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A customer feedback model for service performance improvement: Preliminary case study results

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Abstract

This paper examines the detail of how customer satisfaction feedback influences service performance in English social housing. Customer satisfaction remains highly relevant for measuring both service performance and experience (Economist Intelligence Unit 2014; 2015), and influential in social housing after forming part of a decade-long regulatory performance framework which ceased in 2010 (Williams, 2013). Although empirical evidence suggests a positive link between customer satisfaction and service performance in social housing (Williams, 2016[1]), there is limited academic literature examining the specific operational processes involved. This research meets this gap and, in doing so, proposes a new customer feedback performance improvement model.

Keywords: Service performance improvement, customer satisfaction feedback, feedback loop.

Purpose / Literature Review

Customer satisfaction presents a heterogeneous area of study which can be applied to different industries and services in both the private and public sectors (Institute of Customer Service, 2017) but continues to form the basis of academic debate focussing upon its influence as a means of improving organisational performance (e.g. Fornell et al 2016[1]; Sorescu and Sorescu, 2016). As a performance management tool, customer satisfaction has been a recognised method for practitioners for decades, but it can still provide a complex area of measurement. For example, a range of different rating scales can be applied such as verbal 'Likert' scales, numeric scales, 5 point scales, 7 point scales, and 10 point scales, all of which can provide differences in the final percentage scores achieved and which can therefore open different perceptions and interpretations of performance by managers and staff. Furthermore, complexities can arise through the availability of different customer satisfaction measurement techniques which can lead to very different levels of insight and understanding from the customer feedback gained. Such examples could include tools like the customer satisfaction/importance score model

(Hill et al, 2007), Net Promoter Score (Reichheld, 2003), customer effort score (Dixon et al, 2010), and even sector-specific approaches like the 'Survey of Tenant and Residents' known as STAR (Housemark 2017) established in the UK social housing sector. In effect, measuring customer satisfaction can be complex and challenging just to obtain customer feedback data itself. Further to this however, it is often anecdotally recognised by practitioners that despite methodological challenges, it is making customer satisfaction feedback actionable that presents one of the greatest challenges after data collection, analysis and reporting have occurred. When assessing the academic literature, it appears there is little contribution focussing upon this specific aspect of customer satisfaction and service performance.

When further considering the academic literature, much of the existing customer satisfaction feedback research has tended to focus upon the private sector, such as retail (e.g. Magi, 2003) or banking (e.g. Cooil et al, 2007). Whilst the UK public sector is smaller with 5 million employees compared to 26 million in the private sector (Office of National Statistics, 2017), its importance as a setting for service performance research is increasingly relevant due to the continued effects of the Government's financial austerity agenda and understanding the potential wider impact this has on society and civic wellbeing at large. The need to explore and understand customer satisfaction in other sectors and industries is also broadly recognised by traditional authors of customer satisfaction research (Fornell et al, 2016[1]). With this in mind, this paper will focus upon one part of the UK public sector, that of social housing, which provides nearly 4 million households in England (Department for Communities and Local Government, 2016) – a sector of significant size, and one which has international resonance in other countries and regions with significant social housing infrastructure such as Europe, Canada, and Hong Kong.

As further context setting for this research, it is worth noting that whilst customer satisfaction remains highly relevant for measuring both service performance and service experience (Economist Intelligence Unit 2014; 2015), the vast majority of academic investigation has focussed upon the effects of customer satisfaction at the wider organisational level, such as on return on investment (Anderson et al, 2000), share of wallet (Terpstra and Verbeeten, 2014), or stock market returns (Fornell et al, 2006; 2016[2]). As part of this, there has been little contribution within the literature for the operational application of customer satisfaction feedback and the operational processes associated with this. We feel this to be an important and little understood area of customer satisfaction performance research - our stance is very much aligned to that of Hill et al (2007) whereby to maintain high levels of customer satisfaction, organisations must continuously improve the service they deliver. Organisations do not remain static; they are constantly evolving and developing in response to their competitors, external environments, and other factors. As such, customer satisfaction feedback should be seen as part of continuous operational processes. This concept is also little explored in the literature, and therefore presents an opportunity for academic exploration.

Finally, consideration should be given to how can customer satisfaction feedback can be best applied to maximise service performance - this is a further area of limited academic study. For instance, what can be learned from higher performance organisations in how they apply customer satisfaction feedback to inform and influence operational performance? Are they different from lower performing organisations? These are questions which typically inform the focus of our research.

Methodology

A case study approach was considered suitable for this research. On identifying when a case study approach should be adopted, Yin (2014, P.4) argues;

> *"there's no formula, but your choice depends in large part on your research* question(s). The more that your research questions seek to explain some present *circumstance (e.g. "how" or "why" some social phenomenon works), the more* that case study research will be relevant. The method also is relevant the more *that your questions require an extensive and "in-depth" description of some* social phenom*enon"*.

Additionally, Hartley (2004, P.323) writes that case studies are "particularly suited to research questions which require detailed understanding of social or organisational processes because of the rich data collected in context". As analysis of organisational processes is at the heart of this study, along with seeking to understand how customer satisfaction feedback influences service performance, a case study approach can be argued to be the most appropriate method to apply. Based on the gap in academic literature and also aimed at extending an earlier study by the authors which explored the empirical relationship between customer satisfaction and service quality in the social housing sector (Williams, 2016[2]), one research question and one proposition were identified as follows:

> RQ1) What are the stages involved in the customer satisfaction feedback / service performance improvement process? and;

> P1) Higher performing social housing organisations are more effective at using customer satisfaction feedback to influence service performance improvements than lower performing housing associations.

Two English housing associations (housing associations being the most common provider of social housing in the UK) who use the UKCSI measure for customer satisfaction were identified via the independent market research company who oversee the UKCSI data collection on behalf of the Institute of Customer Service. The UKCSI is a national measure of customer satisfaction performance in the UK which covers 13 sectors of the economy including banking, retail, leisure, insurance, and public services (of which social housing is part). It was specifically chosen as a background for this study for three main reasons: i) Using the context of the UKCSI builds upon earlier extensive academic research on customer satisfaction using the ACSI, the American Customer Satisfaction Index (e.g. Fornell et al, 1996; Anderson, 1998, Yeung et al, 2000) and other national measures of customer satisfaction such as the SCSB, Swedish Customer Satisfaction Barometer (e.g. Anderson et al, 1994; Anderson et al, 1997) and the NCSB, Norwegian Customer Satisfaction Barometer (Johnson et al, 1996); ii) since its introduction in 2009 there has been little academic research on the UKCSI across any sector and thereby presents an opportunity to extend knowledge; and iii) whilst the UKCSI measure remains relatively new in English social housing, it is becoming increasingly popular with approximately 10% of England's social housing providers now having adopted this approach (Williams, 2016[2]) and 79% of housing organisations wanting to see the UKCSI measure linking up with the traditional social housing sector measure (Acuity Research & Practice, January 2015).

Face to face interviews were chosen as the method for gathering data, as supported by King (2004) who states that interviews remain the most common method of data gathering in qualitative research. A semi-structured interview approach was specifically chosen to

achieve a balance between structure and gaining new observations. In illustrating this, Alvesson (2011, P.52) writes that "a high degree of structure reinforces the chances of *the interviewees responding to rather specific and clear expectations of the research"* whilst "a low degree of structure means it is easier to encounter new and unexpected views". Whilst structure was welcomed to ensure interviewees provided relevant information, a semi-structured approach meant this was not so structured as to stifle new or surprising views. To support this, anonymity was offered to interviewees to facilitate openness and honesty during discussions.

Prior to undertaking the two case studies, the question set was tested in a third pilot case study with three semi-structured interviews. This proved to be useful and slight amendments were made to sharpen the question set prior to undertaking the 'live' case studies. The final multiple-case design was used with two case study organisations identified to predict contrasting results. In order to test P1, one organisation was chosen due to being amongst the higher performing housing associations in the UKCSI measure, whilst the second organisation was chosen due to being amongst the lower performing housing associations in the UKCSI.

Throughout the whole case study process (including the pilot), semi-structured face-to-face interviews were undertaken averaging one hour each. These were structured to include both housing researcher and operational perspectives, and integrated a mix of middle and senior managers. Interviews were analysed following Saldana (2016) using 'In Vivo' coding (i.e. using the words or short phrases from the participants' own language) for first cycle coding, followed by pattern coding for second cycle coding.

Despite Yin (2014) putting forward the argument that it is single, not multiple case designs that are likely to include unusual, extreme, critical or revelatory cases, it should be acknowledged that a potential limitation of the study arises from the fact the research is limited to two case studies.

Findings

For the two organisations used in the main case study research, six interviews with seven staff provided just under 7 hours of interviewing which transcribed into over 54,000 words. Using this to answer RQ 1, the key processes associated with customer satisfaction feedback for each organisation were mapped out, modelled, and detail identified for each. It should be noted that due to word limitations associated with the presentation of this paper, only the third and final customer feedback model for service performance improvement is presented here, illustrated in Figure 1. This identifies six key stages for making customer feedback actionable through a feedback loop, namely i. questionnaire design, ii. data collection, iii. data analysis, iv. feedback (staff and customers), v. performance reporting, and finally, vi. action planning and delivering. Each of these key stages were analysed in further detail as follows.

The first key stage, 'Questionnaire Design', included four activities. The first of these was the requirement for having a consistent set of questions to enable long-term performance monitoring/benchmarking whilst retaining flexibility for asking a smaller amount of questions relevant to current operational and strategic needs at the time. A second activity was to consult with staff to ensure they had a say in shaping the flexible element of the question set to suit their needs. In the third activity, the finished draft questionnaire was sent to staff for information (and final checks) before data collection commenced, whilst during the fourth activity, it was perceived to be important to time the

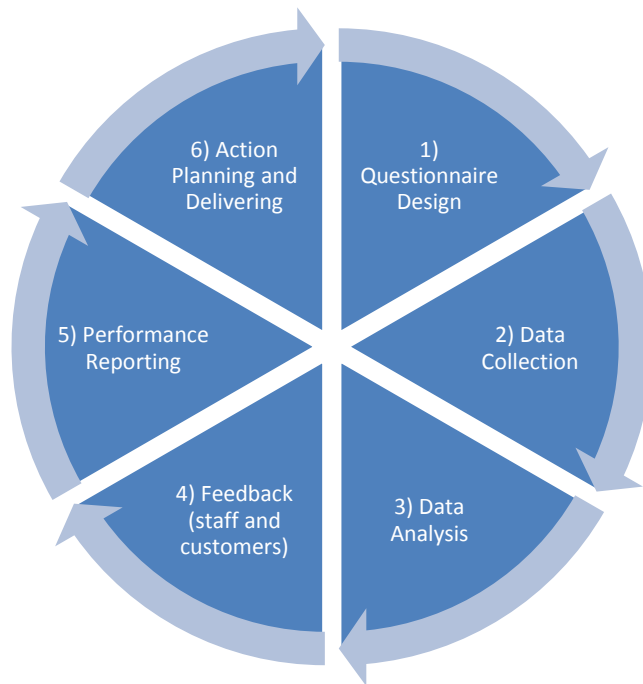questionnaire appropriately so that the customer feedback could inform key strategic and/or operational plans.

Figure 1: Customer feedback model for service performance improvement

The second key stage, 'Data Collection', comprised of three activities. This firstly included the physical collection of customer feedback data (by telephone in this instance), whilst during the second activity, a process of hot alerts would occur (mini feedback loops themselves) whereby if a customer raised significantly detrimental feedback or a complaint during the telephone conversation, the organisation had a separate email alert process established to be made aware of the issue immediately, thereby giving them the opportunity to respond to the problem in [almost] real-time. A third and final activity for this stage was noted that once the required raw data was collected, this was passed to research staff. This could be useful for any additional future analysis or modelling.

The third key stage, 'Data Analysis', included just one activity – the process of staff receiving the analysed data from the independent research company who oversee the UKCSI. Again, further sub-activities may occur here with the organisation undertaking additional ad hoc analysis in their own time, however this did not feature heavily as a key stage or activity and would likely be dependent upon the organisational issues at the time.

The fourth key stage, 'Feedback (staff and customers)', proved to be the most detailed stage. This included activities around firstly feeding back to staff, with the CEO, Senior Management Teams, and Board, followed a second activity of feeding back to Middle Managers / Team Leaders. This tended to be undertaken in person via large meetings with presentations to 30 or 40 staff at one time. Thirdly, the activity of feeding back to remaining staff occurred in a variety of ways, such as adding results to the staff intranet system and staff magazine. In the fourth activity, feedback was also provided to additional committees and local neighbourhood boards. These are a common occurrence in social housing, and typically may include a mix of tenants, local councillors and independent

people with an interest in the local community. The fifth activity involved feeding back to customers. This involved a step (undertaken only by the higher performing of the two organisations) where they sent a 'you said we did' thank you letter to all the tenants who participated in their survey. This served a dual purpose of acknowledging their contribution whilst providing opportunity for the organisation to feedback a short summary of the changes made as a result of customer feedback being received. Feedback was also provided to customers through other various forms of customer literature, including formal sources (e.g. the annual report) and various informal sources (e.g. website, newsletters, and the customer magazine).

The fifth stage, 'Performance Reporting', included three activities. Firstly, this required adding the relevant customer satisfaction performance scores into the corporate performance management system (such as Balanced Scorecard), followed secondly by the same process occurring at a team scorecard level. The third activity for this stage occurred annually, with a staff bonus being associated with targets for achieving set levels of customer satisfaction.

The sixth and final stage, 'Action planning and delivering', proved to be another detailed area with multiple activities. These firstly included staff seeking to achieve quick-wins undertaken as soon as the feedback was received, and secondly, groups of staff undertaking dedicated, targeted campaigns to address dissatisfaction by making informal contact with customers with the intention of having an open and honest discussion about how to improve service performance. The third activity for this stage involved weaving customer satisfaction feedback into the operational planning process at strategic, operational, team-level, and individual levels (for instance through staff appraisal meetings). A fourth important activity identified here was to use customer satisfaction performance to directly inform and manage external performance contracts, such as for the delivery of repairs and maintenance. Often social housing providers outsource their repairs contracts, which are often multi-million pound contracts. By having targets associated with customer satisfaction, this enabled a means of independently checking service performance. Finally, a fifth activity required ensuring a monitoring system was in place to check that staff have responded to individual reactive issues raised in the feedback, whilst also proactively applying customer feedback to inform and influence their future planning or service innovation. At the end of this set of processes – which for both organisations lasted several months in duration – the cyclical process of winding down the activities associated with the existing feedback was completed, and thinking about questionnaire design would begin once again.

With regards to answering P1, the findings suggested that this was correct, i.e. higher performing social housing organisations are more effective at using customer satisfaction feedback to influence service performance improvements than lower performing housing associations. Clear differences in the way in which the two organisations applied and acted on customer satisfaction feedback were noticeable. This often involved subtle differences, but also perhaps more obvious factors played a significant role, such as with the lower performing organisation admitting they did not have formal processes associated with managing feedback, compared to the higher performing organisation who sought to contact every person who provided feedback to personally thank them and tell them (in a more generic way) how customer feedback had informed service performance improvements.

This aspect of the research findings also suggests that more heavily integrating customer feedback into all aspects of operational culture (including performance

reporting, strategic thinking, operational plans, and individual feedback at the organisational side, and strongly communicating to customers how it has made changes for the better on the customer side) could be key factors in making a positive difference on service performance.

Discussion and Contribution

Who are best placed to judge service performance – professional staff or customers? For those who believe the former, awareness of recent research highlighting the mismatch between organisational and customer perspectives towards service performance could be considered. For example, Aksoy (2013) aimed to investigate how close practice came to normative prescriptions. The research undertook 92 telephone interviews with senior managers across a variety of firms spanning sixty unique industry segments in the United States of America and found that whilst overall a total of 73% of firms in the study displayed customer survey tracking systems (including customer satisfaction ranking the highest of all methods in use), the majority were not taking full advantage of the tools available to fully understand, model and analyse the customer information gathered. Using this, it could be argued that more could be done by managers when transforming customer perspectives into actionable insights to improve service performance. A similar general finding was reflected in the lower performing organisation in this study, i.e. that more could have been done to integrate customer feedback to inform service performance.

Additionally, recent research from Hult et al (2017) investigated the extent to which managers' perceptions of the levels and drivers of their satisfaction and loyalty aligned with that expressed by their customers. By drawing on 70,000 responses from the American Customer Satisfaction Index (ACSI) and over 1,000 manager responses from ACSI measured companies, it was found that managers generally failed to understand their customers by overestimating their levels of customer satisfaction whilst also misunderstanding the drivers of customer satisfaction. This illustrates the need for continuous feedback from service users to guide service, as the reality can often be very different from the professionals' (often well meaning) perceptions of what the 'organisational truth' actually looks like.

Furthermore, research undertaken by the Economist Intelligence Unit (2014) using over 800 companies around the world with revenues of US$50m-$2bn found that whilst the majority thought they offered good quality customer service and recognised it as being one of the most important factors in retaining customers, only 15% of companies stated that customer service quality was their primary means of competing. This mismatch of prioritisation suggests that levels of corporate misunderstanding of the potentially important role that customers can offer as a service performance influencer could also be significant in scale.

By way of synergising this argument, Caemmerer and Wilson (2010, P.289) wrote "it has been recognised that it is of paramount importance to service operations to understand how customer feedback mechanisms can be implemented to enhance *organisational learning in order ultimately to improve service quality"*. The findings from this study identifying both high level and detailed processes involved in making customer satisfaction feedback actionable, along with understanding the differences between how higher and lower performing organisations use customer feedback, are important contributors for this debate.

In terms of academic and practitioner contribution, this study provides an input in several ways. Firstly, it uses the UKCSI (UK Customer Satisfaction Index) as a focus of the study, thereby extending a large body of earlier studies which have used national measures of customer satisfaction (e.g. ACSI, SSCB, etc). Secondly, it applies a public-sector context as a setting for the study, extending the more common setting of the private sector for customer satisfaction feedback research. As the public sector has a direct influence on society, this offers the research a strong potential for impact. Thirdly and finally, few academic studies have previously sought to explore specific processes between customer feedback and service performance - this study has specifically taken this into consideration and sought to extend knowledge by seeking to make customer satisfaction feedback actionable for service performance improvement, which is a key area of difficulty for managers in practice.

Conclusion

This study has sought to better understand the various stages involved in the customer satisfaction feedback / service performance improvement process, whilst also exploring the differences between how higher and lower performing organisations apply customer satisfaction feedback within their organisations. By undertaking a case study with two organisations, specific process associated with applying customer feedback were identified, and differences were identified between the two organisations whereby it was clear that the higher performing organisation was more effective at using and applying customer feedback by having more formalised structures to reporting customer feedback, acting upon customer feedback, and informing customers what actions they had taken as a result.

This knowledge was developed into a single model of service performance improvement which could be applied to assist organisations to maximise their service performance potential at a time when the English social housing sector faces unprecedented political, financial, and operational changes which are likely to be the hallmarks of the new operating environment for many years to come.

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