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Measurement and Services

What a difference one word makes! How easily one poorly chosen example can skew a discussion! In the last Advisor, How Do You Measure Processes? (April 29, 2008), I suggested that there were, broadly speaking, two things you could measure: Process Outputs or the Internal Activities of the process. Brett Champlin, of ABMP, was the first to write and suggest that I was backsliding and that speaking of measures as "Outputs" was a very manufacturing-centric perspective. Loyal readers will recall that in the previous Advisor, Manufacturing and Service Processes (April 15, 2008) I had made a point of distinguishing between Manufacturing processes, where the process focuses on the quality of outputs, and Service processes, where the process focuses on the quality of customer experiences as they interact with the process. Thus, in the last Advisor, when I defined measures as Outputs, I spoke of measures as one would speak of measuring a manufacturing process. And then, to compound the problem, I used a manufacturing example that seemed to under score my manufacturing focus.

Let me begin by saying I misspoke. In the BPTrends BPM Education and Training Curriculum we distinguish between Internal and External measures. I simply reverted to an earlier, manufacturing-oriented version of External Measures and used the word Outputs. As Brett and others pointed out, however, the satisfaction that a customer experiences when he or she uses a service isn't properly an Output of the process. It is better characterized as a side effect of the Output.

I'm not writing this Advisor to simply confess to my sloppy use of the terms. I am writing it because it is so critical to the point that I was trying to make in the Advisor on Manufacturing and Service processes and I want to underscore the point by re-explaining process measures in a more rigorous manner.

First, let's restate the point in the last Advisor on process measurement and get it right this time: Broadly speaking, there are two things we can measure - . (1) We can measure things external to the process, or (2) we can measure things taking place inside the process. External measures let us know how well the process is doing what it is intended to do. Internal measures let us know how effective the process is in producing outputs. Put slightly differently, External measures check results and Internal measures check productivity.

Now, let's apply this to our discussion about the differences between manufacturing processes and service processes. Let's begin by looking at a classic manufacturing process that makes and sells Widgets. (See Figure 1.)

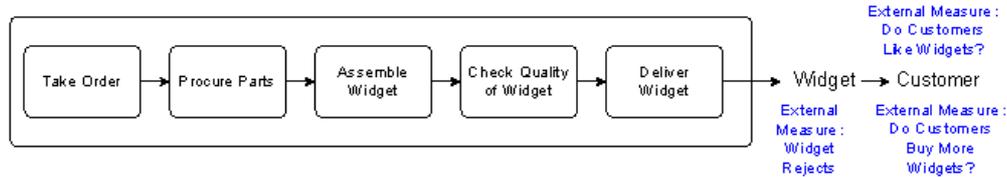
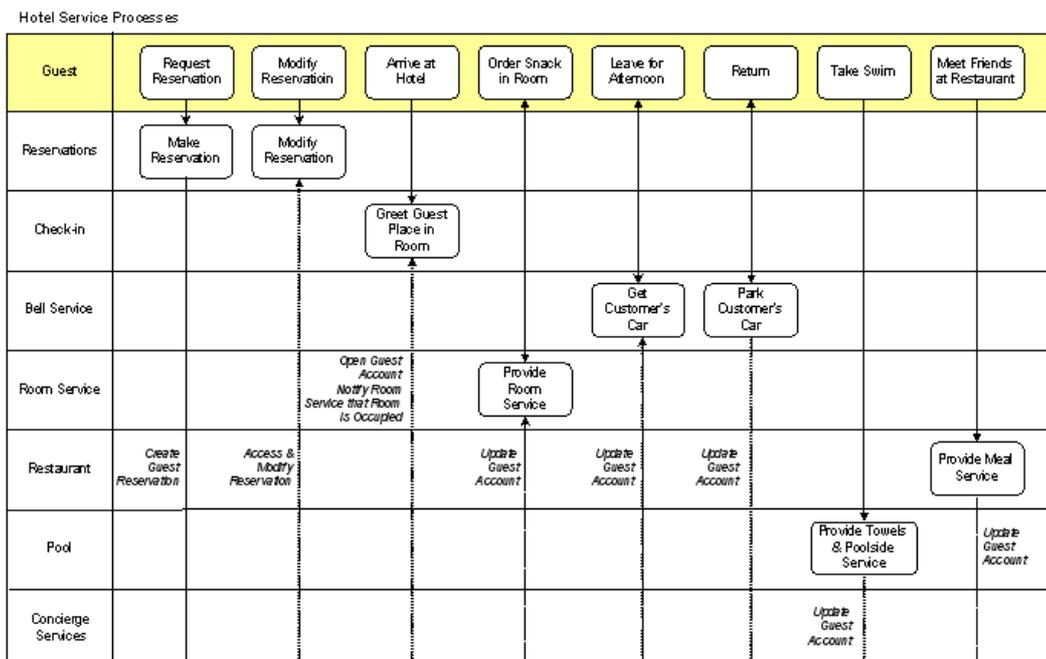


Figure 1. Widget Manufacturing Process and External Measures

I suggest three External measures in Figure 1. "Rejects" really tests the process output. The other two test for customer satisfaction and market growth, which are also obvious External measures and aren't, properly speaking "outputs" of the Widget manufacturing process. Thus, even if we only speak of manufacturing processes, speaking of Output measures rather than External measures is sloppy and confusing. (If you recall the last Advisor, you'll remember that the Supply Chain Council's SCORcard divides supply chain measures between Customer Facing Attributes and Internal Facing Attributes and includes Customer Satisfaction among their Customer Facing Attributes.)

Now, let's consider a service process like the one we considered in the Advisor in which we discussed Manufacturing and Service Processes. The specific service processes we considered were the range of guest services provided by the hotel. (See Figure 2.)



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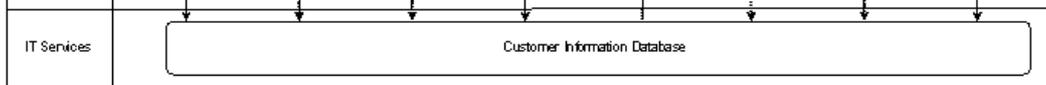


Figure 2. Some processes in a hotel's Host Guests value chain.

The real difference isn't what we measure, since in the case of the hotel we also measure customer satisfaction and market growth. The real difference is the number of external measures we want to make, and the way we need to understand the customer in order to select those measures. Service processes tend to interact with customers much more frequently and in more complex ways and need, accordingly, to capture a lot more External measures in order to determine whether or not they are succeeding. Or, perhaps as important, to determine where their activities need to change to produce better results.

This, in turn, relates back to the emphasis I put on the activities of the customer in my discussion of the hotel value chain. When we look at Figure 1, the output is a Widget. We may want to model the Widget customer's activities in some detail to figure out how to sell or service Widget customers - but historically, manufacturing processes have focused on producing an output.

Now, look at Figure 2. There isn't anything that looks like an output here. There are lots of interactions between customers and hotel employees, or between customers and a hotel environment (e.g. room service, swimming pool). The emphasis is on anticipating what activities the customer might trigger and then on modeling the various customer-employee interactions in some detail. Once that is done, we can focus on identifying measures of customer satisfaction.

It's easy to argue that, in fact, when we have a process activity like Take Reservation, there's little difference between the Take Reservation activity (inside the process) and the customer's Make Reservation activity, and that we often end up measuring both, simultaneously. We wouldn't deny that, but we would insist on the priority of the External measures of the customer's satisfaction, since that's ultimately the best way to judge the success of any Internal employee action aimed at achieving customer satisfaction.

In another email we received in conjunction with these Advisors, a reader asked about how one applies these concepts to government agencies. Without going into details, I ended up generating the simple flow diagram in Figure 3 to explain my perspective.

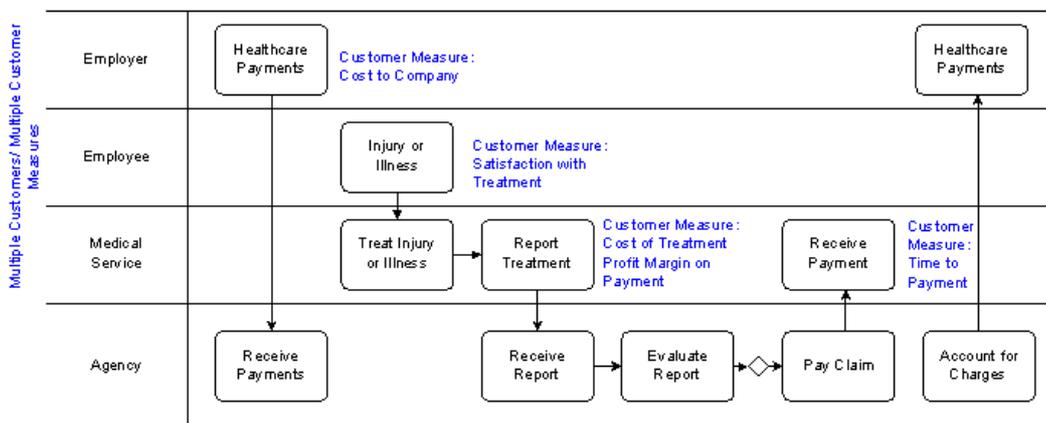


Figure 3. Customers of a government healthcare program.

In this case, we have modeled three different customers that interact with the government agency in question, each in different ways. We have only generated a rough cut of such a diagram. The point, however, is that understanding what is going on here doesn't require that we focus on the agency so much as that we focus on the customers. If we were to proceed with this, we would probably define all of the interactions between the agency and each of the customers it interacts with in some detail. At the same time, we would be working to identify the best External measures to define whether each customer was being served and was satisfied. Only after we understood the nature of the services would we begin to drill down into the actual processes and sub-processes of the Agency.

I hope this discussion has corrected any misunderstandings my last Advisor created and has underlined why the analysis of customer activities is so important to modeling and understanding service processes. Most of us are going to be doing a lot more of this kind of analysis in the future so we need to get good at it.

Till next time,

Paul Harmon

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