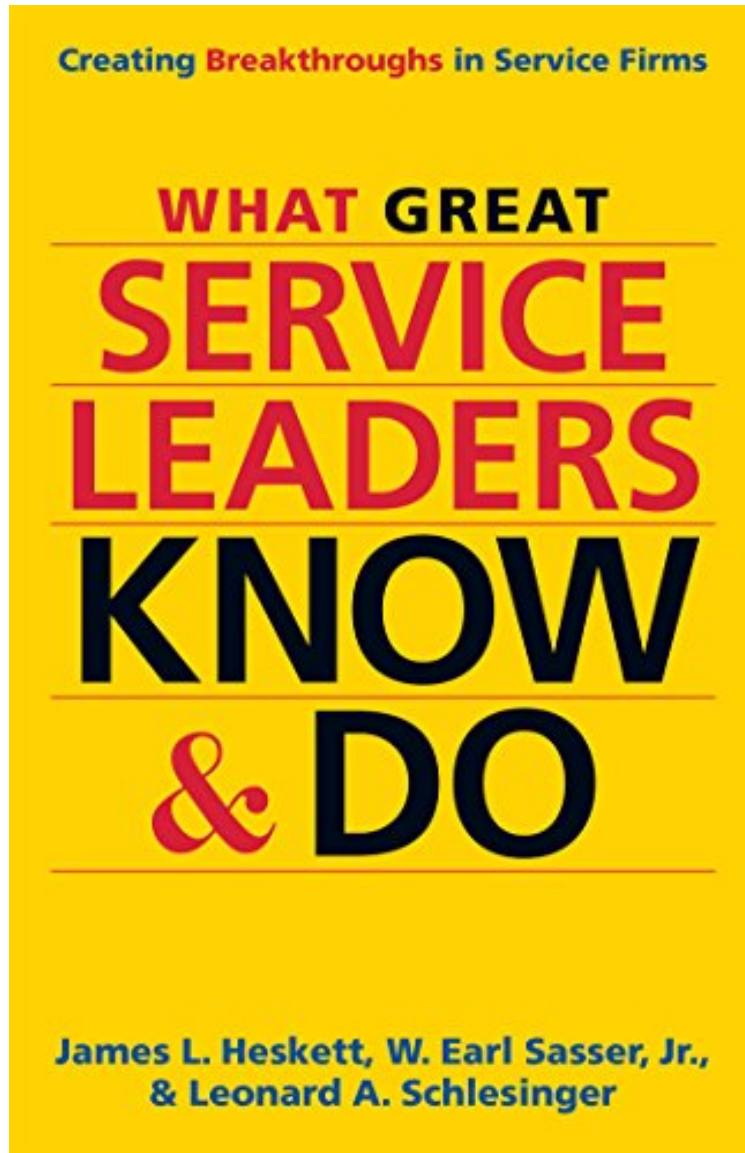


# What Great Service Leaders Know and Do: Creating Breakthroughs in Service Firms

*James L. Heskett, W. Earl Sasser, Leonard A. Schlesinger*  
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**James L. Heskett, W. Earl Sasser, Leonard A. Schlesinger : What Great Service Leaders Know and Do: Creating Breakthroughs in Service Firms** before purchasing it in order to gauge whether or not it would be worth my time, and all praised What Great Service Leaders Know and Do: Creating Breakthroughs in Service Firms:

1 of 1 people found the following review helpful. A must read!By BQBA must read for anyone in a leadership role in a service organization

Entire service businesses have been built around the ideas of Heskett, Sasser, and Schlesinger, pioneers in the world of service. Now they test their ideas against the actual experiences of successful and unsuccessful practitioners, as well as against demands of the future, in a book service leaders around the world will use as a guide for years to come. The authors cover every aspect of optimal service leadership: the best hiring, training, and workplace organization practices; the creation of operating strategies around areas such as facility design, capacity planning, queue management, and more; the use and misuse of technology in delivering top-level service; and practices that can transform loyal customers into "owners." Looking ahead, the authors describe the world of great service leaders in which "both/and"; thinking replaces trade-offs. It's a world in which new ideas will be tested against the sine qua non of the "service trifecta"—wins for employees, customers, and investors. And it's a world in which the best leaders admit that they don't have the answers and create organizations that learn, innovate, "sense and respond," operate with fluid boundaries, and seek and achieve repeated strategic success. Using examples of dozens of companies in a wide variety of industries, such as Apollo Hospitals, Chacirc;teauform, Starbucks, Amazon, Disney, Progressive Insurance, the Dallas Mavericks, Whole Foods, IKEA, and many others, the authors present a narrative of remarkable successes, unnecessary failures, and future promise.

"Heskett, Sasser, and Schlesinger have powerfully impacted our business vis-a-vis their body of work over the years. Drawing on their three lifetimes of academic and operating experience, this newest book, which demonstrates the methods leaders use to design and deliver great service, will continue in that tradition and our business will be even greater for it."—John Wren, President and CEO, Omnicom Group "There is literally no one with better insight into how to run a service business than this trio of Harvard Business School professors, Sasser, Heskett, and Schlesinger. Small business owners of service operations should pay special attention as their tips and perspectives can go a long way to increasing business success and growth."—Karen G. Mills, former Administrator, US Small Business Administration "Enthusiastic, empowered employees delivering memorable service to increasingly loyal guests is a self-reinforcing cycle of success for all of an organization's constituents. The concepts put forth in this book are the basis of sustained competitive advantage and superior financial performance that survives episodic weakness in product quality or market growth. Indeed, they formed the basis of what took Caesars Entertainment from \$14 a share and 14,000 employees to \$90 a share and 90,000 employees in ten years."—Gary Loveman, Chairman, Caesars Entertainment and Caesars Entertainment Operating Company "Breakthrough service has to be both designed and delivered. But how does it actually get done? Heskett, Sasser, and Schlesinger provide the answers that all of us are looking for."—Helena B. Foulkes, President, CVS/pharmacy, and Executive Vice President, CVS Health "What Great Service Leaders Know and Do is a terrific how-to manual for every business leader."—Leslie H. Wexner, Chairman and CEO, L Brands (formerly Limited Brands) "This comprehensive book proves that leadership is ultimately all about execution, based on sound thinking and knowledge of what needs to be done. It also reinforces the need for integrity between thought, word, and actions."—Suneeta Reddy, Managing Director, Apollo Hospitals Enterprise Limited, Chennai, India About the Author James Heskett is UPS Foundation Professor of Business Logistics, Emeritus at the Graduate School of Business Administration, Harvard University. Among other honors he was awarded the 2010 Distinguished Career Contribution Award in Services Management by the American Marketing Association. Excerpt. copy; Reprinted by permission. All rights reserved. CHAPTER I Leading a Breakthrough Service Is Different What great service leaders know: leading a breakthrough service is different. What great service leaders do: they take steps to ensure repeated memorable service encounters. Robert Nardelli left General Electric to become CEO of Home Depot in 2001. Expectations were high for Home Depot, the home improvement retailer whose growth had slowed when Nardelli took over. After all, he had already led several GE manufacturing operations to great success. At Home Depot Nardelli found that the stores were staffed with knowledgeable, full-time employees, sometimes more than were absolutely necessary. He led a move to hire more part-timers, many with less expertise in home improvement, in order to size the retail workforce to customer traffic patterns. The move backfired. Customers noticed immediately that their favorite employees on the floor were no longer there. Soon after, Nardelli was no longer there. Nardelli found that leading a service organization is different from leading a manufacturing organization. In manufacturing, if the factory labor force is too large, there is a simple solution: downsize. Consumers are rarely aware a change has occurred. But at Home Depot, consumers did notice. Heading up a service organization proved to be very different from his previous job. In fact, there are many subtle differences in leading a breakthrough service organization which, if not understood, can pose real challenges for a manager with other kinds of experience. WHAT IS A BREAKTHROUGH SERVICE? Standards for judging a service are highly subjective. When we first explored service breakthroughs and the organizations that achieved them, we described them as those one or two firms in every service industry that stand out from the pack. . . . Firms that seem to have broken through some sort of figurative "sound barrier," that have passed through the turbulence that precedes the barrier into the relatively quiet, smooth zone beyond which a management action produces exaggerated results, results that often exceed reasonable expectations. Firms that alter the basis of competition in their industries. 1 Based on our experiences in recent years, we

can improve on that vague, albeit inspiring, definition. It requires an understanding of the way in which value is created for customers, the employees who serve them, and investors. Value Is Central to the Idea

When we talk with consumers, business customers, and even recipients of social services about value, four topics come up, time after time, in conversations: (1) results obtained from a package of products and services, (2) the quality of the experience in obtaining them, (3) the costs of acquiring them (other than price), and (4) price itself. Together, they make up a "customer value equation" (figure 1-1).<sup>2</sup> Other things being equal, as results and quality of experience increase, value for the customer goes up. As price or costs of accessing the service increase, value goes down. Recent research has explored the relative importance to customers of results (the what of service) versus experience (the how of service) in the customer value equation. It leads to the conclusion that when the service is performed in a customer's immediate purview or is being recalled shortly after the service encounter, experience is a more important influence on customers' perceptions of value. Otherwise, customer perceptions of value are more likely to be influenced by the results they realized.<sup>3</sup> The customer value equation reflects the extensive research on the topic of service quality carried out by Leonard Berry, A. Parasuraman, and Valerie Zeithaml in the past three decades. One of their early studies, based on interviews with 16 focus groups, concluded, for example, that customer expectations and the degree to which those expectations are exceeded or met on each of the dimensions of the equation determine customers' overall appraisal of service quality and value.<sup>4</sup> The employee value equation is based on research and employee interviews and can be stated in a similar manner (figure 1-2).<sup>5</sup> Organizations that deliver value provide employees with a reason to come to work (the nature of an organization's activities—its "business"—and its mission). They offer opportunities for personal development, frequent feedback, and ultimately greater latitude to solve problems for valued customers, all factors that contribute to the employee's capability to deliver results. The quality of the workplace is determined by such things as the "fairness" of one's manager (whether the manager hires, recognizes, and fires the right people in a timely way), the quality of the work performed by one's peers in the workplace, and the degree to which good work gets recognized. High pay as well as easy access to, and continuity of, the job contribute to value. That's why pay is portrayed in the denominator of the fraction as  $1 \div \text{Total Income}$ ; when calculated this way, higher pay contributes to value for the employee. The third of the three value equations (figure 1-3)—the investor's value equation—is widely known as simply return on investment. These three equations are interrelated. Revenue for the investor, other things being equal, means higher prices and lower value for the customer. Similarly, lower expenses for the investor, other things equal, means lower value for employees if the expense reductions come out of their compensation. But these zero-sum trade-offs need not be the case if a new policy or practice creates a way of delivering better results at lower costs while producing margins sufficient to create extraordinary value for customers, employees, and investors alike. That's largely what this book is about.

**Breakthrough Service Redefined: The Service Trifecta** We've observed hundreds of service organizations in action, and we've seen what works and what doesn't work. We're convinced that breakthrough services are those that provide

1. extraordinary results and a high-quality experience for customers and employees alike
2. high value (not necessarily low costs) to customers
3. relatively high returns (for the industry) to employees and investors

Think of it as the trifecta of outstanding service design and delivery. Breakthrough services share one other characteristic. They have all changed the rules governing how entire global service industries are operated. That's what is so exciting about them. It's what makes it important to understand how they are designed and led.

**WHAT GREAT SERVICE LEADERS UNDERSTAND: THE "RIGHT SERVICE ENCOUNTER"** Many leadership practices have proved effective in any kind of organization. Still, great service leadership is distinguished both by the magnitude of its challenges and the priorities involved in addressing them. Jobs in services involve personal relationships and require interpersonal skills to a greater degree than jobs in some other sectors. Unlike most manufacturing jobs, many service positions bring service workers into constant contact with customers in the service encounter.<sup>6</sup> In many service occupations, the service is both produced and "consumed" at the time it is delivered. As a result, the service provider is able to see the customer's reactions and take satisfaction from them. In the customer's eyes, the provider of a personal service has skills and a personality that are at least as important as the company and its brand. The provider is an important factor in the purchase decision. Although the encounter may be less personal in services such as retail and transportation, the service provider still has a strong influence on customer loyalty. For example, in an industry with minimal service differentiation, Customers often cite Southwest Airlines' Employees (Customers and Employees are always capitalized in the airline's communications) as one of the primary reasons they fly the airline whenever schedules and itineraries permit. Service encounters often require face-to-face customer contact, customization of a service, and the co-creation of services by employees and their customers.

**The Need for Face-to-Face Contact with Customers** Services that entail face-to-face contact with customers—hospitality, entertainment, professional services, education, personal services, and health care, for example—often require employees to be deployed over large geographic areas in order to provide customers with easy access. Organizations thus might have multisite operations with relatively complex organizational forms. Managers may need to ensure effective communication through a multilayered organization, particularly when change is being implemented. They may have to deal with real estate to house widely dispersed service personnel as well.

**Degree of Customization Required** Some services are best

performed with little customization. At Shouldice Hospital in Toronto, for example, surgeons fix hernias by a time-honored method that provides quality (measured in terms of operations that rarely have to be repaired) much higher than the average for North American hospitals. They are hired primarily for their enthusiasm for work in an environment that provides regular hours and good work/life balance; but one in which they have very little latitude in what they do. Surgeons who easily experience boredom have no place in Shouldice's operating rooms. In the same industry, the Cleveland Clinic looks for surgeons with an interest in research and the ability to use good judgment in treating patients with widely varying medical histories and needs. Innovation is a natural part of the job description for many of the organization's professionals. This requires that the service provider use judgment in customizing the treatment of individual patients. Both of these organizations benefit because they carefully hire their employees and give them good training, excellent support systems, and, where it is appropriate, more (Cleveland Clinic) or less (Shouldice Hospital) latitude to use judgment in the face-to-face relationship. These practices ensure both great results and a high-quality experience for the patient, meeting our standard for breakthrough service.

**Co-creation of the Result** Customers at Shouldice Hospital participate to an unusual degree in co-creating the service.<sup>7</sup> They diagnose themselves and, if necessary, diet to make the weight limit that Shouldice doctors impose to qualify patients for surgery. Patients prepare themselves for surgery by shaving themselves, take charge of their own recovery by walking from the operating table, and counsel other patients who have not yet been under the knife. All of this helps Shouldice keep its costs to a minimum while offering jobs with more interaction with patients and fewer menial responsibilities. While it increases patient enthusiasm for the process and its results, it also requires that management hire and train people who can work with patients in ways often foreign to other hospitals.

**WHAT GREAT SERVICE LEADERS DO** Organizations achieve excellent service on a consistent basis by recognizing and taking steps to address the determinants of repeated memorable service encounters, something for which there is no equivalent in manufacturing or other activities. The most important of these is employee loyalty, especially in an age when such loyalty is on the decline.

**Manage for Employee Loyalty** The importance of the service encounter to the success of many service enterprises places a premium on the continuity of relationships between customers and the employees serving them. This continuity requires employee loyalty. Whereas high rates of labor turnover inflate costs and cut into profits, longer tenure reduces recruitment and training costs, preserves productivity gains, and creates a more positive experience for customers; making employee loyalty one of the most important deep indicators of future performance in a service organization.

**Great service leaders understand that retention rates rise along with opportunities to advance.** Leaders of a number of large service organizations realize the positive effects of frontline continuity on customer satisfaction and loyalty, and they are making significant efforts to expand frontline advancement opportunities for the best employees to keep them closer to the customer for longer periods.

**Whole Foods Market, for example, has designed everything, from the rigor of the selection process, to the amount of latitude for self-management on the job, to methods of compensation to encourage frontline employees to stay.** Teams at the global, regional, store, and store department levels manage the company. A store often has eight teams that are responsible for anything from produce to checkout. After a 30-day initial probation period, new employees must earn a two-thirds positive vote by members of their team; an endorsement by team members who regard their vote as one that directly affects the quality of their paycheck and work life. As team members, they set labor cost/sales or cost of goods/sales ratios for their store department, they are entrusted with decisions about how to achieve those ratios (including what food items to buy locally), and they are paid bonuses based on how well they do as a team. This often involves coming up with new ideas for increasing sales as one way of mitigating increases in labor costs.

**At the same time, employees benefit from what CEO John Mackey describes as a "bias toward overdisclosure" of information on which teams base their decisions.**<sup>8</sup> Every team member knows how other teams in the store are doing. Every member knows how the store is doing compared to other stores. Every member can know what other team members are paid. Employees have an opportunity to vote every three years on various items in the company's benefits package, from pay for community service to provisions in their health insurance. As employees reach the three-year mark on the job, they are given stock options to encourage them to stay with the company. All of these factors contribute to Whole Foods' turnover rate of less than 10 percent of full-time employees after the probationary period, a fraction of rates across the grocery retailing industry as a whole.<sup>9</sup> It's no surprise then that Whole Foods regularly is rated one of the best places to work by its employees, is known for its good service by its customers, and has in recent years had the highest profit per square foot of any major food retailer.

**Reduce Customers' Perceived Risk: Make Service Visible and Tangible** Customers often fear what they can't see or feel. Making the invisible visible and the intangible tangible to reduce customers' perceived risks is a challenge faced by many service managers.<sup>10</sup> It's the reason car repair facilities wash and vacuum the vehicle after maintenance is completed. A clean vehicle exterior and interior signals that the car is now in great condition. Termite control service is provided around the foundations outside the home often with no one present in the home. The service technician leaves a personalized note on the door and later sends a report outlining the evidence to the homeowner. The service technician continues the personalized approach by addressing by hand the envelope containing the report to the homeowner. Similarly, lawn chemical services leave signs on the lawn after applications have been made to let the homeowner know that chemicals have

been applied and to let neighbors and passers-by see a miniature billboard. Reduce Perceived Risk through References and Referrals Customers for personal services, in particular medical services, have until recently had little information on which to base their personal medical decisions. They perceive a high level of risk because of a lack of visibility of the work performed and the difficulty of measuring the quality of the results achieved. They therefore often use price as a surrogate for quality, resulting in a lack of price sensitivity on the part of customers for some services; as well as the high margins often generated by such services. Today, when confronted with high perceived risks in purchasing a service, customers often seek reassurance through recommendations from people they trust. Internet-based networking and commercial websites have thrown open the doorway to more information than was available in the past. Not only are reviewers active on sites such as .com, Yelp.com, and AngiesList.com, but mechanisms are now being introduced that measure the reliability of such reviews. As a result, more people are trusting recommendations, for everything from cleaning services to medical services, than ever before. To anticipate the impact of social networking and other media through which accurate, and inaccurate, information is quickly and easily exchanged, service leaders in the future will supply more information to customers to provide greater transparency. Manage the Customer Experience and Emotional Content The fact that service organizations are often responsible for delivering a customer experience places nuanced demands on service leaders to define, measure, and manage the components of that experience, however intangible or invisible those components might sometimes be.<sup>11</sup> Customers should come away engaged with the brand that represents the experience, and loyal to it, as well as to the person who creates it. Competing services often differentiate themselves by managing what is termed "emotional content"; Patients at Mayo Clinic, for example, receive much more than just expert medical diagnosis and care. They quickly become aware that they are the center of attention for a team of medical practitioners that has organized its work around them. Scheduling of tests and appointments, for example, is designed to minimize a patient's time at the hospital. In addition to good results, the Mayo Clinic is also known for delivering outstanding experiences to sometimes reluctant clients whose time is valuable and who have traveled long distances to visit its premises under trying conditions.<sup>12</sup> Some services have a higher level of emotional content than others. This is particularly true of personal services such as haircutting or cosmetic surgery; services whose results are "public"; High emotional content also applies to such things as hospitality for special family events, the purchase of products such as lingerie, and even the daily coffee ritual. Here, managers have to subscribe to the idea that the quality of the service experience is as important as the results they deliver. But they have to do more than that. They also have to ensure that the organization hires people who can deliver such experiences, and see to it that it celebrates their ability to do so. They then must create a setting that conveys the nature of the intended experience, as well as provide employees with the support systems necessary to deliver a flawless customer experience. All of this requires that they pay attention to detail, as well as have a concern for the alignment of people, policies, practices, and technologies around a desired experience. Take the Apple store, for example. The company puts young, tech-savvy people with great attitudes and customer-facing skills in a clean, bright, functional, exciting retail setting; one that reflects the design mentality of the technology they are being asked to sell. All of these employees are equipped with Apple-made handheld devices, enabling them to sell and serve customers more effectively; from checking inventory to scheduling service appointments. The result is sales productivity, more than \$6,000 per square foot of selling space per year; a figure formerly unheard of for retail chains. By comparison, that is nearly 10 times the sales productivity of Walmart, a company that has been considered a leader in retail productivity. Still, service leadership can't simply be put on autopilot. If Apple store productivity were to reach the point where it adversely affected the customer experience (say, as the result of large crowds or long lines keeping customers away), Apple's management would have to consider ways of restoring the experience. That is a complex task unrivaled in the world of manufacturing management. Manage the Customer Colleen Barrett, president emerita of Southwest Airlines, has told us, "Once people fly our airline two or three times, they keep coming back." Why? Because during the first and second flights, Southwest Airlines, an airline that has transformed the global airline industry, trains its customers. Customers are acquainted with Southwest's website through which its seats are reserved and sold. Next they go through a somewhat unusual boarding procedure that requires them to board in the specific order of their priority for access to seats that are not assigned. Once on board, they either respond positively or negatively to the over-the-top good humor displayed by many of Southwest's Employees, who are hired in part for their personalities. Those who fly the airline only once often complain about its cattle-car boarding process and lighthearted Employees. They reject the Customer training process. Others, who respond positively and become knowledgeable and able to take advantage of the way things are done, become loyal Customers. Dublin-based Ryanair, a low-cost airline that many regard, incorrectly, as a Southwest Airlines knockoff serving Europe, shares the challenge of training its customers. Ryanair's strategy is to provide as little service as possible for its basic (comparatively low) fare, charging extra for anything above and beyond basic air transportation between European cities. Ryanair's veteran, economy-minded passengers travel light with few or no bags, carry their own food, and are prepared to sit in seats with little legroom. Anything other than that incurs costs in addition to their fare. It's something that passengers unfamiliar with the airline's service have to either reject or get used to. Ryanair's business model has been emulated by Spirit Airlines, a rapidly growing, profitable 2007

entrant to the low-cost, low-fare US airline competition. The loyal Spirit customer apparently values low fares above everything else, including reliable service. Spirit's on-time arrival record is regularly among the worst in the industry. It leads the industry in charging extra for everything from ticketing to carry-on bags and even seat selection. Recently, it was reported that fees composed 41 percent of the airline's revenue, by far the highest in the industry.<sup>13</sup> At Spirit, veteran customers know what to expect and act accordingly. The novice customer has an education awaiting him. Even CEO Ben Baldanza acknowledges the importance for first-time passengers of learning the routine. As he puts it, "You can't sleepwalk through the process."<sup>14</sup> These are perhaps extreme examples of the ways that service organizations address the important task of managing customers (and their expectations). Leaders in breakthrough services understand that training is important, because customers often team with service providers. They build a competitive edge—co-creating great service (depending on how that is defined by the individual) at low cost—that customers enjoy. In many cases, they need to take special care in hiring and preparing employees to train, manage, and work with customers to co-create results.

**Manage Service Quality: "Do It Right the Second Time"**  
The management of quality in manufacturing emphasizes "do it right the first time" or DRIFT—especially critical if the product in question is an airplane part and the manufacturer is Boeing. It has become a mantra of many manufacturing managers, mainly because it is much less expensive for manufacturing to get things right the first time. Whereas for such services as medical care, getting things right the first time is important, but for the vast number of less critical services, perfection often goes unnoticed. "Doing it right the second time" often produces more enthusiastic customer satisfaction if the service recovery process is particularly effective and memorable.<sup>15</sup> Think, for example, of the last time your restaurant server made a mistake in your order and picked up the bill for dessert. This helps explain why service recovery occupies a higher priority than "doing it right the first time" in the tool kit of most managers in the service sector. Effective service recovery often results in greater delight for employees as well as customers than a service perfectly performed the first time. It casts the service provider as a hero. In combination, the outcomes represent a service breakthrough.

**Manage the Entry-Level Workforce**  
The most effective service recovery occurs nearest the customer, by the frontline service provider. It often involves giving an entry-level employee wide-ranging latitude to correct problems, in a sense entrusting the business to someone who may be a teenager in her first job. Unless they are preceded by careful hiring, expert training, and the design of helpful support systems, recoveries can be risky. More than half of all people hired by Walt Disney World are working for the first time in an organization of any kind. The company must select new employees in large part for their positive attitudes toward others, provide training that lets them know what to expect on the job—whether they are "on stage" or "backstage"—as well as the importance of punctuality, dependability, and appearance. It sets explicit rules, for example regarding facial hair as well as acceptable hairstyles. It allows no one to be seen "on stage" in a partial costume. It prescribes behavior, depending on the job. The result is a world-renowned experience for visitors to Disney's theme parks—one that is consistently memorable, and one that is largely delivered by a group of young people barely out of high school.<sup>16</sup> Disney's challenge is not unusual. The vast majority of youth in developed economies enter the workforce through the service sector. This places a special burden on the shoulders of service management to serve society well by providing those workers with a favorable first impression.

**Disseminate Best Practices in Multisite Businesses**  
While multisite management is not peculiar to services, no manufacturing organization compares with a large fast-food chain or banking company in the number of operating locations that have to be managed. Multisite management in services can require the supervision of literally hundreds of unit managers, leading to an organization where middle managers communicate important messages to customer-facing employees. This perhaps explains why many large retailers feel that they are fortunate if 90 percent of the stores receive and act properly on instructions regarding merchandising, store layout, and shelf appearance. As if that weren't complex enough, consider the rollout of a change in strategy. Whether at Bank of America or Westpac, one of Australia's leading banks, such an effort involves so many people that it requires that ideas cascade from one level in the organization to the next until the process reaches the front line. Despite the challenges, a large number of locations also affords several opportunities. Breakthrough service organizations take advantage of multisite operations by measuring outcomes and circulating comparative data. Multisite management also offers opportunities for friendly competition among sites, experimentation at low risk at the unit level, and the sharing of best practices.

**Government is encouraging best practice in entire industries.** For example, all medical networks attain different success rates for various medical procedures. In the United States, Medicare costs per patient for roughly the same quality of outcomes can vary by nearly 100 percent in the same state.<sup>17</sup> Recognizing this, the 2010 Patient Protection and Affordable Care Act in the United States provides for the establishment of a Center for Medicare and Medicaid Innovation "to test innovative payment and service delivery models to reduce program expenditures."<sup>18</sup> The assumption here is that hospitals of a given type will be sufficiently similar to make it possible for administrators and practitioners to engage in the exchange of best practices.

**Manage Unseen Workers and Work**  
Whereas most manufacturing is carried out by large groups of workers in facilities that offer managers at all levels proximity to, and visibility of, those being supervised, many service managers do not have the advantage of such proximity and visibility. Some must manage services that are carried out in scattered locations—even remote parts of the world—by one or two workers

who can't be supervised economically. Thus, breakthrough service leaders have the unique challenge of managing unseen workers and work. Consider, for example, the engineers of Schlumberger, the world's leading purveyor of support services to petroleum producers. Schlumberger provides wireline engineering services critical for detecting and accessing the world's oil reserves. Engineers operating in ones and twos in remote areas are responsible for rigs outfitted with expensive equipment entrusted to their care. The company cannot provide day-to-day supervision of what they do. Rather, it has to rely on hiring not only the right engineers in terms of skill set but also those with the kind of attitude under often lonely working conditions that will engender the trust of their superiors. ISS, the Copenhagen-based provider of cleaning, catering, and other facility-based services around the world, has an army of low-paid cleaning people delivering hard-to-measure quality (what is clean?) at odd hours of the night, working either alone or in small teams. While the risks are not as great as those facing Schlumberger and its customers, the demands on management for careful hiring and training are much the same.

**Manage General Managers** Unlike manufacturing organizations, which follow conventional ways of organizing by function, service organizations, particularly those operating in multiple sites, require the coordinated management of operations, marketing, and human resources at the level of the operating unit, typically the lowest level of management. As a result, much of service sector management takes place at the confluence of several functions (figure 1-4). Management scholars suggest that one of the criteria for identifying general management is responsibility for several functions in an organization. If this is the case, many service organizations, out of necessity, have to nurture general managers in large numbers in close proximity to customers. General managers managing general managers are the rule, not the exception, in services.

**Measure and Manage for Results** Managers of breakthrough services also home in on different measures of performance than those in manufacturing enterprises. Whereas manufacturing management concentrates on productivity, product quality (as measured by the producer), cost per unit, safety, and on-time delivery, service management rightly focuses on employee engagement and loyalty, service quality (as perceived by customers), and customer loyalty. These are often components of a balanced scorecard for service measurement.

**FIT THE STRATEGY TO THE SERVICE TYPE (OR DON'T)** Generalizations about services are inevitably oversimplifications. Differences among services are perhaps as great as those differentiating services from manufacturing activities. The sector is so diverse that it defies concise description. How, for example, can we compare the work of a hair stylist (highly personal, performed face-to-face, difficult for the cust