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The Challenge of Building and Sustaining a Strong Service Climate

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Quite often, the quality of the **customer** experience depends on the quality of the **employee** experience. That's why, for several years now, Maritz Research has been conducting research exploring multiple facets of the employee experience. One of these is employee engagement, which is most commonly defined as the attitudes employees hold toward their jobs, supervisors, co-workers, and leadership. As an organization steeped in a legacy of performance improvement, Maritz agrees that the motivation, energy, and positive attitude one brings to the workplace will significantly impact the delivery of customer service. However, we also believe when you put a motivated employee into an unsupportive system, the system will triumph. Therefore, in addition to employee engagement, our research also looks at **service climate**, or the degree to which an organization's policies, practices, and processes support excellence in customer experience and service quality.

In March, 2012 Maritz conducted our most recent annual survey of 1000 full time working Americans. In this article – the first of a two-part series – we will share highlights of this study, with a **focus on what was learned about employee perceptions of service climate**.

Background

The idea of capturing and leveraging the “voice of the employee” to improve customer experience is not new. Customer experience engineer and guru, Lewis Carbone, points out that “your employees already know a great deal more than they probably have ever been asked to share about what customers are experiencing. The simple act of asking your employees about their experiences with customers and what it would take to manage them more optimally will create a bias for action.”¹

Service quality expert, Leonard Berry, emphasizes the value of using employee perceptions and opinions to:

- Reinforce improvement opportunities identified from customer and market research
- Diagnose the root causes of customer dissatisfaction and poor service quality, and
- Expose gaps in an organization's readiness to fulfill customer needs and expectations²

Similarly, Forrester's Andrew McInnes asserts that customer experience professionals need to embrace the voice of the employee because:

- Front-line employees routinely witness customer experiences in action, and often can spot customer problems and unmet needs long before those issues surface from traditional research.
- They understand the policies, processes and systems used to deliver customer experiences, and can identify a variety of specific, workable solutions to customer issues.
- They can adjust front-line interactions and back-end decisions more quickly and efficiently than when re-engineering comes from the top down.³

Service climate measures are especially helpful to organizations trying to use the voice of the employee to improve customer experience. Unlike other measures of employee experience, service climate measures specifically focus on **organizational policies, processes, practices, and other characteristics that either enable or inhibit customer satisfaction and service quality**.

The service climate measures in our study were developed on the basis of our own research, as well as work done by others.⁴ These measures focus on the extent to which employees perceive or believe:

- **Customer experience** and **service quality** are **top priorities** in their companies

- Managers and employees **understand customer needs and expectations**
- Standards and specifications are in place to ensure customer satisfaction
- Their companies have **customer-friendly policies**
- Employees are **empowered** and **trained** to provide good service
- Their companies allocate **sufficient resources** to ensure that customer needs and expectations can be satisfied
- The company only make **promises to customers** it can fulfill
- Employees are **rewarded** for providing good service
- Their companies emphasize **continuous improvement** of service quality and customer experience



A comprehensive understanding of the employee experience requires a careful examination of both engagement and service climate. However, our own research has demonstrated that **service climate measures are generally more predictive than other measures when the goal is to understand how employee experience can be leveraged to improve customer experience.**⁵

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What We Learned from the 2012 Survey

Unfortunately, the news is not particularly good: As Exhibit 1 illustrates, **without exception, "positive" responses⁶ on every measure of service climate examined in our 2012 survey declined from the previous year**, and in most cases, the differences are statistically significant. In addition, the percentages on new items that were added to the 2012 survey also are very low, suggesting that **most organizations are falling short when it comes to providing a service climate that supports customer satisfaction and service delivery.** A closer examination of the results reveals why.

Exhibit 1

Service Climate Survey Results: 2012 versus 2011



← Difference between percentages is statistically significant at or beyond the 95% confidence level

1. Failing to make customer service and satisfaction top priorities

The extent to which employees believe that customer service and satisfaction are top priorities more or less sets the tone for how customers are viewed and treated. Results of our 2012 survey indicated that **only 2 in 10 perceive that “providing excellent customer service is my company’s top priority,”** down from 30% the previous year. Furthermore, **only 1 in 10 workers strongly agree that “commitment to customers is reflected in senior management decisions,”** down from 14% in 2011. Also, only 11% believe that providing excellent customer service is a top priority among co-workers. Thus, it appears that, at least in the eyes of their employees, most organizations do not give high priority to customer service and satisfaction.

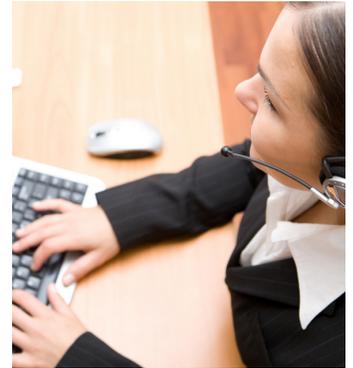
2. Insufficient information on and understanding of customer needs and expectations

If senior leaders, managers, and employees lack a clear understanding of what customers want, it is going to be very difficult to craft organizational policies, processes, and practices aimed at achieving high levels of customer service and satisfaction. Results of our 2012 survey suggest that, for the most part, organizations do not have an understanding of customer needs and expectations sufficient to “get the job done.” **Only 11% of workers surveyed perceive that the senior managers have frequent direct interaction with customers,** down from 14% the previous year. **Only 9% perceive that their managers solicit feedback from customer contact employees,** down from 11% in 2011. These findings suggest that customer feedback and upward communication from front-line employees is absent in most organizations, inhibiting a clear understanding of customer needs and expectations that can be used to support managerial decision making and action: What we have here is a “failure to communicate.”

3. Absence of provisions and standards for customer service and satisfaction

If customer service and satisfaction are not top priorities, and if managers and employees have a poor understanding of customer needs and expectations, it will also be difficult to design and implement appropriate performance goals, standards, and processes. This appears to be the current situation in most organizations. **Only 1 in 10 employees strongly agree that “my company sets goals for improving customer service and satisfaction,”** down from 15% in 2011. Worse yet, **only 8% report that their companies have “formal programs and processes to improve customer satisfaction,”** a two-point decline from the previous year.

Service standards and specifications “set the bar” for employee performance. In the absence of such standards and specifications, employees cannot be sure what is expected with regard to customer service delivery. This, in turn, reduces the probability that an organization will consistently achieve high levels of customer service and satisfaction. In addition, without key performance indicators that are aligned with goals, standards and specifications, it will be very difficult for an organization to drive or monitor continuous improvements in service quality and customer experience.



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4. When policies are not customer-friendly

Employees often are handicapped by organizational policies that are company-centric instead of customer-centric. Currently, **only 8% of employees strongly agree with the statement, "My company's policies and procedures make it easy to satisfy customers."** This is down from 11% in 2011. Additionally, **only 11% strongly agreed that "Policies, systems, and procedures at our company support the delivery of outstanding customer service"**, down from 14%.

Too often, organizational policies are not customer-friendly. Sometimes special circumstances warrant exceptions being made to rules, but most often an employee will default to the statement, "I'd like to help you, but it's against company policy." While company-centric policies may save an organization from providing a refund, or having to make special accommodation, in the long term, they can hurt a business. It used to be, if a customer had a bad experience, he or she would tell five to ten people. With the wildfire-like growth of social media, bad customer experiences now are shared frequently with thousands of people world-wide.⁷ Customers want companies with which it is easy to do business, and tend to resent those whose policies are inflexible or rigid. Sometimes accommodating disgruntled customers may cost a company a little in terms of money or convenience, but those costs pale in comparison to the damage that can be done by word-of-mouth or word-of-mouse communications from those same customers.

5. Lack of employee empowerment

The issue of employee empowerment is inextricably connected to organizational policies: When a customer has a problem or complaint, an empowered employee can often resolve it quickly. Yet, in a majority of organizations, it appears that company policies preclude employee empowerment. Furthermore, it appears that empowerment is in decline. Our most recent findings reveal **only 14% of workers surveyed strongly agree "I have the authority I need to promptly respond to customer problems and requests,"** which is down from 17% in 2011. And on a new item added to the 2012 survey, **only 12% say that they feel "empowered to make changes in work processes to meet customer needs."**

Many times, lack of empowerment requires customers having requests or complaints to be transferred to someone else. Anyone who has had the experience being shuttled from person to person, or being put on hold for extended periods, only to be transferred **again**, knows how frustrating this can be. Our own and others' research reveals that the more employees and managers a customer must deal with in order to resolve a problem or satisfy request, the less likely that customer will stay with and/or recommend a brand or firm. Empowering employees – especially those employees who are the first point of contact with customers – can go a long way toward circumventing customer frustration and its deleterious effects on a business. Unfortunately, such empowerment only appears to be in play in slightly more than 1 in 10 organizations.

6. Providing training in every area but customer service

Too often, employee training tends to be focused on operational execution rather than how to meet customer needs. In our 2012 survey, **only ten percent (10%) strongly agreed their company "provides effective training to support excellent customer service,"** down from 11% in 2011. Furthermore, **only 14% believe that workers in their department or work group have a clear understanding of customer needs,**

down from 20% a year earlier. Also, **only 24%** claim to **understand “how my work impacts customer experience,”** down four points from 2011.

The lack of relevant training can reinforce the perception that customer service is not a priority. It can prevent employees from understanding how their work impacts customers, and how if performed differently, their work might drive improved customer service and satisfaction. Furthermore, even if company empowers employees to deliver great customer service and/or promptly handle customer problems and requests, lack of appropriate training can and probably will inhibit employees’ abilities to do so effectively.

7. Inadequate resources and technology

In many organizations, lack of available resources is seen as a rampant problem. With the heavy focus on cost cutting and lean operations in these organizations, employees generally feel there aren’t sufficient resources allocated for employees to properly serve customers.

Only 9% feel their company “commits the resources required to fulfill the needs and expectations of our customers,” down three points from the previous year. Also, **only 13% believe their companies have the “necessary capabilities to fulfill customer needs and expectations,”** down from 18% in 2011.

Most employees also believe that their organizations are not adequately leveraging technology designed to satisfy customers. **Only 12% agree that “my company effectively uses technology to deliver a consistently positive customer experience.”**

When wait lines are too long, callers are placed on-hold for excessive periods of time, or deadlines are missed, it is often because companies have not committed the resources required to meet customer needs and expectations, or fulfill promises made to customers. The result is frustrated employees, frustrated customers, or both.

8. Overpromising

A major problem exists when companies promise what they cannot deliver. Yet, overpromising appears to be prevalent in most organizations. For example, our 2012 survey results reveal that **only 8% of workers believe their “salespeople rarely make promises operations cannot deliver,”** which is about the same as the previous year.

Overpromising negatively impacts customers. As Valerie Zeithaml and her colleagues have pointed out, “promises made by a company through advertising, sales force, and other communications raise expectations which serve as the standard against which customers assess service quality.”⁸ If those promises are broken, customer dissatisfaction and defection often follow.

Overpromising also has a negative effect on employees. When employees in operations or support functions are expected to fill commitments to customers that are unrealistic, or that simply outstrip capabilities and resources, there can be multiple negative consequences. Errors and defects are more likely to occur, employee morale may plummet, and relations between co-workers may be severely strained. Employee morale and co-worker relations, in turn, impact overall employee engagement, which will be covered in greater detail in the next article of this series.



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9. Failing to reward employees for providing good customer service

A great deal of research in behavioral psychology indicates that people will replicate the behaviors that are rewarded and reinforced. Yet, results of our 2012 survey indicate that **only 7% of workers believe their companies “reward employees for providing excellent service to customers.”** This is down slightly from the 9% who responded similarly in 2011, and while the decline may seem very small, the percentages are already so low they cannot fall much further. Additionally, in the 2012 survey, we added an item that asked each employee whether his/her company **“uses reward and recognition to reinforce actions that positively affect our customers” – only 6%** reported this to be the case in their organization.

These findings regarding the lack of rewards for good customer service converge with what we have witnessed directly in a number of organizations: Employees frequently are rewarded for strict adherence to company policy rather than satisfying customers. For example, many call center managers encourage and incent service representatives to cut their call times in an effort to “process more customers.” They also criticize employees for customer conversations they consider “not related to business.” The risk these organizations run is that emphasizing cost cutting and operating efficiency may cause customer service to suffer. What gets rewarded gets done, and if employees are not recognized or rewarded for trying to help customers, they are simply less likely to do so.

Addressing the Challenge of Building and Sustaining a Strong Service Climate

Employees – particularly those who have direct interactions with customers – often have a keen sense of customer experience and service quality.⁹ So it is disconcerting that **only 12%** of employees in our 2012 survey believe **“our customers would rate the service we deliver as ‘excellent’,”** which is down from 20% in the previous year. Perhaps as interesting is the 2012 finding that **only 12% of employees believe that their companies “provide the best customer service in our industry,”** down from 21% in 2011. The above findings furnish a rather gloomy perspective of the current state of customer service and satisfaction. The findings from our most recent service climate survey – discussed throughout most of this article – provide insights into the **underlying reasons** for the current state:

- Customer service and satisfaction are not top priorities in many organizations.
- Many companies do not capture information needed to understand customer needs and expectations.
- These organizations do not have goals, standards, or processes in place to manage customer experience or improve customer service and satisfaction.
- Organizational policies often are not customer-friendly.
- In a majority of firms, employees are neither empowered, nor trained, to provide excellent customer service.
- Many organizations do not commit the resources needed to fulfill customer needs and expectations.
- Overpromising by companies is rampant, negatively impacting both customers and employees.
- Employees are not adequately rewarded for efforts to satisfy or provide excellent service to customers.

Commoditization has stripped away most existing sources of competitive differentiation, and today's customers have more power than ever. These factors led Kerry Bodine and her Forrester Research colleagues to conclude that "a focus on the customer matters more than any other strategic imperative...but while every executive knows that customers matter, most companies simply don't approach their interactions with customers in a disciplined way...for businesses to succeed, they need to get serious about the way they define, implement, and manage the customer experience."¹⁰

So, why should companies be concerned about findings regarding service climate? The answer is: ***If customer experience excellence is the new business imperative, and if the quality of customer experience does indeed depend largely on the quality of the employee experience, the findings from our 2012 service climate survey suggest that there is much work to be done.***

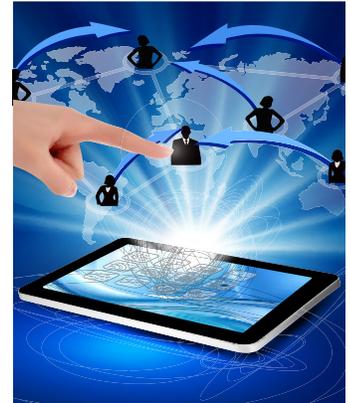
So, what should your organization do?

One step, of course, is to continue to listen to customers – actively and aggressively – through multiple channels and with specific objectives and applications in mind. Feedback captured via surveys, inbound communications, and social media can be used to determine current levels of customer satisfaction or dissatisfaction. Such feedback also can be used to define opportunities and priorities for improving customer experience and service quality.

As importantly, ***organizations should listen to front-line employees and channel partners who have direct interactions with customers.*** This is where service climate measures come into play. ***Service climate measures can reveal the root causes of customer dissatisfaction and/or poor service quality that originate in organizational policies, processes, and practices.*** Such measures can ***help managers pinpoint issues in the employee experience which, if addressed effectively, can result in better customer experiences.***

The results of our 2012 employee survey provide one perspective of the "current state" of service climate across a large cross-section of American companies. The news generally is not positive, and it suggests there may be a serious need for "climate change" in most organizations.

Perhaps these findings should prompt readers to ask one more question: What does the service climate in your organization currently look like, and what actions should be taken to improve it? The answers likely will provide a starting point for addressing the challenge of how to build and sustain a strong service climate.



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Endnotes

- ¹ Carbone, Lewis P. (2004). **Clued In: How to Keep Customers Coming Back Again and Again**. Upper Saddle, New Jersey: FT Press; p.130.
- ² Berry, Leonard L. (1995). **On Great Service**. New York: The Free Press; pp.47-53.
- ³ McInnes, Andrew (2011). **How the Voice of the Employee Empowers Customer Experience Efforts**. Forrester Research White Paper, Cambridge, Massachusetts, January 28.
- ⁴ For example, see Zeithaml, Valerie A., A. Parasuraman, and Leonard P. Berry (1990). **Delivering Service Quality**. New York: The Free Press; and Macey, William H. and Benjamin Schneider (2006). "Employee Experiences and Customer Satisfaction: Toward a Framework for Survey Design with a Focus on Service Climate," in Allen I. Kraut (Ed.). **Getting Action From Organizational Surveys**. San Francisco: Jossey-Bass; pp.53-75.
- ⁵ Brandt, D. Randall (2007). **A View from the Frontline: Leveraging the Voice of the Employee to Improve Customer Experience**. Presented at the Institute for International Research Conference on Linkage Strategies. Orlando, 25-27 February.
- ⁶ "Positive" responses are those that reflect strong agreement that the employee's organization takes a supportive approach to the element of service climate being evaluated.
- ⁷ Blackshaw, Pete (2008). **Satisfied Customer Tell Three Friends – Angry Customers Tell 3,000**. New York: Doubleday Press.
- ⁸ Zeithaml, et al. (1990); p.43.
- ⁹ For example, a recent study performed for one of our clients revealed a Pearson correlation of .86 between front-line employee perceptions of how customers would rate service quality, and actual customer satisfaction with service quality.
- ¹⁰ Bodine, Kerry and Moira Dorsey (2011). **Why Customer Experience? Why Now?** Forrester Research White Paper, Cambridge, Massachusetts, October 4.

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