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Turning Around a Service Product Failure

A Management Consulting Case Study

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The failure of the global service product of the multinational corporation (MNC) stemmed from the company's loss of cost control, with expenses spiraling both locally and globally (on a consolidated basis). No one knew how cost control could be restored. This was not a problem that accountants could solve; it required cross-functional expertise and tailored methods. I was hired as an external Management

Consultant and assigned the task of investigating the issue, proposing remedies, and developing a viable solution. As project manager, I was entrusted with a generous budget and full responsibility.

This was, in many ways, a dream assignment, even though it didn't involve the revenue side I usually work with. In this case study, I'll describe what we did and how we solved it. The work was carried out in several stages. True learning is about understanding and changing behavior, one step at a time. For simplicity, I will here describe it in just two stages. In **Stage 1**, the focus was on uncovering how costs could spiral out of control and lead to lost control. In **Stage 2**, the focus was on designing concrete solutions that, once implemented, would restore and permanently maintain cost control, while substantially and sustainably reducing global costs.

Stage 1 — To investigate and build understanding

How could costs spiral, and how could control be lost, for this particular global service product?

The very first thing management consultants do in a situation like this is conduct a stakeholder analysis in an initial workshop with the company's product management team — and that's exactly what we did. I then scheduled a series of approximately ten full-day workshops over five weeks, inviting 25–30 experts from various countries and departments within the company. As a consultant, one must employ a few tricks to secure priority and ensure the right people are brought in — something that is absolutely critical.

At the same time, I developed a set of workshop methods that created an investigative process leading directly to the answers we needed. I scheduled a series of modeling sessions to apply them. We employed highly visual techniques, working in groups of seven to collaboratively build models on large wall charts. One of the most significant resulting models was a comprehensive cause-and-effect diagram encompassing 150 interrelated problems. Each problem was thoroughly described and documented with multiple attributes. Additional models were also essential: concept models, vision models (mandala diagrams), goal models, process models (as-is and to-be), incentive analysis diagrams, and more.

This approach built a shared understanding of the problems. Anyone in the head office could inspect and comment on the models at any time. Ultimately, we identified four distinct root causes of the failure — all of which were related to behaviors, incentives, and goal conflicts. This came as no surprise to me, but it was eye-opening for corporate management.

We consultants ensured that all participants contributed effectively wherever possible, while also gaining a comprehensive understanding of the entire problem and its various components. Everything was qualified, quantified, cross-verified, and meticulously documented in multiple formats, tailored to different audiences on all levels.

So, the outcome of the first stage was a prioritized list of management and organizational issues that required solutions. The first four were identified as the root causes and required careful attention.

Stage 2 — To develop and implement solutions

In Stage 2, we launched a new series of workshops with product managers and line managers at various levels to design solutions. We consultants arranged for two company representatives from different countries to lead this work from the head office, under our oversight and methodological support. This was crucial to avoid the all-too-common outcome of a consultant report from head office that ends up in the wastebasket the moment it's completed. Here, a team of local representatives — not head office — took the lead, which significantly strengthened the implementation of the global solutions.

The process took a considerable amount of time, but the results were impressive. The solutions were embedded into the company's core values and into the principles, processes, guidelines, methods, and instructions governing the management and delivery of the service product. Most importantly, they influenced how goals were set and how work performance and results were rewarded.

We consultants helped draft a comprehensive project report containing all solution proposals, prioritized by timing and significance — hundreds of crucial recommendations. Influencing the organization to actually accept, adopt, and implement these solutions was a major endeavor. This is known as change management, and it demands both stamina and drive. Much of this responsibility was transferred to the central product management team. As consultants, it's critical not to disengage too early (so that nothing happens), but equally important to let the organization take ownership and for the consultant to step back as soon as possible. In this case, the company employed one of the consultants (who then left my company) to continue driving the change management process.

You may wonder what kind of service this product offers.
This service product was a commercially significant offering of this large multinational corporation — a technical and highly complex service contract product with monthly payments from hundreds of thousands of customers worldwide. It was a repair and maintenance service contract, with professional, digital, and financial services components. The product was as complex as insurance, resembling health insurance, and was available in multiple variants and versions, with local adaptations in each country. These adaptations reflected differences in laws and regulations, business culture, competition, and organizational structures and processes.

The above is not only an example of how a company can learn from a complete failure and transform, but also a clear illustration of the kind of large-scale engagement a management consultant can deliver — and how such work is typically carried out in the consulting world.

About the Author

Gunnar Östberg, Business Transformation Architect, CEO, Business Clarity.

Gunnar is an M.Sc. computer engineer with 40 years of experience in **business and IT-driven transformation.** He has worked with global giants like Ericsson and Scania, as well as nimble high-tech firms. Passionate about sound architectural principles and systems thinking, Gunnar writes to expand perspectives and deepen insight. Through his consultancy, Business Clarity, Gunnar helps organizations evolve ideas into sustainable systems and products, and transform the business through structured, principle-based innovation. His focus areas include pragmatic architecture, business modeling, and delivering real impact.

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