Service recovery: A Case study

Sharon Lynn Yockel
Service Recovery - A Case Study

by

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A thesis project submitted to the Faculty of the School of Food, Hotel and Travel Management at Rochester Institute of Technology in partial fulfillment of the requirements for the degree of Master of Science

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Acknowledgments

This project and degree were completed with the support and understanding of family, co-workers, friends, and RIT faculty and staff. Many thanks go to a number of individuals. My parents and children encouraged me and understood the hours of study required to reach my goal. Co-worker T. O’Connor saw value in the project and was instrumental in obtaining corporate support. My friend L. Estep was always there with encouragement and humor and was especially supportive when roadblocks appeared. Dr. Marecki provided knowledge and direction throughout the program. D. Sommers provided wonderful customer service and responded cheerfully to each of my many calls to her.
Abstract

This case study examines the readiness to implement a successful service recovery program in a culture that has operated as a monopoly for many years. Zemke's (1995) Recovery Readiness Inventory is used to survey a pilot group of 200 employees who have regular contact with customers. The survey shows that all the necessary policies and procedures are not in place and the culture is not ready to support the service recovery program. This conclusion is drawn from the survey scores. The minimum comfort zone score set by Zemke (1995) is achieved for only 1 category.
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“Utility companies!! Did I ever tell you ...........”

“Hello, is this the utility company? I just received my bill in the mail. It’s not right!! I couldn’t possible have used that much electricity! What do you mean, “it must be right if that’s what the bill says?” I want someone to get right out here and check my meter! They’ll be here when!?”

“Hello, is this the utility company? I need to have a serviceman come to my home to install a new meter, may I schedule an appointment? What do you mean they will be out the sometime in the “morning” (anytime between 8 a.m. and 1 p.m.)? I can’t afford to take time off from work to sit around and wait for somebody to show up! I want to know when they will be here!”

“I always feel like they are taking advantage of me because I have nowhere else to go to purchase the energy that provides my family with warmth, security and entertainment. They have me right where they want me. If only I didn’t have to deal with them!! If only I had a choice!!”

Soon, customers will have a choice of who supplies their energy and energy related services.

A long history of regulation, cost plus pricing, traditional thinking, layers of management, and being the only game in town pretty much describes the history of the Utility Industry. No longer can the industry afford this mindset and the corporate culture
that it perpetuates. How does an organization that has operated as a monopoly all its corporate life change to become a customer focused, cost conscious, flexible, innovative organization that creates a customer base that wouldn’t think of switching to another supplier?

We know that “competition is coming” and that we must change. Can we change? Are we changing? How do we know if the corporate culture is ready to support a commitment to unparalleled quality and an unrelenting focus on creating customers for life?

This is not to say that utilities have not tried to provide service and customer satisfaction in the past. All organizations know that they need to satisfy their customers. However, the difference between operating as a monopoly and operating as a competitive entity requires a different level and understanding of service quality and customer focus. This sets the stage for great challenges and opportunities for utilities. Some will succeed, others will not.

“Hello, Ms. ......., this is your utility service calling. We noticed that your bills have been getting higher over the past several months. Have you changed anything that may be causing the increased consumption? No? May we come out and see if there is something that can be done to reduce those high bills for you? We’d be happy to set up an appointment at your convenience.”

**Problem Statement**

How do you implement a successful service recovery program that will move an organization from one that thinks and acts like a monopoly to one that is focused on
quality and changing customers' attitudes from "prisoners" to "disciples?" What are the proper support systems needed for such a drastic change in mind set from that of a monopoly to one that successfully creates customer loyalty?

The corporation is taking a risk and placing itself in a vulnerable position by implementing a service recovery program. Corporate image can suffer if it doesn't implement the program properly, choose the right services to guarantee, or have a commitment to quality, continuous improvement, and customer focus. If the program is not successful, RG&E may spend large sums of money with no lasting benefit to the company. In addition, staff can become demoralized by not being able to provide the level of service the customer expects and deserves, and the employee wishes to provide.

**Background**

Rochester Gas and Electric Corporation (RG&E) is facing deregulation and a competitive marketplace for the first time in its history. Therms of gas and kilowatts of electricity are the same no matter who you purchase them from. How does a utility company distinguish itself from its competition, and improve its public image? The ability to provide superior service will likely be a key factor in crafting a successful future.

All utilities are facing similar challenges. Though they provide extremely reliable energy service to their customers, they generally suffer from a poor public image. Electricity, gas, and the "creature comforts" they provide are taken for granted by customers. When you turn up the thermostat or flip the switch on, you expect heat, light, music or television. That is what you get 99% of the time. The 1% of the time that the
service fails you experience a negative “moment of truth.” You think about the utility company and your impression is negative.

In today’s world there are not many areas left where consumers do not have a choice of suppliers to fulfill their needs. Customers want choices even if they are satisfied with their current supplier. Hooker (1996) states that statistics indicate that 65-85% of “satisfied customers” will switch suppliers, even though they are satisfied with their current supplier.

Although the product is very important to us, the interpersonal aspects of the service are what we remember and share with our friends and family. Statistics also substantiate that 68% of customers will switch suppliers based on employee attitudes of indifference toward the customer (Hooker 1996).

Purpose

The purpose of this study is to assess the corporation’s readiness to implement a successful service recovery program against a model created by Ron Zemke (1995). The model identifies the components required for a culture that will support such a program. It should identify areas that are likely to have a significant impact on the success of the guarantee program. These areas are: systems, policies, and procedures; evaluating service performance; customer focus and commitment; recognizing and rewarding service; and training and supporting.

Significance of the Study

Specifically the study is important to RG&E as it faces competition. The company has never before been faced with customers who will have the opportunity to
select another supplier to meet their energy requirements.

In order for RG&E to be successful in a competitive environment, it is important that a competent corporate image be projected. In the last few years that image has suffered from a variety of management problems and how they were handled. It is important to identify and mitigate any potential problems that could affect successful implementation of the service guarantee program in order to protect and enhance the public image. Some of the problems that could occur are: inability to meet the criteria set in the guarantee, not having proper processes or support systems in place to enable employees to provide the level of customer service required to create customer loyalty. RG&E can not afford to pay out large sums of money without realizing specific benefits from the guarantee program, namely continuous improvement and customer loyalty.

This study should provide an analysis of the readiness of the organization and recommendations for actions to take prior to and during the pilot phase to minimize risks when the guarantee program is rolled out.

With this information, the company can identify the components that will need attention prior to announcing this program to the public. Measures can be taken to implement interventions to correct the deficiencies during the pilot testing phase of the program. Time is of the essence and a model for implementing this type of program would be very helpful.

Nature of the Study

The focus of this case study is future oriented and will employ evaluation research. RG&E is facing deregulation and impending competition. In an effort to
distinguish itself from every other supplier of electricity and gas, it is preparing to implement a service guarantee program to increase customer satisfaction and loyalty.

This study will evaluate the readiness of the organization to successfully implement its program. The five critical categories for success that R. Zemke (1995) has identified will be used as the basis for evaluation.

**Hypothesis**

There are certain requirements that need to be in place in order to successfully implement a service guarantee program. The null hypothesis of this study is that all necessary systems, policies, and procedures that ensure success will not be in place; the culture will not be ready to support the service guarantee program.

When the evaluation and analysis are completed, the company should have a better understanding of its readiness to implement the service guarantee program. It will know which of the five categories (Systems, Policies and Procedures; Evaluating Service Performance; Customer Focus and Commitment; Recognizing and Rewarding Service; and Training and Supporting) may need additional attention to assure a successful roll out of the guarantee program. This could potentially save money by reducing the dollars paid out for service recovery and equally as important protect the public image of the corporation in the community.

**Assumptions**

The following assumptions have been made with regard to this case study:

First, RG&E is typical of other utilities preparing for competition and as such is implementing steps to change the corporate culture from that of monopolistic thinking to
one of customer focus.

Second, RG&E is in the midst of a culture change effort and that has not yet obtained all of the desired results. This survey should help identify how far along the company is in the culture change process.

Third, the employee sample selected for surveying accurately represents the opinions and beliefs of the entire employee population.

Fourth, the data have been correctly collected, analyzed and interpreted.

**Scope and Limitations**

The study is limited to assessing the organization's readiness to implement a successful service recovery program at the same time the pilot program is being implemented. Due to the fact that the study is being conducted and the data being analyzed during the design and pilot test of the program, it is not known if the company will be able to react to the recommendations prior to the scheduled September roll-out of the program to the community. This study will not include an assessment of the actual success of the program in relation to the findings of this study.

Data collection is limited to surveying approximately 200 employees of the organization. It may be difficult to obtain a high response rate from field personnel due to the very nature of their jobs requiring them to be in the field and less accessible.
Chapter II

Literature Review

The service industry is growing at a very rapid rate. With approximately 75% of the country’s worker force engaged in what are considered to be “service” positions, quality service is critical to the success or any organization. Quality has long been a part of manufacturing, and is now being translated and integrated into the service sector. It is more difficult to manage since services are unique in that they are consumed as they are produced. In manufacturing, you have the opportunity to inspect your product after it is produced and prior to shipping it to the customer. The service industry does not have that luxury. It has to be right the first time, and if it is not it must be very right the second time.

Increasing local and global competition, more knowledgeable customers, and constantly rising service standards are driving companies to pursue every avenue available to achieve customer satisfaction and customer loyalty. Service recovery is an important aspect of customer satisfaction and a key ingredient in creating customer loyalty. Even “satisfied” customers are likely to switch to another supplier unless they are “very satisfied.” Today quality is a minimum requirement of customers. It is expected, and it is not a factor organizations can use to distinguish themselves from one another as it was at the beginning of the quality movement. Organizations will continually have to provide more value in order to achieve and maintain total customer satisfaction.
Service recovery provides an opportunity for creating relationships with customers. Gutek (1995) addresses the important difference between relationships and encounters that we, as customers and as organizations, experience in our transactions with each other and the resulting impact on customer loyalty. Encounters are experiences that are characterized as more impersonal in nature. We can have encounters with humans and/or machines. Generally encounters involve transactions that are quick, efficient, and can be provided by any qualified service provider. An example might be that of our encounter with a gas station attendant who rings up our gas purchase. Anyone qualified to run the cash register can handle our transaction. There is nothing special about the transaction. Even if we patronize the same gas station, we are unlikely to have much interaction with that attendant. We pump our gas, pay for it and leave. Usually the faster that whole process goes, the more satisfied we are. Customers, therefore, find it easy to switch to another provider with little provocation as they have very little to lose and possibly more to gain by going elsewhere. If another location becomes more convenient or price is better somewhere else, the customer feels no obligation to stay. There is little personal investment in most encounters.

Relationships, however, take on an entirely different tone. There is an expectation that the interaction between the service provider and customer will be ongoing, and information will be shared between the two parties. Society has conditioned us to act differently toward those with whom we anticipate future interactions. We are likely to be more polite and will probably get to know the other individual as a person as well as in his or her formal role of service provider or customer. Another distinction is that as
information is shared and the service provider learns more about the customer’s likes, dislikes, needs and requirements, only that individual can provide the level of service the customer desires. As time goes on, the transactions become more efficient because of the increased level of knowledge each has of the other. Relationship based transactions initially take longer to complete because of the time it takes for the information exchange. As we become more familiar with each other’s preferences, needs, etc., the interactions become more efficient as a direct result of the information previously obtained.

Relationships of all types tend to build levels of trust and attachment between the parties involved. This can be mutually beneficial. As a customer, I may get preferential treatment and as a provider, I am more likely to have a loyal customer, and customer loyalty is what we ultimately hope to achieve.

Peppers and Rogers (1997) also support the benefits of creating relationships with customers, and discuss developing learning relationships with each of your customers. They show the value of using technology to create relationships from encounters with your customers. Computers and computer data bases have the ability to collect, store and recall information about each of your customers with no effort on the part of the customer. The service provider can use that information technology and still create the bond between customer and service provider that usually only occurs between two individuals in ongoing interactions with one another. Eventually, it becomes much more of an effort for customers to take their business to a competitor because they have to begin, again, the process of educating another service provider.

Most utility customers do not interact with the provider on a regular basis.
Contact is most likely to be initiated due to a problem the customer encounters. It may be an incorrect bill, a power outage or the need to have branches trimmed in the area of the power lines. Building a relationship with the customer is more challenging in this industry. It is extremely important, therefore, to get as much data as possible from the customer during those interactions and do an exceptional job of service recovery when a problem does arise.

Peppers and Rogers (1997) also advocate continuous feedback on customer satisfaction. If the service rating drops, immediate investigation occurs and the problem is corrected.

Zemke (1995) describes service recovery as a strategy to create and maintain customer loyalty. It is a planned process that deliberately focuses on turning a service failure into an event in which the customer is fully satisfied with the organization and the outcome of the problem resolution. Recognition of the need for service recovery requires us to change our thinking about recovery costs. Organizations need to realize its value to their business and consider it as an investment in their future. Research supports the importance and effectiveness of service recovery. Several studies conducted by Technical Assistance Research Programs, Inc. (TARP) indicate that customers whose problems have been resolved satisfactorily are almost as likely to repurchase as those customers who have not experienced any problems with the organization (Zemke 1995). Interestingly enough, customers whose service problems have been quickly resolved are more likely to repurchase from the organization than customers who have experienced no problems with the organization.
Georgia Power and Light's (1993) experience attests to these findings. Customers were surveyed prior to and after implementation of their service guarantee program. The company was rated higher by customers who invoked the guarantee than by those whose service was problem free.

Service guarantee's are a tool that organizations use as a part of their overall recovery strategy. By their very nature they can provide valuable information to the organization, an opportunity to solve the customer's problem, and provide a basis for relationship building.

A guarantee is a promise the organization makes to its customers that says, "If we don't perform, we'll pay" (Kozlosky, 1995, p. 6). Service guarantees generally have a dual focus. They assure the problem is fixed and offer the customer something value added in addition to correcting the problem. A guarantee is invoked when a service failure occurs. If properly tracked, they provide a ready source of data relating to problems the organization is experiencing with their work processes. With further investigation and analysis, root causes can be determined and processes improved. The end result should be an increase in service quality.

At the time the service guarantee is invoked, the customer has experienced a problem. TARP studies document that having the ability to swiftly correct the situation and restore the customer's satisfaction with the organization can effectively work to create the customer loyalty we seek (Zemke 1995).

As previously stated, relationships are built around information exchanges and the expectation that the involved parties will be participating in ongoing interactions.
The recovery process is a vehicle for gathering critical customer information and the guarantee is a means for building trust by effective problem resolution and providing atonement for the failure. The guarantee also provides a reason to interact with the customer, gather data, and tend to the customer’s emotional needs as a result of the service failure.

Zemke (1995) proposed a model for service recovery implementation. It addresses five areas within the organization that will have a significant effect on the success of service recovery efforts. These areas are: (1) Systems, Policies and Procedures; (2) Evaluating Service Performance; (3) Customer Focus and Commitment; (4) Recognizing and Rewarding Service; and (5) Training and Supporting. In actuality, these areas represent the culture and the values that need to be operating within an organization to produce an environment conducive to success. A new culture needs to be created and nurtured. It must evolve from one that is internally focused to one that constantly seeks customer input and uses that input to select the proper measures to use internally to monitor success.

The literature review revealed that other experts in the field agree with the elements identified by Zemke (1995). These elements are indicative of a systems approach to quality and total customer satisfaction. Fitzsimmons (1994) and Edvardsson (1994), each acknowledge the importance of the systems approach. The organization must look at the whole rather than the individual parts. Systems theory is based on the belief that when you change one element, it will have an impact on the other elements that make up the whole. These changes can be positive or negative. Substantial
improvements to one element can have an overall negative effect on the whole process and result in quality problems and or customer dissatisfaction.

A paradox exists when it comes to corporate systems, policies and processes. On the one hand they need to be structured enough to provide for consistency in service delivery, and on the other hand they need to be flexible enough to allow the employee to break all the rules, so to speak, and provide whatever it takes to satisfy the customer.

Corporate systems, policies and procedures speak volumes about the real corporate values, regardless of those that are publicly espoused. The systems, policies and procedures the organization has in place must support frontline employees and make it easy for them to provide total customer satisfaction. We can no longer afford to have our internal processes set up for our convenience. If employees must go around the systems to satisfy customers, it sends a powerful message to employees about what is really important and valued. These types of mixed messages can greatly affect employee morale. Heskett, Sasser, & Hart (1990) stress the importance of having clearly established performance standards for this very reason.

Employees need to trust that the organization will not penalize them for acting on behalf of the customer, even if the error was caused by the employee. Officials at Georgia Power and Light (1993) found that employees were reluctant, at the introduction of their service guarantee program, because they feared repercussions for invoking the guarantee. Once employees felt more secure, they embraced the program and acknowledged its benefits.

Front line employees play a crucial role in the success or failure of the service
recovery process. Customers more often than not judge the success of a service based on their perception of how the service was delivered and how problems were handled. The problem itself may not elicit as strong a reaction as the way it was or was not handled. It is important for employees to impart a sense of urgency to the customer. Immediate steps should be taken to resolve the problem and address the customer’s concerns. The knowledge, skills and attitudes of front line employees are how customers judge the service quality of the organization.

Albrecht (1988, p. 65) states “The way your employees feel is the way your customers are going to feel.” Employees need to feel good about the way the organization treats them and its customers. Employees must feel secure in knowing they will not be punished for satisfying the customer. Organizations should make a habit of publicizing good recoveries. Those employees making those efforts should be held up to the rest of the organization and recognized as role models. This encourages other employees to meet the challenge and become service champions. It discourages employees from trying to decrease the number of complaints and encourages them to spot and recognize problems; encourage customers to talk about their problems and expectations so that the organization can work toward improvement.

Organizations can not expect employees to become empowered service champions without the skills, knowledge and abilities to perform successfully. Training is the way to provide skills and knowledge. Confidence and self-esteem are increased when employees have the “tools” with which to perform their jobs. Classroom training provides a safe environment for employees to practice their new skills. Training is not
limited to classroom training either. There are many ways to learn. Mentoring, cross training, coaching, computer based training, and online support systems can all be utilized to present the most appropriate way for an individual to acquire and practice the particular knowledge or skill that is required.

In addition to the initial training, organizations must supply a support system for employees to help them deal with situations they may be unfamiliar with, and with the stress constant customer interaction can create. Empowerment can only be successful if the individual has the skills, knowledge and information necessary to achieve the tasks for which they are assuming responsibility and accountability (Tracy, 1990).

Of course, all of the above will be meaningless if companies are not in touch with what customers really want from their organizations. Michaelson (1995) emphasizes the importance of talking to the customer directly. Discussing internally and guessing what the customer wants will increase the likelihood of making inappropriate decisions. Even if the company does a good job of assessing what the customer wants, their wants are constantly changing so information needs to be acquired continuously.

Organizations need to make it easy for customers to complain. They should be working toward increasing the number of customer complaints instead of decreasing them. As Barlow (1996) discusses in *A Complaint Is A Gift*, we need to totally readjust our thinking about how we view “complaints.” What better opportunity do we have to improve our services to our customers than by collecting information on what they don’t like or what’s missing in our service system. She also stresses the need to separate the emotion and the service failure portion of a complaint so that employees do not take on
the blame for the customer’s emotional state.

RG&E is aware of the benefits of creating relationships with its customers and is taking steps to build relationships from encounters that it currently has with its customers. The service guarantee program is one means of accomplishing that. As a utility customer, you may only experience infrequent encounters with the company, it is essential to seize that opportunity and make the most of it.
Chapter III

Procedures

In this study the Recovery Readiness Inventory (RRI) created by Ron Zemke (1995) will be used to assess the corporation’s readiness to implement a successful service guarantee program. It is reproduced with the permission of the Performance Research Associates, Inc. (See Appendix A).

The population surveyed will consist of a random sample of employees from the DISCO and ESCO segments of the corporation. Employees in these business segments generally have direct customer contact in the course of their everyday job responsibilities.

How the responses, in general, relate to the scoring key for the RRI instrument will give an indication of the overall readiness of the company. Differences in responses in any of the categories may indicate an area that needs further investigation or attention prior to program implementation. Differences in responses between groups indicates that the importance of service recovery is not seen the same by both business segments. It is imperative that all employees are aligned behind this program in order for it to be successful.

The sample population was selected by utilizing a computer program designed for random selection. The sample size was 200 employees. Letters and surveys were mailed to each sampled employee at their work location.

The null hypothesis of this study is that all necessary systems, policies, and procedures that ensure success will not be in place; the culture will not be ready to
support the service guarantee program.

Two hundred confidential surveys were mailed to randomly selected employees of the DISCO and ESCO business segments. Surveys were returned to Sharon Yockel and the results tabulated. The results were calculated as follows so they would be comparable to Zemke's score master. Individual scores for each question were recorded in a data file using SPSS. The score recorded was the weight assigned to that question by Zemke (1995). The weight of the question was multiplied by the number of "yes" responses for that question to arrive at the weighted score. The weighted score was then divided by the total number of valid responses received (a combination of those answering yes and no) to arrive at a number that can be compared to the Zemke weight for each question. Questions were grouped to provide a score for the five critical categories: Systems, Policies and Procedures; Evaluating Service Performance; Customer Focus and Commitment; Recognizing and Rewarding; and Training and Supporting.
Chapter IV

Results and Findings

The data is analyzed by each of Zemke's (1995) five critical categories. The first category is Systems, Policies and Procedures. This category examines the extent to which our systems, policies and procedures make it easy for frontline and support employees to deliver quality service in the face of a service breakdown, and the degree to which systems, policies, and procedures are seen to support rather than inhibit good service recovery. The total possible score is 28; the comfort zone is 22; RG&E scored 12.90. (See Table 1).

A majority of respondents (93%) agree that assisting customers with problems is a clear priority, yet 46.5% indicate that the way their department is organized does not make it easy for employees to solve customer problems, and 66% answered that the way they are organized makes it difficult for customers with problems to reach the right individual. Chart 1 graphically displays these findings. (See Chart 1) Customers experiencing problems can start the recovery process with a single contact, and when problem solving takes longer than the initial contact, we have a system in place for staying in touch with the customer and updating him or her on the progress. Questions 4 and 11 focus on having a formal process for collecting data on errors, complaints and comments, analyzing their significance, and modifying our systems accordingly; and we provide a 'service guarantee' to customers, it is well know among our customers.

The second category to be examined is Evaluating Service Performance: The
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Maximum Score 28  
Minimum Comfort Zone 22 12.90
Chart 1. RG&E Performance Compared to Zemke’s Criteria

Question 3. The way we are organized makes it easy for customers to reach the right individual or area when they have a problem or question.

Question 4. We provide a “service guarantee” to customers. It is well known among our customers.

Question 6. Customers experiencing a problem can start the recovery process with a single contact; our system doesn’t require the customer to make multiple contacts to report a problem or get action.

Question 7. When problem solving takes longer than the initial contact, we have a system in place for staying in touch with the customer and updating him or her on the progress of the recovery process.

Question 11. We have a formal process for collecting data on errors, complaints and comments, analyzing their significance, and modifying our systems accordingly.
degree to which we establish clear, customer-focused standards for service recovery, and
the extent to which we measure quality of work performance against those standards.
The maximum score possible is 21; the comfort zone score is 16; RG&E scored 12.37.
(See Table 2)

A majority of respondents (67.3%) stated that my department/unit/or division has
clear standards for responding to customer inquiries, complaints, correspondence, etc.
However, 62.5% stated that the standards are based on internally generated standards
rather than customer input and 57.6% responses indicated that areas do not post
performance-to-standards data on a regular basis. The majority of responses (66%)
indicate that we do not ask customers to evaluate us on the results of every service effort.
(See Chart 2)

Category three is Customer Focus and Commitment. It is concerned with the
degree to which an organization, and its employees as individuals, think about, focus on,
and are concerned with satisfying our customers on a day to day basis. The maximum
score possible is 21; the comfort zone 16; RG&E scored 12.37. (See Table 3).

The areas of greatest concern in this group seem to be the fact that we do not
make it our policy to ask customers what they want (68.4%), and it follows that our
current standards are not a result of asking customers what they expect of us when a
problem occurs (68.1%). We do not always follow up with customers to be sure the
problems stay fixed (63.6%). Good teamwork between individual employees and
departments was reported by 59.2% of responses. (See Chart 3)

On the positive side 90% of the employees responded that they “feel a personal
Table 2. Zemke's (1995) Second Category: Evaluating Service Performance

<table>
<thead>
<tr>
<th>Question</th>
<th>Value Yes</th>
<th>Value No</th>
<th># Responding Yes</th>
<th>Weighted Score</th>
<th>Total # of Responses</th>
<th>RG&amp;E Zemke Score</th>
</tr>
</thead>
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</tr>
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Maximum Score 21
Minimum Comfort Zone 16 12.37
Chart 2. RG&E Performance Compared to Zemke's Criteria

Evaluating Service Performance

<table>
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<th>Zemke Score</th>
<th>Company Score</th>
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<tbody>
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<td>1.5</td>
</tr>
<tr>
<td>Question 7</td>
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</tr>
<tr>
<td>Question 9</td>
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</table>

Question 1. My department/unit/division has set clear standards for response time to customer complaints, questions, inquiries and other contacts and correspondence.

Question 2. Our standards are based on customer input rather than on internally generated technical criteria.

Question 3. We post our performance-to-standards data on a regular basis.

Question 7. We ask customers to evaluate us on results of every service recovery effort.

Question 9. We “observe” and /or do “ride alongs” with service representatives on a regular basis (at least twice a year).
Table 3. Zemke's (1995) Third Category: Customer Focus and Commitment

<table>
<thead>
<tr>
<th>Question</th>
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<th>Weighted Score</th>
<th>Total # of Responses</th>
<th>RG&amp;E Zemke Score</th>
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</thead>
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<td>0</td>
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<td>71</td>
<td>97</td>
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Maximum Score 21
Minimum Comfort Zone 16 12.43
Chart 3. RG&E Performance Compared to Zemke’s Criteria

Customer Focus and Commitment

<table>
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<tr>
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<td>2.5</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>1.5</td>
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<tr>
<td>1</td>
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<td>0.5</td>
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<table>
<thead>
<tr>
<th>Question</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>4</td>
<td>We make a policy of asking customers what they expect from us when problems occur.</td>
</tr>
<tr>
<td>5</td>
<td>Our current standards are a result of asking customers what they expect of us when problems situations occur.</td>
</tr>
<tr>
<td>6</td>
<td>There is good teamwork between individual employees and departments when solving customer problems.</td>
</tr>
<tr>
<td>7</td>
<td>We almost always follow up with customers to be sure fixed problems stay fixed.</td>
</tr>
</tbody>
</table>
sense of pride and ownership when they are able to use their service recovery skills to help customers,” and 79% of the employees say it is “not at all unusual for employees to spot and solve potential customer problems before the customer is even aware of them.”

Category four is Recognizing and Rewarding Service. It is concerned with the degree to which individual and group efforts to prevent, spot and solve customer problems are recognized and rewarded in my department/unit/division. This area has the greatest need for improvement. The maximum score possible is 15; the comfort zone 12; RG&E scored 5.98. (See Table 4)

Only 48.5% of the employees responded that their managers and supervisors constantly look for evidence of employees taking a personal interest in solving customer problems and complaints. Roughly half, 51.5%, of the responses indicated that employees know that their ability to spot and solve customer problems is an important factor in their performance appraisals. (See Chart 4).

The last category is Training and Supporting. The degree to which employees are trained and supported to do what is necessary to meet the customer’s needs and solve customers’ problems. This category scored closest to Zemke’s (1995) score, almost meeting the minimum comfort zone, and there are still a number of areas of concern. The maximum score is 21; the minimum comfort zone is 12; the company score is 11.91. (See Table 5)

Eighty percent (80%) of employees agreed that they are encouraged to go “above and beyond” for customers, and 64% do NOT believe that their “above and beyond” efforts are recognized and valued. (See Chart 5)
Table 4. Zemke's (1995) Fourth Category: Recognizing and Rewarding Service

<table>
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<tr>
<th>Question</th>
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<th>Total # of Responses</th>
<th>RG&amp;E Zemke Score</th>
</tr>
</thead>
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<tr>
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<td>99</td>
<td>0.97</td>
</tr>
<tr>
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<td>2</td>
<td>0</td>
<td>32</td>
<td>64</td>
<td>98</td>
<td>0.65</td>
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<tr>
<td>3</td>
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<td>0</td>
<td>19</td>
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</table>

Maximum Score 15

Minimum Comfort Zone 12 5.98
Chart 4. RG&E Performance Compared to Zemke’s Criteria

Recognizing & Rewarding Service

<table>
<thead>
<tr>
<th>Zemke Score</th>
<th>RG&amp;E Score</th>
</tr>
</thead>
<tbody>
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<td>Question 1</td>
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<td>Question 4</td>
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<td>Question 5</td>
<td></td>
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<tr>
<td>Question 7</td>
<td></td>
</tr>
</tbody>
</table>

Question 1. Managers and supervisors in my department/unit/division constantly look for evidence of employees who take a personal interest in resolving customer complaints and problems.

Question 2. Such employees are frequently “spot” rewarded in a tangible way for their efforts.

Question 3. Employees who practice good service recovery are held up as role models for other employees.

Question 4. Employees who err while working on behalf of a customer are confident that they will not be “punished.”

Question 5. Employees know that their ability to prevent, spot and solve customer problems plays an important part in performance reviews and advancement decisions.

Question 7. We have a formal system that encourages our customers to recognize employees for their assistance in preventing or correcting a service breakdown.
Table 5. Zemke’s (1995) Fifth Category: Training and Supporting

<table>
<thead>
<tr>
<th>Question</th>
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<th>Value No</th>
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<th>Total # of Responses</th>
<th>RG&amp;E Zemke Score</th>
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<td>0.72</td>
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<tr>
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<td>40</td>
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</table>

Maximum Score: 21
Minimum Comfort Zone: 12
Chart 5. RG&E Performance Compared to Zemke’s Criteria

Training and Supporting

Zemke Score | RG&E Score

Question 1. We encourage employees to go “above and beyond” for customers.

Question 2. Employees believe that their “above and beyond” efforts are recognized and valued.

Question 4. We take specific actions to help employees deal with the stress that comes from contact.

Question 6. Managers and supervisors in my department/unit/division regularly meet one-on-one with employees to coach them on service recovery skills.

Question 7. Employees regularly meet together--without a manager present--to discuss “tough” customer problems and to exchange information on solving customer problems.
Summary

In general RG&E scored below the comfort zone in all of Zemke’s (1995) categories except Training and Supporting where it just met the minimum comfort zone. Areas needing the most attention are Rewarding and Recognizing Service, and Systems Policies and Procedures.
Chapter V

Conclusions and Recommendations

Conclusions

At the beginning of this study, the test hypothesis was: There are certain requirements that need to be in place in order to successfully implement a service guarantee program. The null hypothesis of this study is that all necessary systems, policies, and procedures that ensure success will not be in place; the culture will not be ready to support the service guarantee program. On the basis of the findings, the null hypothesis is accepted.

The two largest gaps are in the following Zemke (1995) categories: (1) Systems, Policies and Procedures; and (2) Recognizing and Rewarding Service. Systems, Policies and Procedures support employees' service recovery efforts. Zemke's (1995) minimum comfort zone is 22; RG&E scored 12.90. The next category, Recognizing and Rewarding Service, measures how individual and group efforts are recognized and rewarded. Zemke's (1995) minimum comfort zone is 12; RG&E scored 5.98. The gap for Evaluating Service Performance and Customer Focus, and Commitment is roughly the same. The minimum comfort zone is 16 for both; RG&E scored 12.37 on Evaluating Service Performance, and scored 12.43 on Customer Focus and Commitment. The only category that meets the minimum comfort zone is Training and Supporting. Zemke's (1995) minimum comfort zone is 12; RG&E scored 11.91.

Systems, Policies, and Procedures

The service guarantee processes provide for data collection for a number of
performance indicators. The data collected may be useful in quantifying the need to reorganize certain units so that it is easier for employees to solve customer problems. The responses also indicate that it would be beneficial to establish clearly defined procedures for what to do when mistakes are made or errors discovered, and provide standards for keeping customers informed on the progress of the recovery process. These procedures could greatly improve response time for customer problem resolution and increase employee comfort level in knowing what he or she can do to solve customer problems. On the positive side, assisting customers with problems is seen as a clear priority, and frontline employees feel empowered to make value-added gestures on the customer’s behalf.

Evaluating Service Performance

Here again, the implementation of the service guarantee program itself can help move RG&E’s score and increase service performance. The guarantees have time frames built into them which detail the standard for response time for resolving customer complaints. In addition, the company would be well advised to continue moving toward obtaining and using direct customer input to define “good service,” and standards required to meet or exceed customer expectations. More effort should be dedicated to seeking customer evaluations on the results of service recovery efforts. Once customer based standards are developed, they should be posted so that all employees can assess the progress, or lack thereof, being made in decreasing the gap between the two.

Customer Focus and Commitment

Some positive results in this category that the company should capitalize on
include: (1) Employees feel a sense of pride and ownership when they are able to help customers; (2) Employees spot and solve potential problems before the customer is aware of them; and (3) Everyone knows that it is as important to retain customers through effective problem solving as it is to obtain new customers. There is work to be done, however, in creating better teamwork between employees and departments to facilitate service recovery efforts, and following up with customers to be sure their problem stays fixed. Employees report the need to ask customers what they expect from the company when problems occur, and develop standards from that data.

Recognizing and Rewarding Service

This category offers the most opportunity for improvement. The only question that has a slight majority of positive answers (51.5%) is, employees know that their ability to spot and prevent customer problems is important for their performance reviews. However, fewer than half of the responses (48.5%) indicated that managers are looking for evidence that employees are taking a personal interest in solving customer problems. Roughly one third of the responses (32.7%) indicated that employees are spot rewarded for their efforts; and are held as role models for other employees. A majority (59.6%) of employees responded that they were not confident that they would not be punished if they erred while working on behalf of the customer. There also seems to be a need for a formal system for employees to recognize other employees for assisting in customer problem resolution, and a formal system for customers to recognize employees.

Training and Supporting

This is the only category to meet the minimum score set by Zemke (1995).
Training seems to get higher ratings than supporting as reflected in the scores for individual questions relating to each area. Eighty percent (80%) of the employees responded that they are encouraged to go above and beyond for customers, yet only 36% believe their above and beyond efforts are recognized and valued. Respondents agreed (64.4%) that customer contact employees are trained in the "how-to's" of listening, reading customers, making a positive impression and dealing with angry customers. Only 20% of the responders felt that specific actions are taken to help employees deal with the stress associated with customer contact. It was also reported that managers and supervisors do not regularly meet one-on-one with employees to coach them on service recovery skills (76.3%). Employees do not meet regularly meet with each other, without a supervisor present, to discuss tough customer problems and exchange information on problem solving (79.2%).

The utility seems to be moving in the right direction for changing it's culture. There appears to be agreement on the importance of providing good customer service and the economic importance of retaining current customers, as evidenced by the high scores achieved for those questions. Employees also report a sense of pride and ownership when they are able to use their skills to solve customer problems, and report that they engage in customer fixing as well as problem fixing activities. Management seems to be getting the message across that going “above and beyond” is expected and will be reflected in performance appraisals. What seems to be missing is the tangible reinforcement of those desired behaviors and actions.
Recommendations

After reviewing the results of the pilot survey, a full-scale survey of the DISCO and ESCO units is recommended to verify that the results of the pilot group do indeed represent the entire population. A general approach to improving the ratings of Zemke’s (1995) five critical categories would be to look at each of the categories, pick a question or two and focus on improving those scores. Employee focus groups should be designed and held. This would allow the company to verify that the data collected in the questionnaire, and obtain qualitative data which would provide a deeper understanding of the problems. This information should be used as input for problem solving. After the problem is identified and a solution developed, an action plan would be created and implemented. Results should be monitored to evaluate the success of the intervention. If the intervention is successful, another area would be identified for improvement. If the intervention is unsuccessful, the problem solving process would begin again.

Implementing the service guarantee program will address some of the problem areas. Service guarantee processes have been developed and provide for data collection of a number of performance indicators. The collection of this data will begin to create a database that can be used for problem solving and process improvements. Data collection and reporting will raise the level of awareness for the need to improve service quality for those indicators. This data should be used to look at the way departments are organized and quantify the need to make adjustments that will facilitate resolving customer problems from the customers viewpoint as well as that of the employee.

Marketing and advertising the service guarantees is an essential aspect of this
entire program. Not only will there be a need for an external marketing campaign, but for an internal campaign as well. Informed field representatives and call center personnel will have a very positive role in conveying the program to customers as can all other company employees. As any employee interacts with his or her neighbor or any other customer, a moment of truth is occurring. These interactions can be positive moments of truth if handled properly. All employees of the corporation must be educated in the area of service recovery so that they will provide the support for customer contact and field employees that is critical for customer satisfaction.

Training sessions for employees should consist of an overview of the philosophy of service recovery as a means to creating customer loyalty and also specific training on what their roles and responsibilities are in relation to their specific job and the various guarantees that are being rolled out.

Articles should be published regularly in the company newspaper. Brown Bag Lunch Programs should be offered on the topic of service guarantees and service recovery in general. These should be used to increase the general employee population’s awareness and understanding of the service recovery process and its role in achieving customer loyalty.
Bibliography


Appendix A
Appendix B
RG&E is in the process of developing a Customer Services Guarantee Program that will be introduced to our customers in September. The desired outcome of this program is an increase in Customer and Employee Satisfaction. Successful implementation of this program is important to every RG&E employee as we continue to move forward and build customer loyalty.

Researchers have identified five areas that are critical to successfully implementing service recovery programs such as the Services Guarantee Program. As an employee, your perspective is needed in helping to assess our level of readiness for the roll-out of the Service Guarantees in September. You were selected by a random drawing from the DISCO & ESCO employee population. Your participation is very important in order to assure full employee representation. This survey is confidential.

The results of this study and recommendations will be made available to the Customer Services Guarantee Team prior to program implementation. If you would like a copy of the results, I would be happy to provide them to you.

I would be most happy to answer any questions you might have. You may contact me at Ext. 8212, or by Profs at U24SLY.

Please take a few moments to provide your input.

Thank you for participating!

Enclosure
Recovery Readiness Inventory™

Directions: Please place an x or ✓ on the line following your answer. Return this confidential survey to Sharon Yockel, Jefferson Rd., Rm. 230, in the enclosed envelope by May 8, 1997.

Systems, Policies and Procedures
The extent to which our systems, policies and procedures are seen to support rather than inhibit good service recovery (a focused effort by RG&E employees to return the affected customer to a state of satisfaction with RG&E after a service breakdown) and make it easy for frontline and support employees to deliver quality service in the face of a service breakdown (every time an RG&E customer’s experience falls short of his or her expectations).

1. Assisting customers with problems is a clear priority in our company.  
YES _____    NO _____

2. The way my department/unit/division is organized makes it easy for employees to solve customer problems quickly.  
YES _____    NO _____

3. The way we are organized makes it easy for customers to reach the right individual or area when they have a problem or question.  
YES _____    NO _____

4. We provide a “service guarantee” to customers; it is well known among our customers.  
YES _____    NO _____

5. My department/unit/division has clearly defined procedures for what to do when mistakes are made or errors discovered.  
YES _____    NO _____

6. Customers experiencing problems can start the recovery process with a single contact; our “system” doesn’t require the customer to make multiple contacts to report a problem or get action.  
YES _____    NO _____

7. When problem solving takes longer than the initial contact, we have a system in place for staying in touch with the customer and updating him or her on the progress of the recovery process.  
YES _____    NO _____

8. Frontline employees are allowed to make value-added gestures at their own discretion.  
YES _____    NO _____

9. All frontline and support employees know what they personally can do to solve customer problems.  
YES _____    NO _____

10. When a customer problem is corrected, I am confident that it will not reoccur...at least for this customer.  
YES _____    NO _____

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11. We have a formal process for collecting data on errors, complaints and comments, analyzing their significance, and modifying our systems accordingly.
   YES ____   NO ____

12. Our hiring criteria for frontline service people emphasizes “working with customer” skills, as well as technical skills and knowledge.
   YES ____   NO ____

Evaluating Service Performance
The degree to which we establish clear, customer-focused standards for service recovery (returning our customers to a state of satisfaction with RG&E), and the extent to which we measure quality of work performance against those standards.

1. My department/unit/division has set clear standards for response time to customer complaints, questions, inquiries and other contacts and correspondence.
   YES ____   NO ____

2. Our standards are based on customer input rather than on internally generated technical criteria.
   YES ____   NO ____

3. We post our performance-to-standards data on a regular basis.
   YES ____   NO ____

4. For us, regular means:
   DAILY ____   WEEKLY ____   MONTHLY ____
   QUARTERLY ____   NOT AT ALL ____

5. Everyone who works for or with me meets or exceeds those standards on a regular basis.
   YES ____   NO ____

6. Our standards reflect activities and outcomes that “fix the customer” (demonstrate concern and empathy for the customer’s problem) as well as “fix the problem.”
   YES ____   NO ____

7. We ask customers to evaluate us on results of every service recovery effort.
   YES ____   NO ____

8. Customer evaluations include some elements of each of the following: reliability, responsiveness, assurance, tangibles, and empathy.
   YES ____   NO ____

9. We “observe” and/or do “ride alongs” with service representatives on a regular basis (at least twice a year).
   YES ____   NO ____

10. Some of our standards are tailored to specific customers with unique requirements.
    YES ____   NO ____

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Customer Focus and Commitment
The degree to which we as an organization, and our employees as individuals, think about, focus on, and are concerned with satisfying our customers on a day to day basis.

1. Employees feel empowered to take action to fulfill out of the ordinary customer needs or solve unusual problems without special permission.
   YES _____   NO _____

2. Employees feel a personal sense of pride and ownership when they are able to use their service recovery skills to help customers.
   YES _____   NO _____

3. Employees are not “afraid” to ask customers about their satisfaction with our products and services; employees are comfortable acting on information about customer dissatisfaction.
   YES _____   NO _____

4. We make a policy of asking customers what they expect from us when problems occur.
   YES _____   NO _____

5. Our current standards are a result of asking customers what they expect of us when problem situations occur.
   YES _____   NO _____

6. There is good teamwork between individual employees and departments when solving customer problems.
   YES _____   NO _____

7. We almost always follow up with customers to be sure fixed problems stay fixed.
   YES _____   NO _____

8. It is not at all unusual for employees to spot and solve potential customer problems before the customer is even aware of them.
   YES _____   NO _____

9. Everyone in my current organization understands that retaining current customers through effective problem solving is every bit as important as gaining new customers.
   YES _____   NO _____

10. Everyone in my part of the organization knows the “dollars and sense” of customer retention.
    YES _____   NO _____

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Recognizing and Rewarding Service

The degree to which individual and group efforts to prevent, spot and solve customer problems are recognized and rewarded in my department/unit/division.

1. Managers and supervisors in my department/unit/division constantly look for evidence of employees who take a personal interest in resolving customer complaints and problems.
   YES ____    NO ____

2. Such employees are frequently “spot” rewarded in a tangible way for their efforts.
   YES ____    NO ____

3. Employees who practice good service recovery are held up as role models for other employees.
   YES ____    NO ____

4. Employees who err while working on behalf of a customer are confident that they will not be “punished.”
   YES ____    NO ____

5. Employees know that their ability to prevent, spot and solve customer problems plays an important part in performance reviews and advancement decisions.
   YES ____    NO ____

6. We have a formal system that allows employees to recognize and thank other employees for their assistance in solving a customer’s problem.
   YES ____    NO ____

7. We have a formal system that encourages our customers to recognize employees for their assistance in preventing or correcting a service breakdown.
   YES ____    NO ____

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Training and Supporting
The degree to which employees are trained and supported to do what is necessary to meet customers' needs and solve customers' problems.

1. We encourage employees to go “above and beyond” for customers.
   YES _____    NO _____

2. Employees believe that their “above and beyond” efforts are recognized and valued.
   YES _____    NO _____

3. We train customer contact people in the “How-Tos” of:
   A. Listening carefully and fully to customers.
      YES _____    NO _____
   B. “Reading” customer types and/or moods.
      YES _____    NO _____
   C. Making a positive impression during problem fixing.
      YES _____    NO _____
   D. Dealing with angry customers.
      YES _____    NO _____

4. We take specific actions to help employees deal with the stress that comes from contact.
   YES _____    NO _____

5. When an employee does not feel capable of dealing with a particular customer or customer problem, he or she knows exactly whom to ask for assistance.
   YES _____    NO _____

6. Managers and supervisors in my department/unit/division regularly meet one-on-one with employees to coach them on service recovery skills.
   YES _____    NO _____

7. Employees regularly meet together--without a manager present--to discuss “tough” customer problems and to exchange information on solving customer problems.
   YES _____    NO _____

In order to obtain the greatest benefit from the survey, it would be very helpful if you would provide your department number.
Department Number __________

Please feel free to add any comments you wish:

_______________________________________________________________

_______________________________________________________________

Please return this completed survey to
Sharon Yockel, Jefferson Rd., Rm 230
THANK YOU FOR YOUR INPUT!

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Appendix C
HOW READY ARE YOU TO RECOVER WHEN THINGS GO WRONG FOR CUSTOMERS?

<table>
<thead>
<tr>
<th>Systems, Policies, and Procedures</th>
<th>Evaluating Service Performance</th>
<th>Customer Focus and Commitment</th>
<th>Recognizing and Rewarding Service</th>
<th>Train and Support</th>
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Minimum Comfort Zone: 22
Minim Comfort Zone: 16
Minimum Comfort Zone: 16
Minimum Comfort Zone: 12
Minimum Comfort Zone: 12

Recovery Report Card

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<tr>
<td>75 - 79</td>
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Less than 79 points: "Not any worse than anybody else - and not any better."

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