

The Review

INSIGHTS, IDEAS & INFORMATION

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Service recovery: profiting from failure

BY BOB EMPSON

It is inevitable that every organisation will occasionally let its customers down. These service failures will be costly; but they also create powerful opportunities to profit from increased customer loyalty and a strengthened reputation. Effective service recovery is the key. Service recovery is not only an important concept for large scale commercial consumer service providers; professional service firms and public sector and not-for-profit organisations could also benefit from raising awareness of and addressing the opportunities created by effective service recovery.

Things will go wrong occasionally with any service. Sometimes your processes, technology or suppliers may let you down. Or one of your people may make a mistake or have an off day (after all, they are human!). And, indeed, with customers becoming ever more involved in the service delivery process (e.g. using technology to access and pay for services), they themselves may do something that causes an apparent lapse in service (a common example is that they don't keep you informed of their up-to-date contact details).

The costs of service failure can be immense. Apart from the immediate cost of putting right the fault, even more significant can be the future erosion of revenues and profits arising from a loss of customers and the negative impact on your service's reputation. There is considerable evidence that unhappy and dissatisfied customers will often get their own back by actively and deliberately telling other people about the bad service they have received and discouraging them from using the supplier.

So what is service recovery? One definition has been "doing the service very right the second time." Effective service recovery is not just about putting things right quickly; it is also about showing your customers how much you care about them as individuals and how much you value their support and loyalty. In our competitive world, what can differentiate the best from the rest is the effectiveness of service recovery.

Service failures create opportunities. Customer loyalty can be strengthened because of a growing sense of trust. Customers can develop feelings of a more personal relationship and empathy with the service provider. Positive perceptions about the quality of service are created, particularly in terms of responsiveness and reliability. Not only can you benefit from the repeat purchase of the individual customers affected, but just a small number of delighted

customers, who have experienced your exceptional service recovery, can produce a significant multiplier benefit as word of mouth spreads the good news about your brand. One should also not forget, however, that there is an opportunity and essential need to learn from service failures so that, as far as possible, they can be avoided in the future and the service improved generally.

So what can you do at your organisation to enable and deliver customer driven and market beating service recovery?

START WITH YOUR PEOPLE

Ask yourself and your staff a few simple questions. Do they feel confident with being open about lapses in service and discussing why things went wrong? Do they understand the potential opportunities created by service recovery? Do they know what freedom they have to take responsibility to put things right immediately when things go wrong? Do they have the attitudes, skills and resources to react positively to customer needs in the event of failures? If the answer to any of these questions is generally "no"; then there may be some work to do on some or all of knowledge, attitudes, procedures, skills and resources.

White Maple is a strategy consulting firm. We aim to deliver results for clients that produce lasting improvements to performance through facilitating alignment between strategy, the market and brand, and the organisation's people, structure and processes.



We focus on working with service organisations. Principal sectors include:

- Commercial (business-to-business)
- Government
- Member organisations and charities
- Professional services

White Maple Consulting Ltd
3 Shortlands, Hammersmith,
London W6 8DA

T +44 (0)20 8822 3320

F +44 (0)20 8822 3357

E info@whitemaple.net

W www.whitemaple.net



"SERVICE RECOVERY... IS PROACTIVE, FAST AND FLEXIBLE."

WHAT WOULD YOU FEEL?

It has been rumoured that one international airline deliberately engineers apparent service failures for business class customers so that it can impress them with fast, personal and effective service recovery. The effected passengers are not, in fact, unduly inconvenienced by these "failures" because the "spontaneous" service recovery is ready to be implemented. One example might be the announcement on check-in that there could be a delay of a few hours because of a technical problem with the aeroplane. Service recovery is swiftly implemented: explanations and apologies are given; arrangements are made for free meals and refreshments; complimentary upgrades to First Class are proffered for a future booking; and passengers are promised help with finding alternative flights. But, miraculously, within 15 minutes a replacement plane has been found and the flight does leave on time; and passengers retain their meal vouchers and upgrades! What impression would you be left with if this happened to you? Would you fly with them again? Would you tell your colleagues, friends and family about the airline's fantastic and generous service? The rumour is probably only that (it would be a very high risk play!). But this story demonstrates the opportunity and power of effective service recovery.



PREVENTION IS BETTER THAN CURE

Whatever the power of service recovery, it must be better to prevent problems before they can impact significantly on customers. A significant proportion of people will not actually make a complaint about a service, even though they feel like complaining (they often can't be bothered because it requires some effort and they don't think it would make any difference anyway). So, you will not always be learning about service failures. Some suggestions for preventing and identifying service problems include:

- Make it easy for customers to tell you how they feel about the service they have received. Don't just rely on mechanisms such as questionnaires, feedback forms, suggestion boxes and complaints systems. Ask them! Staff, including senior executives, should be encouraged to go out there and listen to customers (note the emphasis on "listen" rather than "speak to") at the moment when they are receiving the service. This may involve regularly spending time at the sharp end, including appropriate listening to telephone service and monitoring e-service on the web and by e-mail.
- Teach staff to watch for, and how respond to, subtle but tell-tale signs of customer dissatisfaction. These might include their tone of voice, facial expressions and other non-verbal communication. These will often go unnoticed or even ignored by staff because (perhaps understandably in many situations) they do not want to "escalate" a problem; instead they let the customer go with suppressed feelings of dissatisfaction or even anger.
- Tell customers early that something has gone wrong, or may happen, ideally before they find out for themselves.
- Monitor and measure service performance. It is important that customers can give their feedback as soon as possible after the service has been provided (or ideally as it is being provided!). It's perhaps old fashioned nowadays to say that people "manage what is measured", but in my experience it is still normally true. So apart from identifying service weaknesses, measuring key elements of performance and customer perceptions will usually act as another lever to improvement.

EFFECTIVE SERVICE RECOVERY

When things do go wrong, effective service recovery will usually have many of the following attributes:

- **Acting quickly.** Ideally the problem should be resolved as soon as it occurs.
- **Apology.** Apologies are best given personally and verbally (rather than relying on broadcast over a Tannoy system or only in writing).
- **Explanation.** It is only fair that some explanation is given for the failure. The supplier's openness will help engender trust.
- **Information.** Keep them informed about what is happening, what you are doing and any choices that they have. Tell them when they will next be given an

update and act at that time, even if there is no new information to give.

- **Empathy.** Show the customer that the situation is being seen from their point of view. Perhaps it's a case of dealing with the person first before fixing the problem.
- **Compensation.** Money or some other in-kind may be sufficient compensation where the service is not critical to the customer or the failure was not that significant. Be careful not to offer compensation when what is needed is correction/delivery of the service. Inadequate or inappropriate compensation can aggravate feelings rather than soothe them!
- **Correction.** If the service is critical to the customer and they have an urgent need for it, then proactively finding ways to provide the service there and then (perhaps finding and paying for an alternative supplier) will be important, if at all possible.
- **Atonement.** A gesture of some sort may be appropriate as a token of apology. This is different from compensation.
- **Follow-up.** Your commitment to your customer can be emphatically demonstrated by some form of follow-up after the crisis has been resolved.
- **Learning.** Learning to improve service performance can be gained from understanding what went wrong and implementing appropriate changes and improvements. Learning can also be gained from noting which service recovery procedures, behaviours and actions worked and which didn't.

Service recovery should not only be an issue for large scale commercial consumer service providers involved with, for example, transport, retail and hospitality services. Costs of service failure and opportunities from effective service recovery arise for professional service firms, government and not-for-profit organisations. However, in my experience of working with a large number of organisations from these sectors, there is a very low awareness of the concept of service recovery and rarely any attention paid to it by leaders and managers. The focus is normally only on complaints systems (for example, with clients being informed of the hierarchy of steps that they can pursue). Having formal complaints systems is often important, but they are usually reactive, slow and bureaucratic. The concept and practice of effective service recovery, however, is proactive, fast and flexible, and it can create opportunities to profit from failure.

BOB EMPSON is Principal Consultant at White Maple Consulting. He works with clients on strategy, marketing and organisation/management development to achieve lasting improvements in performance. In addition to the author's experience as a manager and consultant (and consumer!), this article has drawn on a number of academic references; if you would like a note of these, please contact him.

T +44 (0)20 8822 3320

E empson@whitemaple.net



Coaching: the power and its perils

BY KAREN LEE

Coaching is in vogue. There are significant potential benefits to be gained from coaching. However, a coach can have powerful wider influences on an organisation, beyond the immediate relationship with their coachee. It is suggested that organisations should manage coaching openly and overtly rather than let a potent service be used in an ad hoc manner.

WHAT IS COACHING?

Coaching is one-on-one, individualised learning which is practical, goal focused and, often, directive. It can be resourced internally (for example, by a colleague or from the HR function) or externally, using either independent consultants or those from specialist consulting/coaching firms. It can be a coach/coachee relationship or one in which each person acts as the coach to the other (co-coaching).

USES AND BENEFITS OF COACHING

Coaching can be a valuable tool in a wide variety of specific personal and group situations, for example:

- it can help to prepare executives for, and guide them through, major changes and challenges (e.g. mergers, acquisitions, restructuring);
- personal leadership capabilities can be developed;
- it can be used to address problematic behaviours and/or to develop interpersonal skills;
- coaches can help teams or individuals to cope with and manage crises;
- it can provide “lonely” Chief Executives with an independent person (who has no vested interest in how things turn out) with whom they can have a confidential relationship and to whom they can turn as a sounding board and for advice.

A coaching relationship can also promote personal psychological development, including:

- stimulating better insight into one's own psychological processes;
- creating a greater ability to understand personal impact and effect on others;
- developing the capability to accept feedback that may not always be positive.

Coaching can also reflect a management style. Although coaching may be challenging for managers who are used to a “top down” hierarchical approach to people management, it can be adopted by individual units or across a whole organisation as part of a move away from

“command and control” traditions. Where coaching is central to the management philosophy and processes, it can help to improve organisational performance by evolving an organisation's culture which is more open, with interactive two-way communication, and by inspiring greater trust between staff and management.

A coaching approach is often, but not solely, appropriate for people who are competent in their jobs and who also tend to be independent in their working habits. This does not mean that supervision is abandoned but, rather than having to oversee every aspect of what an individual does, a one-on-one advisory and sounding board approach can compliment the maturity of the employee.

"THE POTENTIAL STRATEGIC INFLUENCE OF COACHES WORKING WITH SENIOR EXECUTIVES SHOULD BE RECOGNISED"

WIDER CONSIDERATIONS

However, coaching can by its very nature, and sometimes for the reasons for the coaching in the first place, often have significant effects beyond the immediate coach/coachee relationship. It is important that these are understood.

The coach can be in a position to influence not only the behaviour and thinking of senior personnel but also, deliberately or inadvertently, the strategy and direction of the organisation. For example, at one level a coach may encourage and assist a Chief Executive to identify all the organisation's strategic options, but he/she could also actively influence, and be involved directly with, the evaluation and selection of strategic options. It is not necessarily wrong for a coach to have a deliberate influence on strategy (indeed, sometimes this may be what is wanted and needed), but what if their hidden influence leads the organisation down an inappropriate

path or one which is unacceptable to other stakeholders? The potential strategic influence of coaches working with senior executives should be recognised.

Coaches can also have an effect on the dynamics of top teams. Some Chief Executives come to rely so much on the presence, support and advice of their personal coach that they include them in Board meetings. In some instances, senior executives may not make decisions until their coach has advised them. Other directors may come to resent the power and influence of an outside person; such resentment could have negative effects on group dynamics and personal relationships. There is also the risk that a highly influential coach could be targeted by others as a way of manipulating their senior coachee and his/her decision making.

OPEN AND OVERT MANAGEMENT

Coaches can clearly provide a service that is very valuable to the organisation as a whole, to groups and to individuals. They can facilitate the definition of goals and can support and encourage improved performance to achieve them. However, the involvement of coaches can have significant wider influences. Whilst wider impacts of a coach can be positive, there are also potential perils of inadvertent influence, deliberate misuse of the relationship or attempted exploitation by others of a coach's position. Thus organisations should be cautious about coaching as an ad hoc service that is sourced and managed individually by executives. The use of coaches is best discussed and managed openly and overtly. It may be helpful to know something about potential coaches in terms of, for example, their values, coaching style and personal needs for power and influence. Although individual executives should probably have the final say in selecting their personal coach, it is very important that they are encouraged and assisted to review the relationship with their coach to make sure that it remains appropriate and positive.

KAREN LEE is an Associate Consultant with White Maple Consulting. She is a psychologist, a Visiting Fellow at Cranfield School of Management and a Personal Tutor for the Psychology of Management Programme at the Chartered Institute of Personnel and Development (CIPD). Karen would like to acknowledge Carol Braddick's valuable contribution to this article and the work of N. Korac-Kakabadse & J. Jaina.

T +44 (0)20 8822 3320

E karen.lee@whitemaple.net

WEBSITES

In this column we will feature websites that you may not have visited. Some will be useful and some entertaining (hopefully some will be both!). This edition's broad theme is ideas, innovation and information. If you would like to have your ideas published here let us know on reviewwebsites@whitemaple.net. If we publish your set of suggestions, we will donate £50 to a charity of your choice.

Knowledge@Wharton www.wharton.upenn.edu

Click on the Knowledge@Wharton button on the home page to register for a free, well-designed and very useful online resource that is emailed to you bi-weekly. It includes topical articles, interviews, book reviews and a searchable database.

OVERALL RATING 

Creativity Pool www.creativitypool.com

A fun site if you have some time to spare. Full of free ideas, from whacky to practical, on issues ranging from the environment and welfare to romance and sport.

OVERALL RATING 

BBC Business www.bbc.co.uk/business

There is probably something here for everyone. Content covers, for example, articles and advice on careers, business information, money issues and, of course, business news. Content is perhaps sometimes fairly basic but it is usually very practical.

OVERALL RATING 

Innovation Tools www.innovationtools.com

This site aims to give access to tools and techniques to help managers become more creative. The site contains: free articles; details of creativity software tools; book reviews; creativity quotes (perhaps useful for presentations and speeches); and an innovation links directory.

OVERALL RATING 

Book Reviews

Each edition of The Review will include reviews of recently published books. We would welcome submission of your own reviews for us to publish. If you would be interested in doing this, please contact us by email on bookreviews@whitemaple.net. We can give you a book to review or you may like to suggest one. We will give £50 to a charity of the reviewer's choice for each published review.

The Naked Leader by David Taylor

Taylor offers us the business equivalent of the Holy Grail: "the formula for guaranteed success":

1. Know where you want to go.
2. Know where you are now.
3. Know what you have to do, to get where you want to go.
4. Do it!

I like the formula. But I am sceptical about the "guaranteed" bit. For example, Taylor's third principle of Naked Leadership is that "you need to rely on no one, other than yourself", in reality most of us do need some help from others (e.g. emotional, psychological, financial, technical, training). Taylor himself challenges us not to believe his formula; in fact he doesn't care if we believe what is in his book! He just wants us to go out and take action.

Naked Leader has been designed imaginatively (oddly?) so that you can read it how you want to. You can dip into it or read it cover to cover (backwards if you like). It contains numerous valuable insights and some very practical advice on topics ranging from "enlightened leadership" through to influencing internal meetings and how to network at a reception when you don't know anyone.

Buy this book. It may not change your life (but then again, it might) but at least it challenges a lot of management fads and jargon. If nothing else, it's a fun and easy read. Do it!

OVERALL RATING 

Capstone, 2002. £12.99 (Amazon £9.09)

The Heart of Change by John P Kotter and Dan S Cohen

Kotter suggests the single most important message of The Heart of Change is "people change what they do less because they are given analysis that shifts their thinking than because they are shown a truth that influences their feelings". This philosophy permeates this book with the use of more than thirty stories to show a core method of achieving a change in behaviour: see, feel, change. Stories can powerfully gain attention, explain concepts and help people to think about their beliefs and experiences without being confrontational. So they do in The Heart of Change.

Helpfully, Kotter says readers should "feel free" to copy stories to colleagues in order to create dialogue on issues. An example of a story that illustrates how cheap and easy actions can stimulate change is "The CEO Portrait Gallery" (all the stories have snappy titles): it tells how removing the stern portraits of former CEOs from the HQ lobby and replacing them with photos of customers' stores helped to stimulate more focus on customers.

The book is structured around Kotter's eight steps for successful large-scale change (see also his earlier book Leading Change). A chapter focuses on each step with stories, discussion, exercises and a neat summary at the end of each step that summarises what works and what does not work.

An excellent book which will be relevant to many situations where change is needed, not just large scale. If you want to look before you buy, go to www.heartofchange.com

OVERALL RATING 

Harvard Business School Press, 2002. £10.49 (Amazon)

WHITE MAPLE NEWS

EIGHT "FOUNDER" CLIENTS

Having been established in July 2002, White Maple attracted eight "founder" clients in the first three months. These included two firms of solicitors, two trade associations, a government department, a large charity, a housing association and another public body.

WEBSITE LAUNCHED

White Maple's website was launched in June 2002. Feedback about the site has been very positive;

we would welcome your views. The site is at www.whitemaple.net. Please do check on the site again in the coming months: we are adding a resources section which will include more links, pdf versions of The Review, and other articles and essays.

White Maple were the architects of the site. The site was designed by Caramel Design (carameldesign.com) and it was built by Chamaeleo Design (chamaeleodesign.com).