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Improving service quality in America: Lessons learned

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Executive Overview

Delivering excellent service is a winning strategy. Quality service sustains customers' confidence and is essential for a competitive advantage. Yet many companies are struggling to improve service, wasting money on ill-conceived service programs and undermining credibility with management rhetoric not backed up with action. Are there guidelines to help managers chart a service-improvement strategy for their organizations? We think so. In this article ten lessons from an extensive ten-year study of service quality in America are presented—lessons that we believe apply across industries and are essential to the service-improvement journey.

Excellent service is a profit strategy because it results in more new customers, more business with existing customers, fewer lost customers, more insulation from price competition, and fewer mistakes requiring the reperformance of services. Excellent service can also be energizing because it requires the building of an organizational culture in which people are challenged to perform to their potential and are recognized and rewarded when they do.

Service is a key component of value that drives any company's success. To the customer, value is the benefits received for the burdens endured—such as price, an inconvenient location, unfriendly employees, or an unattractive service facility. Quality service helps a company maximize benefits and minimize non-price burdens for its customers.

Over the last ten years, we have been studying service quality in America,[1] focusing primarily on these questions:

- What is service quality?
- How can service quality best be measured?
- What is the nature of customer expectations for service and what are the sources of these expectations?
- What are the principal causes of service-quality deficiencies?
- What can organizations do to improve service quality?

In this article, we focus on the last question, presenting lessons learned that we believe are essential for improving service quality.

Lesson One: Listening

The downtown Chicago Marriott hotel had been open for fifteen years before its management discovered that sixty-six percent of all guest calls to the housekeeping department were requests for irons and/or ironing boards. With this discovery, the hotel manager decided to put irons and ironing boards in all guest rooms—a $20,000 investment. The problem was where to find the $20,000.

The solution was in the following year's capital budget: $22,000 was earmarked to replace black and white television sets with color sets in the bathrooms of concierge-level guest rooms. With no evidence that guests ever requested color television sets for the bathroom, the manager purchased the irons and ironing boards instead.

Although this story has a happy ending, many like it do not. One of the most common service-improvement mistakes that companies make is to spend money in ways that do not improve service. Aside from being wasteful, such spending hurts the credibility of the service-improvement cause. When invested monies do not produce results, there is little incentive to spend more.

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Quality is defined by the customer. Conformance to company specifications is not quality; conformance to the customer's specifications is. Spending wisely to improve service comes from continuous learning about the expectations and perceptions of customers and noncustomers. Customer research reveals the strengths and weaknesses of a company's service from the perspective of those who have experienced it. Noncustomer research reveals how competitors perform on service and provides a basis for comparison. Important expectations for the service that competitors fulfill better offer an agenda for action.

Companies need to install an ongoing service research process that provides timely, relevant trend data that managers become accustomed to using in decision making. Companies need to build a service quality information system, not just do a study. Conducting a service quality study is analogous to taking a snapshot. Deeper insight and a sense for the pattern of change come from a continuing series of snapshots taken from many angles.

Table 1 illustrates the concept of ongoing research through a portfolio of research approaches. This table is meant to convey the concept of systematic listening and not to offer definitive guidance on what a service quality information system should entail. The goal is to become a "listening company;" the specifics of how will vary from company to company.

Lesson Two: Reliability

Our research suggests five broad service dimensions that customers use as criteria to judge service quality. The dimensions are not mutually exclusive, yet they provide a framework helpful in understanding what customers expect from service providers. The five dimensions are:

- *RELIABILITY: (32%)* The ability to perform the promised service dependably and accurately.
- *RESPONSIVENESS: (22%)* The willingness to help customers and provide prompt service.
- *ASSURANCE: (19%)* The knowledge and courtesy of employees and their ability to convey trust and confidence.
- *EMPATHY: (16%)* The caring, individualized attention provided to customers.
- *TANGIBLES: (11%)* The appearance of physical facilities, equipment, personnel, and communication materials.

Of these five dimensions of service quality, reliability is the most important. In each of our thirteen customer surveys, respondents rated reliability as the single most important feature in judging service quality. When we asked more

Table 1
Building a Service Quality Information System

Type of Research	Frequency	Purposes
Customer complaint solicitation	Continuous	Identify dissatisfied customers to attempt recovery; identify most common categories of service failure for remedial action.
Post-transaction surveys	Continuous	Obtain customer feedback while service experience is still fresh; act on feedback quickly if negative patterns develop.
Customer focus group interviews	Monthly	Provide a forum for customers to suggest service-improvement ideas; offer fast, informal customer feedback on service issues.
"Mystery shopping" of service providers	Quarterly	Measure individual employee service behavior for use in coaching, training, performance evaluation, recognition and rewards; identify systemic strengths and weaknesses in customer-contact service.
Employee surveys	Quarterly	Measure internal service quality; identify employee-perceived obstacles to improved service; track employee morale and attitudes.
Total market service quality surveys	Three times per year	Assess company's service performance compared to competitors; identify service-improvement priorities; track service improvement over time.

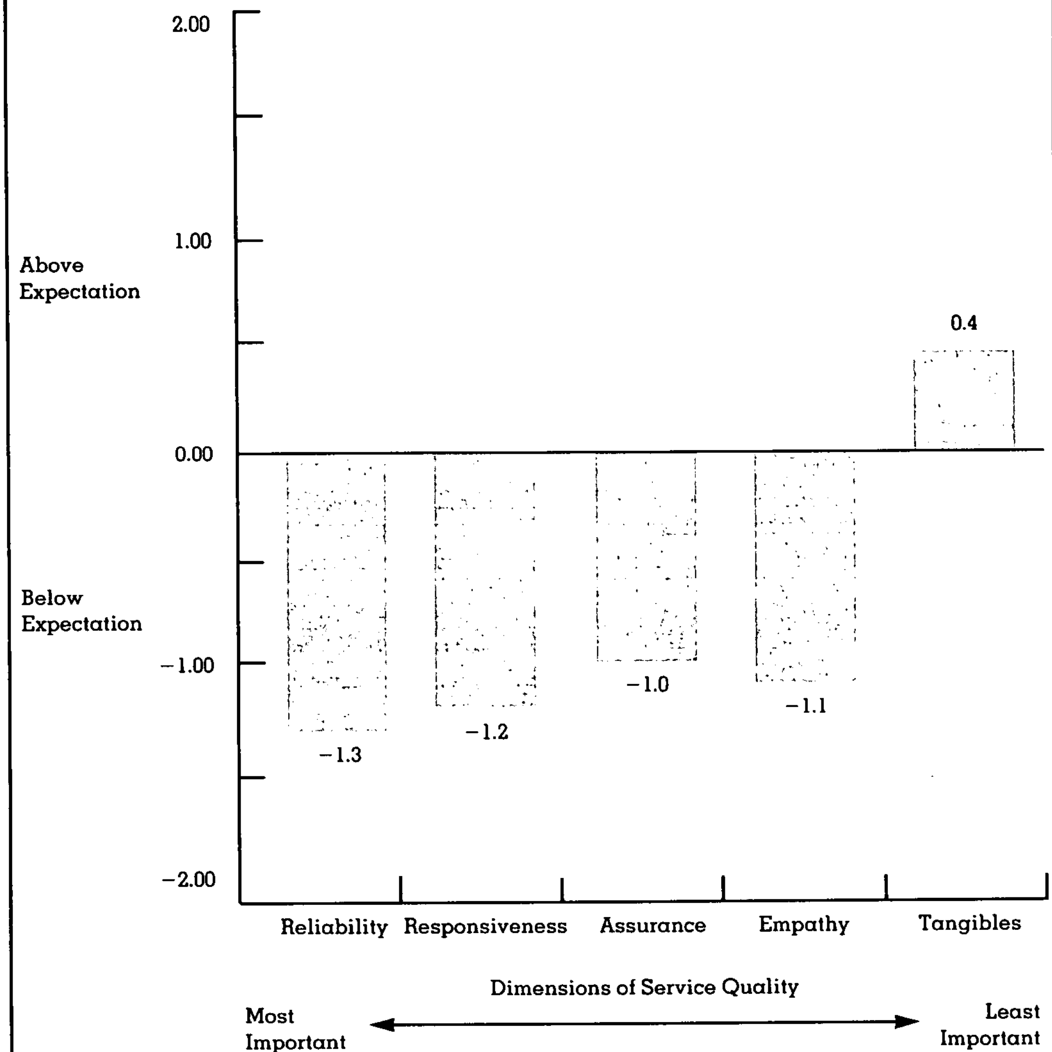
than 1900 customers of five large, well-known U.S. companies to allocate a total of 100 points across the five service dimensions, we found thirty-two percent of the points were placed on reliability (see percentages in parentheses for each dimension). Reliability is the core of quality service. Little else matters to customers when a service is unreliable. When a firm makes frequent mistakes in delivery, when it doesn't keep its promises, customers lose confidence in the firm's ability to do what it promises dependably and accurately. Friendliness from the staff and sincere apologies do not compensate for unreliable service. Although most customers appreciate an apology, the apology does not erase the memory of that service. If a *pattern* of service failure develops, customers conclude the firm cannot be counted on, friendly and apologetic or not.

As Exhibit 1 shows, companies are more deficient on reliability than on any other dimension. Deficiencies are greatest on the service dimension most important to customers. Companies perform the best on the least important dimension of tangibles, suggesting an opportunity for refocusing efforts on improving service reliability.

Some managers believe that it is not practical to try to eliminate mistakes. This attitude is problematic for it does not challenge managers to boldness and creativity in improving the service dimension most important to customers. A company with 100,000 weekly transactions, and with a 98 percent reliability rate, still undermines the confidence of 2,000 customers each week.

Hard Rock Cafe, an immensely successful restaurant and retail chain with locations throughout the world, follows religiously the service tenet of "double checking" to minimize errors. The tenet is: *Be careful and don't make a mistake*

Exhibit 1. Perceived Service Quality*



* Based on a five-company study, service quality was determined by measuring customer expectations for the service and customer perceptions of the company against these expectations. If perceptions of the company were below the customer's expectations, the difference was scored negatively. The larger the minus score, the lower the company's service quality.

in the first place. If a mistake does occur, correct it before it reaches the customer. Hard Rock Cafe Orlando implements double checking through two "extra" people in the kitchen. One is stationed inside the kitchen and the other at the kitchen counter. The inside person reviews everything that is going on, looking for signs of undercooked or overcooked meals, wilting lettuce, etc. The counter person, or "expediter," checks each prepared plate against the order ticket before the plate is delivered to the table. While this system is an added expense, it has worked well for this restaurant which on a busy day will serve 6,000 meals to customers who may have waited in line for a table for an hour or more.

Preston Trucking Company, a Maryland-based firm selected in the late 1980s as one of America's ten best companies to work for, nurtures service reliability values in a different way. Preston has each employee sign a service excellence statement. Posted in each Preston facility, the statement reads in part:

Once I make a commitment to a customer or another associate, I promise to fulfill it on time. I will do what I say when I say I will do it. . . . I understand that one claim or one mistake is one error too many. I promise to do my job right the first time and to continually seek improvement.

Lesson Three: Basic Service

Related to the lesson of reliability is the lesson of basic service. America's service customers want the basics—they expect fundamentals, *not* fanciness; performance, *not* empty promises. In all of our customer research, we have yet to find any evidence of extravagant customer expectations. Comments from focus group interviews illustrate the lesson of basic service.

> **Automobile Repair Customers:** *Be Competent* ("Fix it right the first time"); *Explain Things* ("Explain why you need the suggested repairs—provide an itemized list"); *Be Respectful* ("Don't treat me like a dumb female").
>
> **Hotel Customers:** *Provide a Clean Room* ("Don't have a deep-pile carpet that can't be completely cleaned . . . you can literally see germs down there"); *Provide a Secure Room* ("Good bolts and peephole on door"); *Treat me like a Guest* ("It is almost like they're looking you over to decide whether or not they're going to let you have a room"); *Keep your Promises* ("They said the room would be ready, but it wasn't at the promised time").
>
> **Equipment Repair Customers:** *Share my Sense of Urgency* ("Speed of response. One time I had to buy a second piece of equipment because of the huge down time with the first piece"); *Be Competent* ("Sometimes you are quoting stuff from their instruction manuals to their own people and they don't even know what it means"); *Be Prepared* ("Have all the parts ready").
>
> **Automobile Insurance Customers:** *Keep me informed* ("I shouldn't have to learn about insurance law changes from the newspaper"); *Be on my Side* ("I don't want them to treat me like I am criminal just because I have a claim"); *Fair Play* ("Don't drop me when something goes wrong"); *Protect me from Catastrophe* ("Make sure my estate is covered in the event of a major accident"); *Provide Prompt Service* ("I want fast settlement of claims").

Clearly, none of these comments would suggest the inflated, unreasonably high expectation levels that some executives attribute to today's customers.

De Mar, a plumbing, heating, air conditioning and refrigeration company in Clovis, California, grew from just over $200,000 annual revenue to $3.3 million in approximately six years by identifying and then responding to customers' most salient expectations. Customers wanted timely service in emergencies and De Mar responded by providing 24-hour-a-day, seven-day-a-week service. De Mar also guarantees same-day service for customers requiring it. Customers wanted accurate cost estimates and De Mar answered by guaranteeing its estimates before the work is done.

The Ritz-Carlton Hotel Company, a 1992 Baldrige Award winner, has captured its essential service strategy in a small plastic card given to all employees. Considered to be part of the uniform, the card contains the company's service credo and its motto: "We are Ladies and Gentlemen Serving Ladies and Gentlemen." It also lists the Ritz-Carlton Basics—twenty prescriptions, such as "Any employee who receives a customer complaint 'owns' the complaint." De

Mar and Ritz-Carlton epitomize the lesson of basic service. Both companies have determined the fundamentals of service that are most important to their customers, and are highly focused on delivering these fundamentals well.

Lesson Four: Service Design
Reliably delivering the basic service customers expect depends in part on how well various elements function together in a service system. These elements include the people who perform the specific services in the service chain, the equipment that supports these performances, and the physical environment in which the services are performed. Design flaws in any part of a service system can reduce quality. It is tempting to blame poor quality on the people delivering service but frequently the real culprit is poor service system design.

Often, it is in the details that service system designs are flawed: clothing store dressing rooms with only one hook (or sometimes, no hooks) instead of the minimum two hooks required for take-off and try-on clothing; hotel rooms with such poor lighting that guests are discouraged from any night-time activity requiring visual acuity; computer-generated billing statements that are impossible for customers to understand.

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Service mapping is one way to improve service system design. A service map is a visual definition of a service system, displaying each subprocess in the system in the sequence in which it appears. In effect, the service map depicts the chronology and pattern of performances that make up a service. If drawn explicitly, it answers the questions: "What is the service?" and "How does it work?"

A service map should not be confused with architectural drawings: an architect works in ***space***. A service is a performance and the service system designer orchestrates the service over ***time***. By mapping the details of the service system by transforming a series of intangible processes into a tangible picture, the service system becomes more amenable to management control and design improvement.[2]

Two important components of service mapping are "lines of visibility" and "fail points." The line of visibility in a service map separates those processes that are visible to the customer from those that are not. Interconnecting "above-the-line" and "below-the-line" service processes explicates the effect the latter has on the former. Fail points are the processes in the service system most vulnerable to failure. Identifying fail points can lead to system redesign, corrective subprocesses, special staff training, or additional inspection.

Employees from different parts of the service chain can work with a mapping specialist to create a service map. It is slow, laborious, painstaking work. The methodology is to draw increasingly detailed pictures of the service system (what happens first, what happens next, and so on) and then ask: "Is there a better way?" The objective is to redesign the service system to be simpler, more reliable, more efficient, more responsive, or improved in some other way. Customer input is critical in service mapping—first to establish improvement priorities and then to react to proposed new service designs.

A temporary employment company, one of the nation's largest, improved its service system designs by combining service mapping and time and motion studies. It learned that its account representatives spent too little time interacting with customers because of convoluted operating procedures, frequent interruptions, and outdated technology. The company streamlined its procedures and installed more efficient technology.

Delivering quality service is in part a design challenge. The lesson of service design involves developing a holistic view of the service while managing the details of the service. Both perspectives deepen managers' understanding of the service, making it easier to fit it to customers' expectations.

Lesson Five: Recovery

When a service problem occurs, the customer's confidence in the firm hangs in the balance. The company can make things better with the customer—at least to some extent—or make things worse.

Frequently, service companies make things worse. They do not encourage their customers to resolve their problems and set up roadblocks for those who try to do so. They do not put sufficiently trained personnel, or enough of them, in problem-resolution positions. They do not give employees the authority to solve most problems immediately. They do not invest in the communication and information systems that would support the problem-resolution service.

In effect, companies that do not respond effectively to customer complaints compound the service failure; they fail the customer twice.

Three possibilities arise when a customer experiences a service problem: the customer complains and is satisfied with the company's response, the customer complains and is ***not*** satisfied with the company's response, or the customer does ***not*** complain to the company and remains dissatisfied.

Our research consistently shows that companies receive the most favorable service quality scores from customers experiencing no recent service problems with them, and, by far, the worst scores from customers whose problems were not resolved satisfactorily. In effect, companies that do not respond effectively to customer complaints ***compound*** the service failure; they fail the customer twice.

Many dissatisfied customers do not complain directly to the company—to avoid a confrontation, or because they perceive no convenient way to complain, or do not believe complaining will do much good. Customers' reluctance to complain even when they are faced with serious problems has been well documented.[3] Companies can overcome some of this reluctance and improve recovery service in three ways:

1. *Encourage customers to complain and make it easy for them to do so.* Managers who wish to improve problem-resolution service must overcome the common customer perception that companies don't really care when things go wrong. Many firms rely exclusively on reactive recovery strategies in which customers must initiate contact. Comment cards available in the service facility and toll-free telephone numbers are examples of reactive systems. These approaches are useful but they preclude customers unwilling to take the first step. Thus, proactive strategies, in which the company makes the first contact, should be considered. Customers checking out of the Harvey Hotel in Plano, Texas, may be approached by a "Lobby Lizard," a member of management, who asks: "How can we do better?" This proactive feedback method gives management the opportunity to recover with an unhappy guest and provides ideas for service improvement.

2. *Respond quickly and personally*. Companies often take too long to respond to unhappy customers, and then respond impersonally. By responding quickly, a firm conveys a sense of urgency. Quick response demonstrates that the customer's concern is the company's concern. By responding personally, with a telephone call or a visit, the firm creates an opportunity for dialogue with the customer—an opportunity to listen, ask questions, explain, apologize, and provide an appropriate remedy. North Carolina's Wachovia Bank has a "sundown rule"—the bank must establish contact with an unhappy customer before sunset on the day the complaint is received.
3. *Develop a problem resolution system*. Service employees need specific training on how to deal with angry customers and how to help customers solve service problems. In some cases, they need access to information systems that will tell them more about the customer, the situation causing the problem, and possible solutions. When American Express card holders telephone the company's toll-free number listed on their monthly statement, they speak to a highly trained customer service representative with the authority to solve eighty-five percent of the problems on the spot.

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The lesson of recovery is taking the long view of restoring the customer's confidence in the company. How a company handles recovery service speaks volumes to customers and employees alike about the company's true values.

Lesson Six: Surprising Customers

Customers judge the dimensions of responsiveness, assurance, empathy and tangibles during the service delivery process; hence, these are process dimensions. Reliability, judged following the service, is an outcome dimension. Although reliability is the most important dimension in meeting customers' service expectations, the process dimensions—especially assurance, responsiveness, and empathy—are most important in exceeding them. Companies are supposed to be reliable; they are supposed to provide the service they promise to provide. Thus, it is difficult for firms to exceed customers' expectations by being reliable. The process dimensions of service, however, provide the opportunity to *surprise* customers with uncommon swiftness, grace, courtesy, competence, commitment, or understanding. The opportunity is present to go beyond what is expected. In effect, exceeding customers' expectations requires the element of surprise, and the best opportunity for surprising customers is when service providers and customers interact.

An example of surprising customers comes from Continental Cablevision, a cable television system in St. Paul, Minnesota. Continental has programmed a channel called "TV House Calls" in which a representative demonstrates, live, the solution to a subscriber's problem while that customer is watching. Customer reaction has been extremely positive. A company spokesman says: "People are absolutely astounded. You can almost see jaws dropping at the other end of the phone when they experience this."[4]

Companies must seek excellence on both the outcome ***and*** process dimensions of service to develop a reputation for truly outstanding service. Excellent service reliability allows a company to compete. The addition of excellent process service creates a reputation for superior service quality. To reach these heights, companies must capitalize on opportunities to surprise their customers. Managers should consider this question: "What is the 'wow' factor in our service?"

Lesson Seven: Fair Play

Customers expect service companies to treat them fairly and become resentful and mistrustful when they perceive otherwise. Fairness underlies all the customers' expectations. Customers expect service companies to keep their promises (reliability), to offer honest communication materials and clean, comfortable facilities (tangibles), to provide prompt service (responsiveness), to be competent and courteous (assurance), and to provide caring, individualized attention (empathy). Fairness is not a separate dimension of service but, rather, touches the very essence of what customers expect.

The intangibility of services heightens customers' sensitivity to fairness issues. Because services are performances rather than objects, they are difficult for customers to evaluate prior to purchase. Customers cannot try on services for fit and feel; there are no tires to kick such as in buying an automobile. Customers usually must buy the service to actually experience it. Thus, they must trust a service company to deliver on its promises and conduct itself honorably.

Some services are difficult for customers to judge even after they have been performed and therefore trust plays a big role. Were all the repairs on the automobile necessary? Did the maintenance crew follow protocol in preparing an aircraft for flying? Did the marketing research firm conduct all of the specified interviews? As important as the lesson of fair play is for services in general, we believe it is even more important for these services because customers are at such an information disadvantage with the service provider.

Service companies need to make special efforts to be fair and to demonstrate fairness. Companies can use customer research to generate feedback on the fairness of their practices, actual and contemplated. Firms can attempt to communicate more openly, creatively, and regularly with customers and other stakeholders about what they do and why they do it. Companies can demonstrate fairness by improving access to relief when problems occur.

A potentially powerful strategy for demonstrating fairness is the service guarantee. If customers are dissatisfied with the service, they can invoke the guarantee and receive consideration for the burden they have endured. When executed well,[5] service guarantees can symbolize a company's commitment to fair play with customers, facilitate competitive differentiation, and force the organization to improve service quality to avoid the cost and embarrassment of frequent payouts.

Roasters and Toasters, a gourmet coffee and baked goods cafe, promotes its guarantee on menus and wall posters: "Uniquely exceptional and outstanding food and service or it's on the house." The customer defines outstanding. The cafe claims a 95 percent customer retention rate. Hampton Inn offers the night's stay free to customers who are dissatisfied with the hotel's service. Any hotel employee can implement the guarantee. The guarantee allows Hampton Inn to track customer complaints and make the necessary improvements. Hotel employee retention has improved, and nearly nine out of ten guests who invoke the guarantee indicate that they will stay at Hampton Inn again.

The lesson of fair play concerns the company's underlying value system. Does management place stakeholders' trust over short-term earnings? Does management ask the question "Is it fair?" not just the question "Is it legal?"

Managers interested in delivering excellent service must also be interested in being fair to customers.

Lesson Eight: Teamwork

Service work is frequently demanding and stressful. Having many customers to serve, such as on a full airline flight or in a busy bank office, can be mentally and physically exhausting. Some customers are unpleasant, cross, or worse. Control over the service is often dispersed among different organizational units that function without cooperation, frustrating contact employees' ability to effectively serve their customers. It is common for employees to be so stressed by the service role that they become less caring, less sensitive, less eager to please.

The presence of service "teammates" is an important dynamic in sustaining servers' motivation to serve. Coworkers who support each other and achieve together can be an antidote to service burnout. Team involvement can be rejuvenating, inspirational, and fun. Our research shows convincingly that service-performance shortfalls are highly correlated with the absence of teamwork.

Service team building should not be left to chance. The chain of internal services required to offer the end service normally spans multiple functions. Companies must actively work at fostering teamwork across these functions, not just within them. This may involve frequent meetings of the functions and other communications; shared performance goals, measurements, and rewards; and cross-training employees in various facets of the service chain.

Team involvement can be rejuvenating, inspirational, and fun.

A more fundamental approach is organizing into cross-functional teams in which service providers from different parts of the service chain are grouped to serve a common set of customers. Lakeland Regional Medical Center in Lakeland, Florida, has used this approach quite successfully by organizing bedside care around teams of multiskilled practitioners. These teams are comprised of "care pairs"—a registered nurse and a cross-trained technician—supported by specialized assistance as needed. Care pairs work in care teams with other care pairs across shifts to serve the same physician's patients throughout the patients' hospital stay. Care pairs provide up to ninety percent of pre- and post-surgical services for four to six patients at a time. Intensively trained, and supported by a computer terminal in each patient's room, the care pair's range of functions includes preadmission testing and information services, admitting, charting, charging, room cleanup, patient transportation, physical therapy, respiratory care treatments, and performance of ECG procedures.

Lakeland's management refers to the new organizational approach as the "patient-focused model." Management believes the key to the model's success with patients and service providers is the continuity of care facilitated by the care team concept. Management can directly compare the classical and patient-focused models because only part of the hospital has been converted to the new system thus far. The data are striking. In a classical setting, the average Lakeland patient sees fifty-three different personnel in a four-day stay. In the patient-focused environment, the average patient sees thirteen staff members. For seventy-one of seventy-two patient satisfaction measures, patients in the restructured environment ranked their experiences equal to or better than patients in the classical environment. For forty-nine of the seventy-two measures, the results are statistically significant.[6] When forty-four of the staff members involved in the original pilot project were surveyed, they reported improvements in job stress, quality of work life, perceptions of quality of care, and overall job satisfaction.[7]

Lesson Nine: Employee Research

Employee research is as important to service improvement as customer research, for three reasons. First, employees are themselves customers of internal service, and thus are the only people who can assess internal service quality. Because internal service quality affects external service quality, measuring internal service quality is essential. Second, employees can offer insight into conditions that reduce service quality in the organization. Employees experience the company's service delivery system day after day. They see more than customers see and they see it from a different angle. Employee research helps reveal why service problems occur, and what companies might do to solve these problems.[8] Third, employee research serves as an early-warning system. Because of employees' more intensive exposure to the service delivery system, they often see the system breaking down before customers do.

Improving service involves undoing what exists as much as creating what doesn't.

First Chicago is an ardent practitioner of employee research. In addition to holding regular focus group interviews with employees, the bank systematically surveys them. In a recent year the first quarter's survey included questions such as: "Do you have what you need to do your job?" and "Does the equipment work?" The second quarter survey involved employees' attitudes toward the bank's services, prices, and communications. The third quarter survey concerned employees' perceptions of internal service quality. The fourth quarter survey covered employees' satisfaction with their immediate supervisors and senior management. Employees rated managers on issues such as whether they discussed work priorities, appreciated extra effort, and were visible. The bank also operates an employee telephone hotline called "2-Talk" that is answered in the Consumer Affairs Department. Employees are encouraged to call 2-Talk whenever they receive poor service themselves, witness service problems, or have service-improvement ideas.[9]

The lesson of employee research relates directly to several other lessons. When the product is a performance, it is especially important that companies listen to the performers. This listening behavior should result in improved service system design. Listening to employees and addressing their concerns promotes teamwork between management and service personnel.

Lesson Ten: Servant Leadership

Improving service involves undoing what exists as much as creating what doesn't. Delivering excellent service requires a special form of leadership we call "servant leadership." Servant leaders serve the servers, inspiring and enabling them to achieve. Such leaders fundamentally believe in the capacity of people to achieve, viewing their own role as setting a direction and a standard of excellence, and giving people the tools and freedom to perform. Because these leaders believe in their people, they invest much of their personal energy coaching and teaching them, challenging them, inspiring them, and, of course, listening to them.

The late Sam Walton, who built Wal-Mart Stores into the largest retail chain in America, was the quintessential servant leader. Walton devoted considerable time to visiting his stores, listening to the sounds of the business, removing impediments to improvement, and communicating the company's vision to Wal-Mart associates.

We do not have hard data to support our belief that servant leadership is the engine that moves organizations toward service excellence. Yet, ten years studying the subject of service quality convinces us it is so. Interviews with staff at Lakeland Regional Medical Center—from senior management to care pair personnel—are indicative of the evidence we have accumulated on the importance of servant leadership in service improvement.

Members of the Patient Focused Development Team, a middle-management group responsible for helping to drive Lakeland's restructuring, were asked to identify the keys to the effort's success. One member answered: "Top management role-modeled it for us. They spent a lot of time developing the vision and working it out." Another member responded: "Management has relinquished control and power. They know that we know what to do." A third member added: "Management provided the education to support the change. They articulated what the restructuring was and was not."

Without the energizing vision of leadership, without the direction, inspiration, and support, the direct investments in service-improvement—in technology, systems, training, and research, for example—do not produce full benefit.

A Final Perspective

By now it should be clear that our ten lessons are not mutually exclusive and that they must be viewed in a holistic manner. To that end, we have constructed

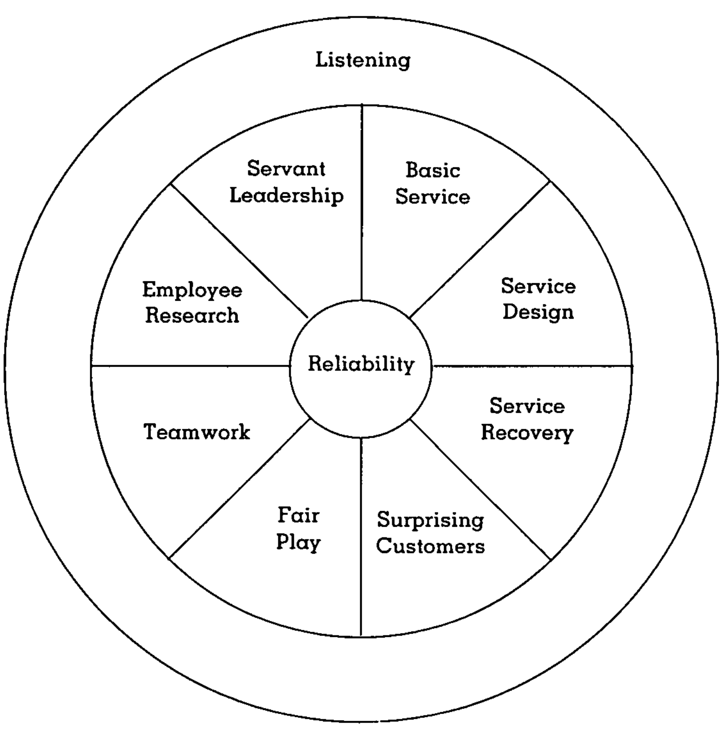

Exhibit 2. A Service Quality Ring

in Exhibit 2 a service quality ring to capture these interrelationships. Listening is positioned on the outer ring because listening has an impact on all the other lessons. Identifying the basics of service, improving service system design, recovering from service shortfalls—these and other essentials of service quality involve listening behavior. Reliability is pictured in the center, because reliability is the core of service quality. Little else matters to customers when the service is unreliable. The sequence of the lessons is purposeful. The service system should be designed to deliver the basic service excellently. Recovery service usually provides an opportunity to surprise customers and to demonstrate fair play. Teamwork, employee research, and servant leadership are critical factors in an organization's emotional readiness to deliver quality service.

Endnotes

[1] Details of our research are presented in five monographs published by the Marketing Science Institute, Cambridge, MA (Reports No. 84-106, 86-108, 87-100, 90-122, and 91-113). The authors gratefully acknowledge the Marketing Science Institute for supporting the research on which this article is based. Our research protocol has been to explore issues through qualitative research, model what we find, and then use quantitative research to test relationships in the model. Thus far, in five research phases, we have conducted 28 customer focus group interviews in multiple cities, thirteen customer surveys, and a case study of one of America's largest banks. We have also done personal interviews, focus group interviews, and surveys with service employees and managers. We have now conducted research in a dozen service sectors, including automobile repair, automobile insurance, property and casualty insurance, hotels, securities brokerage, and truck and tractor rental/leasing.

[2] J. Kingman-Brundage, "Blueprinting for the Bottom Line" in *Service Excellence: Marketing's Impact on Performance* (Chicago: American Marketing Association, 1989), 26. This volume contains five papers on service blueprinting/mapping for readers interested in pursuing this subject.

[3] J. Anton, "Why It Pays to Solicit Customer Complaints," *Telemarketing*, 7(5) November 1988. Technical Assistance Research Programs (TARP), a consulting firm specializing in the study of customer complaints, has shown that 31 percent of customers facing an average potential loss of $142 due to defective products or services still did not complain.

[4] S. Applebaum, "The Solution Channel," *Cablevision*, July 29, 1992, 26.

[5] For an excellent discussion of the characteristics of an effective service guarantee, see C.W.L. Hart, "The Power of Unconditional Service Guarantees," *Harvard Business Review*, 66(4) July-August 1988, 54-62. Also see C.W.L. Hart, *Extraordinary Guarantees* (New York: American Management Association, 1993).

[6] Unpublished data provided by Lakeland Regional Medical Center, Lakeland, Florida.

[7] To read more about this research and to learn more about the background of the patient-focused model of health-care delivery, see P.M. Watson, *et al.*, "Operational Restructuring: A Patient-Focused Approach," *Nursing Administration Quarterly*, 16(1) Fall 1991, 45-52.

[8] In our research with employees, we have used with great success two key questions as part of a broader group of questions: 1. What is the biggest problem you face day in and day out trying to deliver a high quality of service to your customers? 2. If you were president of this company for one day, and could make only one decision to improve quality of service, what decision would you make? Answers to these two questions can be especially valuable in starting or revitalizing a service-improvement effort for the questions cut through surface issues to expose serious service impediments in the organization.

[9] To read more about First Chicago's approach to employee research, see L. Cooper and B. Summers, *Getting Started in Quality* (Chicago: The First National Bank of Chicago, 1990).

About the Authors

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Executive Commentary

Dennis Adsit, Bull HN

Over the last few years, the primary focus of service quality improvement efforts at Bull HN has been on what Berry, *et al.*, term "service design" and "employee research." Working these areas has yielded a number of key lessons.

Service Design. We targeted our handling process for analysis, completing what is referred to as a "service map" of our work procedures. The hopelessly entangled picture that resulted left little doubt that we had to streamline this critical process. We then embarked on the daunting task of changing the process as well as upgrading the various information systems that support it.

In this initial part of my commentary, I would like to pass along the lessons learned in managing the transition period, the time period during which service map results are being addressed. The first lesson has to do with communication; basically, you can never do too much.

Through letters and face-to-face meetings, we told our customers we would be investing considerable time and effort as well as dollars in upgrading our services. We promised them that as a result they would see some changes in their interactions with us when the job was finished. With respect to employees, we involved a cross-functional, multilevel team from the time we began the planning of the redesign to the final implementation. We kept employees not involved in the planning team informed through videos and various written communications. In these communications, we played it by the book, focusing primarily on the vision—how the new service delivery process would look and the benefits it would hold for customers. We even talked about the changes the improvements would bring about in the ways employees did their jobs. Along with these aspects of our vision statement, we detailed the rationale behind the changes anticipated.

Despite our good intentions and hard work, we ran into problems throughout the transition period. Chief among them was our inability to completely insulate our customers from drops in the level of service quality during the transition.

When customers called in, they sometimes experienced long hold times, or they got disconnected and had to call back because we had "dropped" their calls. As Berry, *et al.*, point out, when this kind of unreliability occurs, your relationship with your customers is in jeopardy. Good communication with your employees is essential at this time; they can buffer the impact.

Based on our experience, we suggest that an organization about to undertake a service redesign project pay attention to three points to ensure that good employee communication takes place throughout the process. First, much has been said about the importance of vision in a change management effort. However, in the vision state, things work perfectly. What's more critical to customers and employees is the transition period. The organization and its customers need to be prepared for the possibility that the change will not be as smooth as they would like it to be. Focussing on working together to solve the problems can minimize finger pointing as well as the development of an "us vs. them" mentality.

Second, once the rollout begins, the implementation team needs to keep employees and management apprised of each milestone in the rollout. They need to know what problems are surfacing, and what is being done to fix them. Illusory or not, this gives employees a better sense that the project, while difficult, is under control. They, in turn, can more confidently represent this view to customers.

Finally, when a system enhancement involves removing some value-added functionality, it may be viewed as a loss by employees and increase their resistance to the change effort. Global gains can often involve local losses. The organization needs to be clearer about such changes as well as about the reasons behind the loss of functionality.

The ultimate goal of a service redesign effort is to improve service quality and productivity. However, the road to improved productivity and quality can involve service interrupts, delays, miscommunications, and emotional flare-ups as a result of worn nerves. How a company treats its employees during the reengineering effort is just as important as how it treats its customers. The better informed employees are, the better they will be able to solve problems, manage their own stress, and handle frustrated customers.

Employee Research. At Bull HN, our efforts at conducting employee research take two forms: an annual employee survey, and in-depth, targeted climate assessments.

The former is primarily an upward appraisal process for managers, with many of the questions reflecting the "Servant Leadership" model discussed in the article. The survey does, however, also include some questions about teams and customers.

With any ongoing survey effort, one must vigilantly guard against the onset of employee cynicism. We have run into this throughout the life of our survey, as reflected in such comments as, "They don't really care what we think," and "Nothing ever happens as a result of these surveys anyway." The conventional wisdom is that overcoming cynicism depends on what you do with the results. We have learned, however, that minimizing negative attitudes about the survey depends not only on what we do with the results but also on other factors such as survey administration and follow-up.

Our first administration of the survey taught us a lot. We built a long, comprehensive survey. Only after surveys were mailed out, mailed back, keypunched, analyzed, and fed back to senior management were individual survey results released to managers and other employees. By this time, three to four months had elapsed from the time surveys had been completed and turned in. In the "nanosecond nineties," this much of a delay is not acceptable. It sends out a signal to employees that you are not serious about listening to them or taking their comments to heart by giving them prompt attention.

Based on the lessons learned since our first survey, we have streamlined the administration process. We cut the number of items from over one hundred to less than thirty. This drastically reduces the length of time it takes for employees to fill out the survey. The idea is to keep the "hassle factor" to a minimum. Next, we encouraged managers to focus their improvement efforts in three to five key areas. With hundreds of items, it is hard to prioritize improvements. By eliminating items and helping managers focus better, it reduces the sense that nothing is being done with the results.

Finally, from an administration standpoint, we eliminated the manual input of the results. We invested in some hardware and software that enabled employees to use their telephones to respond to the survey. This does not reduce the time it takes for employees to complete their surveys, but it means that we can have reports in the hands of managers days after the response window closes. This reassures employees that we are hustling to get back to them with what they said to us.

Once managers have their results, we work to ensure that something happens with the feedback. All managers receive detailed instructions on how to hold feedback sessions with their employees and are expected to do so. These sessions can be difficult and the managers have found the training quite helpful.

To further ensure positive action, we have also made the survey results more visible and have created more accountability for improvement. The first time we did the survey, it was anonymous. That is, an individual manager was the only one who saw his or her results. Now, managers one and two levels above an individual manager are aware of the results. This is a departure from recommendations I have seen from consultants and practices in other companies. We feel, however, that the questions that make up our survey represent our expectations for our managers, and we want to know if their employees think they are delivering against those expectations. We are currently tying management and executive bonuses, in part, to improvement scores on the survey. Managers and employees both recognize that we treat this information seriously.

Finally, in spite of the increased pressure we are putting on managers to improve, we are not leaving them on their own to figure out how to improve their scores. We are in the process of studying the impact that certain actions and behaviors of managers have on their scores. We are also investigating the relationship between this upward appraisal data and objective measures of performance. Both of these investigations are being undertaken to help managers see the link between what they do and the results (survey and financial) they achieve.

Taken together, these efforts to improve our survey administration and follow-up processes have resulted in a respectable 78% response rate and a reduction in some of the cynicism we heard after our first survey. Much more work still needs to be done, but we have passed the point where employees feel this is a meaningless exercise. After they have seen our commitment, we are seeing theirs.

Our experiences with service design and employee research have made it clear: if you want to give good service to your customers or you want feedback on the internal workings of your service delivery system, you must have a kind of "respectful mindfulness" for the people providing that service and that feedback. I am struck by how easy it can be to lose sight of this.

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John Hater, Federal Express Corporation

In 1990, Federal Express was the first company to capture the Malcolm Baldrige National Quality Award in the service category. With corporate objectives of 100 percent customer satisfaction and 100 percent service performance, Federal Express practices all of the ten lessons outlined in this article. For example, Federal Express monitors twelve statistical measures of customer satisfaction and service quality from the customer's viewpoint that are reported weekly to employees.

Of equal importance is the Federal Express top-down commitment to *employee satisfaction* that we believe is the *producer* of customer *service* and satisfaction. Our founder and CEO, Frederick W. Smith, summarized the corporate philosophy this way: "When people are placed first, they will provide the highest possible service, and profits will follow."[1] The corporate philosophy is succinctly stated: *People–Service–Profit* (*P–S–P*). What this means is that employee considerations are given a high priority when developing corporate programs and policies, when acquiring and designing facilities, equipment, and systems, and when scheduling and arranging work. Of course, the needs of our customers must be met efficiently, but managers always are expected to consider their people in business decisions.

Our conclusions have been supported by substantial research such as that conducted by Schneider and Bowen, who reported high correlations ($r = .56$) between employee perceptions of human resource practices and customer perceptions of service. They concluded that both service-related and human-resources-related practices are the source of cues visible to customers and are used by them to evaluate service quality.[2] In a 1992 study of employee climate themes, Schneider, Wheeler, and Cox found that the routines and rewards most strongly related to service passion included not only responsiveness to customers and the way service is delivered but also human resource practices (i.e., hiring procedures, training, and pay equity).[3]

Listening. Lesson one (Listening) is accomplished through a quarterly summary of daily telephone surveys of customers, annual direct mail surveys, Federal Express Center comment cards, and the monitoring of calls between customers and employees to measure "tone" of service. "Listening" also includes an aspect of one Federal Express program in which we track employee morale and attitudes. Our Survey-Feedback-Action (SFA) program is an annual survey of all employees that functions not only as a barometer of employee well-being, but also as a management evaluation tool and a work-group problem-solving mechanism. It has a 98% participation rate. The first ten items of the survey comprise an annual subordinate review of management known as the Leadership Index. The survey results from this Index become the numerical measure that determines whether the company's annual "People" goal within the People-Service-Profit goal structure is being met. Managers' personal MBO plans include Leadership Index goals. Meeting or exceeding People goals, as well as Service and Profit goals, can qualify an individual manager for twice-yearly bonuses. Another significant aspect of this program is its consistency with the company's basic tenets: "customer satisfaction begins with employee satisfaction," "managers serve employees," and "manager as leader."

Servant Leadership. Lesson ten, Servant Leadership, embraces the idea that leaders inspire, challenge, and coach their people to deliver excellent service. This lesson is similar to the transformational leadership model by Dr. Bernard Bass in which leaders transmit a sense of mission, stimulate learning experiences, and arouse new ways of thinking.[4] After conducting our own in-house research on the effectiveness of this model,[5] Federal Express adopted the transformational leadership factors of charismatic leadership, intellectual stimulation, and individualized consideration for its Leadership Evaluation and Awareness Process (LEAP).

The LEAP program promotes employees into management who complete a process designed to evaluate their leadership qualities, including the transformational leadership factors. LEAP begins with a class that realistically previews managerial responsibilities for candidates and is followed by a three- to six-month period during which a candidate's manager evaluates and coaches the candidate based on leadership attributes. Peer evaluations are also collected by means of a confidential assessment form. The LEAP panel evaluation integrates a situational interview with the manager's recommendation and peer assessment and culminates in an "endorsed/not endorsed" decision. It should also be noted that the LEAP peer assessment component itself is the result of listening to employees' concerns about the quality of first-line management. Since LEAP's initiation, the turnover rate among first-line managers has dropped more than 80 percent.

Keep people first. As we strive to reach 100 percent customer satisfaction and 100 percent service performance, we should put our employees first in the design of programs, policies, facilities, equipment, and systems. Federal Express has been successful with this approach and data collected in other companies has confirmed that customers benefit from service provided by satisfied employees.

Key employee programs contribute to meeting service quality goals. Some examples are: skills and knowledge training; extensive employee communication that includes television broadcasts of live, call-in talk shows; promotion from within for all job openings; pay for performance reward systems; and an employee grievance process offering employees the right of appeal to the highest levels of management. The programs replace talk with action to keep people first. While we can only assume a connection between employee programs and customer satisfaction, the feedback from our customers is encouraging. In a recent telephone survey of customers, 95% were *completely* satisfied with their interactions with our couriers, an indicator that, for us, reinforces the connection.

Endnotes

[1] D.L. Bohl, *Blueprints for Service Quality: The Federal Express Approach* (New York, NY: American Management Association, 1991).

[2] B. Schneider and D.E. Bowen, "Employee and Customer Perceptions of Service in Banks: Replication and Extension," *Journal of Applied Psychology, 70*, 1985, 423-433.

[3] B. Schneider, J.K. Wheeler, and J.F. Cox, "A Passion for Service: Using Content Analysis to Explicate Service Climate Themes," *Journal of Applied Psychology, 77*, 1992, 705-716.

[4] B.M. Bass, *Leadership and Performance Beyond Expectations* (New York, NY: The Free Press, 1985).

[5] J.J. Hater and B.M. Bass, "Superiors' Evaluations and Subordinates' Perceptions of Transformational and Transactional Leadership," *Journal of Applied Psychology, 73*, 1988, 695-702.

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Eric J. Vanetti, Xerox Corporation

The road to becoming a total quality company is a never-ending one; the nature of such an organization is a constantly moving target. We at Xerox embarked upon the journey in the early 1980s and to this date find ourselves working toward ever-changing goals. Along the way, the ten service quality lessons described by Berry, Parasuraman, and Zeithaml have been learned and collectively used to alter our culture, improve our work processes, and enhance our ability to meet customer requirements. As a result, I have come to believe that the business environment will be such that organizations seeking to achieve quality excellence must engage in continuous learning. Although the ten quality factors will probably remain constant, the manner in which they are applied will vary, influenced by technological change, global competition, organizational restructuring, and more demanding customer requirements.

To illustrate, I can point to a recent restructuring at Xerox which created several business divisions differentiated by product line; i.e., Printing Systems, Office Document Products, Engineering Systems, etc. The intent of the restructuring was to give these business divisions end-to-end accountability for the development, manufacturing, marketing, and sales and service of their respective product lines, all in the interest of improving quality and attending to customer needs. In addition, our internal service organization has had to redefine its service delivery strategy to work across functions and other organizations to ensure that the level of service produced meets external customer and business division requirements.

A service quality lesson that has been particularly significant to Xerox is what the authors call "servant leadership" and what we at Xerox refer to as "empowerment." Simply put, it means that managers are asked to establish a clear direction for their people, then work with them in identifying specific objectives to reach their goal. Once managers provide employees with the resources, enablers, and support required, they are expected to get out of the way! Empowerment at Xerox also means that decision-making authority and capability is pushed down to the point of customer contact. Managers are required to create an environment that encourages employees to take ownership for making business decisions relating to customers.

Our experience with servant leadership has also demonstrated the value of teamwork. Service employees are organized into self-managed work groups that are accountable for performance results, including the satisfaction and retention of customers. Once a clear vision for service delivery has been defined and communicated, it's up to the work groups to achieve it. People are recognized and rewarded, not just for individual achievement, but for work group accomplishments.

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David J. Veale, Coca-Cola

The placement of "Listening" around the Service Quality Ring developed by Berry, *et al.*, is an important point to consider. Listening to customers and employees, keeping your ear to the ground, is the skill that makes service quality happen. If an organization cannot listen well, not much movement or development occurs. Good, accurate listening is the fundamental skill on which all other quality behaviors rely. In my experience, however, such listening is not all that common.

For example, an academic organization with which I am familiar recently invited local business leaders to a luncheon. The purpose of the meeting was to discuss improvement of the organization's program offerings. The business people responded, tossing out various possibilities for change, the most notable of which was to offer more flexibility in scheduling. After a spirited discussion, the facilitator, who happened to be the head of the organization, outlined a number of reasons why the scheduling changes suggested could not be made. Someone in the audience commented, "Who's the customer?" The subject was dropped and the meeting continued. Some time later, all of the participants received a letter from the organization thanking them for their viewpoints and noting that the conclusions reached at the meeting seemed to indicate that the organization was on target with both its programs and schedules!

To me, this example illustrates the difference between "real" listening and "false" listening. Real listening means hearing comments about your service and trying to appreciate the customer's point of view, even though you may not agree. False listening happens when organizations make a pretense of listening solely for the purpose of obtaining support or buy-in without any intention of following through. Thus, the false listening is used more as a public relations technique than as a service enhancement strategy.

To Coca-Cola, employee research is an important source of information because employees are not only the providers of our products but consumers as well. As a result, it is helpful to an organization to create conditions where employees who consume a service or product have easy ways to point out service problems. For example, we have a program called "Coca-Cola Cares." Every employee is asked to tell the company about any product or service problem they encounter, on or off the job. Wallet-sized cards with a special toll-free number have been distributed to employees for this purpose.

Flexibility, although not specifically mentioned as a means of achieving service quality, is implied throughout the article. The type of equipment customers want, the kinds of billing, delivery scheduling, and modes of delivery can vary widely from customer to customer. An example in the grocery marketing business is Efficient Consumer Response (ECR), a new way of conceiving the partnership between manufacturers and grocery stores with the purpose of driving out costs. Initiatives such as the Electronic Data Interchange (EDI) in which invoices, purchase orders, and even payments are made electronically, are part of the ECR strategy. Some grocery chains have the ability and commitment to move forward, while others have no intention of moving in that direction. In order to serve each of our customers in the way they expect, Coca-Cola has to have different service modalities; one service does not fit all. For a store like Wal-Mart, EDI may provide a competitive advantage, but for a mom-and-pop store, this type of service may be seen as a competitive disadvantage because of the perceived capital costs. Thus, how we provide our service can vary from customer to customer. We are flexible in the service we offer so that our customers get what they want.

Balancing the service value/price equation is another important service quality lesson to be learned. The customer associates and expects a certain level or type of service with a particular price. For example, a traveler anticipates a different level of service at a Motel 6 than at a Ritz-Carlton hotel. Either one can be a good value. However, a company can easily lose margin by providing Ritz-Carlton service at Motel 6 prices or vice versa. It's important for an organization to know what the customer's value expectations are with respect to its product/price equation.

Once the level of service and business has been established, then an organization can work on "surprising" the customer. Sometimes these surprises cost little to nothing, but can be helpful in differentiating one's product or service from a competitor's. Companies can differentiate themselves on what we refer to as "elegant negotiables," things the customer wants that cost virtually nothing to the provider. For example, one of our salespeople was looking for a venue to sponsor a rollerblade event to advertise one of our brands. In talking with a local grocery chain, he discovered it was planning to celebrate its anniversary. It had been looking around for an appropriate event at which to hold the celebration. Because we were able to link our event with the customer's anniversary, we provided them with a perceived service while saving ourselves time and money through the collaboration.

Since reading this article, I have found myself using its lessons in assessing the quality of service provided by Coca-Cola, by the vendors with whom I work, and even by the hotels I use. When problems have arisen, I've found they can usually be attributed to a problem in one of the service areas on the Service Quality Ring.

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