
27.11.2020

# D.T1.3.1 Report on the evaluation and comparison of different regional service competence levels

Conducted by Uni-P & FHOÖ

# SERVICE COMPETENCE

### *THE CHALLENGE OF ADVANCED MANUFACTURERS*

Services are extremely important for the success of manufacturing companies within the hole project area. In order to be successful in the service business, various internal sectors have to be adapted and the continuous measurement of the own development is indispensable.

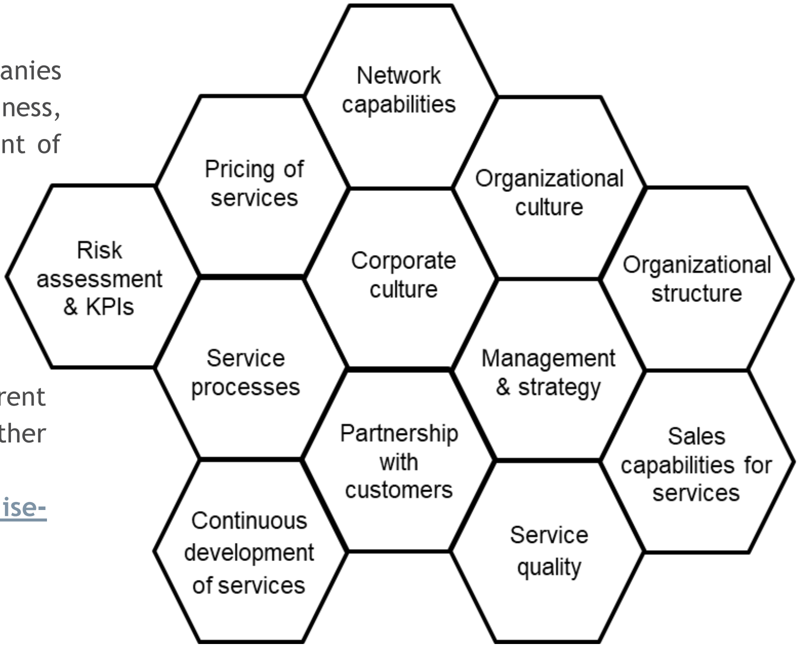



*Figure: 12 Dimensions of Industrial Service Excellence*

### *ISE-MONITOR AS A SUPPORTING TOOL*

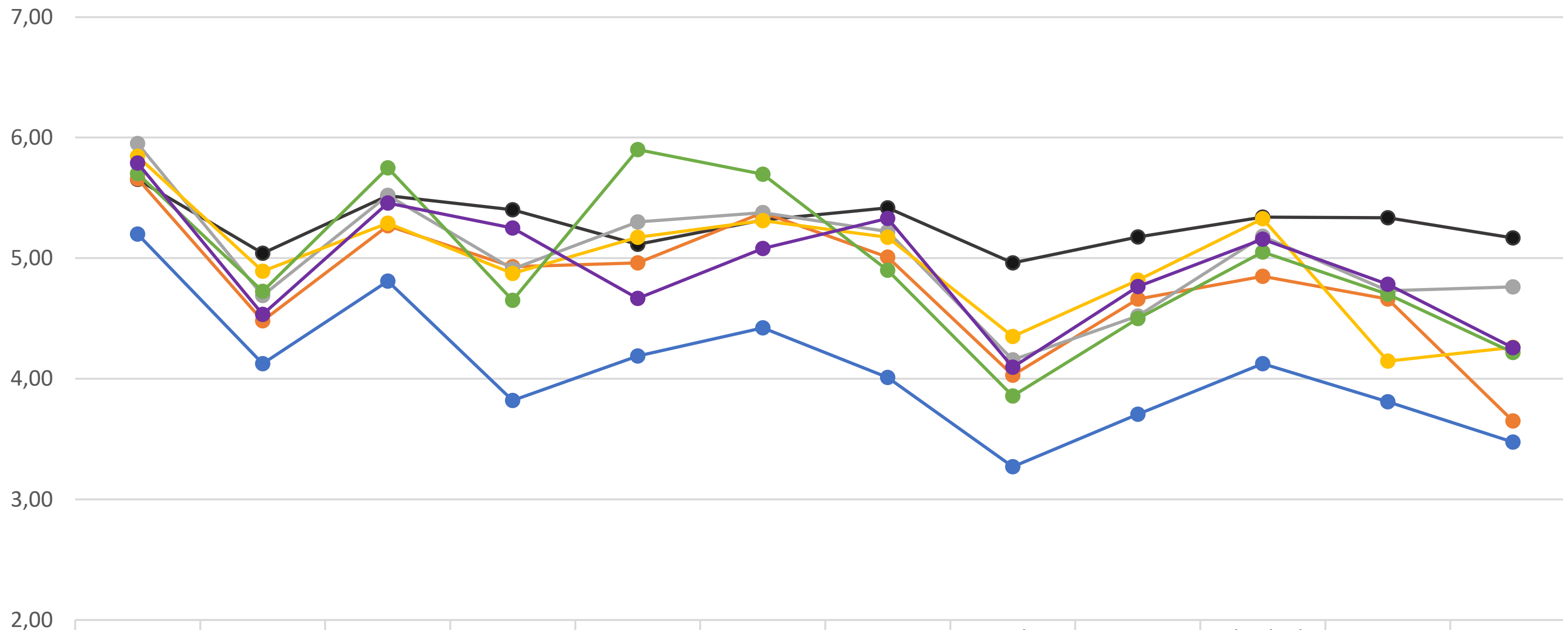
The ISE-monitor gives advances manufacturers a detailed analysis of the current status of the service business of their company as well as comparison with other companies.
The tool is available in different languages and online for free: www.ise-monitor.eu/monitor

### *COUNTRY SPECIFIC RESULTS AND INTERNATIONAL BENCHMARK*

- The self-assessment regarding 12 Dimensions and performance indicators gathered in the ISE-Monitor from the companies is compared to a Benchmark
- The Benchmark consists of 379 companies from Austria, Germany, Czech Republic, Italy, Slovenia, Slovakia and Hungary
- Country specific results from the monitor usage of Advanced Manufacturers in the specific countries have been summarized in D.T1.2.1 and discussed in international Round Tables (D.T1.3.2). Those deliverables are the basis for this report on individual and general strengths and weaknesses of different service competence levels within the project region.

# EUROPEAN COUNTRIES IN COMPARISON FOR EACH DIMENSION

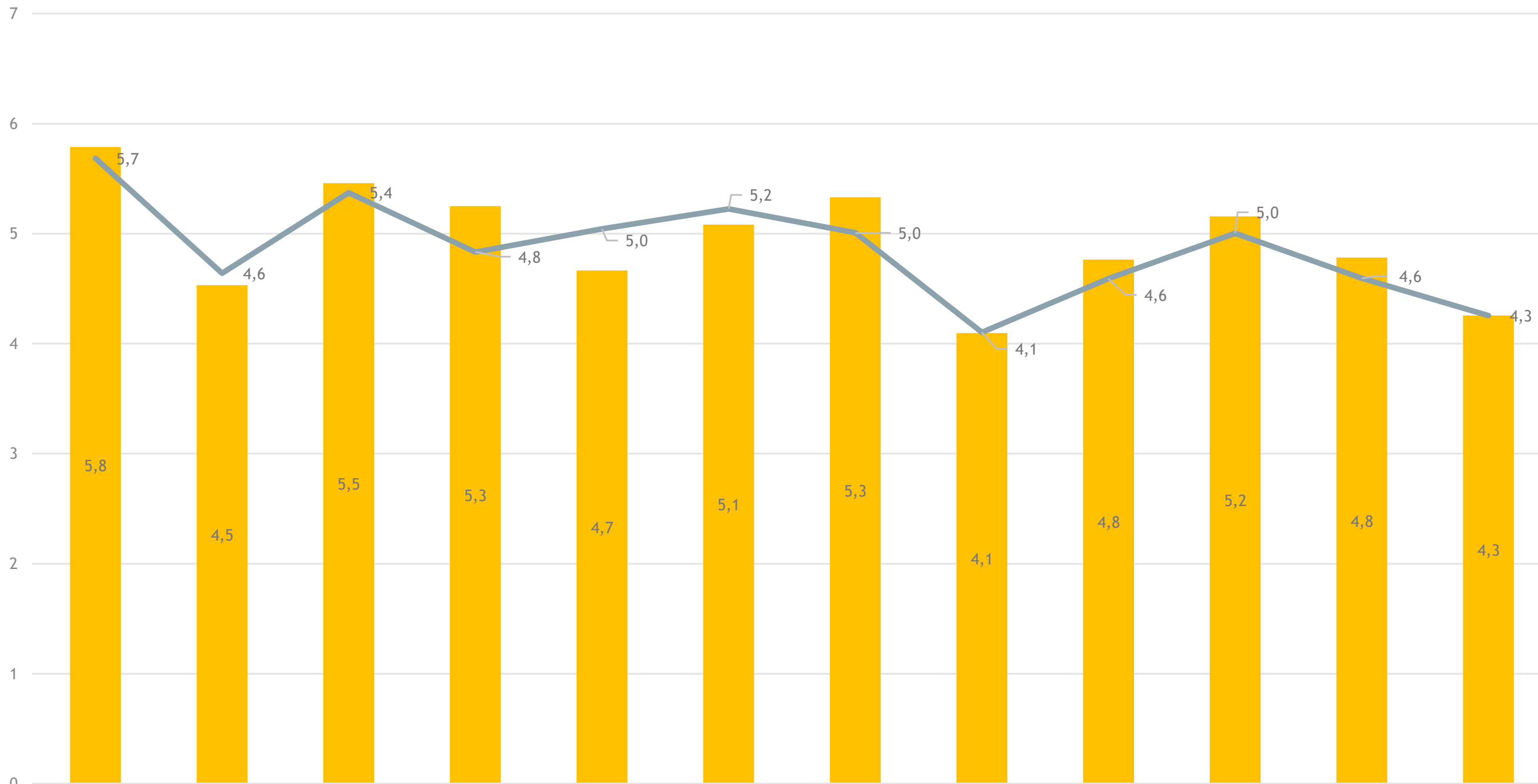
Interreg CENTRAL EUROPE
European Union European Regional Development Fund
ProsperAMnet




| | Partnership with customers | Network capabilities | Corporate culture | Organizational Structure | Pricing of services | Sales capabilities for services | Management and strategy | Risk assessment and KPIs for services | Service processes | Individualisation and standardisation | Assessment of service quality | Service innovation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Germany | 5,65 | 5,04 | 5,52 | 5,40 | 5,11 | 5,32 | 5,42 | 4,96 | 5,18 | 5,34 | 5,33 | 5,17 |
| Czech Republic | 5,66 | 4,48 | 5,27 | 4,93 | 4,96 | 5,38 | 5,01 | 4,03 | 4,66 | 4,85 | 4,66 | 3,65 |
| Slovenia | 5,95 | 4,69 | 5,52 | 4,91 | 5,30 | 5,38 | 5,22 | 4,16 | 4,52 | 5,18 | 4,73 | 4,76 |
| Slovakia | 5,85 | 4,89 | 5,29 | 4,87 | 5,17 | 5,31 | 5,17 | 4,35 | 4,82 | 5,33 | 4,15 | 4,26 |
| Italy | 5,20 | 4,13 | 4,81 | 3,82 | 4,19 | 4,42 | 4,01 | 3,27 | 3,71 | 4,13 | 3,81 | 3,47 |
| Hungary | 5,70 | 4,73 | 5,75 | 4,65 | 5,90 | 5,70 | 4,90 | 3,86 | 4,50 | 5,05 | 4,70 | 4,22 |
| Austria | 5,79 | 4,53 | 5,46 | 5,25 | 4,67 | 5,08 | 5,33 | 4,10 | 4,77 | 5,16 | 4,78 | 4,26 |

Germany Czech Republic Slovenia Slovakia Italy Hungary Austria

# 12 DIMENSIONS - AUSTRIA

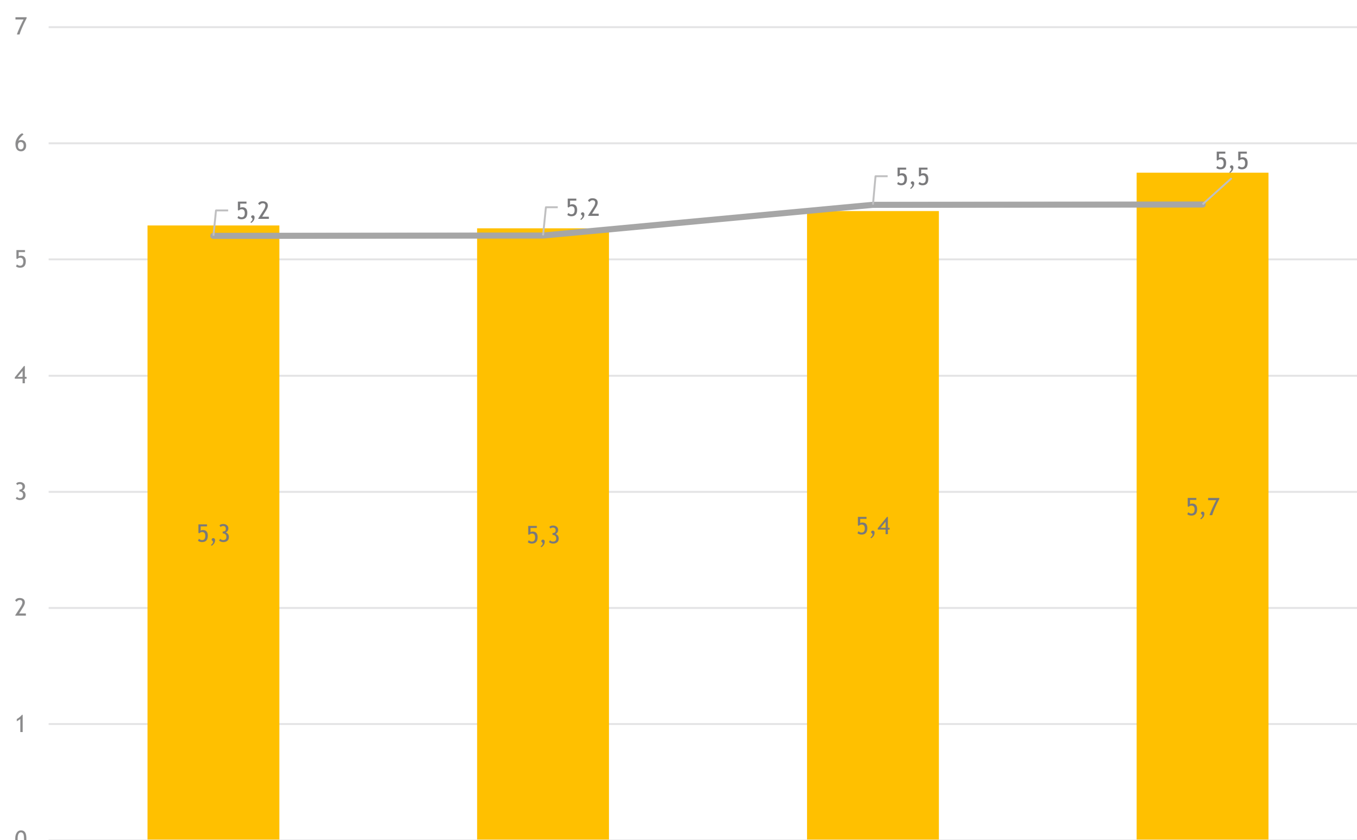



| | Partnership with customers | Network capabilities | Corporate culture | Organizational Structure | Pricing of services | Sales capabilities for services | Management and strategy | Risk assessment and key performance indicators for services | Service processes | Individualisation and standardisation | Assessment of service quality | Service innovation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Austria | 5,79 | 4,53 | 5,46 | 5,25 | 4,67 | 5,08 | 5,33 | 4,10 | 4,77 | 5,16 | 4,78 | 4,26 |
| Benchmark | 5,69 | 4,64 | 5,37 | 4,83 | 5,04 | 5,23 | 5,01 | 4,10 | 4,59 | 5,00 | 4,59 | 4,26 |

1= totally disagree, 7= totally agree

Austria: n=172
Benchmark: n=379 & Data weighting according to equal distribution across countries

# PERFORMANCE INDICATORS: AUSTRIA




| | Service Excellence | Financial performance | Non-financial Performance | Service as enabler |
|---|---|---|---|---|
| Austria | 5,29 | 5,27 | 5,42 | 5,75 |
| Benchmark | 5,20 | 5,21 | 5,47 | 5,47 |

1= totally disagree, 7= totally agree

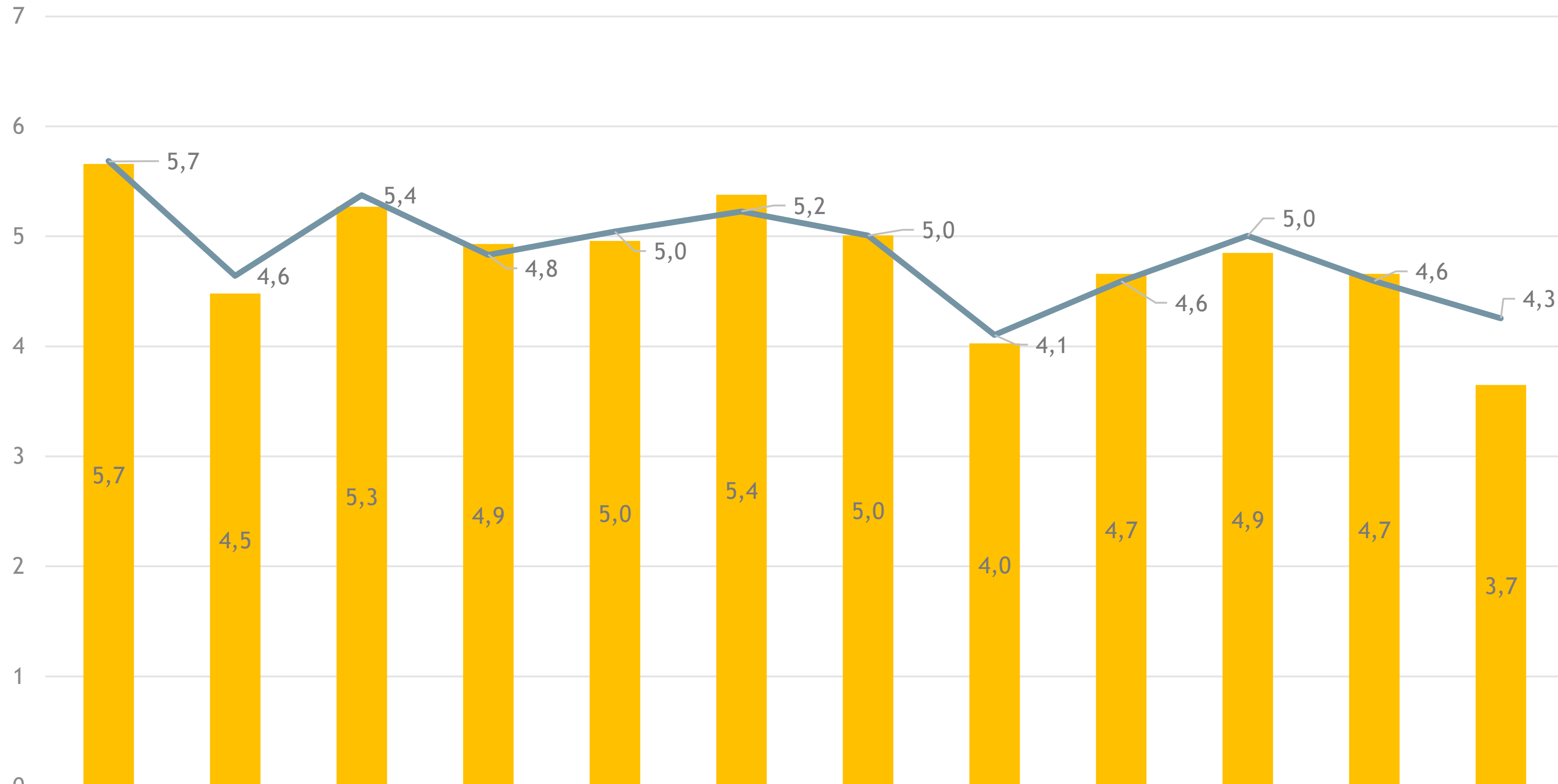
Austria: n=172
Benchmark: n=379 & Data weighting according to equal distribution across countries

# STRENGTHS & WEAKNESSES AUSTRIA

Austrian companies are highly interested in servitization and in the ISE-Monitor. Most of the time they (service teams) have to follow the products with the full package of services. But because of business model changings and transformations they are open for new ideas to generate value at the customer (and earnings at home) without the presence of products in various regions/markets. Service is an important part of a lot companies' strategy, however Top-management has to offer appropriate rewards in the service business. There are KPI's, but not the appropriate ones for the service business. Companies have lots of data but no key-performance indicators. Problems to price services adequately - often given for free. It is important to make the value of the service visible to the customer (use bills even if the customers do not have to pay for the service). Various companies do not have a standardized system to get feedback from their customers to service performance, that operates as basement for service improvements. However there are some ongoing initiatives in Austria to measure and compare service performance from an internal and/or external view, eg. KVA Service Award. In conclusion it is important to have good product innovation process which is "no innovation process" that includes services right from the beginning.

- Strenghts:
  - Awareness of importance of servitization
  - Companies have a lot of data
  - Regionality, face-to-face services and solution orientation of companies
- Weaknesses/Challenges:
  - Defining KPI's for service business
  - Pricing services in an adequate way
  - Missing system for gathering feedback of service quality and customer satisfaction
  - Digitization and digital services
  - Consistency of processes
  - Bureaucracy

# 12 DIMENSIONS – CZECH REPUBLIC

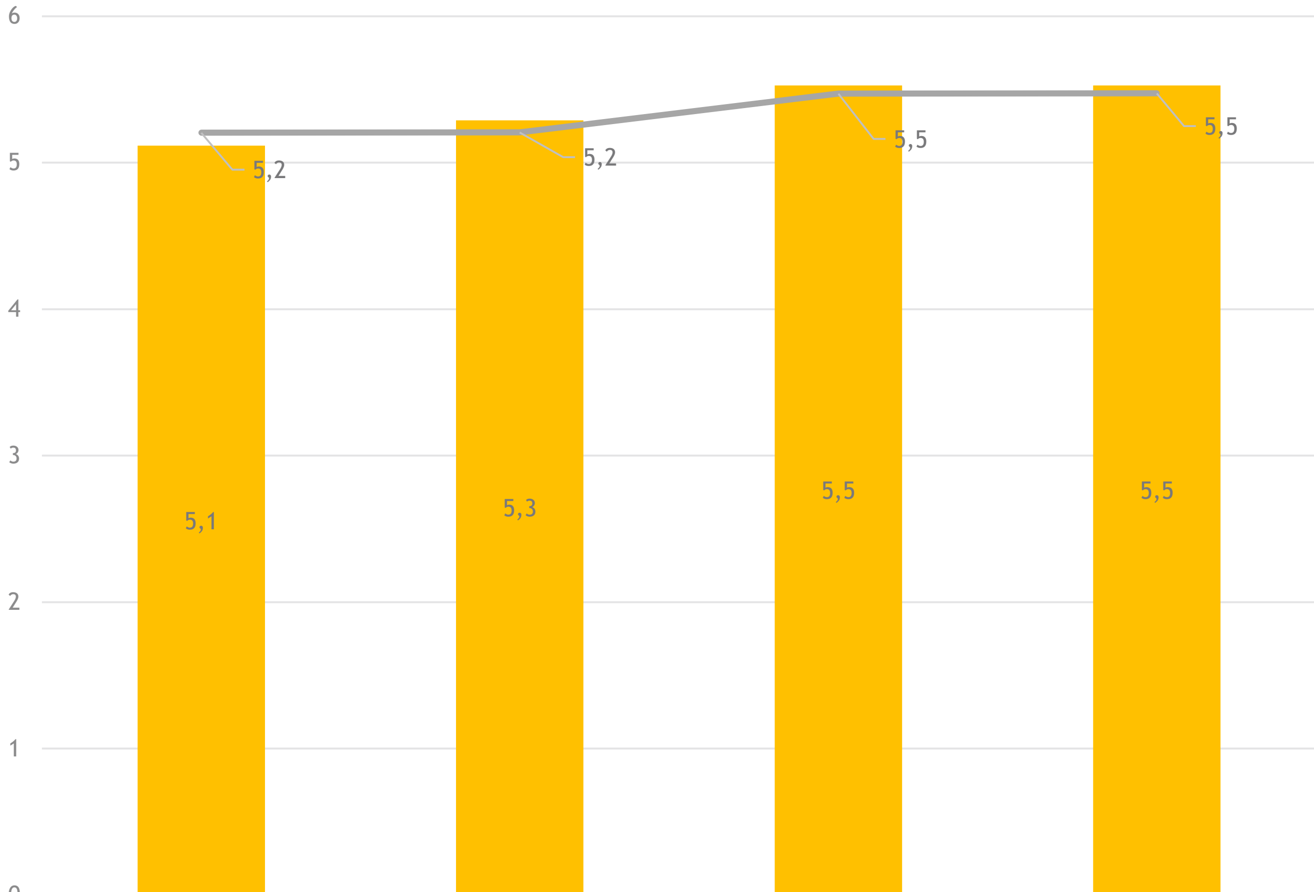



| | Partnership with customers | Network capabilities | Corporate culture | Organizational Structure | Pricing of services | Sales capabilities for services | Management and strategy | Risk assessment and key performance indicators for services | Service processes | Individualisation and standardisation | Assessment of service quality | Service innovation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Czech Republic | 5,66 | 4,48 | 5,27 | 4,93 | 4,96 | 5,38 | 5,01 | 4,03 | 4,66 | 4,85 | 4,66 | 3,65 |
| Benchmark | 5,69 | 4,64 | 5,37 | 4,83 | 5,04 | 5,23 | 5,01 | 4,10 | 4,59 | 5,00 | 4,59 | 4,26 |

1= totally disagree, 7= totally agree

Czech Republic: n=20
Benchmark: n=379 & Data weighting according to equal distribution across countries

# PERFORMANCE INDICATORS: CZECH REPUBLIC




| | Service Excellence | Financial performance | Non-financial Performance | Service as enabler |
|---|---|---|---|---|
| Czech Republic | 5,12 | 5,29 | 5,53 | 5,53 |
| Benchmark | 5,20 | 5,21 | 5,47 | 5,47 |

1= totally disagree, 7= totally agree

Czech Republic: n=19
Benchmark: n=379 & Data weighting according to equal distribution across countries

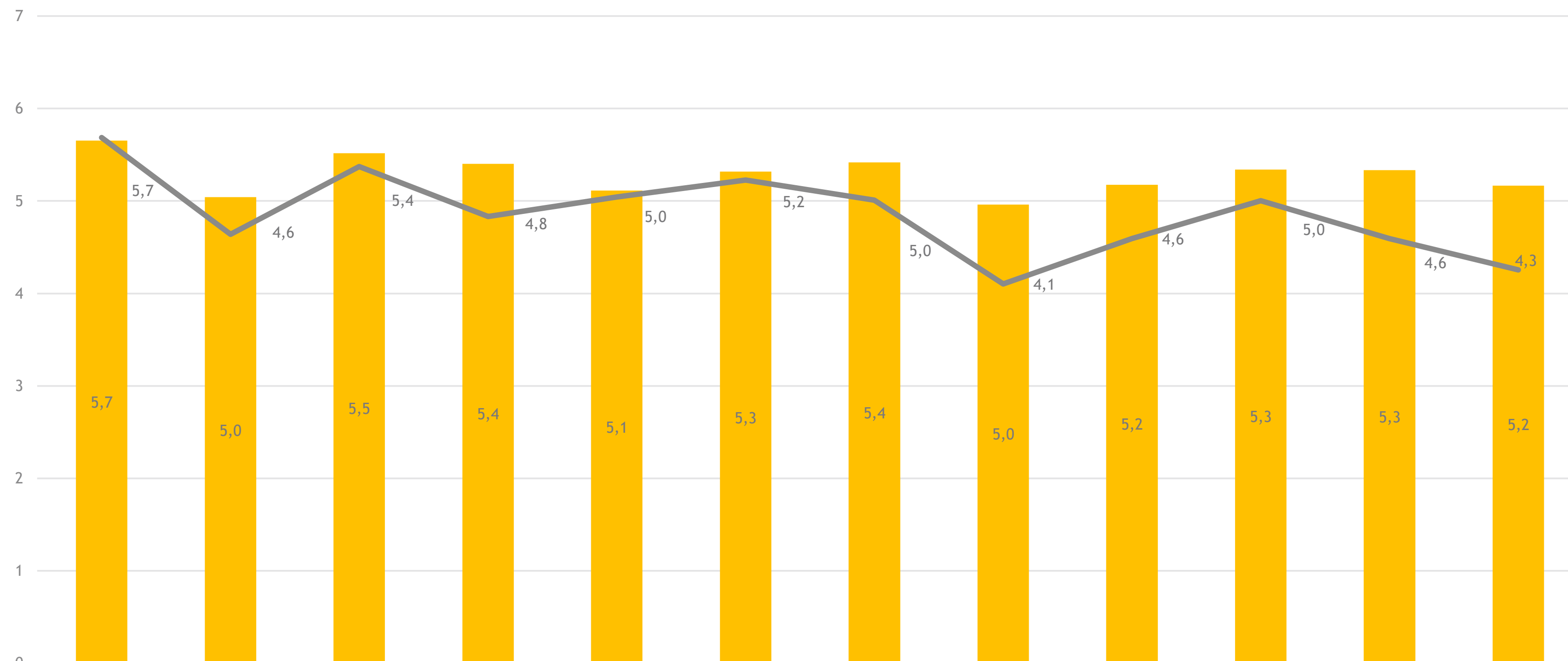
# STRENGTHS & WEAKNESSES CZECH REPULIC

The Czech Associated Partner, the University of Liberec, stated that due to the Corona pandemic, the focus on servitization by enterprises shrinked, but before Corona the enterprises already thought more and more about it. At the moment, the Czech Republic is a bit behind the Saxon status in reference to servitization, but in 5 years this could have changed.

Companies, especially nowadays, are aware of the importance of service efficiency in view of the changes brought about by the current global crisis. Many companies therefore want to focus on improving the quality of websites and the overall design of their services, as this time will bring digital opportunities and the market will move more into the online world. Companies see servitization as an added value that will increase their competitiveness. In addition, the added services will bring an additional source of income to companies.

- **Strenghts:**
  - increasing competitiveness
  - a new source of revenue for companies
  - support of ecology
- **Weaknesses/Challenges:**
  - Service innovation
  - insufficient number of trained staff
  - competences of employees

# 12 DIMENSIONS - GERMANY

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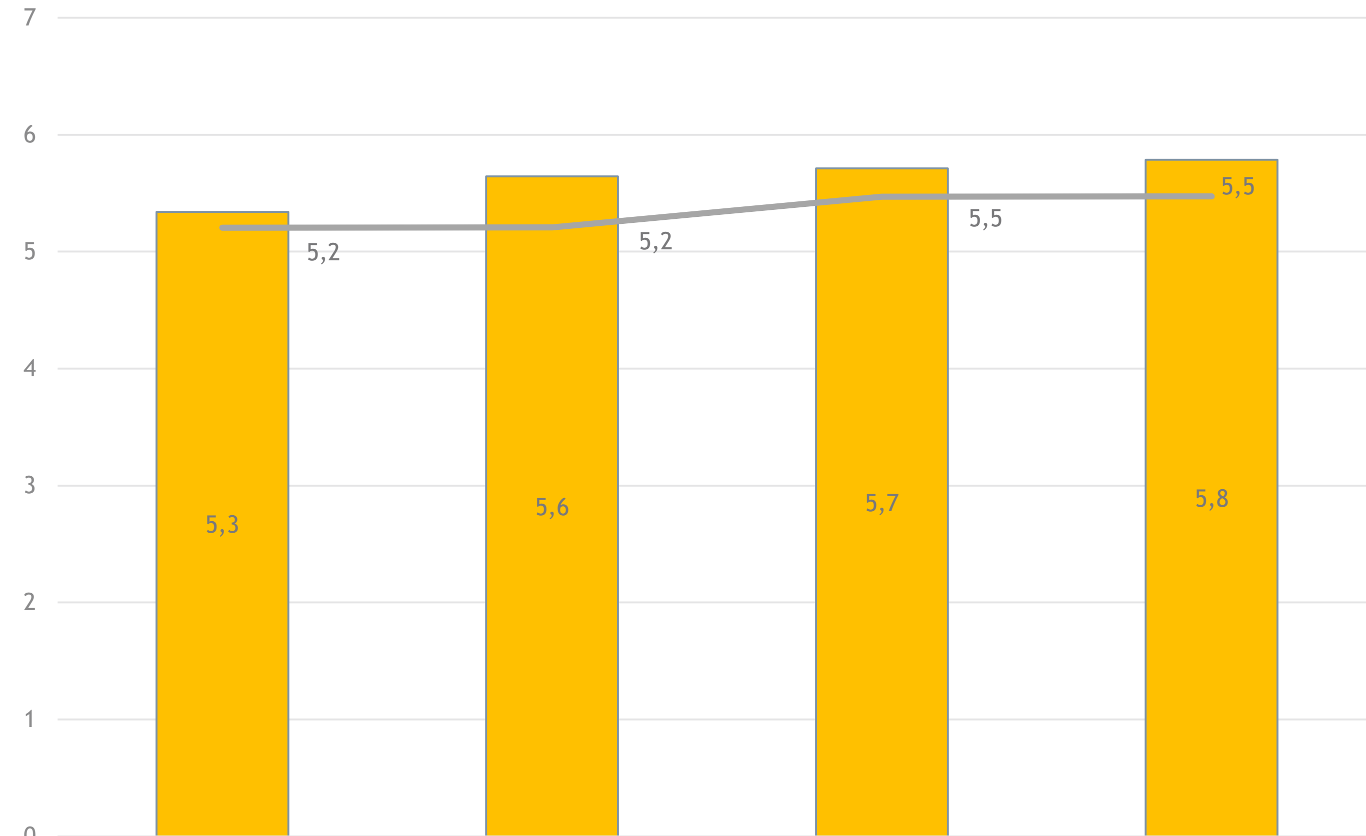
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Germany | 5,65 | 5,04 | 5,52 | 5,40 | 5,11 | 5,32 | 5,42 | 4,96 | 5,18 | 5,34 | 5,33 | 5,17 |
| Benchmark | 5,69 | 4,64 | 5,37 | 4,83 | 5,04 | 5,23 | 5,01 | 4,10 | 4,59 | 5,00 | 4,59 | 4,26 |

1= totally disagree, 7= totally agree

Germany: n=118
Benchmark: n=379 & Data weighting according to equal distribution across countries

# PERFORMANCE INDICATORS: GERMANY




| | Service Excellence | Financial performance | Non-financial Performance | Service as enabler |
|---|---|---|---|---|
| Germany | 5,34 | 5,64 | 5,71 | 5,79 |
| Benchmark | 5,20 | 5,21 | 5,47 | 5,47 |

Germany Benchmark 1= totally disagree, 7= totally agree

Germany: n=118
Benchmark: n=379 & Data weighting according to equal distribution across countries

# STRENGTHS & WEAKNESSES GERMANY

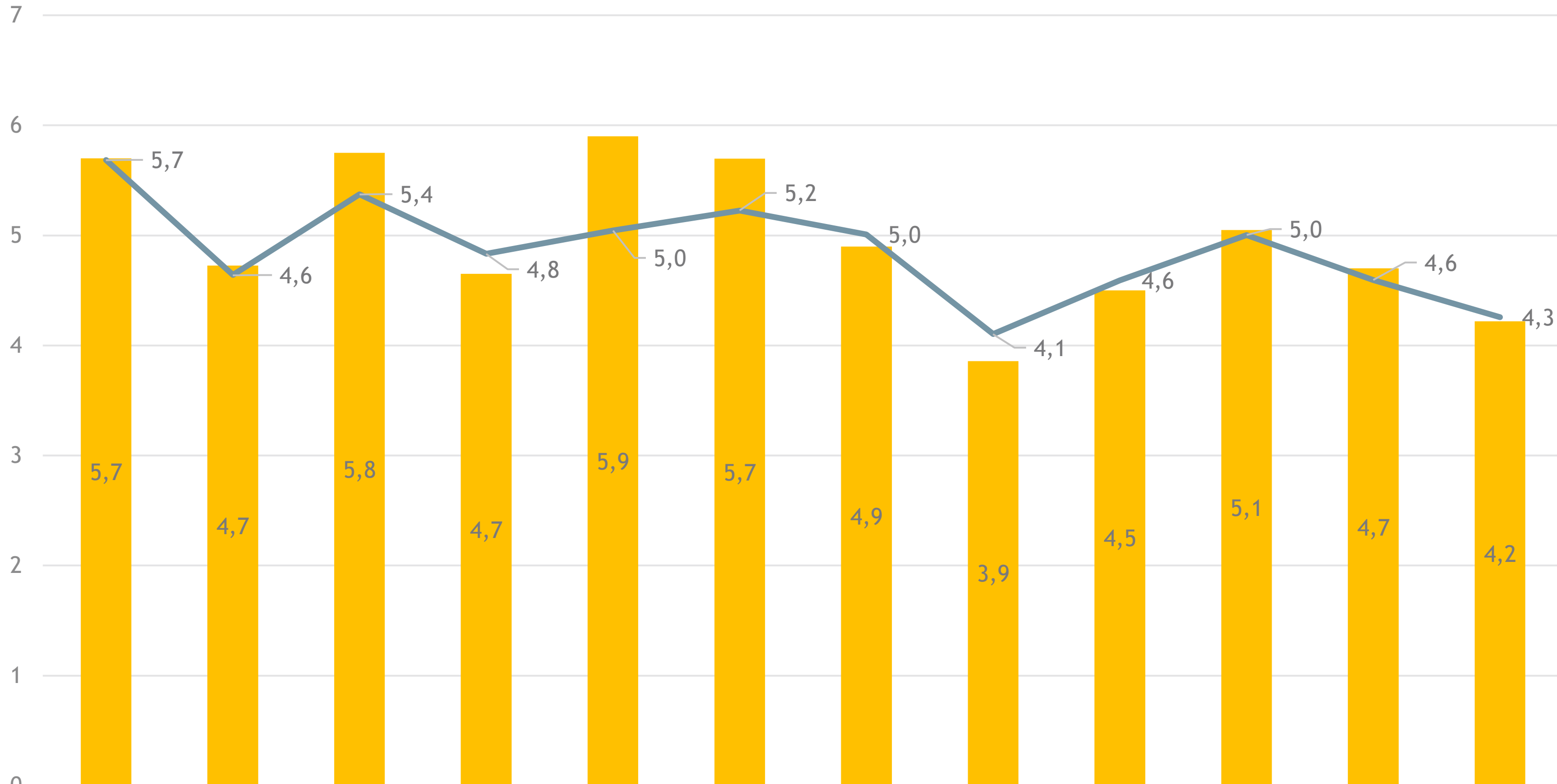
According to the Saxon Economic Development Corporation services become more and more important in Saxony and whole Germany. Further, 8.3% of the Saxon enterprises are active in exporting their products and services, which is a bit below the average of Germany with 10.4%. One third of the Saxon GDP comes from the export (around 40.5 billion €). The automotive sector has the highest share on that with 14 %, followed by the electrical and mechanical engineering. Tools developed in INTERREG projects like for example the ISE-Monitor in ProsperAMnet or results of THINGS+ are very important to increase the servitization awareness of SMEs in the region. In contrast to Saxony - the topic of Servitization is anchored within the Bavarian innovation strategy.

A challenge German companies are faced is the high level of bureaucracy, which is very time-consuming for the enterprises so that they cannot concentrate on their core business and the development of service strategies and innovation processes.

- Strenghts:
  - Awareness of importance of servitization (SMEs, regional stakeholders and policy makers)
  - Risk assessment and KPI for services, Assessment of service quality, Service Innovation
- Weaknesses/Challenges:
  - High level of bureaucracy
  - Lack of skilled workers

# 12 DIMENSIONS - HUNGARY

Interreg CENTRAL EUROPE
European Union European Regional Development Fund
ProsperAMnet

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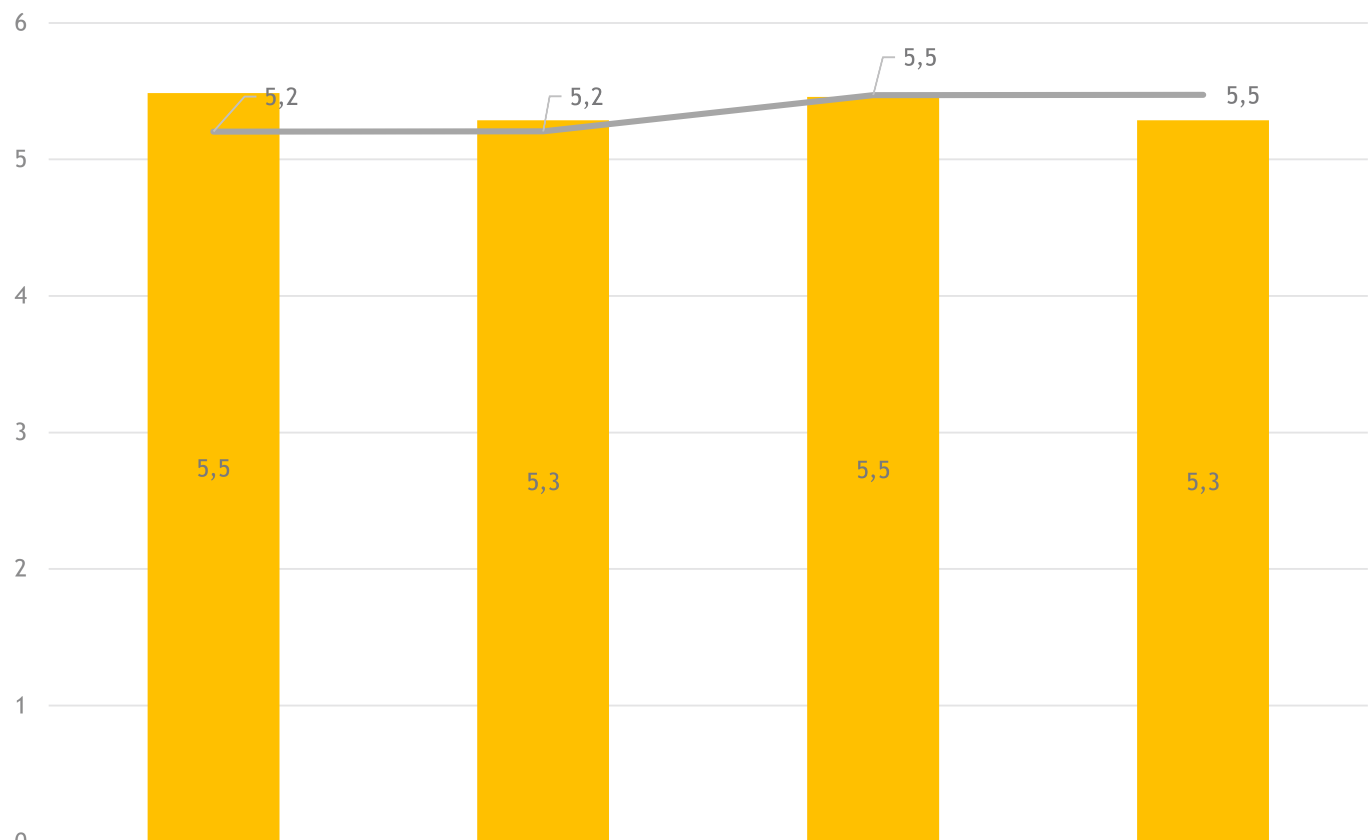
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Hungary | 5,70 | 4,73 | 5,75 | 4,65 | 5,90 | 5,70 | 4,90 | 3,86 | 4,50 | 5,05 | 4,70 | 4,22 |
| Benchmark | 5,69 | 4,64 | 5,37 | 4,83 | 5,04 | 5,23 | 5,01 | 4,10 | 4,59 | 5,00 | 4,59 | 4,26 |

1= totally disagree, 7= totally agree

Hungary: n=8
Benchmark: n=379 & Data weighting according to equal distribution across countries

# PERFORMANCE INDICATORS: HUNGARY




| | Service Excellence | Financial performance | Non-financial Performance | Service as enabler |
|---|---|---|---|---|
| Hungary | 5,49 | 5,29 | 5,46 | 5,29 |
| Benchmark | 5,20 | 5,21 | 5,47 | 5,47 |

1= totally disagree, 7= totally agree

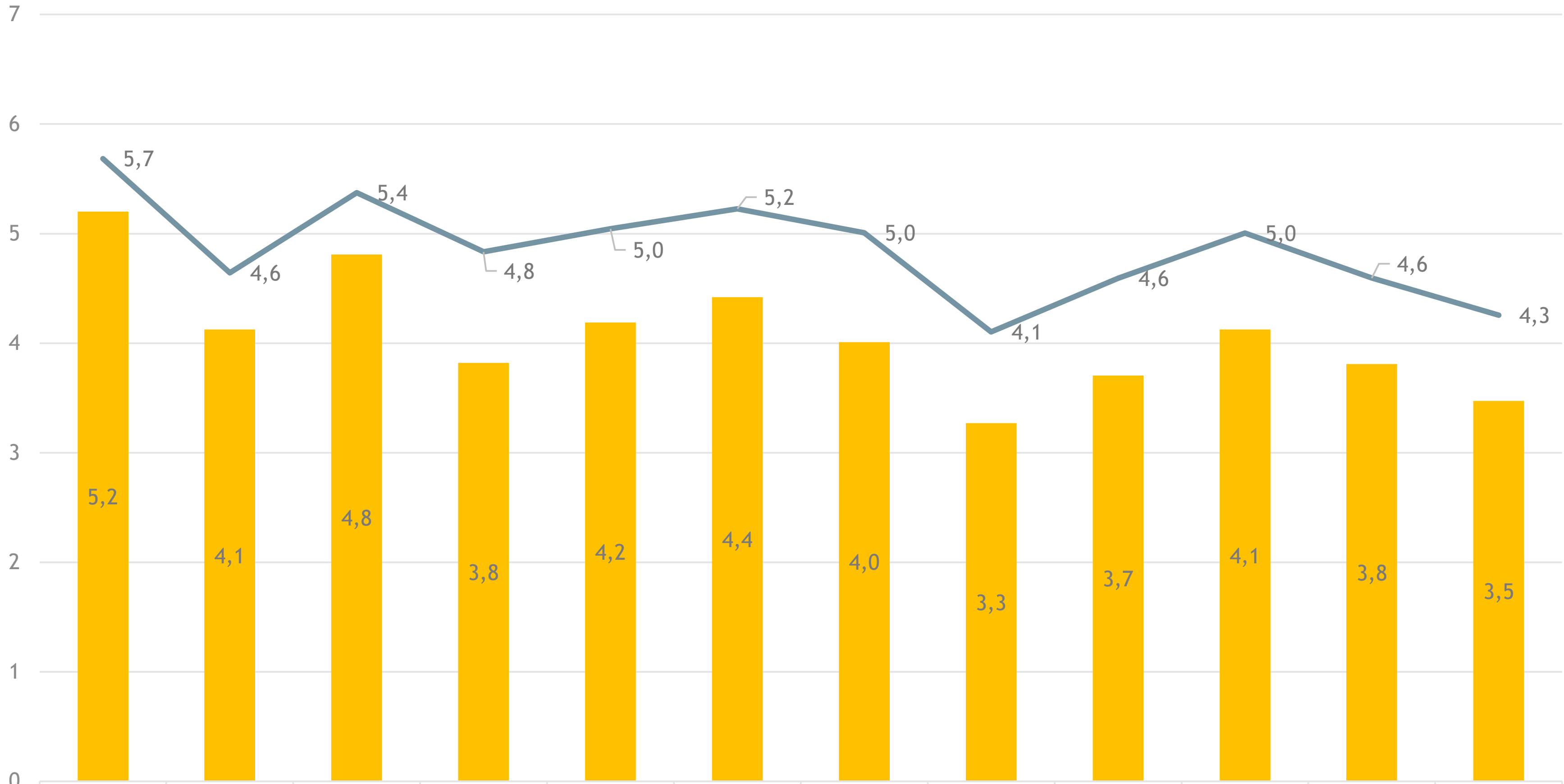
Hungary: n=7
Benchmark: n=379 & Data weighting according to equal distribution across countries

# STRENGTHS & WEAKNESSES HUNGARY

In Hungary companies know about the importance of servitization. Concerning services hungarian companies mention the quality of services as the most important factor for success. Further services should be product-specific and the pricing of services should be integrated in the pricing of products. For exporting services they are facing the challenge of missing knowledge about export markets and less flexibility on foreign markets (problems are e.g.: weakness of the knowledge of foreign languages, missing strategy and marketing plan, lack of digitalization in the production process)

- Strenghts:
  - Most companies are aware of the importance of servitization
  - Pricing of services
- Weaknesses/Challenges:
  - Organizational structure
  - Lack of knowledge about export markets
  - Language barriers

# 12 DIMENSIONS - ITALY

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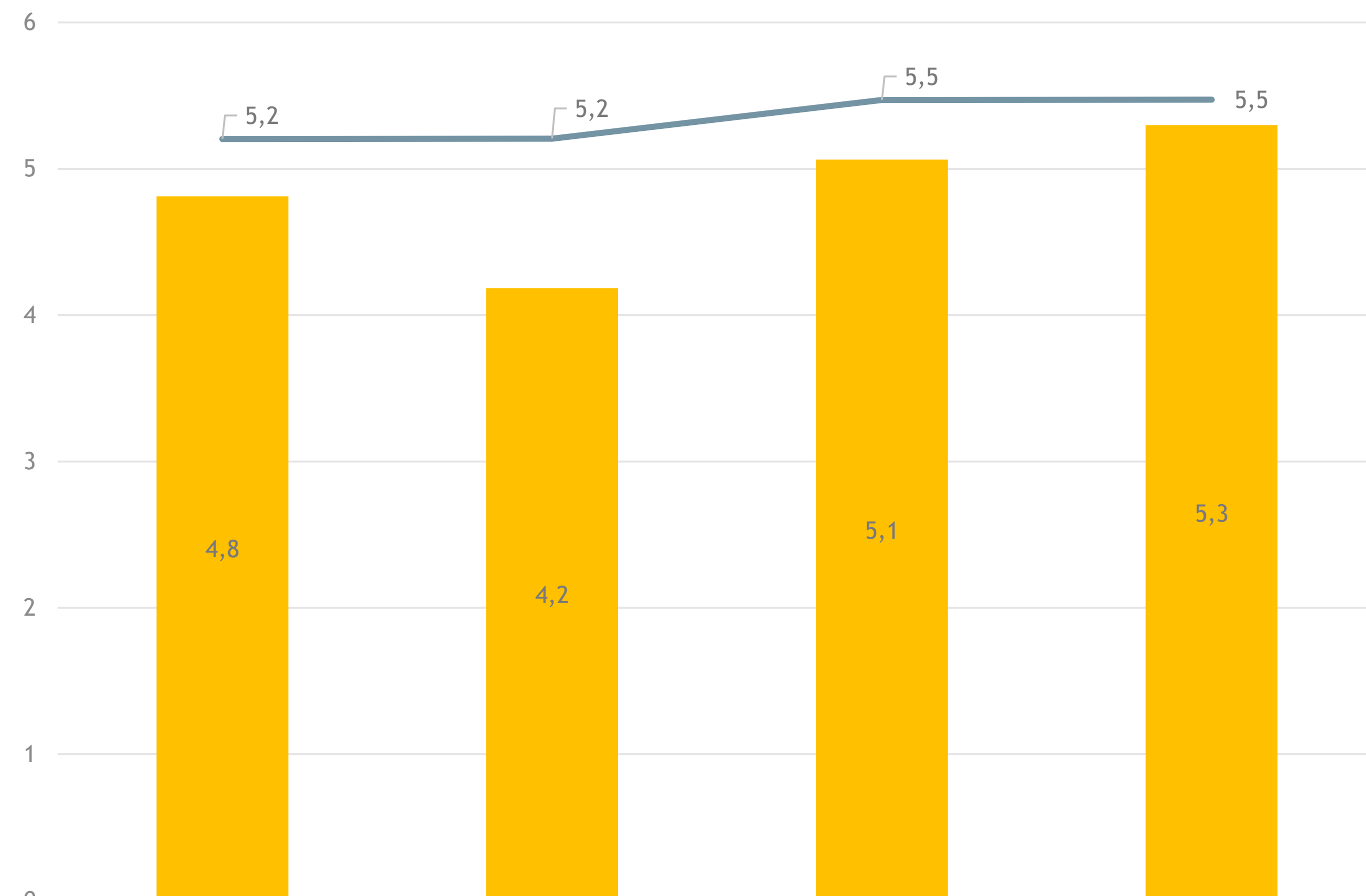
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Italy | 5,20 | 4,13 | 4,81 | 3,82 | 4,19 | 4,42 | 4,01 | 3,27 | 3,71 | 4,13 | 3,81 | 3,47 |
| Benchmark | 5,69 | 4,64 | 5,37 | 4,83 | 5,04 | 5,23 | 5,01 | 4,10 | 4,59 | 5,00 | 4,59 | 4,26 |

1= totally disagree, 7= totally agree

Italy: n=19
Benchmark: n=379 & Data weighting according to equal distribution across countries

# PERFORMANCE INDICATORS: ITALY




| | Service Excellence | Financial performance | Non-financial Performance | Service as enabler |
|---|---|---|---|---|
| Italy | 4,81 | 4,18 | 5,06 | 5,30 |
| Benchmark | 5,20 | 5,21 | 5,47 | 5,47 |

1= totally disagree, 7= totally agree

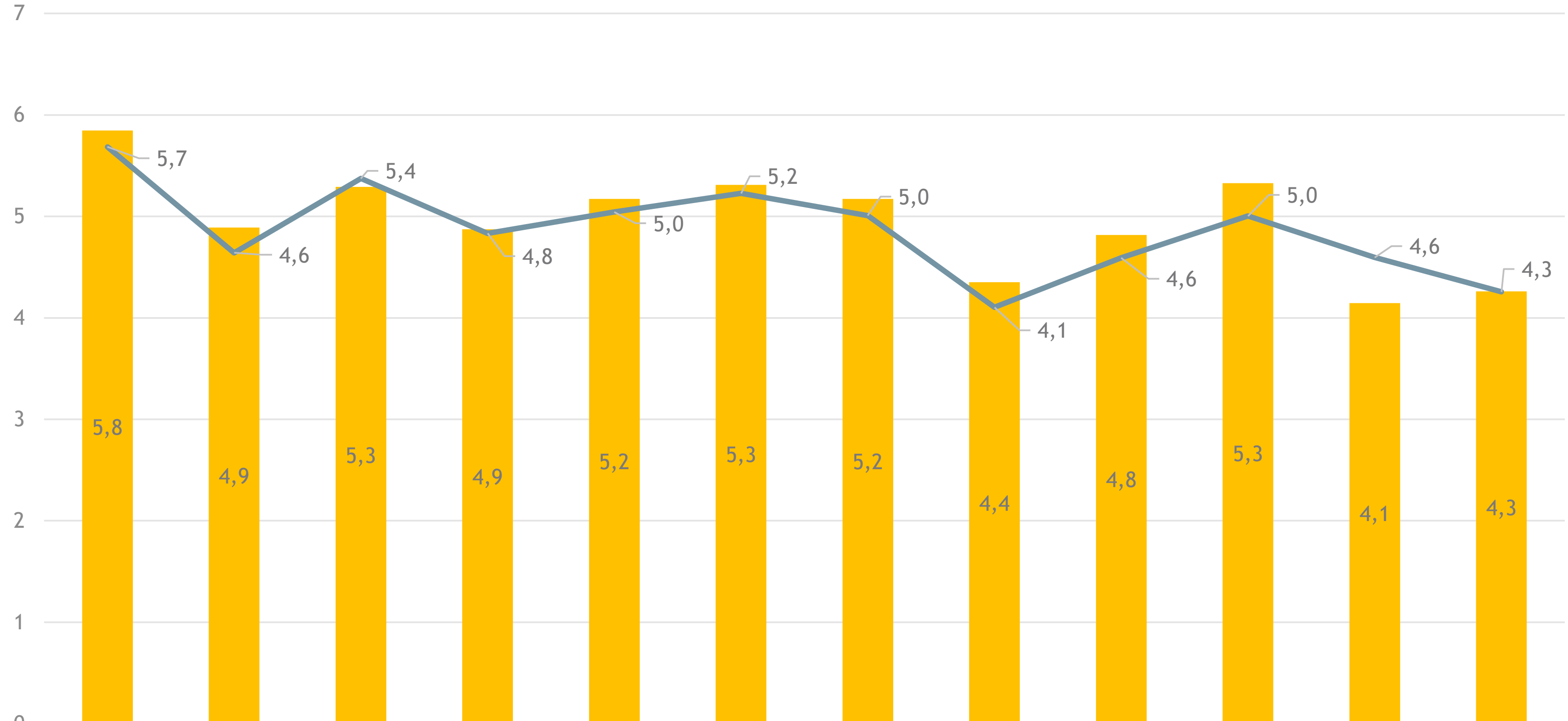
Italy: n=19
Benchmark: n=379 & Data weighting according to equal distribution across countries

# STRENGTHS & WEAKNESSES ITALY

In Friuli Venezia Giulia advanced manufacturing companies, and in particular the metalworking ones, are giving more and more weight to servitization strategies. Some regional companies are increasing the value of the service by adding it to the physical product, which remains the very heart of the value; others, on the other hand, are already experimenting with more advanced servitization strategies, in which the service is the fulcrum of the offer and where the innovation of the business model is observed. While recognizing the innovation potential of services, many companies nevertheless encounter difficulties in defining a clear strategy to follow for the development of innovative services and in measuring the impact of this type of activity on the success of the company.

- Strenghts:
    - Most companies are aware of the importance of servitization
    - Exemplary developement of innovative business models
    - Data provided to regional BSO by the University of Udine about regional companies and their needs as basis for offering individual support
- Weaknesses/Challenges:
    - Defining clear strategies for developing innovative services
    - Measuring the impact of servitization

# 12 DIMENSIONS - SLOVAKIA

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|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Slovakia | 5,85 | 4,89 | 5,29 | 4,87 | 5,17 | 5,31 | 5,17 | 4,35 | 4,82 | 5,33 | 4,15 | 4,26 |
| Benchmark | 5,69 | 4,64 | 5,37 | 4,83 | 5,04 | 5,23 | 5,01 | 4,10 | 4,59 | 5,00 | 4,59 | 4,26 |

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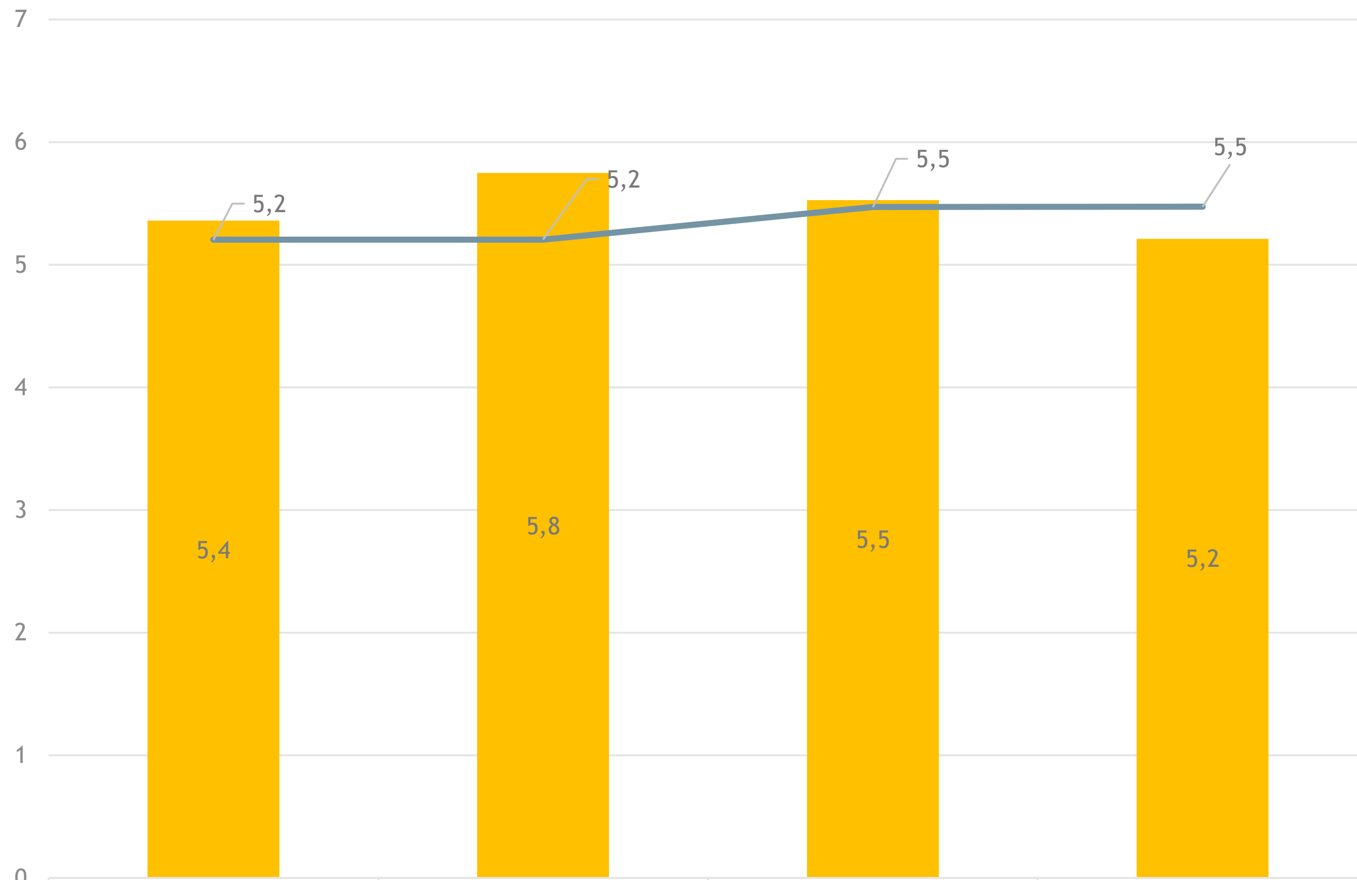
Slovakia: n=22
Benchmark: n=379 & Data weighting according to equal distribution across countries

# PERFORMANCE INDICATORS: SLOVAKIA




| | Service Excellence | Financial performance | Non-financial Performance | Service as enabler |
|---|---|---|---|---|
| Slovakia | 5,36 | 5,75 | 5,53 | 5,21 |
| Benchmark | 5,20 | 5,21 | 5,47 | 5,47 |

1= totally disagree, 7= totally agree

Slovakia: n=22
Benchmark: n=379 & Data weighting according to equal distribution across countries

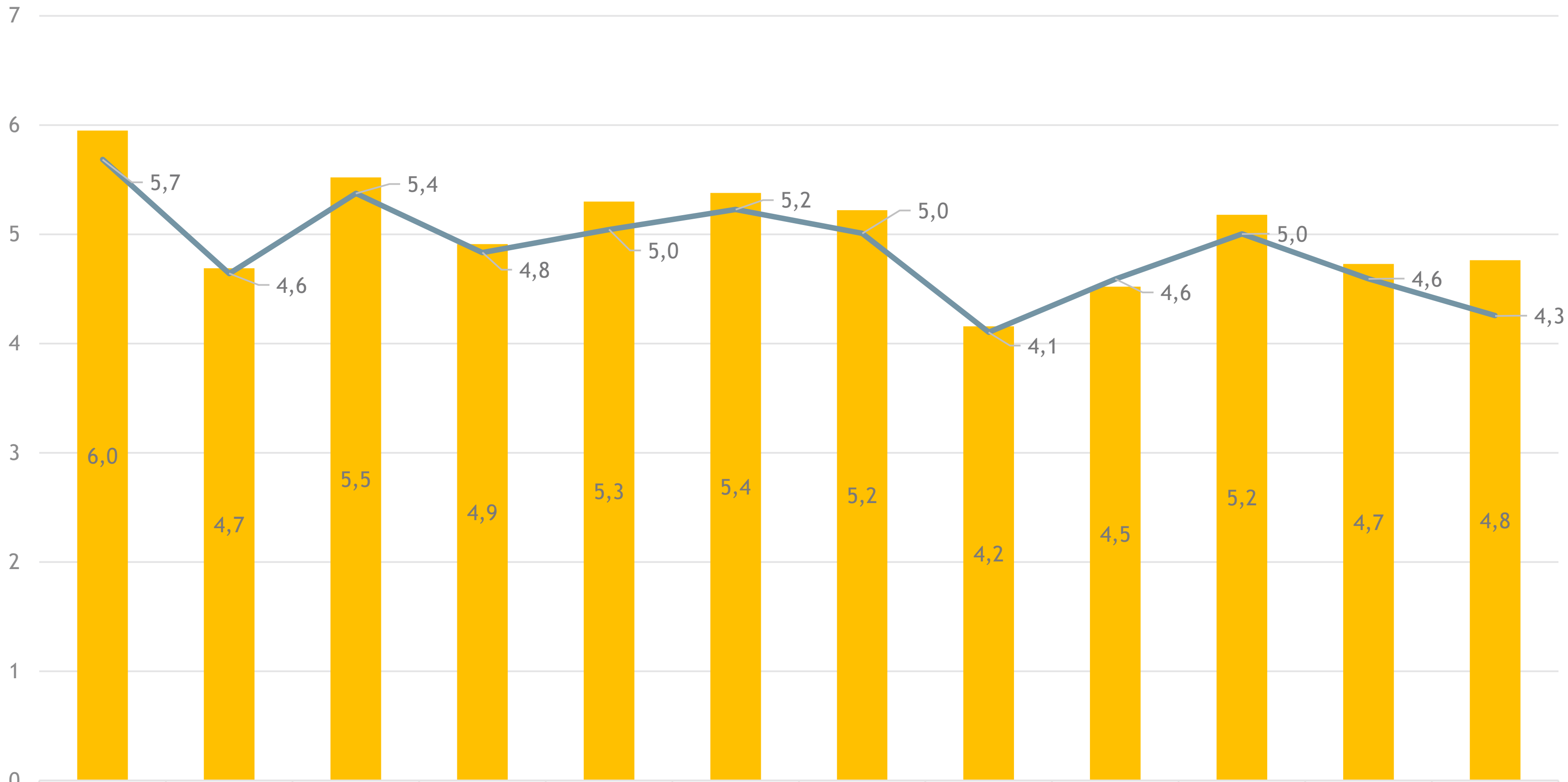
# STRENGTHS & WEAKNESSES SLOVAKIA

In Slovakia in the years 2015-2018 small and medium-sized enterprises dominated the structure of companies within NACE 26-28. A relatively satisfactory levey of liquidity, but a very low level of return on sales (approx. 2%) can be stated in all three NACE groups of companies. This in part stems from the high connection to the automotive industry, the dependence on the German market and the ratio to the strong position of holding companies.

Concerning the service excellence Slovakian companies achieved in many indicators similar results to the benchmark. Problems can be seen in the field of innovation, which can be considered as a supporting argument for our project – companies concentrate on a simple component composition (without sophisticated production and offer of accompanying/advanced services).

- Strenghts:
  - General level of service excellence in comparison to benchmark at a good level
- Weaknesses/Challenges:
  - General awareness of importance of services could be increased
  - Assessment of service quality
  - Innovation of services

# 12 DIMENSIONS - SLOVENIA

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|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Slovenia | 5,95 | 4,69 | 5,52 | 4,91 | 5,30 | 5,38 | 5,22 | 4,16 | 4,52 | 5,18 | 4,73 | 4,76 |
| Benchmark | 5,69 | 4,64 | 5,37 | 4,83 | 5,04 | 5,23 | 5,01 | 4,10 | 4,59 | 5,00 | 4,59 | 4,26 |

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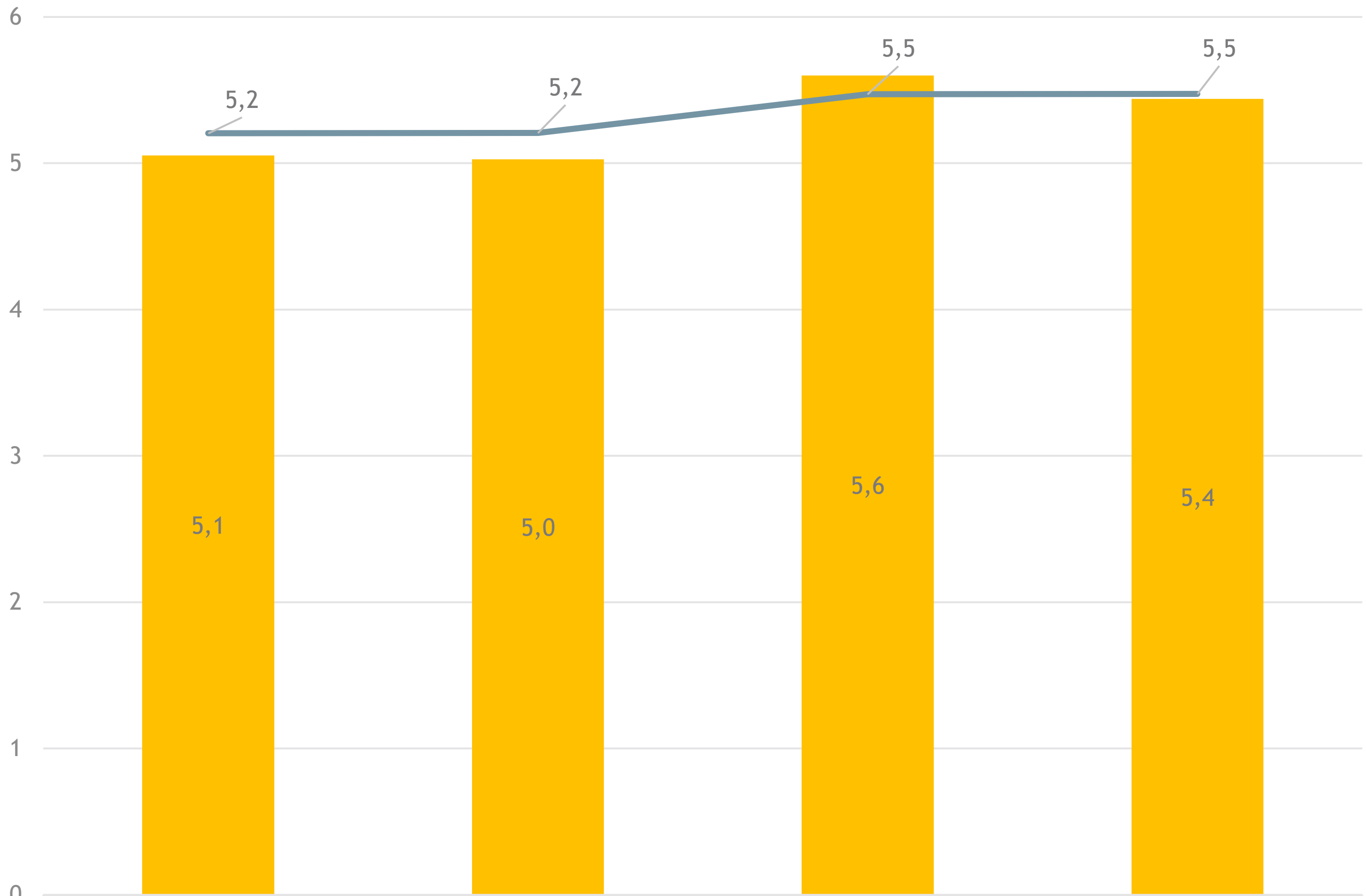
# PERFORMANCE INDICATORS: SLOVENIA




| | Service Excellence | Financial performance | Non-financial Performance | Service as enabler |
|---|---|---|---|---|
| Slovenia | 5,05 | 5,03 | 5,60 | 5,44 |
| Benchmark | 5,20 | 5,21 | 5,47 | 5,47 |

1= totally disagree, 7= totally agree

Slovenia: n=19
Benchmark: n=379 & Data weighting according to equal distribution across countries

# STRENGTHS & WEAKNESSES SLOVENIA

Companies in Slovenia with high performance “in general” analyse external partners before cooperation, use key performance indicators (KPI’s) for the service business for decisions, measure customer satisfaction with services, talk personally with customers about satisfaction with services, use feedback of customers to improve service quality and consider the whole customer lifecycle in developing services, involve customers actively in new service development and implement formalized processes for service development.

- Strenghts:
  - Most companies are aware of the importance of servitization
  - Strong partnership and interaction with customers
- Weaknesses/Challenges:
  - Financial Performance
  - Service Excellence

# SUMMARY & COMPARISON

The general comparison of the regional service competence level shows

- There is a differnent awareness of the importance of industrial services, also due to COVID-19
  - Lower focus on servitization in Czech Republic and Slovakia
  - High awareness of servitization in Austria, Italy, Hungary, parts of Germany and Slovenia

The comparison of the Monitor-Performance between the countries shows clearly

- Main weaknesses
  - Risk assessment and KPIs for services, Network capabilites
- Main strenghts
  - Partnership with customer, corporate culture
- The german companies are much more stable across dimensions whereas in the other countries the differences between the dimensions are quite large. Additionally, the german companies have in general higher values than the other countries.
- Italy shows approximately the same relations between the dimension than in the other countries, but much lower values.
- Hungary shows some differences to the other countries as well, but this may be due to a very small number of cases
- In general, services as enabler and non-financial performance show higher values as financial performance. This shows that it is easier for companies to profit from the service business indirectly. This can be seen especially in Slovenia, Italy and Austria.

# CONTACT

University of Passau
CenTouris
94032 Passau
Germany

www.interreg-central.eu/acronym

centouris@uni-passau.de

+49 (0)851/509-2431

facebook.com/prosperamnet