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Harnessing Service Quality

Guidelines to achieving Service Excellence

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Abstract

Organisations everyday, are faced with the pressure of business forces and their health lies in correctly harnessing them and in order to effectively neutralise the effect of these forces to their advantage they use management guru's frameworks such as Porter and Downes (see chapter 2).

In this era one of the most important business forces affecting organisations is the customers' expectation of a better service and in today's competitive market dealing with service simply means success or failure.

However very few organisations are currently meeting customers' expectations of service, especially those within the SME market, who:

- Have loose customer service policies
- Do not view service as a major force
- Have not developed a culture for service

By highlighting the importance of service as a force and using other organisations as benchmark for developing a service guideline, the author has developed a number of steps to help organisations build a foundation to an effective service culture that is part of the organisational DNA. These guidelines are to be meshed with current strategies and culture that an organisation may have in order to be fully effective.

The author indicates that the guideline (see chapter 5) must be used as the basis of this cultural development and further studies into each section of the guideline must be conducted in order to fully utilise the benefits of each area.

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Chapter 1 - Introduction

This chapter of the thesis considers the justification of this project. Initially business forces are briefly introduced and following on, the importance of Service as a force is defined. Finally the aim and objective, deliverables and methodology employed for this project is outlined.

By the end of this thesis the reader would have understood:

1. *The importance of harnessing Service and the organisations commitment to Service Excellence.*
2. *That an organisation's employees are the most important resource in service commitment to customers.*
3. *Service Excellence starts with having the right Leadership in place.*
4. *Basics of Service Excellence.*

Across the globe there are a number of organisations who are committed to the concept of business excellence. These organisations are striving to continuously improve themselves by using frameworks provided by management gurus, such as Porter (1980) and Downes (1997), see Chapter 2.

These organisations are being affected by forces both internally and externally, and their health lies in correctly harnessing them. Consider an organisation to have a protective shield around it, business forces from any angle could pressurise this bubble shield to burst, leaving the organisation exposed and its health at risk.

Organisations that implement ways to deal with these business forces correctly are the ones gaining sustainable competitive advantage or remaining as a market leader. However few organisations are currently becoming involved in finding out the correct ways of dealing with these business forces (see Chapter 6 & 7) and the importance of dealing with them is sometimes overlooked, (i.e. the aim of this project).

One of the most significant changes that the economy has experienced is the increased rate of “Service Expectation”. Services lie at the heart of the economic activity of society and are linked closely with many other sectors of the economy, says Kandampully (2000). However services are not limited to the service industries, for example, a manufacturer like IBM can be highly involved in the service business. Services are deeds, processes and performance.

“In economics and marketing, a service is the non-material equivalent of a good. It is claimed to be a process that creates benefits by facilitating a change in customers, a change in their physical possessions, or a change in their intangible assets”, Wikipedia (2005).

King (1995) mentioned that service in the commercial setting is a specific kind of relationship between individuals. In this relationship, the host understands the needs and wants of the customer, which give pleasure to the customer and enhance his or her well-being and comfort, (see Chapters 3 & 4 for more information regarding well-being and comfort of customers). The host will deliver with generous and flawless face-to-face interactions. The objective is to enhance customer experience and satisfaction and to develop repeat business.

Problem Definition

Increasingly, customers expect organisations to deliver a high standard of service before and after purchase, and in a competitive market this can mean the difference between success and failure. However very few organisations are currently involved in delivering a service that meets both customers’ expectations and gives them the correct perception. Organisations, especially those in the SME market simply have very loose customer service policies and do not view service as a force to their business (see Chapter 6).

Many organisations simply view service as “*friendliness*” and do not invest the required amount time and effort to understand exactly what service is and how to deliver a strategy that instils Service Excellence into the organisation’s culture.

Service Excellence

Engaged Customers "Can't imagine a world without us" The Ritz, 2005

Kandampully (2000) identified that service quality is crucial to the success of any organisation. As the customers participate in the production and consumption of services, they interact closely with various aspects of the organisation. This inside knowledge gives them the opportunity to assess critically the services provided, in particular the *quality of service*. Customers will assess service quality by comparing the service they get with the service they desire. Hence, service quality plays a critical role in adding value to the overall service experience, (see Chapter 5 for information on how to add value).

The author defines Service Excellence as being able to meet customers' expectations by delivering a high quality service that is customer-centric and creating a sense of comfort, value and experience for the customer.

Aim and Objectives

Developing a Service Culture that is part of an organisations DNA

The aim of this project was to identify the importance of Service offered to customers as a business force, regardless of the time and place which the organisation is engaged in business and to develop a set of guidelines that can be used by employees at all levels, enabling them to provide the customer with a service that they will forever remember (*Service Excellence*), improving their experience and giving the organisation a competitive edge over its rivals.

Four objectives were identified to achieve this:

1. *Identify the current work carried out by Porter and Downes (see Chapter 2) on various business forces in order to prepare the reader for the world of business and business forces.*
2. *Identify the importance of Service as a force to organisations.*
3. *Look at current practices from reputable organisations in order to help design guidelines which will form the foundation of service excellence and its four pillars (see Chapter 5).*

Four pillars: Organisational motto, Problem Resolution, Employee Promise, 3 Steps of service

4. *Produce a set of guidelines to help the organisation develop a service culture that is part of their DNA, which will eventually differentiate them from their competitors giving them a competitive advantage.*

Deliverables

A set of guidelines that when in doubt would enable employees to re-energise their thoughts on Service Excellence.

As for deliverables a set of guidelines are produced, defining clearly what an organisation is in business to create and what every customer should experience. These guidelines are to be the blueprint of all customer interactions, highlighting the importance of employees in delivering Service Excellence to their valued customers.

The tool which is referred to as C.L.A.S.S. (*Customer Loyalty Anticipation Service Scheme*) by the author is a set of common sense steps/guidelines of performance designed for every person in every job at any position on the organisational hierarchy. C.L.A.S.S. highlights the three steps to understanding the framework of service and is a touch stone for all customers and employees interactions.

C.L.A.S.S. defines:

- *Employee to customer relationship*
- *Employee to employee relationship*
- *Leadership and employee relationship*

Correctly using C.L.A.S.S. will create a motto that governs organisational actions, attitudes, behaviour and, therefore, organisation relationships with customers.

Objective of the deliverables

- *Creating the ground on which a Service Excellence culture can be developed*
- *Setting a clear direction for continuous improvement*
- *Aligning service & actions at all business and operational levels*
- *Evaluate whether the organisation has lived up to its expectations*

- *Senior Managers are assigned accountability*
- *Finally, Making Service Excellence delivery a standard procedure*

Methodology

A review of the current literature was first carried out to identify some of the key work done relating to business forces by business gurus whose frameworks are widely used in many organisations. This is considered in Chapter 2.

Service as a force to organisations is explored in Chapter 3 with further literature review conducted in order to better understand service. Chapter 3 is divided into three main sections, section 1 defines service as a force and looks at most of the literature in its area, section 2 identifies the importance of employees in delivering of service excellence, and finally section 3 defines the relationship, in the sense of employee-customer relationships and leadership-employee relationships.

Chapter 4 looks at current practices at 4 reputable organisations, in order to support the author's effort in producing a set of guidelines that would help organisations deliver Service Excellence.

Service Excellence Guidelines are produced in Chapter 5, divided into a number of subsections to help better understand each area.

Chapter 6 looks at the results of the interviews conducted with the questionnaires analysed in order to see the organisations perspective of the guidelines purposed in Chapter 5. And finally Chapter 7 concludes this thesis.

Chapter 2 - Business Forces

This chapter of the thesis presents a review of some of the current literature on Business Forces. Business Forces are rapidly changing by economical conditions, so it was important to identify the key forces to focus on, with the following areas being selected:

The business forces that will be considered in this chapter are:

- *Threat of entrants*
- *Customers bargaining power*
- *Threat of substitute products*
- *Bargaining power of suppliers*
- *Competitive rivalry*
- *Digitalisation*
- *Globalisation*
- *Deregulation*

The above does not suggest that these are the only business forces affecting organisations and one should carry out further research into other business forces not specified here, if required.

The aim of this chapter is to give the reader an understanding of the term business forces and what some of these forces mean. This will enable the reader to understand the world of business and enable them to better understand this thesis.

What are Business Forces?

Table 1 gives an outline of both Internal and External business forces, some of which have been identified as a business force by business gurus (*such as Porter (1980)*) and some which have not yet been identified as a major force to organisations. It is important to understand that there has been literature written relating to all of the following areas, however as

explained some of these forces have yet not been identified as an actual business force, and organisations are paying little or no attention to the affect that these forces may have.

INTERNAL FORCES	EXTERNAL FORCES
Culture	Worldwide Competition
Knowledge Management	Unpredictability
Organisational Learning	Threat of new entrants
People Management	Digitalisation
Security	Globalisation
Employing the right people	Deregulation
Organisational Change	Customers Bargaining Power
Shifts in Management Style	Suppliers Bargaining Power
End-user Pressure	Threat of substitute products
Refocusing on Core Competencies	Customer Service Experience

Table 1: Business Forces

Porter’s Five Competitive Forces

Porter (1980) developed the model of Five Competitive forces, which sometimes is referred to as Porter’s Five. Porter’s model is based on the insight that a corporate strategy should meet the opportunity and threats in the organisations external environment. Especially, competitive strategy should be based on understanding industry structures, economics and the way they change, i.e. the affect of the above business forces.

Porter (1980) provides a framework that models, an industry as being influenced by five forces, these forces are effective in every industry and market. They determine the intensity of pressure competition and hence the profitability and attractiveness of an industry. The objective of corporate strategy should be to modify these competitive forces in a way that improves the position of an organisation in its industry. These five forces are shown below in figure 1.

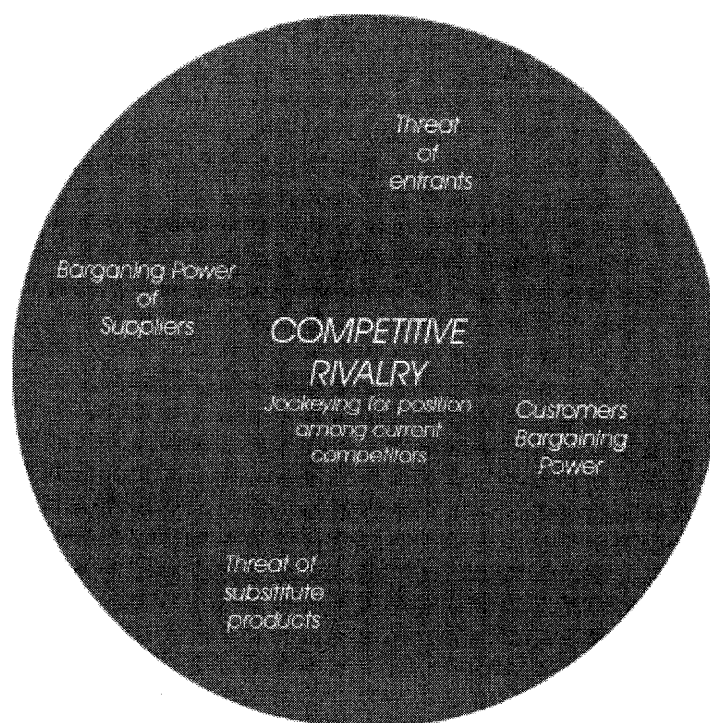


Figure 1: Porters Five Forces Model, Porter (1980)

Using the information deriving from the *Five Forces Analysis*, management should be able to decide how to influence or to exploit particular characteristics of their industry.

Force # 1: Threat of entrants – Barriers to entry: Porter (1980), the competition in an industry will be higher if it is easy for other companies to enter the specific industry. In such a situation, new entrants could change major determinants of the market environment, such as Market shares, Product prices, Customer loyalty and so on.

“It is not only incumbent rivals that pose a threat to firms in an industry; the possibility that new firms may enter the industry also effects competition”, QuickMBA (2005).

“New entrants to an industry bring new capacity, the desire to gain market share, and often substantial resources”. Porter (1980) explains that the seriousness of the threat of entry depends on the barriers present, (QuickMBA (2005) mentions that any firm should be able to enter and exit a market, and if such thing exists as free entry, then profits always will be nominal. However certain characteristics in reality protect the high profit levels of firms in the market and

inhibit additional rivals from entering the market. These are referred to as **Barriers to entry**) and on the reaction from existing competitors that entrants can expect. Furthermore, if barriers to entry are high and newcomers assume sharp retaliation from entrenched competitors, it is unlikely that the newcomers will pose a serious threat of entering.

For information on different barriers to entry please refer to Appendix C.

Force # 2: Customers Bargaining Power:

Porter (1980), A Customer bargaining power is influential if:

- The products it purchases from the industry are standard or undifferentiated. The customers knowing that they can always find alternative suppliers may play one company against another.
- The customer earns low or little profit on its purchased goods. This creates an incentive to lower its purchasing costs. Highly profitable customers maybe more flexible in the prices they pay as cost may not be such an issue for them. (This is off-course if the product does not represent a large fraction of their costs).
- The customer has a strong purchasing power; purchases made are usually in large or concentrated volumes. These customers are particularly a strong force if heavy fixed costs characterise the industry.
- The industries' product has no significant importance to the quality of the customers' product or services.
- The industries' product does not save the customer money. Where the product can pay for itself or save money for the customer, the price is rarely an issue, and the concentration is mainly on the quality. (This is usually true in services such as investment banking where errors in judgement can be costly).
- The customers pose a credible threat of self manufacturing the industries' product, gaining in return a bargaining power.
- Product purchased from the industry forms a component of its product and represents a significant fraction of its costs. The customers are likely to search for a favourable price and purchase selectively.

Force # 3: Threat of substitute products: Porter (1980) model refers to threat of substitute products as products in other industries offering similar benefits. The economists' view that a threat of substitute products exists when a product's demand is affected by price or quality variations of another similar product. As a threat of substitute products increases, so does the customers' choice for alternatives. A close substitute product would limit the ability of firms in an industry to increase prices.

Force # 4: Bargaining power of suppliers: Porter (1980), A supplier group is powerful if:

- It is dominated by a few companies and is more concentrated than the industry it sells to.
- Its product is unique or differentiated, or if it has switching costs policy implemented. (Switching costs are fees purchasers must pay in order to change suppliers).
- It is not compelled to compete with other products for sale to the industry. *"For instance, the competition between the steel companies and the aluminium companies to sell to the car industry checks the power of each supplier"*, QuickMBA (2005).

The supplier poses a credible threat of entry (*explained in the previous pages*) into the industry's business.

Force # 5: Competitive Rivalry: Porter (1980), this force describes the intensity of competition between existing players in an industry. High competitive pressure results in pressures on:

- *Prices*
- *Margins*
- *Profitability*

Competitive rivalry is likely to be high when:

- There are many companies of about the same size.
- Companies have similar strategies.
- There is not much differentiation between the companies and their products; hence there is much more price competition.
- Low market growth rates (growth of a particular company is possible only at the expense of a competitor).
- Barriers to exit are high (e.g. expensive and highly specialised equipment).

The diagram in the following page (Figure 2) is a useful way of illustrating Porters Five Forces and providing some elaborating details.

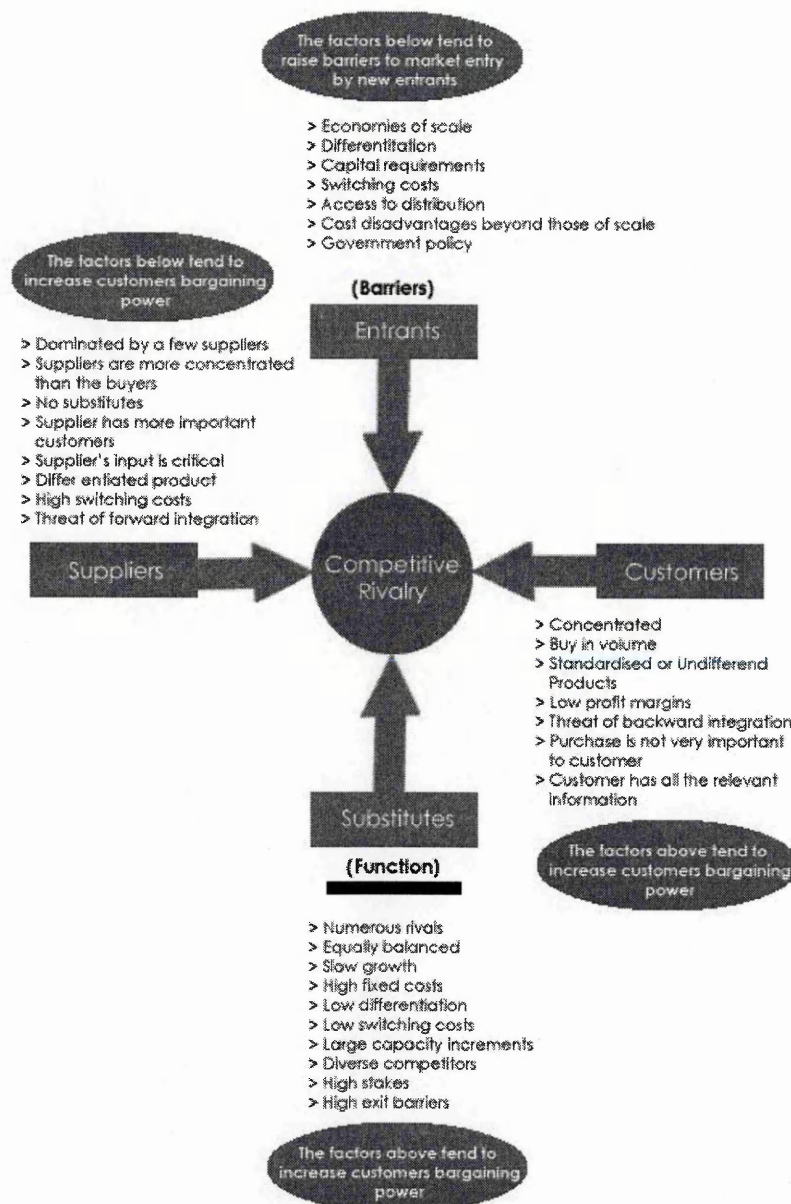


Figure 2: The Five Forces affecting competition in an industry, Porter (1980).

“Beyond Porter” by Larry Downes

The work of Porter (1980) is considered very influential by many organisations; however the world of commerce has developed rapidly since. In fact, Porters’ theories are based on the economic situation of their era, the eighties (80s). This period was characterised by strong competition, recurring development and relatively stable market structures, Downes (1997).

Downes (1997) states that Porter’s assumptions are no longer viable and identified three new forces that require a new strategic framework and a set of very different analytic and business design tools. These new forces were:

- *Digitalisation*
- *Globalisation*
- *Deregulation*

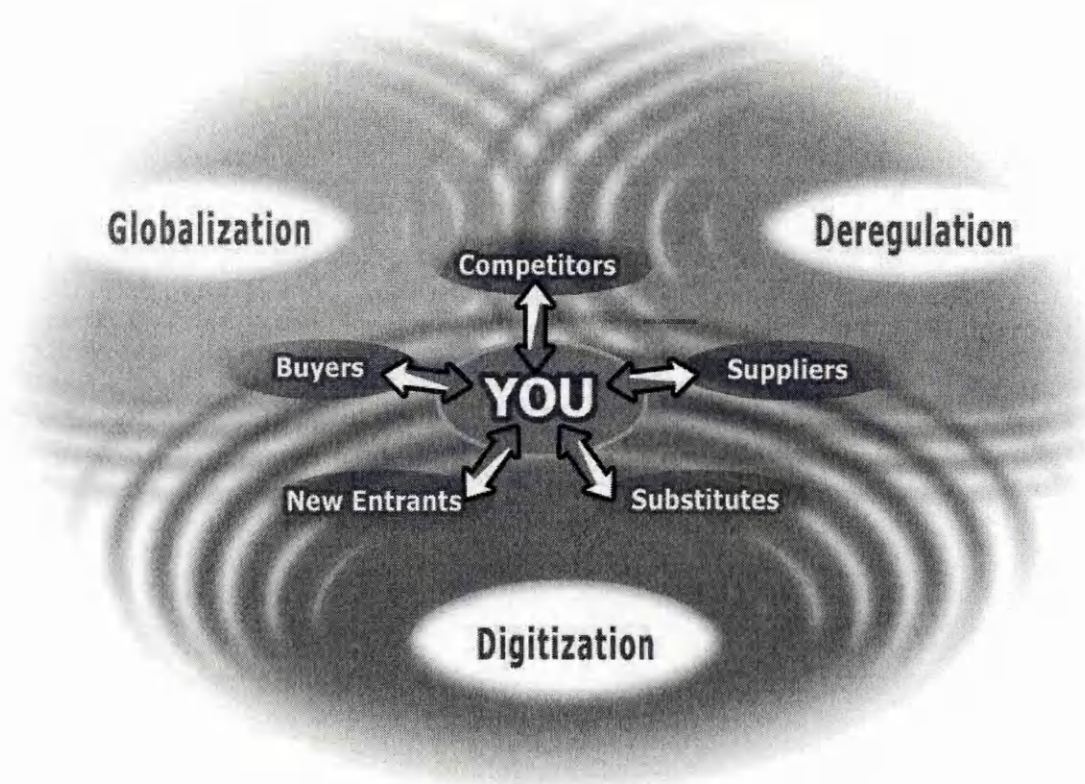


Figure 3: Porters Five Forces model enhanced, Downes (1997).

Force # 6: Digitalisation, Downes (1997) explains this force as what most people have recently become so used to, the widely available public networks interconnected to form a larger network called the Internet. He explains that the power of Information Technology as it grows, will give more information about competitors, suppliers and customers. The rise of public networks will make that information more widely available, increasing the possibilities for collaborating and competing. (*This is what can be seen today with the extensive use of the internet*).

Downes (1997) gives example of Electronic shopping malls as the rapid digitalization of commerce. He explains that facilities such as this would offer a broader array of products than any physical mall around the clock, seven days a week, competing yet even on location, as electronic malls are conveniently placed where ever the customer happens to be, Examples of this today would be eBay and Amazon.

He argues that companies who base their thinking only within Porter's Five-Forces (explained earlier in this chapter) will not be able to see the effect of Digitalisation in time, in order to maintain a competitive advantage.

Force # 7: Globalisation, Downes (1997) explains this force as a large network, whose attraction would be irresistible, as improvements in distribution logistics and communications would allow nearly any business to trade on a global level. Meanwhile he explains that customers will be happy to engage in global shopping without borders for nearly all their requirements, kicking competition into a higher level. Yet again the result of this force is, "*disruption on a scale that the traditional approach to strategy just can't handle*", Downes (1997).

Force # 8: Deregulation, "*The current mania for deregulation reflects a belief by governments and regulated industries alike that the disease (open, international competition) is better than the cure (laws to protect local economies)*", Downes (1997).

The past decade has seen shrinking of government influences in United States and Europe in many industries like Communications, Utilities, Airlines and Banking. Fuelled by the new opportunities of information technology, organisations in these industries were able to

completely restructure their businesses and consider alternatives. Downes (1997) gives the example of the international telephone market, which was isolated for many years among heavily regulated national carriers. However emerging technological improvements led by leased data lines, and satellites gave customers a way around the high monopoly prices that they were being charged. In response to this governments deregulated.

The most sustainable of Downes (1997) forces is most importantly **Digitalization**. Technology in the past was used as a tool for implementing change within the Information Technology framework, however today it has become far more than an enabler of new business strategies. Technology has become the essential of every business, market and operating models.

Downes (1997) critique of Porter (1980) framework implies that it focuses too much on the economic conditions of their era of origin. Therefore, their viability is limited under changed conditions. It is important to add here that Downes (1997) forces are derived from the economics conditions of their era too. One can argue that some of their importance may have been lost because of other developments and new forces are affecting our industries in this era that require focus from organisations.

Chapter 3 - Service as a force

“The majority of troubled customers silently desert to competitors” Nemeroff (1990)

As seen from the previous chapter, the work of two top management gurus who identified business forces is very much concentrated on their own era and neither mentions the importance of service, which can be argued that it has been one of the most important forces in every era. This chapter will identify the importance of service as a business force and will look at various aspects affecting service that the author will be referring to as service excellence (*Service Excellence is defined in Chapter 1*).

In every industry there are barriers to entry (*discussed in Chapter 2*) or a price that an organisation must pay to succeed in playing the game; these are mainly customer requirement focused. Research conducted by the British Airways, Prokesch (1995), shows that the customers now take for granted the basics of entering the market and offering a particular service to those customers. Customers increasingly show the desire of wanting a company that desires to help them and offers them a personal service that is catered to individuals in a caring way.

Providing Service Excellence is a challenge for every organisation and in many cases it is overlooked. *“Customers’ calls and letters, and anecdotes from friends, suggested that both the quality and consistency of our service were coming up short”*, Taylor (2002).

Companies today are concerned with branding and introducing new products and less conscience of the service quality they offer, they strive gaining competitive advantage through mainly product differentiation, however it is important for companies to understand that the products which they may consider differentiating them from their competitors can easily be reproduced by those same competitors. Research indicates that the more a service is differentiated, the more loyal customers are to that brand and the less willing they are to switch to competitors, The Ritz (2005).

Schneider (1990) also mentions that many firms operate in highly competitive mature markets. Such firms nowadays should view high quality of service as a strategic imperative. As mentioned in an article by Prokesch (1995), *“if you can deliver something extra that others are not nor cannot, some people will pay slight premium for it”*.

“Just because the competition is tough, that’s no reason to be tough on Customers” Prokesch (1995). He continues by indicating his awareness of the fact that customers maybe price conscious; however some businesses seem to be cutting costs at the expense of their service quality. He argues, *“There are plenty of people who will pay a premium for good service – even among those who travel economy”*.

It is important for organisations not to differentiate their service quality by the class of their customers or how much they may spend. Organisations should aim to offer the same quality of service (*Service Excellence*) through out the organisation to all customers.

The term Service Excellence was defined in the introductory chapter (Chapter 1) however the author feels that it is necessary to further define the previous definition as follows: the term Service Excellence refers to offering of service that is done to an optimum amount, which exceeds customers’ expectations and perception, leaving the customer with an experience of true care and attention. *“Service differentiation exists when every aspect of the product or service that you’re offering focuses entirely on delighting the customer, from the first interaction that the customer has with the organisation”*, The Ritz (2005).

As Service Excellence could be seen as differentiator within a competitive environment, it is also important to note that Service Excellence pays off, as attracting new customers is more expensive than retaining the current customers. Laird (2003) notes that winning back a lost customer can cost up to 50-100 times as much as keeping a current one satisfied, as shown in Figure 4.

Retention of customers is for a large part dependant on the quality of service provided to that individual customer (as mentioned by Hartog and Verburg (2002)).

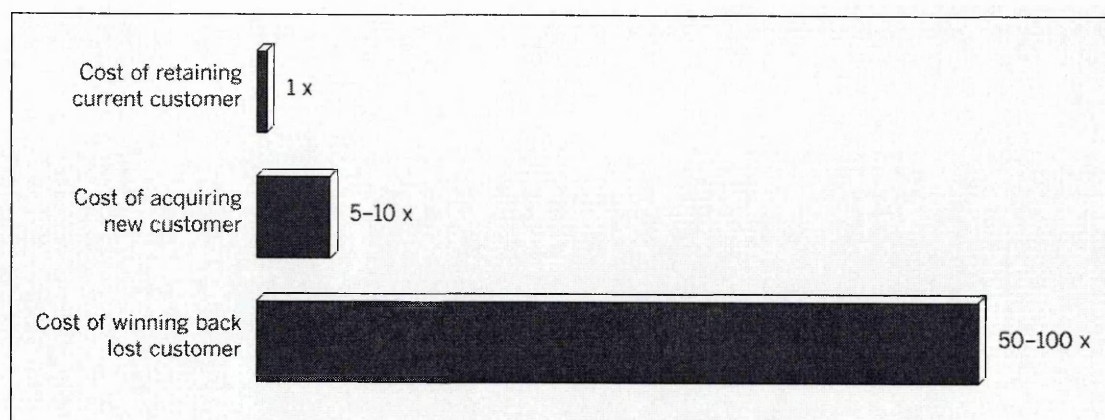


Figure 4: Cost of retaining a customer, Source: Laird (2003)

Prokesch (1995) mentions in an interview with Sir Colin Marshall, (chairman of British Airways) that *“A nother way to compete is to go beyond the function and compete on the basis of providing an experience”*, he continues by highlighting the fact that few organisations can excel in serving people, he mentions, *“Because it’s a competence that’s hard to build, it’s also harder for competitors to copy or match”*.

Organisations should establish and communicate profitability-based customer satisfaction as a primary organisation goal and implement a diversified service quality program. It is also important to bear in mind that organisations should aim at developing a problem-free service, as even with first rate customer service, customers do not fully recover from service problems leaving them with a bad impression and leaving an aligned receipt of service with their expectations from the company and allowing them to constantly look for defects within the service offered.

Nemeroff (1990) mentions that *“While responsive service after the sales is a perquisite for organisations today, their primary goal should be problem-free service.”*, Nemeroff (1990) continues by explaining that organisation should be aiming for problem prevention rather than problem resolution, which in return should lead to closure of Customer Complaint departments and an organisation that thrives to excel in customer satisfaction. In a research carried out by the Citibank, showed that customers who have had problems resolved to their satisfaction are,

on average 20% less satisfied than problem-free customers. (*A case study of the Citibank has been conducted and will be highlighted in Chapter 4*).

Prokesch (1995) notes that service must be orchestrated, “*arranging all the elements of our service so that they collectively generate a particular experience*”. Borucki (1999) noted, “*If the organisation is to deliver service along dimensions that customers perceive as important (...), then its internal environment and subsystems must be co-ordinated and managed to facilitate the attainment of the desired level of service*”

Learning from the comments above, it is important for organisations to think continuously about the impression or each interaction between the organisation and a customer that is being generated, an important question to ask which will indicate the organisation’s performance on this framework of thinking would be; “*Would you recommend us to a friend?*” The Ritz (2005)

This brings us on to the importance of employees in delivering *Service Excellence* which is discussed in the following section.

Employees & Service Excellence

Service Professionals are the face of the organisation

The power to provide differentiated service and eventually service excellence is significantly influenced by the willingness of organisations employees to operate correctly. This section of Chapter 3, explores the role of employees in providing service excellence, and ways in which management can support and motivate them. “*Most practitioners agree that an organization’s human resources and HR itself are critical differentiators in service delivery*”, Dell (1991).

A study conducted by AT&T (1993) indicates that 70% of customer satisfaction depends on the service a customer receives from employees rather than the actual performance of the product. Schlesinger (1991) mentions that in other industries, research conducted by the forum Corporation indicates that only 14% of customer defections are the result of a poor quality product, and that more than 65% are the result of indifferent or unhelpful employees.

It must be noted that employees are the most important part of the service that an organisation offers, as each interaction of the organisation with the customer initiates from the very first contact that the customer makes with its employees. This makes the employees the *face* of the organisation and if the organisation is not correctly harnessing its workforce in delivering service excellence, the so many human interactions that are involved in delivering an experience to the customer, often becomes very difficult to understand or measure in which interaction caused a customer satisfaction or dissatisfaction.

Moreover, if customers are left dissatisfied with the quality of the service they receive, it is not hard for them to find a replacement elsewhere. Thus, both overall services quality and employees' personal commitment to providing good service are likely to affect customer satisfaction and ultimately retention.

Christopher (2004) mentions that as the success of an organisation is closely linked with its employees, companies are introducing formal means to include them in their overall marketing strategies. In addition he adds "*internal service culture directly affects just how service and customer oriented employees are*", Christopher (2004).

By recognising that the people within an organisation are eventually "*the organisation*" and the most important resource in the service commitment to customers, an organisation can step on to the path of Service Excellence. Prokesch (1995) mentions that "*the people on the front line are the ones who ultimately create value since they are the ones who determine the kinds of experiences that the company generates for its customers*".

However the author argues that it's one thing for people to believe in providing Service Excellence and quite another to ensure that busy, ambitious, and largely autonomous managers stay focused on delivering it.

"In everyone's life, at some time, our inner fire goes out.

It is then burst into flame by an encounter with another human being.

We should all be thankful for those people who rekindle the inner spirit".

Albert Schweitzer (1933)

Managers play an important part in supporting employees to deliver Service Excellence. It must be noted that in order to achieve this effectively correct leadership should communicate people's worth and potential so clearly that they come to see it in themselves. Employees must feel an in-built sense of value, without having their worth compared to others. Once this and their potential are communicated and opportunities are created to put into practice their worth and potential, it is only then that the organisation can see true passion and sense of responsibility from these people. As Hartog and Verburg (2002) mention the leaders should aim at creating conditions that focus employee efforts on delivering service quality or excellence.

In a recent study carried out by Hartog and Verburg (2002), roughly 7000 employees of a large food services organisation were asked to take part in an employee opinion survey. 3,601 respondents sent back their responses. Respondents' stats are shown in Table 2 listed below.

Respondents Information	
Gender	Men: 45.4%
	Woman: 54.6%
Age Groups	16-19: 52.4%
	20-30: 43.8%
	30+: 3.8%
Tenure	Less than half a year: 17.8%
	6 – 18 Months: 30.1%
	18 – 36 Months: 28.9%
	36 Months+: 23.1%
Working hours per week	8 Hours or less: 42.3%
	9 – 20 Hours: 35.1%
	20-37 Hours: 16.1%
	Full Time: 6.5%

Table 2: Respondents Information

The results from the study show that perceived managerial behaviour significantly impacts on service related outcomes. The more employees indicate that managers provide information and support; the higher they rate both the quality of service and their felt responsibility to provide good service. It has been argued that if management treats employees fairly, employees in turn will be more likely to treat customers fairly. In line with this, the results indicate that employees' perception that managers evaluate their performance in a fair manner impacts their willingness to provide good service, but not their rating of overall service quality, Hartog and Verburg (2002).

Developing and maintaining a Service Excellence culture internally that is a part of the organisations DNA is a critical determinant of long-term success. Christopher (2004) argues similarly with this statement by pointing out that, it is those *“deep seated, unwritten system of shared values and norms that has the greatest impact on employees, their behaviour and attitudes”*, Christopher (2004).

However Christopher (2004), continues by arguing that internal marketing strategies that lead to this cultural development, can easily be prevented from being deployed correctly simply because of the organisation's *hierarchy*. He mentions that if employees are to become more connected to the outside market, the organisation must become *“customer-centric”*. He suggests that in order for the organisation to become customer-centric the hierarchical, inward-facing structures must be removed and organisations must focus on cross-functional, team based approaches and *“integration between ‘front-office’ and ‘back-office’ activities.”*, Christopher (2004).

“In a market-driven company everyone, from the CEO to the telephone salesperson, is preoccupied with what the customers need and delivering it to them”.

McDonald (2001)

In summary organisations systems and processes must be revised to support, trust, and empower employees to make decisions, as a result of this it can be said that employees will

be more satisfied and that satisfied employees make for satisfied customers. *“The organization will never be what the people are not”*, Pritchett (1993).

Relationships

In a recent research conducted by the Maryland Business school, Bolton (1998) the results indicate that customer satisfaction rating elicited prior to any decision to cancel or stay loyal to the service provider is related to the duration of the customer-organisation relationship. *Relationships are discussed in the following section.*

Why customers leave? According to a survey done by Ritz-Carlton (2005):

- ♦ 9% of customers leave because of competitors.
- ♦ 10% of customers leave for other reasons (move, death, etc.)
- ♦ 14% of customers leave because of dissatisfaction with the product.
- ♦ 67% of customers leave because of an attitude of indifference on the part of a organisation employee.

Relationships are an important aspect of delivering Service Excellence and few organisations can survive without establishing solid relationships with their customers. *“... Personal relationships can influence the evaluation of goods and services”*, Gremler (2000). Gremler (2000) goes on to suggest that a relationship occurs when a customer has repeated interactions with the organisation. However it is also important to look at relationships more openly, as a relationship could also occur in a situation where a customer has a single interaction with the organisation and has no expectations of any future business.

In the research carried out by Bolton (1998), results indicated that changes in customer satisfaction from their relationships can have important financial implications for the organisation; Bolton (1998) also mentions that organisations may have underestimated the importance of the link between relationships and customer satisfaction and therefore retention.

Specifically, it is believed that even minor increases in retention rates can have a dramatic effect on the profits of a organisation because the cost of retaining an existing customer is less than the cost of acquiring a new customer, as previously was shown in Figure 4.

Dell (1991) refers to relationship as *“how good customers feel in general about their interactions with the vendor”*, it suggests that this includes *“hitting it off”* and *“being comfortable with the relationship”*. Gremler (2000) describes relationships as *“a sense of genuine interpersonal sensitivity and concern”*.

It is believed that relationships can be subdivided into two sub-categories, Employee & Customer relationship and Leadership & Employee relationship. These are explained in detail below:

Employee & Customer Relationship

Because of the indefinable nature of services, employee-customer relationships become particularly important in customers' evaluation of the service experience. Because of our nature we are constantly involved in assessing our surroundings and as services become difficult to evaluate for customers', the customers often look at other aspects of the service provided such as the relationship with the employee, this is why it is important for employees to show; *familiarity, care, friendship, rapport and trust*, in their every interaction with all customers.

In order to better understand employee-customer relationships, interviews were conducted with customers of different industries and various organisations. The participants were asked to discuss what they see as important in relationships whilst delivering a service. Some of the respondent's comments are shown below.

Respondent 1:

“My therapist does a good job and is very nice. She tells me jokes and asks about my week, family, work and so. We both like shopping so we'll talk about that for a long time. Overall we can have a

nice conversation while she is working on making me look better. She is really a person who has good interpersonal skills and is extremely interesting”, Sima (2005).

Respondent 2:

“We socialize with our customers a lot – we try building a friendly environment for our customers and become more personal. I think that is important to customers as they are still in search of a family like environment, where they feel relaxed and it has a pleasant feel to it”, RW (2005).

Respondent 3:

Elli (2005) mentions, *“Employees at Mercedes have a great personality. They always seem to be positive and in a good mood. They are straight forward, even when they are engaged with other work. They try hard to satisfy me by really helping me personally when I have a problem, and most importantly they are not concerned with how long they spend with me”.*

Other interviewees express that a personal connection is very important to service relationships:

Respondent 4:

“Most of our customers are pretty much our friends. For most of the customers you really get to know them very well during the process of providing them with a service. For example we help them fill out application forms, and whilst getting their details, we learn quite a lot about them and realize that you have things in common with them. And the bonding just goes on from there”, Thomas (2005).

Respondent 5:

“If I feel that the sales person is honest and they are treating me with care and concern about my well-being, then I feel better about giving my business to them, rather than when they are impersonal and careless about my well-being”, Yeganeh (2005).

Respondent 6:

“Customers see you as transparent, so if you are genuinely concerned about them, they will appreciate your efforts. They simply know when you are not looking after them from the bottom of your heart.

To me that's what service is all about, to be genuinely interested in your customers and how you can make better off", The Ritz (2005).

In summary of the review of the above mentioned literatures and the analysis of sample interview, data suggests that an *enjoyable* interaction and *personal* connection are common and important facets of relationships with customers.

Leadership & Employee Relationship

"The companies that stand apart from the rest have visionary leaders who encourage experimentation and change and enable people to create a vision of the future", Walker (1990).

Leadership and employee relationships must be developed in such way that it motivates and empowers the employee to deliver Service Excellence. In every organisation it is typically the management or leadership that creates the values, vision and strategies for the organisation. However unless the management or the leadership shares or communicates these correctly with the employees, all would be weak and most probably unsuccessful. It is important for employees to know and understand the values, vision and strategy of the organisation and how it can all be operated within their areas of responsibility.

Empowering employees to deliver Service Excellence requires a culture that values, trust and provides the employees with the flexibility that enables them to make decisions without having to feel that they will be punished for their decision.

Leadership must build an infrastructure which support employee motivation. Ideally, employees should be able to see their efforts creating value for the organisation and their customers, these employees must also see a relationship with the above and the recognition and rewards that the organisation provides to the top performers, *"inconsistent behaviour will undermine even the most elegantly crafted vision statement"* The Ritz (2005).

In summary, the correct quality of the leadership should be able to tap into the potential, skills and knowledge of the employees and motivate, support and empower them in order deliver Service Excellence.

The following chapter considers 4 case studies of reputable organisations that are well known for their commitment to deliver a one of a kind service.

Chapter 4 - Current Practices

This chapter of the thesis looks at 4 reputable organisations, in order to examine what their initiatives are in pursuing a better customer service. The aim of this chapter is to clearly indicate the important aspects of what these organisations believe in doing and learn from their approach. Using this chapter the author aims to develop a set of guidelines in the following chapter (Chapter 5).

Citibank



Citibank has implemented a customer satisfaction ladder which they refer to as Four-Rung. The system is to work as follows: *"Rung 1, Customers say 'This Company doesn't work', Rung 2, Customers basic service requirements are met; Rung 3, customers get service personalised to their needs; Rung 4, Customers say 'The service wows me!'"* Nemeroff (1990).

— Valuable strategies used at Citibank —

- **Trust the customer.** By implementing service policies that assume customers are trustworthy and *"it is the occasional crook that must be caught"* Nemeroff (1990), are the appropriate ethical standards.
- **First-request service.** A customer should only have to contact a business once to have his or her problem resolved or question answered. *"Ideally this should be done immediately. If this is not possible, the business takes on the followup burden"* Nemeroff (1990).
- **Manage customers' expectations.** When follow-up is necessary, giving the customer an update of what should be expected can improve the customer satisfaction significantly.

Nemeroff (1990) mentions that, “When the service investigations department in one Citibank business instituted this particular procedure, specifying time frames for next steps, customers satisfaction increased by 40%”.

Singapore Airlines (SIA)



“Singapore Airlines is well known as a paragon of in-flight service. It is also a remarkably efficient and profitable airline and has been for decades”, Heracleous (2004). By delivering service excellence in a cost effective way, Singapore airlines has been able to achieve sustainable strategic success and competitive advantage throughout its 30 year history (See Table 3, page 31).

In an industry where both price pressures and customers expectations continually rise, SIA has been able to deliver a consistent premium service to demanding customers. The key to this has been what SIA has in common with many other organisations with a reputation for providing service excellence, Top-Management commitment to service, customer-focused employees and systems, and most importantly a customer-centric culture, Heracleous (2004).

According to Heracleous (2004), SIA’s success is attributed to a “customer-oriented” culture, its recognition of the importance of its customers. *“If SIA is successful, it is largely because we have never allowed ourselves to forget that important fact”,* Heracleous (2004).

SIA has a service development department that tests any change before it is introduced. This department assesses customer reaction as well as undertaking time and motion studies, trials, research, in order to ensure that a service innovation is supported by the right procedures. If a trial fails or an implemented innovation is removed after a few months it is not seen as a problem, instead continuous innovation, development, and trial & errors are accepted as a way of life, *“At SIA a failed pilot test damages no-ones reputation”,* Heracleous (2004).

“Customers adjust their expectations according to the brand image. When you fly on a good brand, like SIA, your expectations are already sky-high. And if SIA gives anything that is just OK, it is just not good enough”, says Heracleous (2004).

Heracleous (2004) mentions that SIA treats this as a fundamental resource for R&D, *“Weak signals are amplified”*, Not only written comments but also verbal comments to the crew are taken seriously and reported back to the relevant sections of the organisation.

As a rule, SIA sets its sights high and instead of aiming to be the best airline its intention is to be the best service organisation. In order to correctly achieve this aim, SIA uses broad benchmarking not just against its main competitors but against the best service companies.

An important fact that is mentioned by Heracleous (2004) is that SIA realises that customers are not just comparing SIA with other airlines. They are also comparing SIA against many industries, and on many factors.

For example, when a customer contacts the Airline, they are actually making a mental comparison, maybe subconsciously, to the last best service experience they had. This could have been at a furniture store, car Rental Organisation, or even maybe at work from a supplier.

So after having benchmarked its services against other organisations, it aims to increase the service experience in every area of their business by a bit and does not aim to gain a huge increase or be a lot better in every area, as this would lead to possible bankruptcy. *“it is the totality that counts”*, Heracleous (2004), a little increase in every aspect of the business sums up to have a huge difference on the overall experience that the organisation creates for its customers.

SIA’s latest service excellence initiative, called TCS (*Transforming customer service*), aims at building a team spirit among employees in key operational area such as, cabin crew, sales support, engineering, ground services and flight to ensure that the whole journey from the

purchase of a ticket to the destination is as pleasant and seamless as possible, Heracleous (2004).

<i>Performance Metrics</i>	<i>Quantas</i>	<i>United</i>	<i>Northwest</i>	<i>Continental</i>	<i>American Airlines</i>	<i>Delta</i>	<i>British Airways</i>	<i>Cathay</i>	<i>KLM</i>	<i>Singapore Airlines</i>
<i>Revenue \$m</i>	5,207	16,138	9,905	8,969	18,963	13,879	12,103	3,903	5,788	5,133
<i>Net Income (loss) \$m</i>	212.3	(2,145)	(423.0)	(95.0)	(1,762)	(1,027)	(206.1)	84.2	(138.2)	343.2
<i>Net profit margin (%)</i>	4.08	-----	-----	-----	-----	-----	-----	2.16	-----	6.68
<i>Operational Profit margin (%)</i>	6.83	-----	-----	0.016	-----	-----	-----	2.73	-----	10.4
<i>Revenue / Cost ratio</i>	1.07	0.81	0.92	1.02	0.88	0.93	0.99	1.03	0.99	1.12
<i>Revenue per \$1000 labour cost</i>	3,995	2,279	2,499	2,969	2,361	2,266	3,581	3,989	3,739	5,130
<i>Net income per Load Tonne – Km \$0.001</i>	2.54	(10.53)	(3.06)	(1.02)	(8.64)	(6.27)	(1.55)	1.03	(1.35)	2.73

Table 3: Heracleous (2004), Singapore Airlines performance relative to competitors

The cultural values of cost effectiveness and service excellence are more than just an abstract idea at SIA. They are ingrained into the minds of both employees and organisational processes. Everyone within the organisation, regardless of how senior has a training programme and a development plan. The training includes not only functional skills but also personal interaction skills, personal poise skills, and emotional skills involved in dealing with demanding customers.

Finally, Though SIA is focused on service experience and providing continually improving service, managers and employees are well aware of the need for profit and cost-effectiveness.

Managers and employees constantly trade-off passenger satisfaction versus cost effectiveness, “*the customer has to be delighted but in a cost effective manner*”, Heracleous (2004).

Ritz Carlton Hotel Company

In an interview with top executive Bob Kharazmi (Senior Vice President), the author has asked Mr. Kharazmi to describe their organisational commitment to service.



— Ritz-Carlton Service Basics —

Below is a summarised list of some important service basics used at the Ritz Carlton to ensure a unique service delivery that aligns customers' expectation with the customers' perception.

- Employees are empowered up to \$2,000.00 per day/per guest
- Do not become defensive, feedback is a gift
- Break away, resolve and return to regular duties
- Never lose a guest
- If you receive a complaint, own it
- Resolve it to the guests satisfaction
- Record it... Any complaints or issues received from the customer must be recorded.

Ritz-Carlton Hotel Company says “*We sell service; it is more than just a catchy phrase. In fact, selling service is something that every member of the organisation's work force takes very seriously*”. Ritz-Carlton (2005).

To give the reader some idea of the Ritz-Carlton definition of service, take the example of the concierge of the firm's United States Buckhead property in Atlanta, the concierge was informed a little girl had lost her teddy-bear in the hotel. Although she managed to track it down, the bear went missing again on the day the family came for it. With the typical

forethought displayed by all good Ritz-Carlton staff, she realised that admitting to the little girl her bear was lost would break her heart. Instead, she ran to the gift-shop, bought a huge new bear and put it in the back of the hotel limousine. Taking the girl's hand, she opened the limousine door and said "*Look how big you're gotten while staying at the Ritz-Carlton!*", Ritz-Carlton (2005).

She is now the general manager at Buckhead, Atlanta, everyday she says, "*I feel so blessed, I get a chance every day to contribute to somebody's life.*" Director of QSP (Quality Statistics and Projects), Randy Dickson has worked out that the average Ritz-Carlton guest offers staff 1,100 chances to please them every day they stay. So each employee actually gets 64 opportunities a day.

The Ritz-Carlton credo states that *the genuine care and comfort of our guests is our highest mission*, GENUINE being the word. To achieve this real enthusiasm to please, the hotel chain is very careful about the type of person it employs. The selection is as follows:

— *Selection Process* —

- Preliminary Screening
- A Structured Interview Tool (Talent+), See Figure 5.
- Listening Interview
- Employment References, Drug Screening
- Offer of Employment

Every new employee, including the COO is selected using the QSP Interview Tools:

- Staff Interview (*for Hourly Positions*)
- Supervisory Interview (*for Supervisor Positions and Dept. Trainers*)
- Profit Center Interview (*for Mid-Managers*)
- Sales Interview (*for Sales Managers*)
- Executive Interview (*for Division Head and Above*)

Ritz-Carlton believes that $(\text{Talent} + \text{Fit}) \times \text{Investment} = \text{Growth}$. At the Ritz-Carlton this formula is usually referred to as GIFT, this word is formulated from reversing the above formula to look like the following: $\text{Growth} = \text{Investment} \times (\text{Fit} + \text{Talent})$.

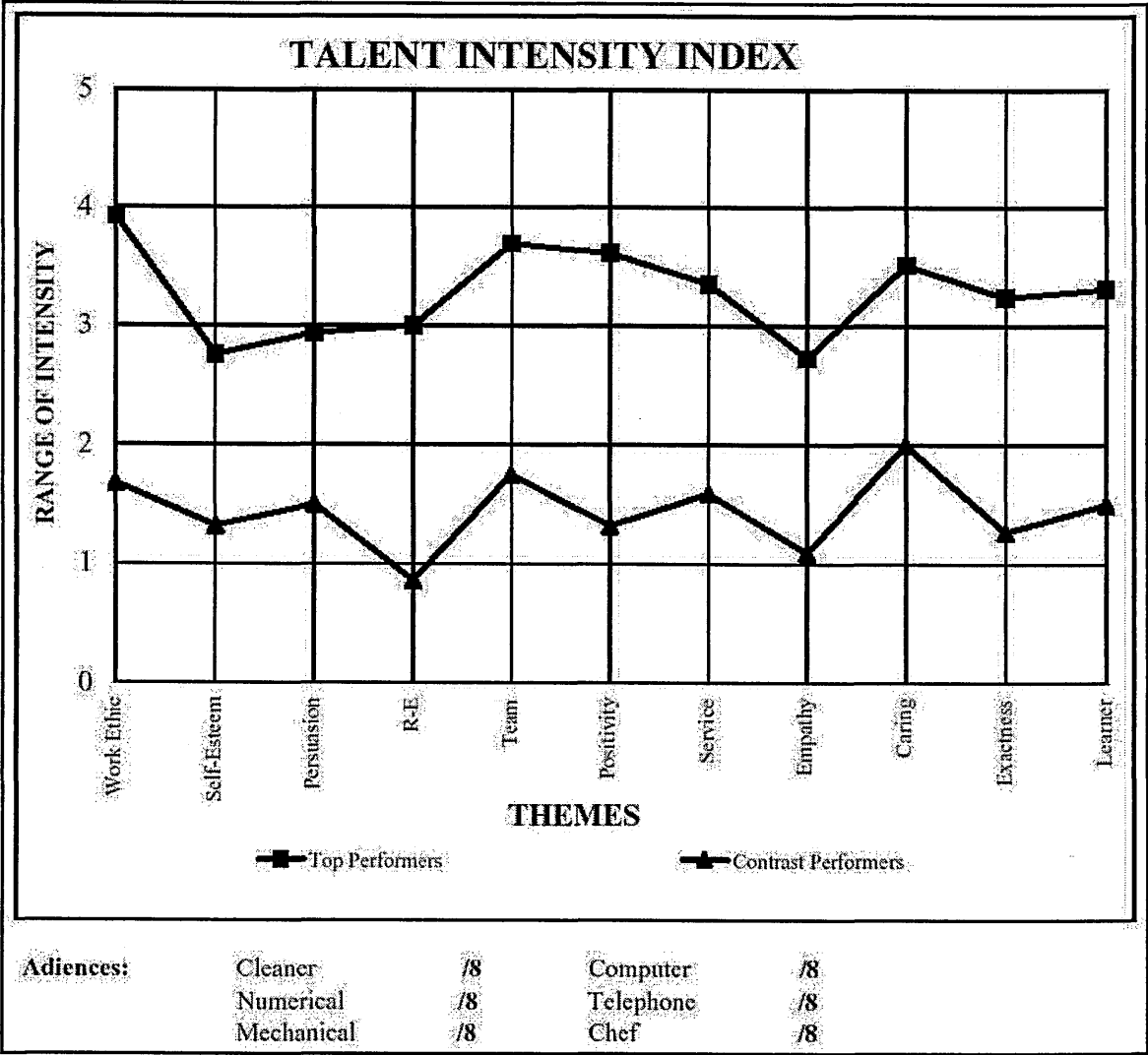


Figure 5: Talent Intensity Index, Ritz-Carlton (2005)

— Orientation —

The Ritz-Carlton believes that new employee orientation is a significant emotional experience; the orientation programme is as follows:

- 2 days intended to give employees an appropriate introduction to the organisation:
 - What the organisation expects of employees
 - What employees can expect from the organisation
 - The History of The Ritz-Carlton Hotel Company
 - The Basic Standards (described earlier)
 - Employee Handbook
 - Total Quality Management
 - Employee Benefits
 - Hotel Tour
 - Uniform Fitting

The Orientation programme is an ongoing process and the information is given in appropriate amounts using adult learning principles, all employees will receive a Guest Experience at the orientation. The benefits of the orientation are made clear and visible to all employees. Following the successful completion of the orientation programme, all “*Ladies & Gentlemen*” (Employees) meet the Executive Team.

Ritz-Carlton looks at future success and customer engagement as the engagement of employees and development of quality business practices. (See Figure 6).

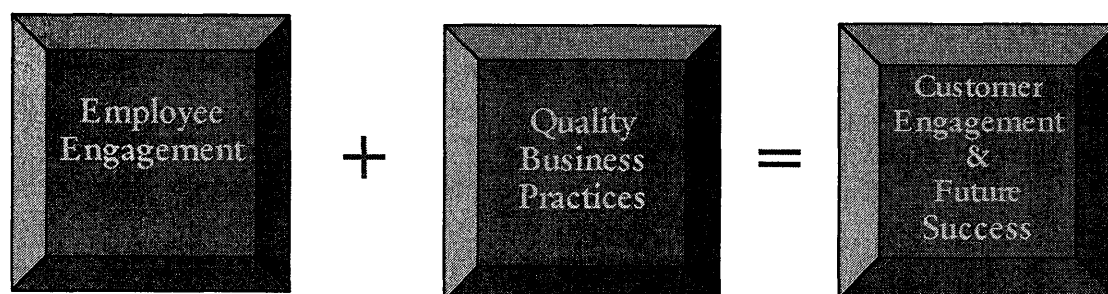


Figure 6: Customer Engagement & Future Success, Ritz-Carlton (2005)

As previously mentioned the leadership commitment is crucial to service excellence, because of this reason Service Excellence along with Orientation mentioned above are strategically aligned at the Ritz Carlton.

British Airways



British Airways in their pursue of Service Excellence, making customers' travel experience seamless, personal and caring have been conducting various workshop such as conducting regular forums with customers. *"We continuously ask customers in focus groups to tell us what such an experience should look and feel like, and we have distilled their responses into service principles that are enshrined in two of our corporate goals"*. Prokesch (1995)

In addition to the above the organisation has been involved with government authorities in order to help them achieve their Customer Service goals. *"We have worked with the British Government authorities to install fast-track channels at Heathrow and Gatwick airports to make it easier for our premium, or full-fare, passengers to speed through immigration and customs"*. Prokesch (1995)

Chapter 5 - Service Excellence Guidelines

This chapter aims to use the information gathered in Chapters 3 & 4 and create a set of guidelines that would support organisations and their employees in implementing a Service Excellence culture. The guideline is divided into subsections to allow a clear understanding of its aim; however this does not suggest that each section should be divided amongst employees with different areas of the business being assigned responsibility, as this would create hierarchical boundaries making it difficult to communicate the Service Excellence culture. It is important for all employees (including leaders) within the organisation to understand and adapt their situations to the following guideline and follow all steps of the guideline in a linear format.

Furthermore, organisations looking to use the following guidelines must understand that these guidelines highlight the main areas of focus and the potential user should carry out further research into each step in order to fully understand how to benefit from such step.

Step 1: Organisational Beliefs

Initially, the genuine care of customers should be the organisations highest mission (as seen from the case study of the Ritz Carlton in chapter 4). The organisation should understand that it isn't care unless it comes from the depths of the heart. The organisation should aim to create a home-like environment, becoming familiar with the customers and making nothing more important than fulfilling the Service Excellence commitment to the customers.

The organisation should provide the finest tailored personal service (it isn't service unless the customers say it is) to customers who will always (not just when it is convenient for the employees) enjoy a warm, trust worthy, relaxed yet refined environment.

Finally the organisation should fulfil even the unexpected wished of the customers and go beyond serving them.

Step 2: Generating Value for the Customer

Deriving from Chapter 3 and Chapter 4 are what the author believes to create value for the customer:

- *One of a kind experience*

Providing an experience for the customer that would forever be engraved into their mind, as mentioned in chapter 3 by The Ritz (2005), customers would not be able to envision themselves conducting business with any other companies. This can be achieved by having clearly specified a Service Excellence strategy, defining the foundation of this strategy by using the guidelines in this chapter and keeping employees delighted who will eventually provide a genuinely caring and professional service to customers and satisfying their needs, expectations and perception.

- *Fast access to knowledge and Wisdom*

Customers want to feel that the person that they are dealing with is knowledgeable of the entire organisation and its products. This shows that the organisation has taken employee training seriously and has implemented ways in which employees can have general overview of all that relevant to the organisational offering.

- *Convenience and Respect of Time*

Companies have put a great deal of effort into reducing wasted time out of their processes, it is now important to focus on the customer and put the same effort into saving their customers time. One question to ask when dealing with this issue is, what would happen if the customer would charge the organisation for their time?

An example of convenience and respect of time for the customer is Amazon, which immediately confirms the orders and informs the customer of shipping and delays, consequently reducing the customer Non-Value Added time, Meyer (2001). *Please refer to Adding Value section of this chapter for more information.*

- ***Utility and Total lack of hassles***

As seen in the previous chapter, both Citibank and the Ritz-Carlton Hotel Company, encourage their employees to support the customer without passing the customer from one place to another. The customer should not feel hassled or feel that their time is not being utilised well as explained in previous page the customers' time must be respected and added value to.

- ***Personalised Genuine Service***

The organisation should aim to develop a service culture that is part of the organisational DNA and treat each customer individually, as explained in Chapter 3. It must be noted that customers react differently to what appears to be the same service. The same customer can indeed react differently to the same service in different circumstances. Organisations should to treat all customers as individuals and develop systems which support, rather than hinder this aim.

It is important to bear in mind that how service is perceived by customer can be affected by three aspects:

- *Mood – All employees must feel the mood that the customer maybe in and anticipate the correct way of dealing with such situation. The organisational leaders should aim to train employees' regularly on customer interaction skills and support their employees similarly by understanding and anticipating their moods.*
- *Culture – Organisations today not only deal with customers locally but globally, so the range of cultures that the employees come in contact with is on a large scale. Employees should be taught and they themselves must focus on adapting to different cultures and not allow cultural differences become a mental block of dealing with customers. Finally all cultures must be respected and learnt from its good and bad*
- *Timing – It must be reiterated that utilising the customers time is extremely important and that employees must aim at dealing with a customer in as little time as possible, however this should not jeopardise the quality of the service being offered.*

The figure below (Figure 7) is developed by the author to enable the reader of this guideline to understand what generates value for customers as explained earlier in the previous pages of this chapter.

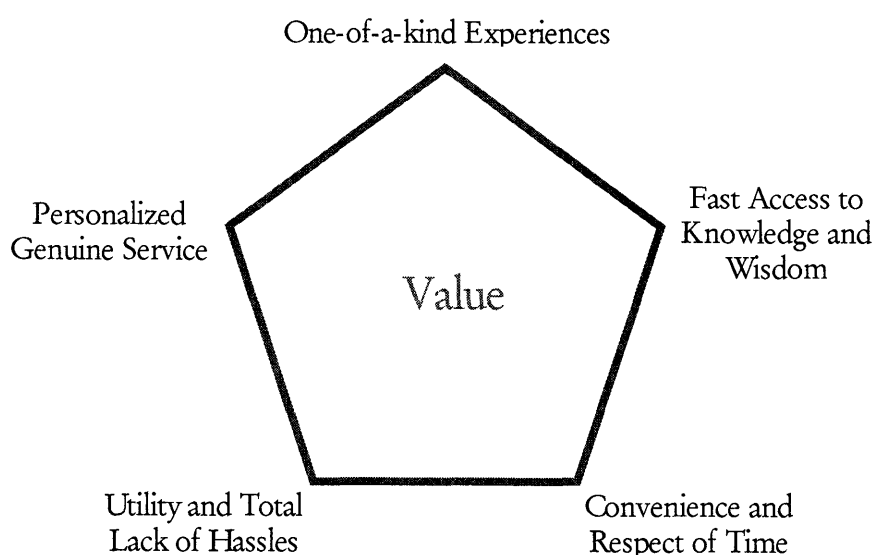


Figure 7: Customer value creation model

Step 3: Adding Value to Customer Time

What would happen if customers charged the organisation for their time? – For every minute they were placed on hold, waiting for an agent to help them or they were asked to repeat the information that should have already been known, Meyer (2001). These questions will alert any organisation as it could eventually shave a percentage of their profits, these organisations would begin by trying to minimise the wasted customers' time and when minimising time becomes difficult, adding more value to their time becomes that is currently being utilised.

In order to correctly stop wasting the customers' time, Meyer (2001) explains that simple processes highlighted below could be the stepping stone for this approach:

- Map the time the customer spends engaged with the organisation, an agent, or a product.
- Focus on finding those “*points of impatience*”, Meyer (2001). This is when a little bit of customers wasted time would cause an enormous irritation.
- Anticipate customers’ highest expectations at any moment in time.
- Encourage unengaged employees to think more about customers’ time and its value.

A good example given by Meyer (2001) is Apple Computers. According to Mayer (2001) Steve Jobs has enabled the organisation to understand the value of customer time; Steve Jobs works closely with their design team to reduce the boot-up time of their computers, calculating that every second that the boot-up time takes, the customer would have wasted an enormous amount of time in a year booting up their machines.

All organisations similarly should take the above four points seriously and develop ways in which the entire organisation thrives not only to increase profits but to minimise customer time from being wasted.

Step 4: Importance of Leadership

Driving service excellence starts with having the right leadership in place. Leadership commitment and a well-establish belief are the most crucial factors in the implementation of Service Excellence within an organisation. Without such a positive commitment, it is arguable that any initiative towards Service Excellence is likely to fail. In particular, the existence of effective leadership and the commitment of management are essential in the implementation of Service Excellence.

Leadership must aim to strategically align service excellence, as this would automatically set a clear direction for continuous improvement:

- Align actions at all business and operational levels:
 - *Vision*
 - *Mission*
 - *Key Success factors*
 - *Foundation*
- Review Service Excellence guidelines every year during Strategic Planning.
- Identify performance measures for all, in order to keep all employees motivated in delivering Service Excellence as previously highlighted in chapter 3.
- Senior Managers must assign accountability for the above and growth of a service culture within the organisation, According to the Ritz-Carlton (2005) leadership must discuss service excellence every day, not just when customer satisfaction scores have decreased. (*See SLA, Chapter 4, as a good example of top management commitment to Service Excellence*).

Leadership must also develop a service strategy that is central to an organisations business strategy, because it defines the organisation's internal culture as well as the desired external image. This strategy must include:

- *Customers' needs and expectations aligned with their perceptions.*
- *Competitors must be used as a benchmark for creating a service culture that would aim to bring a competitive advantage for the organisation.*

An important role for the leaders is to engage their employees as when leaders engage their employees on an emotional level, they will engage customers in the same way. Questions which business leaders should ask themselves are:

1. Is a service culture the most important element in the organisation? Is it part of the organisations DNA?
2. Can the organisations and its employee clearly communicate your service excellence strategy?
3. Does the organisation show consistency between words and actions?
4. Is an organisation built specifically for the customers?

Finally, correctly selecting the employees who will eventually be responsible for delivering Service Excellence is crucial to the Service Excellence success, as discussed in Chapter 4, the Ritz-Carlton have began using tools that help them in correctly choosing their employees.

In the following section this topic discussed in more detail.

Employee selection process

Following on from the previous section, leadership must aim to form teams that are motivated, uncompromising and enthusiastic about customers, service, and what their organisation has to offer. So the selection process is a crucial stage of developing a Service Excellence organisation.

Having a selection process such as those highlighted in Chapter 4 would ensure that the management is likely to make fewer mistakes in choosing the correct applicants.

Motivating Employees

The power to provide differentiated service is significantly influenced by the willingness of a organisation's employees to operate this strategy. It is therefore up to the leaders to create an environment for service excellence to flourish. The questions below support leaders in identifying whether or not they are currently motivating their employees.

1. *Do you really understand what motivates your employees?*
2. *Are you visible, does your employee see you regularly if not every day?*
3. *Do you admit mistakes and share lessons learned?*

4. *Is your employee scared of you?*

If the answer to any of the above questions is not clear or any of the answers are no, further research must be conducted in order to become skilled at how to effectively bridge that particular gap and excel in supporting your employees (*elaborated on, in the section below*).

Supporting Employees

Even if a organisation is not ready to reverse the hierarchical pyramid, a number of measures can be taken by the management, from every day managers to business leaders, which will increase employees' motivation to deliver exceptional service:

- *Employees* – Every member of management should treat employees as partners. It is helpful to remember that each employee was individually selected by the organisation because of some set of attributes. Employees should feel respected, trusted to help run the business and valued members of teams working to solve real business problems. Ideally, the climate is built on all employees treating one another as partners, whose primary goal is to satisfy their customers.
- *Self-appraisal* – Management should continually examine written and unwritten rules for inconsistencies between corporate values and the realities the employees encounter. Business systems and processes should support employees' efforts and help, not hinder their efforts to provide an exceptional service. Employees can be helpful in identifying opportunities to improve processes. Finally, leaders must remember that employees will tend to focus their efforts following the model set by their management.
- *Recognition and reward* – Employee accomplishments, achievements and successes should be recognised publicly and privately. The reward system should compensate employees based on their contributions to providing exceptional service. Investments in people should be made by providing training which enriches their lives or enhances their knowledge, skills and abilities. And finally increased profits achieved by delighting customers should be shared with all employees.

- *Running the business* – Management should treat employees as business partners (as done at IBM), including them in the decision-making process and utilising their talents to manage and expand the business. Employees often have insight into production processes and business systems which can improve the business.

Step 5: Organisational Motto

By developing on what has been learnt from the above and from other organisations the motto shown below indicates that the organisation's workforce are not subordinates or servants, rather they are professionals assisting other professionals and values the fact that we are living in a knowledge age.

“Professionals assisting Professionals”

This Motto should govern organisational actions, attitudes, behaviours and therefore, relationships, creating a culture simply from this statement, a culture of Value. This motto defines the customer to employee relationship, the employee to employee relationship, the relationship that leadership and employee have and finally it tells the employees that they are not servants or subservient, rather, they are professionals who are respected equally. (Please see Figure 8 & 9)

Step 6: Problem Resolution

Below is a list of ten simple steps on problem resolution. These steps have been put together to form the initial way of dealing with a problem that a customer may have. Even though an organisation should be aiming to create a problem free environment, it is essential to have in writing, steps in which our minds are re-energise on how to effectively deal with problems. These steps can be seen in Figures 8 & 9.

1. Let the customer vent.
2. Apologise.

3. Use appropriate body language.
4. Do not blame the customer.
5. Do not blame anyone else.
6. Do not blame another department.
7. Make sure the resolution fits the problem.
8. Personalise the resolution to truly delight the customer.
9. If the customer is not satisfied with the resolution offer reasonable alternatives.
10. Ask probing questions to ensure the customer is satisfied.

Step 7: Employee Promise

The employees are the most important resource in the Service Excellence commitment to the customers. By applying the principles of trust, honesty, respect, integrity and commitment, the organisation nurtures and maximises talent to the benefit of each individual and the organisation. Finally, Diversity is valued, quality of life at work is enhanced, and individual aspirations are fulfilled.

The employee promise states the expectations that the employees have of the organisation as well as of its leaders. By continuing to fulfil the Employee Promise, this delivers a talented, empowered and engaged workforce focused on delivering a professional personal service to all customers. (See figures 8 & 9)

The organisation leaders have a responsibility to guide, coach and direct, however they may sometimes ask themselves?

Question: How can you as Leaders continually fulfil the employee promise?

Answer: *Feedback, set clear goals, open communication, Performance appraisals*

Step 8: Three steps of service

Never forget that all things have a beginning, middle and an end. As mentioned on page 24, Chapter 3, Employee & Customer Relationships, customers are constantly evaluating every situation, looking for defects. However research shows, Ritz (2005), that people make their minds about a person, a situation or in this case the organisation within 4 seconds at the beginning of every interaction that they have with organisation, because of this reason the author suggests the following three steps that will have a major impact on the relationship development with the customers. It is simply about building a memorable relationship as seen in Chapter 3, Relationship section.

1. A warm and sincere greeting. Use the customer name, if and when possible.
2. Anticipation and compliance with customer needs.
3. Fond farewell. Give them a warm good-bye and use their name if and when possible.

This step is also presented in Figures 8 & 9.

Step 9: Foundation to Service Excellence

1. The Organisational beliefs (*Vision, Mission, Values*) must be the foundation to all things at the organisation, as a system of shared values and norms has the greatest impact on employees. (As discussed in on pages 22 and 26, Chapter 3).
2. Employees should treat other employees and customer with trust, respect and dignity, (As discussed earlier in this chapter).
3. Employees should remember that all interactions have a beginning, middle and an end as mentioned in three steps of service, and they must be used in every interaction to ensure satisfaction, retention and loyalty.
4. Employee must be honoured by all employees.
5. All employees must be trained for their positions, to ensure confident and knowledgeable interactions with customers. This is a very important step as discussed in Leadership and Supporting Employees earlier in this chapter and also highlighted on page 26, Chapter 3.

6. Organisations mission, vision and values must be communicated to all employees. It should be everyone's responsibility to support them. (See page 26, Chapter 3).
7. Organisation must create pride and enjoy in the work environment, and empower all employees to be involved in the planning of the work that involves them.
8. It is the responsibility of each employee to create a work environment of teamwork and lateral service so that the needs of customers and other employees are met.
9. Each employee must be empowered. For example, when a customer has a particular issue or needs any sort of assistance, employees should break away from their regular duties, address, assist or resolve the issue. (See Chapter 3, page 26).
10. It must be the organisational aim to provide the finest personal service to all customers; each employee is responsible for identifying and recording individual customer preferences. (Deriving from the literature on page 24, Chapter 3).
11. Never lose a customer. Whoever receives a complaint must own it, resolve it to customer's satisfactions and record it.
12. Employees must maintain a positive body language, Smile, Use the correct vocabulary with customers and other employees. (Use words such as: Good Afternoon, Certainly, I'll be happy to, and my pleasure; do not use words such as: O.K., Sure, Hi/Hello, Mate and No problem.
13. Employees should always speak positively about their workplace; communicate any concerns immediately to the appropriate person (*Leadership*).
14. Employees should escort customers rather than pointing out directions to another area. Remember that redirecting a customer is very costly. Every time that you redirect a customer you can add an additional zero to the compensation.
15. Use customer's name where possible. (As required by the three steps of service earlier in this chapter).
16. Employees should take pride in and care of their personal appearance. Everyone should be responsible to convey a professional image that adheres to organisational policy on clothing and grooming.
17. Leaders and employees should treat every employee's thoughts and ideas with respect; you are all talented and knowledgeable (As elaborated on in the Employee Promise section of this chapter).

How do they all fit into Service Excellence?

Organisational Motto, Problem Resolution Skills, Employee Promise and Three steps of service form the four pillars of Service Excellence, as shown in the figure below (Figure 8, Service Excellence house). Without these pillars the Service Excellence scheme would not be able to stand over its foundation and any initiative to implementing Service Excellence would eventually fail. However as important, is the Foundation to Service Excellence also shown in Figure 8, similarly this foundation will support Service Excellence strategies and cultural implementations (Steps 1 to 4 of the guideline). So it is important for all four supportive pillars and the foundation to be in place if the organisation aims to implement Service Excellence correctly.

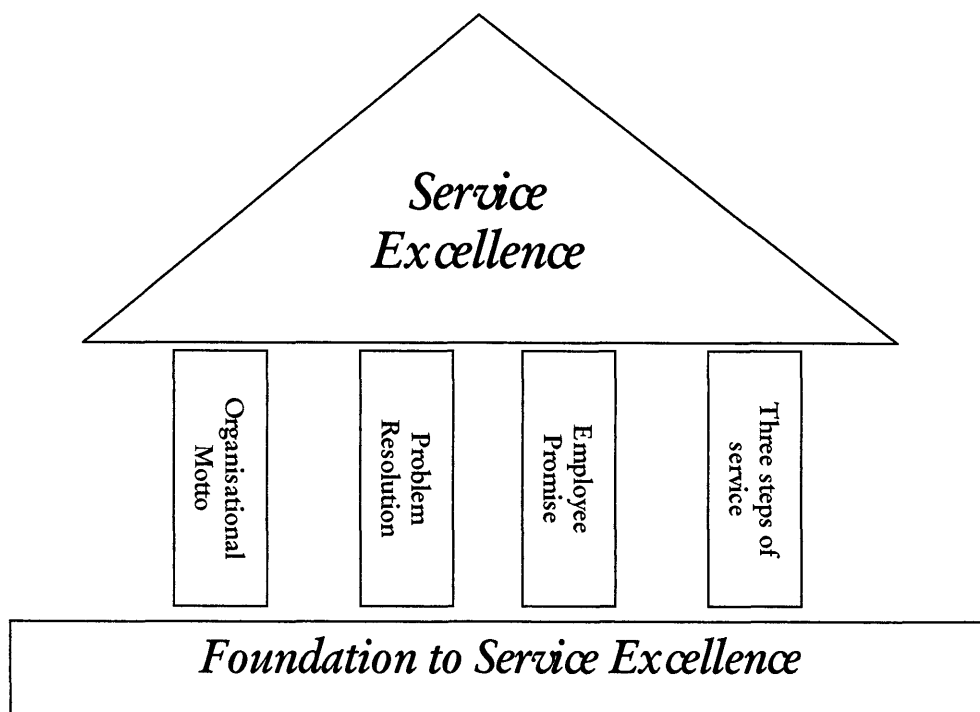


Figure 8: Service Excellence house, (Meisam Darvudi)

The figure above should be used throughout the organisation possibly as a poster in order to remind the employees in how the Service Excellence strategy could be supported. However in order to complete this guideline effectively, the tool explained on the following page has

been designed to give the employees a rapid access to the Service Excellence house where ever they maybe.

C.L.A.S.S.

The author understands the difficulty of clearly communicating any sort of strategy to employees at all levels. Because of this reason the Service Excellence house (Figure 8) has been revised and put into a Card-Format tool, this tool is referred to as C.L.A.S.S. (*Customer Loyalty Anticipation Service Scheme*), shown below in Figure 9.

<i>Organisational Motto</i> <i>Professionals</i> <i>Assisting</i> <i>Professionals</i>	<i>Problem Resolution</i> 1. Let the customer vent 2. Apologise 3. Use appropriate body language 4. Do not blame the customer 5. Do not blame anyone else 6. Do not blame another department 7. Make sure the resolution fits the problem 8. Personalise the resolution to truly delight the customer 9. If the customer is not satisfied with the resolution offer reasonable alternatives 10. Ask leading questions to ensure the customer is satisfied	<i>Employee Promise</i> The employees are the most important resource in the Service Excellence commitment to the customers. By applying the principles of trust, honesty, respect, integrity and commitment, the organisation nurtures and maximises talent to the benefit of each individual and the company. Finally, Diversity is valued, quality of life at work is enhanced, and individual aspirations are fulfilled.	<i>3 Steps of Service</i> Never forget that all things have a beginning, middle and an end. 1. A warm and sincere greeting. Use the customer name if and when possible. 2. Anticipation and compliance with customer needs. 3. Fond farewell. Give them a warm good-bye and use their name if and when possible.
<i>Foundation to Service Excellence</i> 1. The Organisational beliefs (Vision, Mission, Values) must be the foundation to all things at the organisation. 2. Employees should treat other employees and customer with trust, respect and dignity. 3. Employees should remember that all interactions have a beginning, middle and an end as mentioned in 3 steps of service, and they must be used in every interaction to ensure satisfaction, retention and loyalty. 4. Employee must be honoured by all employees. 5. All employees must be trained for their positions, to ensure confident and knowledgeable interactions with customers.	6. Organizations mission, vision and values must be communicated to all employees. It should be everyone's responsibility to support them. 7. Organization must create pride and enjoy in the work environment, and empower all employees to be involved in the planning of the work that involves them. 8. It is the responsibility of each employee to create a work environment of teamwork and lateral service so that the needs of customers and other employees are met. 9. Each employee must be empowered. For example, when a customer has a particular issue or needs any sort of assistance, employee should break away from their regular duties, address, assist or resolve the issue.	10. It must be the organisational aim to provide the finest personal service to all customers, each employee is responsible for identifying and recording individual customer preferences. 11. Never lose a customer. Whoever receives a complaint must own it, resolve it to customer's satisfactions and record it. 12. Employees must maintain a positive body language, Smile, Use the correct vocabulary with customers and other employees. (Use words such as: Good Afternoon, Certainly, I'll be happy to, and my pleasure; do not use words such as: O.K., Sure, Hi/Hello, Mate and No problem. 13. Employees should always speak positively about your workplace; communicate any concerns immediately	to the appropriate person (Leadership). 14. Employees should escort customers rather than pointing out directions to another area. 15. Use customer's name where possible. 16. Employees should take pride in and care of your personal appearance. Everyone should be responsible to convey a professional image that adheres to organisational policy on clothing and grooming. 17. Leadership and employees should treat every employee's thoughts and ideas with respect, you are all talented and knowledgeable.

Figure 9: C.L.A.S.S. "Customer Loyalty Anticipation Service Scheme"

As explained in Chapter 1, C.L.A.S.S. is to become the Blueprint of all customer interactions, highlighting the importance of employees in delivering Service Excellence and correctly

using C.L.A.S.S. will create a motto that governs organisational actions, attitudes, behaviour and, therefore, organisation relationships with customers, developing a genuine Service Excellence culture.

Chapter 6 – Analysis

Prior to concluding this thesis it was important to carry out an organisational analysis within the SME market, in order to really see the focus of these organisations with regard to dealing with business forces and also how effective they find the guidelines proposed in the previous chapter (Chapter 5).

This analysis was conducted using a questionnaire designed by the author containing 10 questions (shown in Appendix D), 25 organisations were questioned individually in total (the organisations were promised to remain anonymous).

Organisations were initially questioned on how they would rate the business forces shown in Figure 10 on the basis of their importance to that particular organisation. The analysis shows

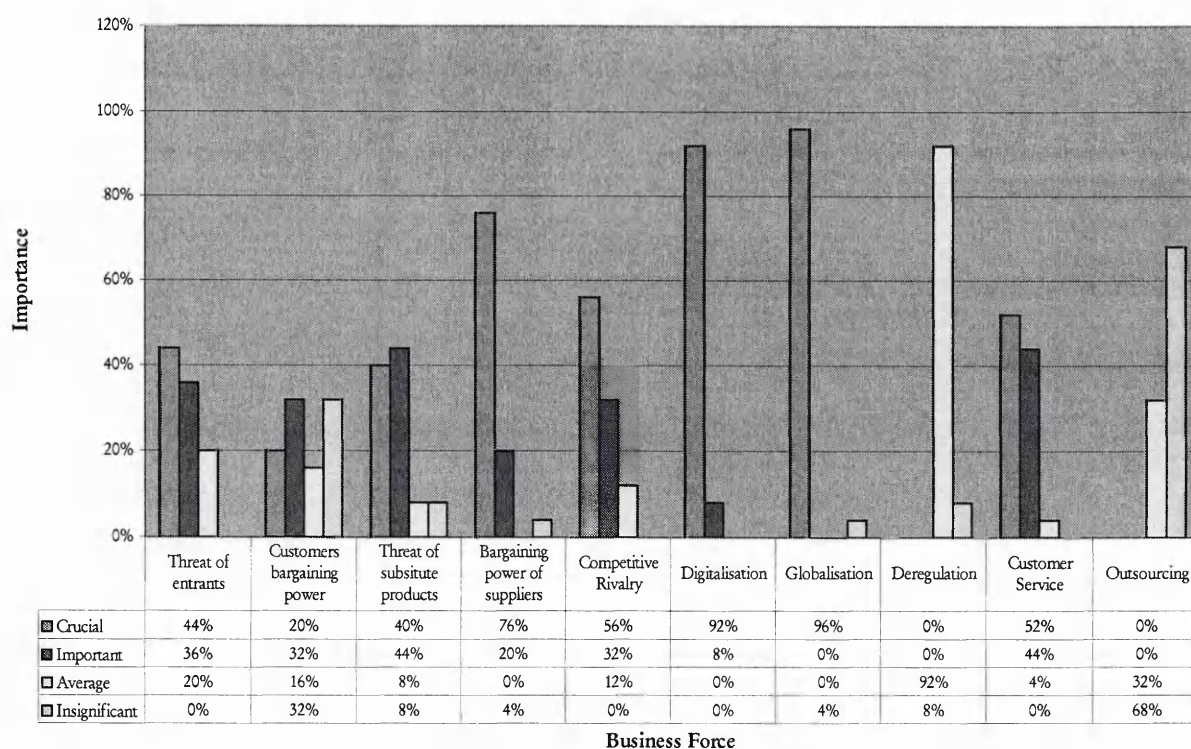


Figure 10: Importance of Business Force to the organisation

that over 90% of the organisations interviewed believed that *Digitalisation* and *Globalisation* to be crucial forces affecting their business, with *Customer Services* rating at 52% falling behind *Bargaining power of Suppliers* (76%) and *Competitive Rivalry* (56%).

This indicates that even though over 50% of organisations interviewed rated *Customer Service* as being crucial they are still focusing their efforts on other forces as previously discussed in Chapter 3. Questions 2 and 4 of the questionnaire supported this statement as the results show that only 44% of these organisations have a clearly defined a Customer Service strategy and that only 40% of these organisations measure their *Customer Satisfaction*.

However from those who have not yet clearly defined a *Customer Service strategy* (56%), 76% believe that their organisations could benefit from a clearly defined *Customer Service strategy*.

With only 16% of the respondents having a Service Excellence guideline in place, they all find their approach of having a guideline effective and those who are not currently using a Service Excellence guideline (84%), 81% believe that by implementing a set of guidelines their organisations could benefit.

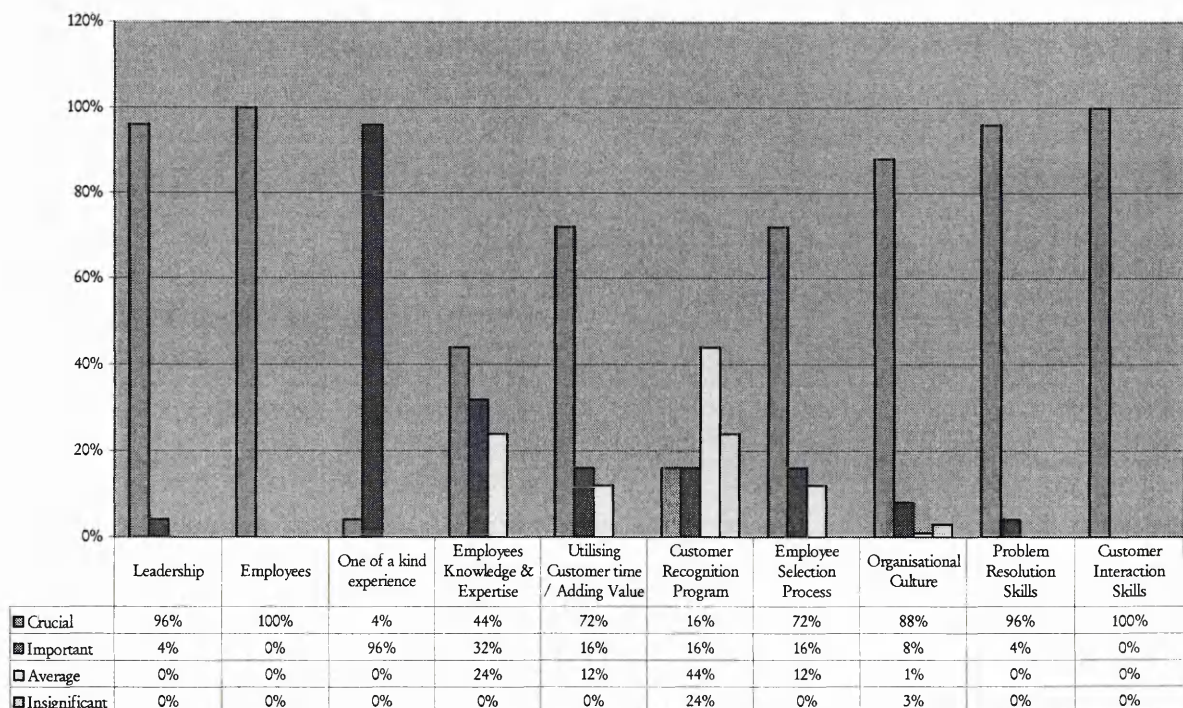


Figure 11: Areas of importance to Service Excellence

Figure 11 shown in the previous page indicates the understanding of the respondents in regards to the areas of importance to Service Excellence. These results yet again support the comments made in Chapters 3 and 5 by indicating that *Employees* and *Customer Interaction Skills* are the most important areas to service excellence and with *Problem Resolution* skills and *Leadership* following at a 96% importance rating.

These results also support C.L.A.S.S. shown in the previous chapter (Chapter 5) as the four pillars are being rated as *Crucial* or *Important* to Service Excellence.

In order to conclude the questionnaire and reach a conclusion on how the organisations would see the effectiveness of the guidelines proposed in chapter 5 they were presented with chapter 5 and the chapter was briefly explained.

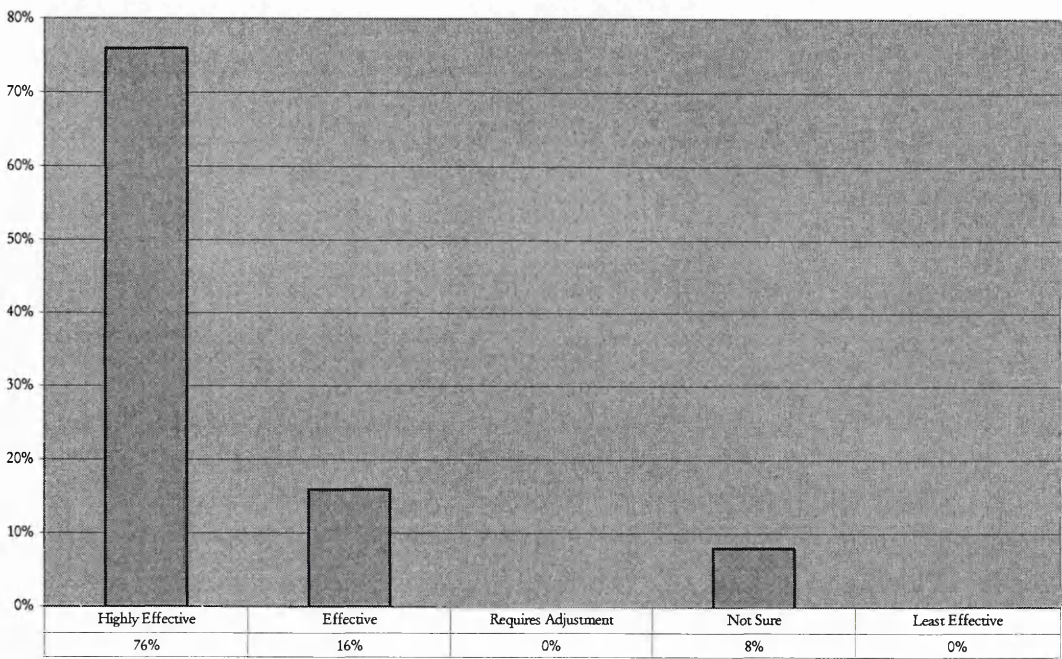


Figure 12: Effectiveness of the Guidelines

As the reader can see from the figure above (Figure 12) the majority of the respondents (76%) believe that the guidelines proposed in Chapter 5 are highly effective, with 16 %

believing the guidelines to be Effective and only 8% requiring further implementation in order comment.

Finally the card system for the guidelines was shown to the organisations and they were asked to rate the effectiveness of this tool. 52% of the respondents believe the card system to be effective and 32% as not effective, however 16% were not sure and believed that further testing should be carried out to find out the exact effectiveness of this tool prior to implementation.

Chapter 7 - Conclusion

This project has looked at some very important business forces and analysed Service as a force to organisations. Case studies were conducted as a benchmarking tool to learn about some of the most successful best practices and as an opportunity to use them to develop a set of guidelines that would support organisations and their employees in their pursuit of Service Excellence and align their Service Excellence strategy with the market.

What has been learnt initially?

- The guidelines proposed in this thesis are simple and easy to implement.
- The organisations 'employees' are the most important resource in the service commitment to customers.
- Driving "service excellence" starts with having the right leadership in place.
- The values, mission and vision of the organisation must be known, owned and energised by all
- Enlightened Leadership and Engaged Employees create the Outcome.

Benefits of correctly harnessing Service

Harnessing Service and becoming an organisation that offers Service Excellence genuinely, creates an organisation with a unique and positive culture, enabling the organisation to gain a competitive advantage by creating a barrier for other competitors that is difficult to overcome as organisational core competencies would become more difficult to identify by competitors, and most importantly developing a pleasant environment for customers to do business in.

The figure below (Figure 13) is derived from the literature in this thesis by the author, it states that, by clearly defining a Service Excellence strategy that keeps employees delighted at all times and creates an environment for them that they feel empowered and respected, will in return provide customer satisfaction, resulting in customer retention, giving the organisation a competitive advantage over its rivals which will lead to a profitable organisation.

The Service Excellence Valuation Model

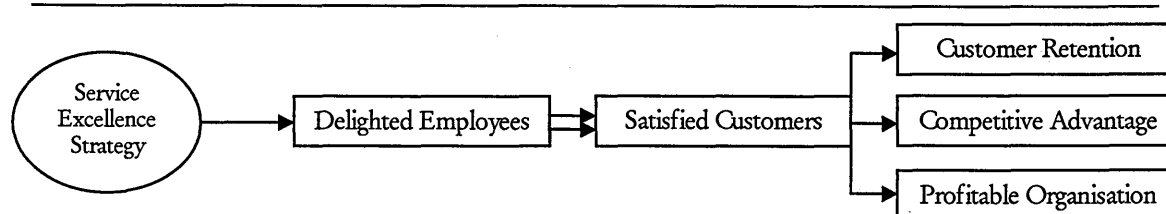


Figure 13: The Service Excellence Valuation Model

Organisational perspective

Based on the research conducted, highlighted in Chapter 6, it is believed that most organisations are aware of the increasing pressures on their markets, of the fact that a sustainable competitive advantage is vital for survival, and of the possibilities what customer service has to offer in this area. However, when asked what their customer service program has to offer for the customers, organisations frequently are unable to give a clear answer. It appears that organisations have translated customer service into an informal reactive attitude, best described as *customer friendliness*.

It was also visible from the result of the analysis in the previous chapter that more and more organisations are identifying the importance of service and when they were presented with the guidelines in Chapter 5, they confirmed that simple steps such as those highlighted could have a large impact on their Service Excellence cultural development.

However the organisations were slightly sceptical about the Card-System Tool (C.L.A.S.S.) purposed in Chapter 5, as they required further testing to be performed on this tool.

Areas of further work

Guidelines

As previously mentioned in Chapter 5 the guideline proposed forms the basis for further development and it should be used as a foundation and additional studies into each area must be conducted in order to fully understand the ways in which that particular area can be fully utilised.

Selection Process

A very useful area to explore is the selection process of the right employees for delivering Service Excellence. This area has been studied by quite a few professionals and organisations and one could learn from the practices they have developed so that the organisation could choose those who are thriving to deliver the Service Excellence culture.

Hierarchical Boundaries

This area has been explored by many professionals and it is crucial to developing a Customer Centric culture and further research would prove to be extremely useful.

Technology

The dramatic decrease in the cost of both technology products and implementation services provides an excellence opportunity for many SMEs, as technology could prove to be a useful tool when it comes to delivering a better service in a cost-effective and efficient way. Organisations must explore gaps within their business where technology could be bridged and could support either the employees in delivering a unique service or customers in receiving a one of a kind experience by serving them more intelligently. At its best and fullest, technology does more than just automate a call center or improve a sales report, for the companies looking to use technology; it can transform them culturally, structurally and strategically.

The author suggests the following technologies to be investigated carefully:

- Wireless connectivity (*Wifi*)
- Radio Frequency Identification Devices (*RFID*)
- Mobile Communication Devices
- CRM (*Provided by a reputable supplier*)
- Unified Messaging Technologies
- IP Telephony

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Appendices

Appendix A: More on service

Services are commonly described in terms of four unique characteristics: Groth (2000)

- *Intangibility*
- *Inseparability*
- *Heterogeneity (Variability)*
- *Perish-ability*

Intangibility is defined as something that cannot be felt, heard, seen or tasted in the same manner in which goods can be sensed, Groth (2000). It has been mentioned that intangibility is the single most important difference between products and services, Santos (2002).

Due to the intangibility characteristic of services, the organisation may find it hard to understand how consumers perceive their service and evaluate service quality, Parasuraman (1985).

Services possess the *Inseparability* characteristic since the organisation (Service Provider) usually creates or performs the service concurrent as the full or partial consumption of the service take place. It is not possible for the organisation to hide any errors or quality shortfall as the conversion is highly visible. Moreover, the involvement of the customer in the delivery process introduces an additional aspect, which causes the organisations to have little or no direct control over the service experience, Ghobadian (1994). With this condition, the consumer's feedback contribution becomes fundamental to the quality of service performance, Parasuraman (1985).

There are high degrees of *Variability (Heterogeneity)* in the performance of services. Services are difficult to standardise, in contrast to manufactured goods. The quality of a service can vary from producer to producer, from customer to customer, and from day to day, O'Brien (1996). Organisations have to rely heavily on the ability of their staff to understand the requirements of the customer and react in an appropriate manner, Ghobadian (1994).

Perish-ability is a characteristic of services that prevents services from being stored, Lamb (2000). Unlike manufactured goods, it is not possible to have a final check on quality. It needs to be done right at the first time, Ghobadian (1994).

Measuring Service Quality Gaps

Lewis (1987) recommended that, what can be measured are the differences between the generalisations. So, it is the reason that if we can measure the difference between *expectations* and *perceptions*, which is defined as perceived quality, therefore we can determine the level of *satisfaction*. This concept is quite similar with Parasuraman's (1985) service quality model, which applied the expectancy-disconfirmation theory. Parasuraman (1985) defined service quality in ten major dimensions that consumers use in forming expectations about and perceptions of services. In a later research, Parasuraman (1988) revised and defined the service quality in five dimensions:

- *Reliability*
- *Responsiveness*
- *Assurance*
- *Empathy*
- *Tangibles*.

Please note: *These factors would differ in importance from service to service, e.g. Reliability is more important in banking, and Empathy more important in hospitality.*

The model suggested service quality as the gap between customer's expectations (E) and their perception of the organisation's performance (P). Hence, the level of satisfaction scores (S) can be measured by subtracting customer's perception score from customer's expectations score:

$$S = P - E$$

Lamb (2000) and Zeithaml (2003) have also discussed that there are five key discrepancies that can influence customer evaluations of service quality:

- *Gap 1: The gap between customer's expectations and management's perceptions of those expectations.*
- *Gap 2: The gap between management's perception of what the customer wants and specifications of service quality.*
- *Gap 3: The gap between service quality specifications and delivery of the service.*
- *Gap 4: The gap between service delivery and what the organisation promises to the customer through external communication.*
- *Gap 5: The gap between customers' service expectations and their perceptions of service performance.*

As a result, it shows that customers' expectations towards a specific organisation will influence their perceptions, and this will have a great effect on their satisfaction towards the service they get.

Zeithaml (2003) stated that in order to manage service quality, it is important to manage the gaps between expectations and perceptions on the part of management, employees and customers. The most important gap (as defined by Zeithaml (2003)), (Gap 5) is between customer's expectation of service and their perception of the service delivered. Therefore by referring to the gap model, it identifies that a service professional must close the customer gap (Gap 5). In order to achieve this, the organisation must close the 4 other gaps (Gap 1 to 4). Within the organization that inhibit delivery of quality service, serious action must be taken because how the customers, perceive the level of service that meets their expectations will echo on the quality of service provided by the organization.

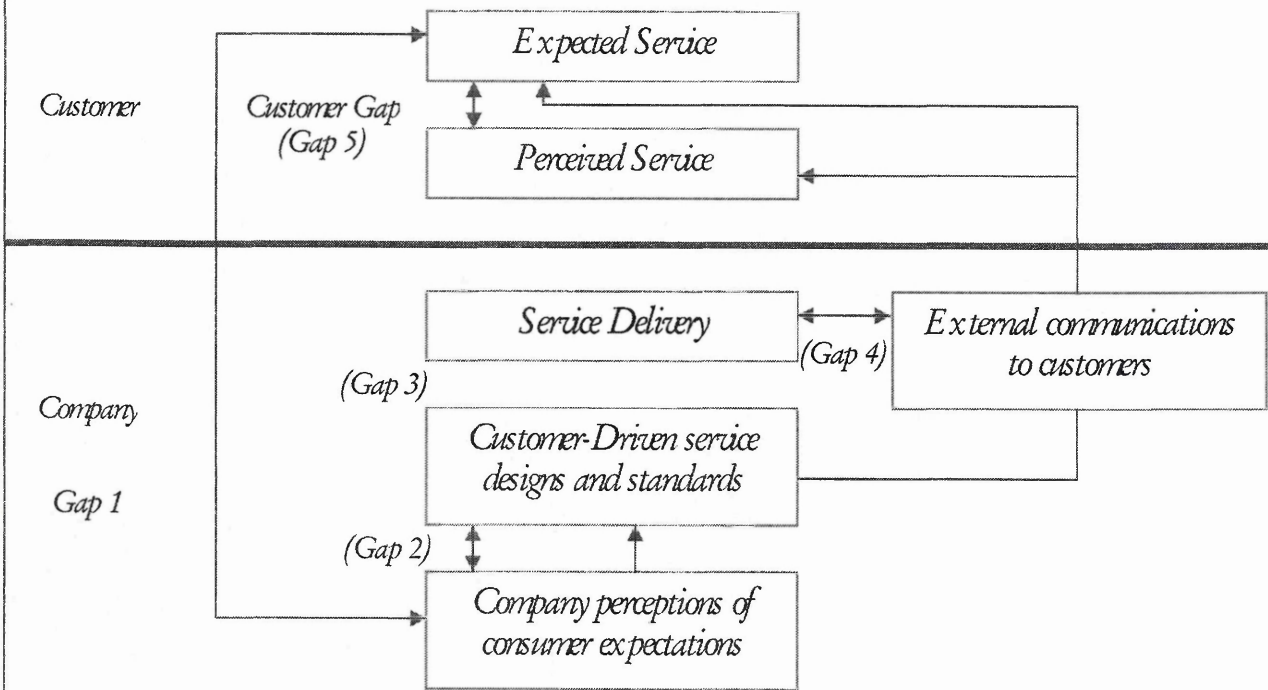


Figure 14: Gap Model of Service Quality, Zeithaml (2003)

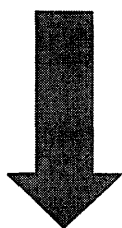
Appendix B: Ritz-Carlton



Company Profile:

— Demographics —

- Average Age: 47
- Gender: 56% male/44% female
- Average Annual HH: \$200,000
- Average Net Assets
(excluding home): \$1,000,000
- 72% are Married
- 35% Have Children under 18
- 76% College Graduates
- 37% Attended Graduate School
- 63% Travel for Business
- 52% Travel for Leisure



— Key Demographic Trends —

- Younger Guests
 - Baby Boomers Prevalent
 - Generation X Beginning to Try Luxury-Tier Hotels

- More Professional Females
- More Families and Friends Travelling Together
- More Ethnic Diversity

— *Business Units* —

- 58 Hotels
- 7 Private Residences/Condos
- 3 Ritz-Carlton Clubs
- Largest operator of Spas in the United States
- 2.1 Billion in Sales

— *Workforce* —

- 28,000 Employees Worldwide
- 23.3% Employee Turnover (*annual 2004*)
- 250 Hours of Training Annually (*Hourly*)
- 320 Hours of Training Annually (*Leaders*)

— *Turnover History* —

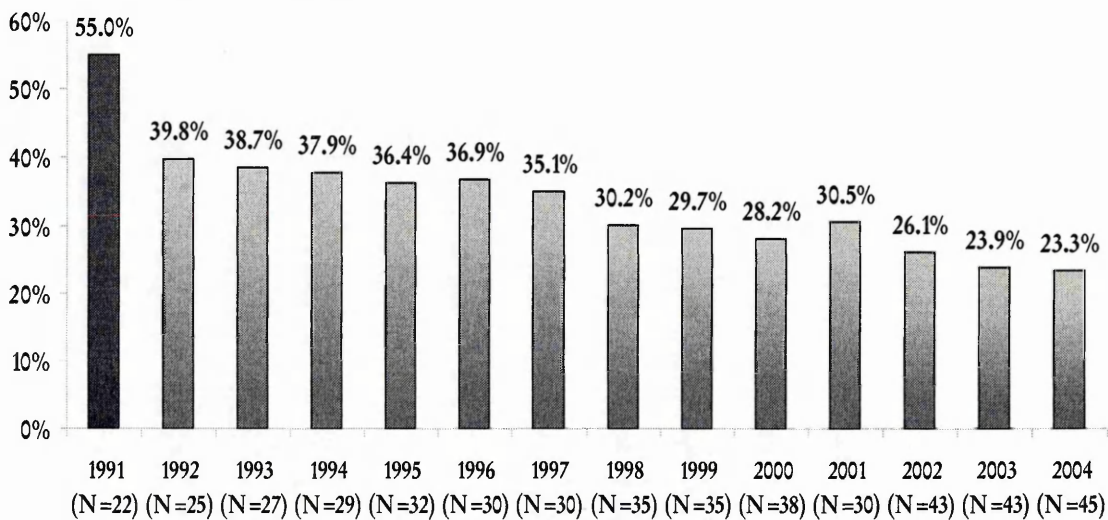


Figure 15: Ritz-Carlton Turnover History, Ritz-Carlton (2005)

— *Company Awards* —

- Malcolm Baldrige National Quality Award Recipient (1992 & 1999)
- Top U.S. Deluxe Hotel Chain for six consecutive years (*Business Travel News*)
- Numerous Best Employer Awards Worldwide
- Top Training 100 Organizations (Ranked in Top 10 1999 - 2004)

— *Milestones* —

- 1850: Cesar Ritz is born in Niederwald, Switzerland.
- 1898: The Paris Ritz opens the Ritz-Carlton Management Company formed.
- 1912: The Ritz-Carlton Hotel Company of Montreal LTD is finalized and the Ritz-Carlton, Montreal opens.
- 1927: The Ritz-Carlton, Boston opens.
- 1964: The Ritz-Carlton, Boston is owned and managed by Cabot, Cabot and Forbes and later by Gerald Blakely.
- 1983: William B. Johnson buys The Ritz-Carlton, Boston and the rights to the Ritz-Carlton name. The Ritz-Carlton Hotel Company is founded/established.
- 1984: Opening of The Ritz-Carlton, Buckhead; The Ritz-Carlton Atlanta; The Ritz-Carlton, Laguna Niguel (the first resort).
- 1992: The Ritz-Carlton Hotel Co. wins Malcolm Baldrige award.
- 1995 - 1999: The Ritz-Carlton, Cancun wins the Mexico National Quality Award.
- 1997: The Ritz-Carlton Club and Spa Division are created. Beginning with the management of The River Club located in Jacksonville, Florida.
- 1999: The Ritz-Carlton Hotel Co. wins Malcolm Baldrige award for 2nd time
- 2003: 20th anniversary of The Ritz-Carlton, Hotel Company L.L.C.

Appendix C: More on porter

Barriers to entry

There are six major sources of barriers to entry:

- a. **Economies of Scale** – As explained by Prof. Porter in his book, *Competitive Strategy*, these economies deter entry by forcing the entrant either by to come in on a large scale or to accept a cost disadvantage. Economies of scale can act as hurdles in distribution, production, marketing, research, service, utilization of sales force, financing, and nearly any other part of a business.

In order better understand the above, please note: the most cost efficient level of production is usually known as Minimum Efficient Scale (MES). This is the point at which unit costs for production are at minimum – i.e. the most cost efficient level of production. If MES for firms in an industry is known, then we can determine the amount of market share necessary for low cost entry. For example, in the telecommunications industry roughly 10% of the market could be necessary for MES, in this case if sales for a long distance operator fails to reach 10% of the market, the firm is not competitive and Economy of scale has created a barrier to entry.

- b. **Product differentiation** – Customer services, past advertisement, product differences or having entered into a specific industry first, leads a firm established in that industry to have Brand Identification and Customer Loyalty. *“Differentiation creates a barrier to entry by forcing entrants to spend heavily to overcome existing customer loyalties”*, Porter (1980).

Potential entrants are reluctant to commit to such investments, as investments in building a brand identity are risky and specialized brands cannot be sold or converted into other uses if the venture fails.

- c. **Capital requirements** – The need to largely finance your venture in the industry in order to compete creates a barrier to entry, particularly if the capital being invested is unrecoverable or risky. *“Capital may be necessary not only for production facilities but also for things like customer credit, inventories, or covering start-up losses”*, Porter (1980).

Please note that in some industries suppliers are willing to help finance entry in order to increase their own sales. This could eventually lower effective Capital requirements to entry.

- d. **Cost disadvantages independent of size** – Established companies may have cost advantages not available to potential rivals, no matter what their size and attainable economies of scale. These advantages could stem from:

- *Experience Curve*
- *Learning Curve*
- *Proprietary Technology*
- *Access to the best raw materials sources*
- *Assets purchased at pre-inflation prices*
- *Government Subsidies*
- *Favourable Locations*

- e. **Access to distribution channels** – In order for a new entrant to displace others from their position in a market, they must first secure distribution channels. For example entry for a computer product in to the market, must displace others from the retail shelf via price promotions, intense selling efforts, or some other means. The more limited the retail channels are and the more the existing competitors have their hands tied within these retails channels, means the tougher that entry into the industry will be.

- f. **Government Policy** - The last major source of entry barrier is Government Policy. Although the principle role of the government in a market is to preserve competition through anti-trust actions, governments also restricts competition through the granting of Monopolies and through various Regulations. Industries such as Trucking, Railroads, Liquor Retailing, and Utilities are obvious examples. For example in an utility industry it was considered more efficient to have one electric company provide power to locality than to permit many electric companies to compete in a local market, in this case the government had considered a natural monopoly to restrain utilities from exploiting this advantage, however they regulated the industry.

Appendix D: SE Questionnaire

Service
Excellence
Questionnaire

Q1. Please indicate the importance of the following to the industry in which you are doing business in:

- *Threat of entrants*
 - Crucial
 - Important
 - Average
 - Insignificant
- *Customers bargaining power*
 - Crucial
 - Important
 - Average
 - Insignificant
- *Threat of substitute products*
 - Crucial
 - Important
 - Average
 - Insignificant
- *Bargaining power of suppliers*
 - Crucial
 - Important
 - Average
 - Insignificant
- *Competitive rivalry*
 - Crucial
 - Important
 - Average
 - Insignificant
- *Digitalisation*
 - Crucial
 - Important
 - Average
 - Insignificant
- *Globalisation*
 - Crucial
 - Important
 - Average
 - Insignificant
- *Deregulation*
 - Crucial
 - Important
 - Average
 - Insignificant

- *Customer Service / Service Experience*
 - Crucial
 - Important
 - Average
 - Insignificant
- *Outsourcing*
 - Crucial
 - Important
 - Average
 - Insignificant

Q2. Has your organisation clearly defined a customer service strategy?

- ☐ Yes (Go to Q4).
☐ No (Go to Q3).

Q3. Do you think the organisation would benefit from a clearly defined customer service strategy?

- ☐ Yes
☐ No

Q4. Do you currently measure your customer satisfaction?

- ☐ Yes
☐ No

Q5. Do you currently have a well defined written guideline or a system, with which you support your employees in providing a professional service?

- ☐ Yes (Go to Q6)
☐ No (Go to Q7)

Q6. Do you see the benefits of this guideline or system?

- ☐ Yes
☐ No

Q7. Do you think that the organisation would benefit from such a guideline or system?

- ☐ Yes
☐ No

Q8. If you were to define a customer service strategy how would you rate the following of their importance to this strategy?

- *Leadership*
 - ☐ Crucial
 - ☐ Important
 - ☐ Average
 - ☐ Insignificant
- *Employees*
 - ☐ Crucial
 - ☐ Important
 - ☐ Average
 - ☐ Insignificant
- *Providing one of a kind experience*
 - ☐ Crucial
 - ☐ Important
 - ☐ Average
 - ☐ Insignificant
- *Employees knowledge & expertise*
 - ☐ Crucial
 - ☐ Important
 - ☐ Average
 - ☐ Insignificant
- *Utilising the customers time – adding value*
 - ☐ Crucial
 - ☐ Important
 - ☐ Average
 - ☐ Insignificant
- *Customer recognition program*
 - ☐ Crucial
 - ☐ Important
 - ☐ Average
 - ☐ Insignificant
- *Employee selection process*
 - ☐ Crucial
 - ☐ Important
 - ☐ Average
 - ☐ Insignificant
- *Organisational culture*
 - ☐ Crucial
 - ☐ Important
 - ☐ Average
 - ☐ Insignificant

- *Employee selection process*
 - ☐ Crucial
 - ☐ Important
 - ☐ Average
 - ☐ Insignificant
- *Problem resolution skills/expertise*
 - ☐ Crucial
 - ☐ Important
 - ☐ Average
 - ☐ Insignificant
- *Customer interaction skills*
 - ☐ Crucial
 - ☐ Important
 - ☐ Average
 - ☐ Insignificant

Q9. How would you rate the service excellence guidelines provided in the following page, if used within your organisation?

- ☐ Highly Effective
- ☐ Effective
- ☐ Requires Adjustment
- ☐ Not Sure
- ☐ Least Effective

Q10. Finally, do you think the card system proposed for these guidelines to be an effective tool for communicating service excellence?

- ☐ Yes
- ☐ No
- ☐ Not Sure