

Service Operations

15.768

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Introductions

- a. **Joined Sloan faculty in January 1983
Operations Management Group & ESD
PhD, Stanford Business School**
- b. **Experience in Auto, Aero, Elect, Telec,
ConsPdts**
- c. **Research in**
 - i. **Economics of Quality Improvement**
 - ii. **Economics of Flexible Manufacturing**
 - iii. **Supply Chain Design**
 - iv. **Value Chain Dynamics & Roadmapping**

“Housekeeping” for Service Operations

1. Grading

1. Class participation: Individual 35%
2. Final project: Group 25%
3. Case submissions (3): Individual 40% (10+15+15)

2. Please use name cards.

3. Professional Standards

Academic Integrity--“Do your own work”

Behavioral Integrity -- “Do unto others . . .”

Academic Integrity & Professional Standards

1. **Understand the definition of Plagiarism. Be careful.**
2. **Leave laptops, cell phones, PDA,s *etc.* off.**
3. **For group work in this class: Please use Type 3 collaboration: “Each team member must contribute substantially to the deliverable and understand the whole as well as the parts. (I.e., limits to ‘divide and conquer’ strategy. The team may not collaborate with other students outside of the team.”**

see also:

<http://web.mit.edu/academicintegrity/>

Class 1 Introduction; Concepts in Service Operations

Case: Benihana

Reading: Frances Frei, “Breaking the Trade-off between Efficiency and Service,” HBR

Class 2 Process Design - Order Fulfillment

Case: Pharmacy Service Improvement at CVS (A) 9-606-015

**Readings: “The Process Enterprise: An Executive Perspective,” M. Hammer
“Who has the next big idea?” Daniel Pink, *Fast Company*, 2001.**

Class 3 The Role of the Employee

Cases: Ritz-Carlton

**Reading: “My Week as a Room-Service Waiter at the Ritz,” HBR, June 2002,
Other students’ letters on class website**

Class 4 The Role of the Customer

Cases: Zipcar

Reading: The Four Things a Service Business must get right,” F. Frei, HBR

Class 5 Refining Retailing Business Models

Cases: McDonald’s 9-603-041

Starbucks 9-504-016

Class 6 Clockspeed & Disruptions

Reading: Fine, C.H. *Clockspeed: Winning Industry Control in the Age of Temporary Advantage*, Perseus Books, 1998., Chapters 1-4.

Class 7 Disruptive Service Models

Case: Southwest Airlines

Skim: “Intelligent Design,” by Piepenbrock & Fine

Class 8 Process Design – Health Care Systems

Reading: “Fixing Health care from the Inside, Today,” S. Spear, HBR.

Case : Shouldice Hospital 9-805-002

Class 9 Frameworks for Service Operations, I

Guest Lecture: Professor Gabriel Bitran

Bitran & Lojo "A Framework for Analyzing Service Operations"

Class 10 Frameworks for Service Operations, II

Guest Lecture: Professor Gabriel Bitran

Class 11 Retailing & Logistics Capabilities I

Reading: The Triple-A Supply Chain, Hau Lee, HBR, October 2004.

Case: Seven-Eleven Japan

Class 12 Retailing & Logistics Capabilities II

Cases: Wal*mart Stores, Inc. (9-794-024)

Wal-mart’s Response to Hurricane Katrina

- Class 13** ***Employee Involvement & Data Mining***
Case: IBM Retail Business Assessment at Dillard's HBS case #9-610-051
- Class 14** ***The last ten yards of supply chain delivery***
Case: Mercadona 9-610-089
- Class 15** ***Consumer Insurance***
Case: Progressive Insurance
Reading: "Diamonds in the Data Mine," by Gary Loveman, HBR, May 2003.
- Class 16** ***Internet as Disruptive vs Sustaining***
Case 1: Citibank's e-Business Strategy for Global Corporate Banking (2008)
Case 2: The Charles Schwab Corporation in 2007:
 Fixing and Redefining the Core Business
- Class 17** ***B2B Supply Chain Platforms***
Readings: "Fast, Global, & Entrepreneurial:
Supply Chain Management, Hong Kong Style," HBR, Sep-Oct 1998.
"Strategies for Two-sided Markets," Eisenmann, et al, HBR, Oct06,
#R0610F.
Alibaba Group (HBS: 9-710-436)
- Class 18** ***IT Outsourcing & Consulting***
Case: Infosys Consulting in 2006: Leading the Next Generation
 of Business and Information Technology Consulting

Class 19 Web Services, Cloud Computing & Digital Media

Case: Amazon Web Services

Reading: “The End of IT Outsourcing As We Know It,” by Stephanie Overby, CIO Magazine.

Class 20 Disruptions & Servicization in the Auto Industry

Reading: Chapters 1,2,3 of The Machine that changed the World, by Jones, Womack, & Roos.

Plus, Better Place: Watch the short video (5 min):

<http://www.youtube.com/watch?v=mXfqGL3C2ul&NR=1&feature=fvwp>

and the Longer video (20 min):

<http://www.youtube.com/watch?v=FcoJt2KLC9k&feature=related>

Class 21 Disruptive Service Models -- Again

**Case: House-Building Disrupted: Supply Chain Re-Engineering during an Epic Disaster
Background Readings (skim only): The following on the Stellar website:**

“The Next Slum,” *The Atlantic*, 2008.

“Mortgage Mess Hits Home For Nation's Small Builders,” *WSJ*, March 21, 2008.

Class 22 Supply Chain Systems: Social Responsibility

Cases: IKEA's Global Sourcing Challenge: Indian Rugs and Child Labor (A) & (B)

Class 23 Organization Change; Government Services

Cases: Internal Revenue Service

Class 24 Student Project Presentations

Breaking the Trade-Off Between *Service* and *Efficiency*

Frances Frei, HBR, Nov 2006

1. What if a manufacturer had customers walking around on the shop floor?
2. Classic Operations Management emphasizes elimination of variability, but service operations need to accommodate customer variability.
3. In service ops, customers are key inputs and sometimes processors in the system.

What must be different in service operations?

Five Types of Variability

1. Arrival variability: I want it NOW!
2. Request variability: I want it MY WAY!
3. Capability variability: Serve me as I am.
4. Effort variability: Serve me, not self serve.
5. Subjective preference variability:
Understand my idiosyncrasies.

A thumbnail sketch of the 20th century's big ideas in operations management

1920's: Ford & Taylor

Moving Production line and standardized work

1930's: Shewhart

Statistical Control of Quality

1960's: Ohno

Lean Production System

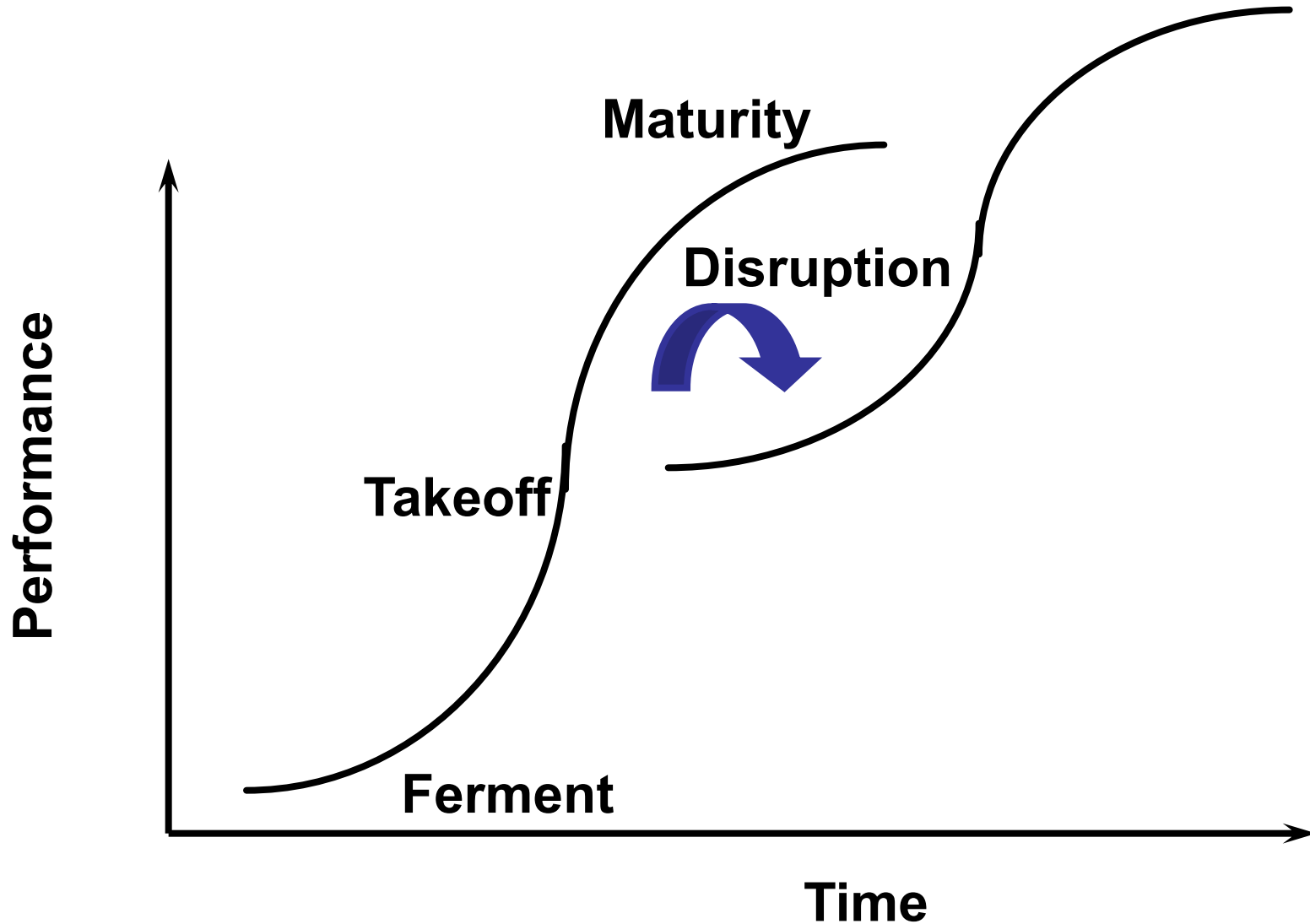
1980's: Goldratt & Kaplan

Measurement & Theory of Constraints

1990's: Hammer & Dell

Reengineering/Process Focus & "Direct Model"

Improvement Dynamics can be continuous or disruptive



FOUR STAGES OF THE STRATEGIC ROLE OF OPERATIONS IN A COMPANY

(WHEELWRIGHT/HAYES, *HBR*, JAN '85)

1. INTERNALLY NEUTRAL

Minimize the “negative effect” of manufacturing

2. EXTERNALLY NEUTRAL

Achieve Parity with Competitors

3. INTERNALLY SUPPORTIVE

Provide Support to the Business Strategy

4. EXTERNALLY SUPPORTIVE

**Manufacturing contributes
significantly to competitive advantage**

**Note: Inside-out vs. Outside-in of *Clockspeed*
approach**

MIT OpenCourseWare
<http://ocw.mit.edu>

15.768 Management of Services: Concepts, Design, and Delivery
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