centric) • Increase hours of operation to be more accessible (easy to find and access) • Number of transactions that can be done on line (on-line fulfilment) • Number of people choosing to use online self service (assistance to use digital)
Reduce • High cost of duplicated services (price) • Complexity and hassles of dealing with government (poor customer experience) • Unproductive unnecessary multiple visits, errors & rework causing frustrated and confused customers (not easy to find and access) • Duplication and overlap in service delivery (duplication & overlap)	**Create** • 24/7 one-stop-shop across 3 channels (easy to find and access) • Modern customer-centric service & process design (customer-centric) • Modern front end systems for customers and staff (modern systems) • Visual impact of modern service and welcoming services in service centres (including the concierge) (customer experience) • Design and services to encourage online self service (assistance to use digital) • Immediate customer feedback on service satisfaction linked to staff member (customer satisfaction) • Service Value Chain applied to back office services supporting front office service delivery and culture (customer satisfaction)

6.3 Reaching Beyond Existing Demand

Scale risk refers to the fact that growth is limited by the size of the customer base. Blue Ocean Strategy thinking promotes the opportunity to dramatically expand the pool of potential customers by looking for opportunities that extend the customer base into non-customers groups.

Blue Ocean strategists are interested in non-customers as they represent potential or latent demand. As government organisations such as Service NSW deliver monopoly government services, the concept of non-customers needs to be considered more creatively. They could be customers who do not use particular channels (eg digital or phone) or they could be departments who choose to use an alternative service provider to Service NSW for the delivery of their transactional services (eg Australia Post). Blue Ocean Strategy categorizes non-customers into "soon-to-be", 'refusing" and "unexplored" non-customers. Some potential non-customers in these categories for Service NSW are shown in the diagram below.

Three Tiers of Non-customers for Service NSW



- Departments considering outsourcing transactions elsewhere
- Citizens unhappy with government services

- Non-digital customers that could be converted to digital
- Citizens whose voting behaviour can be influenced by government service improvement

- Transactions outsourced to Australia Post etc
- Federal and local government transactions
- Private enterprise transactions that complement other services

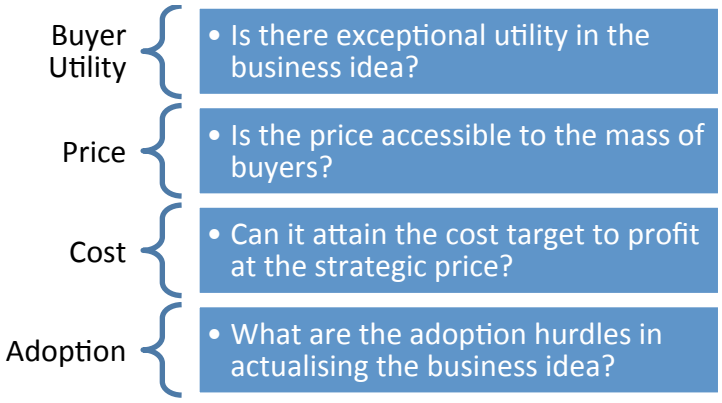
As a priority for Service NSW was to deliver on the government's promise of both transforming transactional service delivery and reducing service delivery costs. Service NSW focused initially on high volume transactions from pilot agencies that could be modernised and streamlined and on converting non-digital customers to self service customers by providing easy to use on-line services.

The positive customer experience would create a potential market for more services to be migrated to Service NSW to further increase the economies of scale and improve the service offering of Service NSW. Unexplored non-customers outside of the NSW government sector (federal & local government transactions) or already outsourced high value government services (eg those currently outsourced to other organisations on a fee for service basis) could be taken on by Service NSW at a lower cost to serve once Service NSW demonstrated it could deliver.

6.4 Getting the strategic sequence right

Business model risk occurs when the right steps are done in the wrong order. The sequence of Blue Ocean strategy is a four step process starting with buyer utility, then moving to pricing, then cost then adoption. The solution must have exceptional buyer utility, be priced to the mass market, have a cost structure that is profitable and resolve potential adoption hurdles.

The following model outlines the process of determining if the Blue Ocean strategy is ready for execution. Starting with Buyer Utility the Blue Ocean strategist only moves to the next question when they are able to answer "yes". If the answer is yes to all four questions then the Blue Ocean idea is more likely to be commercially viable.



6.4.1 Buyer utility

The Service NSW strategy was strongly based on alleviating customer pain points and creating a service offering that added exceptional value for customers across all demographics and regaining the trust of citizens in the government's ability to deliver quality service to people in NSW. Customer-centric service design and buyer utility was at the heart of all aspects of the business design and this mindset was used to unlock exceptional value in government service provision.

Service NSW was also providing the services of multiple government departments that needed to feel confident they could trust Service NSW to deliver their services and comply with their legislative and policy obligations. Once Service NSW demonstrated that they could be trusted to deliver, additional agencies would be approached to have their transactional services included in the Service NSW offering thus allowing those agencies to focus their efforts on their core business.

6.4.2 Price utility

Service NSW was set up on the premise that government's cost-to-serve would reduce once the proof of concept was established and scale achieved. Service NSW had to ensure they could deliver the service outcomes within tight price constraints that would support longer term significant cost reductions.

6.4.3 Cost utility

To deliver modern transformed services within the price constraints, Service NSW leveraged learnings and solutions from other industries to accelerate innovation and chose minimalist solutions that would deliver best value at low cost. Delivery of digital self-service solutions that customers wanted to use was a critical element in reducing the cost to serve.

6.4.4 Adoption

Customers loved the change as it made their lives easier. However creating partnerships with agencies to support adoption of Service NSW as their replacement service provider was a challenge and required strong commitment to relationship building and governance, and the support of early adopters to build partnerships so agencies could leverage the benefits Service NSW could offer.

7 The Business Model Canvas

The Business Model Canvas is a tool that shows a simple summary of key elements of a business model. The canvas below summarises the Service NSW business model.

Service NSW Business Model Canvas

<table>
<tr>
<td rowspan="2"><u>Key Partners</u>

NSW government departments

Experienced complementary service providers to partner for rapid service improvement</td>
<td><u>Key Activities</u>

NSW government transactions across all channels

Compliance with legislation & policies

Revenue collection for departments</td>
<td rowspan="2"><u>Value Propositions</u>

To simplify the way customers do business with government and to transform our customers' experience through excellent service and quality at an optimal cost to serve.</td>
<td><u>Customer Relationships</u>

Transactional periodic relationships with government customers</td>
<td rowspan="2"><u>Customer Segments</u>

All age groups and demographics who need to transact with NSW government

Government departments as clients who use Service NSW as their service delivery arm for their customers</td>
</tr>
<tr>
<td><u>Key Resources</u>

People
Processes
Relationships
Technology
Internet</td>
<td><u>Channels</u>

Service centres
Phone
Digital
All devices</td>
</tr>
<tr>
<td colspan="3"><u>Cost Structure</u>

Staff costs, Corporate costs, IT system costs and property costs</td>
<td colspan="2"><u>Revenue Streams</u> <u>(*future)</u>

Budget allocations from government

*Margin from fees collected on behalf of other departments

*Fee for service from departments</td>
</tr>
</table>

8 The Service NSW Value Proposition

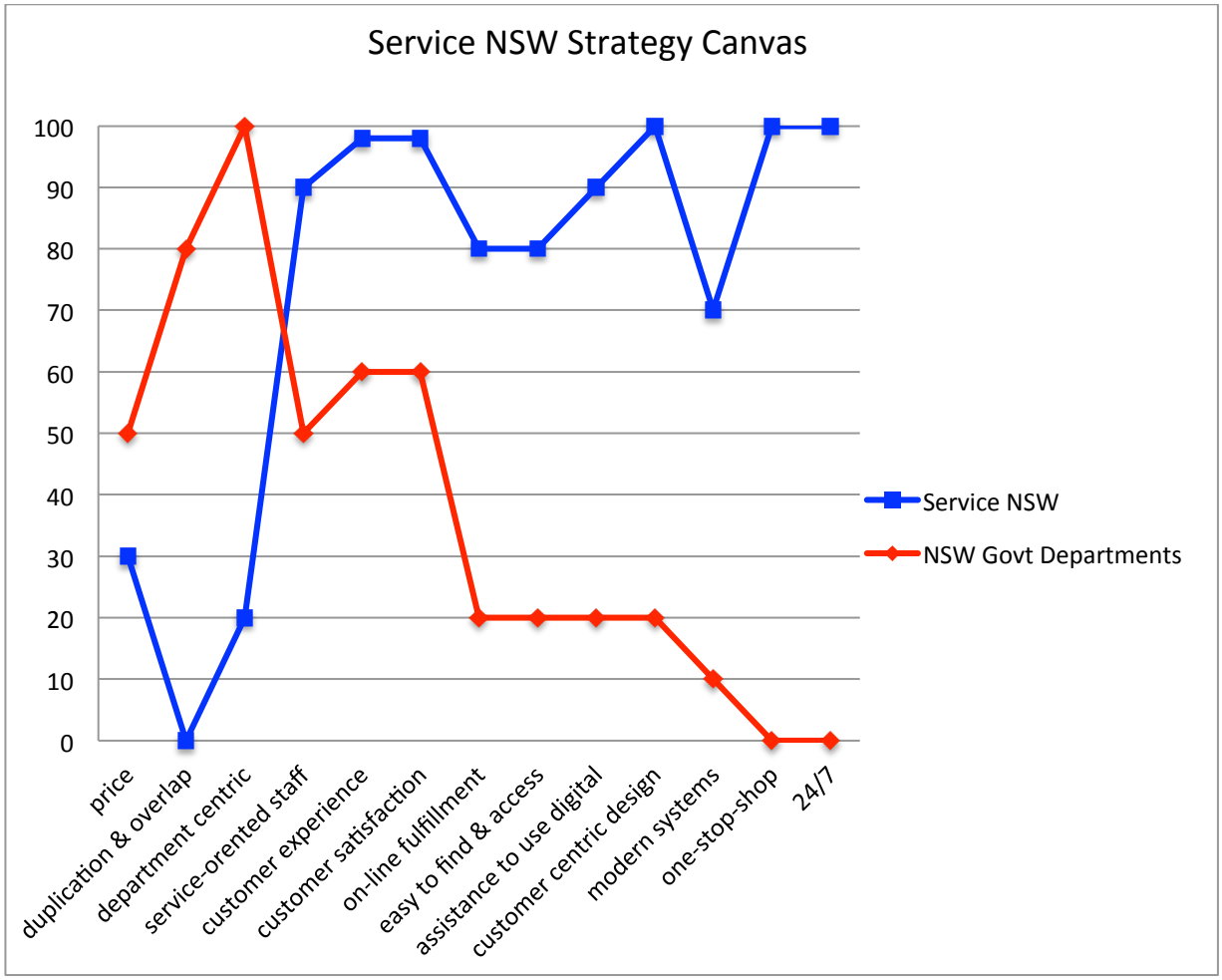
For a strategy to be successful it must align three strategic propositions – the value proposition (offering demonstrable customer value), the profit proposition (it must bring substantial revenue and profit to the business), and the people proposition (it must motivate and empower people to execute the strategy).

8.1 The Value Proposition

The ERRC grid in section 6.2 shows the key elements that informed the development of the Service NSW strategy.

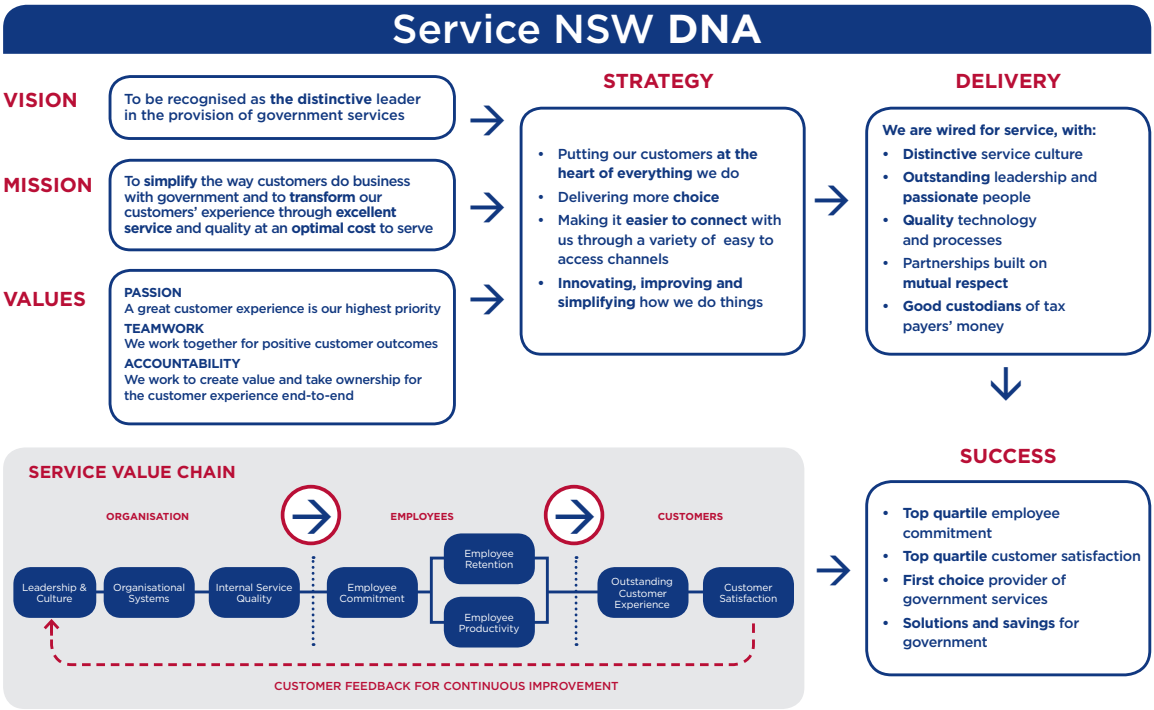
The Strategy Canvas below shows the clear differentiation between the old government service delivery strategy and the new Service NSW strategy and indicates the dimensions that were given priority when trade-offs had to be made due to time or resource constraints. The new model aimed to create value innovation by reducing costs and price at the same time that it produced a significant improvement in value for the government, client departments and customers. The tag line for the Service NSW strategy was “Transforming government service delivery for the people of NSW”.

Transforming government service delivery for the people of NSW



The Blue Ocean Strategy Canvas was not used in Service NSW but the *Service NSW DNA* diagram below gave a simple clear picture of the strategy. This was used in all forums to show the vision, the strategy and the measures of success to guide decision making. This guided the business design, execution and performance measures of success and informed choices that were made during the business design process. It showed the strategy non-negotiables and what success would look like to all.

Service NSW Business Model and Strategy



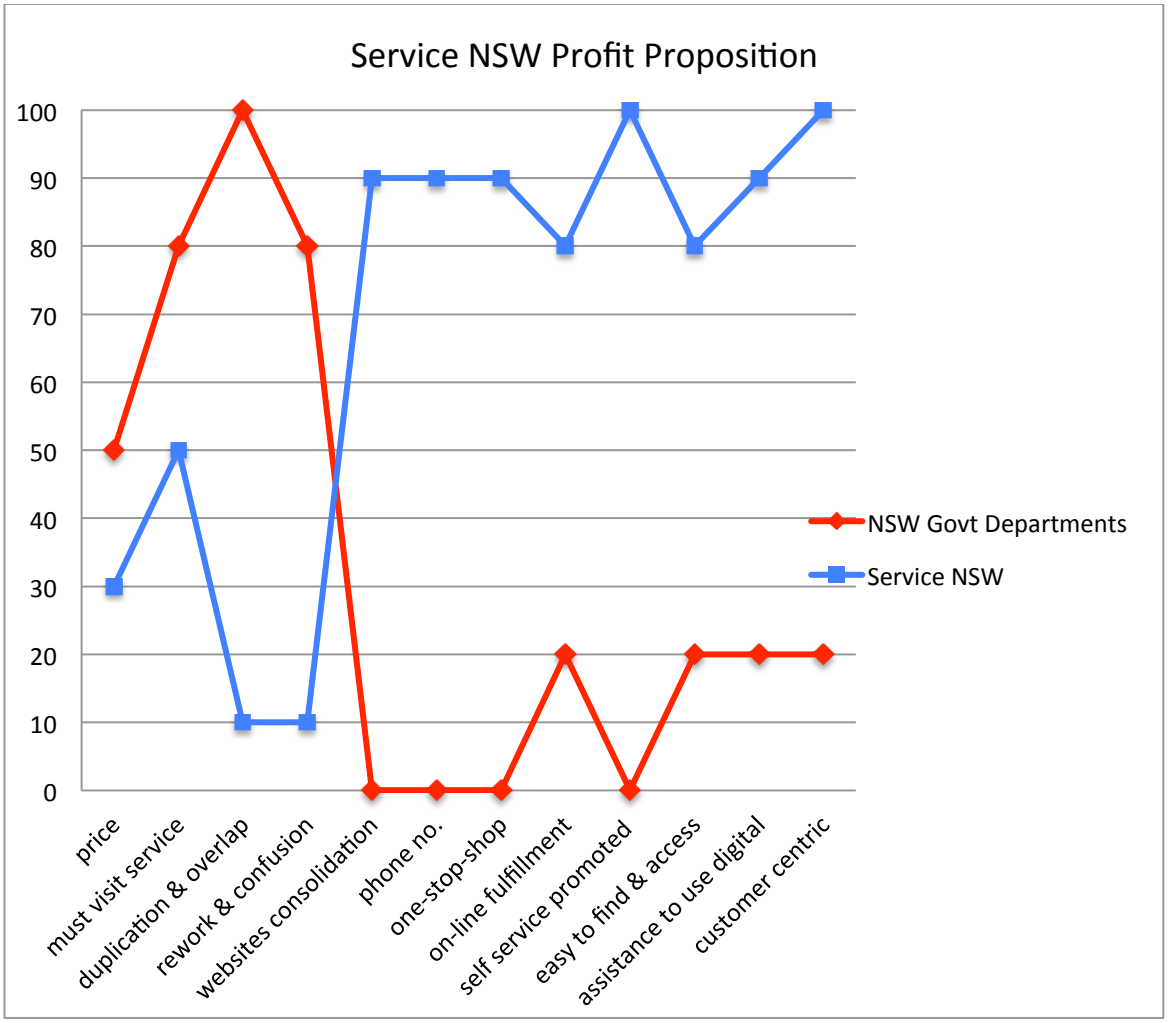
8.2 The Profit Proposition

Service NSW was expected to eventually deliver significant savings to government by reducing duplication in shop fronts and phone services, streamlining processes and putting a range of strategies in place to encourage easy self-service. By stripping away unnecessary bureaucracy in service delivery, the aim was not only to improve the customer experience but also to reduce the cost-to-serve.

The factors that created the Service NSW Profit Proposition are illustrated in the following ERRC grid and Strategy Canvas.

ERRC for Profit

Eliminate • Duplication & overlap of services designed around departmental silos • Complicated complex processes • Distorted view of risk driving layers of non-value-adding bureaucracy	**Raise** • Customer self-service
Reduce • Cost of multiple handling of customers • Multiple websites, phone numbers and shopfronts	**Create** • Streamlined processes • On-line fulfilment • Concierge to assist with self service



8.3 The People Proposition

Central to the Service NSW strategy was the creation of a customer-centric culture and workplace that encouraged customer service throughout the whole Service Value Chain from suppliers to internal service providers and leaders to front line staff. At the heart of the Service NSW DNA was the concept of the Service Value Chain and the idea of the inter-connectedness of the employee experience and the customer experience. If staff were to deliver superior service to external customers, Service NSW needed to create a workplace culture and provide resources that supported high quality internal service delivery and a great employment experience for staff. Leaders at all levels, particularly the CEO, had a key role in making this happen.

Items that were given priority included improving the quality of people leadership, empowering staff to solve problems so they could deliver better service to customers, providing a wardrobe to give staff a more professional image, providing modern workplaces to front line staff first. Front line staff were provided more user-friendly modern technology to do their jobs and touch screen technology allowed customers to provide more immediate and personalised feedback on their service experience from staff.

In their article on *Blue Ocean Leadership*[8] Kim and Mauborgne suggest leadership can be thought of as a service that employees, bosses and stakeholders either buy or don't buy. When people buy a person's leadership they are buying certain leadership practices that inspire employees to commit to doing their best. But when employees do not buy a person's leadership they become disengaged and non-customers of your leadership.

Leaders in Service NSW had a critical role in shaping a new culture of passion for customer service, teamwork and accountability. Leaders were chosen more for their people leadership skills than their technical knowledge and staff were encouraged to solve problems to provide good service. Expectations for quality service were clear and individual and team feedback from customers on performance was immediate and built into how staff were led. This was a very different workplace to many of the traditional government workplaces and staff responded in ways that delighted customers.

Because of the extent of the change in expectations of workplace behaviour and performance, significant effort went into explaining the new workplace and expectations so that impacted people from agencies could make their own choice about whether they wanted to apply for jobs in Service NSW. Many existing government employees from impacted agencies transitioned successfully to Service NSW.

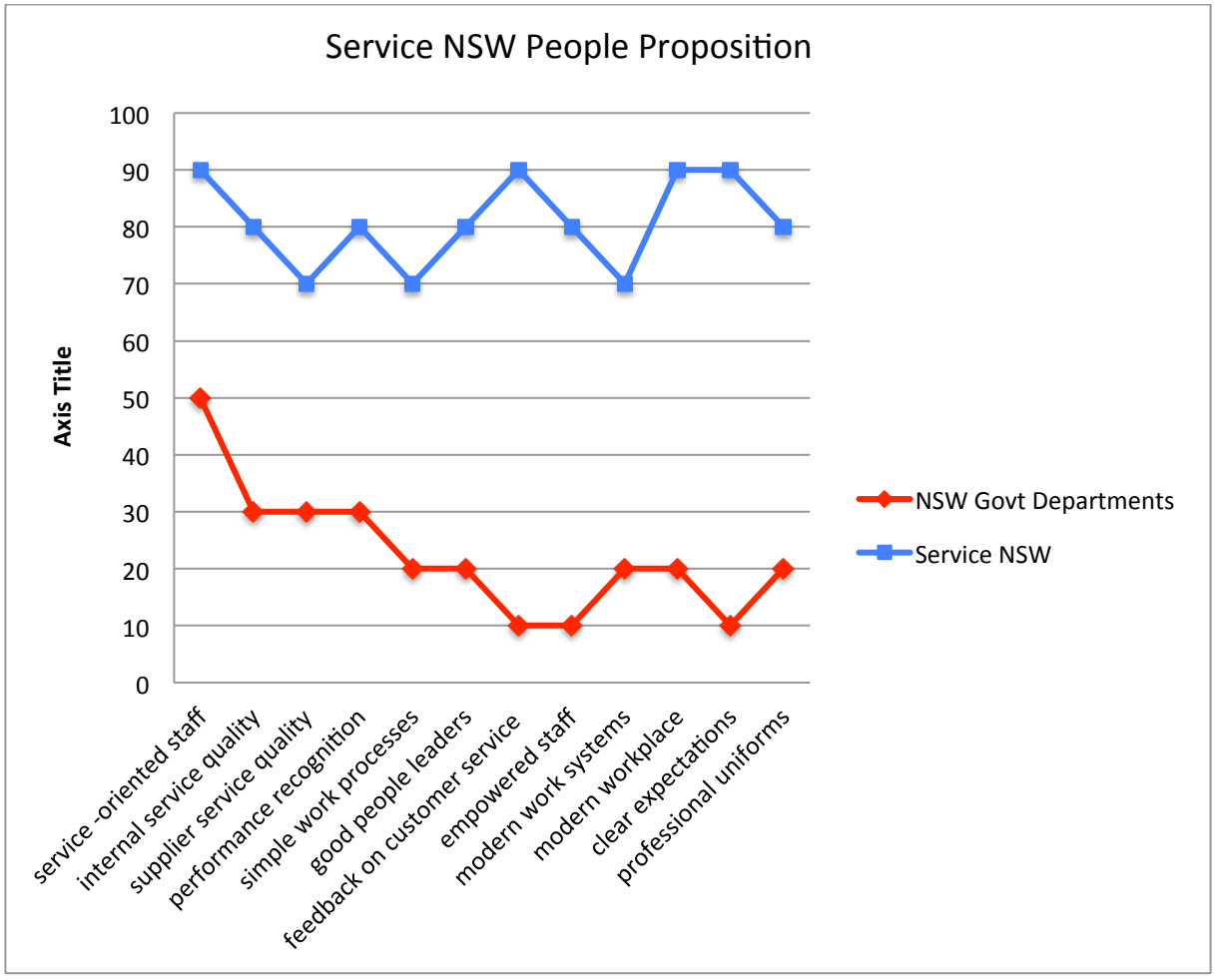
Suppliers also were briefed during procurement activities on the new culture and expectations so that they knew they were expected to provide a service that supported the Service NSW DNA and objectives.

The ERRC grid and the Strategy Canvas below show what changed to create the Service NSW People Value Proposition.

[8] *Blue Ocean Leadership* by W. Chan Kim & Renee Mauborgne (HBR, May 2014)

ERRC for People

Eliminate • Inconsistent management of staff performance • Distorted view of risk holding back change • Lack of performance management	**Raise** • Timely personalised feedback on service from customers and supervisor • Recognition of good customer service
Reduce • Poor people management practices • Old hard-to-use systems for staff • Bureaucratic frustrations that discouraged staff from solving problems	**Create** • Compelling Service NSW DNA vision • Leadership accountability & empowerment • Modern technology solutions supporting front line staff and customers • Modern workplaces for front line staff



9 Principles for Shaping Execution

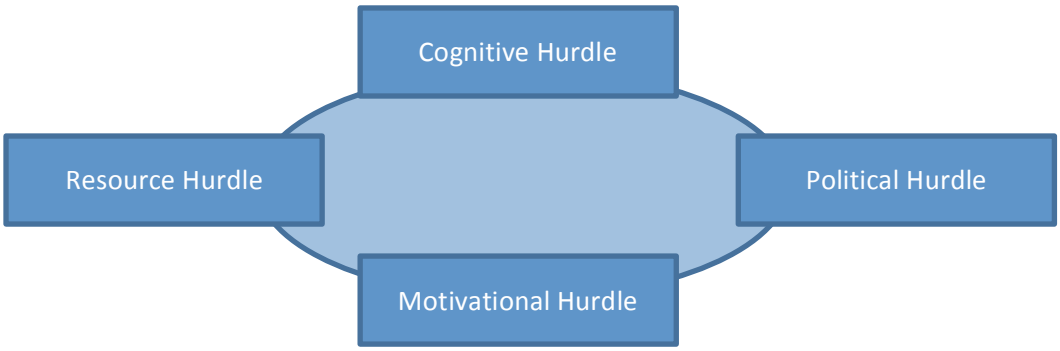
Repeated research on the success of business strategy and transformational change reports failure rates from 70% to 90%.[9] This equates to an extraordinarily large waste of resources in activities that are intended to improve organisational performance. Unlike most strategy frameworks however, Blue Ocean Strategy recognises the importance of organisational and management hurdles and barriers to change and builds strategy execution strategies into the strategy formulation process from the start.

9.1 Overcoming organisational hurdles

Once the strategy is defined there are a number of **organisational risks** that must be identified and overcome if execution is to be successful. Blue Ocean Strategy identifies cognitive, motivational, political and resourcing hurdles.

Blue Ocean Strategy also proposes the use of "tipping point leadership" principles to overcome these four hurdles most quickly and efficiently.

Organisational hurdles



9.1.1 Tipping point leadership and people with disproportionate influence

Tipping point leadership challenges conventional wisdom which believes the more complex the problem, the more resources are required to resolve it. Malcolm Gladwell[10] has illustrated in his book *The Tipping Point: How Little Things can Make a Big Difference* that certain people exercise disproportionate influence in social networks. By knowing who these people are and involving them in the strategy formulation and execution process tipping point leaders can be used to accelerate both the quality and speed of solutions and the engagement of staff in support of the change.

[9] *The Irrational Side of Change Management* by Carolyn Aiken and Scott Keller The McKinsey Quarterly no 2 2009
[10] *The Tipping Point: How Little Things can Make a Big Difference* by Malcolm Gladwell, Back Bay Books, new York, 2002.

In the setup of Service NSW as there was no existing organisation, most influence was exerted by people in formal positions – the new Premier, the Customer Service Commissioner, Unions and key people in impacted departments exerted disproportionate influence.

9.1.2 Breaking through the Cognitive and Motivational Hurdles

The compelling case for Service NSW, the customer feedback data and the Service NSW DNA and vision for change created a powerful story for both intellectual and emotional engagement of impacted staff from other departments, for engagement of external stakeholders and for attracting staff to join Service NSW. The customer data together with the Service NSW story to improve services to the NSW community and to customers and to improve the employment experience for staff provided very compelling rational and emotional arguments for change. The consistent focus in the design of Service NSW on improving both the customer and the staff experience created the sense of being part of something transformational and good for both society and individual employees.

Staff in the impacted agencies were involved in regular communications and some were involved in aspects of designing the new organisation (such as the design of the corporate wardrobe and involvement in project teams).

9.1.3 Breaking through the Political Hurdles

Having the Customer Service Commissioner as a sponsor reporting to the Premier and accountable for delivery of one of the Premiers' priorities to improve customer service in NSW, proved an important political and bureaucratic support in overcoming the many challenges that arose in delivering such major change in such short time frames.

9.1.4 Breaking through the Resource Hurdles

The business case for future funding of Service NSW and cost savings was based on the reallocation of budgets from existing departments as services are progressively transferred to Service NSW on a fee for service arrangement. Fortunately the initial funding did not rely on this as the formula for budgetary reallocation was an ongoing area of debate.

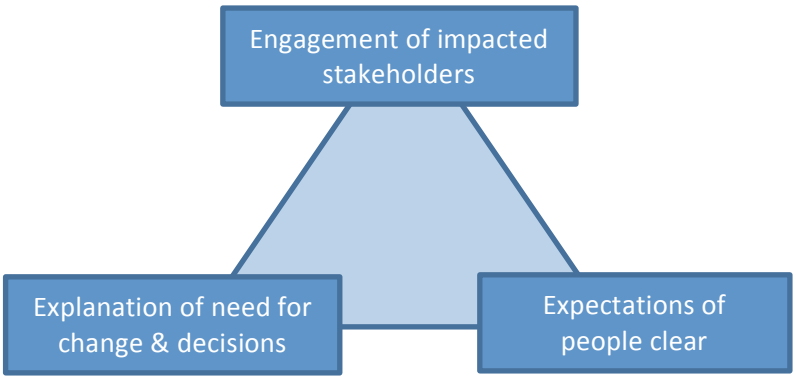
9.2 Building execution into strategy

Management risk refers to the need to built execution into strategy from the beginning by winning the trust and commitment of people impacted by change in order to inspire their voluntary cooperation and proactive support so that change is not undermined by mistrust, non-cooperation and sabotage.

Unless the people most affected by the change are involved from the beginning in understanding why change is needed, and have an opportunity to contribute to and influence the strategy formulation process and understand what is expected of them with any change, the whole strategy can come undone because of disengagement and impractical poor design.

Blue Ocean Strategy refers to the need for the use of "fair process" in the change process through involving impacted stakeholder groups so they consider they have had a fair chance to influence changes that affect them.

Execution hurdles



Setting up a new organization in only six months that transformed so many aspects of how things were normally done in government required extensive stakeholder engagement.

The story of what was being created and why, the expectations of leaders and staff in the new organization and the priority given to delivering service to customers was a consistent ongoing message that allowed people to know what would be expected of staff in the new Service NSW and would allow them to decide if they wanted to work in this type of organisation. The message was also clear to new staff that many aspects of the new organization were still being worked out and they would need to participate in solving problems at times rather than expecting they would come into a fully designed organisation.

Given the challenging change agenda, the short time frames and the agile approach to project design and delivery, execution was built into the strategy from the start and stakeholders at all levels were involved in the compelling story for change which created significant stakeholder buy-in and created good will in times of considerable change and anxiety.

10 The Litmus Test

When comparing different ideas for innovation the Litmus Test provides a simple graphical way to identify which option has the least business risk and has the greatest chance of success. The more ticks an option gets, the greater the chance that the strategy has been well thought through and the harder it is for a competitor to replicate.

The Litmus Test combines the strategy alignment of value, profit and people and the six paths to innovation that we have already discussed. It then adds a marketing dimension in the Litmus Test that considers whether the strategy is focused, divergent and compelling. In other words, can a simple story be told about the business strategy that will capture the customer's imagination. Customers and staff will become the marketers if they can concisely explain the value proposition in conversation.

Litmus Test for the Service NSW Strategy

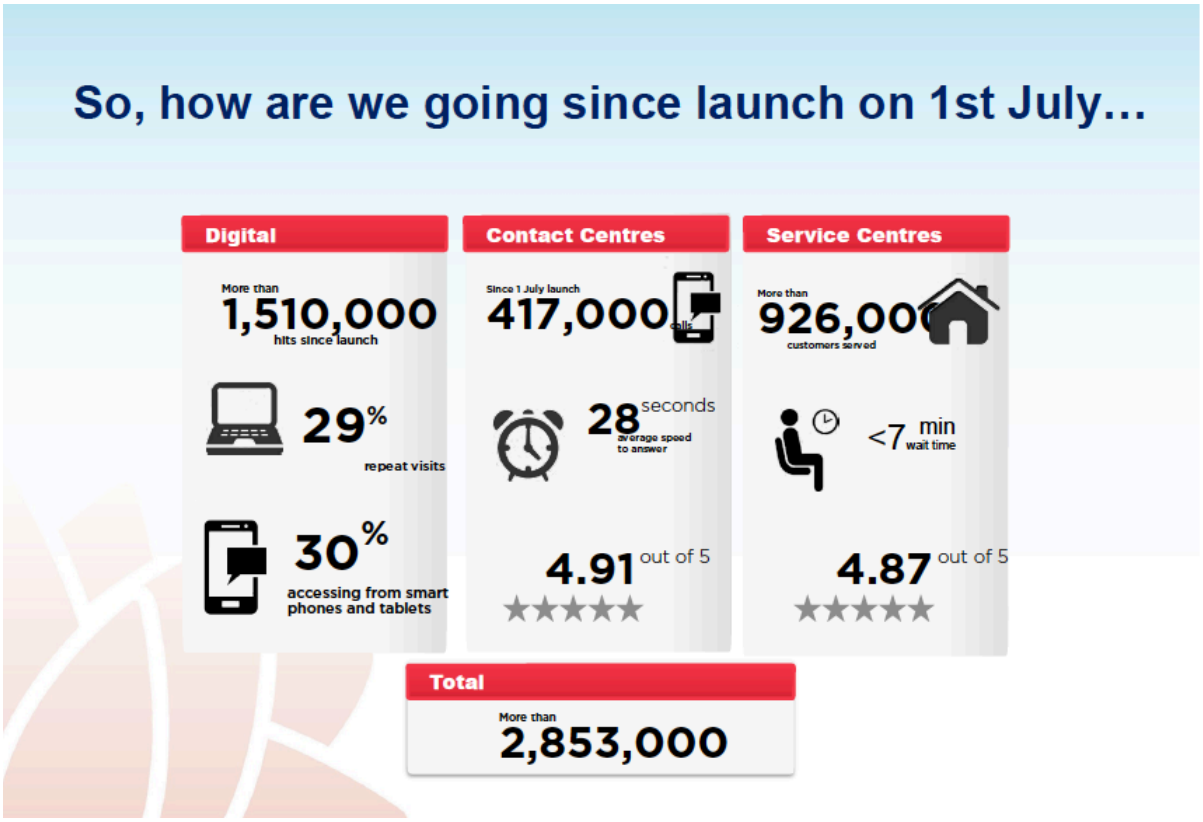
	Strategy Alignment			Concept Litmus Test			Six Paths to Innovation					
Ideas	Value	Profit	People	Focused	Divergent	Compelling	Industries	Groups	Buyers	Complements	Emotional / Functional	Time
Service NSW business model	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔

The Service NSW DNA provided a simple compelling vision that illustrated just how different and divergent the Service NSW model was from existing government service delivery models. The story of Service NSW and the opportunity to be part of its creation attracted people and suppliers who would normally never work in government and delivered a significant level of differentiated service. The tag line of "Transforming government service delivery for the people of NSW" was focused, divergent and compelling – and was delivered on from day one. Even now, two years after opening Service NSW, customers comment with delight about their experience with Service NSW.

11 The Service NSW Outcome

As at July 2014 the streamlining and simplification of delivery channels was well underway.

From opening for business in mid 2013 until July 2014, Service NSW had handled more than 2.8 million customer visits across digital, phone and service centre channels with growing levels of migration to digital channels for both information and fulfillment.



Customers confirmed services were easier to find and simpler to access across multiple modern channels and were available over extended hours and 24/7. Service NSW customer satisfaction was consistently at 98% across all three channels and had not dropped below 95% since opening.

12 Conclusion

Service NSW challenged much conventional wisdom about performance improvement in government organisations. It challenged how risk was perceived and managed in government. It showed that speed and service transformation were possible and that Government service does not need to be poor quality. It challenged the department-centric way of thinking and showed that customer-centric service design does not need to compromise governance.

Service NSW demonstrated the value of bringing practices from other sectors into the public sector to accelerate modernization and change. It also showed that, despite bureaucratic resistance, leaders, many of whom had not previously worked in government, could get a new government organization up and running successfully and quickly whilst complying with the basic rules of government and also removing non-value-adding bureaucratic red tape. It also showed it was possible to create exponential leaps in customer value whilst also saving taxpayers money.

13 Additional Resources

1. The Customer Imperative: Redesigning for “Customer Inside” by Michael Pratt, Customer Services Commissioner, July 2014 http://bx2014.org/sites/bx/media/248.pdf
2. Customer Services Transformation, July 2012 https://aiia.com.au/documents/event-presentations/2016/nsw/nsw_govt_forum_customer_service_transformation_jul_2012.pptx
3. Service NSW: Pioneering a new era in government services with salesforce.com https://www.youtube.com/watch?v=YuJC2rqpD30
4. Service NSW now open https://www.youtube.com/watch?v=VNUOXUlYF2I
5. The transformational Service NSW experience https://www.youtube.com/watch?v=dzohm7TFsOA