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Service quality implementation: problems and solutions

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Abstract

Purpose – The purpose of this paper is to highlight the problems in the measurement of service quality, why management seems to ignore some of the costs of poor service quality, as well as the repercussions of this, and how to implement service quality correctly in organizations.

Design/methodology/approach – The paper defines service quality and highlights some of the main points of the literature. The paper then focuses on developing a matrix to categorize quality costs which offers insights as to why more managers have not fully implemented service quality in their organizations.

Findings – Utilizing this quality costs matrix, the paper focuses on describing several of the main problems or pitfalls in service quality implementation.

Practical implications – In light of these findings, the paper discusses the practical implications and focuses on recommendations how to implement service quality correctly.

Originality/value – The paper suggests a novel categorization of quality costs and suggests recommendations that will assist managers to correctly implement service quality and eliminate the problems of poor quality. There are also future research recommendations to further the knowledge of service quality theory and implementation.

Keywords Customer services quality, Quality management, Costs, Complaints, Performance measurement (quality)

Paper type Conceptual paper

Introduction
In today's economic environment, both small and large businesses are required to become more efficient and participate in a competitive global market (virtual and real) where client expectations are continually increasing. In this new reality, quality is critical for success. While the economic benefits of quality have been long established, many managers still ignore them at their own risk. This is especially the case for service quality. This paper will focus on service quality, common reasons why managers have not yet adopted service quality as a competitive advantage, and what can be done to overcome this resistance. By focusing on the difficulty of defining and measuring service quality, and the costs of poor service quality, we will suggest a novel categorization of quality costs from the managerial perspective. Following this, we will highlight the problems and present some solutions for implementing service quality.

What is service quality

Quality has been defined as "conformance to standards and specifications" (Crosby, 1979) or "fitness for use" (Juran, 1999), but the big question in service quality is who sets the standards. In manufacturing, the focus of quality is internal, on the process. Quality is defined as the perfect product according to specifications. This has been emphasized by programs such as "Six Sigma" pioneered by Motorolla. The production quality process is very objective and has traditionally been focused on waste reduction.

In services, because of the inseparability between production and consumption of the service, quality consists of not only the result, but the process as well (Sureshchander *et al.*, 2002). Even if the result is favorable, if the process is flawed, the quality is considered low. If the waiter is considered slow, or rude, than even if the food is good, the overall quality will be lacking. In services, the focus is on the external customer, and his satisfaction with both the result and the process. In addition to this, even the customer's expectations towards particular services are also changing with respect to factors like time, increase in the number of encounters with a particular service, competitive environment, etc. (Seth *et al.*, 2005). This focus on the customer has slowly been incorporated into manufacturing (see total quality management), but not to the same extent as in services.

The customer comes to the service provider with a problem or need, and quality is determined by the solution to the customer's problem. Quality in services is very subjective, and determined by the customer. According to Yake (2005), success in 99.9 percent of the activities of organizations in the USA would mean that 315 entries in Webster's dictionary would be misspelled; the Internal Revenue Service would misplace two million documents a year; 880,000 credit cards will have the incorrect cardholder information; 12 babies would be given to the wrong parents each day, and the medical damage (surgeries and prescriptions) is almost unmentionable (20,000 incorrect drug prescriptions a year as well as 291 pacemaker operations performed incorrectly, among others). These examples are proof of the importance of uncompromised quality and the managerial need to create a "culture of quality" (Irani *et al.*, 2004; Maull *et al.*, 2001).

This culture must exist in every department in the organization or it will not be possible to achieve the goal. Fulfilling customer needs is a process that cuts across all departments in the organization, each function relying on the output of previous functions to do their job in the process. We cannot emphasize too strongly that the process is only as strong as its weakest component.

Parasuraman *et al.* (1985) developed the Gaps Model and the SERVQUAL methodology to accurately measure service quality. They defined service quality as being expectations based. The customer compares the perceived result to the expected service and determines his satisfaction with the service quality. If the perceived service is equal to or higher than his expectations, then the customer is satisfied, and can say that there was quality service. If the perceived result is less than his expectations, there is no service quality and the customer is dissatisfied. Berry (1996) defines value as a function of the benefits received and the costs endured. In other words, the only way to determine value, or service quality, is to focus not only on what the customer gets out of the deal, but what he puts into it as well. Customers are ready to pay more, if they feel that they are getting more. This is the foundation of delivering quality service.

While the SERVQUAL methodology is no longer being used as a global measure of service quality (Smith, 1995), its five dimensions (reliability, assurance, tangibles,

empathy, and responsiveness) continue to form the basis for most of the industry specific service quality measures today. It is worth noting that only one of these dimensions, reliability, has a direct correspondent to the eight components of manufacturing quality espoused by Garvin (1988).

The Gaps Model (Parasuraman *et al.*, 1985) continues to be the standard of measure for analyzing poor service quality to determine where exactly the trouble spot is and what needs to be done to correct it. According to the model, the four main sources of service quality problems are:

(1) *The expectations gap*. The difference between what customers expect, and what managers think they expect. This is a result of a lack of information flowing from the customers through the service providers up to management. Managers must locate where the problem is, and work to fix it in order to stay up to date with current customer expectations.

(2) *The standards gap*. The difference between company understanding of the customer expectations and the development of customer-driven service standards. This may lead to inappropriate service design, a belief that customer expectations are exaggerated, or a lack of appropriate process management. Managers must learn to make the appropriate commitment to design servicescapes that match customer expectations, or risk losing that customer segment to a company that does.

(3) *The performance gap*. The difference between the service standards and the service actually provided. This may be due to a temporary shortage of resources, a failure to match supply and demand, lack of training, or poor employee motivation. Management needs to make every effort to hire and train appropriate employees, make sure the appropriate resources are available and to ensure that customers know what their role in the service is.

(4) *The communication gap*. The difference between external promises made to the customer and what is actually delivered. This is usually caused by overpromising, or by a lack of communication. Management needs to integrate their marketing communications and to avoid overpromising.

By eliminating or reducing these gaps, service providers can improve their service quality and increase their profits. Research using the profit impact of market strategy database has found that there is a direct correlation between high quality and high profits (Buzzell and Gale, 1987). The service profit chain (Heskett *et al.*, 1997) made clear that the path to higher revenue, growth, and profitability goes through increased service quality. Similar research has also found that service quality brings higher profits. So, while the evidence is clear, the implementation is not. According to research (Tschohl, 2008), service quality is just as bad today as it was 20 years ago. Where have we gone wrong?

Service quality costs
Feigenbaum (1983) focused on four different types of service quality costs:

(1) *Prevention costs*. Prevents poor quality from happening, such as quality planning, employee selection, training costs, quality assurance inspectors, and continuous improvement.

(2) *Appraisal costs*. Determines actual quality levels, utilizing such tools as inspections, audits, testing, and statistical sampling.

(3) *Internal failure costs*. Associated with correcting a service failure, before the customer learns of it, such as downtime, rework, waiting time, and backroom errors.

(4) *External failure costs*. Correcting a service failure after the customer has brought it to the company's attention. This includes service recovery, callbacks, warranty costs, loss of goodwill, and lawsuits.

Dahlgaard and Dahlgaard-Park (2002) looked at these costs and divided them into visible and invisible costs along the internal and external cost dimensions, thus creating a matrix of these service quality costs. While focusing on invisible costs is a step in the right direction, there was an overlap between their categories (for instance preventive costs could be either visible or invisible costs. This makes it difficult to categorize certain types of costs.

While these costs can also be looked at as a continuum along a timeline (as presented above), we have found it much more helpful to look at them in a different type of 2 × 2 matrix (Figure 1).

According to this categorization of quality costs, we look at the ease to quantify measurement costs as well as whether there is an actual quality failure in order to categorize the quality expenses. Prevention costs are very hard to quantify and they are not contingent on quality failure. Empowering employees and qualifying them to inspect their quality of work is an example of how to find the quality problem early in the process. This is far more difficult than it seems, as we will see later on in the paper. The appraisal costs are very easy to quantify and are not contingent on quality failure. These are perhaps the easiest costs to catch, and most every company is able to quantify them with a high degree of accuracy.

It is also very easy to quantify the internal failure costs that stem from quality failure. Re-doing faulty work is a classic example of internal failure costs. The external failure costs also stem from quality failure but because the service defect has already

Figure 1.
Categorization of quality costs

reached the customer, it is very hard to quantify. What is the cost to the company of a customer who receives shoddy service and decides not to return?

Actually, increasing the investment in prevention, will help reduce the appraisal and the failure (internal and external) costs. It is much cheaper to prevent than to repair, therefore, the earlier in the process that the problem is identified, the greater the saving. The "1:10:100 rule" applies in the quality process. The key concept here is that the longer it takes to find the problem the more it costs the company to fix it. The more diligent the company is in first preventing, then inspecting prior to shipping means a lot less cost trying to please customers. Companies who fail to engage in these diligent quality measures will find that they are not as profitable as they should be. To prevent the problem from the beginning, it will cost $1 (prevention costs); if the problem or mistake is identified in the design stage, its cost will be $10 (appraisal costs); if found in the production stage, the cost will be $100 (internal failure costs); and if the customer discovers the problem or mistake, the cost will be $1,000 (external failure costs) as a result of the return for repair or remanufacture, urgent delivery, compensation, damage to image, loss of customers, etc. This cost will escalate once again if the organization is unable or unwilling to solve the problem for the customer.

The two major questions that this categorization allows us to examine from a managerial perspective are; how easy is it to quantify these costs, and what is the certainty of these costs? While most companies focus on quality control (appraisal and internal) costs to catch the mistakes before the customer does, we believe that this is a mistake and that the real value added is to try and prevent errors from happening in the first place. However, because it is so hard to measure and manage prevention costs, companies settle for the easy route and focus on appraisal costs. "If it can't be measured, it cannot be managed" is the suitable managerial maxim that explains this sort of behavior. As a result, we are in a mostly reactive mode, trying to catch service failures after they happen. This is akin to Dahlgaard and Dahlgaard-Park (2002) concept of "invisible costs". On the other dimension, manager's failure to know how much money is lost from external failures, allows them to continue ignoring the financial drain. This "ostrich (head in the sand) syndrome" affects how we manage even critical events such as service recovery. Here also, we are in a reactive mode, trying to appease customers after the service failure. A more proactive approach is necessary. We will return to these topics later in this paper, however, it is already clear that the matrix has allowed us to highlight two critical problems. We will now turn to focusing on how the literature regards the real cost of service quality.

The real cost of poor quality

In 1989, Juran defined the cost of poor quality (COPQ) as the sum of all costs that would disappear if there were no quality problems (Dahlgaard and Dahlgaard-Park, 2002). Crosby indicates that the price of nonconformance (the cost of making and overcoming mistakes) was 23 percent in manufacturing firms and even higher in service firms (Quality, 1981). Similarly, Klein (2002) reported that based on a study by Avigdor Zonnenshein, the COPQ was approximately 25 percent of the Israeli gross national product (GNP). Obviously, these are only estimates, but it seems clear that the cost of poor service quality is still very high, thus magnifying the potential savings in implementing service quality. These costs have been estimated as running as high as 40 percent (Dahlgaard and Dahlgaard-Park, 2002).

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Every dollar spent on fixing poor service quality is a cost, and directly lowers profit by a dollar. Therefore, by improving service quality, we are directly improving profits. Try and assess how much time and resources are spent fixing faults and then fixing them again; how many final products are discarded despite the loss of the raw materials and work invested in them; how many backups are created – necessitating double efforts and supplies. Consider all the inspections designed to prevent errors and the low employee morale and reduced performance due to constant criticism, which lead directly to higher employee turnover. Focus on incorrect and illogical work processes that make it difficult for the worker to achieve high-service quality. New work methods are added to old ones, new equipment and raw materials are melded to the old, new forms and procedures are layered over the old ones, and the overall effect is to create a "patchwork" with multiple fail points. Hammer (1990) discussed the need to redesign procedures from the beginning, rather than patching together a temporary solution. The energy invested in looking for where to lay the resulting blame of poor service quality would be better used to identify and correct the reasons for the mistakes in the first place. Crosby (1979) emphasized in his book *Quality is Free* that if managers do not have the time or resources to do it right the first time, then where will they find the time and resources to do it right the second time?

Ultimately, what customers want is quality service. What was promised, when it was promised, and how it was promised. In most cases, it is the organization that sets the terms of the transaction, customers may either accept the terms or not. When customers accept the deal, they simply expect the organization to adhere to the terms that the organization itself determined. If the organization does not, there is a service failure which will sometimes lead to customers leaving the company and taking their business elsewhere. The cost of recruiting a new customer is estimated at five times that of preserving an existing customer (Goodman, 1999) and such a cost can easily topple organizations that do not understand the customers' basic needs. This is a major COPQ, replacing those customers who left because the product or service did not answer their needs. Amazingly enough, most organizations do not track lost customer revenue. The financial system looks at expenses and revenues within the organization, but does not usually focus on what happens outside of the organization. This is a major part of the invisible costs (Dahlgaard and Dahlgaard-Park, 2002) associated with service quality. We can track incoming revenue from sales, and we can track outgoing cash (expenses), but financial systems today are mostly incapable of tracking probable income that was lost due to customers switching to a different service provider. We have the technology, utilizing customer relationship management systems, to determine the lifetime value of a customer. We are lacking an interface which would allow us to quantify the lost value of a customer who defects before his cycle is finished.

Henricks (1999) quotes Prof. Leonard Berry as saying:

> If business owners take the time to properly measure the revenue lost to customers who left due to poor service and the extra costs involved in re-performing a service that was not performed properly the first time, the number they come up with will be so large, it will never again be an issue as to whether service quality is important in their company, [. . .]

"It's instant religion." Most managers think that only complaining customers are the problem; however, Carr and Littman (1990) and Goodman (1999) reported that only 5 percent of all dissatisfied clients complain. This number has not really changed in the past 30 years (Grainer, 2003) despite the investment of billions of dollars in service

recovery systems. The majority of those who do not complain change service providers, or remain temporarily for reasons of convenience while looking for other alternatives. Moreover, while a satisfied client shares his feelings with a few people, a dissatisfied client shares his negative feelings with twice as many people (Goodman, 1999). While managers think that no news is good news, there is a groundswell of negative publicity building that threatens to cause serious damage to the company. It is our opinion that we must focus on measuring these costs in order to be able to make informed decisions as managers.

Problems and pitfalls in implementing service quality

Based on the discussion so far, we can pinpoint several problems associated with delivering quality service, despite all the evidence proving its value. Here, we will look briefly at some of the more common problems.

Cost/benefit problems

This is one of the most bizarre phrases in managerial theory. We say cost/benefit, but we only hear about the cost. For instance, there was considerable opposition in Starbuck's to invest \$40 million in 2002 to add 20 hours of labor a week per store to improve customer satisfaction (Chittum, 2006). This amounted to almost seven cents a share, and was on the verge of being soundly rejected as too expensive. It was only when it was discovered that highly satisfied customers spent 9 percent more than satisfied customers that the decision was made to invest the money. It is not often that we make the effort to measure the unknown, preferring to give added credence to the numbers that we know. As we previously stressed, there are a lot of poor quality costs that we do not measure at all. As a result, decisions are mostly based on the short-term, and decisions are being made without all the relevant data. Figure 1 shows the enormous wasted potential to eliminate future problems. Grainer (2003) called this the billion dollar sinkhole. We have spent billions of dollars on improving service recovery, and customers are less satisfied with service recovery today than they were 30 years ago. We have wasted all this money on measuring the wrong things, and not enough on improving service quality.

Measurement issues

Satisfaction, or quality, is usually measured as an absolute number, for instance 4.1 out of 5, when in reality it is a relative number. If our organization goes up from 4.1 to 4.3, it is considered a great achievement, but what happens if our competitor goes up to a 4.8. Our 4.3 does not look so good. There is also a tendency to measure quality in the service factory, those service processes that exist to assist the customer and serve customer needs. We measure wait time, time per transaction, yield, cost per transaction, and other internal processes. These are problems since satisfaction must be measured relative to our competition, because our customers have choices, and will choose the best choice for them. In reality, if the customer judges the quality of the service, we need to measure what is important to the customer. Measuring wait time or average yield are internal measures and do not indicate what the customer thinks about our quality.

Another measuring issue is that most organizations measure customer satisfaction using the same questionnaire across customer segments. This number is meaningless as well as expensive. Customer segments are different, and they value different things.

Asking generic questions and calling it customer satisfaction is simply wrong. Each segment must be measured according to what they consider the most important things. Most satisfaction questionnaires imply that each question is weighted the same. This also is false and misleading. Customers should be free to weight each question according to importance; otherwise the total satisfaction score is not accurate. The risk is that we are measuring what we want instead of what we should and then we are basing our decisions on this faulty analysis. We then do not understand what we did wrong and it is time to ask if we are actually looking (measuring) in the right place. Accordingly, the important questions that the organizations have to confront originally, are what, how and why to measure? (Dahlgaard and Dahlgaard-Park, 2002).

Efficiency vs effectiveness

Most service managers today have an engineering background, and are well schooled in the principles of logistics, and efficiency, especially as it relates to manufacturing. They are constantly trying to reduce costs, oftentimes at the expense of effectiveness. A case in point are interactive voice response systems. Automated call systems are vastly cheaper than operators, but exasperate the customers (Cena and Torre, 2006), causing enormous dissatisfaction (www.gethuman.com). The extra costs of lower customer satisfaction have not been factored into the equation by most companies, and those that have examined the situation in depth are reverting back to live operators (Netflix, as reported in Hafner, 2007). This returns us to the cost/benefit issue discussed above. When one of the authors had his luggage lost, on a recent trip, he was only able to talk to the airline's computer. While the conversation was intelligible, it was also devoid of emotion, and satisfaction was low. The author does not fly that airline anymore. Was it worth it to the airline to lose a customer to save a few dollars? In a high tech-high touch world, automation cannot take the place of human emotion and empathy. Because of the economy, more companies are focusing on the short-term efficiency of their operations, with less regard for how this affects the customer, or how it lowers their effectiveness in solving customer problems, thus causing them long-term profit damage.

Parasuraman (2008) noted that the producer-oriented view of productivity is insufficient for service contexts because they involve "performances" that are typically produced and consumed simultaneously through interactions between the service providers and customers. As such, he reported, that in service contexts customers often play a co-production role, providing some amount of direct or indirect input in the form of time, physical effort, and mental energy. When service companies subscribe to a purely producer-oriented view – which is the case more often than not – the quality of service to customers invariably suffers.

Agency theory

We trust managers to do the owners bidding, but in most cases, that trust is misplaced and managers tend to do what is in their own best interests, not necessarily the best interests of the owners. This is due, in part, to current managerial incentives. The owner may want the manager to invest in long-term goals, but if the reward system encourages managers to focus on short-term profits, we should not be surprised when managers cut long-term spending to increase short-term profits (Kerr, 1995). What gets measured, gets done goes the managerial mantra. Managers put an emphasis on whatever is being measured, often to the exclusion of anything else.

The same can be said for the employees as well. They will treat customers as they themselves have been treated. Since the early days of Taylor and mass production, employees have been seen as just another factor of production, easily replaceable at the lowest cost. In today's service economy, this is no longer the case. We rely on underpaid employees to make critical decisions about major customers. We pay lip service to the idea of empowerment, but do not follow through. Call centers and customer service departments are notorious for low pay, and high turnover. This is in direct violation of the propositions set forth by the service profit chain (Heskett *et al.*, 1997) and validated by subsequent research. How can we expect underappreciated employees to care for our customer relationships and do what is right for the customer. If we pay them according to length of call, we should not be surprised when they do everything in their power to shorten calls, including hanging up on customers, instead of really trying to solve the customer's problem.

Who teaches the managers?

Services today encompass multiple disciplines including, but not limited to, marketing, human resources, engineering, logistics, information technology, and other fields. Most service managers today are woefully underprepared to handle all the different aspects of service quality. There are still not enough educational institutions teaching services as a profession, despite the fact that the service economy continues to expand. One or two service courses do not prepare a manager for handling all the different scenarios that might crop up in the course of a day or week. Service managers are generally well trained in one area but woefully deficient in other areas. As a result, it is very difficult to sustain a customer focus.

How to do it right

In this section, we will offer our suggestions on how to avoid these problems in implementing quality service in organizations. We need to change the internal measures to be more customer focused. We can still measure internal processes, but we need to link them to the customer drivers of service quality (Gale, 1994) using customer value methods. Service processes need to be managed by using service blueprints (Shostack, 1982, 1984) to identify all the moments of truth and points of impact between the customer and the organization. This will help in locating quality costs in the service quality process, thus making invisible costs more visible.

Measurement issues

Quality is what the customer says it is, therefore, it is a very subjective process, which we need to make more objective. Seth *et al.* (2005) reviewed various service quality models and found diverse service quality outcomes and measurements, depending on type of service setting, situation, time, needs, and other factors. One of the easiest and most accurate ways to learn about what customers think is by tapping into the customer service department and paying attention to the customer complaints. Through close contact with customers, listening and relating to their "bad news" (complaints, comments, and criticism), it is possible to make concrete improvements. This is an excellent way to determine some of the prevention costs in Figure 1. Listening to customers allows us to direct ourselves to their expectations and needs, and anticipate their future requirements, as well as finding out which policies are not

adding value or are even driving customers away. It is an excellent way to strengthen a relationship with the customer. The service process does not only encompass the organization, but also the customer. When the organization optimizes their process to be efficient, this only transfers most of the burden to the customer thus changing the value added (Parasuraman, 2008) and causing customer dissatisfaction as well as increasing overall service-quality costs. We need to look at the entire process from the customer's eyes. Customer communications management has been shown to be a critical and strategic resource for the entire organization (Davidow, 1995), as well as a stand-alone profit center in its own right. Several complaint handling models have been developed showing return on investment (ROI), as well as areas of improvement in the complaint-handling process itself. While most companies have a service department to deal with customer complaints, only about 5 percent of dissatisfied customers complain (Goodman, 1999). Organizations cannot afford to wait for the dissatisfied customer to come to them, they must actively go out, locate them, listen to them and then change those things which are bothering the customer. We have known how to measure the bottom line impact of handling customer complaints for more than 20 years (TARP, 1986 for an early example and Davidow, 2000 for a more sophisticated model); yet, most companies today still do not measure the ROI on complaint management. Fornell and Wernerfelt (1987) proved that complaint handling is a profit center in the organization, however, top management has had a hard time accepting this. Therefore, our first recommendation is:

R_1. Develop a financial model of complaint handling that will be acceptable to upper management, and constantly use it.

The model should be able to accurately measure all costs and benefits relevant to complaint handling (see cites above for more assistance) and be able to calculate an accepted organizational ROI, as well as be able to divide the appropriate costs to the relevant departments. This will also help minimize the invisible costs. For instance, complaints about product A and the costs of handling them should be attributed to the quality costs of product A, and not to the customer complaint department. This leads us directly to our next recommendation:

R_2. Integrate customer value into financial records.

What is the true value of a lost customer? We need to invest resources into determining the "out of organization" expenses involved with customer defection. It is not easy to quantify prevention costs and external failure costs, but that does not make them any less relevant to decision making. Ignoring these costs does not make them go away; it just means that we are making poor decisions based on the wrong data. As long as measurements of customer quality and value are not integrated into the financial data, we will not take them as seriously as we should. Nearly, every company measures customer satisfaction today, very few do anything about it. Only 50 percent even communicate the results with the employees, only 10 percent implement any action as a result, and only 5 percent communicate the changes made to the customers (Customer Champions, available at: www.customerchampions.co.uk/index.php (accessed May 24, 2010)). How can we talk about cost/benefit analyses, if we cannot fully quantify all the costs or benefits of service quality? Until customer quality scores have the same meaning as profits and trigger the same organizational responses, companies will not

be able to reap the full benefits of service quality. Recently, we just talk quality, while we do profits and losses. More research is necessary to determine why the majority of dissatisfied customers do not complain. Despite huge investments and billions of dollars, customer satisfaction with complaint handling is lower today than it was 30 years ago (Grainer, 2003). In order to achieve different results, we need to be trying different things. It is our opinion that more effort should be devoted into calculating customer value and basing more decisions on the customer value analysis.

Accurate and relative measurement of customer perceptions
We need to communicate with the customer (not only through complaint management, but through surveys, focus groups, and informal interviews) and determine what the main quality drivers are for each service process. What are the most important factors driving satisfaction for each service process (Gale, 1994)? Having determined the main drivers, we then need to determine the relative weight for each factor and for each driver. Not every factor is equally as important, even if most satisfaction surveys assume they are. We then need to calculate the organizational satisfaction score and the competition's satisfaction score on each driver. We can then calculate the relative satisfaction score and weigh it by the relative weight of the driver (Kordupleski and Simpson, 2003). This is the best way to quantify subjective customer perceptions regarding service quality. This will give us a much clearer picture of where we stand relative to the customer's needs and relative to the competition, bring us to our next recommendation:

R_3. Customer satisfaction and quality perceptions must be measured relative to the entire industry in order to be meaningful.

Rust *et al.* (1995) have pointed out that the effect of these quality drivers on profitability must also be shown. This again brings us back to the issue of cost/benefit. Too often, we only look at lowering costs. Sometimes, an investment will add enormous value added to the customer, which will bring back a huge increase in profits. Airlines offer business class at great expense, which customers are willing to pay for, such that the overall margin is greatly increased. This ties back to the efficiency vs effectiveness debate. Effectiveness will always be more important than efficiency, because it relates to solving the customer problem. Being efficient is generally equated to doing the minimum necessary, and is meaningless unless it relates to adding value to the customer. In other words, it is better to be effective (help the customer) and inefficient than it is to be efficient, but ineffective (lose the customer). The incremental costs of becoming more efficient are rapidly decreasing and will very quickly reach an asymptotic level beyond which they cannot go any lower. Paradoxically, focusing on lowering costs may end up increasing them.

On the other hand, utilizing a value added process such as Kano's (1984) model will enable an organization to very quickly pinpoint those features that wow! the customer and that they are willing to pay for, thus exponentially increasing revenue and profits.

Reward your goals
It appears likely that workers act or behave according to how they perceive they are measured, appreciated and rewarded. Since human behavior reflects the measurement criteria in place, we must make sure that the criteria reflect the goals that we wish

to accomplish. Managers do not appear to give enough thought to this angle (Kerr, 1995; Sharabi, 2008). If we reward a saleperson for selling new product A, we should not be surprised when sales of B or C go down. If we reward a manager for short-term profit, we should not be surprised when long-term goals are not achieved. These are counter-productive incentives. We need to work backwards from our long-term goal, and make sure that in every step, our incentives will encourage those goals and not hinder them. More effort is needed in aligning short-term behavior with long-term goals. This seems to be very obvious, however, in a follow up to Kerr's (1995) landmark article and its republication, the Editors (1995) of the Academy of Management Executive found that 90 percent of managers reported that Kerr's folly is still prevalent 20 years later, and that more than half concluded that it was prevalent in their own companies!

The Editors (1995) reported three main obstacles that must be overcome in order to eradicate the folly from an organization. First, there is an inability to break out of old ways of thinking about reward and recognition. Second, a lack of a holistic or overall system of view of performance factors and results. Third, continuing focus on short-term results by management and shareholders. This leads us to our next recommendations:

R_4. Change measurement and reward systems to reflect the value added of service processes.

This is not an easy task. It requires an organization to map out its service processes and determine where the value added to the customer is located (use of customer value frameworks (Gale, 1994) and service blueprints (Shostack, 1984) are recommended here). Once the high value-added processes are identified, then we can reward employees accordingly. This means giving up the silo system of rewards, and focusing on maximizing the organizational performance by becoming customer focused. Communication must be enhanced throughout the organization in order to optimize these service systems. It means giving up current power bases by managers in favor of focusing on the value added to the customer. This approach requires full empowerment of the employees. Tschohl (2008) defines empowerment as giving employees the authority to bend and break the rules in order to take care of a customer on the spot and to the customer's satisfaction (and not the company). The bottom line is to reward those behaviors which are customer focused:

R_5. Institute a customer focus throughout the organization.

It is very difficult, if not impossible, to truly focus on the customer while being internally focused on efficiency. In order to be efficient, an organization must conform to certain standards which lower the innovation and motivation of the employees. Thinking outside the box is by definition inefficient, and, therefore, the organization finds itself incapable of assisting large parts of its target market. Owing to the high variability in services, employees cannot afford to just follow a script. They must be open to helping the customer, while maintaining certain organizational standards. This requires giving employees the discretion to do what needs to be done, empowerment, in order to ensure that the customer receives quality service. Deming (2000a, b) stated that rather than act as a policeman, the manager should be a coach, who, like a football coach, needs to invest in his players in order to lead them to excellence. Berry *et al.* (1994) calls this

servant leadership. The manager's role is to help the workers do better work. As the above-mentioned coach, the manager should listen, take an interest in the worker and his needs, give positive reinforcement for success and prevent a crisis following failures and mistakes. Rather than reprimanding a worker for a mistake and thus reinforcing his anxieties and lack of confidence in his ability, lessons should be learned that will prevent the mistake in the future. In a sense, the manager must act as a bulldozer, removing the obstacles that prevent the workers from doing their jobs. The manager should see himself as part of the service chain, in which he also supplies service. If he does not supply quality service to his workers, they will not be able to give quality service. This is the essence of a customer focus, where management treats the employees as customers, to enable the employees to focus on the external customers. Bitner (1995) uses the service promise triangle to emphasize this point. Management spreads promises to the customers, who then come to the employees to keep the promise. However, in order to maintain equilibrium, management must also enable the promise by providing employees with all the tools, training, and incentives to make good on the promise. Most service quality failures can be traced to a lack of enabling the promise.

Continuing education
Too many managers today are ill equipped for the job. Organizations must demand better theoretical training for their managers from educational institutions, not just as part of executive training, but as a core part of the degree curriculum. Services encompass over 70 percent of the GNP, but this is not reflected in the classrooms. Until businesses demand it, the workforce will continue to be manufacturing based, efficiency focused. We need to re-educate managers on how to be customer centric. This leads us to our last recommendation:

R_6.   Demand to be taught.

Current businesses are in a time crunch. They cannot wait for the next generation of managers to finish school, and even if they could, there is no guarantee that the schools would teach them the requisite skills. Businesses need to get that education now. It is imperative to get the local college or university involved in this teaching process. This is not a one way street. Academicians are thirsty for real life examples to prove their theories. There is a win-win situation here, where in return for the necessary tools to compete in today's service economy, businesses can give researchers access to organizational data in order to advance our theoretical knowledge. This then becomes an excellent way to bridge the chasm between academia and practitioners. Organizations can even fund certain courses, whether they are given in house to their employees, or whether they are given at a university/college level. While in-house guarantees the knowledge stays in the organization, it is dependant on having qualified personnel to teach the course. By supporting a course at the university/college level, an organization can guarantee continuity of knowledge, and perhaps leverage the support of the course into academic research to solve organizational problems.

Conclusions
While implementation of the solutions we have suggested might increase costs in the short term, the direct and indirect costs of poor quality will be dramatically reduced in

the long run, and the way is open to the organization's success. We all see the COPQ in our organizations, but we have not succeeded in making significant change with the various methods that have been employed until now. Albert Einstein has been attributed with saying that the definition of insanity is "doing the same thing over and over again, but expecting different results" (Warburton, 2005, p. 228). We have been using inappropriate measurement instruments and we have not been able to connect them with the actual improvements; therefore, new methods are required. The need to increase organizational effectiveness and customer value added in light of the increasing competition and the tension of decreasing revenues, demands a change in approach, the acquisition of new skills and the implementation of methods from which we will gain a good reputation and business success.

Many organizations spend a lot of effort and money to measure quality without relating the results of measurement to necessary improvements. Dahlgaard and Dahlgaard-Park (2002) suggest using Deming's plan, do, study, act (PDSA) model to deal with this problem.

The PDSA steps are:

(1) *Plan*. Develop a plan for improving quality. This stage includes analyzing the current situation and to predict the impacts of any future decision and developing appropriate measurement system.

(2) *Do*. Executes the plan first on a small scale with appropriate measures. The measures provide an understanding of the level and type of success obtained.

(3) *Study*. Evaluates feedback to confirm or to adjust the plan. This stage includes analyzing the results of the plan, its implementation, the gaps between the goals and the results and causes for the gaps.

(4) *Act*. Makes the good results of the plan into standard operations and improves the plan of the bad results or studies the adjustments made in order to improve them.

The PDSA cycle drives the management to relate the results of measurement to the necessary improvements and to make the constant adjustments and never-ending improvement (Deming, 2000a, b). According to the cycle, we need to determine what customers think is important, and then we need to determine what organizational processes are linked to that attribute, and measure those. Kordupleski and Simpson (2003) refer to this as designing an "attribute tree". We need to keep drilling down from what determines customer value (what they get and what it cost) and attempt to link it to our business processes. If we then determine customer weighting of each branch, we can accurately measure and predict how a change in an organizational process will impact the customer. This can then be compared to actual customer behavior in order to validate our model. It is very simple, but not easy. The risk is that we will continue to spend money on inconsequential things and not improve service quality. This is what has happened to most companies today, that have taken the easy road and measured what is available, rather than what is necessary. In order to succeed, we need to take the road less travelled and measure the right things.

Future research into service quality should focus on measuring and quantifying the true costs of poor quality as well as focus more on the implementation issues of service quality. We know what to do; we just are not sure how to do it. Managers who have

proclaimed their companies to be customer centric are horrified to learn that while the mission statement and goals are very clear and focused to upper management, lower management and employees are having a hard time with the implementation. Kerr's (1995) folly lives on. We should also be looking at the strategic implications of complaint management. It is our fervent hope that these recommendations will help organizations find their way back to service quality. However, these are recommendations only, they are not laws. As Deming (2000a, b) has said, "Change is not necessary, survival is not mandatory."

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