

Service Performance Measures

Performance monitoring is a fundamental element within contract management and supplier development. By measuring supplier performance P&SM professionals can ensure the supplier is fulfilling their contractual obligations. Service level agreements (SLA) and key performance indicators (KPI) are an essential part of the supplier contract.

The benefits of measuring supplier performance include, identifying and addressing weaknesses, tracking innovation and continuous improvement, a two way understanding of organisations, customers, and products etc, improving supplier relationships and facilitating the benchmarking of suppliers against their competitors. Buyers need to be cautious of the data, especially when measuring services, this is because much of the criteria is very subjective.

What is a service?

Services can be defined as:

'All those economic activities that are intangible and imply an interaction to be realised between service provider and consumer' Lysons and Farrington *Purchasing and Supply Chain Management* Seventh Edition.

Services are a process or an act that requires customers to participate in its production. They are therefore heterogeneous and instantly perishable by their nature. There are many factors that influence the delivery of each service because of the human interaction required. The measurement of services is somewhat subjective due to the service differing depending on its provider and customer, as well as external influences such as temperature, duration, time of day, comfort etc.

Difficulties in measuring services

Where manufacturing business can improve productivity through monitoring and reducing waste and variance, tracking and improving service processes is much more complex.

Services are highly customised to suit differing organisations needs and their basic unit of productivity (people), produce varying outputs based on skills, experience, attitudes and motivation. Likewise the customers' perception of the service

causes greater variation dependant of previous experience, knowledge, attitude and their environment.

Buyers often face resistance from suppliers when assessing such subtle measures as they can be argued that they are inherently random and each situation is unique. By demonstrating that observations can be made to reduce waste and variances, P&SM professionals can sell the process to service managers by bringing down costs and improving the quality of the product.

The difficulty is converting the intangibles into quantifiable measures, and defining what can be measured, scored and weighting the KPIs. The measures can be defined as hard, technical and functional performance, and soft, behavioural performance. Differing techniques are required to capture the data, for soft measuring tools such as customer satisfaction questionnaires are applied. It is often a mixture of both hard and soft criteria that are required.

For example, a training course could be evaluated using the following factors.

Hard (tangible) measures can be gathered using a check list.

- Number of attendees
- The course started and finished according to the schedule
- Materials were provided, handouts, pens paper etc
- The objectives set out were covered
- The trainer holds qualifications in the relevant field
- Students passed the exam.

Soft (intangible) measures are gathered using customer satisfaction surveys.

- The trainer was knowledgeable
- The students had a better understanding of the subject after completing the course
- The environment was comfortable, lighting, heating, seating, refreshments etc.

Once the information is gathered it must then be scored and weighted. All KPI's need to be SMART, Specific, Measureable, Achievable, Realistic, Time related. The challenge is to ensure that the measures are within the control of the trainer, and that you only score what can be reasonably quantified. For example;

- Number of attendees may be due to geographical location or availability of the delegates
- Poor exam results could be due to delegates ability rather than the trainers skills
- The perceived knowledge of the trainer is a matter of opinion
- The comfort of the environment is a matter of taste and therefore subjective.

Although these are valid success value measures P&SM professionals should err on the side of caution when interpreting and weighting the relevance of the results. Using average scoring for example can be skewed by extreme opinions from customer feedback. Personal experiences, attitudes, expectations and motivations can heavily influence results. It is therefore critical to success that the criteria are mutually agreed by both parties and the tools and formula thoroughly tested.

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