

## **CUSTOMER CARE (DES 3102)**

**LECTURE** : 4

**TOPIC** : Empowerment and Ownership

**AIM** : To understand the various methods of engendering ownership of service initiatives including the process of empowerment and teamwork.

### **LEARNING OUTCOMES**

1. After completing this chapter, you should be able to understand process of empowerment, and the need for preparation and support to bring it about.
2. The importance of service recovery teams.

### **TOPIC OUTLINE**

- 4.1 Valued people value customers
- 4.2 Empowerment appropriate for all organisations
- 4.3 Level 1
- 4.4 Level 2
- 4.5 Level 3
- 4.6 Service recovery and empowerment



Organisations where employees are empowered and take ownership of service quality are more likely to deliver excellent service to their customers.

This chapter outlines methods of engendering ownership of service initiatives including the process of empowerment and teamwork. It considers the myths surrounding empowerment and the need for preparation and support to bring it about. Finally the chapter outlines the importance of service recovery and describes a process for achieving this.

#### **4.1 Valued people value customers**

Surveys reveal that people are happiest at their work when they feel valued and important, when they are involved in the business and when they feel knowledgeable about what is happening.

A customer service philosophy offers employees an opportunity to participate in a programme which will determine the success of their organisation. However, many initiatives fail because the philosophy is owned by only a few and is not incorporated into a culture of the organisation so that it becomes a natural way of doing business.

There are many approaches that can be adopted to encourage ownership of a quality philosophy. One of its major benefits has to be that employee involvement does make a difference to the bottom line, according to research findings from the US, but the incidence of empowerment is disproportionately low relative to the hype it receives. Nevertheless, those companies which are adopting this approach find it a powerful means of providing excellent service in a customer friendly and un-bureaucratic way. The Involvement and Participation Association investigated the success of companies which establish employee involvement and empowerment in a supportive environment. It claims that within a year of a shift to employee involvement, overall financial improvement of between 10 and 30 per cent could be achieved.

The customer benefits from empowerment because an empowered organisation tends to be:

- Less bureaucratic;
- More flexible;
- More responsive;
- More considerate of customers' needs;
- Easier to do business with

##### Myths about empowerment

As is common with most management rhetoric, there are many myths surrounding empowerment. These include:

- Empowerment is appropriate for all organisations;

- Everyone will welcome empowerment;
- Telling people they are empowered will make them be empowered.

Jack Welch, CEO of GE, puts much of the success of the transformation of the company down to empowerment. Freeing up people to focus on the customer by sharing information and taking decisions with the support of their managers.

## 4.2 Empowerment is appropriate for all organisations

This is probably not the case. Those businesses which have a need for strict regulatory control will not benefit greatly from empowerment. Others, whose management style and culture tends towards 'command and control', will also find empowerment inappropriate if they wish to continue this way. Also, the degree of empowerment different organisations wish to achieve will vary according to the circumstance and the individual.

Jan Carlzon, former CEO of SAS Scandinavian Airlines, describes empowerment as, 'to free someone from rigorous control, and to give that person freedom to take responsibility for his ideas, decisions, actions'. It is useful to see empowerment as working along a spectrum as shown in Figure 4.1.

*Level 1* – employees are encouraged to own decisions and get involved in improvement initiatives. However, the manager takes overall control.

*Level 2* – teams and individuals have more say and take ownership of decisions affecting their work but strategic decisions are still made by management.

*Level 3* – teams are completely self-managing and make all decisions about not only how they operate in terms of task but also structure and reward.

## 4.3 Level 1

There are many examples of organisations which involved employees in a service strategy. However, at this level, members of staff still have to put ideas for improvement forward to their manager for approval or they can make decisions within certain areas, e.g. issuing a refund. At FedEx, all call-centre agents have six weeks' training before taking live calls. As part of this training, it is explained that they can give up \$200 on the spot at their discretion when a customer complains. Another frequently used method of involving employees in service quality initiatives is via the adopting of 'improvement teams'.

Garden centre retailer Jardinerie is typical of organisations which encourage service empowerment groups as a means of promoting good ideas for service quality. These work on the basis that staff identify areas for improvement, generate solutions to problems and are involved in the implementation of the solutions.

Typically, service improvement teams are made up of between four to eight people who are involved in delivering the service. The stages in the team process are:

1. Identify problems and issues affecting service quality.
2. Established the root cause of the problems.
3. Generate ideas for solutions to the problems.
4. Evaluate and select best ideas.
5. Implement chosen solutions.

At Jardinerie Garden Centres project improvement groups, known as 'piglets', have been working on projects ranging from information sharing to tightening up on security. Each piglet team shares responsibility for planning, implementing and controlling their project. There is a team leader, who acts as internal facilitator rather than the boss and, as teams gain experience they are free to elect their own leader or even to rotate the leadership role. Team members set their own agendas. This, Jardinerie believes, differs from the conventional approach where, after a few months, people lose interest and the concept loses credibility.

#### **4.4 Level 2**

This middle level of empowerment is where teams and individuals have more say and take ownership of decisions affecting their work, but strategic decisions are still made by management.

One example of this is the Oriental Hotel in Bangkok, which for the 10<sup>th</sup> year running has won the best hotel in the world award. The General Manager attributes this to giving all employees the authority to say 'yes' to any customer request. The only time members of staff need to refer to a manager is when they want to say 'no'.

In the air express industry, DHL wished to introduce a sophisticated hand-held bar code scanner with a small keyboard to improve the speed and quality of service. The scanner was used by the courier who was responsible for accurate capture of shipment data. In the UK a cross-functional team of representatives from various departments was established to discuss how improvements from using the scanner would help customer service and to investigate the best way of introducing the new scanner to the business.

By the time the scanner was finally rolled out the multi-functional team had involved others throughout the organisation in feedback on its use in the field. They had incorporated many of the suggestions of the launch initiative and the scanner was received favourably by many couriers. By comparison, when the scanner was implemented in other European countries it took much longer to implement and at a greater cost as employees had not been consulted prior to its launch.

Empowerment at this level can also involve members of staff working on an individual basis to bring about improvements in quality. At Marriot Hotels a concerted effort was made to empower all staff so that they would go out of their way to help the customer. This became the message of a long-standing advertising campaign designed to show that Marriot service was excellent.

At supermarket chain Tesco, restructuring has taken place to restrict the level of management in each store to one senior manager and one front-line manager in order to make the management team more accountable. The company introduced a service quality programme called 'First Class Service'. The aim was to apply a natural approach to customers and to take away the rules and regulations which restricted members of staff from making decisions – essentially empowerment. Senior managers decided not to wrap the initiative in fancy words: this is a simplified de-bureaucratized organisation, more customer-facing and driven by customer needs.

### 4.5 Level 3

Department store Nordstrom in the US issues this statement to all new employees:

**Rule 1** Use your good judgement in all situations.  
There are no additional rules.

Organisations which encourage employees to adopt total control of their work and working patterns are usually those which have undergone a period of change, probably involving de-layering to transform them into flatter, more flexible and customer-focused units.

At Allied Dunbar, for example, levels of management were cut to three. The customer service department was restructured into autonomous teams of five to six people. It was felt that this would not only create a greater sense of shared ownership but ensure that employees' jobs were more interesting because of the greater width of tasks they would be responsible for.

In parts of the Xerox Organisation, self-managing teams of six to ten staff have been formed who are responsible and accountable for operational tasks, as well as organising how they operate as a team, including such items as working hours, overtime, and meetings. Many teams determine their own staffing levels and select new members, as well as running individual and collective self-assessments and controlling incentives.

Dutch bus company Vancom has found that teamwork encourages loyalty and ownership of customer issues. It has developed its reputation for high-quality service at low cost through self-managed teams with few managers. Interestingly, although the organisations in the examples have gone down the route of self-managing teams, these sometimes run alongside other parts of the organisation where individuals do not wish to take on the same degree of empowerment, or it is not appropriate for the organisational context (e.g., the unit is staffed by temporary workers).

## EMPOWERMENT

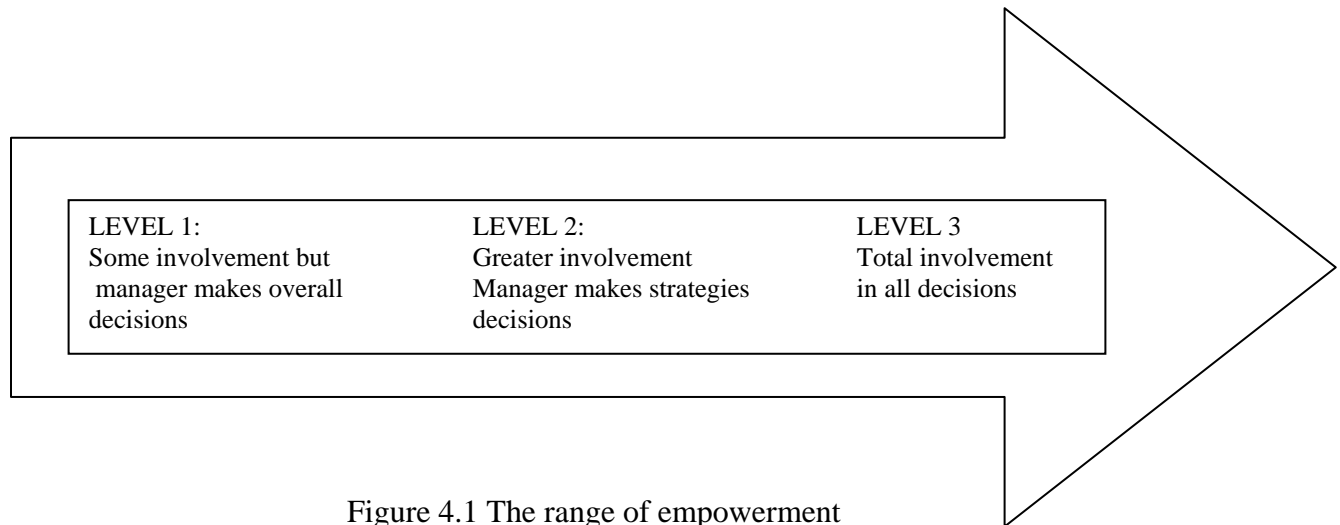


Figure 4.1 The range of empowerment

### 4.6. Service recovery and empowerment

Empowerment plays an important part in service recovery and many organisations are moving towards devolving responsibility and decision-making powers to front-line staff who are responsible for dealing with customer complaints.

At the AA, for example, staff are empowered to commit the organisation to pay the member up to £100 where service has been poor. If, for example, a stranded motorist has had to wait for an overly long period for a patrol to arrive, the patrol person can pay the customer money in compensation and reclaim this from the AA. Staff are also empowered to refund membership fees when service is poor.

At BT the customer's first point of contact - the operators - are now empowered to offer 'goodwill gestures' in the form of cash payments to recompense the customer if something goes wrong.

The move towards empowerment in complaint management situations coincides with the general trend towards viewing customer complaints in a more positive light. The reasons behind this are that complaints point to improvement areas which businesses should address; they give organisations a chance to put things right for the customer and they can also strengthen customer loyalty.

Royal Bank of Scotland discovered the effect of service recovered when it measured how much customer satisfaction dictated future buying intentions. It divided its customers into three categories: those with a problem that had not been resolved, those with a problem that had been efficiently dealt with and those whose experience of the Bank was nothing but smooth.

Those who were dissatisfied were the ones least likely to buy any more of the Bank's services, but there was a marked difference in attitude between people who had complained and had quickly been given satisfactory answers and the happy, everyday customers. Those who had settled grievances were, by a good margin, more likely to buy Royal Bank of Scotland products in the future. Setting the problem openly, politely and speedily resulted in the customer being more positive about the bank, even when the final decision over something like a disputed bank charge may not have gone in the account holder's favour (see Figure 4.2).

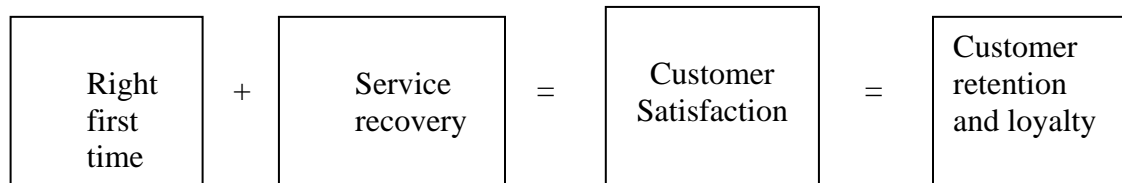


Figure 4.2 Service recovery

Organisations such as British Airways found similar results through their customer research. They believe that a 'right first time' attitude and effective complaint management lead to maximum customer satisfaction and loyalty.

BA has encouraged employees to take responsibility for complaints, which together with process improvement, enhanced technology and greater listening to customers has created a more efficient service recovery. The first step was to develop a listening post plan - increasing the number and means of gaining feedback from customers including an international freepost comment card, customer listening forums where BA executives and customers could discuss service issues, and a 'fly with me' programme where members of British Airways and customers fly together to experience problems first-hand.

BA changed its style of dealing with complaints from a back office function to a proactive customer retention unit. It instigated interpersonal skills training and greater empowerment for all staff, coupled with a process improvement review where 13 steps in complaint management were cut down to three, and the introduction of a £4.5 million image-based system to eliminate the need for copying letters and faxes.

Empowerment in the context of service recovery, therefore, means ensuring that employees have not only the skills but the knowledge to be able to resolve the complaint and to work to establish the underlying cause of the problem. Typical skills in empowered service recovery include:

- Apologising and owning the problem - the customer doesn't want to be passed from pillar to post or to be made to feel guilty for complaining.
- Doing it quickly - studies show that the ability to satisfy customers through service recovery dips after five days and the possibility drops to under 20 per cent after 28

days. Therefore the quicker the response to a complaint, the more likely it is to be resolved satisfactorily.

- Doing it by phone - customers' attitude against use of the telephone are now largely gone, and a personal apology by phone allows the organisation to show that they really care and provides a speedy response to the customer.
- Knowing how to fix it - empowered employees need to know about the organisation, its products and services, in order to resolve a complaint quickly.
- Fixing the root cause of the problem - collecting and analysing meaningful data on complaints so that the underlying causes for these can be identified and improvements made.

Organisations with the best practices are also empowering their employees to prevent complaints. At Gracie Golf, a US mail-order catalogue company, staff identified two categories of customers at risk. They were empowered to call these customers and fix any problems by offering a range of gift vouchers and free delivery options. Research subsequently showed that the customers who had been contacted spent \$100 more a year with the company than customers who had not been contacted.

### *Summary*

This chapter has outlined how empowerment and ownership can encourage employees to provide the customer with excellent customer service.

We have exploded some of the myths about empowerment and demonstrated that it will only work in a supportive environment where people are receptive to change.

Service recovery plays an important role in retaining customers and creating goodwill.

## REFERENCE

Customer Care, (3<sup>rd</sup> Ed, 1992), Sarah Cook, Kogan Page.

## TUTORIAL QUESTIONS – WEEK 4

1. Briefly explain the benefits of empowerment.
2. Distinguish the 3 different levels of empowerment
3. In what way can a service recovery team be effective?