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# The Service-Quality Puzzle

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Service quality can often make the difference between a business's success and failure. But what causes problems, and what can a business do to eliminate them? The answers are here.

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Competing organizations provide the same *types* of service—airline transportation to Chicago, tax-return preparation, shampoo and blow-dry services—but they do not provide the same *quality* of service. No one knows this better than customers. To customers, competing service enterprises may look alike, but they do not feel alike.

In fact, service quality has become the great differentiator, the most powerful competitive weapon most service organizations possess. As Stanley Marcus once remarked to a group of bankers, "The dollar bills the customer gets from the tellers in four banks are the same. What is different are the tellers." What, however, makes the tellers different? Quality has received much attention, but many service firms continue to have trouble delivering, even defining it.

We have studied the issue of service quality since 1983 to try to answer three fundamental questions:

- What is service quality?
- What causes service-quality problems?
- What can service organizations do to improve quality?

Our work has included both qualitative and quantitative research on customers, employees, and managers of businesses offering retail banking, securities brokerage, product repair-and-maintenance, bank credit-card, and long-distance telephone services. (For details of our research approach, see the box.)

This article outlines our most important findings. We will begin at the beginning by defining the components of service quality. We will then explain some of the organizational factors that can undermine service quality and illustrate these points with a case study of a large U.S. bank. Finally, we will recommend ways to enhance quality throughout a service organization.

## WHAT IS SERVICE QUALITY?

Quality is often defined as "conformance to specifications,"<sup>1</sup> but this phrase can be misleading. Quality is conformance to customer specifications; it is the customer's definition of quality, not management's, that counts.

## Research Methodology

Our research on service quality consisted of two distinct, sequential phases. The first phase was qualitative and focused on how both customers and service-firm executives perceive and evaluate service quality.

To learn about customers' views on service quality, we conducted 12 focus-group interviews, three for each of four selected services: retail banking, credit cards, securities brokerage, and appliance repair and maintenance. To ascertain how service-firm executives view service quality, we conducted in-depth, face-to-face interviews with marketing, operations, and customer-relations executives in each of four nationally recognized companies—one from each of the four service categories we investigated.

The first phase of the research indicated that customers evaluate service quality by mentally comparing their perceptions of delivered services with their expectations of the service firms. They do this along ten distinct dimensions (reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding/knowing the customer, tangibles). This inquiry also revealed key gaps within service firms (such as the inability of customer-contact personnel to meet service-quality specifications laid down by management) that could have a bearing on service quality as perceived by customers.

The second phase of our research, which was more empirical, focused on two objectives: developing a comprehensive but parsimonious instrument for measuring customer perceptions of service quality, and gaining a more in-depth understanding of organizational shortfalls that have an impact on service quality and how such shortfalls can be corrected. To accomplish the first objective, we followed well-established procedures for developing structured in-

struments to measure constructs that are not directly observable.<sup>1</sup> We developed 97 items, fleshing out the 10 dimensions of service quality identified in our first phase. We then recast each item into a pair of statements—one to measure expectations about firms in general within the service category being investigated (sample statement: "When these firms promise to do something by a certain time, they should do so"), and the other to measure perceptions about the particular firm whose service quality was being assessed (sample statement: "When XYZ promises to do something by a certain time, it does so"). A seven-point scale ranging from 7 (strongly agree) to 1 (strongly disagree) accompanied each statement.

We refined and shortened the 97-item instrument through a series of iterative data-collection and -analysis steps. We performed this instrument purification to eliminate items that failed to discriminate well among respondents with differing quality perceptions about firms in several service categories. We gathered data for the initial refinement of the 97-item instrument from a quota sample of 200 customers, divided equally between males and females and representing recent users of one of the following five services: appliance repair and maintenance, retail banking, long-distance telephone, securities brokerage, and credit cards. We converted the raw questionnaire data into perception-minus-expectation scores for the various items. These difference scores could range from +6 to -6, with more-positive scores representing higher perceived service quality. We analyzed the difference scores using item-to-total correlation analysis and factor analysis. These analyses resulted in the elimination of roughly two-thirds of the original items and the consolidation of several overlapping quality dimensions into new, combined dimensions. To verify

the reliability and validity of the condensed scale, we administered it to four independent samples of approximately 190 customers each to gather data on the service quality of four nationally known firms: a bank, a credit-card issuer, an appliance repair-and-maintenance firm, and a long-distance telephone company. Analysis of data from the four samples led to additional refinement of the instrument and confirmed its reliability and validity. The final instrument consisted of 22 items, spanning the five dimensions of service quality described in the article: tangibles, reliability, responsiveness, assurance, and empathy.

To accomplish our second research objective we conducted a comprehensive case study of a nationally known bank. We selected three bank regions (with about 12 branches per region) and did separate focus-group interviews with tellers, customer-service representatives, lending personnel, and branch managers from within the regions (a total of seven focus-group interviews). We also conducted in-depth interviews with more than a dozen middle and senior managers having responsibilities for the branch system. From the focus-group and in-depth-interview data we developed a structured questionnaire that was sent to all customer-contact personnel in the three regions. We received completed questionnaires from 237 employees, or 55 percent of the sample. Finally, we mailed the service-quality questionnaire to a random sample of the bank's customers within the regions. We received completed questionnaires from 138 customers, 14 percent of this sample.

1. Conceptual and technical details of this procedure can be found in Gilbert A. Churchill, Jr., "A Paradigm for Developing Better Measures of Marketing Constructs," *Journal of Marketing Research*, February 1979, pp. 64-73.

Customers assess service quality by comparing what they want or expect to what they actually get or perceive they are getting. To earn a reputation for quality, an organization must meet—or exceed—customer expectations.

And what do service customers expect? Our research suggests these expectations cover five areas:

- **Tangibles:** the physical facilities, equipment, appearance of personnel;
- **Reliability:** the ability to perform the desired service dependably, accurately, and consistently;
- **Responsiveness:** the willingness to provide prompt service and help customers;
- **Assurance:** employees' knowledge, courtesy, and ability to convey trust and confidence; and
- **Empathy:** the provision of caring, individualized attention to customers.

We asked users of credit-card, repair-and-maintenance, long-distance telephone, and retail banking services to rate the importance of each of these dimensions on a scale of 1 (not at all important) to 10 (extremely important). We found—not surprisingly—that all were considered important. The scores for tangibles, however, ranged from a relatively low 7.14 to 8.56, while reliability, responsiveness, assurance, and empathy received average scores well above 9 for all of the services studied. These results are presented in **Table 1**.

Reliability clearly emerged as the most important dimension, regardless of the service being studied. As shown in the table, 61 percent of the long-distance telephone customers, 57 percent of the repair-service customers, 49 percent of the credit-card customers, and 42 percent of the bank customers considered this dimension most important. When we used the same questionnaire with a second sample of bank customers, the results were similar: 58 percent chose reliability as the most important dimension of service.

The customer's message to service providers is clear: Be responsive, be reassuring, be empathetic, and most of all, be reliable—*do what you say you are going to do*. This is more easily ac-

**Table 1**  
**Importance of Service-Quality Dimensions in Four Service Sectors**

	Mean Importance Rating on 10-Point Scale*	Percentage of Respondents Indicating Dimension is Most Important
<i>Credit-Card Customers</i> (n = 187)		
Tangibles	7.43	0.6
Reliability	9.45	48.6
Responsiveness	9.37	19.8
Assurance	9.25	17.5
Empathy	9.09	13.6
<i>Repair-and-Maintenance Customers</i> (n = 183)		
Tangibles	8.48	1.2
Reliability	9.64	57.2
Responsiveness	9.54	19.9
Assurance	9.62	12.0
Empathy	9.30	9.6
<i>Long-Distance Telephone Customers</i> (n = 184)		
Tangibles	7.14	0.6
Reliability	9.67	60.6
Responsiveness	9.57	16.0
Assurance	9.29	12.6
Empathy	9.25	10.3
<i>Bank Customers</i> (n = 177)		
Tangibles	8.56	1.1
Reliability	9.44	42.1
Responsiveness	9.34	18.0
Assurance	9.18	13.6
Empathy	9.30	25.1

\* Scale ranges from 1 (not at all important) to 10 (extremely important).

knowledged and understood than accomplished.

There is another message: human performance plays a major role in customers' perceptions of service quality. Three of the five dimensions—responsiveness, assurance, and empathy—result *directly* from human performance. Moreover, reliability often depends largely on human performance. Clearly, if one is to understand and avoid service-quality problems one must contend with the people factor.

#### WHAT CAUSES SERVICE-QUALITY PROBLEMS?

Customers' expectations for a particular service shape their assessment of the quality of that service. When there is a discrepancy between customers' expectations and management's *understanding*

of customer expectations, perceived service quality will suffer. Management's failure to identify customer desires accurately is one kind of quality gap.

Even when management fully understands customer expectations, service-quality problems may occur. For one thing, management may believe that it is impossible or impractical to meet all of the expectations. We interviewed executives at a repair-and-maintenance firm who knew they would have trouble meeting customer demand for prompt service during the summer months, when air conditioners, lawn mowers, and bicycles are in heavy use. Yet they said they could not increase staff for the demand peak. Asked why, one executive answered, "Summer is when our technicians like to take their vacations." The firm did not set its service specifications according to

“There are many opportunities for something to go wrong when the service provider and the customer interact, when both parties experience and respond to each other’s mannerisms, attitude, competence, mood, dress, language, and so forth.”

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customer needs; instead, it allowed service to suffer because of an assumption about the work force.

### The Service-Performance Gap

In some cases, however, management does not understand customer expectations and does not set appropriate specifications (either informally or formally), and still the service delivered by the organization falls short. The difference between service specifications and the actual service is the service-performance gap. Unfortunately, it is common in service businesses.<sup>2</sup> Organizations offering services that are highly interactive, labor-intensive, and performed in multiple locations are especially vulnerable to this gap.

There are many opportunities for something to go wrong when the service provider and the customer interact, when both parties experience and respond to each other’s mannerisms, attitude, competence, mood, dress, language, and so forth. Similarly, there is more variability among service outcomes in labor-intensive services than when machines dominate service delivery; bank customers who use human tellers will experience far more service variability than those using automatic teller machines. Finally, decentralized service production through a chain of outlets complicates quality control, because the organizational layers between senior management and front-line service providers hinder two-way communication and make it more dif-

icult to assess individual employees’ performance.

### The People Factor

Service quality suffers when employees are unwilling or unable to perform a service at the level required. Willingness to perform may be described in terms of discretionary effort, the difference “between the maximum amount of effort and care that an individual could bring to his or her job, and the minimum amount of effort required to avoid being fired or penalized.”<sup>3</sup> Employees who begin a new job giving 100 percent discretionary effort may be giving far less within weeks or months. This can happen because they have had to deal with too many long lines, too many unreasonable customers, too many rules and regulations, and too few pats on the back; it can also happen when they observe that few of their associates are giving the job their all.

In other cases service providers may simply not have the ability to perform at specified levels. An organization may offer wage rates insufficient to attract skilled workers, or it may fail to train personnel adequately, or both. In addition, as a result of high turnover, workers may be moved into higher-level positions before they are ready. These factors are typical of many service industries, and all can lead to poor service quality.

Maintaining service quality, then, depends not only on recognizing customer desires and establishing appropriate standards but also on main-

taining a work force of people both willing and able to perform at specified levels. Factors that can contribute to the service-performance gap are illustrated in the story of one large bank.

### THE CASE OF ALPHA BANK

To investigate the service-performance gap in more detail, we studied a large U.S. branch bank we will call Alpha Bank. All of the service-business traits mentioned earlier—extensive interaction between service personnel and customers, labor-intensiveness, and multiple service locations—were present in Alpha Bank.

Like many other banking organizations, Alpha Bank had responded to deregulation by adding new services. At the time of our study, it had also centralized the branch-lending function in an attempt to boost productivity. In research with customers, employees, and managers, however, it became apparent that there was a sizable gap between the level of performance Alpha Bank’s management wanted and what was actually occurring in the branches. Ironically, we found that management was bringing some of its service headaches upon itself. Many of Alpha’s service problems could be traced to three organizational factors that influenced workers’ willingness and ability to perform: role conflict, inadequate role support, and inadequate role environment. **Figure 1** illustrates the re-

“One employee said, ‘We’re having a breakdown in our support services.

It goes all the way from bookkeeping to loans. I have had a home equity loan in there for a month. The customer gets upset—he can go next door and get the same thing in three days.’ ”

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relationships of these factors to the service-performance gap.

### Role Conflict

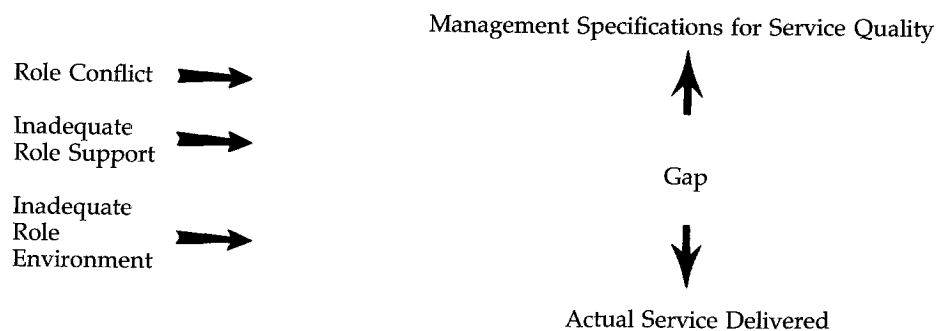
Alpha Bank’s problem with role conflict (a poor fit among different elements of a service provider’s job) stemmed from a failure to set appropriate service specifications.

Alpha had decided to introduce more aggressive personal selling at the branch level by emphasizing the sales component of branch employees’ responsibilities. Many service providers viewed the sales and service elements of their jobs as conflicting. A teller observed, “If I’m trying to cross-sell when there’s a long line, the customers waiting in line give me that look: ‘When is this girl going to shut up?’” One service representative said, “You are torn sometimes between giving the customer what he or she wants and bringing money into the bank.”

The service-versus-sales dichotomy was not the only conflict branch employees experienced. There were also too many demands on the employees’ attention. The following comment was typical: “You are supposed to give your customer your undivided attention, but you have already been interrupted seven times by telephone calls. You can’t put the telephone caller on hold or send him elsewhere, because once I did that and the caller was a ‘shopper’ and my [performance] score was lowered.”

For branch lenders, another source of role conflict was a loss of personal

**Figure 1**  
Causes of the Service-Performance Gap at Alpha Bank



control over the quality of service rendered. Branch lenders had processed and approved loans in the past. Now, however, loan processing was handled at operations centers; as a result, loans moved more slowly and branch employees were not able to give customers timely information on the status of their applications. One branch lender said, “My number-one problem is working with other units over which I have no control.” A branch manager put it this way: “We’re offering terrible service now. We used to have control and now we don’t. We used to know where everything was and now we don’t.”

### Inadequate Role Support

Alpha employees suffered from a lack of adequate role support—hiring practices, training programs, and support services, functions that directly affect employees’ ability to

perform. Focus-group discussions revealed perceived deficiencies in all three areas.

In regard to hiring, the overriding sentiment among disgruntled Alpha employees was that you get what you pay for, and Alpha wasn’t paying for much. One branch manager said, “We draw from the bottom of the barrel because that’s the way we compensate.”

The status of training was equally bleak—a case of too little, too late. A customer-service representative commented, “It’s really embarrassing—customers know about new products before we do. We’re the bank. We should know things before the customer does. But the training classes may be scheduled after the product comes out.” During a focus group, a lending officer expressed a similar complaint: “The bank will put out a product we don’t understand—especially loans—and not tell us enough

**“Many organizations could dramatically improve their quality of service by assessing the commitment to service and the people skills of operating managers, and retooling (or replacing) those who do not pass muster.”**

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about it, not train us enough to sell it. With 'XYZ,' for example, I still have to get out the book [to look up how the loan works] and it takes me a good ten minutes.” At this point, another participant in the group chimed in, “I just found out two weeks ago that we had the book.” Then another said, “I just found out now that we had 'XYZ'!”

Employees were also frustrated about support services, particularly because of the centralization of the loan function. Whereas role conflict concerns the question, “Do I control my own destiny?” with role support the question is, “Do others in the organization come through for me when I don't control my own destiny?” At Alpha the answer to the latter appeared to be no. One employee said, “We're having a breakdown in our support services. It goes all the way from bookkeeping to loans. I have had a home equity loan in there for a month. The customer gets upset—he can go next door and get the same thing in three days.”

### **Inadequate Role Environment**

Alpha Bank employees were also hampered by an inadequate role environment (organizational climate and culture). Strong belief in an organization and in the importance of one's contribution to it can inspire strong discretionary effort by workers; weak belief (what we observed at Alpha) can have the opposite effect.

The principal role-environment issue at Alpha Bank was branch em-

ployees' widespread impression that individual performance went unnoticed and unrewarded. A lending officer said, “You feel like management doesn't know what you are doing. We need more support and recognition.” A teller echoed this thought: “They should give recognition to people who are really performing. So many times you are judged by your immediate supervisor. That person may not like you. I wish other managers, higher up, would know how people are performing.”

### **Employee and Customer Surveys**

We obtained further information on attitudes at Alpha Bank through a structured employee questionnaire, comprising 30 statements about working in Alpha's branch system. Employees rated these statements on a scale of 1 (strongly disagree) to 7 (strongly agree). Mean responses to 12 representative statements are shown in **Table 2**.

The scores in the table hover around the mid-point of the scale—“neither agree nor disagree.” Ideally, Alpha Bank's management would like to see the mean scores on the negatively worded statements in the 1-2 range (indicating strong and consistent disagreement) and scores on the positively worded statements of 6-7 (indicating strong and consistent agreement). In fact, not one score falls into either category.

We also surveyed some of Alpha Bank's customers. As one would expect, the survey data indicated that

the problems mentioned by employees were damaging the bank's perceived service quality.

We computed customers' mean ratings of Alpha's service quality in each of the five areas mentioned earlier—tangibles, reliability, responsiveness, empathy, and assurance—on an overall scale of +6 to -6. A score of zero would imply that the bank's performance, as perceived by customers, just met their expectations; positive scores would indicate that perceived performance exceeded expectations, and negative scores would indicate that performance fell short of expectations.

Alpha Bank's mean score on reliability—the most important dimension from the customer's standpoint—was -1.35. Its mean scores on responsiveness, assurance, and empathy were -0.63, -1.32, and -1.51. Even on the tangibles dimension Alpha's mean score was negative, although not as negative as on the other dimensions (-0.24). In short, customer perceptions of Alpha's performance fell short of expectations across the board.

### **Lessons from Alpha Bank**

Alpha Bank's experience holds lessons for many different kinds of service organizations. The bank's first fundamental error was its failure to define service providers' roles in terms of customer expectations. By asking tellers to be sellers, Alpha's management jeopardized the quality of its

**Table 2**  
**Alpha Bank Employee Survey Results**  
**Concerning Realities of Working in the Branch System**

Selected Statements	Mean Scores		
	Strongly Disagree (1)	Neither Disagree Nor Agree (4)	Strongly Agree (7)
<b>Role Conflict</b>			
The bank emphasizes quality of service to customers as much as or more than it emphasizes being a salesperson.		4.4 ●	
Trying to be a salesperson makes it more difficult for me to deliver quality service to my customers.		4.7 ●	
I am often interrupted by other branch personnel, the telephone, or something else when I am trying to serve my customers.		4.2 ●	
I spend a lot of time in my job trying to resolve problems over which I have little control.		3.9 ●	
<b>Inadequate Role Support</b>			
All in all, the bank seems to hire competent and able people to work in the branches.		4.2 ●	
I do not feel well-prepared in terms of product knowledge training.		3.8 ●	
I feel that I have been well trained by the bank in how to interact effectively with customers.			5.3 ●
The centralization of certain bank functions that used to be performed in the branches has made it easier for me to give quality service to my customers.		4.0 ●	
<b>Inadequate Role Environment</b>			
Branch employees who do the best job serving their customers are more likely to be recognized and rewarded for their efforts than employees doing a mediocre job.		4.5 ●	
Making a special effort to serve customers well does not result in more pay or recognition.			5.3 ●
Everyone in our branch contributes to a team effort in servicing customers.		5.2 ●	
The branch manager is a "role model" for other branch personnel concerning the importance of quality of service.			5.5 ●

n = 237

These 12 statements were selected from a group of 30 statements rated by 237 Alpha Bank employees. The mean scores for the statements included in this exhibit are illustrative of the pattern of scores for the entire group of statements. For the entire group of statements, scores fell between 3.3 and 5.9.

most visible service. It is certainly tempting for banks to ask tellers to sell, since tellers see more customers than other bank personnel do. But from the customer's standpoint selling is not part of the teller's job; most customers want their tellers to be accurate, friendly, and fast. Tellers' cross-selling compromised responsiveness.

The bank's decision to centralize elements of the lending function compromised responsiveness, reliability, and assurance. The loan decision and its timing were no longer in the hands of those interacting with the customer. Branch lenders who had once controlled this service were now dependent on personnel in a distant facility. The centralization complicated service delivery, leading to paperwork snafus and backlogs. More important, perhaps, branch lenders lost esteem and clout in customers' eyes. The human cost of the new system was clearly expressed by one executive: "The branch people used to be bankers but aren't anymore. All of their status, all of their recognition, is gone." It is reasonable to speculate that over the long term these conditions will reduce branch lenders' willingness to give full discretionary effort and the bank's ability to attract able workers. The lesson for service firms is to keep control over the service as close to the customer as possible.

Alpha Bank made yet another mistake by underestimating the importance to service quality of support services—"from bookkeeping to loans," as one employee observed. While customer-contact personnel are obvious targets for quality-improvement efforts, the providers of internal support services are also important. Poor service to customer-contact personnel will result in poor service by those personnel. The importance of internal support services, however, is often overlooked. One Alpha Bank executive noted, "Our loan centers are overcrowded, overworked, and have some poor people. A manager will say, 'I want to get rid of Susie—I'll send her to work at the loan center.'" In this respect, as in others, Alpha Bank is hardly unique; we have heard similar comments from managers in numerous service companies.

## WHAT CAN SERVICE ORGANIZATIONS DO TO IMPROVE QUALITY?

Having examined some of the causes of poor service quality, we now turn our attention to some of the cures. Service quality is a puzzle with many pieces, pieces that need to be assembled carefully. Service can be improved only through a systematic, step-by-step journey that enhances employees' ability and willingness to provide service by creating an organization that supports quality service in every area.

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### Institutionalize and Symbolize Quality

The first step in any quality-improvement effort is to define the organization's service standards on the basis of customer expectations. Service standards help clarify work roles and communicate the organization's priorities. They also provide the benchmark against which performance can be evaluated. Service organizations need not establish a large number of standards. It is more manageable to identify a few standards that relate to the most important customer expectations—accuracy of transactions, allowable waiting time, and appropriate treatment of customers, for example. Setting the standards is really a matter of defining customer expectations so service personnel fully understand them. This is important because quality improvement requires that those who perform services assume responsibility for their quality.

Another key to quality improvement is to provide a structural means for good ideas to become tangible actions. The organization need not establish quality circles involving every employee, but some formal vehicle for voicing and evaluating quality-improvement ideas is necessary. One possibility is a rotating quality-assurance board composed of both managerial and nonmanagerial personnel (including both customer-contact personnel and intermediate service providers).

Such a board can provide several important benefits. For one, it forces participating employees to think continually about service-quality issues. It also provides an effective mechanism for generating, evaluating, and recommending service-improvement ideas. Ultimately, it symbolizes the organization's commitment to quality service.

Indeed, symbols can be a powerful tool. The symbolic representation of quality can take many forms: from placing unit managers in offices close to the action so that they can see and be seen, to publishing an annual employees' report that features workers who have gone to great lengths to protect the integrity of the organization's service commitment. Symbols alone cannot change a company's culture, but if backed up by policy, strategy, and organizational changes they can have material effects on culture, encouraging greater discretionary effort by adding meaning to employees' work.

### Include Managers in Quality-Improvement Efforts

Quality-improvement efforts should be focused not only on customer-contact personnel and providers of internal support services but also on managers, as **Figure 2** illustrates. One of the toughest service-quality challenges is sustaining high quality over time. A person key to meeting this challenge is the operating-unit manager.

The manager sets the tone in the work unit and is in the best position to champion quality. Too often, however, service organizations place people with technical skills, not human-relations skills, in managerial jobs. Many organizations could dramatically improve their quality of service by assessing the commitment to service and the people skills of operating managers, and retooling (or replacing) those who do not pass muster. Moreover, all actions taken to improve service quality in the organization as a whole—training, performance measurement, and incentives, for example—must include managers.

### View Knowledge and Skills Development as a Process

Quality-improvement efforts must increase not only employees' willingness to perform but also their ability to perform. The efforts should focus on improving employees' knowledge and skills, because reliability and assurance are directly related to employee competence.

In many service organizations, there is a tendency to think of knowledge and skills development in terms of events—a three-day training session here, a special presentation there. It is better to think of this development as a never-ending process, including refresher, practice, and more advanced sessions. Service workers risk going stale, getting sloppy, and losing motivation when they stop growing in knowledge and skills.

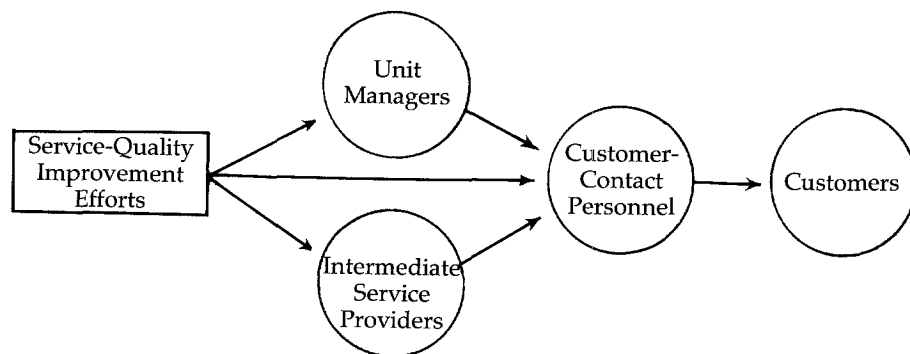
We recommend decentralized as well as centralized approaches to knowledge and skills development. Employees within operating units can lead and participate in regular sessions to demonstrate and practice customer-service techniques, explain specific services, and raise service-quality issues. These sessions will not replace those led by experts from headquarters but complement them, fostering team building within work units and emphasizing employees' responsibility for their own development.

### Close the Quality Loop

Another vital service-quality ingredient is the recognition of performance. After service standards have been established, performance should be continually compared with those standards and outstanding performance should be rewarded. Completing this quality loop is the best way to build a strong service-minded culture.

A performance-measurement system can be very motivating, especially when workers know that others will learn how well they are performing and when measurement is tied to an effective reward system. It also helps management determine the specific effects of policy and personnel changes on operating perform-

**Figure 2**  
**Targets for Service-Quality Improvement Efforts**



Improvement efforts are often focused on customer-contact personnel, but it is equally important to involve unit managers and providers of intermediary services. The service provided to customer-contact employees strongly affects the service provided by these employees.

ance and weed out individuals who deliver substandard performance. Finally, it symbolizes management's commitment to service quality.

Performance measurement should extend beyond image tracking, isolated "shopping" visits, customer-complaint analyses, and other traditional approaches. While useful, these studies are insufficient for service organizations. It is just as important to track the attitudes and insights of service providers as it is to track those of customers. Customer studies reveal what is happening; employee studies help explain why.

For example, service organizations should explore employee perceptions of such factors as role conflict and role support. They could also benefit from regularly asking employees two questions we found particularly revealing at Alpha Bank.

- What is the biggest problem you face in trying to deliver quality service, day in and day out?

- If you were president and could make only one change to improve service quality here, what change would you make?

A performance-measurement system will get employees' attention. A well-executed reward system will keep it. Workers realize that management is serious about quality when management is willing to pay for it. A good reward system, like a good

measurement system, is one that is meaningful, timely, simple, accurate, and fair.

We recommend using a reward system under which employees are expected to meet quality standards and are rewarded for outstanding performance. Rewards can take three basic forms: direct financial rewards (merit salary increases and bonuses), career advancement, and recognition. The most effective system is one that incorporates all three approaches for both individuals and work groups. Singling out high-performing work units can energize peer pressure and lead to better teamwork.

### Invest in Problem Resolution

An organization is judged not only on how well it delivers its regular services but also on the way it deals with problems: if the "repaired" appliance still doesn't work properly; if the stockbroker sold 1,000 shares when the customer instructed him to sell 100; if there is a mistake on the monthly statement. It is in handling problems such as these that an organization's service quality is most tested. But the organization also has the greatest leverage on customer perceptions when dealing with these problems.

Investment in quick, competent, and courteous problem resolution is

one of the most effective steps a service organization can take to build a quality reputation. Customers are used to experiencing additional problems when they attempt to have a problem resolved, so problem resolution gives organizations an excellent opportunity to impress customers.

Being great at problem resolution is simpler in concept than in execution. It requires educating the customer about what to do when a problem occurs. It requires having enough staff, and the right kind of staff: talented, resilient, well-trained. It requires pushing authority downward so the problem can be solved at the first contact with the customer. It requires nurturing a core corporate value of being easy to do business with. Finally, it requires taking a long view toward building a business, rather than taking the short view of maximizing profits next quarter.<sup>4</sup>

**A** long-term view is essential for service quality. There are no ways to change the attitudes, habits, knowledge, and skills of human beings quickly. It is more useful to think in terms of organizational evolution than revolution.

Businesses need leaders who can envision and build a service-oriented culture to overcome the many obstacles that stand in the way of service excellence. Quality of service is more than a set of activities; it is, in the final analysis, primarily an attitude. Only leaders who insist upon service quality and are obsessed with it will stay the course through the pitfalls, the short-term financial pressures, and the discouragements, and succeed in meeting customers' expectations. □

1. Philip B. Crosby, *Quality is Free* (New York: McGraw-Hill, 1979), p. 17.

2. We have developed a model that incorporates these discrepancies or "gaps." See A. Parasuraman, Valarie A. Zeithaml, and Leonard L. Berry, "A Conceptual Model of Service Quality and Its Implications for Future Research," *Journal of Marketing*, Fall 1985, pp. 41-50.

3. Daniel Yankelovich and John Immerwahr, *Putting the Work Ethic to Work* (New York: Public Agenda Foundation, 1983), p. 1.

4. Leonard L. Berry, "Big Ideas in Services Marketing," *Journal of Consumer Marketing*, Spring 1986, pp. 47-51.