

Integrating Service Failure and Recovery into Knowledge Management

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Abstract

Service failure and recovery is a well-established area of services research. Research has shown that service recovery is critically important from a managerial perspective in terms of maintaining customer relationships. Yet few firms excel at handling service failures. There is a growing number of managers who claim that customers tend to be dissatisfied with their service recovery effort. Their employees cannot improve service processes when they experience recovery situations and their companies still does not learn from service failure. Michel et al (2007) attribute the service recovery ineffectiveness to the competing interests for managing employees, customers and processes. We agree with their contention that to address these criticisms, complaint management must first acknowledge and then find new approaches to achieve consistency and to correct the misalignment of interests that can exist between the actions of the organisation and the needs of its customers and employees. We believe that search in the customer knowledge management literature represent one effective means to enhance a firm ability to implement a cohesive service recovery strategy.

Key words: *complaint management, customer knowledge management, service-dominant logic*

Problem and context

The academic research on market information use (e.g., Menon and Varadarajan 1992; Moorman 1995), market orientation (e.g., Kohli and Jaworski 1990; Narver and Slater 1990), and organizational learning (e.g., Sinkula 1994; Slater and Narver 1995) have highlighted the role of organizational information processes (e.g., information acquisition, dissemination, and use) in shaping businesses response to their market environment. However, the marketing literature remains rather silent on the organization-wide learning about specific customers (Cambell 2003). An understanding from this perspective would increase the firm's customer-related responsiveness, specifically in a service failure context.

By building on the idea that organisations need to treat their competitive environment, including competitors, suppliers and customers, as a stock of resources from which they can identify, absorb and assimilate new knowledge, we will emphasise on how organisations differ in their way to effectively derive knowledge from service failure. Because of the lack of knowledge about KM practices, organisations fail to see the richness of support for KM initiatives. To put it more

positively, there is a wealth of knowledge about KM available in many businesses that can vastly enrich KM practices of today's business enterprises. Complaint management is one of these.

The service-dominant logic (Madhavaram & Hunt, 2008) implies that (1) marketing strategy should be placed at the core of the firm's strategic planning and (2) intangible, dynamic, operant resources are at the heart of competitive advantage and performance. The application of service recovery is a far more reachable issue than previously thought. There are organizational mechanisms that may encourage or hinder complaint management. Some organizations are competent in complaint management when they are endowed with Knowledge competences in complaint management. Other organizations are found to be less competent in managing complaint because of the existence of defensive organizational behaviours impeding firm's customer-related responsiveness in a service failure context.

In fact, little in the literature addresses how to implement an effective complaint management. Homburg and Furst research (2005) presents a first step towards studying the design of complaint-response processes. They use a combination of two complementary methods: The mechanistic approach, based on established guidelines, and the organic approach based on creating a favourable internal environment.

Research on service recovery to date has focused on customer complaint behaviour and customers' recovery expectations and satisfaction thus typically adopting a consumer behaviour perspective.

The few studies adopting a corporate perspective have focused on the normative managerial model dealing with the best practices of complaint management (Hart et al 1990, Johnston and Mehra 2002) and service companies' recovery strategies without consideration of the flow of knowledge between parties involved in the complaint management process. Complaint management process reveals strong knowledge intensity, and involves a two-way flow of feedback: an external feedback from complainant to organisation and an internal or intra-organisational feedback. These characteristics underline the importance of a high degree of knowledge in the design and implementation of an effective service recovery. The role of knowledge management in complaint management has not been explored, and neither has been the effect of knowledge management in complaint management on the customer's evaluations.

Given that the value of knowledge management has well-recognized benefits and that service recovery is

vital to restore customers' faith and boost their satisfaction levels to new highs, this lack of research on customer Knowledge management in service recovery represents a major gap in the marketing literature.

The purpose of this research is to bridge the gap in the literature by investigating knowledge management in service recovery and its effect on customer evaluations. Specifically, by integrating prior work on customer knowledge management and service recovery, we attempt to develop a new construct: complaint-related knowledge competence (capability). We tend to provide insight into the aspects of this concept. In this context, we will benefit from research on operant resources belonging to different research silos, not unique to marketing literature (market orientation, customer response capability, marketing planning capability) but also business strategy literature (absorptive capacity, internal market orientation, technological competence) to know with what kinds of operant resource firms will be able to implement a cohesive service recovery strategy. Michel et al (2007) attribute the shortage service recovery effectiveness to the competing interests for managing employees, customers and processes. We argue that to address these criticisms, complaint management must first acknowledge and then find new approaches to achieve consistency and to correct the misalignment of interests that can exist between the actions of the organisation and the needs of its customers and employees.

Research has shown that service recovery is critically important from a managerial perspective in terms of maintaining customer relationships. Yet few firms excel at handling service failures. There is a growing number of managers who claim that customers tend to be dissatisfied with their service recovery effort. Their employees cannot improve service processes when they experience recovery situations and their companies still does not learn from service failure. We believe that search in the customer knowledge management literature represent one effective means to enhance a firm ability to implement successful service recovery management.

Further, we propose a theoretical framework linking this construct to customer perceived justice and satisfaction, and empirically test our proposed theory. By establishing the relevance of customer knowledge management in service recovery, we hope to integrate the two important streams in the marketing literature and open a new field for future academic inquiry.

Although specific aspects of information flows about consumer complaint have been previously mentioned in the literature (Gilly et al 1991), to the best of our knowledge, there is no study which systematically addresses this phenomenon. Gilly et al (1991, pg 299) stress that "The failure to research

this problem more fully may be due in part to the difficulty in gaining access to all relevant actors within the organisation" and underline the need for examining how organisations deal with customer complaints internally so that the concept of complaint management can be better understood.

Using the knowledge concept to support the development of customer complaint management provides a better understanding of how companies manage customer knowledge in service recovery and explores how they acquire data in service failure and how they process it in order to generate and deploy customer knowledge. It thus believed to increase our understanding of the capabilities of firms to learn about and from their dissatisfied customers.

Research questions

To date although acknowledging the need to favour skills and capabilities for handling complaints, little in the complaint management literature defines or empirically identifies the nature or the scope of the competence necessary to implement effective complaint management. Specifically, more research that aims at developing knowledge management competencies for customer annoyed experience and that address these issues is needed:

- How do firms develop capabilities to manage complaint customers?
- How do an organisation's perceptions and beliefs about complaint influence an organisation's acquisition, transmission and use of complaint? How do firms let go of their complaint burnout and control mindset to develop customer knowledge-based service recovery? What are the barriers?
- What are the organisation's competences for creating customer knowledge-based service recovery and how are they developed? In what market contexts are some competences more or less relevant than others?

Research perspectives

The design and implementation of service recovery management strategy is affected by many factors that can be classified in complaint management process (Hermel 2006, Gilly, William and Laura 1991, Mitchell 1993, and Tax and Brown 1998), complaint management human resources (Bowen and Johnston 1999, Netemeyer et al 2007, Ashill et al 2005, Yava et al 2003, Homburg and Furst 2005, Homburg and Furst 2007) and complaint management culture (Homburg and Furst 2005, Homburg and Furst 2007). Investigation from these perspectives will be useful to develop a new concept referred "Complaint Management Knowledge competence" as interconnected combinations of Knowledge complaint management processes, human resources complaint management knowledge, and cultural complaint management knowledge that fit together coherently in a synergistic manner to

enable firms to be able to implement a cohesive service recovery strategy that aligns the competing interests for managing employees, customers and processes.

Research Methodology

A focus on the organizational processes warrants the use of the case study method which attempts to answer “how” and “why” questions (Yin 2003). This is particularly recommended when complex fields are approached, theoretical developments are weak, and context is not easily dissociated from the reality under investigation (Evrard, Pras, Roux, 2003).

According to Yin (2003, p. 2) "the distinctive need for case studies arises out of the desire to understand complex social phenomena" because "the case study method allows investigators to retain the holistic and meaningful characteristics of real-life events" such as organizational and managerial processes.

Preliminary finding

Spending three month at a bank that has been recently implanted in Tunis and immersed in the routines practice of complaint management, we have ever been part of the various task processes. On the basis of observations, interviews with employees and of internal documents, and referring to Hermel (2006), Gilly, William and Laura (1991), Mitchell (1993), and Tax and Brown (1998) researches, complaint management in this case reveals a process of five stages: (1) reception of complaints, (2) analysis, selection and classification of complaints, (3) formulation of replies to complaints, (4) tracking of complaint information and trend analysis (see fig1).

Then strengths and weaknesses of such process are underlined. The former consist in top management commitment to daily complaint tracking which result in proper complaint handling, account information sharing, and appropriate decision making. The weaknesses lie in the variability of the feedback, in the measures taken by the different bank services, in the neglect of oral complaints in comparison to the written ones, and in the lack of motivation of front line employees.

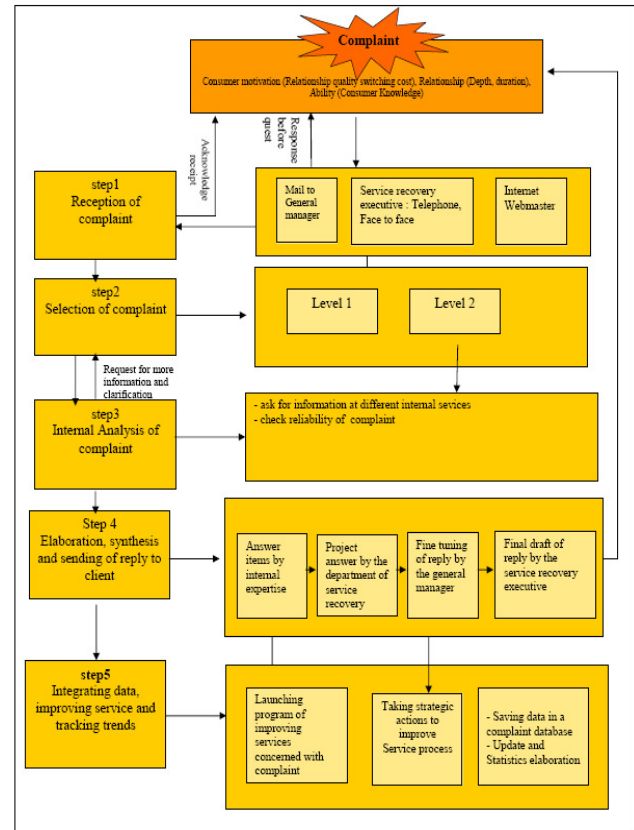


Fig1. Service recovery process

Future research agenda

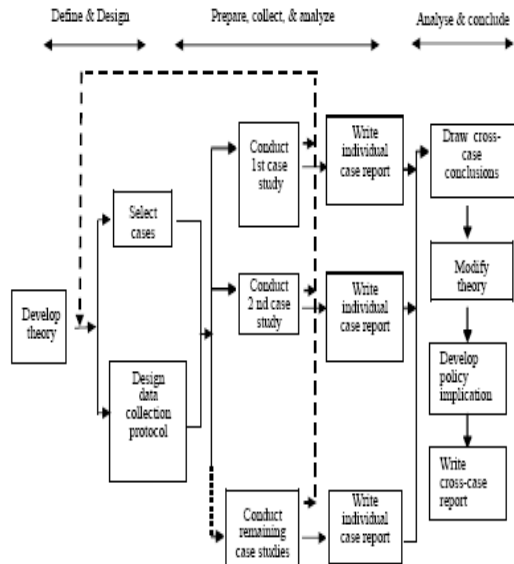
To understand the integration of critical success factors (inhibitor and enabler factors) in complaint management, which have been identified, into knowledge management approach one needs, of course, to conduct further in-depth case studies.

One could also contemplate making some comparisons with the practices of Western companies to underline the differences that exist in practices. It would appear that in terms of Western management complaint there exists exception in transition economies. The majority of the current service recovery literature analyzes process design through western perspectives, particularly in German (Homburg and Fürst 2005, 2007). Yet, countries in transition to a market economy exhibit a growing focus on customer needs in service delivery. Therefore, these countries should be of particular interest to service recovery researchers.

Using the multiple case study approach provided in the figure 2, we will be able to conduct analyses of different patterns and ways of complaint management and to illustrate, compare, analyse and discuss models, perspectives, and approaches that can be helpful to assimilating what differing aspects of the complaint management processes in the non-Western cultures, such as the Oriental cultures and

Western cultures influence consumer perceptions of services recovery.

This is deemed helpful to develop new hypotheses and to build theories on how companies can efficiently and successfully manage complaint and thus contribute to develop constructs that facilitate future hypothesis testing about service provider's ability to succeed in recovering dissatisfied customers.



Source: Robert K. Yin, *Case Study Research: Design & Methods*, Third Edition, Sage publications, 2003.

Fig2. Case study approach

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