Operations Practice

Coronavirus’ impact on service organizations: Weathering the storm

With thoughtful, judicious moves, businesses can manage coronavirus’ impact on the service sector and keep service personnel supported and effective—even during a crisis.

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With the humanitarian crisis from coronavirus evolving on a daily basis, businesses are grappling with how to continue serving their customers and communities around the world.

The task is uniquely challenging for industries that rely heavily on in-person interaction, including a wide swath of sectors from banking and insurance to hospitality, telecommunications, and industrial services. Physical distancing, reduction of nonessential operations, and limited contact are fundamental in protecting human health—and raise fundamental challenges about how these organizations can continue to reach customers and meet their expectations.

Organizations are responding quickly. Several near-term actions are especially important to safeguard lives, support work-from-home (WFH) measures, and manage service expectations from both customers and partners. These practical steps are crucial for near-term effectiveness and the minimization of distribution in operations.

At the same time, amid uncertainty, service organizations will need flexibility for the duration of both the current public-health interventions and the eventual economic recovery. Businesses must prepare themselves to excel in a world where today’s emergency becomes a changed way of doing business.

What service organizations should do now

We see three steps as critical to helping service organizations adjust to the next normal in the immediate term.

Protect your people and customers

The first, immediate requirement is to take care of employees and the customers they serve by protecting everyone’s security and safety. Organizations are already following public-health authorities’ recommendations, implementing contactless processes, increasing physical distance, instituting temperature checks, and issuing personal protective equipment (PPE) whenever possible. Although progress is not uniform, the process shows signs of success: companies’ robust physical-distancing and PPE strategies increasingly mean that if an employee tests positive for the coronavirus, overnight cleaning, rather than days or weeks of shutdown, may be sufficient to ensure workplace safety.

The pandemic has also introduced a disruptive level of emotional stress on the workforce. Consequently, the need for thoughtful, clear, simple communications is acute. Candor matters more than charisma in strengthening trust, and leaders at every level can role model empathy and openness. With people seeking stronger connections in navigating the crisis, now is the time for leaders to articulate a vision that infuses meaning into the work an organization is doing and the future it wants to achieve. Successful leaders are frequently asking questions such as “How are you feeling?” and “How can I help you?” When this behavior is replicated at every level of an organization, companies can create a standard of care that fosters a sense of stability at the front line.

Some businesses are thoroughly reexamining their operations, questioning long-held views about which in-person steps truly add value over remote options. Certain lenders, for example, no longer require appraisers to enter a home, substituting digital field visits through photos and live video. When in-person visits are unavoidable, the critical task for business leaders is to understand all the relevant interactions, whether internal, with customers, or among customers. That will allow companies to identify the risks at each step through the entire journey and establish clear principles and practices so that the organizations can rapidly redesign processes and communicate and deploy expected behaviors.

One telecommunications provider has emphasized speed as well as safety in redesigning its service model. An internal communications campaign...
emphasized how important fieldworkers have become in keeping people working, while a new home-visit script laid out every step in the process, from ringing the doorbell (stepping back to allow distance from the customer) to closing the work order (exchanging text messages rather than requiring a signature).

Stabilize a suddenly virtual workforce
WFH needs have now reached well beyond the scope of roles and duration of activities that most organizations have ever contemplated. As companies “virtualized” workforces overnight, it became evident that WFH looks very different in large, core operations functions than in many corporate roles. There are some critical focus areas for stabilizing a newly virtualized workforce so that it can be effective, efficient, and secure.

Tools and infrastructure. Even organizations that have invested heavily in mobility (through laptops, VPNs, videoconferencing, and “virtualization” tools) are discovering the limits of robustness when supporting the whole organization. In many organizations, core operations roles handling field activities, paper-based processes, and customer-care or back-office functions are not yet fully enabled to WFH. Chief information officers (CIOs) and COOs can partner to prioritize how to effectively use these resources and stabilize their operations. One best practice is to establish a remote-operations war room, staffed with agile teams that can rapidly redesign processes and tools to support remote work through steps such as implementing off-the-shelf cloud-based workflow tools. Daily 30-minute CIO–COO decision calls are helping organizations expedite alignment on the major process and policy changes necessary to support service changes, such as e-signatures, WFH security protocols, and expanded online channels.

Security of critical processes and systems. With core operations that suddenly became virtual, security and risk are major questions to address—especially for colleagues with access to sensitive financial, health, or identity data. In a bank branch, tellers who leave customer-account files open on their computer screens do not pose much risk. However, if they are working in apartments with roommates, it is a much more plausible threat. Continually refining WFH processes and policies can help ensure that employees have secure access only to the information they need to do their jobs. Simple technology fixes, such as improved access to security teams, stronger authentication protocols, and tighter enforcement of screen locks can all be part of the solution. But human factors also deserve attention: when well designed, they make it easier and more likely for people to comply. For example, managers can establish a structure for decision making and effective communication so that employees can readily raise security concerns. Extra training in data security and confidentiality can also help reinforce a culture that prioritizes those issues.

Manage service-level expectations and contracts
For many organizations, the unfolding crisis has caused shifts in customer demand that are unprecedented in both magnitude and suddenness. Organizations are rushing to reorient, seeking to respond to the fluctuating dynamics while maintaining efficiency—even as revenues and cash flow become unpredictable as well.

Our discussions with major service providers indicate that, to date, one of the basic responses to near-term demand pressures—simply communicating the availability of “COVID-19-related enhanced service levels” to customers—has not been enough to stabilize demand. To keep customers in the fold, there are a number of additional actions that companies can take. Extended payment terms, for instance, provide customers with more short-term liquidity, while targeted discounted pricing for customer segments with higher risk of churn can help preserve long-term revenue streams. A few companies are finding that more-for-more offers, designed for customers and segments that are still spending (such as in healthcare or consumer goods), can deepen relationships for the future.
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Significant near-term service-level challenges are becoming increasingly common for service organizations, as well, either in the commitments they have made to their customers or in the expectations they have of service partners (such as business-process providers and IT vendors). Some enterprises are finding that renegotiating desired service levels and time frames can be more productive than renegotiating penalties, as it more quickly resolves the question of the support the client needs. This approach appears to resonate with customers. One industrial-services company, for example, is proactively migrating its clientele from planned-maintenance to predictive-maintenance contracts—a model that more effectively prioritizes service visits based on need and risk.

How to manage through mid-term uncertainty
Even as the immediate changes are still under way, organizations are beginning to prepare themselves for an uncertain recovery and potential for a significantly different next normal. Organizations must build resilience in their operations, evaluate how their demands could evolve, and create plans with flexibility and agility.

Rapidly assess demand and match supply
Through the coronavirus crisis, few industries have escaped sudden and significant demand shocks. For airlines, grounded planes have massively reduced handling and maintenance activities, while customer-care centers have been overwhelmed with changes, cancellations, and tasks of getting passengers home. At retail banks, branch networks are reducing hours, and call centers are taking up slack. In this context, organizations can accelerate their sales- and operational-planning cadence from monthly to weekly while deploying advanced analytics for faster identification of demand trends and enabling faster decision making for resource redeployment, hazard pay, and related capacity decisions.

When possible, service organizations can act to spread and move demand to use capacity that is now unexpectedly available. For example, today’s downtime can be used to pull forward scheduled maintenance, inspections, and repairs—all steps that can help reduce future downtime as customer demand increases.

Once the potential demand is understood, organizations can begin to tackle the task of getting their supply to match—and creating flexibility in their operations. For some service organizations, such as in grocery, pharmacy, and logistics, that need has already driven rapid hiring and the implementation of hazard pay to secure frontline capacity. In other service sectors, cross-skilling and thoughtfully redeploying staff provide important flexibility for ramping up operations during a recovery and can keep people engaged who might otherwise find alternative employment.
Enhance the virtual workforce
Beyond immediate WFH needs, a prolonged restriction on in-person activities would affect common workforce activities significantly. Such activities include the regular cadence of teamwork and performance management, employee capability building and training, and recruiting and hiring.

For many organizations, developing a strong virtual-management cadence will be a significant effort, but it will be critical should the policy response be extended. The reengineered working model would likely include redesigning the regular cadences of the day, week, and month and rethinking how teams work together and how performance is managed—all with the goal of maintaining employee engagement.

One particularly challenging activity to transition is coaching and feedback, which were often done ad hoc. Extra dedication, through the use of video one-on-one meetings and virtual team huddles, can help maintain focus on performance management while also fostering connectedness and engagement. Weekly or biweekly ask-me-anything sessions with senior leaders and virtual town halls should be stepped up to ensure clear expectations, provide positive communications, and help fight feelings of burnout and isolation. And digital capability-building activities, together with remote mentorship and coaching, can help an organization prepare for the next normal.

Begin the digital scale-up to the next normal
The range of possible outcomes in the next normal will depend primarily on two sets of factors: the success of public-health responses in taming the coronavirus’s impact and the effectiveness of economic and fiscal levers applied to stabilize the economy. In certain parts of Asia, for example, measured actions are allowing some industries to start to return to operations, while other sectors likely face significant delays in reassuming full operations.

As new practices take hold to minimize contact among customers and employees, organizations can start to reassess their processes and operating models, both to enable safe scale-up and to accelerate toward approaches that minimize contact. That will require looking critically at end-to-end processes to mitigate risks in improving operational effectiveness under changing conditions.

First, enabling digital alternatives will be a primary activity. A lender adopting virtual, video-based appraisals as a temporary measure could assess what additional steps would be involved to turn that into a new and more efficient way of working. Conversations with partners in other parts of the value chain, such as real-estate agents and investors in securitized mortgages, could reveal additional safeguards to include in the process, while lessons learned through trial and error will form the basis for a practical, digital-appraisal playbook. That sort of experience can replay again across many core processes that today require visits—for example, identity verification, digital-signature use, and in-person assessment.

Companies that have journeys requiring physical proximity could take a look at their end-to-end customer journeys and build in more steps that visibly address safety. That will mean redesigning the process with increased use of protection and sanitization for any equipment service, incorporating contactless interaction whenever possible via electronic work orders, touchless signatures, and minimal face-to-face dialogues. As the crisis abates, this next normal for processes can be distinctive experiences that increase customer loyalty, as at the food company that is now emphasizing its hands-free processes.

For many service organizations, core customer functions are being squeezed both by an inability to perform on-site activities, such as paper-based processing, and by limitations on off-site capacity. Global service partners face many of the same operational constraints in scaling up remote work to provide customer-care or back-office support. Taking an accelerated approach to process automation has the potential to alleviate both challenges—such as at industrial manufacturers that are now deploying artificial intelligence to automate warranty claims, reducing both cycle time.
and paperwork. Those sorts of measures free up crucial capacity in the available workforce, which can then concentrate on higher-value activities, stabilizing current operations while enhancing future resilience.

Crisis require leaders to assess, decide, and act. Recovering and emerging with a stronger, more resilient organization will require balancing near-term financial and operational constraints with the need to look beyond the crisis to the next normal. As leaders steer their operations through the current crisis, they can bear these three thoughts in mind:

— Act toward your strategy.
— Return stronger and ready to scale.
— Reimagine your next normal and invest thoughtfully.

The last point is important: even in a crisis, investment will be critical. Experience from prior crises has shown that companies that maintain and invest are able to bounce back more strongly. They start by imagining what their operations will need when current restrictions ease and what they can change to make that vision happen.

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