

How Companies Can Really Impact Service Quality

By Benjamin Schneider



Over time, my colleagues and I have developed, tested, and refined measures of a climate for service quality that can actually predict three years out company corporate market value (Tobin's *q*), as well as performance on the American Customer Satisfaction Index.¹ When improvements in service quality can deliver those types of returns, most senior executives want to know what really makes the difference.

There are many popular theories and books on this topic, but they don't work as promised. At best, they capture only part of the answer because they aren't looking broad and deep enough. However, I have seen again and again that if you can coordinate service experience throughout the nooks and crannies of the organization, you can achieve dramatic impact. Here's how.

Going Beyond False Hope

Perhaps you read about what Southwest Airlines does through its HR practices and think, "I can do that." That is the wrong thought. The right thought is, "We can do that." HR people say, "If I only hired the right people, trained them properly, rewarded and recognized them, and managed their performance, then all would be high quality where we engage with customers." What almost all HR people miss is that, while people are important, it is the way they mesh with all other facets of the customer interface that really matters. This means that HR will have the impact possible through HR, but only when the impact on people of other major functions in the company is also positive. To think that one function alone can drive service quality

regardless of what other functions do is a mistake.

Here I share the conclusions reached about service quality in companies, based on databased survey research and hundreds of interviews I have done in companies large and small. In customers' eyes, service quality is determined by the total experience they have, not only the experience they have with people. This total experience is influenced by marketing, operations, and facilities at a minimum, as well as HR. The experiences employees have who produce the customer experience of quality are also determined by more than HR. In other words, marketing, operations, and facilities also have a direct impact on employees, and that impact is translated to customers via the service quality delivered and received.

Perhaps most important, I have also concluded that it is the job of top management to ensure that all of these functions understand the impact they have on people—both employees and customers. More specifically, it is the job of top management to ensure that everyone in all of these functions understands the central role they play in producing the customer satisfaction and customer loyalty they claim they want.

The table below, How Core Functions Send the Service Quality Message, illustrates how to view the core service delivery functions in organizations and how they impact both employees and customers. Based on both academic research and consulting done with service organizations, I will detail how these occur throughout the various nooks and crannies of the organization, and how these are all parts of the service quality whole. Crucial to understand is that in all of these functions, both employee and customers experience needs to be focused on the ultimate goal of service quality and send the clear message to all that you are a high-quality service provider. C-suite members who want to drive service

quality should remember the key is to ensure awareness across all functions of the way these units impact both employees and customers.

The bottom line is that the customer experience of quality is a function of many functions in organizations. To the degree that all are not targeted by the C-suite on producing a positive customer experience, then that positive experience of quality simply will not happen. Everyone thinks Southwest has its reputation for quality because of HR hiring, training, and rewarding the employees they directly encounter—but that is only part of what Southwest does. Southwest has the appropriate marketing of its service to set expectations, it has the operational schedules and routines and equipment that permit the excellent baggage delivery process, and it maintains its facilities—including the aircraft—so that initial impressions are positive. HR can then ensure that people have the right competencies, that they get the rewards and recognitions they earn, that the training—including team training—is impeccable for every job, and so forth. *It is the entire package that produces the positive experience for employees and customers.*

In the following sections, I draw from my research and work with companies to illustrate the five rules of service quality, how each function is experienced by employees, and the influence that has on customers—and then how it is the coordination of this package of functions that is the key to success in the world of service.

Marketing

In a project at a bank,² one of the strongest correlates of customers' service quality experiences was actually an *employee* survey item having to do with how well employees felt they were prepared by marketing for the introduction of new products and services. Another employee survey item that

TABLE: HOW CORE FUNCTIONS SEND THE SERVICE QUALITY MESSAGE

CORE FUNCTIONS	EFFECT ON EMPLOYEES	EFFECT ON CUSTOMERS
MARKETING	<ul style="list-style-type: none"> Awareness of and pride in offering customers great products and services 	<ul style="list-style-type: none"> Attraction to the company's offerings brings them in and quality keeps them loyal
OPERATIONS	<ul style="list-style-type: none"> Schedules, procedures and routines that facilitate excellence in delivery 	<ul style="list-style-type: none"> Efficient and reliable service delivery yields satisfaction and loyalty
FACILITIES	<ul style="list-style-type: none"> Attractiveness and upkeep of the work space enhances well-being 	<ul style="list-style-type: none"> Positive (negative) first impressions set expectations for a positive (negative) experience
HR	<ul style="list-style-type: none"> Competence, recognition and rewards, and leadership produce customer-focused behavior 	<ul style="list-style-type: none"> Positive personal relationships and a quality experience produce satisfaction and loyalty—given that other functions are contributing

was reflected in customer experiences was the degree to which the company was perceived to do a good job educating its customers about its products and services. Isn't it interesting that what marketing does—*as experienced by employees*—gets reflected in customer satisfaction! Here is the content of a few more items from this survey about marketing, as experienced by employees, and which are, in turn, reflected in customer satisfaction:

- Products and policies that are developed or changed in the company take into account how they will affect both employees and customers.
- The company does a good job of keeping customers informed about changes that affect them.
- Communications sent to customers have an appealing appearance and tone.

Of course, marketing is more than this, and in the subfield of services marketing it is understood how varied the elements are that impact customers. That is, services marketing has borrowed the 4Ps from the marketing of goods (product, price, place, and promotion) and added 3 more—process, physical environment, and people—collectively making the 7Ps of services marketing.³ But even in services marketing, there is little concern shown for how these 7Ps impact employees. In reality, the impact of the 7Ps on employees affects how they deal with customers.

The bottom line is that the customer experience of quality is a function of many functions in organizations.

Service Quality Rule No. 1: The marketing function that also focuses on the impact it has on the internal world of employees is a marketing function interested in service quality.

Operations

Operations controls processes, procedures, schedules, and so forth. Until the age of IT in service production and delivery, operations in service delivery systems was responsible for the movement of people into, through, and out of the service delivery system. (You may recall waiting in line at the bank to deposit or cash a check.) Now, operations in service systems rarely directly interact with customers, but they certainly interact with the employees who interact with customers. Take, for example, hotels where each room requires attention every day by an employee to renew the room for customers. The care and concern they show for doing their work efficiently and on established performance schedules obviously will impact the customer. But are the schedules set so they can be achieved? Are the people who clean the rooms given the equipment and supplies they need to do their jobs easily? How customers react will be a function of the degree to which operations has done its job so the cleaning people

feel good about doing their jobs—and will do a good job for customers.

Here are the kinds of items employees used to describe operations in the survey previously mentioned, and we now know that the more positive the experience for employees the more satisfied will be the customers:

- Employees report on the degree to which they have the tools, technology and equipment they need to do their work. Employees report on whether they have the work hours they need to deliver quality service.
- Employees report on the degree to which they are consulted about the design and implementation of new service delivery systems.

How would your employees report your company performs if items tapping these kinds of issues appeared on your engagement survey? It is perfectly clear in study after study that I and others have done in service organizations that the higher the score on items with content like these for the employees in a unit (bank branch, hotel, restaurant, call center, auto repair facility), the higher will be the service quality customers say they experience.

Service Quality Rule No. 2: Your customer-focused operations affect employees and it is those employees who serve your customers.

Facilities

Most readers of *People + Strategy* will likely not be familiar with the term “servicescape”, but should be. The term comes directly from the world of services marketing and refers to the physical properties of places to which customers come to receive services.⁴ The various elements of a servicescape concern the exterior facilities (parking lots, gardens, architecture of buildings), the general interior of the facility (flooring, wall textures, fixtures) and store layout (design, use of the physical space), as well as interior displays (posters, signs, wall decorations). Think of Disney properties and the positive impact the physical facility has on you when you visit. Or, think about your last visit to your supermarket with the a parking lot full of potholes, tiny parking spaces, and shopping carts all over the place that had you commenting to yourself about how management didn't care.

Interestingly, some researchers on servicescapes—services marketing researchers—have not only explored the impact of the physical facility on customers but they have also specifically asked questions about how those facilities also impact the employees who deliver the service. For example, in a hospital setting it was shown that employees had less stress, higher job satisfaction and more commitment to the organization when the servicescape was more positive⁵—and we know that in hospital settings employee experiences are critical for the way patients in turn experience their stays and even their recovery rates after surgery.

What is difficult to appreciate is the wide range of issues that simultaneously may impact employees and customers, perhaps especially when they both are in the same physical environment. For example, a restaurant with obvious music

(ambient issues like sound and smell are also part of the servicescape) may be positively experienced by both, but a popular restaurant may be experienced positively by employees (more tips) and less positively by customers when they try to make a reservation. The research in general and comments we have heard in interviewing customers and employees indicates that there are widely shared positive and negative impressions of physical environments.

For example, in a call center project, we heard from employees that they did not have enough space to work in, and customers calling into the center complained about the fact that they could hear other service providers in the background. Here is what we heard from customers in different settings:

- When I entered the theater, it was so impressive to see the beautiful lighting and curtain.
- The up-to-date layout and equipment in the bank made me feel my money was safe.
- The furniture in my hotel room was old and dingy-looking, and that spoiled my stay.

From employees, here is a sample of what we heard:

- If they don't repair the carpet in this place (a bank), someone is going to hurt themselves.
- I like the way they keep changing the art on the walls; it is interesting to see.

- They keep it too cold here in the summer; I have to go out to warm myself up.

Service Quality Rule No. 3: Manage and monitor all aspects of the physical environment in which your people work to deliver service as it impacts them and provides a first impression to the customers they serve.

Human Resources

Most services still get delivered by humans, if not in person then via various information technology aids. And personal services will continue to require human contact, given especially the need for such in health-care settings, restaurants, leisure settings (hotels, theme parks, spas and so forth), and professional services (financial and legal). What we have learned so far is that these human resources are impacted in the many ways that companies market their products and services, establish the processes and procedures to deliver those services and design and maintain the physical facilities in which service delivery happens.

The issues already discussed are important because we in HR tend to get carried away with what we actually do with those resources, tending to forget about the total package and all the other nooks and crannies that affect our people. My research and work with companies indicates that HR practices themselves are critical for what both the employee



and the customer experiences. It is odd how little attention HR plays to how employees experience and evaluate HR practices, as well as how little attention is paid to connect those practices and employees' experiences of them to the customer. On the latter issue, through research, I have had continuous difficulty getting HR departments to connect employee survey results to customer satisfaction data (marketing has not been so cooperative either!). This is changing

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a bit as we speak through so-called "linkage research," but most of that still focuses on employee performance as rated by managers and employee turnover.

To state the not so obvious, we now know for sure that how employees evaluate and experience HR practices gets reflected in customer satisfaction and loyalty. Here are the kinds of issues from the survey mentioned earlier, the employee responses to which relate directly to customer opinions:

- The level of the knowledge and skills of their co-workers to deliver superior quality service are excellent.
- How well-trained their co-workers are when asked to deliver new products and services.
- The recognition and rewards employees receive for delivering high quality service.

And here is how employees speak about HR practices and issues in a company renowned for its service excellence:⁷

- We have monthly coaching sessions with managers in order to see if we meet goals and to provide us with development.
- Cross-training affects teamwork because everyone can do everyone else's job and therefore help out more.
- Rewards are 90 percent team-based.
- Service is the standard on day one so we hire people who believe in good service.

What would a focus on HR be without a consideration of the role of leadership? In both the research I have done and the companies I have worked with it is clear that local leadership (read that local supervisor) plays an important role in the creation and maintenance of a clear focus on customers. But here also, I have found that the focus on the customer seems to first require—or at least be accompanied by—a focus on the employees who serve customers. Look at these survey items:⁸

- My manager recognizes and appreciates high quality work and service.

- My manager is responsive to my requests for help or guidance

Then, of course, there are the items that focus directly on the customer like this one:

- My manager is very committed to improving the quality of my work unit's work and service.

Service Quality Rule No. 4: How employees experience the quality of the people that emerge from the HR system and their immediate leaders/managers are windows into how the customers they serve will experience the quality of the service they receive.

The C-Suite's Coordinating Imperative

Monitor, measure and coordinate the impact all functions have on the people who serve your customers. The point must now be clear: everything that happens in your company has an impact on your people and it is your people who interact with your customers. When your people have pride in what they are delivering and feel they have the expertise, the equipment, the training, the teamwork, the goals and rewards, and the processes and procedures to do it well, then guess what: customer satisfaction and customer loyalty will follow. Some people call this coordination effort by the C-Suite the building of a climate or culture. This climate or culture is one in which service delivery employees sense that the company is doing all it can in every way to make sure that all is set up so that the people who do it are optimized in full to produce what customers expect and desire.

And the evidence is in that when employees see the C-suite creating this climate or culture of service delivery, then the customer is more satisfied and loyal. Here is the central employee survey item that connects directly to customer satisfaction:

- Top management in my company commits resources to maintaining and improving the quality of work and service.⁹

What is interesting about this survey item is that it is a major correlate of all of the important climate and culture issues in work I do. So, if you want to understand the safety climate in organizations ask employees the degree to which top management in the company commits resources to accident and injury protection. Similarly, if you want to understand the culture of innovation in a company ask employees the degree to which top management commits resources to enhancing innovation. In short, to create the kind of climate and culture your company needs you had better make sure that in the eyes of your people you are committing resources to make it happen—through coordination of what and how you market, through the operational procedures you put in place, through the facilities you design and maintain and through the HR practices you have.

How do we know it is the coordination of these various functions and elements that make for high quality customer service? In a number of projects, I have used a measure

The Five Rules of Service Quality

- 1. Marketing.** The marketing function that also focuses on the impact it has on the internal world of employees is a marketing function interested in service quality.
- 2. Operations.** Your customer-focused operations affect employees and it is those employees who serve your customers.
- 3. Facilities.** Manage and monitor all aspects of the physical environment in which your people work to deliver service as it impacts them and provides a first impression to the customers they serve.
- 4. Human Resources.** How employees experience the quality of the people that emerge from the HR system and their immediate leaders/managers are windows into how the customers they serve will experience the quality of the service they receive.
- 5. The C-suite.** The C-suite needs to think of conducting the symphony orchestra of diverse players and to conduct the diverse players so the customer experiences the finest possible delivery.

of internal service quality responded to by employees to indicate how the service they deliver to customers is facilitated or inhibited by the functions on whom they most depend.¹⁰ On the survey, employees first list the function on whom they most depend and they rate (poor to excellent) the quality of the service they get from that function on these characteristics:

- How friendly and helpful their attitude is
- How much job knowledge they have.
- The degree to which they keep promises.
- The results show that the more positively service delivery people rate the staff in these functions on whom they most depend, the more positively the customers they serve rate the service quality they receive.

Service quality is a great opportunity for marketing, operations and facilities management to work together as a team with HR to produce positive employee and customer reactions. Service quality delivery to customers requires more than a one-person HR band; it requires the C-suite to be the conductor of a multi-person symphony of coordinated efforts all playing the same piece of music—service quality—but having different, critical parts to play.

Service Quality Rule No. 5: The C-suite needs to think of conducting the symphony orchestra of diverse players and to conduct the diverse players so the customer experiences the finest possible delivery.

Implications

The implications of my research and consulting are clear: the actions of marketing, operations, facilities and HR each have a role in shaping customer experience. Each function also has a role in shaping employee experience. The C-Suite impacts customer experience and employee experience as well, especially to the extent they walk their talk of being committed to service quality. In combination, these functions and the C-Suite make it possible or impossible to delight customers.

The service quality customers experience is a function of coordinating all these nooks and crannies that impact both employees and the customers they serve. There is no short cut to customer satisfaction and loyalty because both the customers and the employees who serve them experience the total impact of all those nooks and crannies. Coordinating these nooks and crannies through the obvious commitment of resources to all of them is a wonderful way to reveal how important service quality is to competitive advantage—and when that becomes clear, it has a good chance to happen. ■■

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- ⁸See Schneider et al. (1998.) for these three items. Copyright © by American Psychological Association; used with permission.
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- ¹⁰Ibid.