



BUAD 467/667
Service Management
Spring 2008

Professor Patrick T. Harker

Class 9a
Service Quality III

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Outline for the Class

- Service quality in practice – Steve Lawless, Nemours

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The logo for Nemours, featuring the word "Nemours" in a blue serif font with a red curved underline.

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Class 9b

Performance Measurement I

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Outline for the Class

- Problems in measuring service productivity
- Classification of measurement systems
- The service advantage in productivity measurement
- Available measurement methods
- CASE: *Fairfield Inn*
- Next class

Problems in Measuring Service Productivity

- intangibility
- co-production
- variable demand: problems of capacity control and utilization

Despite these problems, one MUST measure something!

Make the measures relative to the service vision

Classification of Measurement Systems

consumer involvement and customization: beware of variability and co-production

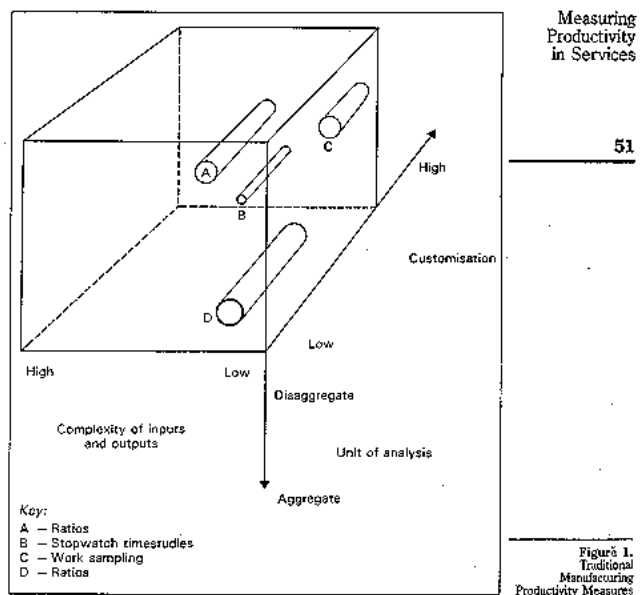
complexity of inputs & outputs: one has either simple “raw numbers” (e.g., ton-miles) on an absolute scale, or relative measures that also aggregate the “raw numbers” (e.g., customer’s utility). DEA, MAUT, etc are basic methods in the latter camp.

aggregation and disaggregation

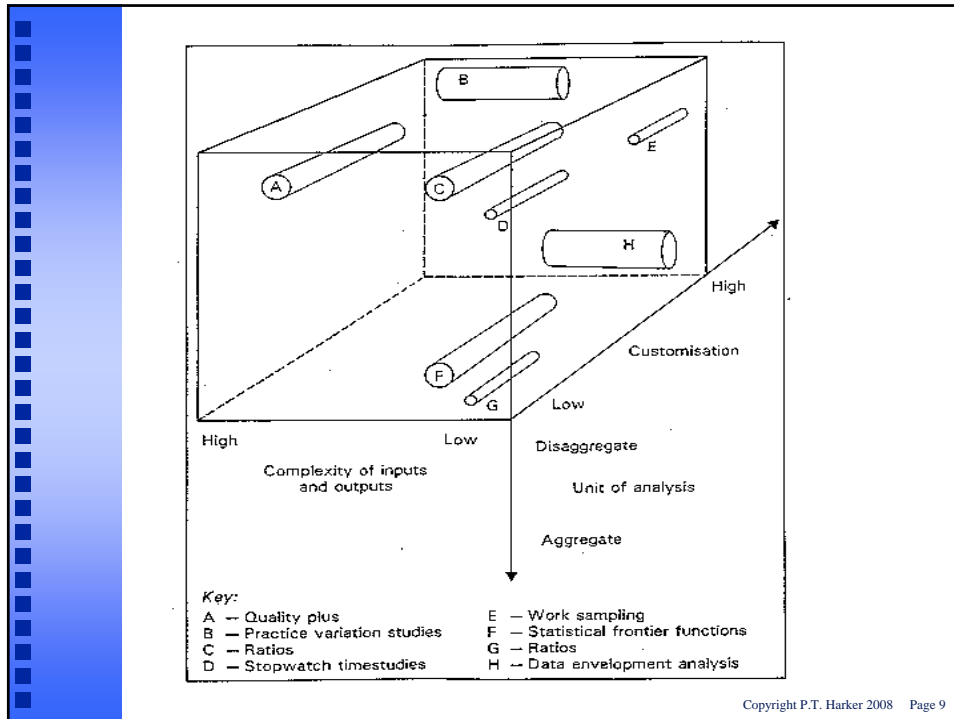
aggregate: for general policy analyses

disaggregate: operational decisions

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The Service Advantage in Productivity Measurement

A large number of similar delivery units tend to exist within an organization and in an industry.

Thus, *comparative/ relative* measures are quite feasible/ desirable.

Available Measures for Service Productivity: *Absolute Measures*

Input-Output Ratios (C&G)

- When developing ratios, be sure to use total factors of production, not just labor.
- Ameritech Services: employees/ 10,000 telephones
- A useful measure of past performance but not very forward looking for future policy issues
- Can give dangerous incentives
- Works best at a disaggregate level in service factories.

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Available Measures for Service Productivity: *Absolute Measures*

Work Sampling (D&E)

- Taylor's stopwatch!
- A simple mix of I/O ratios and used where outputs may be difficult to measure.
- American Express travel agent performance
- This is primarily used for process control.

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Available Measures for Service Productivity: *Absolute Measures*

Quality Plus (A)

- Explicitly defines quality as a part of productivity.
- Consumer utility/ priorities are used as the weights to combine outputs, etc. along with peer assessments
- *Service Assessment Matrix (SAM)*: a multi-objective analysis of quality and hence, outputs.

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Available Measures for Service Productivity: *Absolute Measures*

Value-Added

- equals price premium
- the basis of the McKinsey report on service productivity
- useful when outputs are almost impossible to define
- is value-added really productivity?

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Available Measures for Service Productivity: *Relative Measures*

Practice Variation (B)

- trace back where variability arises “after the fact”
- is the result of “natural experiments”
- Example: after action reports in medicine and the military

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Available Measures for Service Productivity: *Relative Measures*

Statistical Comparisons (F)

- regression-based
- fairly aggregate - a lot of data is necessary
- technical inefficiency: no changes in the input mix (figure)
- allocative inefficiency: improvements due to input mix changes
- *This is where the real action is!*

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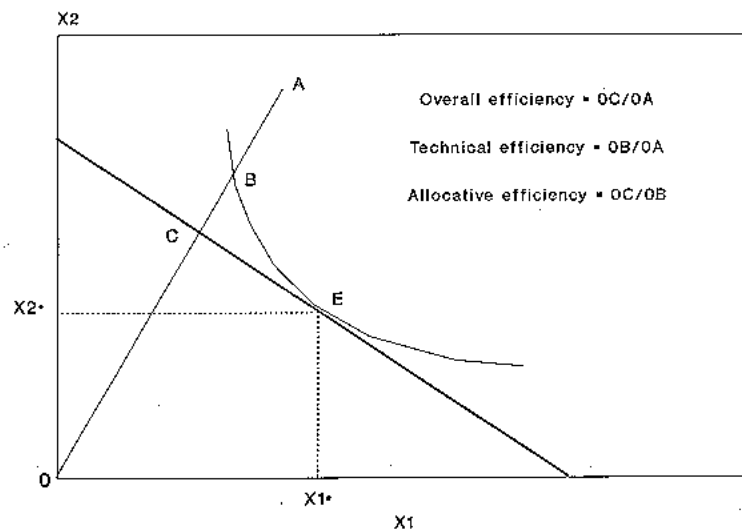
Available Measures for Service Productivity: *Relative Measures*

Data Envelopment Analysis-DEA (H)

- permits multiple inputs and multiple outputs
- can find technical and allocative inefficiencies as well as uncovering economies/ diseconomies of scale.
- heavily used in public sector analyses
- A true benchmarking tool!

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MEASURING EFFICIENCY



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Practical Aspects

- KISS: *keep it simple stupid!*
- look beyond direct labor expenses; take a *total factor productivity* approach
- don't forget to include time and other customer service measures
- don't become an algorithm!

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Case: *Fairfield Inn*

- what is Scorecard?
- what are it's strengths and weaknesses?
- is the idea of tying rewards/ compensation to Scorecard useful?
- what are the advantages and problems associated with this strategy?
- where is a Scorecard-like efficiency measurement system useful? Harmful?

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Next Class

- DEA – Dan will introduce you to the concepts!
- Mike Middaugh from UD will talk about performance measurement in higher education