Public service guarantees

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Chapter 1.

General Introduction

1.1. Service guarantees

Service guarantees are used in many service industries as a sign of quality and to improve customer-supplier relationships. In the retail sector for instance, the concept is used by Jumbo, one of the main Dutch supermarket chains. Jumbo communicates a service guarantee ('Zeven Zekerheden') to its customers with seven promises regarding aspects like friendly employees, freshness of products and waiting lines at the cash desks. For example, if a customer is fourth in line and not all cash desks are open, he or she receives the groceries for free. The concept is also used in the hospitality industry. The Scandinavian hotel chain Radisson Blu and the US-chain Hampton Hotels offer their guests satisfaction guarantees. If a guest is not satisfied with the hotel, he or she does not have to pay for the stay. Also, organisations in for example the banking, insurance and leasing industries use service guarantees. A service guarantee can be defined as: *a set of explicitly communicated promises to (potential) customers to deliver specified service levels or even customer satisfaction, generally including the promise to compensate the customer if one or several promises are violated*[1].

1.2. Service guarantees in the public domain

A substantial share of services is delivered by public organisations. In daily life, citizens, as customers are dependent on very different public services like garbage collection and issuing formal documents such as driving licenses, passports and visas. Many of these services are offered in a monopolistic situation where customers do not have the possibility to choose. But customers' expectations are influenced by their experiences in private settings (Clarke *et al.*, 2007). Customers' expectations may have shifted to levels similar to those found in the private sector because of the increasing commercialisation of public services and the introduction of many private management and customer service innovations in public settings (Clarke *et al.*, 2007; Needham, 2006). In order to fulfil these raising customers' expectations, it is important for public managers to find and use concepts that help them to improve the customer centeredness of their organisation. Service guarantees could be such a concept. A service guarantee could be an important concept that helps public organisations to achieve this goal by helping to improve the responsiveness and the culture of public service delivery by focussing on the needs of customers (Clifton *et al.*, 2005; McGuire, 2002).

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[1] My definition is based on published service guarantee definitions; see Appendix I for an overview of service guarantee definitions.

In fact, service guarantees have been used since 1991 in public service settings, starting with John Major´s UK Government White Paper: 'The Citizen's Charter: Raising the standard'. John Major stated in this document: *'I want to see public services in which the passenger, the patient and the parent can have confidence and in which public servants can have pride'* (Connolly *et al.*, 1994 p24). The managerial concept of service guarantees in the private sector was translated into public service guarantees for national, regional and local public services (Connolly *et al.*, 1994). This would contribute to making the public sector become similar to the private sector by extending the principles of market consumption to citizens as customers by giving them more power (Pollitt, 1994; Taylor, 1999). The aspiration was improved customer satisfaction with the quality of public service delivery (Aldridge and Rowley, 1998; Drewry 2005). Based on the experiences in the UK, many countries like Australia, Belgium, Italy, Spain, The Netherlands and the USA started using public service guarantees. Countries such as South Korea (Kim, 2009) and Ghana (Ohemeng, 2010) followed some years later. Not only the differences in public service cultures per country (Clark, 2000) but also the reasons for introducing service guarantees varied per country (Drewry, 2005). In some countries, like the UK, they were introduced in order to improve performance. In other countries service guarantees were introduced by regional and local public agencies to justify government performance or because of pressure from national governments. Given these differences, the labels and content of the service guarantees vary. Various labels are used for the same concept depending on the country. Examples are citizen's charter, service charter, customer service plan, service pledge, performance pledge and (in Dutch) kwaliteitshandvest. For this dissertation I shall use the general label 'public service guarantee' (cf. Madell, 2005).

1.3. Aim and focus of this dissertation

The academic attention for service guarantees started with an article by Christopher Hart in Harvard Business Review (1988), which was based on the experiences of the first US-companies using the concept. Since then, more than a hundred conceptual and research-based papers on service guarantees have been published in marketing and services management journals (for an overview until 2008, see Hogreve and Gremler, 2009). In all of this research many aspects of service guarantees have been researched in private settings. It is, however, surprising to see that this marketing and services management literature on service guarantees

seems to have largely ignored the public sector[2]. Public management literature on service guarantees restricted itself to the anecdotal level without any fundamental empirical research. I have found that in the past 25 years a total of 31 papers on public service guarantees have been published in public management journals and except for two papers presenting basic empirical research (James *et al.*, 2005; Torres, 2005), all papers are conceptual and descriptive.

The aim of this dissertation is to contribute to closing the gap in literature on the design and implementation of public service guarantees and to help building bridges between public management literature and marketing and services management literature. The aim of this dissertation is also to offer public practitioners research-based insights on public service guarantees. In this dissertation I focussed on the objective of service guarantees: to improve the customer centeredness and performance of public organisations towards citizens as customers in order to improve customer satisfaction. A service guarantee forces the whole organisation to focus on customers, it sets clear standards for customers and employees, it creates team spirit and pride, it generates customer feedback and forces the organisation to understand why it fails and finally it empowers citizens as customers because they know what they can expect from the organisation (Taylor, 1999). Hogreve and Gremler (2009, p. 330-331) give an overview of the results of research in private settings of the effects of using service guarantees on customers' service evaluations and behavioural intentions. They report that service guarantees reduce perceived risk and have a positive impact on perceived quality and customer satisfaction. Concerning the behavioural intentions service guarantees have a positive impact on e.g. the intentions to purchase and return.

In order to achieve the objectives mentioned above, there are two important preconditions: a well-designed content and a proper implementation. *First*, a well-designed service guarantee has content that makes sense for customers. A service guarantee generally consists of three design elements[3]: the scope, the compensation and the payout process (Hocutt and Bowers, 2005; Berman and Mathur, 2014). Scope: this is the extent of coverage of the guarantee. In the case of an attribute-specific service guarantee it consists of one or more concrete and explicitly formulated promises related to service attributes. Promises can for example address

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[2] See for exceptions Björlin Lidén and Edvardsson, 2003; Gremler and McCollough, 2002; Kennett-Hensel *et al.*, 2012; Lawrence and McCollough, 2004.

[3] The sections 2.2. until 2.5. present an overview of the different design elements and types of scope.

attributes like speed of delivery, number of customers at the cash desks or the speed of complaints handling. In the case of an unconditional satisfaction guarantee, no service levels are communicated but customers are promised to be (completely) satisfied. Compensation: customers experiencing a violation of one or more promises are remunerated through a nonmonetary or monetary compensation like free goods/services, money back or a price reduction. Payout process: this is the way customers receive the compensation after a service guarantee violation. A service guarantee violation is a specific service failure where the promised service level (or even satisfaction) is not realised in the interaction with an individual customer. The first part of my research focuses on this subject. The *second* precondition is that a service guarantee is well implemented to make sure that the organisation (a) fulfils its obligations based on the content of the service guarantee and (b) is effective by improving the customer centeredness of the organisation and the satisfaction of it's customers. It means that organisational aspects like employees; systems and procedures all are aligned to work in conformance with the content of the service guarantee. The second part of my research deals with this subject.

1.4. The content of a public service guarantee

The first three research questions address the content of a service guarantee. In marketing and services management literature a vast flow of research has addressed the design of service guarantees in private settings (for an overview: see Hogreve and Gremler, 2009). Several studies have researched the type of service guarantee (e.g. Wirtz and Kum, 2001); others have investigated aspects concerning the compensation in a service guarantee (e.g. Hocutt and Bowers, 2005). Past research states that a private service guarantee should be well designed to be effective (Hart, 1988; McColl and Mattsson, 2011; Wirtz and Kum, 2001) and have the expected effects on customers' evaluations like improved signalling effects (Spence, 1974) and increased justice effects (Adams, 1965). This is because a service guarantee acts as an extrinsic cue for (potential) customers to set expectations and later evaluate the actual performance of a service (Ostrom and Iacobucci, 1998; Tsaur and Wang, 2009). To increase the effectiveness of a service guarantee, the service context should be closely examined and considered when designing a service guarantee (Mattila, 2001). This service context could be different between public and private settings in three ways possibly leading to differences in the content of service guarantees.

The *first* is that there could be differences in the type of services and how customers perceive them. Public services like garbage collection, hospitals and social security all have a different service context. They also have a different service context than private services. For many public services citizens as customers cannot choose. In many cases they do not pay for these services, or bear just a fraction of the total costs because they are financed indirectly through taxes. Therefore the service context in public and private settings could be completely different. The *second* and related difference is that customer-supplier relationships as perceived by customers could be different. People in public settings also have roles beyond those of a customer, for example as a taxpayer, a citizen or a partner (Milakovich, 2003; Thomas, 2013). This could influence customers' expectations concerning the content of a service guarantee. For example as a taxpayer, public customers could be concerned about the collective good and best use of their taxpayers' money. This could lead to public customers regarding it less suitable for a public organisation to spend money on compensating customers for failures (Van de Walle, 2016), possibly leading to different customer expectations towards service guarantee compensation. The only study addressing public service guarantee design (Björlin Lidén and Edvardsson, 2003) supports this notion. This research among customers of Stockholm public transport shows that the public context leads to other and additional service guarantee requirements like that of fairness to customers and the careful use of taxpayers' money. The *third* difference is the fact that public organisations are collectively owned by political communities serving all customers and stakeholders without the possibility to choose customer segments. Public organisations have widely different customer groups like citizens and companies, rich and poor people, people with and without a job, each with possible competing interests (Fountain, 2001). Therefore, fairness of distribution of scarce resources like taxpayers' money among different customer groups is important (Drewry, 2005). The collectivistic stakes are more important than the stakes of individual customers. This could also have an effect on the service guarantee compensation since collective means for compensating individual customers may increase inequality in service delivery between customers (Fountain, 2001; Van de Walle, 2016). Chapter 2 presents the results of my research to answer the first research question:

RQ1 What should be the characteristics of a public service guarantee?

Chapter 2: Public service guarantee design: results of an explorative expert study
In this research a panel of 37 public service guarantee experts mainly from Dutch public

organisations was involved. They had been working with service guarantees and knew from past experience what the service guarantee design should be. The first step was to build a list with potential service guarantee characteristics based an extensive literature study using public management, marketing and services management papers. Next in a Delphi study (with three rounds of voting), the experts were asked to indicate the importance of these characteristics. This resulted in a list of 23 characteristics. The results showed for example that the experts agreed on characteristics related to the scope of the service guarantee. The guarantee should be relevant for customers, specific and easy to understand for both customers and employees. This part of the research on the content of public service guarantees contributes to service guarantee literature by offering the basis for guidelines for designing a public service guarantee. However, there was a low consensus among the experts concerning offering compensation in case of a failure. There were experts for whom compensating customers was very important, but the majority perceived this as a non-desirable public service guarantee characteristic. Since it is the customers that determine the effectiveness of service guarantee compensation, I subsequently studied the effects of different types of compensation on customers' evaluations.

After a service failure, customers expect a recovery strategy that restores perceived justice (Basso and Pizzutti, 2016) and places a reasonable value on their inconvenience and loss (McQuilken et al., 2013; Yim et al., 2003). Service recovery attempts to make up for this and aims to return the customer to a state of satisfaction (Mattila, 2001; Sparks and McColl-Kennedy, 2001). Therefore, compensation and a payout process are standard design elements of a private service guarantee (Hart, 1988; Hogreve and Gremler, 2009). Service recovery research in private settings shows that compensating customers monetarily leads to an increased perceived distributive justice and post-recovery satisfaction (e.g. Grewal et al., 2008; Schoefer and Ennew, 2005; Wirtz and Mattila, 2004). As monetary compensation is defined as a financial value customers receive in order to (partly) balance the perceived economic and/or social loss due to a service failure. Several types of monetary compensation are possible; like refunds, discounts, gift vouchers and free goods and services (see for example Chu et al., 1998; Roschk and Gelbrich, 2014). However, in public settings offering compensation is not a common practice. The discord in opinions among the experts (Chapter 2) is also present in the anecdotal public management literature on service guarantees. One stream of publications states that compensation should form an integral part of a public service guarantee (e.g. Kim, 2009; Madell, 2005; Torres, 2005) whereas others do not

mention compensation as a design element or even claim that compensation is not desirable (e.g. Barron and Scott, 1992). This discord and difference with the private sector could be caused by the opinion of public managers that collective resources like tax money should be spent on collective means, and not on offering individual customers compensation.

Ultimately, it is the customer experiencing and evaluating service guarantee compensation that determines the effectiveness of it. If a service guarantee should actually contribute to an increased customer satisfaction (focus of this dissertation; see section 1.3.) what should then be the compensation that is promised and offered? This results in the second research question.

RQ2 Does promising and offering a monetary service guarantee compensation in a public setting lead to increased customers' evaluations?

In order to investigate the influence of compensation, the discriminatory effects of explicitly promising and offering a monetary compensation on customers' evaluations were researched in similar public and private settings. By studying the effects of monetary compensation, Chapters 3 and 4 contribute to the application of justice theory (Adams, 1965) and signalling theory (Spence, 1974) in service recovery settings. The results of the experiments are in line with earlier research applying justice theory (e.g. Blodgett *et al.*, 1997; Schoefer and Ennew, 2005) and signalling theory (e.g. Ostrom and Iacobucci, 1998) in private service settings. The effects of monetary compensation on customers' evaluations have not been researched in public settings (Van de Walle, 2016). The contribution of the research in Chapters 3 and 4 to justice theory and signalling theory is that it has broadened the scope of the effects of promising and offering compensation from the private to the public sector. It shows that justice theory and signalling theory in service recovery settings are as applicable in public as in private settings.

Chapter 3: Compensating customers for poor service delivery – Experimental research in public and private settings
In two experiments (Dutch students N = 157; US-citizens N = 937) the effects of monetary compensation compared with no compensation on distributive justice, procedural justice, negative emotions and post-recovery satisfaction were researched. Vignette studies were used in order to determine the discriminatory effects of explicitly promising and offering

compensation in public and private settings. Results of both experiments showed that explicitly promising to compensate had no positive/negative effects on customers in service recovery settings. However, the actual offering of compensation led to positive effects on all dependent variables. In cases where compensation was explicitly promised but not offered (double deviation), customers' evaluations were extremely negative. Interestingly, given the potential differences between public and private sectors, these results did not differ between the researched public and private settings.

Although the main goal of Chapter 4 was to investigate the effects of prosocial compensation (see section below), in all three experiments for this chapter also the effects of a monetary compensation were researched. Vignette studies were used in order to determine the discriminatory effects on customers' evaluations of explicitly promising and offering monetary compensation compared with no compensation in similar public and private settings. In the first experiment (US-citizens N=603), the signalling effects of explicitly promising a monetary compensation in a service guarantee were investigated compared with not promising any compensation. The scenario was that the participants were potential customers visiting the website of an organisation. Results showed that promising a monetary compensation had more positive effects on corporate image, perceived credibility and WOM-intent than not promising a compensation; on CSR-image the results were similar. Two additional experiments (Dutch students N = 148; US-citizens N = 596) investigated the justice effects on customers in a service recovery situation. Results confirmed those of Chapter 3, offering monetary compensation after a service guarantee violation leads both in public and private settings to improved levels of distributive justice, procedural justice and post-recovery satisfaction compared with neither promising nor offering compensation.

A potentially interesting type of public service guarantee compensation is 'prosocial compensation'. Prosocial compensation is the organisational practice of donating money to charitable causes on behalf of individual customers as a means to compensate them for their loss after a service failure. Offering the compensation to a collective goal like a charitable cause could be congruent with the collectivistic and not-for-profit image of public services. Organisations using prosocial compensation combine the use of service guarantees with corporate social responsibility (CSR) through two types of prosocial compensation: a fixed cause predetermined by the organisation or a charitable cause chosen by the customer. The third research question is:

RQ3 What are the signalling and perceived justice effects of prosocial compensation?

Chapter 4: Prosocial compensation after a service failure: Fulfilling organisations' ethical and philanthropic responsibilities

In three experiments the effects of the two types of prosocial compensation were researched. The first experiment (US-citizens N = 603) focussed on the signalling effects (Connelly *et al.,* 2011; Spence, 1974) on potential customers. Results show that explicitly promising to offer prosocial compensation in case a service guarantee is violated, leads to a more positive corporate image, perceived credibility, word-of-mouth (WOM)-intent and CSR-image than not promising any compensation. When prosocial compensation and a monetary compensation are compared, the effects on these dependent variables are similar. However, offering prosocial compensation leads to a more positive CSR-image than a monetary compensation. In two additional experiments (Dutch students N = 148; US-citizens N = 596) the effects of prosocial compensation, no compensation and a monetary compensation on distributive justice, procedural justice and post-recovery satisfaction in similar public and private settings were researched. Results showed that offering prosocial compensation led to more positive evaluations of distributive justice, procedural justice and post-recovery satisfaction than neither promising nor offering compensation. However, offering monetary compensation was even more effective in restoring justice and satisfaction than offering prosocial compensation. The equity of receiving monetary compensation was larger than that from the warm-glow of giving to a charity. Despite the differences in customer-supplier relationships between public and private settings there were no differences in effects between both sectors researched.

This part of the research contributes to the application of signalling theory in a public and private service guarantee context. Experiment 1 shows that prosocial compensation is as effective as a traditional monetary compensation in signalling quality and even more effective concerning CSR-image. Further, this study is the first to use signalling theory in public service recovery settings and connects CSR-literature with service guarantee research. The experiments 2A and 2B contribute to the application of justice theory (Adams, 1965) in service recovery settings by showing the impact of prosocial compensation as a tool to restore perceived justice both in public and private settings. It is the first study investigating the

justice effects of prosocial compensation. It broadens the spectrum of the service recovery tools that organisations can use to restore perceived justice after a service failure.

1.5. Implementing a public service guarantee

The implementation of a service guarantee consists of all the organisational actions necessary to design the service guarantee, make it work and integrate it into routine practices. I have chosen to research this subject because of two reasons. The *first* is that to make sure a service guarantee contributes to improving the customer centeredness of the organisation and satisfaction of its customers it is important to address the right organisational enablers (McColl and Mattsson, 2011)[4]. Enablers can be defined as elements of processes, structures or states that are necessary antecedents to an effective implementation of a service guarantee (Kashyap, 2001). Similar to private settings (e.g. Sarel and Marmorstein, 2001), there is evidence that service guarantee implementation in public settings can fail (e.g. Cheung, 2005; Ohemeng, 2010) because the important enablers have not been sufficiently addressed. Several cases are described where implementation projects failed leading to serious criticisms by employees and middle management (Farrell, 1999), resistance to the necessary change (Ohemeng, 2010) and the perception that the service guarantee is a disciplinary device and management criticism on employees' performance (Wehmeyer *et al.*, 1996). Eventually this could lead to the inconsequential use of a service guarantee in daily practice (Sarel and Marmorstein, 2001). Marketing and services management literature offers many anecdotal papers and several implementation cases (e.g. Evens *et al.*, 1996; Raffio, 1992) mentioning enablers. McColl and Mattsson (2011) have presented an overview of common mistakes in implementing a service guarantee but a structured study on the enablers is missing in private setting service guarantee research[5].

The *second* reason is that there are no models/frameworks that support public managers on this issue. Public management research has spent no attention on this subject and marketing and services management studies cannot be used without specific research in public settings. Research on other subjects than service guarantee implementation like performance management (Hvidman and Calmar Andersen, 2013) and decision-making practices (Nutt, 2006) in which public and private organisations were compared showed that private

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[4] Also external political, cultural and contextual developments, such as the public reform agenda can influence the implementation of public service guarantees. These external factors are not in the scope of this part of the research.

[5] In section 7.5. this overview of McColl and Mattsson (2011) is compared with the results of this research

management is not similar to public management. This could be caused by two 'variables of publicness' (e.g. Boyne, 2002; Bozeman, 1987): funding and control. Differences in funding and control between public and private organisations could lead to differences in the implementation of a service guarantee. Public organisations are often in monopolistic situations and are (partly) *funded* by political sponsors through taxpayers' money. The organisational continuity and revenues do not depend on market mechanisms like customers' preferences and customer loyalty. This could lead to public organisations being less responsive to the preferences of their customers (Boyne, 2002) and being less motivated to change towards a customer-centered organisation and to work in conformance with the content of a service guarantee. This could affect the implementation of a public service guarantee. Note that there is a tendency towards a more market and customer-centeredness of public organisations (e.g. Aberbach and Christensen, 2005). Finally, in public organisations it is the politicians and not the company owners who are ultimately in *control*. In public organisations it is the politicians and political parties, in conjunction with public managers and professionals that influence the implementation of a public service guarantee. Political forces could have an impact on the choices being made during the implementation. Because of these differences between public and private settings I argue that conclusions on the implementation from marketing and services management research cannot be transferred to the public sector without further proper research. Research questions 4 is:

RQ4 What are the enablers for effectively implementing a public service guarantee by a single organisation?

Chapter 5: An implementation framework for public service guarantees: results of a concept mapping study

To answer RQ4, I developed a framework depicting the most important enablers for a service guarantee implementation within a single public organisation. A concept mapping study with an integrated Delphi study was conducted involving 45 public service guarantee experts. This design was used in order to bundle the collective know how of a broad group of experienced professionals. Based on an extensive literature study of public management, marketing and services management papers, a list with potential enablers was made. In the second step the Delphi technique was used. Experts voted in three rounds on these enablers that eventually resulted in a list with the most important enablers. In the next step these experts individually determined the relative importance of the enablers and clustered them. Next, using

multivariate scaling analysis a concept map was made. This PSGI-Framework is a graphical representation of the clusters, sub clusters and enablers with their importance indicated. It consists of three clusters of enablers ('Leadership', 'Empowerment of employees' and 'Continuous improvement') that again consist of ten sub clusters with a total of 44 enablers. It shows that for example management commitment, alignment of the service guarantee with the strategy, active involvement of employees and customers and continuous improvement are essential for an effective implementation. This framework could help public organisations when implementing a service guarantee. It is the first in public management literature giving an overview of the enablers.

It is important to note that networks of organisations are increasingly delivering public services. There is a move away from fragmentation and vertical structures to service delivery networks (Tax *et al.*, 2013) in which two or more organisations are directly involved in delivering a service to a customer. This leads to an increased importance of cross-organisational coordination and horizontal collaboration (Halligan, 2007). Customers interact during their journeys, from a customers' need until fulfilling this need, through several touch points (Lemon and Verhoef, 2016) often delivered by a sequence of several organisations. From a customer-centric perspective, and to deliver outstanding experiences to customers, in these network situations it makes sense to offer one service guarantee for the whole journey. However, networks could face additional challenges compared with single organisations when implementing such a service guarantee. Examples are organisational differences in leadership, objectives and culture, and the need to collaborate. Therefore other enablers than specified in the PSGI-Framework for a single organisation (Chapter 5) might play a role in implementing a public service guarantee by a service delivery network. The fifth research question is:

> *RQ5 What are the enablers for effectively implementing a public service guarantee by a service delivery network?*

Chapter 6: Implementing a service guarantee for an integrated regional stroke service: An exploratory case study
The enablers for effectively implementing a public service guarantee were researched in a service delivery network consisting of five healthcare organisations in the South of The Netherlands. This network had implemented one common service guarantee for the customer journey for stroke patients. Service delivery networks using one service guarantee are very

rare, therefore the explorative study design of a single case study (cf. Yin, 2009) was used. A second reason to use this design was to research one implementation and its project organisation in depth, as an addition to the expert study presented in Chapter 5. The study design consisted of document research and in-depth interviews with the managers from the organisations involved. Interview transcripts were analysed using Glaser's Grounded Theory approach of substantive coding consisting of open and selective coding in order to develop a framework of these enablers. With an analysis team of three persons (including myself) a tabula rasa approach was used for the coding process. This led to the Network Framework consisting of seven clusters of enablers containing 27 enablers. Three clusters show similarities with those of Chapter 5, two additional clusters focus on project management specific enablers and two clusters on network specific enablers. These last two network specific clusters might have a large impact on the effectiveness of the consistent implementation among the whole network. The Network Framework can help networks aiming to use a service guarantee when planning and realising the implementation. This part of my research contributes to public and private service guarantee literature and to implementation science in healthcare (e.g. Damschroeder *et al.*, 2009; Moullin *et al.*, 2015). Implementation research on integrated care services (Wensing *et al.*, 2006) is often focussed on medical innovations in specific pathways like asthma, cancer and heart failure (Greenhalgh *et al.*, 2004) in order to improve medical outcomes. This research expands implementation science by focussing on a quality management innovation in an integrated care setting in order to improve patient satisfaction.