



| Global Business Services

# Managing service operations and organizations

Discussion about the article “Managing service organizations: does having a ‘thing’ make a difference?” by John Bowen and Robert C. Ford

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## Background

- "Do we need a service science?", Spohrer (2006)
- "Many of the traditional rules of business strategy shaped in the manufacturing environment may not be relevant to services", Campbell A and Verbeke A (1997)
- "manufacturing-oriented academicians appear to be unwilling to fully support the fact that service operations management must be studied in different ways, using different theories, skills, competencies and language", Nie and Kellogg (1999)
- "theoretical and practical distinctions between tangible producing organizations and intangible producing organizations are increasingly hard to make", Bowen and Ford (2002)

## Purpose

- Discuss the literature review by Bowen and Ford about managing services organizations.
- Compare the paper with speaker's experience in managing business consulting, systems integration and application management services.

## Bowen and Ford (2002): Review background

- Authors build on their observation that there seem to be reported differences between managing organizations that produce tangible products and organizations that produce something that is only perceived, sensed or experienced.
- Marketing scholars have discussed the differences extensively, but management scholars have rather discussed similarities.
- Authors did not find comprehensive review of literature discussing the differences between managing services organizations and managing goods producing organizations.

## Bowen and Ford (2002): Review questions

- Is there evidence indicating there are differences in the management of services and manufacturing organizations?
- To what extent do these differences actually have a substantive effect on managerial style or strategy?
- Authors set out to review the literature to find what scholars know about the effect on managerial strategies, practices and systems in producing intangible services in comparison to producing a tangible product.
- Review is based on literature in management, marketing, health care, and hospitability.

## Bowen and Ford (2002): Definitions

- Authors suggest that an intangible service includes:
  - intangible or tangible service product,
  - service setting and
  - service delivery system to make together the customer's experience.
- Bowen and Ford recognize that some research has found managerial and organizational differences between different services, but they believe that their findings hold across most services.

There is plenty behind this question.  
See Lovelock and Yip (1999)

## Bowen and Ford (2002): Organization of the review

- Differences identified between managing services from managing goods are

intangibility and its outcomes, simultaneous production and consumption

=> Production cannot start until customer demands service.

perishability

=> Services cannot be stored.

heterogeneity

=> Dependence on customer's input

=> Always different evaluation from different customers

- Bowen and Ford propose that intangibility creates the major differences and say they will focus on intangibility's influence.

Authors actually have had to include discussion of heterogeneity and perishability as well. This tells how related the distinctions are.

## Bowen and Ford (2002): Differences resulting from intangibility

- Differences in service organization assessment
  - Managing organizational effectiveness subjectively
  - Managing organizational efficiency subjectively
  
- Differences in service production strategy
  - Managing service product quality
  - Managing capacity and demand
  
- Differences in service production process
  - Managing production process to accomodate customer co-production
  - Managing the production setting to accomodate customer co-production
  - Managing production employees to accomodate customers as co-producers
  - Managing customers as co-producers



## Bowen and Ford (2002): Differences in service organization assessment

Differences	Research implications
Subjective measures of customer perceptions of quality and value	What subjective measures can be included in assessing organizational effectiveness?
Heterogeneity of customers' knowledge, skills, abilities and motivation as input included in measures.	What measures of customers' input and outputs can be included in assessing organizational efficiency?
Heterogeneity of customers' expectations of outputs	

- Identifying key drivers of organization's customers?
- Discovering past, present and future expectations?
- Showing prospective customers what the service product could be like?
- Subjective and meaningful approaches for measuring inputs and outputs?

## Bowen and Ford (2002): Differences in service production strategy (1/2)

Differences	Research implications
Including subjective measures of quality	Assessing quality, costs of failure, benefits of service recovery, lifetime value of a customer, benefits of quality.
Accommodating customer co-production	Supervisory strategies and HR policies.  Incenting employees to find and fix service failures

- Cannot inspect a service against measurable standards before delivery.
- Failure is identified and fixed while product is being consumed.
- Variability of solutions to the same service failure.

## Bowen and Ford (2002): Differences in service production strategy (2/2)

Differences	Research implications
Including simultaneity of production with consumption.	Costs and benefits of matching supply with demand variability
Lack of inventory to buffer supply from demand	
<ul style="list-style-type: none"><li>•How to match capacity with demand variations?</li><li>•Variability of customer ability to participate and high degree of interaction with customer organization complicates forecasting and planning.</li><li>•Most of the demand cannot be shifted.</li></ul>	

## Bowen and Ford (2002): Managing production process to accommodate customer co-production

- Lack of buffering zone between production and customers.

Situations are novel and past ways of doing things are only useful to some extent.

Great deal of customer specific information needed in process.

- When is it appropriate to reduce complexity and divergence by standardization?

Standardized delivery reduces uncertainty and need for interaction.

Standardized process can be better replicated.

A service delivery process with low divergence can be computerized.

... but customized services can be the source of sustainable competitive edge.

## Bowen and Ford (2002): Managing the production setting to accommodate customer co-production

- **Setting for service delivery is part of the service experience**

- How does the setting influence customer determined quality and value?

- How does the setting influence the employees?

- How does employees' appearance influence customers' perceptions?

## Bowen and Ford (2002): Managing production employees to accommodate customers as co-producers

- Service employees' tasks include customer interaction.
- Employee selection and management must focus also on customer relationship skills.
- Controlling the employees through norms, values and service culture rather than obtrusive controls.
- Managing emotional labor and the stress caused by it.
- Service employees who co-produce intangible products have greater potential for role conflict.
- Acting as a part-time marketer for all of company's products

## Bowen and Ford (2002): Managing customers as co-producers

- Policies and procedures to manage customers as "partial" employees

Customers contribute time, effort and other resources to the production process.

Nature and extent of inclusion depends on the type of service, task requirements, and client's skills and motivation.

- How to attract, engage, supervise, reward and retain customers who have the right skills, knowledge and abilities?
- How to motivate customers for co-production?
- How to cope with the losses co-production failures can create?

## Bowen and Ford (2002): And their conclusions

- They see defensible differences between the management of organizations producing tangible goods and those producing intangible service.
- Differences are related to
  - assessing effectiveness and efficiency
  - production strategy
  - production process
- Differences are important



## Strengths and weaknesses in the article

<b>Strengths</b>	<b>Weaknesses</b>
<p>Review is built consistently around the relatively widely accepted distinctions of services (intangibility, perishability, heterogeneity, same time consumption and production).</p> <p>Most of the claims are supported by several research projects.</p> <p>Conclusions are reasonably well contingent with the quality of evidence.</p>	<p>Search and selection criteria are not described.</p> <p>Review seems to have an enthusiastically biased spin rather than a systematic approach.</p> <p>Review should be read as a summary of literature describing differences rather than a structured evaluation of possible differences or similarities.</p> <p>Lack of empirical observations and experimentations leaves weaknesses to the argumentation.</p>

## Unanswered questions and implications for future research

- The review claims that there are defensible differences. Can we observe or measure these differences empirically?
- The review claims that the differences are important. Can we design an experiment for measuring the significance of these differences?
- Authors recognize the differences between different services. Can we measure the managerial differences between different services?
- What about different mixes of product and service delivery?

## Practical implications

- Authors describe knowledge areas for a service operations manager's development plan.
- For manufacturing oriented managers the review can work as an awareness session.
- Overall the article is useful in identifying potential areas of concern in developing service-based businesses.

## Did Bowen and Ford give an answer to their question?

... yes, but not a very compelling one.

### What would be my answer as a practising manager?

There are both important differences and similarities.

Both difference and similarity tend to be assumed.

Frameworks for service operations management and research appear still rather descriptive.

We need to keep on transferring knowledge between service and production operations management research.

## References

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