THE UNIVERSITY OF WARWICK

WHY SERVICE RECOVERY FAILS:
TENSIONS AMONG CUSTOMER, EMPLOYEE,
AND PROCESS PERSPECTIVES

Stefan Michel
Professor of Marketing
IMD
Rue de Bellerive 21
1001 Lausanne, Switzerland
T +41 (79) 448 22 40, E stefan.michel@imd.ch

David Bowen
Robert and Katherine Herberger Chair in Global Management &
Professor of Management
Thunderbird School of Global Management
Global Business Department
15249 N 59th Avenue, Glendale, AZ 85306
T +1 (602) 978 70 37, F (602) 843 61 43, E david.bowen@thunderbird.edu

Robert Johnston
Professor of Operations Management
Warwick Business School
University of Warwick, Coventry, CV4 7AL, UK
T +44 (0) 2476 524218 F +44 (0) 2476 572583, E bob.johnston@warwick.ac.uk

Type
Literature review

Purpose
The keys to effective service recovery are familiar to many throughout industry and academia. Nevertheless, overall customer satisfaction after a failure has not improved, and many managers claim their organizations cannot respond to and fix recurring problems quickly enough. Why does service recovery so often fail and what can managers do about it?

Design/methodology/approach
Our objective is to produce an interdisciplinary summary of the growing literature on service recovery, bringing together what each of the author's domain — management, marketing, and human resources management — has to offer. By contrasting those three perspectives using 141 academic sources, we discovered nine tensions between customer, process and employee recovery.

Findings
We argue that service recovery often fails due to the unresolved tensions found between the conflicting perspectives of customer recovery, process recovery, and employee recovery. Therefore, successful service recovery requires the integration of these different perspectives. This is summarized in the following definition: "Service recovery are the integrative actions a company takes to re-establish customer satisfaction and loyalty after a service failure (customer recovery), to ensure that failure incidents encourage learning and process improvement (process recovery) and to train and reward employees for this purpose (employee recovery)."

Practical implications
We do not advise manager to directly address and solve the nine tensions between customer recovery, process recovery, and employee recovery. Instead, we recommend concentrating on the underlying cause of these tensions. That is, managers should strive to integrate service recovery efforts based upon a "service logic"; a balance of functional subcultures; strategy-driven resolution of functional differences; data-based decision-making from the seamless collection and sharing of information; recovery metrics and rewards; and development of "T-shaped" employees with a service, not just functional, mindset.

Originality/value
This paper provides an interdisciplinary view of the difficulties to implement a successful service recovery management. Our contribution is twofold. First, we identify specific tensions between customer, process and employee recovery. Second, we offer managers recommendations of how to integrate the diverging perspectives.

SERVICE RECOVERY: UNREALIZED POTENTIAL

Service recovery refers to the actions a company takes in response to a service failure (Grönroos, 1988). Research shows that dealing with problems effectively constitutes the most critical component of a reputation for excellent (or poor) service for a broad range of industries (Johnston, 2001b).

Interest in service recovery has grown because bad service experiences often lead to customer switching (Keaveney, 1995), which in turn leads to lost customer lifetime value (Rust *et al.*, 2000). Favorable recovery positively influences customer satisfaction (Smith *et al.*, 1999; Zeithaml *et al.*, 1996), word-of-mouth behavior (Maxham, 2001; Oliver and Swan, 1989; Susskind, 2002; Swanson and Kelley, 2001), customer loyalty (Bejou and Palmer, 1998; Keaveney, 1995; Maxham, 2001; Maxham and Netemeyer, 2002b), and, eventually, customer profitability (Hart *et al.*, 1990; Hogan *et al.*, 2003; Johnston, 2001a; Rust *et al.*, 2004; Sandelands, 1994).

The extensive literature on service recovery practices makes recent empirical evidence about customer *dis*satisfaction and *in*effective service recovery both surprising and disturbing. According to data provided by the American Customer Satisfaction Index, the overall satisfaction score for U.S. companies moved from 74.8 in 1994 to 74.4 in 2006 (ACSI, 2007). In some industries, customer satisfaction has significantly decreased (O'Shea, 2007); for example, complaints filed with the Association of German Banks [Bundesverband Deutscher Banken] increased from 1,510 in 1993 to 4,136 in 2006 (BDV, 2007). A recent study involving 4,000 respondents from nearly 600 U.S. companies concludes that 56% believe their companies are slow to respond to and fix recurring problems (Gross *et al.*, 2007), and 41% of respondents to a 2006 survey of Austrian and German firms indicate they have no complaint handling process in place (Brüntrup, 2006). In the United Kingdom,

various organizations (e.g., holiday providers, train companies, police services) report complaint increases of 8–40% per year (Johnston and Clark, 2008). Although certainly some companies and industries have improved, the more widespread perception holds that modern "service stinks" (Brady, 2000).

To explain why service recovery management fails, we begin by first describing what the fundamental principles and practices of *successful* recovery are for each of the separate perspectives of customer, process, and employee recovery (Table 1). We then detail the cross-functional tensions that can interfere with the implementation of those fundamentals (Figure 1) Finally, we propose a set of integrative perspectives and practices that may help resolve those tensions and allow for service recovery success (Table 2).

THREE PERSPECTIVES ON SERVICE RECOVERY MANAGEMENT

Our research on service recovery (Johnston and Michel, 2008) has revealed three different, function-based, discipline-grounded perspectives. The marketing literature focuses on the customer experience and satisfying the customer after a service failure (Smith *et al.*, 1999; Tax *et al.*, 1998), which we call *customer recovery.* Operations literature centers more on the processes and how to learn from failures to prevent them in the future (Johnston and Clark, 2008; Stauss, 1993), which we refer to as *process recovery.* Management literature focuses on employees and how to prepare them to recover from service failures (Bowen and Johnston, 1999), which we term an *employee recovery* perspective. There are some key successes factors associated with each.

Insert Table 1 about here

4

Customer Recovery

The many insights offered on "customer recovery" cluster around two summary fundamentals. First, perceived fairness is a strong driver of customer satisfaction with the recovery effort. Second, though companies may recover customers after one failure, it is very difficult to recover from multiple failures.

Fairness is key

Customer perceptions of being fairly treated represent a significant factor in service recovery evaluations (Seiders and Berry, 1998; Smith *et al.*, 1999; Tax *et al.*, 1998). Because a report of a service failure implies, at least to some extent, "unfair" treatment of the customer, service recovery must reestablish justice—from the customer's perspective.

Justice consists of three dimensions—distributive, procedural, and interactional (Greenberg, 1990)—and all three types contribute significantly to customers' evaluations of recovery (Clemmer and Schneider, 1996; Tax and Brown, 1998). We review each in the order that a failed customer is sensitive to them, in accordance with the guideline that employees must "fix" the customer before they fix the problem (Whitely, 1994; Zemke and Connellan, 2001).

Interactional Justice is often referred to as "interpersonal" justice. In recovery situations, the customer's negative emotions (e.g., anger, hate, distress, anxiety) must be addressed before he or she will be willing or able to accept a solution such as compensation, refund, etc. Because emotions tend to overwhelm cognitions in recovery situations (Smith and Bolton, 2002), service managers should "manage consumers' emotional experience during and after a service failure" (Dubé and Maute, 1996, p. 141). In leading the customer through a negative experience, employees should act quickly, show concern and empathy, and always remain pleasant, helpful, and attentive (Bell and Zemke, 1987; Hart *et al.*, 1990; Johnston, 1995).

Furthermore, customers should be treated as individuals whose specific requests are acknowledged, because "token" responses by a company resulted in the most vehemently negative responses" (Spreng *et al.*, 1995, p. 20).

Distributive Justice is "outcome" justice. It focuses on "equity" issues in the mind of the customer—-an appraisal of the benefits received relative to the costs (money, time) associated with them. When the firm does not deliver on expected benefits, leading to a sense of being unfairly treated, this necessitates recovery. In recovery, customers may expect a refund, an apology, a token compensation, equivalent compensation or a `'"big gesture" compensation (Bowen and Johnston, 1999).

Procedural justice refers to "process" fairness and the evaluation of the procedures and systems used to determine customer outcomes (Seiders and Berry, 1998), such as the speed of recovery (Clemmer and Schneider, 1996; Tax *et al.*, 1998) or the information communicated (or not communicated) about the recovery process (Michel, 2003). Firms must describe "what the firm is doing to resolve the problem so that customers understand mitigating circumstances and do not incorrectly attribute blame to the service firm when it is not responsible" (Dubé and Maute, 1996, p. 143).

Do not fail twice

You will be forgiven—but usually only once. Service recovery is likely to work after a single service failure but not after the company has failed the same customer twice (Maxham and Netemeyer, 2002a). In addition, customers' "zone of tolerance," or how much variance they will accept between what they expect to receive and what they perceive they actually receive, is wider when they assess the firm's service delivery but narrows when they evaluate its attempt at service recovery (Parasuraman *et al.*, 1991). Thus, no recovery strategy

can delight the customer if an initial failure progresses into a recovery failure (Johnston and Fern, 1999); a "recovery paradox"—when customers are even more delighted after an effective service recovery than if the service was failure-free in the first place—can occur after one failure, but such return on recovery is unlikely after two failures.

Process Recovery

One acid test, failed by many organizations, is the ability to take problem data from customers or staff and turn it into real improvements (Gross *et al.*, 2007). Learning from failures may be more important than simply recovering individual customers, because process improvements that influence customer satisfaction represent the most significant means of creating bottom-line impacts through recovery (Hart *et al.*, 1990; Johnston and Clark, 2008; Reichheld and Sasser, 1990; Schlesinger and Heskett, 1991; Stauss, 1993). What seems to annoy, or even anger, customers after a failed service recovery is not that they were not satisfied but rather their belief that the system remains unchanged, which makes it likely the problem will arise again (Johnston and Clark, 2008).

Collect failure data to learn

Three methods to detect service failures emerge from existing literature: Total Quality Management (TQM), mystery shoppers, and critical incidents. The most well-known *TQM* approaches include ISO 9000 certification (Corbett, 2006), the Malcolm-Baldrige National Quality Award (MBNQA) (Lee *et al.*, 2006), and Six Sigma (George, 2003). Although these programs differ in their scope and method, all require firms to monitor and measure service failures.

Mystery shopping offers another way to detect problems (Erstad, 1998; Finn, 2001), because it involves field researchers making mock purchases, challenging service centers with mock

problems, and filing mock complaints. For example, the central reservation office of a large hotel chain contracts for a large-scale, monthly mystery caller survey that assesses the skills of individual associates during the phone sales process (Lovelock and Wirtz, 2007). These incidents help identify error-prone processes.

The third approach to gathering service failure data requires customer surveys that explicitly ask about critical incidents (Bitner, 1990; Chung and Hoffman, 1998; Edvardsson and Strandvik, 1999). Critical incident studies combine the advantages of qualitative studies, because respondents describe what happened in their own words, with those of quantitative studies, because they can categorize incidents systematically.

Analyze service failure data to improve

Service firms often suffer from a tendency to overcollect but underutilize data (Schneider and Bowen, 1995). Learning from failures moves service recovery away from a *one-off* transactional activity, interested only in recovering and satisfying an individual customer, toward management activity that improves systems and processes to ensure future customers are satisfied and costs are reduced (Lovelock *et al.*, 2009). Therefore, learning from service failures means improving the service process through traditional operations management improvement techniques, such as the Frequency–Relevancy Analysis of Complaints (FRAC), Sequence-Oriented Problem Identification (SOPI) (Botschen *et al.*, 1996; Stauss and Weinlich, 1997), or fishbone diagrams. The FRAC approach helps managers prioritize their process recovery efforts by indicating that more frequent problems become more relevant for immediate action, whereas less frequent or less relevant problems can wait to be addressed (Stauss and Seidel, 2005). The fishbone diagram first defines the customer problem, such as, "the phone is not answered," then identifies the main causes (e.g., people, method, machinery), next breaks down the main causes into identifiable problems

(e.g., "people are away from the desk, either because they took a break or because of personal reasons"). Finally, by identifying the most important causes, the fishbone diagram can focus the development of plans of action.

Employee Recovery

We use the term "employee recovery" to refer to management practices that help employees succeed in their attempts to recover customers or recover themselves from the negative feelings they may experience in recovery situations. The strongest correlate of frontline service employee job satisfaction is the belief that they can produce the results customers expect (Heskett *et al.*, 1997). Research shows that effective service recovery leads to higher employee job satisfaction and lower intentions to quit (Boshoff and Allen, 2000); furthermore, "linkage" research reveals that employee attitudes "spillover" on to customers (Pugh *et al.*, 2002; Schneider and White, 2004).

Practice internal recovery

Although most organizations are aware of external service recovery, they tend to ignore internal service recovery—namely, supporting employees in the difficult task of dealing with complaining customers (Bowen and Johnston, 1999). A recent study in the retail sector, for example, shows that dealing with customer complaints has a direct negative effect on service personnel's commitment to customer service (Bell and Luddington, 2006). Even when failures are due to factors over which employees have little or no control, customers hold them responsible. More broadly, employees underestimate their role in service failures and customers overestimate the employee's role (Bitner *et al.*, 1994; Folkes and Kotsos, 1986). Furthermore, poor internal service recovery leads not only to dissatisfied and disillusioned customers but also to stress-filled and negatively disposed staff, who feel

powerless to help or sort out problems (Johnston and Clark, 2008). This helpless feeling - known as "learned helplessness"- (Seligman, 1972) encourages, or rather induces, employees to display passive, maladaptive behaviors, such as being unhelpful, withdrawing, or acting in uncreative ways (Bowen and Johnston, 1999). Employee alienation is compounded when employees believe that management does not attempt to recover them from this helpless state by, for example, improving the service delivery process to avoid placing employees in recurring failure situations.

Limit negative "spillover" from employees to customers

A large body of evidence now links employee and customer attitudes and suggests various mechanisms by which employee attitudes can "spill over" on to customers (e.g., Schneider & White, 2004). For example, when employees believe they are treated fairly, they tend to display organizational citizenship behaviors (OCBs) toward customers, which results in customer satisfaction (Bowen *et al.*, 1999; Masterson, 2001; Maxham and Netemeyer, 2003). Alternatively, when employees believe management does not support them by failing to prepare them to engage in successful service recovery, they feel unfairly treated and therefore treat customers unfairly. In other words, fairness spills over, and justice emerges as essential for both external customers and internal employees.

In an application of the "golden rule" of customer service, managers must treat employees the way they want them to treat customers (Maxham and Netemeyer, 2003). But in the absence of process recovery, both customers and employees will be failed.

Finally, negative spillover at the extreme can occur when the lack of internal service recovery can result in employees feeling so alienated that they resort to service sabotage---one form of sabotage being employees may fail customers on purpose. According to one study, 85% of

interviewed frontline, customer-contact employees had sabotaged service in the seven days prior to the interviews (Harris and Ogbonna, 2002); another study among supermarket employees shows that 80% of the respondents admitted to severe employee deviance, whereby the most frequent category, counterproductivity, includes customer sabotage (Boye and Slora, 1993). One study included the following employee quote: "You can put on a real old show. You know—if the guest is in a hurry, you slow it right down and drag it right out and if they want to chat, you can do the monosyllabic stuff. And all the time you know that your mates are round the corner laughing their heads off!" (Harris and Ogbonna, 2002, p. 170).

HOW TENSIONS AMONG THE THREE SERVICE RECOVERY PERSPECTIVES CAUSE SERVICE RECOVERY TO FAIL

Despite wide spread awareness of these effective service recovery management practices, service *r*ecovery clearly remains poorly executed. Why? We attribute it to disciplinary and function-bound views that focus primarily only on customer recovery (marketing) or employee recovery (human resource management) or process recovery (operations management). That cross-functional tensions hamper organizational best practices is not a new insight! What is new is explicitly specifying those tensions in the case of service recovery so that those committed to effective service recovery know what they are up against as they strive to implement the six fundamentals displayed in Table 1.

The key tensions among the three discipline-based perspectives, the three-cornered fight, so to speak, are displayed in Figure 1. Not all tensions are present in all firms, nor are all equally relevant in all recovery situations.

Employee vs. Customer Recovery

Employee recovery focuses on supporting employees and also helping them to recover from service failures. This internal perspective differs from the external perspective of customer recovery, which considers satisfying customers after something has gone wrong its predominant goal.

Complainer as friend vs. complainer as enemy

From a marketing perspective, complaining customers represent an opportunity to create satisfaction rather than just an expensive nuisance (Berry and Parasuraman, 1991; Johnston, 1995). A customer who complains is a true friend (Zemke, 1995) and recognizes complaints as "gifts" from customers (Barlow and Moller, 1996) because it affords the company an opportunity to recover and retain the customer. However, from an employee perspective, "Unfortunately, complaining customers are often looked on by business as being 'the enemy'" (Andreasen and Best, 1977, p. 101), particularly if the employee has caused the failure (Barlow and Moller, 1996). Employees may feel uncomfortable when they are trained that "the customer is always right" and yet may face a situation in which the customer is wrong (Stauss and Seidel, 2005).

Rewards for customer acquisition vs. customer retention

Rather than rewarding employees to recover, traditional service quality reward systems actually impede recovery by rewarding low complaint rates, which are assumed to indicate high customer satisfaction. In response, frontline employees become tempted to send dissatisfied customers away instead of admitting a failure has occurred, which would be the

first step of recovery (Barlow and Moller, 1996). More broadly, traditional service quality measurement and reward systems focus on acquiring new customers but not preventing the loss of an existing customer because of a service failure. When IBM Canada introduced a policy that allowed customer reps to write checks to satisfy customer problems, it failed. Despite the program's stated purpose, most IBM employees remained convinced the overriding IBM culture would ensure they got punished for spending that money (Tax and Brown, 1998).

Short-term vs. long-term focus

Effective service recovery requires an organizational willingness to invest in customer relationships for the long-term, with the objectives of customer recovery and retention. This requires a significant investment in the long-term, ongoing development of employees to deal with the unpredictable, real-time events and issues by which customers define failure.

However, the human resources (HR) function may be unwilling to invest this way in employees. For example, research on call centers reveals what the authors label a "sacrificial HR strategy," in which firms pursue the deliberate, frequent replacement of employees to keep a constant supply of fresh, still motivated employees at low cost (Wallace *et al.*, 2000). Unfortunately, such a strategy prevents employees from progressing on the learning curve so that they may understand how to deal with the more challenging moments of service failure and recovery.

Additional research evidence indicates that employee job tenure relates positively to effective recovery (de Jong and de Ruyter, 2004). More experienced employees possess the ability to address failure situations *proactively*, planning ahead into the future. This is true in both B2C and B2B contexts. For example, when shipping managers suggested ways to improve their

freight company, the better trained, more knowledgeable, and cooperative staff would provide an important means to achieve proactive recovery (Durvasula *et al.*, 2000). Furthermore, employees are less likely to engage in service sabotage if they desire to stay and pursue their career with their current firm (Harris and Ogbonna, 2006).

Customer vs. Process Recovery

Customer recovery, which is driven by marketing, has a central focus largely on the satisfaction of individual customers after a service failure and the maintenance of their loyalty. Operations management, to state the contrast most sharply, focuses less on pleasing and saving *individual* customers and more on balancing aggregate performance metrics by optimizing service processes.

Customer satisfaction vs. productivity

Although some proclaim quality is "free," offers a positive return on investment (Rust *et al.*, 2002), and relates positively to satisfaction, loyalty, and profitability (Heskett *et al.*, 1997; Kamakura *et al.*, 2002; Loveman, 1998), in practice, certain situations can increase quality and customer satisfaction at the *expense* of productivity and profitability. For example, employees may overcompensate a customer after a service failure, in a gesture referred to as "giving away the store". Similarly, service recovery may take too much of the employee's time and therefore decrease productivity. Furthermore, the costs of recovery usually are immediately visible and counted, whereas its returns are often delayed. One cross-industry study indicates a positive relationship between productivity and satisfaction for goods but a negative relationship in the context of services (Anderson *et al.*, 1997). A more recent study based on the Hong Kong Consumer Satisfaction Index also confirms the trade-

off hypothesis between productivity and customer satisfaction in enhancing profitability (He *et al.*, 2007).

Fixing customers vs. fixing problems

Firms' tendency to overemphasize distributive justice—the customer received the outcome promised---may compromise the restoration of procedural and interactional justice. For example, if a bank ATM customer requests a deposit receipt but the machine fails to print one, the bank suffers a lack of procedural justice and leaves the customer quite worried. If, then, the customer talks to a bank employee who only focuses on distributive "outcome" justice (e.g., "your account was credited the right amount"), that employee has failed further by ignoring what, in the customer's view, is the most severe and critical aspect of the service failure—worries and time spent addressing them. The results from the National 2005 Customer Rage study (Grainer, 2003), with its more than 1000 respondents, may come as a surprise: For 53% of customers, the time lost in the recovery process represents the most severe damage, and only 30% cite financial loss as most important. Despite such findings, firms tend to assume that monetary compensation, a form of outcome justice, matters most. Furthermore, five of the six most common expectations of complaining customers relate to procedural and interactional justice (i.e., explain why the problem occurred, assure it will not happen again, state appreciation for customer's business, apologize, offer chance to vent), whereas distributive justice (i.e., repair the product) ranks third (Bitner and Broetzmann, 2005).

Objective extent vs. perceived magnitude of failure

Severity of service failures, as defined by operations management, should not be confused with customers' subjective, context-specific evaluations of harm (Michel, 2001; Webster and Sundaram, 1998). Best practices in service recovery demonstrate the need to

assess failure magnitude, severity, or criticality (Michel, 2004; Webster and Sundaram, 1998), not from the company's perspective (what did we do wrong?) but from the customer's (what consequences does the service failure have for them?). An interesting experiment illustrates the difference: In a car repair scenario, a car is not ready at the time promised (Webster and Sundaram, 1998). Respondents in the experiment experienced either a low criticality (no major consequences) or a high criticality (car needed to attend an important family reunion) situation. Although the company's service failure remained the same in both scenarios, respondents' preferred recovery strategy differed according to their perceived criticality. In low criticality situations, customers prefer a discount over an apology or reperformance of the service, whereas they indicate high criticality failures can be recovered most effectively by reperformance.

Employee vs. Process Recovery

Process recovery tends to focus on the design of procedures and systems that, ideally, customer, employees, and managers will use as intended, given a common goal of improving service processes. However, employee recovery approaches acknowledge the many intra- and interpersonal processes that may facilitate or inhibit employees' willingness and capability to improve and apply processes.

Circulating vs. suppressing feedback

Managers might agree that learning from customer feedback is essential for process improvement, but most also confront a lack of information flow between the business division that collects and deals with customer problems (e.g., customer service department) and the rest of the organization. As one study reveals, most firms fail to collect and categorize complaints adequately, to the extent that "Employees showed little interest in hearing the

customer describe the details of the problem. They treated the complaint as an isolated incident needing resolution but not requiring a report to management"(Tax and Brown, 1998, p. 83). In addition, the more negative feedback the customer service department collects, the more isolated this department becomes (Fornell and Westbrook, 1984). Some organizations even create specialist units, often geographically separate from the rest of the organization that can soak up customer complaints and problems but encounter no expectation of feeding this information back to the organization as a whole. We might label this employee orientation "See No Evil, Hear No Evil, Speak No Evil" (Homburg and Fürst, 2007).

Empowered vs. procedurally driven employees

Despite common wisdom that empowered employees with the discretion to fix problems in real-time is key to recovery, the effectiveness of empowerment is far from universal. For example, customers may be more confident about recovery justice if it is determined by policies and procedures rather than the judgment and discretion of an individual, empowered employee. Customers tend to believe that if the recovery depends on the employee, they must be fortunate enough to get the right employee to have their complaint resolved satisfactorily (Goodwin and Ross, 1990). Finally, managers may fall into the "HR Trap" (Schneider and Bowen, 1995) of believing that once they free the frontline and make it responsible for customers, they no longer need to invest as much effort in employee support and systems upgrades to enable their success.

Aiming for no failure vs. pretending to achieve no failure

Investing to prepare employees to deal with failures might seem to compromise the many other investments required to build a "no failure" culture (Schweikhart *et al.*, 1993). Many organizations invest heavily in quality improvement programs such as TQM (Powell, 1995), ISO 9000:2000 (Corbett, 2006), or Six Sigma (George, 2003; Lupan *et al.*, 2005) and

17

commit to complying with formal, certificated standards. Although such efforts may decrease the variance of quality delivered (Woodard and Madison, 2005), managers and employees may also become more reluctant to accept that failures will still happen, if no measures against "defensive organizational behaviour" (DOB, Homburg and Fürst, 2007) is taken. TQM-oriented process improvements can create the impression that the company is providing "zero failure" quality, in which case customer complaints and negative feedback create dissonance and defensiveness among employees who may then dismiss any data about failures.

Resolving the Tensions

Resolution will require top management-led integration of these tensions guided by: "service logic"; balancing of subculture values; strategy-driven resolutions; data-based, not orientation-based, decision making; building recovery into metrics and rewards; and developing T-shaped managers and employees. These are offered with the concession of modesty that cross-functional tensions have existed in organizations forever, resisting resolution. However, while beginning with the end in mind—the fundamentals of effective recovery—these five proposals can help develop an integrated approach to service recovery.

Integrate around a "*Service* Logic"

A service logic describes how and why a *unified* service system works and should guide management's design of the service system for both service delivery and recovery (Kingman-Brundage *et al.*, 1995). In this sense, a service logic represents the integration of the potentially competing logics of customer logic, which asks, "What is the customer trying to accomplish, and why?"; technical or process logic that considers, "How are service outcomes

produced, and why?"; and employee logic, which demands, "What are employees trying to do, and why?"

When the answers to these logic questions weave together synergistically, the result is service logic and a firm basis for service delivery and recovery. To expose and enhance the service logic of the current service delivery system requires two key tools: (1) service maps (Shostack, 1984) and service blueprints (Kingman-Brundage, 1989; Zeithaml *et al.*, 2005). Both approaches illustrate the service experience across time, structures, and processes—not functions!—and identify likely failure points; (2) cross-functional teams that engage in problem solving by integrating the tensions we have identified, the competing logics that drive them, and the service maps that reveal them.

INTEGRATE AROUND BALANCING THE "DOMINANT" ORGANIZATION CULTURE AND CO-EXISTING SUBCULTURES

We will resist the temptation to offer the simplistic advice that a strong, unified culture will resolve the tensions. Managers realize that their firms are comprised of multiple subcultures. These have been described by Martin and Siehl (1983) in their classic article, "Organizational Culture and Counterculture: An Uneasy Symbiosis" as the "dominant" organizational culture, overall; an "enhancing" subculture with fervent adherence to those core values; "orthogonal" subcultures which accept the core values and simultaneously *and* a separate set of unconflicting values particular to themselves, e.g., accounting versus R& D; and a "counterculture" which has some values that directly challenge the core values of the dominant culture.

The management task is to surface and even "map" the dominant culture and potential subcultures relative to their: basic assumptions; core values; artifacts, e.g., jargon, stories, rituals; and management practices. For example, to change the dominant culture from a

culture with an 'illusion of no failure' (e.g., we achieve six sigma quality) to a culture of recovery and improvement, leadership must espouse recovery as a core value. For example, stories that recount the outcomes of a successful or failed recovery incident should find their way into company folklore and conversation; training programs should focus on building the employee competencies required for effective recovery. Then explicitly work through the culture maps of Marketing, Ops, and HR to assess culture fit or acceptable deviance. For example, although operations management should honor "heroes" of efficiency, rewards should also flow to those heroes whose actions clearly retained profitable customers who had been failed, above and beyond efficiency alone. These value alignments are critical because when organizational and employees' values align, employees are more willing to exert the extra effort required in a failure and recovery situation (Maxham and Netemeyer, 2003). Recovery of dissatisfied customers can be very taxing for employees, but employees who share the organization's core values likely persevere.

Insert Table 2 about here

Integrate with Strategy-Driven Recovery

Business strategy should guide the resolution of competing functional orientations toward recovery. For example, consider the tension between empowered versus procedurally driven employees. When the business environment is unpredictable, the strategy entails differentiation, and ties to the customer are relational, total empowerment appears applicable, but in a low-cost/high-volume environment with standardized, routine, and predictable tasks and transactional customer relationships (e.g., fast-food restaurant), a more procedurally driven approach to service seems appropriate (Bowen and Lawler, 1992). In other words, the

question of empowerment requires a contingency approach that depends, for example, on the pertinent business strategy.

As to the tension between customer satisfaction versus productivity, these different relationships between productivity and satisfaction may depend on the difference between "standardization" and "customization," two very different approaches to the marketplace. Improvements in standardized quality (e.g., reliability of manufacturing processes for products in support of services) enhance both productivity and satisfaction, whereas increasing customization (e.g., serving each customer differently) enhances satisfaction at the expense of productivity (Anderson *et al.*, 1997). The very nature of service failures and recoveries means that delightful service recoveries decrease productivity, simply because they are highly customized.

Integrate with Seamless Collection and Sharing of Information

To constructively resolve conflicting points of view—to have a "good fight" among competing views—research emphasizes the importance of decision making based on data and information (Eisenhardt *et al.*, 1997). Unfortunately, only a small fraction of failure information from customers, employees, and managers usually gets shared or collected. Companies must increase the number of customers and staff who give feedback about poor service, and ensure it gets recorded and is accessible for service improvement initiatives, with clearly designated responsibilities for driving those changes in different functions (Johnston and Clark, 2008).

In order to increase the amount of information, firms must deal with the reality that many dissatisfied customers are reluctant to complain (Plymire, 1991), so firms must address the problem of unvoiced complaints by "market[ing] the complaint-handling system to

customers" (Andreasen and Best, 1977, p. 110). Complaint processing must be as simple, fast, and hassle-free as possible for the customer (Bolfing, 1989), which requires toll-free telephone numbers and customer feedback cards, talking to customers during service encounters, and surveying them after encounters, and using state of the art software solutions (Stauss and Seidel, 2005). The ratio of articulated dissatisfaction can also be increased through service guarantees (McCollough and Gremler, 2004; Wirtz *et al.*, 2000), which actively encourage and incentives customers to report deviations from the service standard to management.

Employees and mangers at all levels, not just the front line, must receive training regarding how to "mine" communications with customers—not just customer complaints—for service failures. Training should include the skills necessary to spot failpoints from even *routine* customer feedback and then address and catalog service failure information easily and quickly. Also, share information on the economic consequences from failures; make counterintuitive information *widely* known, such as complainers tend to be a firm's more loyal customers in the first place, rather than more indifferent noncomplainers (Dubé and Maute, 1996), they should be considered opportunities to create satisfaction rather than "expensive nuisance[s]" (Berry and Parasuraman, 1991; Johnston, 1995).

Finally, *information* sharing is essential to employee empowerment as a recovery strategy. Empowerment, done right, comprises sharing four ingredients: information $\times$ power x training x rewards (Bowen and Lawler, 1995). Information defines customer expectations for delivery and recovery, if necessary, customer satisfaction data, and the firm's cost structure; power affords employees more discretion to respond to failures; training indicates how employees should lead customers through service failures (Spreng *et al.*, 1996); and rewards foster accountability, such that if employees use their empowered status to enhance (lose)

profits, they share in those profits (losses). Good information, widely shared, facilitates employees' ability to see the "big picture," not just their functional slice.

Integrate with Recovery Metrics and Rewards

Steve Kerr, former Chief Learning Officer of General Electric and then Goldman Sachs, often states that rewards are tools that can be used to get others to share your objectives; that performance management systems can be used to produce "goal congruence" among potentially competing interests. These lessons often seem missing, relatively to customer service. The survey we mentioned previously, with 4,000 respondents from almost 600 companies, indicates that only 41% of employees receive compensation and only 36% get promoted on the basis of customer satisfaction ratings (Gross *et al.*, 2007).

As to service recovery, it demands a reward structure that "give[s] employees positive reinforcement for solving problems and pleasing customers—not just for reducing the number of complaints" (Hart *et al.*, 1990), as well as possibly negative rewards for poor service recovery (Stauss and Seidel, 2005). Balanced scorecard (Kaplan and Norton, 1992) represents one possible approach for aligning and optimizing multiple objectives, because it identifies competing objectives and establishes normative decision rules (Kaplan and Norton, 2004). This needs to be tracked for service recovery, given productivity and customer satisfaction objectives can correlate positively, negatively, or not at all (Anderson *et al.*, 1997),

To balance their objectives, firms must start with a simple model for calculating the return on recovery (Zhu *et al.*, 2004) that estimates:

- Improvements in customer satisfaction and decreases in customer dissatisfaction as a result of customer and employee recovery;

- Decreases in service failures resulting from process and employee recovery and the impact on customer satisfaction;

- The impact of the previous trends on loyalty in terms of the decrease in lost customers;

- The impact of the first two trends on word-of-mouth behavior in terms of the value of more positive and less negative word of mouth, as well as its impact on customer acquisition; and

- The impact on total customer lifetime value caused by loyalty and word of mouth changes (Hogan *et al.*, 2003). For example, if the average customer lifetime value, defined as the discounted future contribution margin per customer (Rust *et al.*, 2004), is 5000€, and service recovery efforts can reduce the number of lost customers by 600, the gained customer equity is 300,000€.

Finally, metrics can be used to design recovery performance-contingent rewards at *two* levels. One is rewards consistent with subculture values and practices; the other level are business unit rewards for recovery and customer retention allocated based on overall group performance.

Integrate with the Development of T-Shaped
Individuals at Critical Intersections

IBM's major initiative of the last few years, "Service Science, Management, and Engineering," provides useful direction for the resolution of cross-functional, academic discipline tensions (Spohrer *et al.*, 2007). IBM, given its rapid rise in service revenues, has committed to developing "service scientists" analogous to its growth of "computer scientists"

of years back. At the outset of this effort, initiative leadership was struck by how few academics and managers could really describe, let alone implement, how a unified service system works—it all breaks down along disciplinary and functional lines. IBM is actively backing efforts to change this, with one objective being how to specify and develop the competencies associated with being what they label a "T-shaped" individual with a service mindset—individuals who possess a strong functional/disciplinary expertise, but who can also think and act across multiple functions/disciplines. Practicing what they preach, they have linked and funded executives and academics in search of service science applications to service delivery and recovery.
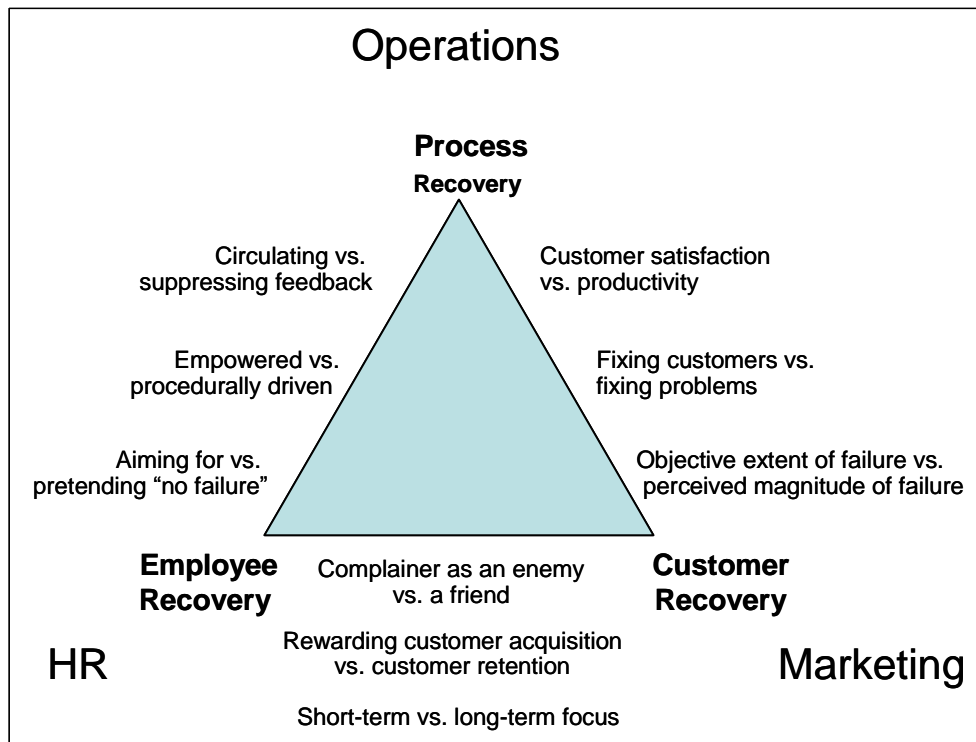
CONCLUSION

Service recovery fails due to root causes found in the tensions among customer recovery, process recovery, and employee recovery. Effective recovery management requires starting with what we already know to be the key fundamentals to be achieved and then actually implementing them by an integrated approach based upon service logic, value and strategy-driven approaches, seamless information flows, recovery-relevant metrics and rewards; and T-shaped service providers. The end result is a more unified service system leading to higher customer satisfaction and loyalty, enhanced employee satisfaction, fewer failures, lower costs, and overall higher profitability. In conclusion, we extend the definition of service recovery by Grönroos (1988) and suggest the following: "Service recovery are the integrative actions a company takes to re-establish customer satisfaction and loyalty after a service failure (customer recovery), to ensure that failure incidents encourage learning and process improvement (process recovery) and to train and reward employees for this purpose (employee recovery).

Table 1
Three Perspectives on Service Recovery

	Orientation	Recovery Effectiveness Fundamentals
Customer Recovery	• Focuses on the customer experience • Goal is satisfying the customer after a service failure • External and personal factors in orientation • Dominates Marketing function's approach to recovery; emphasized by the Marketing research literature	• Fair treatment of the customer • Do not fail twice
Operations Recovery	• Focuses on production and delivery processes and how to learn from failures to improve processes so as to prevent failures in the future • Internal and procedural and technology factors in orientation • Dominates Operations function's approach to recovery; emphasized in the OM research literature	• Collect data on process to *learn* about failure points • Analyze service failure data to *improve* processes
Employee Recovery	• Focuses on helping employees succeed in attempting to recover customers or to recover themselves from negative feelings from service failure situations • Internal and personal factors in orientation • Dominates HRM's approach to recovery; emphasized in the Management and Organizational Behavior/HRM literatures	• Practice "Internal Recovery" of employees • Limit negative "spillover" from employees to customers

Figure 1
The Tensions among Employee, Process, and Customer Recovery

Operations

Process
Recovery

Circulating vs.
suppressing feedback

Customer satisfaction
vs. productivity

Empowered vs.
procedurally driven

Fixing customers vs.
fixing problems

Aiming for vs.
pretending "no failure"

Objective extent of failure vs.
perceived magnitude of failure

**Employee
Recovery**

Complainer as an enemy
vs. a friend

**Customer
Recovery**

HR

Rewarding customer acquisition
vs. customer retention

Marketing

Short-term vs. long-term focus

Table 2
Integrating for Effective Service Recovery

Points of Integration	Key Ideas	Tools
"Service Logic"	Weave together answers to: • Customer Logic What is the customer trying to accomplish, and why? • Technical/Process Logic How are service outcomes produced, and why? • Employee Logic What are employees trying to do, and why?	• Service maps and blueprints • Cross-functional teams
Balance Subcultures and Dominant Culture	• Marketing, Operations, and Human Resource Management subcultures co-exist with dominant culture, overall	• "Cultural maps" of dominant and sub-cultures • Design of: Espoused values Management practices Cultural artifacts
Strategy-Driven Recovery	• Strategic "fit" is the tie-breaker for resolution of competing tensions	• Specify contingencies, e.g., competitive environment, customer segments, and the specific resolution associated with each
Information-Based Decision-Making	• Agreeing to decide recovery strategy and tactics based upon data	• Implement methods to collect—and share—*more* recovery information, *more widely*
Recovery-Oriented Performance Management Systems	• Organizations tend to get what they measure and reward	• Balanced scorecard • Calculate "return on recovery" • Performance Management systems that reinforce subculture balance
Develop More "T-Shaped" Staff	• Employees and manages must possess functional competence *and* capability to think cross-functionally	• Build into competency frameworks • See IBM Service Sciences Management and Engineering (SSME) initiative

REFERENCES

ACSI (2007), "American Customer Satisfaction Index (ACSI)", 12.5.2007, http://www.theacsi.org

Anderson E.W., Fornell C. and Rust R.T. (1997) "Customer Satisfaction, Productivity, and Profitability: Differences Between Goods and Services", *Marketing Science*, Vol 16 No, pp. 129-145

Andreasen A.R. and Best A. (1977) "Customers Complain-Does Business Respond?", *Harvard Business Review*, Vol 55 No July-August, pp. 93-101

Barlow J. and Moller C. (1996), *A Complaint is a Gift*, San Francisco, Berrett-Koehler

BDV (2007), "Ombudsmannverfahren der privaten Banken 1992-2007", 6.7.2007, www.bankenverband.de/ombudsmann

Bejou D. and Palmer A. (1998) "Service Failure and Loyalty: An Exploratory Study of Airline Customers", *Journal of Service Marketing*, Vol 12 No 1, pp. 7-22

Bell C.R. and Zemke R.E. (1987) "Service Breakdown: The Road to Recovery", *Management Review*, Vol 76 No 10, pp. 32-35

Bell S.J. and Luddington J.A. (2006) "Coping With Customer Complaints", *Journal of Service Research*, Vol 8 No February, pp. 221-233

Berry L.L. and Parasuraman A. (1991), *Marketing Services: Competing Through Quality*, New York, The Free Press

Bitner M.J. (1990) "Evaluating Service Encounters: The Effects of Physical Surroundings and Employee Responses", *Journal of Marketing*, Vol 54 No April, pp. 69-82

Bitner M.J., Booms B.H. and Mohr L.A. (1994) "Critical Service Encounters: The Employee's Viewpoint", *Journal of Marketing*, Vol 58 No October, pp. 95-106

Bitner M.J. and Broetzmann S.M. (2005) "Exclusive Preview of the National 2005 Customer Rage Study", Compete Through Service Symposium, Scottsdale

Bolfing C.P. (1989) "How Do Customers Express Dissatisfaction and What Can Service Marketers Do about It?", *Journal of Services Marketing*, Vol 3 No 2, pp. 5-23

Boshoff C. and Allen J. (2000) "The Influence of Selected Antecedents on Frontline Staff's Perception of Service Recovery Performance", *International Journal of Service Industry Management*, Vol 11 No 1, pp. 63-90

Botschen G., Bstieler A.G. and Woodside A.G. (1996) "Sequence-Oriented Problem Identification Within Service Encounters", *Journal of Euromarketing*, Vol 5 No 2, pp. 19-52

Bowen D.E., Gilliland S.W. and Folger R. (1999) "HRM and Service Fairness: How Being Fair with Employees Spills Over to Customers", *Organizational Dynamics*, Vol 27 No 3, pp. 7-23

Bowen D.E. and Johnston R. (1999) "Internal Service Recovery: Developing a New Construct", *International Journal of Service Industry Management*, Vol 10 No 2, pp. 118-131

Bowen D.E. and Lawler E.E.I. (1992) "The Empowerment of Service Workers: What, Why, How and When", *MIT Sloan Management Review*, Vol 33 No Spring, pp. 31-39

Bowen D.E. and Lawler E.E.I. (1995) "Empowering Service Employees", *MIT Sloan Management Review*, Vol 36 No Summer, pp. 73-84

Boye M. and Slora K. (1993) "The Severity and Prevalence of Deviant Employee Activity Within Supermarkets", *Journal of Business and Psychology*, Vol 8 No 2, pp. 245-253

Brady D. (2000) "Why Service Stinks", *Business Week*, Vol No 3704, pp. 188

Brüntrup C. (2006), *Licht und Schatten im Beschwerde-Management*, Materna

Chung B. and Hoffman K.D. (1998) "Critical Incidents. Service Failures That Matter Most", *Cornell Hotel and Restaurant Administration Quarterly*, Vol 39 No June, pp. 66-71

Clemmer E.C. and Schneider B. (1996), "Fair Service", Swartz T., Bowen D.E. and Brown S.W. (Ed.), Advances in Service Marketing and Management, Greenwich, Jai Press, pp. 109-126

Corbett C.J. (2006) "Global Diffusion of ISO 9000 Certification Through Supply Chains", *Manufacturing & Service Operations Management*, Vol 8 No 4, pp. 330

de Jong A. and de Ruyter K. (2004) "Adaptive versus Proactive Behavior in Service Recovery: The Role of Self-Managing Teams", *Decision Sciences*, Vol 35 No Summer2004, Vol. 35 Issue 3, p457, pp. 457-491

Dubé L. and Maute M.F. (1996), "The Antecedents of Brand Switching, Brand Loyalty and Verbal Responses to Service Failure", Swartz T., Bowen D.E. and Brown S.W. (Ed.), Advances in Service Marketing and Management, Connecticut:, Jai Press, pp. 127-151

Durvasula S., Lysonski S. and Mehta S.C. (2000) "Business-to-Business Marketing Service Recovery and Customer Satisfaction Issues with Ocean Shipping Lines", *European Journal of Marketing*, Vol 34 No 3/4, pp. 433-452

Edvardsson B. and Strandvik T. (1999), "Is a Critical Incident in Fact Critical for a Customer Relationship?", 1.6.1999, http://nfek99.shh.fi/cdrom/043/index.htm

Eisenhardt K.M., Kahwajy J.L. and Bourgeois Iii L.J. (1997) "How Management Teams Can Have a Good Fight. The Absence of Conflict is Not Harmony, It's Apathy", *Harvard Business Review*, Vol 75 No July-August, pp. 77-85

Erstad M. (1998) "Mystery Shopping Programmes and Human Resource Management", *International Journal of Contemporary Hospitality Management*, Vol 10 No 1, pp. 34-38

Finn A. (2001) "Mystery Shopper Benchmarking of Durable-Goods Chains and Stores

", *Journal of Service Research*, Vol 3 No 4, pp. 310-320

Folkes V.S. and Kotsos B. (1986) "Buyers' and Sellers' Explanations for Product Failure: Who Done It?", *Journal of Marketing*, Vol 50 No 2, pp. 74-80

Fornell C. and Westbrook R.A. (1984) "The Vicious Circle of Consumer Complaints", *Journal of Marketing*, Vol 48 No Summer, pp. 68-78

George M.L. (2003), *Lean Six Sigma for Services: How to Use Lean Speed and Six Sigma Quality to Improve Services and Transactions*, McGraw-Hill Companies

Goodwin C. and Ross I. (1990) "Consumer Evaluations of Responses to Complaints: What's Fair and Why", *Journal of Consumer Marketing*, Vol 7 No 2, pp. 39-47

Grainer M. (2003), *Customer Care – the Multibillion Dollar Sinkhole: A Case Of Customer Rage Unassuaged*, Alexandria, VA, Customer Care Alliance

Greenberg J. (1990) "Organizational Justice: Yesterday, Today, and Tomorrow", *Journal of Management*, Vol 16 No June, pp. 399-432

Grönroos C. (1988) "Service Quality: The Six Criteria of Good Perceived Service Quality", *Review of Business*, Vol 9 No Winter, pp. 10-13

Gross G., Caruso B. and Conlin R. (2007), *A Look in the Mirror: The VOC Scorecard*, New York, McGraw Hill

Harris L.C. and Ogbonna E. (2002) "Exploring Service Sabotage. The Antecedents, Types and Consequences of Frontline, Deviant, Antiservice Behavior", *Journal of Service Research*, Vol 4 No 3, pp. 163-183

Harris L.C. and Ogbonna E. (2006) "Service Sabotage: A Study of Antecedents and Consequences", *Journal of the Academy of Marketing Science*, Vol 34 No 4, pp. 543-558

Hart C.W.L., Heskett J.L. and Sasser W.E.J. (1990) "The Profitable Art of Service Recovery", *Harvard Business Review*, Vol 68 No July-August, pp. 148-156

He Y.-Q., Chan L.-K. and Wu M.-L. (2007) "Balancing Productivity and Consumer Satisfaction for Profitability: Statistical and Fuzzy Regression Analysis", *European Journal of Operational Research*, Vol 176 No 1, pp. 252

Heskett J.L., Sasser W.E.J. and Schlesinger L.A. (1997), *The Service Profit Chain. How Leading Companies Link Profit and Growth to Loyalty, Satisfaction, and Value*, New York, The Free Press

Hogan J.E., Lemon K.N. and Libai B. (2003) "What Is the True Value of a Lost Customer?", *Journal of Service Research*, Vol 5 No 3, pp. 196-208

Homburg C. and Fürst A. (2007) "See No Evil, Hear No Evil, Speak No Evil: A Study of Defensive Organizational Behavior Towards Customer Complaints", *Journal of the Academy of Marketing Science*, Vol 35 No 4, pp. 523-536

Johnston R. (1995), "Service Failure and Recovery: Service Failure and Recovery: Impact, Attributes, and Processes", Swartz T., Bowen D.E. and Brown S.W. (Ed.), Advances in Services Marketing and Management, Connecticut, Jai Press, pp. 211-228

Johnston R. (2001a) "Linking Complaint Management to Profit", *International Journal of Service Industry Management*, Vol 12 No 11, pp. 60-69

Johnston R. (2001b), *Service Excellence=Reputation=Profit: Developing and Sustaining a Reputation for Service Excellence*, Colchester, UK, Institute of Customer Service

Johnston R. and Clark G. (2008), *Service Operations Management*, 3. Edition, Essex, Pearson

Johnston R. and Fern A. (1999) "Service Recovery Strategies for Single and Double Deviation Scenarios", *Service Industries Journal*, Vol 19 No 2, pp. 69-82

Johnston R. and Michel S. (2008) "Overcoming Recovery Myopia: Three Types of Service Recovery", *International Journal of Operation & Production Management*, Vol 28 No 1, pp. 79-99

Kamakura W.A., Mittal V., de Rosa F., et al. (2002) "Assessing the Service Profit Chain", *Marketing Science*, Vol 21 No 3, pp. 294-317

Kaplan R.S. and Norton D.P. (1992) "The Balanced Scorecard--Measures That Drive Performance", *Harvard Business Review*, Vol 70 No 1, pp. 71-79

Kaplan R.S. and Norton D.P. (2004), *Strategy Maps: Converting Intangible Assets Into Tangible Oucomes*, Boston, Harvard Business School Press

Keaveney S.M. (1995) "Customer Switching Behavior in Service Industries: An Exploratory Study", *Journal of Marketing*, Vol 58 No April, pp. 71-82

Kingman-Brundage J. (1989), "The ABCs of Service System Blueprinting", (Ed.), Designing a Winning Service Strategy, Chicago, IL, American Marketing Association

Kingman-Brundage J., George W.R. and Bowen D.E. (1995) ""Service Logic?: Achieving Service System Integration", *International Journal of Service Industry Management*, Vol 6 No 4, pp. 20-39

Lee S.M., Zuckweiler K.M. and Trimi S. (2006) "Modernization of the Malcolm Baldrige National Quality Award", *International Journal of Production Research*, Vol 44 No 23, pp. 5089-5106

Lovelock C.H. and Wirtz J. (2007), *Services Marketing. People-Technology-Strategy*, 6. Edition, Englewood Cliffs, NJ, Prentice-Hall

Lovelock C.H., Wirtz J. and Chew P. (2009), *Essentials of Services Marketing*, Singapore, Prentice Hall

Loveman G.W. (1998) "Employee Satisfaction, Customer Loyalty, and Financial Performance: An Empirical Examination of the Service Profit Chain in Retail Banking", *Journal of Service Research*, Vol 1 No 1, pp. 18-31

Lupan R., Bacivarof I.C., Kobi A., et al. (2005) "A Relationship Between Six Sigma and ISO 9000:2000", *Quality Engineering*, Vol 17 No 4, pp. 719-725

Martin J. and Siehl C. (1983) "Organizational Culture and Counterculture: An Uneasy Symbiosis", *Organizational Dynamics*, Vol 12 No 2, pp. 52-64

Masterson S.S. (2001) "A Trickle-Down Model of Organizational Justice : Relating Employees' and Customers' Perceptions of and Reactions to Fairness", *Journal of Applied Psychology*, Vol 86 No 4, pp. 594-604

Maxham J.G.I. (2001) "Service Recovery's Influence on Consumer Satisfaction, Word-of-Mouth, and Purchase Intentions", *Journal of Business Research*, Vol 54 No October, pp. 11-24

Maxham J.G.I. and Netemeyer R.G. (2002a) "A Longitudinal Study of Complaining Customers' Evaluations of Multiple Service Failures and Recovery Efforts", *Journal of Marketing*, Vol 66 No 4, pp. 57-71

Maxham J.G.I. and Netemeyer R.G. (2002b) "Modeling Customer Perceptions of Complaint Handling over Time: The Effects of Perceived Justice on Satisfaction and Intent", *Journal of Retailing*, Vol 78 No 4, pp. 239-252

Maxham J.G.I. and Netemeyer R.G. (2003) "Firms Reap What They Sow: The Effects of Shared Values and Perceived Organizational Justice on Customers' Evaluation of Complaint Handling", *Journal of Marketing*, Vol 67 No 1, pp. 29-45

McCollough M.A. and Gremler D.D. (2004) "A Conceptual Model and Empirical Examination of the Effect of Service Guarantees on Post-Purchase", *Managing Service Quality*, Vol 14 No 1, pp. 58-74

Michel S. (2001) "Analyzing Service Failures and Recoveries: A Process Approach", *International Journal of Service Industry Management*, Vol 12 No 1, pp. 20-33

Michel S. (2003) "Perceived Justice in Service Failure and Recovery Incidents. A Multiple Correspondence Approach", 2003 Winter AMA Educators' Proceedings, Orlando

Michel S. (2004) "Consequences of Perceived Acceptability of a Bank's Service Failures", *Journal of Financial Services Marketing*, Vol 8 No 4, pp. 388-400

O'Shea D. (2007) "Study: Cable Telephony Customers Not Satisfied", *Telephony*, Vol No 5.12.2007, pp. 16

Oliver R.L. and Swan J.E. (1989) "Postpurchase Communications by Consumers", *Journal of Retailing*, Vol 65 No Winter, pp. 516-533

Parasuraman A., Berry L.L. and Zeithaml V.A. (1991) "Understanding Customer Expectations of Service", *Sloan Management Review*, Vol 32 No Spring, pp. 39-48

Plymire J. (1991) "Complaints as Opportunities", *Journal of Services Marketing*, Vol 5 No Spring, pp. 61-65

Powell T.C. (1995) "Total Quality Management as Competitive Advantage: A Review and Empirical Study", *Strategic Management Journal*, Vol 16 No 1, pp. 15-37

Pugh S.D., Dietz J., Wiley J.W., et al. (2002) "Driving Service Effectiveness Through Employee-Customer Linkages", *Academy of Management Executive*, Vol 16 No 4, pp. 73-84

Reichheld F.F. and Sasser W.E.J. (1990) "Zero defections: quality comes to services", *Harvard Business Review*, Vol 68 No September-October, pp. 105-111

Rust R.T., Lemon K.N. and Zeithaml V.A. (2004) "Return on Marketing: Using Customer Equity to Focus Marketing Strategy", *Journal of Marketing*, Vol 68 No 1, pp. 109-127

Rust R.T., Moorman C. and Dickson P.R. (2002) "Getting Return on Quality: Revenue Expansion, Cost Reduction, or Both?", *Journal of Marketing*, Vol 66 No 4, pp. 7-24

Rust R.T., Zeithaml V.A. and Lemon K.N. (2000), *Driving Customer Equity. How Customer Lifetime Value is Reshaping Corporate Strategy*, New York, Free Press

Sandelands E. (1994) "Making Complaints Pay", *Management Decision*, Vol 32 No 5, pp. 55-56

Schlesinger L.A. and Heskett J.L. (1991) "Breaking the Cycle of Failure in Services", *Sloan Management Review*, Vol 32 No 3, pp. 17-28

Schneider B. and Bowen D.E. (1995), *Winning the Service Game*, Boston, Harvard Business School

Schneider B. and White S.S. (2004), *Service Quality- Research Perspectives*, Thousand Oaks, Sage

Schweikhart S.B., Strasser S. and Kennedy M.R. (1993) "Service Recovery in Health Service Organizations", *Hospital and Health Service Administration*, Vol 38 No Spring, pp. 3-21

Seiders K. and Berry L.L. (1998) "Service Fairness: What It Is and Why It Matters", *Academy of Management Executive*, Vol 12 No 2, pp. 8-20

Seligman M.E.P. (1972) "Learned helplessness", *Annual Review of Medicine*, Vol 23 No 407-412,

Shostack G.L. (1984) "Designing Service that Deliver", *Harvard Business Review*, Vol 62 No January-February, pp. 133-139

Smith A.K. and Bolton R.N. (2002) "The Effect on Customers' Emotional Responses to Service Failures and Their Recovery Effort Evaluations and Satisfaction Judgements", *Journal of the Academy of Marketing Science*, Vol 30 No 1, pp. 5-23

Smith A.K., Bolton R.N. and Wagner J. (1999) "A Model of Customer Satisfaction with Service Encounters Involving Failure and Recovery", *Journal of Marketing Research*, Vol 36 No August, pp. 356-372

Spohrer J., Maglio P., Bailey J., et al. (2007) "Steps Towards a Science of Service Systems", *IEEE Computer*, Vol No January, pp. 71-77

Spreng R.A., Harrell G.D. and Mackoy R.D. (1995) "Service Recovery: Impact on Satisfaction and Intentions", *Journal of Services Marketing*, Vol 9 No 1, pp. 15-23

Spreng R.A., MacKenzie S.B. and Olshavsky R.W. (1996) "A Reexamination of the Determinants of Consumer Satisfaction", *Journal of Marketing*, Vol 60 No July, pp. 15-32

Stauss B. (1993) "Service Problem Deployment: Transformation of Problem Information into Problem Prevention Activities", *International Journal of Service Industry Management*, Vol 4 No 2, pp. 41-62

Stauss B. and Seidel W. (2005), *Complaint Management. The Heart of CRM*, Mason, OH, Thomson

Stauss B. and Weinlich B. (1997) "Process-Oriented Measurement of Service Quality. Applying the Sequential Incidents Method", *European Journal of Marketing*, Vol 31 No 1, pp. 33-55

Susskind A.M. (2002) "I Told You So! Restaurant Customers' Word-of-mouth Communication Patterns", *Cornell Hotel & Restaurant Administration Quarterly*, Vol 43 No 2, pp. 75-85

Swanson S.R. and Kelley S.W. (2001) "Service Recovery Attributions and Word-of-Mouth Intentions", *European Journal of Marketing*, Vol 35 No 1/2, pp. 194-211

Tax S.S. and Brown S.W. (1998) "Recovering and Learning from Service Failures", *Sloan Management Review*, Vol No Fall, pp. 75-88

Tax S.S., Brown S.W. and Chandrashekaran M. (1998) "Customer Evaluations of Service Complaint Experiences: Implications for Relationship Marketing", *Journal of Marketing*, Vol 62 No April, pp. 60-76

Wallace C.M., Eagleson G. and Waldersee R. (2000) "The Sacrificial HR Strategy in Call Centres", *International Journal of Service Industry Management*, Vol 11 No 2, pp. 174-184

Webster C. and Sundaram D.S. (1998) "Service Consumption Criticality in Failure Recovery", *Journal of Business Research*, Vol 41 No 2, pp. 153-159

Whitely R.C. (1994) "Fix the Customer First", *Sales and Marketing Management,*, Vol 146 No 8, pp. 49-50

Wirtz J., Kum D. and Lee K.S. (2000) "Should a Firm with a Reputation for Outstanding Service Quality Offer a Service Guarantee?", *Journal of Services Marketing*, Vol 14 No 6, pp. 502-512

Woodard T.D. and Madison J. (2005) "Addressing Variation in Hospital Quality: Is Six Sigma the Answer?", *Journal of Healthcare Management*, Vol 50 No 4, pp. 226-236

Zeithaml V.A., Berry L.L. and Parasuraman A. (1996) "The Behavioral Consequences of Service Quality", *Journal of Marketing*, Vol 60 No April, pp. 31-46

Zeithaml V.A., Bitner M.J. and Gremler D.D. (2005), *Services Marketing*, 4. Edition, New York et al., McGraw Hill

Zemke R. (1995), *Service Recovery: Fixing Broken Customers*, Portland, Or., Productivity Press

Zemke R. and Connellan T. (2001), *E-Service: 24 Ways to Keep Your Customers When the Competition is Just One Click Away*, New York, AMACON

Zhu Z., Sivakumar K. and Parasuraman A. (2004) "A Mathematical Model of Service Failure and Recovery Strategies", *Decision Sciences*, Vol 35 No 3, pp. 493-525