Heinz College
Carnegie Mellon University

SERVICE MANAGEMENT
94-805 - 6 units

Fall 2011 Mini II

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Classroom: GHC 4101
Meeting: T 5:30-8:20
Office Hours: M 9:30-11:30

COURSE PERSPECTIVE

This course focuses on the strategy, technology, customer service and operations aspects of a service enterprise. This course has a focus on profit, non-profit and governmental service organizations. The course includes many case studies, and multi-media material featuring executives from the service sector. The course also seeks to promote an entrepreneurial spirit in the services. The course is organized into 3 Modules:

COURSE MODULES

MODULE 1: STRATEGY AND SERVICES
- What are Services?
- New Service Development

MODULE 2: CUSTOMERS, EMPLOYEES AND SERVICES
- The Service Encounter
- Service Quality

MODULE 3: OPERATIONS AND SERVICES
- Managing Capacity and Demand
- Managing Waiting Lines and Service Design
- Managing Service Supply Relationships
COURSE OBJECTIVES

(1) To understand what services are, and how managing them differs from the manufacturing sector.
(2) To understand service strategy holistically using the service package.
(3) To become proficient in developing and interpreting a service blueprint, analyze services with using processes flow analytics.
(4) To understand the unique role of both customers and employees in service delivery using the concept “service profit chain.”
(5) To understand service quality as the gap between customer perception and expectations.
(6) To become proficient in applying yield management techniques to manage supply and demand uncertainty.
(7) To understand how service management concepts apply to profit, non-profit and government service enterprises.

ATTAINING THE COURSE OBJECTIVES

To pursue the course objectives most effectively you will be asked to accomplish the following:

- Prepare and discuss cases and readings as a class participant.
- Final Project
- Prepare written analysis of cases

GRADING

Your course grade will be based on the following team and individual activities and weights:

Team:

- Final Project 30%

Individual:

- Weekly Case Responses (Due on Monday by Midnight) 40%
- One Written Case Analysis (Due on Following Tuesday) 20%
- Class Participation 10%

100%
COURSE MATERIALS


Required cases and supplemental readings:
http://cb.hs.p.ha.rvard.edu/cb/access/11187948
COURSE CALENDAR

MODULE 1: STRATEGY AND SERVICES
10/25    What are Services?
11/1     New Service Development

MODULE 2: CUSTOMERS, EMPLOYEES AND SERVICE
11/8     The Service Encounter and Service Culture
11/17*   Service Quality

MODULE 4: OPERATIONS AND SERVICES
11/22    Managing Capacity and Demand
11/29    Managing Waiting Lines and Service Design
12/6     Service Supply Relationships

12/13    Final Project Due
DETAILED COURSE OUTLINE

MODULE 1: STRATEGY AND SERVICES

Class #1: WHAT ARE SERVICES? and SERVICE STRATEGY

Course Overview
Lecture: What are Services?

Readings:
Fitz, Ch. 2, "The Nature of Services"
Fitz, Ch. 3, "Service Strategy"

In Class Case: Xpresso Lube (Fitz, Ch. 2)

Discussion Questions:
1. Describe Xpresso Lube's service package.
2. How are the distinctive characteristics of a service firm illustrated by Xpresso Lube?
3. Characterize Xpresso Lube in regard to the nature of the service act, the relationship with customers, customization and judgment, the nature of the demand and supply, and the method of service delivery?

What elements of Xpresso Lube's location contribute to its success?
Given the example of Xpresso Lube, what other services could be combined to "add value" for the customer?
Lecture: Service Strategy

In Class Case: United Commercial Bank and El Banco (Fitz, Ch. 3),

Discussion Questions:

Compare and contrast the strategic service vision of El Banco and United Commercial Bank.
Identify the service winners, qualifiers, and service losers for El Banco and United Commercial Bank.
What are the differentiating features of banks that target ethnic communities?

Assigned Case for Next Week: Southwest Airlines (A) (HBS Case 9-575-060)

Southwest Airlines is a small intrastate Texas airline, operating commuter length routes between Dallas (Love Field), Houston, and San Antonio. In June 1971 having overcome legal hurdles raised by entrenched Braniff and Texas International, Southwest inaugurates service with a massive promotional campaign and many innovations designed to attract passengers. On February 1, 1973 Southwest must decide how to respond to Braniff's "Half Price Sale".

Assignment Questions:

1. How well were Braniff and TI satisfying customer needs in early 1971? In January 1973?
2. Apply the "Strategic Service Vision" framework to both Southwest's external customers and internal customers (i.e., employees). Has Southwest created a breakthrough service (i.e., defined a new service category)?
3. What is the generic competitive strategy adopted by Southwest and how does the elements of Southwest's "service package" support this strategy?
4. What action should Southwest take in response to Braniff's announcement of a 60-day, half-price sale on the Dallas-Houston (Hobby) route?
MODULE 1: STRATEGY AND SERVICES

Class #2: New Service Development

Case Discussion: Southwest Airline

Lecture: Launching an Innovative Service

Readings:
Chapter 4, "New Service Development"

Assigned Case for Next Week: Zipcar: Refining the Business Model (HBS 9-803-096)

Assignment Questions:

Prepare a service blueprint for ZipCar
Describe the Zipcar business model. Should all services be viewed as customers sharing resources?

What generic approach to service system design does Zipcar illustrate and what advantage does this approach offer?

What are the key measures that ZipCar should track? Use the data in the case to analyze the profitability of ZipCar.

Critique the performance to date of Robin Chase and Antje Danielson?
What actions should Chase take as a result of the September operating results (Ex. 8b)?
MODULE 2: CUSTOMERS, EMPLOYEES AND SERVICE

Class #3: Service Encounter and Service Culture

Case Discussion: ZipCar, ZipCar DVD

Lecture: The Service Encounter and Service Culture

Readings:

Fitz, Ch. 8, “The Service Encounter”

Assigned Case for Next Week: Managing the Underground City: The New York City Transit Authority Reclaims its Subway Stations (Kennedy School Case: C16-95-1275)

Assigned Questions:

Use the Service Profit Chain to analyze the MTA and the Station manager program. How does the Service Profit Chain need to be modified for non-profit/government agencies?

Use the 7 steps of “Creating a Service Culture” to evaluate the station manager program. Discuss three factors of the MTA that aid service culture change. Discuss three factors that hinder service culture change harder?

Which MTA employee from the CDROM best states their perspective on the station manager program. Explain this person’s role in the station manager program.

Make 5 recommendations to improve the station manager program and customer service in general at the MTA.
Class #4: Service Quality

Case Discussion: Managing the Underground City: The New York City Transit Authority Reclaims its Subway Stations

Lecture: Service Quality
Readings:

Fitz, Ch. 6, "Service Quality"

1. Assigned Case for Next Week: Disney World and The Smile Factory: Work at Disneyworld
2. Conduct a Walk-Thru-Audit
MODULE 3: OPERATIONS AND SERVICES

Class #5: Managing Capacity and Demand

Case Discussion: Disney World and The Smile Factory: Work at Disneyworld
Present Walk-Thru-Audit findings

Lecture: Managing Capacity and Demand

Readings:
Fitz, Ch. 11, "Managing Capacity and Demand"
Frances X. Frei and Amy Edmondson (HBS-9-606-061), "Influencing Customer Behavior in Service Operations"

Assigned Case for Next Week: Shouldice Hospital Limited (HBS 5-686-120)

Questions:

1. How successful is the Shouldice Hospital?
2. How do you account for its performance?
3. As Dr. Shouldice, what actions, if any, would you take to expand the hospital's capacity?
4. How would you implement the changes you propose?
MODULE 3: OPERATIONS AND SERVICES

Class #6: Managing Waiting Lines

Case Discussion: Shouldice Hospital Limited

In-Class Yield Management Exercise:

Lecture: Managing Waiting Lines, Queueing Design and Process Flow

Assigned Case for Next Week: Benihana Case, Benihana Online Simulation

Assignment Questions:

1. What are the differences between the Benihana service process and that of typical restaurants?
2. What is the service package for Benihana?
3. Draw a service blueprint for Benihana.
4. Examine the service delivery system in detail. What are the design choices generate operating efficiencies?
5. What is the process flow on a busy night?
6. Describe the difference between process variation and demand variation as it relates to Benihana
Class #7: Service Supply Relationships

Case Discussion: Benihana
Case Discussion: Benihana Simulation

Lecture: Service Supply Relationships and Service Failure
CASE METHOD

The case method is used throughout the course. Study questions on each assigned case are listed in the Detailed Course Outline. These questions should serve as a starting point with additional insights being welcomed. All class members are expected to have read the case and reflected upon the assigned questions. Furthermore, class members are encouraged to apply concepts from the assigned readings to their analysis of the case.

Active participation is expected throughout the entire class with thoughtful contributions to advance the quality of the discussion. Please note that the frequency (i.e., the quantity) of your interventions in class is not a key criterion for effective class participation. The classroom should be considered a laboratory in which you can test your ability to convince your peers of the correctness of your approach to complex problems and of your ability to achieve the desired results through the use of that approach. Criteria that are useful in measuring effective class participation include:

1. Is the participant a good listener?
2. Are the points that are made relevant to the discussion? Are they linked to the comments of others?
3. Do comments show evidence of applying the concepts from the readings to the analysis of the case?
4. Is there a willingness to test new ideas, or are all comments "safe" (e.g., repetition of case facts without analysis and conclusions)?
5. Do comments clarify or build upon the important aspects of earlier comments and lead to a clearer statement of the concepts being covered and the problems being addressed?

An important element of this class is teamwork. You are encouraged to form your own team (minimum of 4 students).
WRITTEN ANALYSIS OF CASES

The analysis will address the case questions and be limited to five pages, printed double-spaced, plus exhibits. I will be grading your papers using the attached grading sheet with particular attention being paid to your application of course reading material and concepts to the case analysis. The assigned questions for a case are shown in the detailed course outline following the case description.

(1) Papers should be printed, double-spaced, with normal margins. The name of the case should be on the first page of the text with your name, date, and course number. An executive summary is not expected, but simply address each question individually.

(2) The page limit for each paper is five pages of text, plus exhibits (not counted against the page limit). Note that these are maximum limits. Papers should be concise and coherent.

(3) Exhibits should contain specific types of analyses (application of a framework, table of comparisons, cost analysis, competitive features, etc.) and information (web page of firm) that supports and is relevant, but would be too detailed for the body of the paper.

(4) Please proofread/spellcheck your paper before turning it in. Papers for this course should be of the same quality that you would provide to the management of the business.
GRADING SHEET FOR WRITTEN PAPERS

Analysis

1. Is the analysis complete and comprehensive?  
2. Does the analysis apply concepts from the readings?  
3. Does the analysis show the relationships among important factors in the situation?  
4. Are assumptions made in the analysis stated explicitly?  
5. Does the analysis isolate the fundamental causes of problems?

Recommended Action

1. Are the criteria for selecting recommendations stated?  
2. Is the plan of action integrated in a logical way and linked to the analysis?

Exhibits

1. Are analyses in the exhibits done correctly?  
2. Do the key exhibits support and add to the text on key points?

Overall Criteria

1. Is the paper logically consistent and effectively structured so it sells its recommendations?  
2. Is there a high likelihood that the recommendations will achieve their intended results?
PROJECT

Each team will conduct a service project consisting of either a Walk-through-Audit customer survey, preparation of a short service case, or business plan for a new service. A project proposal (one paragraph e-mail) is due for approval by the 3rd session of class with a bullet outline (or draft WtA questionnaire) to be reviewed by the 4th session. A project report of 10 pages or less plus exhibits will be due on the Dec 8.

The Walk-through-Audit (WtA) Project involves the selection of a service in which you prepare an audit questionnaire used by management to evaluate the service from the perspective of a customer. A WtA of the Helsinki Museum of Art and Design can be found in the text. A copy of the audit questionnaire, statistical analysis of the responses, and analysis of the gaps between management’s perceptions and customer responses is expected in the report.

A short service case similar to those found at the end of the chapters in the text could prove valuable for future class discussion. The case should be written with a focus on a topic in the course syllabus.

For students with an entrepreneurial bent an alternative to writing a short case could be the preparation of a proposed design for a new service. At a minimum the proposed service design should address all the elements in the service concept, include information on the target market, identify the competitive strategy, and include a financial analysis of the economic viability.
PROJECT DESCRIPTIONS

Walk-Through-Audit

Select service firm and get permission of management
Prepare a first draft of the audit questionnaire
Conduct audit (survey customers and managers)
Analysis of perception gaps between customers and managers
Prepare recommendations and present to management

Service Mini-Case

Identify service firm (could be hypothetical) and get management permission
Prepare first draft of case focused on a service topic. Possible topics include: service process
reengineering, creative service encounters, fail-safing service delivery (poka-yoke for customers
and providers), increasing customer retention and loyalty, yield management and revenue
enhancement strategies, service failure recovery, globalization of services, new service
development process, unique information technology application to a service, and innovative
Internet services.
Present final case to management for approval

Proposed Design for a New Service

Identify the target market.
Address each element in the service concept.
Articulate a competitive strategy.
Prepare a financial pro-forma statement.