

Service Forum
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COMPETITIVE SERVICE PROCESSES

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SERVICE ACTIVITIES AT HUT

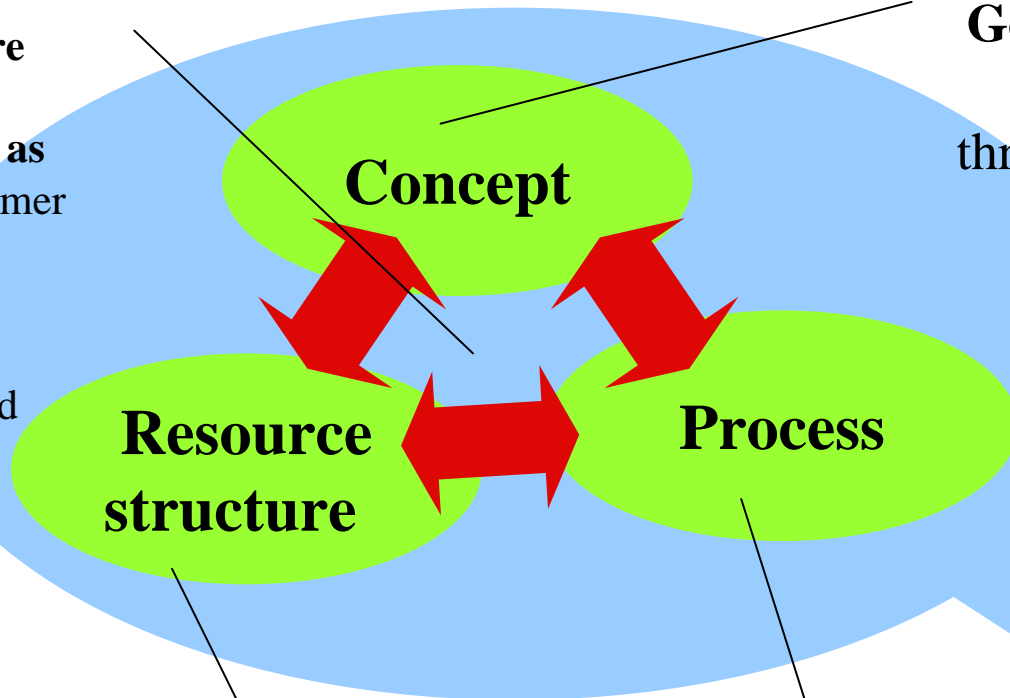
- **Several research programs at DIEM and BIT research centre**
- **SEM summer school for PhD students**
 - www.tuta.hut.fi/sem2007
- **New Master program being developed**
- **Seminar on KIBS Nov. 13, 2007**
 - See www.imi.hut.fi for information



The service engineering and management perspective

Systemic nature observed in problems such as

- Defining customer needs
- Capacity management
- Developing and sustaining competences
- Information management
- Customer as coproducer...



Goals, directing the system through planning

Viable service system; entity that can be viewed as corresponding to a "micro" business model

Service outcome and customer benefit

Enablers, platform for the activities

Realization through service activity



BAUMOL'S DISEASE

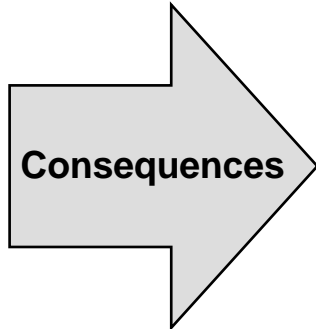
The share of services as percentage of GNP is growing.

In traditional services productivity growth is slower than in manufacturing.

→ Productivity grows slowly in a service economy.

The wage levels of services follow manufacturing (with a delay).

→ Services get relatively more expensive.



- less services consumed
- self service
- public funding of services
- demand restriction
- low wage service sector
- outsourcing
- productivity improvement

Baumol, William J.: Macroeconomics of Unbalanced Growth: The Anatomy of Urban Crisis. The American Economic Review, Vol.57, No.3 (Jun., 1967), 415-426.



HOW PRODUCTIVITY IMPROVES - THE INDUSTRIAL VIEW

Standardization

- Same things performed in same way: less errors, shorter set-up

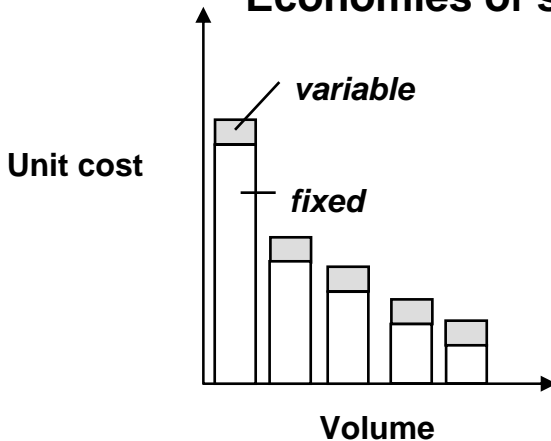
Automation

- Labor replaced by machines: more power and accuracy

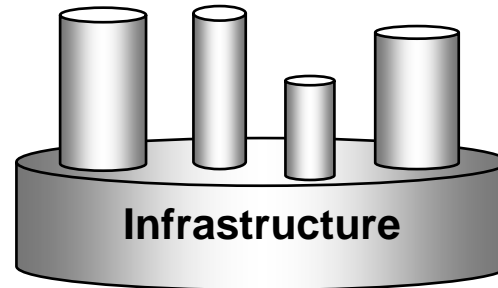
Processes

- Swift even flow

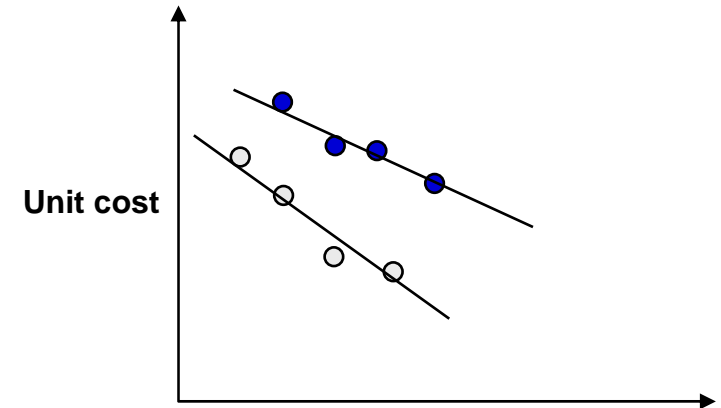
Economies of scale



Synergy



The learning curve



KEY CHALLENGES FOR PRODUCTIVITY GROWTH IN SERVICES

Difficult to standardize labor content

- high tech vs. high touch

Need to tailor the offering (i.e. processes are customer specific)

- e.g. each patient is different: the doctor must listen

Location dependency

- access and volume constraints (e.g. plane seats)

Time dependency

- variability in demand cannot be managed with inventories -
flexibility (demand "peaks and valleys")

Duration dependency

- value depends on elapsed time (vacations, physiotherapy)



WHAT MAKES SERVICES DIFFERENT?

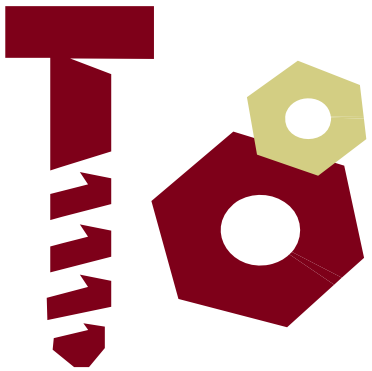


1. The process-based nature of the offering

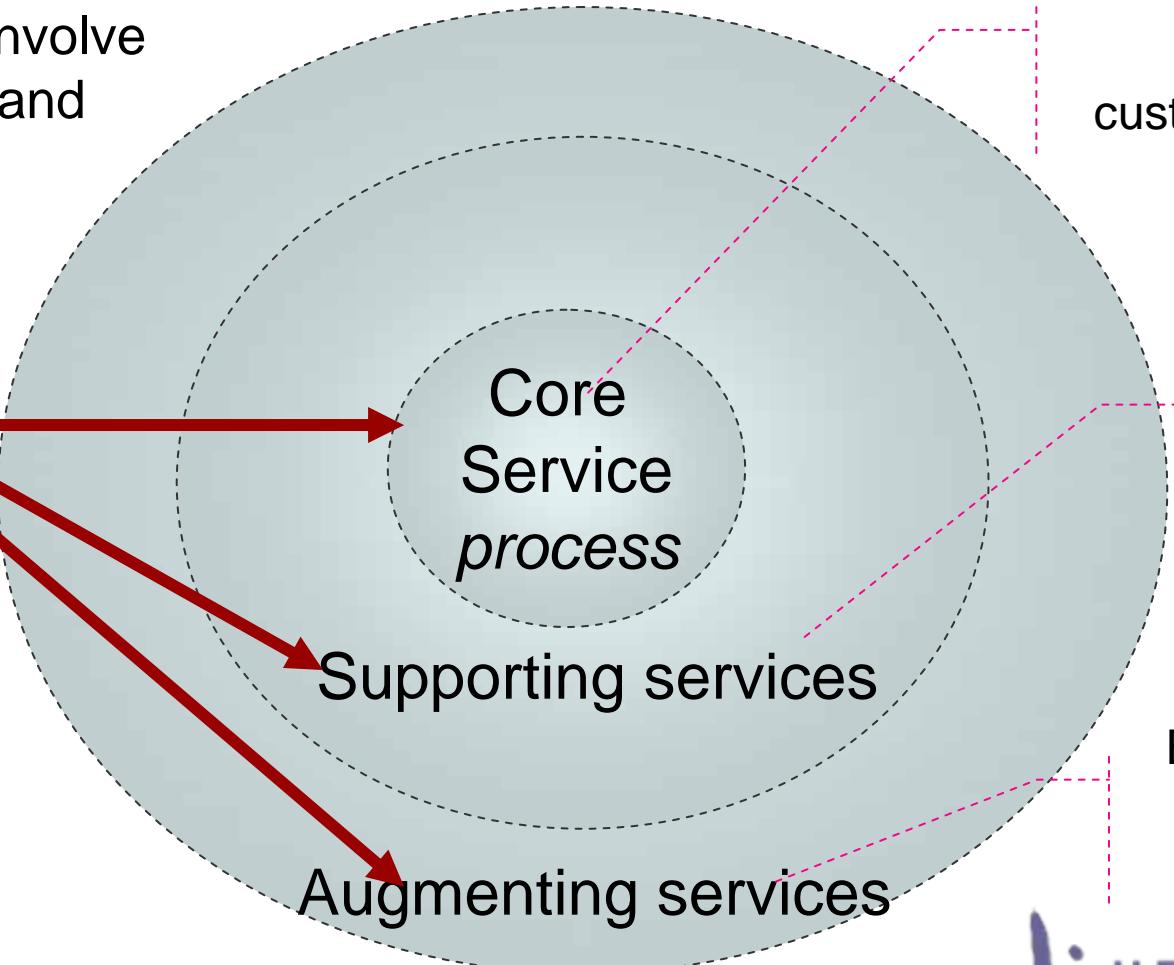


Service offerings are process-based offerings

The service may involve tangible goods and systems



Grönroos 2000, Normann 1991, etc.



Satisfies customer need

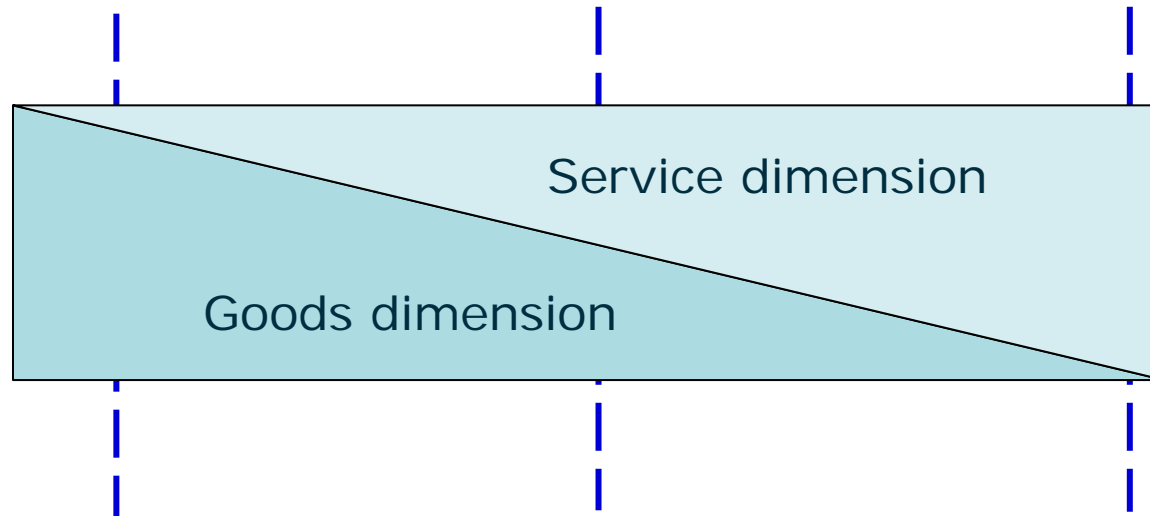
Necessary components in providing core services

Extras that are not necessary but enhance product value for client



Service and good as the dimensions of an offering

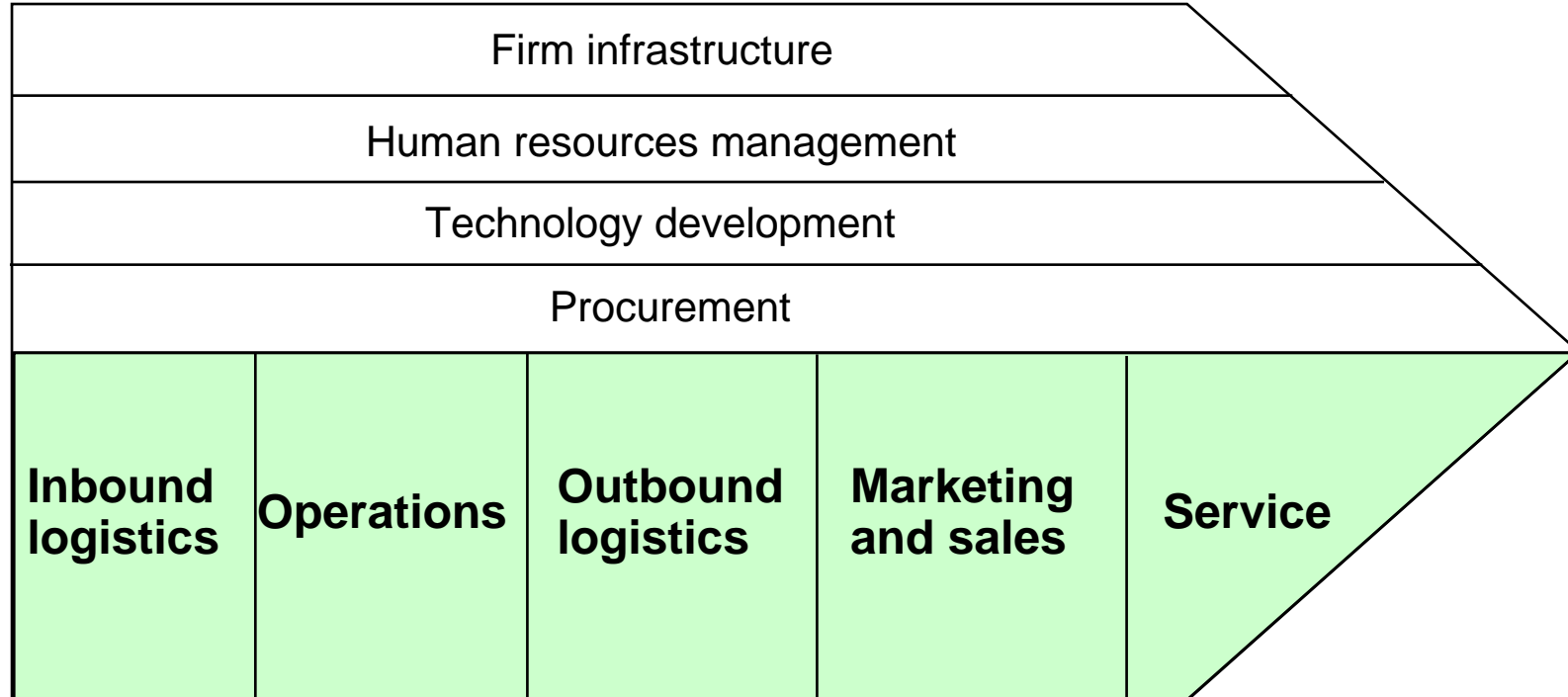
Any offering has two elements:



2. The open nature of the value chain



THE CLASSICAL VALUE CHAIN

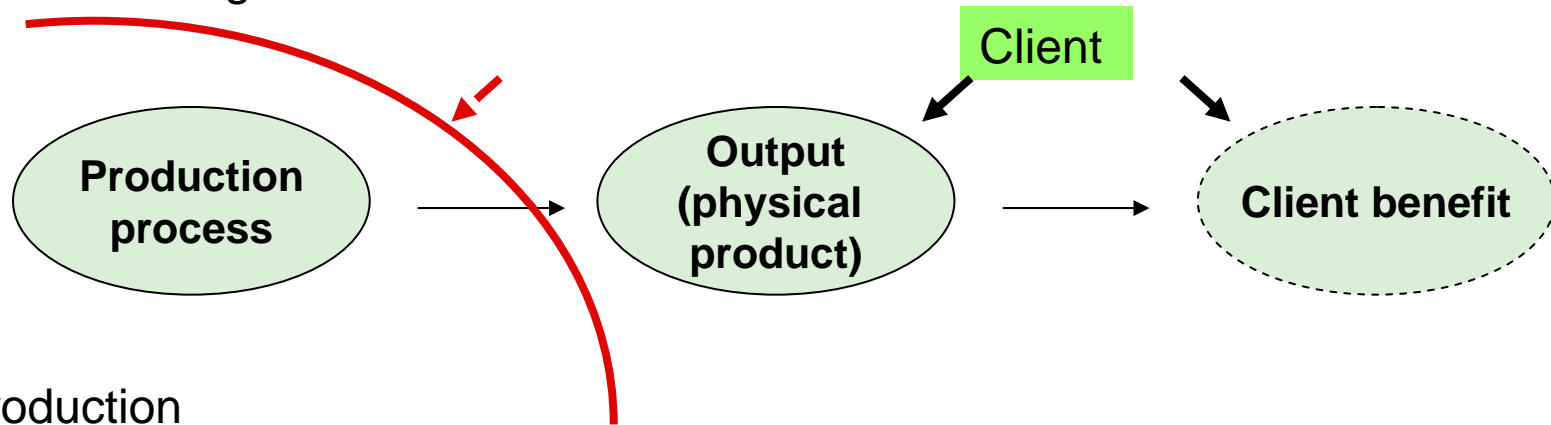


Source: Michael Porter: Competitive Strategy, 1980.

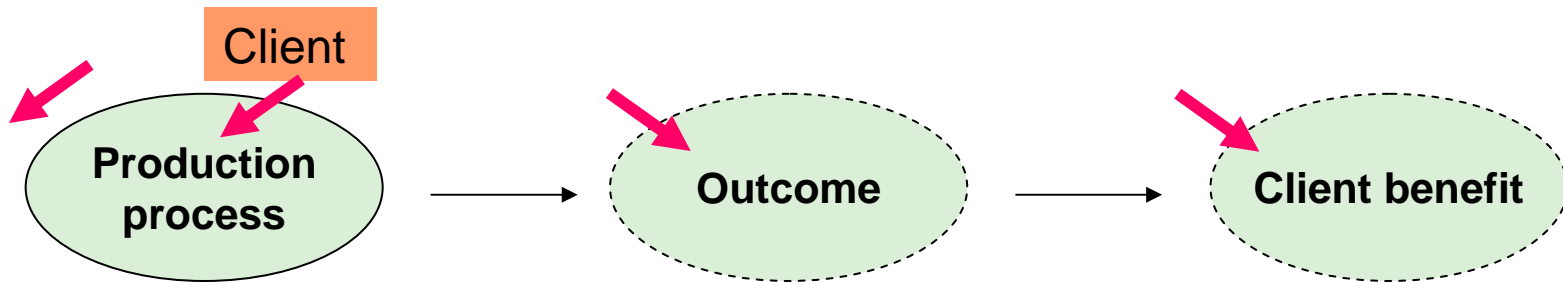
The difference between goods and service production process

CLOSED vs. OPEN

Production chain for goods

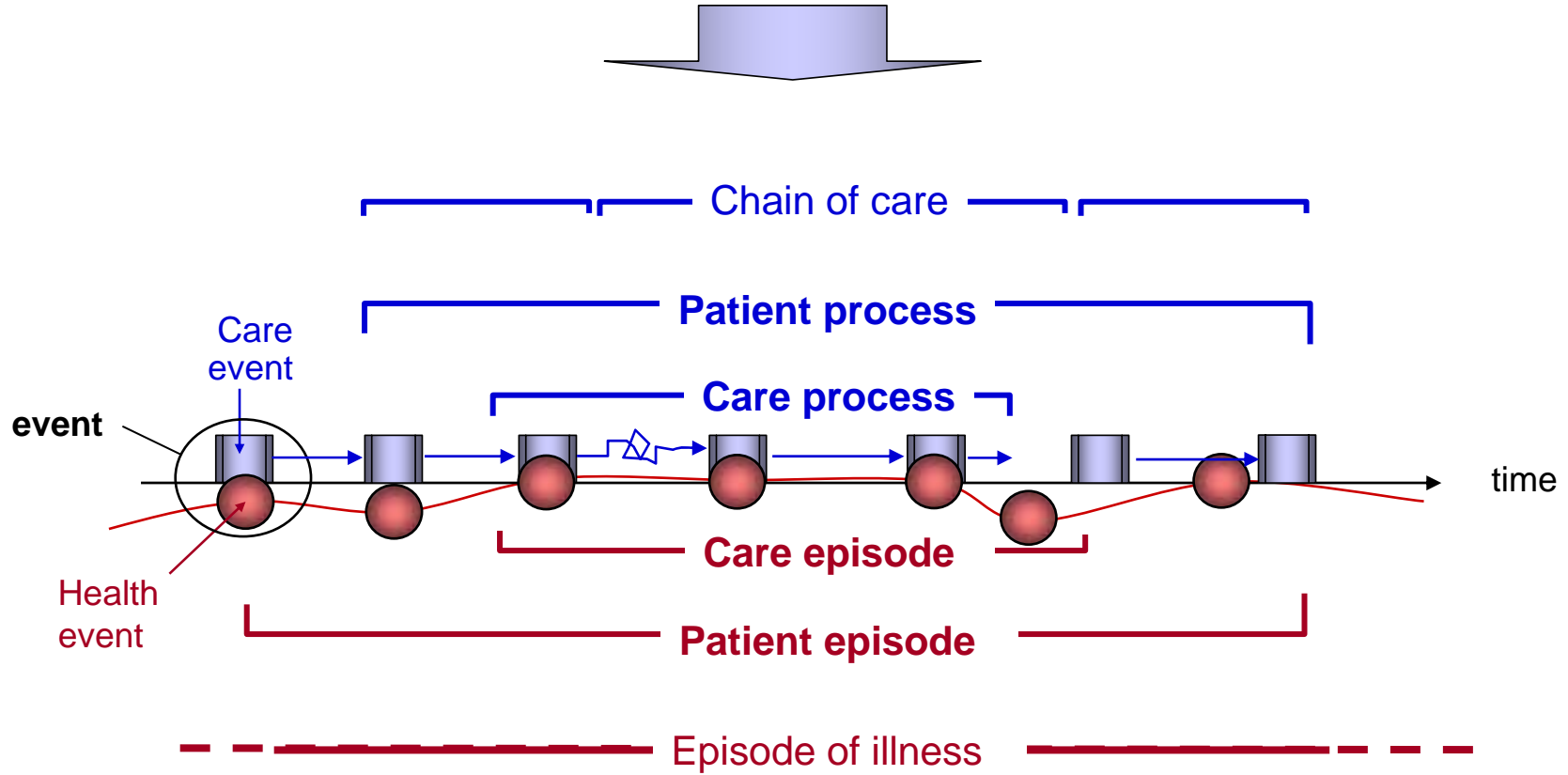


Service production



SERVICE PROVIDER / PRODUCTION PERSPECTIVE

P
R
O
C
E
S
S



PATIENT PERSPECTIVE



Integrative value chain model of service process (Fließ & Kleinaltenkamp 2004, 394; redrawn).

Potential

Process

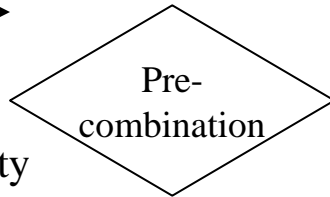
Outcome

Supplier

Internal factors

Assets

Assets



Commodity factors

Commodity factors

Semi-finished goods

Finished goods



Individuals

Objects

Rights

Nominal goods

Information



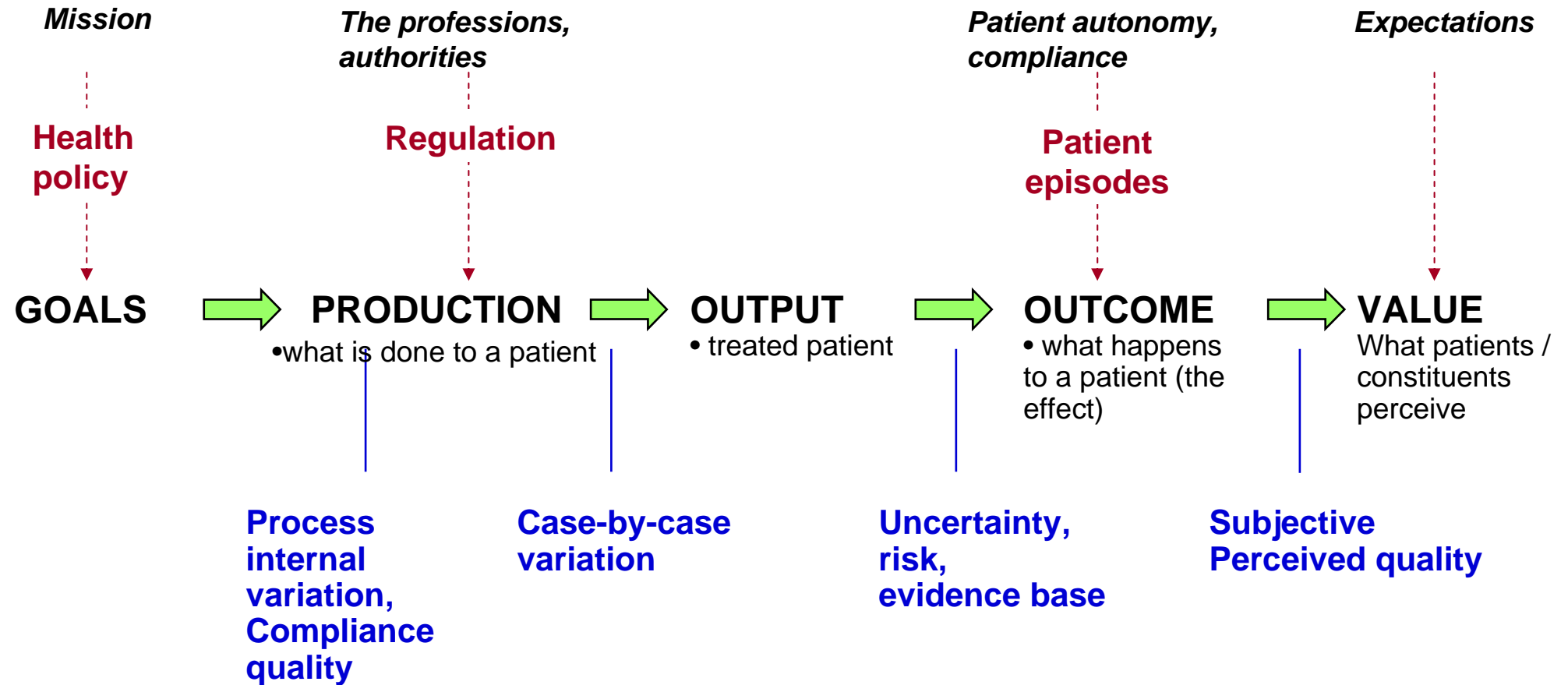
Product/service bundle

Customer

External factors



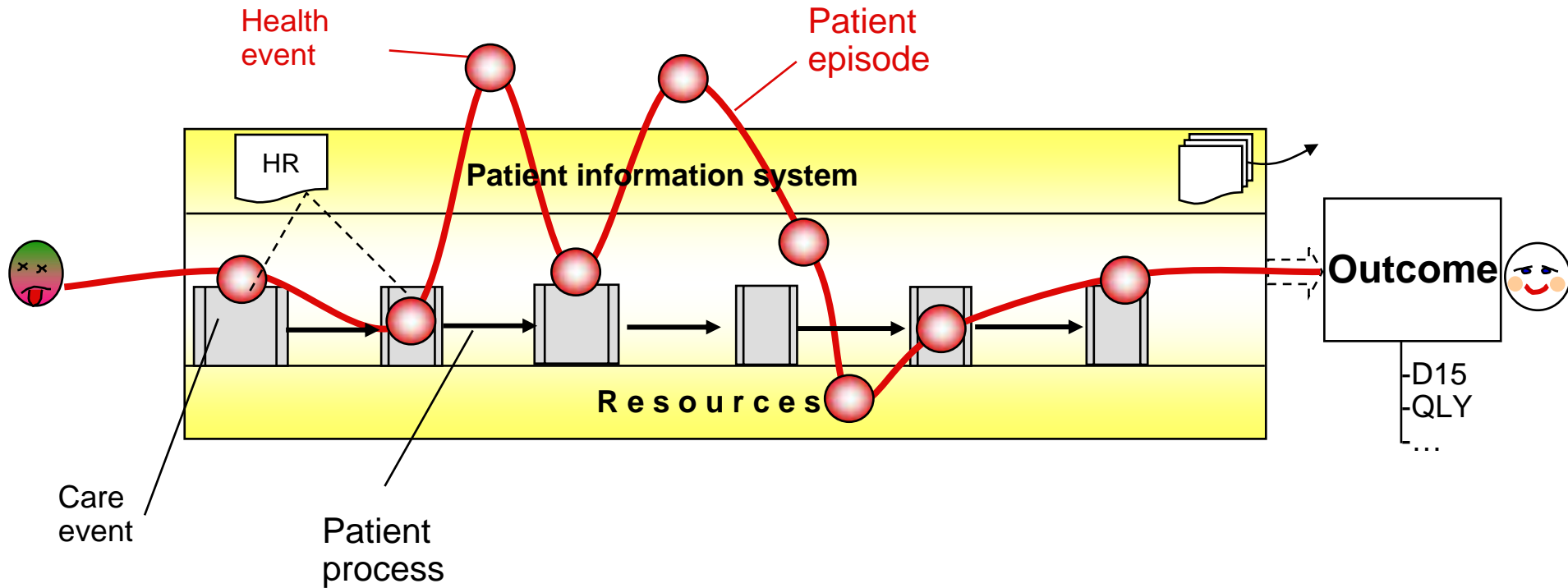
THE VALUE CHAIN IN HEALTHCARE



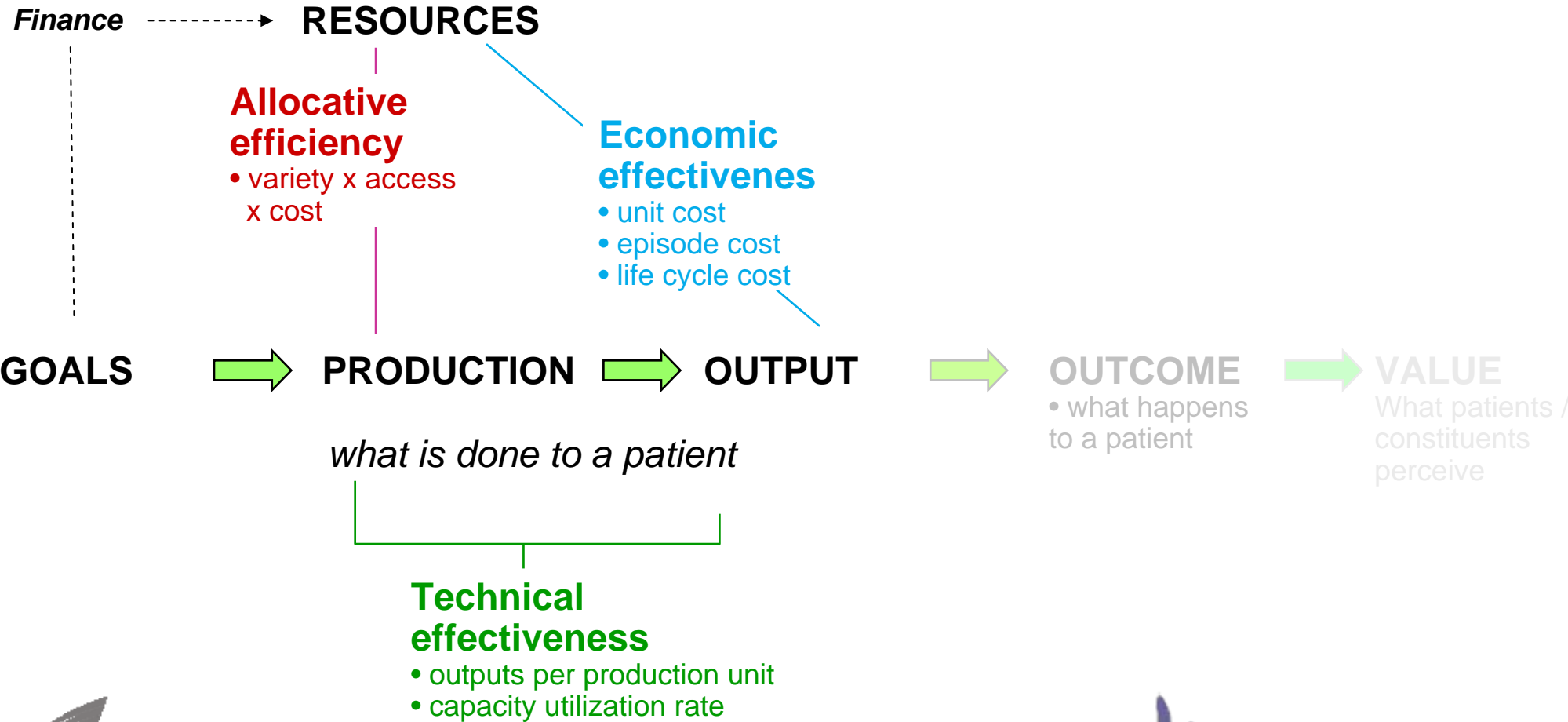
3. The fuzzy nature of value creation



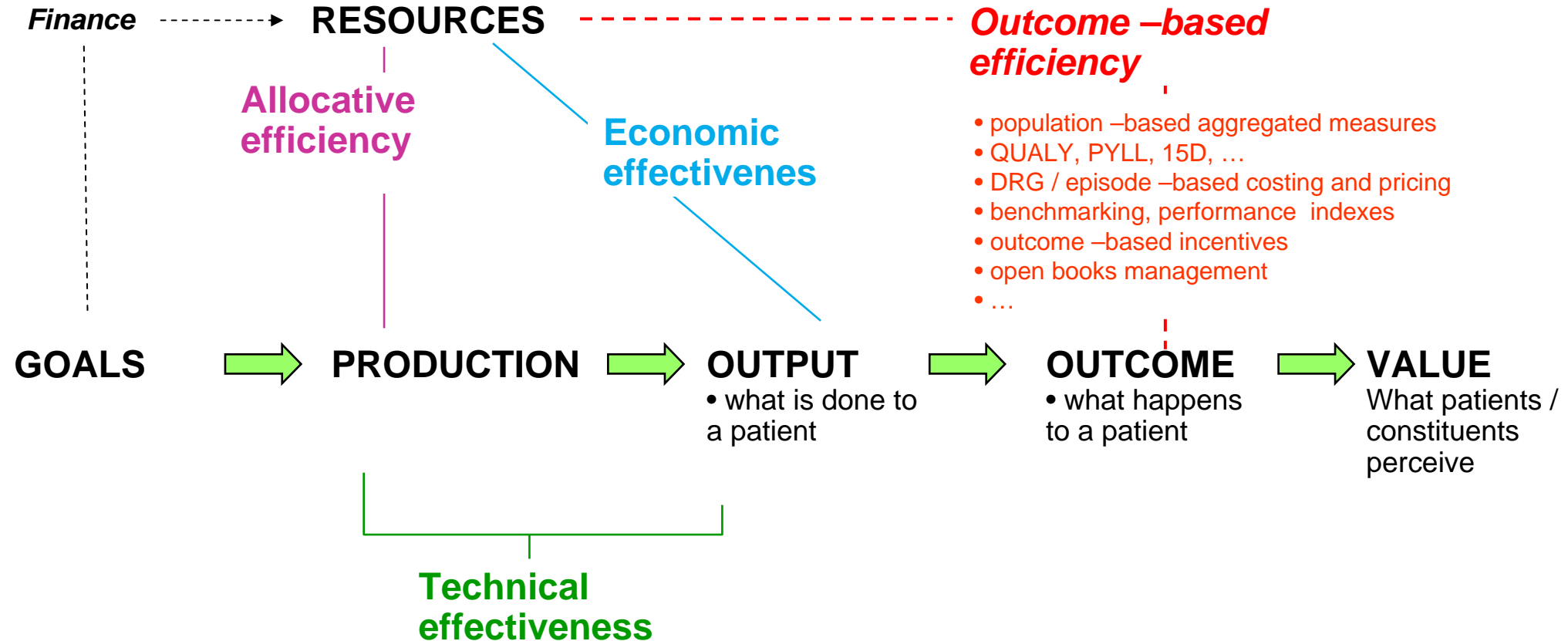
PROCESSES DO NOT FULLY DETERMINE VALUE CREATION e.g. IN HEALTHCARE



PRODUCTION/OUTPUT –BASED EFFECTIVENES CAN BE MEASURED



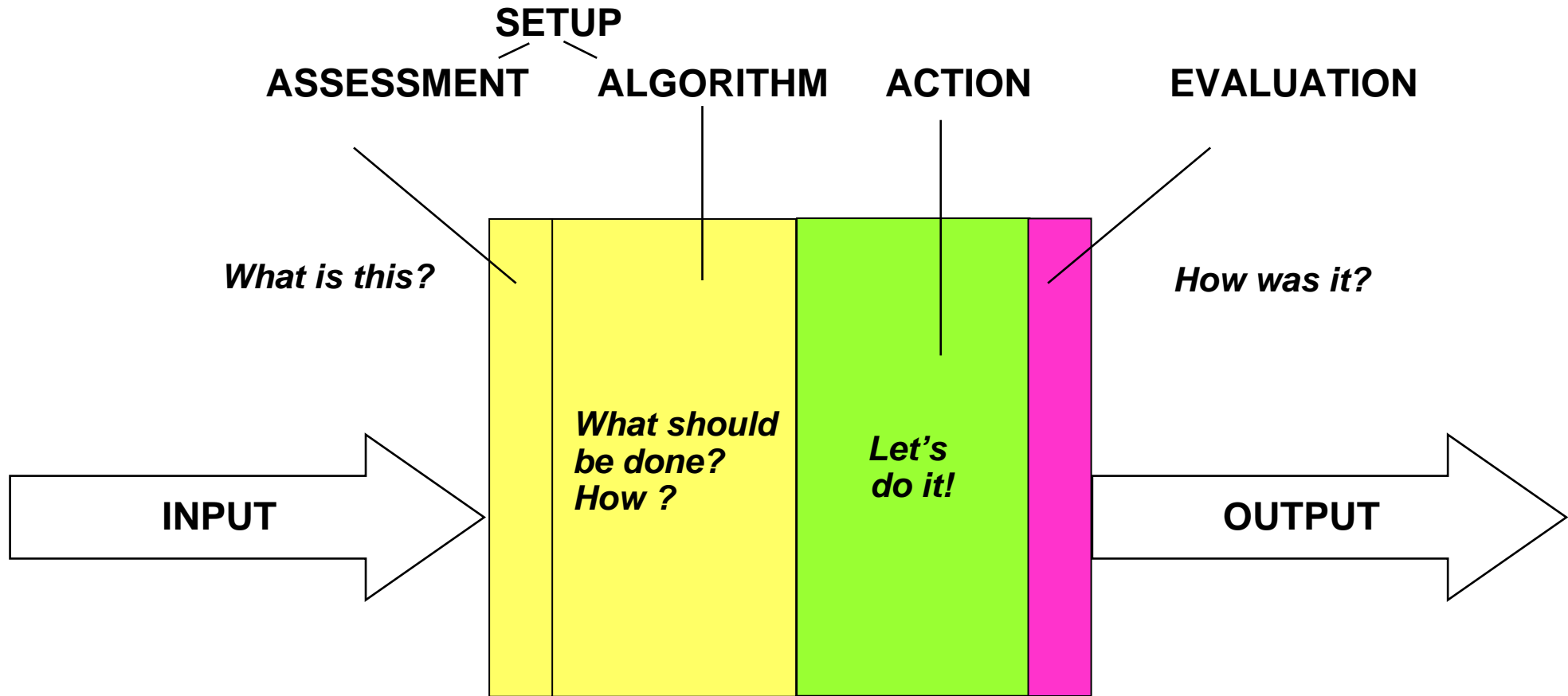
OUTCOME –BASED EFFICIENCY MEASURES WOULD BE WELCOME



ANALYTICAL APPROACHES TO CAPTURE THE NATURE OF SERVICE PROCESS

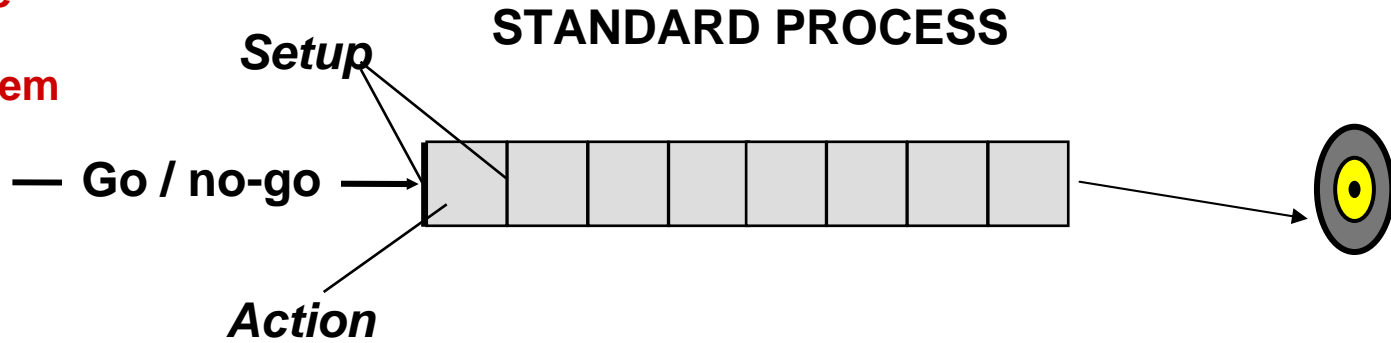


THE GENERIC ANATOMY OF A PROCESS STEP: AAA



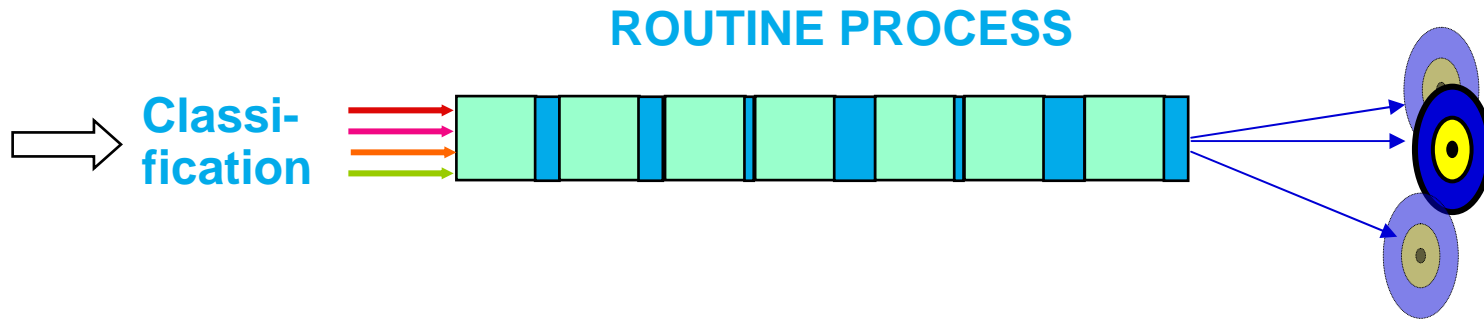
BASIC PROCESS TYPES

Repetitive
Low risk
Closed system



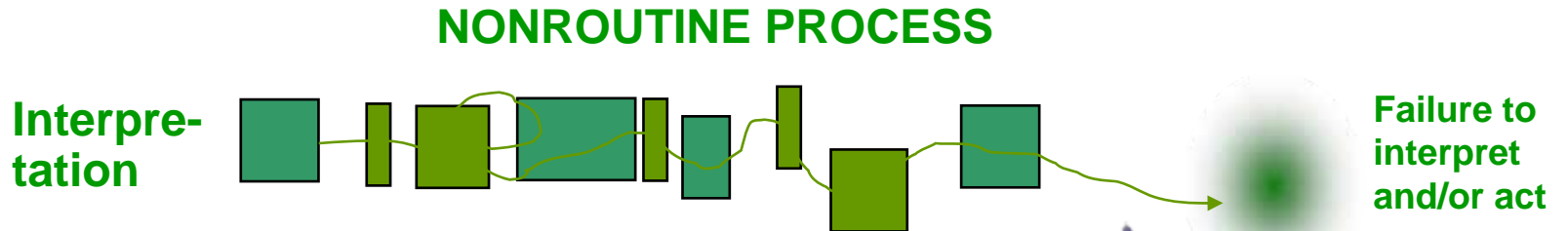
TYPICAL
QUALITY
PROBLEMS

Deviation from known target



Error in classification or judgement

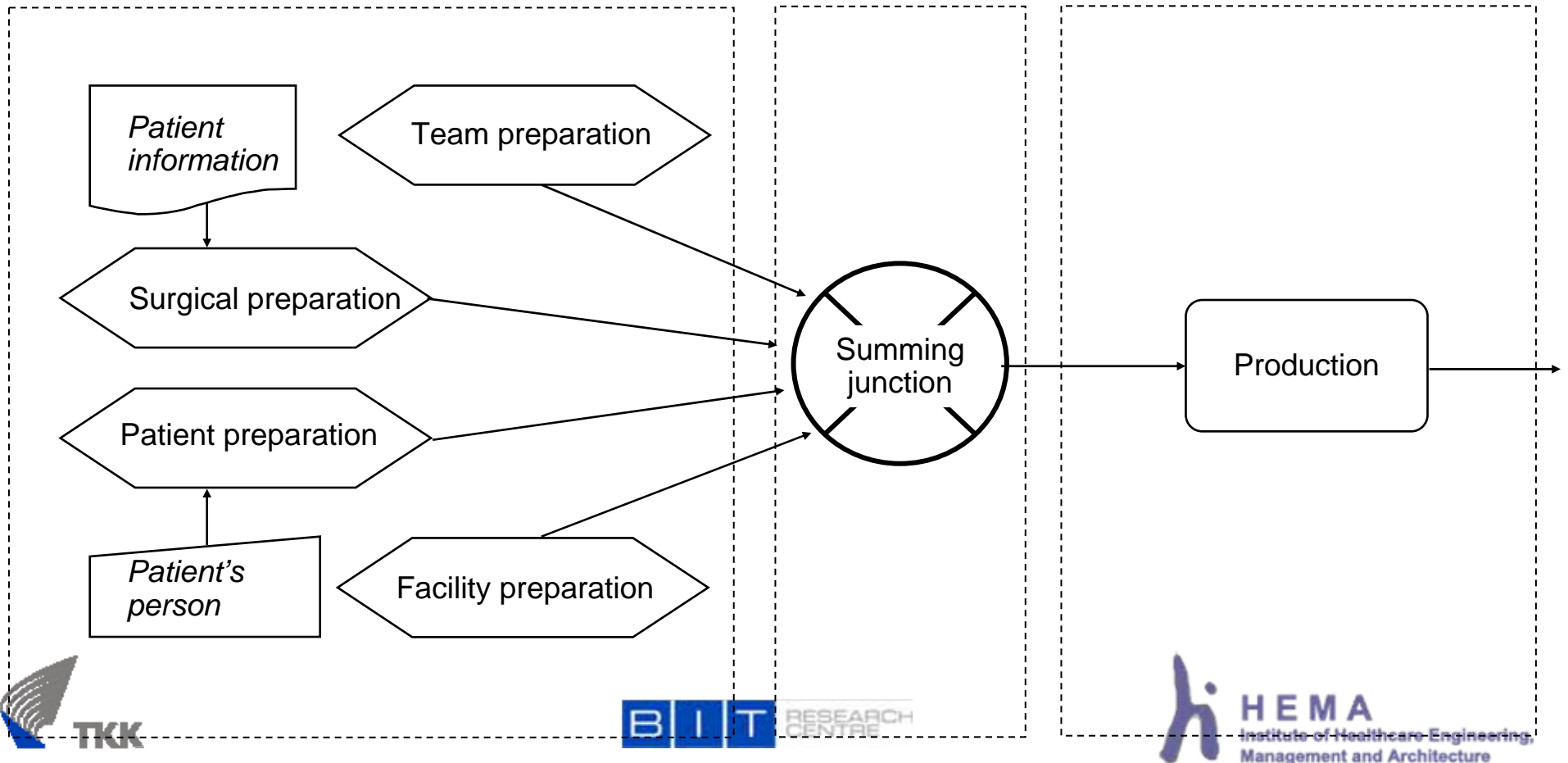
Non-repetitive
High risk
Open system



Failure to interpret and/or act

IN SURGERY PREPARATION AND PRODUCTION FOLLOW DIFFERENT LOGIC

It takes 16 hours of work to produce one hour of surgery.

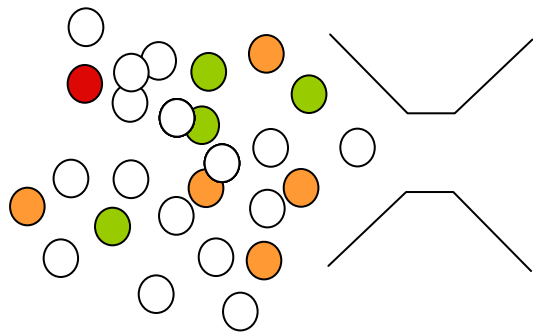


Buzacott's (2000, 24-25; modified) categorization of competitive service processes

Service production system STRUCTURE		Type of service OFFERING				
		Standard product	Complex service	Menu	Simple diagnosis	Complex diagnosis
		"Take or leave"			"How can we help?"	
		Low...	Variability			...High
Serial	Suuri... Vähäinen hallintakyky	<i>Movie theatre</i>	Cost efficiency			
Parallel		Maturity	<i>Fast food</i>			Low correspondence
Specialized				<i>Bank</i>		
Bottom-up					<i>Car repair</i>	Flexibility
Top-down		High costs			Innovation	<i>Legal services</i>

THE DEMAND-SUPPLY CHAIN IN HEALTHCARE

Segmentation by medical condition

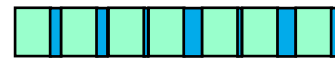


Triage

Typical episodes



Care processes *Clinical pathway*



Nonroutine processes,
projects

Governance

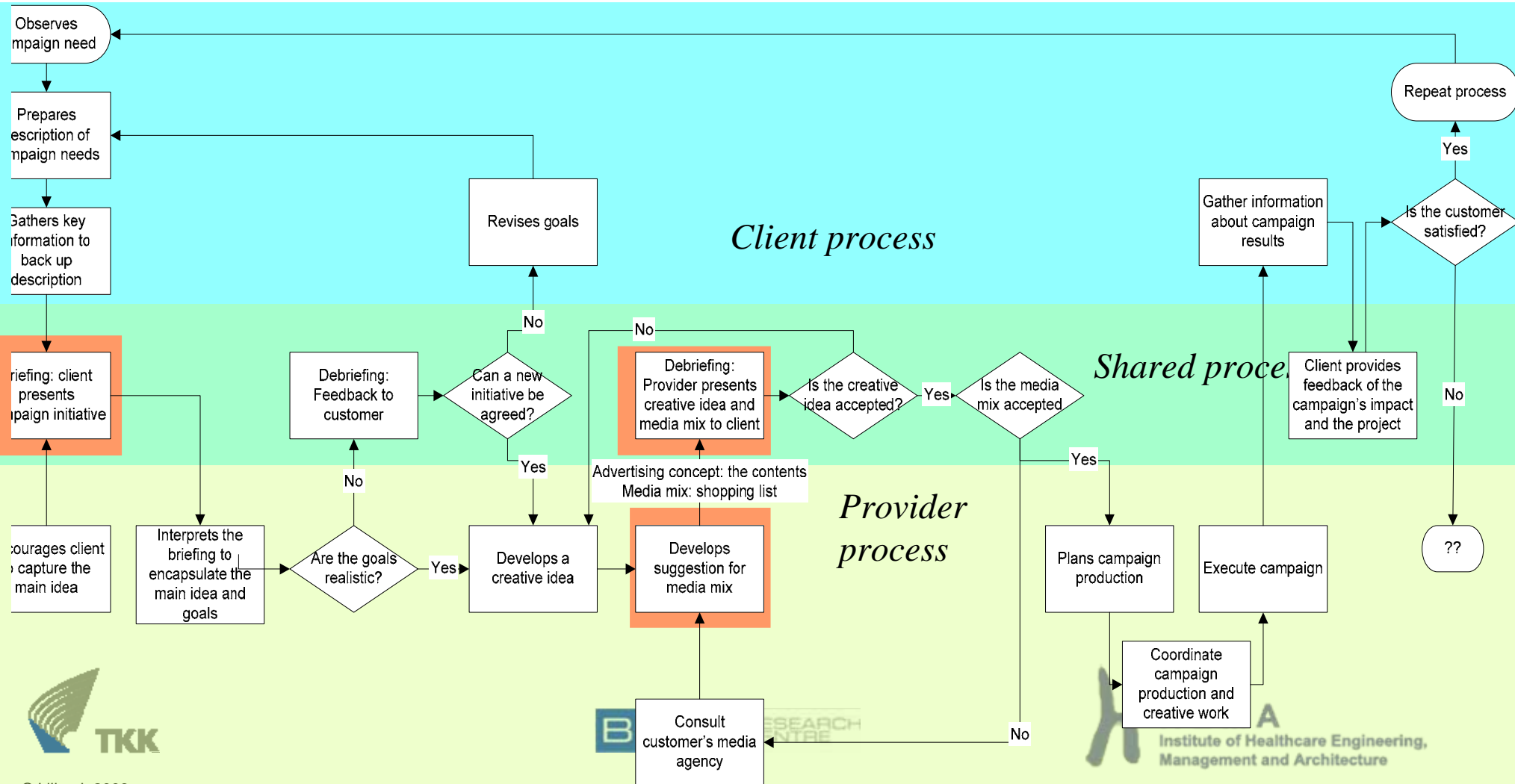
Resource
allocation,
process design

← **MANAGEMENT**

Incentives,
measurement,
monitoring

MODELING PROCESSES INCREASES UNDERSTANDING

Example: Campaign Development



Summary: WHAT MAKES SERVICE PROCESS IMPROVEMENT DIFFICULT – BUT DOABLE

The level of process → output → outcome determinism

→ From process to output and outcome –based efficiency metrics

Integrative multiprocessual nature

→ Identify and understand subprocesses, steps and roles/agents, then manage integration and flow

Modularization

→ Identify modular structures based of process characteristics

The possibility of standardization

→ Separate standard, routine and nonroutine processes

The separation of front- and backstage processes

→ E.g. customer driven variability is not present in preparations:

Industrial efficiency can be applied

