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Service Recovery Policy, Empowerment or both?

A study of the interrelation between
service recovery policy and empowerment
within service organizations

Master's thesis within Business Administration

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Abstract

Background: Today's economy is getting more service oriented and we live in a service society. The service sector has experienced a great development, which has implied and implies greater competition. The customers have a wider range of services to choose among and as a service provider, it is all about providing a superior service. However, being a service provider can sometimes imply a hard undertaking. Sometimes the service provider does not accomplish to provide the service perfectly. These situations are more known as service failures. Service recoveries are often used to recover service failures, which can e.g. imply an apology or offering the customer something extra at no cost.

To be able to act correctly in a service recovery situation, a company can e.g. have a service recovery policy for how to act in service failure situations. A company can also choose to empower the front-line employees who interact frequently with the customers.

Purpose: The purpose of the thesis is to determine the interrelation between service recovery policy and empowerment.

Method: The research method chosen in this thesis is qualitative and the information is collected by using semi-formal in-depth interviews as well as verbal protocols. One middle manager and one front-line employee representing three different service companies is participating in the thesis. The three companies operate in three different industries within the service sector.

Conclusions: There is somewhat an interrelation between service recovery policy and the degree of empowerment. A non-specific service recovery policy seems to demand a high degree of empowerment while a specific policy does not seem to require a high degree of empowerment. According to the findings of this thesis, a company can also have a semi-formal policy and a medium degree of empowerment. This means that the more formal and specific service recovery policy, the less empowered staff is required.

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1 Introduction

In this chapter we give the reader a background to the service sector as well as the increased importance of it. We also introduce the term service recovery and enlighten the importance of such recoveries. Further, a problem discussion follows regarding service recoveries, which finally results in a purpose.

1.1 Background

According to Grönroos (1990), Chakrapani (1998) as well as Echeverri and Edvardsson (2002), the competition is getting harder and harder within the modern economy and the consumers have a wider range of alternatives to choose among. For many decades there has been a focus on selling and marketing goods. However, today's economy is getting more and more service oriented. This means that the service sector is taking a bigger place in the modern economy and is to a high degree contributing to economic growth within many countries. A study by Echeverri and Edvardsson (2002) show that 80% of the employment in Sweden was connected to the service sector year 2002, compared to only 3% year 1900. The service sector accounted year 1994 for 68% of Sweden's total GDP.

Giarini (1982, in Grönroos, 1990) states that the service economy is not an opposition to the industrial economy but represents an advanced step of the development of the economic history. Thanks to the service sector there has been an increase in wealth and employment and during times of economic recession the service sector has kept the employment up. As consumers we are, according to Gilmore (2003) as well as Baron and Harris (2003), surrounded by services and we get in touch with service providers as well as consume services every day.

However, being a service provider is a hard undertaking in many senses. One reason of this is, according to Echeverri and Edvardsson (2002), the complex and hard-communicated attributes of a service. Baron and Harris (2003) state that it is therefore a requirement of understanding service complexity. Further, Swartz and Iacobucci (2000) claim that one aspect that explains the complexity of a service is the fact that the customer cannot evaluate the service before he or she buys and consumes it. According to Grönroos (1990), being a service provider is all about satisfying the need of the customer. Once the customer has decided on one supplier, the supplier is expected to provide the service perfectly. However, this does not always happen. The moment when the customer interacts with any of the company's employees is known as "the moment of truth". The customer will evaluate all actions the employees are undertaking during this moment. If the service provider fails to deliver the service to the customer during the first moment of truth, a new moment of truth has to be created to repair the failure.

Colgate and Norris (2001) state that when a service failure appears, the customer can choose either to stay or leave the service provider. When the customer chooses to complain, the service provider has the chance to remedy the problem. Further, if the

customer complains, he or she also chooses between staying or leaving, dependent on how well the service provider is handling the service recovery issue. It is, however, impossible to prevent all mistakes:

“While companies may not be able to prevent all problems, they can learn to recover from them. A good recovery can turn angry, frustrated customers into loyal ones. It can, in fact, create more goodwill than if things had gone smoothly in the first place” (Hart, Heskett & Sasser, 1990, p. 148).

The cost of attracting a new customer is five times bigger compared to the cost of retaining a current customer, according to Hart et al. (1990). However, it is impossible to attain a zero defects goal. The reason of this is that many factors connected to service provision are far beyond the control of the company and can be factors such as weather and the customers themselves. However, a successful service recovery can result in positive gains:

“Just as the quality revolution in manufacturing had a profound impact on the competitiveness of companies, the quality revolution in services will create a new set of winners and losers. The winners will be those who lead the way in managing toward zero defections” (Reichheld & Sasser, 1990, p. 111).

When a company fails to provide a service, the dissatisfied customer may provide negative word-of-mouth. Chakrapani (1998) claims that 100 dissatisfied customers cost a company 1600 to 2500 potential customers. Further, when a service failure situation appears, the company must be able to have a service recovery strategy to be able to act correctly and to avoid a high degree of customer defection. The company must be able to break the silence of the customers, which means that the company’s employees have to listen carefully to complaints as well as being responsive. The company also has to react fast and have a well-trained staff being able to handle the complaints.

1.2 Problem discussion

Echeverri and Edvardsson (2002) argue that the front-line employees are the ones who interact directly with the customers. The front-line workers are also the first ones to get to know about a service failure. How well the employee will serve the customer will depend on how skilled and how well motivated he or she is. When a service encounter between the employee and the customer occurs, the company loses control and it is up to the employee to interact with the customer and handling the complaining issue well.

Hart et al. (1990) state that this is why there are big needs of empowering the front-line to give them the authority to act when a service failure appears. Since the front-line employees are the first to know about the problems, it could imply a greater negative experience for the customer if the front-line employee cannot handle the service failure. Knowledge, feedback, support and encouragement from the management

will be necessary in order to get the employees to act correct in a service recovery situation (Grönroos, 1990; Heskett, Jones, Loveman, Sasser, Schlesinger, 1994).

A company can, according to Premfors (1989) as well as de la Mothe and Paquet (2000), choose to have a policy for parts of the business, e.g. a service recovery policy telling the employees how to act in complaint situations. Further, Clampitt (2005) claims that communication is an important part of organizational success. Without a well-working communication between the different levels of the organization, the front-line employees might not be aware of how to act in line with the policy. The front-line employees must know how they are supposed to act in a service recovery situation, and the whole organization must be aware of and understand the company's service recovery strategy (Reichheld & Sasser, 1990).

1.2.1 Purpose

The purpose of this thesis is to determine the interrelation between service recovery policy and empowerment.

1.3 Disposition

Chapter 2: Frame of reference

The theoretical framework gives the reader a theoretical background to the following subjects: service, service recovery, empowerment, communication and policy. Further, this section provides the reader with brief information regarding the theoretical interrelation between service recovery, empowerment and policy.

Chapter 3: Method

In this chapter we aim to give the reader an overview of different scientific approaches. First, we discuss some of the available methods and approaches as well as choosing the most appropriate approach to be able to fulfill the purpose of this thesis. We discuss the implications of the chosen method. In addition, we will discuss terms such as reliability and validity (trustworthiness). We finish this chapter by giving some discussion in regards to the method used in this thesis and how the chosen method may have affected the outcome.

Chapter 4: Empirical Findings

In this chapter we present the empirical findings of this thesis. The chapter is divided according to the different companies, the verbal protocols¹ and the interview² questions.

Chapter 5: Analysis

This chapter consists of the analysis regarding the frame of references and empirical findings. The analysis is divided in the same segments as the chapter of empirical findings. This chapter leads to the conclusions presented in the next chapter.

Chapter 6: Conclusions

In the last chapter, we summarize our concluding remarks regarding the result of this study. We also give some suggestions for further research.

¹ See further section 3.4

² See further section 3.5

2 Frame of reference

The theoretical framework gives the reader a theoretical background to the following subjects: services, service recovery, empowerment, communication and policy. Further, this section provides the reader with brief information regarding the theoretical interrelation between service recovery, empowerment and policy.

2.1 Services

Miles (2001) states that there, since the mid-sixties, has been a larger focus turned to the service sector. At the same time, a new way of marketing arose and for that reason a new field of research was born. Unlike a good or a physical object, services have been difficult to define, and nevertheless as with other markets, there will always be different opinions among different authors. A lot of services also contribute to the economic development. By the very nature of services, they are difficult to define but an overall recognition exists of what a service is. According to Zeithaml and Bitner (2000) the variety of service definitions can explain the confusion or disagreements people can experience when discussing services and service businesses.

According to Grönroos (1982), a service has for the recent decades been defined in varying ways by different researchers. The characteristics of a service have been discussed for a long time and during the 1970s three main characteristics were defined. The first of these characteristics defined by Grönroos (1982) is that services mainly are *immaterial* or *intangible*. Service intangibility implies that the service cannot be seen or touched before the consumption (Kotler, Hayes & Bloom, 2002; Baron & Harris, 2003). However, Swartz and Iacobucci (2000) state that some parts of a service can be prepared before the consumption, but the quality perception of the service can only be perceived during the interaction with the customer. Secondly, Grönroos (1982) defines a service as an *activity* or a *process* rather than a psychological thing, which means that the service is produced and consumed only for as long time as the process continues. Once the process stops, the service stops to exist. The third characteristic is that a service is *consumed and produced at the same time*.

Today, researchers claim that a service has four main characteristics. The first of Grönroos (1982) characteristics is still referred to as *intangibility*. The other three characteristics are *inseparability*, *variability* and *perishability*. Inseparability implies that a service cannot be separated from the people delivering it. Due to the inseparability, the quality of the service can vary a lot, variability. Perishability of a service is, according to Kotler et al. (2002) as well as Baron and Harris (2003), that the service cannot be stored for future use. Perishability can be compared with Grönroos's (1982) third characteristic that the production of the service occurs at the same time as the consumption.

According to Gilmore (2003), a service has been described as an act, a process, and a performance. This is concordant with the definition made by Zeithaml and Bitner (2000), who define services as deeds, processes, and performances. This broad definition implies that services are produced not only by service businesses such as hotels and banks, but also as additional offerings of many companies selling goods. Exam-

ples of such offerings are the warranties and repair services that car manufactures offer for their cars or the deliveries and maintenance services offered by industrial equipment producers. Gilmore (2003) as well as Zeithaml and Bitner (2000) also distinguish between services and customer service. All types of companies, from manufacturing companies to service companies, provide customer service. Customer service is the service that is provided in support of a company's core product. Most of the times, customer services includes taking orders, answering questions, and handling complaints. According to Zeithaml and Bitner (2000), a customer service should not be confused with the services produced for sale by a service company.

Gilmore (2003) also presents a list of different meanings a definition or a concept of a service can have:

1. *Service as an organization* is the entire business that belongs to the service sector such as an insurance company.
2. *Service as a core product* is the commercial outputs of a service organization, e.g. a bank account.
3. *Service as an act* is the way of behaving, such as giving advices.
4. *Service as product support* is any product- or customer-oriented activity that takes place after the time of delivery, such as a repair service.

Further, Gilmore (2003) argues that a service has to be considered from different customers' point of view due to the fact that the components of a service offering can differ a lot depending on the customer. Two customers can pay the same amount for a service but they receive two different aspects of the service.

In addition to the three characteristics mentioned above by Grönroos (1982), the author also states that there are some additional characteristics. E.g. Grönroos (1982) mentions that a service cannot be stored, perishability, is difficult to standardize and that there is no transfer of ownership. A service can also be defined according to its surroundings:

"Services are the objects of transaction offered by firms and institutions, which generally offers services or consider themselves service organizations"
(Grönroos, 1982, p. 19).

In this case, Grönroos (1982) leaves the way of defining a service to the organizations themselves. The majority of the definitions mentioned above overlap with each other. No matter which definition that is chosen to use, it will most likely be a combination of the different characteristics: intangibility, variability, perishability and inseparability.

2.2 Service recovery

"The dissatisfied customer experiences a special type of relation which often has been and is badly handled by the supplier. The way the supplier handles

the service recovery forms the platform for a strengthened or weakened relation” (Gummesson, 1995, in Wallin Andreassen, 1997, p. 3).

Karlöf (1994) states that in order to maintain customers, a company needs to serve the customers well, and make itself well-earned of the customer’s purchase. Craighead, Carwan and Miller (2004) argue further that a service failure does not have to end up in a negative experience for the customer, and by that implies a negative experience for the company. Service recovery refers, according to Grönroos (1982), to the actions an organization takes in response to a service failure. Bitner, Booms, and Tetreault (1980, in Wallin Andreassen, 1997) found that employees’ unwillingness or inability to react to service failures causes the majority of dissatisfactory service actions. It has also been stated that the customers are more dissatisfied by the lack of service recovery than the service failure itself. Further, Keaveney (1995, in Wallin Andreassen, 1997) discovered that the majority of insufficient service provider actions involve an increased risk of customer loss. A service recovery implies that the organization attempts to recover the failure by offering some kind of compensation, e.g. a discount or an apology (Wallin Andreassen 1997; Smith, Bolton & Wagner, 1998). Since a service is produced and consumed at the same time, usually with both the producer and consumer present, Hart et al. (1990) state that failure may and sometimes will occur. The way the producer and/or organization deals with these failures will determine whether the customer will stay or go i.e. a well working service recovery policy is necessary in order to create customer satisfaction and prevent customers switching to another supplier.

Service recovery has, by Wallin Andreassen (1997) as well as by Robbins and Miller (2004), been identified as one of the key ingredients when achieving customer satisfaction, customer loyalty as well as profitability. As a result, developing an effective service recovery policy has become an important focus of many customer retention initiatives. According to Rax and Brown (2000, in Robbins & Miller, 2004), service recovery policies involve actions taken by service providers to respond to service failures. What is done and how it is done affects customers’ perceptions of service recovery.

Service recovery is, according to de Jong and de Ruyter (2004), a crucial element of any service management strategy. Service recovery can, according to Johnston and Hewa (Robbins & Miller, 2004), be defined as following:

“The action of a service provider to mitigate and/or repair the damage to a customer that results from the provider’s failure to deliver service as it is designed” (Robbins & Miller, 2004, p. 467).

In addition, Hart, Heskett and Sasser (1990, in Wallin Andreassen, 1997) state, in an article, the importance of service recovery:

“A good recovery can turn angry, frustrated customers into loyal ones. It can, in fact, create more goodwill than if things had gone smoothly in the first place” (Wallin Andreassen, 1997, p. 18).

Smith et al. (1998) define a service recovery situation as an exchange in which a loss due to the service failure strikes a customer and the organization tries to recover the situation in the shape of an effort in order to make up for the customer's loss. In this case, the customer's evaluation regarding the service recovery depends on the kind of lost/won resources during the benefit. According to Robbins and Miller (1994) some examples of service failures can be slow service, unavailable service or other core service failures e.g., the hotel room is not clean, the restaurant meal is cold or the baggage arrives damaged.

Customers can act differently when experiencing a service failure. Hirschman (1970) defines two possible behaviors: exit and voice, through which the organization becomes aware of the service failure. Exit implies that some customers stop buying the firm's products which result in decreased revenue, a declined number of customers and the organization must search for ways and means to correct the failures that led to the exit. Voice, on the other hand, implies that a firm's customers express their dissatisfaction directly to the front-line employees or the management.

Hart, Heskett and Sasser (1990, in Parasuraman, 1991) state regarding the service failure problem:

"Mistakes are a critical part of every service. Hard as they try, even the best service companies cannot prevent the occasional late flight, burned steak or missed delivery. The fact is, in services, often performed in the customer's presence, errors are inevitable" (Parasuraman, 1991, p. 34).

Parasuraman (1991) argues, on the basis on the definition above, that despite the fact that errors always will happen, it is important to strive to diminish the amount of mistakes. There are very pronounced benefits of constantly improving the services and a well defined service recovery is as powerful as the striving toward error-free services. Despite the importance of service recovery in different contexts, a lot of companies do not recover mistakes made and leave the customer with a negative experience. Those companies that do recover the service failures in an excellent way, reinforce the customer relationship and rebuild customer loyalty.

In almost every case, service recovery is set off by a complaint of a customer. Landon (1980, in Wallin Andreassen, 1997) defines a customer complaint as an expression of dissatisfaction on a customer's behalf to a responsible party. A similar definition is made by Jacoby and Jaccard (1981, Wallin Andreassen, 1997) who define a complaint as an action taken by an individual which involves communicating something negative regarding a product or a service to a company manufacturing or marketing the product or service, or to some third party. These definitions indicate that a complaint like this is related to customer dissatisfaction and involves a communication of something negative. The reason for customer to complain is due to a self interest in order to improve the current situation. The reason for companies, on the other hand, to engage in a service complaint is due to the fact that they want to reinstate fairness in order to avoid negative word-of-mouth or to maintain future revenues from the customer.

A customer can choose between different kinds of complaint behavior. Day and Landon (1976, in Wallin Andreassen, 1997) as well as Gilly and Gelb (1982, in Wallin Andreassen, 1997) all focused on explaining which particular type of complaint behavior a dissatisfied customer might choose. They all give some examples of the most common behaviors like negative word-of-mouth, redress seeking or exit.

In a study of almost 12 000 Swedish households done in the 1980s, Anderson and Sullivan (1990, in Wallin Andreassen, 1997) found that the effect of customer dissatisfaction was bigger than the effect of customer satisfaction on future repurchase intention. Anderson and Sullivan (1990, in Wallin Andreassen, 1997) suggest that service recoveries that deal with customers' negative experiences will have a positive impact on future repurchase intention by increasing customer satisfaction. Zeithaml, Berry and Parasuraman (1996, in Wallin Andreassen, 1997) also discovered in a study of four companies that the customers who experienced recent service problems and received satisfactory recovery have significantly more positive behavioral intentions than those with unresolved problems. Zeithaml et al. (1996, in Wallin Andreassen, 1997) suggested that a strong support for service recovery have a positive impact on future repurchase intention.

Parasuraman (1991) states that a company can benefit more from a strong service recovery than from a problem-free selling. A customer may pay more attention toward a company that succeed in recovering when something goes wrong, compared to when nothing goes wrong. A service recovery situation implies a great opportunity for communicating with the customers and increasing their loyalty.

According to a study done by Smith et al. (1998), service organizations are facing a larger pressure from the customers than before. If a failure occurs, it is the organization's responsibility to either recover the failure and by that obtain the customer's satisfaction, or ignore the failure and drive the customer to a competing firm. A way to ensure customer service is to implement that managers and front-line employees have the same strategy regarding how to react and respond to service failures, e.g. by a policy.

De Jong and de Ruyter (2004) claim that since customers' reactions on service recovery commonly involve front-line employees, a lot of organizations consider empowering the staff in order to notice a service failure and conduct the appropriate recovery. Organizations all over the world are now implementing self-managing teams (SMT) around the front-line workers in order to respond to this demand. These SMTs are based on the fact that the employees share the organization's policy and are able to adapt to different circumstances. Boshoff and Leong (1998, in de Jong and de Ruyter, 2004) as well as Hartline and Ferrell (1996, in de Jong and de Ruyter, 2004) state that the employees' ability to adapt to the specific problem situation regarding service recovery is particularly important. Some researchers also argue that the front-line employees need to be proactive and able to understand the need of the customer and find, as well as correct possible service failures.

2.3 Empowerment

Empowerment has, according to Daft (2001), become a common word and there has been a great focus toward empowering the employees during the last decade. Empowerment implies giving up central control that will encourage speed, flexibility and determination. He states:

“The trend is clearly toward moving power out of the executive suite and into the hands of the employees” (Daft, 2001, p. 502).

In addition, DuBrin (2004) claims that empowerment is about passing decision-making authority and responsibility from managers to other organizational members.

One reason for the increased importance of empowerment, as stated by Conger and Kanungo (1988), is the fact that it is considered to increase the effectiveness of the management and the organization. Another reason is that organizational power is growing as the managerial power is delegated among the members of the organization. A third reason is that studies of team work suggest that empowerment affect team building and maintenance in a positive direction.

According to Parasuraman (1991), the employees' attitudes and behaviors affect the company's reputation, in a positive or a negative way. Further, Conger and Kanungo (1988) state that empowerment is one of the most important parts of a customer-oriented organization focuses on decentralizing and give the employees more responsibility to make their own decisions. The phenomenon derives from a broad base of participative management and job enrichment. During the 1980s, the definition of empowerment focused on the managements' delegating of decision-making authority. Today, there is a focus on the psychological definition of empowerment at the workplace. According to Spreitzer, De Janasz & Quinn, (1999), empowerment can increase the innovativeness among the employees. Since innovation involves creating new ideas, products, services or processes, empowerment can be a key factor for business success.

Tomas and Velthouse (1990, in Spreitzer et al. 1999) define empowerment as motivation based on four cognitions reflecting an individual's orientation to his or her work role: meaning, competence, self-determination and impact. *Meaning* involves an individual's beliefs, behavior and values, and the interaction with the individual's required work role. *Competence* is the individual's possibility to conduct the work tasks with skill. *Self-determination* is about deciding what actions to make regarding different work activities and *impact* deals with the degree to which an individual can affect strategic, operative and administrative outcomes at work. Together these four cognitions reflect a way of the individual's wishes to shape his or her own work role and without any of these dimensions, the feeling of empowerment would disappear, Spreitzer (1995) state in his earlier study.

According to Bandura (1989, in Spreitzer, 1995), empowerment can be defined as following:

“Empowerment reflects the ongoing ebb and flow of peoples’ perception of themselves in relation to their work environments” (Spreitzer, 1995 p. 3).

Spreitzer (1995) continues by arguing that it is to which extent people are empowered rather than being empowered or not. The author also states that empowerment is not a global generalizable construct, but needs to be adapted after each and every organization.

Daft (2001) argues that organizations nowadays are trying to find ways of increasing the effectiveness, competitive advantage and innovation through different levels of empowerment. To be able to use empowerment as a key tool within the organization, some steps must be taken. First of all, the organization must separate the different processes that are occurring within the company, and analyze them. According to Houtzagers (1999), every organization has its own share of experience, knowledge and competence. An organization that prefers empowerment wants employees who are self-confident and have power of initiative. Spreitzer et al. (1999) claim that empowered employees do not wait for orders to act. Instead, they act proactive to shape and influence their work environment.

According to Duvall (1999), the definition of empowerment is commonly misunderstood. A lot of organizations tend to use the phenomena as a part of their strategy, but they have not made sure how and if the issue has been implemented. According to Childress and Senn (1995, in Duvall, 1999), the members of the organization are the resource for success. These members affect the organization’s different assets, inside as well as outside the organization. To which degree an organization allows its employees to use individual control is dependent on the organizational structure.

Success of empowerment can, according to Duvall (1999), be defined as:

1. *Individual success* is the degree to which the individual perform, within the organizational borders, and creates favorable results for the individual as well as the organization;
2. *Organizational success* is the degree to which the members of an organization carry out the common organizational goals and values; and
3. As *organizational members* share a common positive work experience which reward both social and personal needs.

2.3.1 Elements of empowerment

Daft (2001) argues that in order to be able to empower employees, four different elements have to be given to them. Those elements will give the employees space to act more independently in accomplishing their jobs: *information, knowledge, power* and *rewards*.

1. *Information*: employees must receive information about the performance of the company. In organizations where the employees are fully empowered, no information about the company is held secret.

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2. *Knowledge*: employees must have knowledge and skills to be able to contribute to the goals of the company. Companies empowering their employees will give the employees the knowledge and skills they need to be able to contribute to the firm's performance.
 3. *Power*: employees must have the power to be able to make substantial decisions. Many of the most competitive organizations today are giving their staff the power to influence, e.g. work procedures and organizational direction.
 4. *Rewarding*: the employees will be rewarded on the basis of the company's performance. The employees can be rewarded by e.g. profit sharing or employee stock ownership plans.

2.3.2 Advantages of empowerment

The reason why many organizations choose to empower their employees is because of the many advantages connected to empowerment. However, Daft (2001) argues that certain organizations choose to empower the employees because other companies are doing so; companies seem to imitate. Empowerment is, however, strategically crucial regarding product and service improvements. Empowerment also creates a learning organization with superior performance ability. Empowerment is, according to Daft (2001) as well as DuBrin (2004), vital for a learning organization since it gives the employees space for experiment and own decisions. Further, empowerment increases the creativity of the employees since they are given independence to act on their knowledge and understanding.

Daft (2001) claims that since today's world implies great competition, an empowered labor force is a vital component to success. Empowerment enlarges the power within the whole organization. A manager who is willing to give away influence will receive commitment and creativity in return. It is common that front-line employees have a better understanding of how the work process can be improved to be able to get the customer more satisfied as well as solving a production problem than the manager has.

Daft (2001) continues by arguing that the biggest barrier to empowerment is the fact that managers do not want to lose control and power. Both Daft (2001) and DuBrin (2004) claim, as written above, that empowerment is not connected to any loss of power, instead the organization is gaining power by empowering the work force. Further, the delegation will be easier, according to Daft (2001). A clear advantage of empowerment is that it will increase the motivation of the employees. Most employees enter the organization with the purpose of good performance. Empowerment will realize this purpose by releasing the already existing motivation.

2.3.3 Empowerment applications

Today, there is a large amount of organizations choosing to empower their employees by implementing empowerment programs. However, different organizations choose to empower their employees to different degrees. Below, a continuum of empowerment, defined by Daft (2001) is illustrated. At the lowest level, the employee

has no discretion, which could be exemplified by an employee at the assembly line. At the highest level, the employee is given decision-making authority and can control how they perform their jobs. Those employees are further often able to affect organizational goals, structure, as well as reward systems.

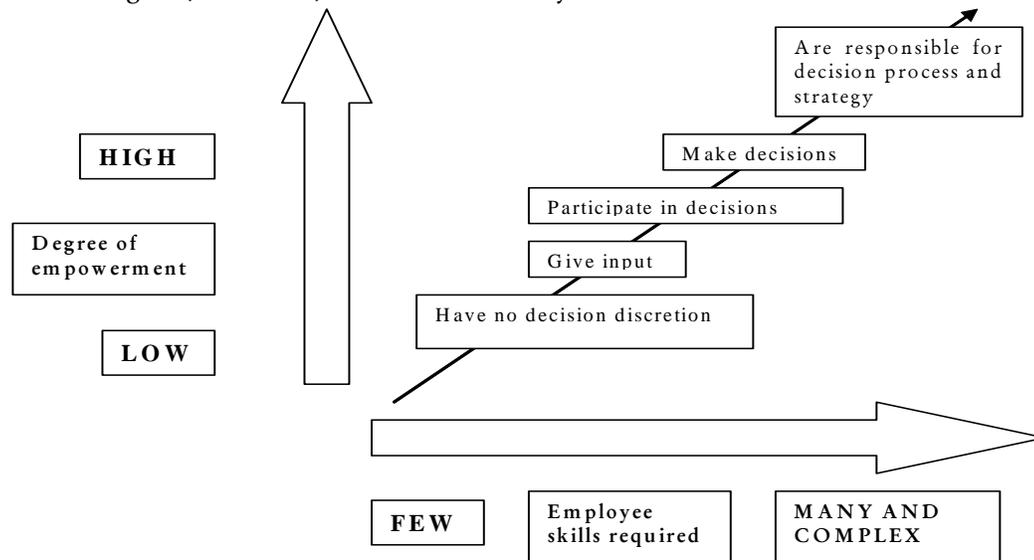


Figure 1 The Empowerment Continuum (Daft, 2001, p. 505).

2.4 Communication

In order to become successful while empowering the employees, it is important to have a well working communication within the organization. This is, according to Fisher (2000) as well as Chase (1998), important due to the fact that lack of communication implies that an organizations' policy is not of all employees' awareness. Also Clappitt (2005) discusses the significance of well working communication within a business:

"The communication that takes place in an organization is an important influence in the success of that organization" (Clappitt, 2005, p. vii).

According to May and Mumby (2005), communication activities generate shared knowledge as people talk their way to a common view. It also sets the stage for acting as a unit on the outside world, while it simultaneously strengthens the relationships of authority, trust and identity. Länsisalmi (2004) as well as Bang (1994) state that communication has, by a lot of researchers, been claimed to play an important role in different areas. E.g., internal communication has been claimed to determine product innovation. Further, internal communication, like close contact between the employees and different work units in organizations, may contribute to success in problem-solving, experimentation and implementation. Increased communication also promotes continuous feed-back.

According to Evans (1990) communication theorists emphasize the importance of the two-way nature of communication. The success of this dialogue is very much de-

pendent on the sender receiving feedback. The sender need continual prove that the communication he or she delivered is received and understood.

Communication [...] of organizational members contributes to the ongoing process of organizing and constituting social reality (Mumby & Clair, 1997, in May & Mumby, 2005, p. 45-46).

According to Fisher (2000), communication sometimes is connected to misunderstandings. Communication errors might depend on giving too much information too quickly. The employees will not be able to understand all the information in such a short time. These errors might, in fact, make the situation worse and the employees might get confused. It is also important to observe and answer queries that emerge among the employees after receiving the information. If the employees are not getting answers on their questions, the communication will be worthless. Communication is a key element within an organization, and without an appreciation of this area, the whole organization might stop working.

Daniels and Spiker (1991) argue that organizational communication provides insights of many aspects of an organization and is concerned with the structure of human interaction in organizations' day-to-day activities. Further, Daniels and Spiker (1991) claim that well-evolved communication skills are fundamental in order to achieve personal effectiveness in organizations. Communication effectiveness is sometimes considered to have a strong connection to organizational effectiveness, and managers in such organizations are not satisfied when possessing good communication skills, but also striving to reach understandings of organizational communication.

2.4.1 Routes of communication

Evans (1990) states that in developed organizations, communication move up and down, across, as well as between departments. The communication also flows diagonally between different levels and different departments. Vertical communication, up and down line management structures is used to describe the principal channel for routing directives, instructions and policies from top decision makers down trough the organization to the people who will implement them. An upward communication is just as important as a downward communication to an organization. Lateral communication, communication across levels in the hierarchy, is the most commonly used communication that occurs between people who work at the same level. This communication occurs at all levels of an organization. The diagonal communication, communication outside the normal management structure, is the last route of communication. Diagonal communication is used when a problem or an issue arises, and there is no obvious line of authority. The most difficult communicational task in any organization is to keep all communication routes as open as possible. Without open communication routes, the organization will suffocate.

2.5 Policy

According to some Swedish dictionaries, policy is a company's basic principle for acting in a certain situation; guidelines are named policy (Stora Focus, 1989; Bra Böckers Lexikon, 1995).

Premfors (1989) as well as de la Mothe and Paquet (2000), state that the term policy is sometimes being avoided in our choice of word, but is at the same time deeply implemented in our everyday life. This might make it difficult to define a policy. Usually policy implies some kind of manifesto, a set of guidelines of a business. Companies or other kinds of organizations have, or have not, a policy for their business or for parts of it. In addition to Premfors, also Hjern (2000) states that the term policy is commonly used. He also argues that policy sometimes is handled and expressed in a routine manner. Further, policy can be connected to tactics and different procedures (Stora Ordboken, 1983). Yanow (2000) states that business and management schools for a long time have defined business policy as a central aspect of their guidelines. Thomas (1983) defines business policy as:

"[...] the study of the nature and process of choice about the future of independent enterprises by those responsible for decisions and their implementation" (Thomas, 1983, p. 1).

Further, Thomas (1983) claims that the independence of a business is one key element in the policy-making. In addition to Thomas (1983), Hjern (2000) argues that policy is often used in research and practice and as an alternative expression for a company's target. Sometimes, policy might include measures in order to realize the guidelines (Premfors, 1989). Premfors (1989) also defines policy as a chain of decisions, not a single link. According to Bang (1994), a policy is an expression of how the organization wants the business to work. Policies are usually expressed in business papers, employee brochures or strategies. Bang (1994) also claims that a policy has to be repeated several times in order to make effect.

"Policy is an expression of an intention to seek certain objectives; it may be expressed only in very general terms or it may be highly specific" (Thomas, 2000, p. 138).

Thomas (2000) continues by arguing that firms develop policies due to a lot of different issues like scope of activities, location of activities, manpower and conditions of employment. The majority of these policies stay the same over a long period of times. Each policy reflects a choice of objectives, a strategy or many strategies to attain those objectives, and programs of activities within such strategies. Further, he states the differences between a policy and a strategy, a program and a target. A strategy is an additional expression of a policy, a program is a set of steps in the performance of a strategy and a target is a statement of the program.

2.6 The theoretical interrelation between service recovery and empowerment

Services and service recoveries are in many ways connected to empowerment, communication and policy. According to a chairman and CEO of a leading company within the service sector (Parasuraman, 1991) it is important to continuously improve the services. The improvement involves a focus on customer needs, zero errors and employee empowerment. Parasuraman (1991) further emphasizes the importance of a well-working communication between the employees in order to increase the reliability of the firm. In order to the reliability, the business should strive toward better customer retention as well as a positive word-of-mouth communication. The increased competition and more demanding customers have affected the service businesses' increased attention to serving their customers rather than selling to them.

According to a study done in the late 1980s by Zeithaml (1990, in Parasuraman, 1991), almost 50 percent of a company's service recoveries were ineffective. Further, several studies conducted by Hart et al. (1990) showed that more than 50 per cent of the conducted service recoveries reinforced the negative experience instead of recovering it. This result can, according to Parasuraman (1991), affect the striving toward better services as well as service recoveries. Every service business needs to develop a system, a policy, for how to handle service failures and service recoveries. If the business fails to do this, the risk of losing the customer to a competitor is very big.

In order to succeed with a service recovery situation, the business needs to take some different factors into consideration. Parasuraman (1991) state that the employees' responses and attitudes in service failure situations are very important to observe. Some employees are very understanding while some are not. The unwillingness of the employees to resolve a failure is a big problem. In a study conducted by Bitner et al., (1990, in Parasuraman, 1991) almost 43 per cent of the occurred service failures were not handled by the employees in a satisfactory way. Training to make the employees more secure in how to act will increase the service recovery effectiveness.

2.6.1 Summary model of the frame of reference

Below, Figure 2 is explaining how this thesis further will be conducted. The interview template will be based on the theoretical framework and will, together with the verbal protocols, be used when collecting the empirical information. The empirical findings and the theoretical framework will be related in the analysis chapter. Further, the analysis will lead to the conclusions of this thesis.

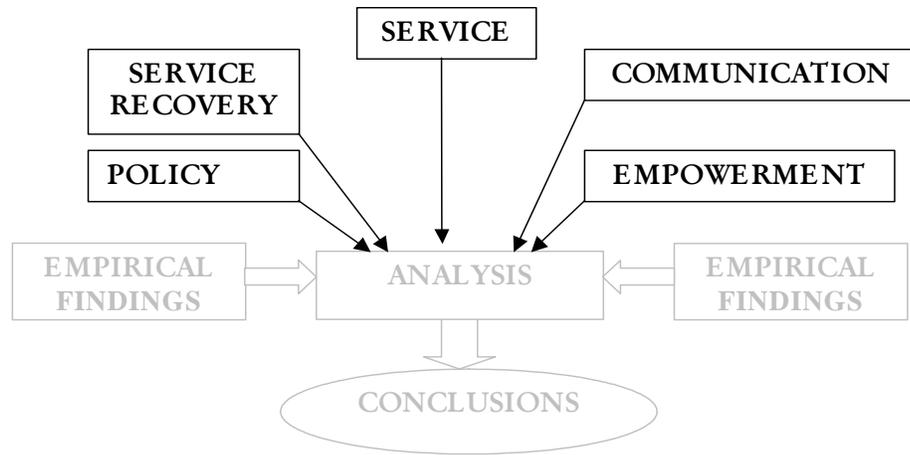


Figure 2 Summary model of frame of reference

3 Method

In this chapter we aim to give the reader an overview of different scientific approaches. First, we discuss some of the available methods and approaches as well as choosing the most appropriate approach to be able to fulfill the purpose of this thesis. We discuss the implications of the chosen method. In addition, we will discuss terms such as reliability and validity (trustworthiness). We finish this chapter by giving some discussion in regards to the method used in this thesis and how the chosen method may have affected the outcome.

3.1 Scientific approach

There are two different scientific contrasts: positivism and hermeneutic. The positivistic approach is based on experiment, quantitative measurement (mathematical statistical method) and logical discussion. Further, this approach aims, according to Andersson (1979) as well as Eriksson and Wiedersheim-Paul (1999), to make already known knowledge wider as well as trying to explain and describe things. Further, positivists argue that there is one absolute knowledge, according to Eriksson and Wiedersheim-Paul (1999). Positivists also claim that humans only have two sources of knowledge. The first source is objects being observed by the five senses of the humans. The second source is the knowledge humans can reach by discussing as well as using logical thinking. According to Andersson (1979), research conducted being based on the positivistic approach tends to be very impartial and an important aspect is the fact that the researcher does not affect a person being interviewed. The positivistic approach calls for objectivity and distance.

The hermeneutic approach is the second contrast and is mainly used within the field of social science. When conducting research by using this approach, it is according to Andersson (1979) as well as Eriksson and Wiedersheim-Paul (1999), common to create a picture and an understanding for an object. Eriksson and Wiedersheim-Paul (1999) further claim that the hermeneutic approach often implies that a person, most commonly the researcher, tries to understand the undertaking of another person. Communication is the most common way of doing this and the language is an important aspect when conducting this kind of research. Below, an illustration of the hermeneutic approach can be seen in Figure 3. Most commonly is that the researcher has some kind of pre-understanding of the topic he or she aims to explore. By using the pre-knowledge, the researcher is formulating some problems and questions connected to the chosen topic. By using the chosen questions and problems, the researcher has a dialogue with, for instance, some persons. The researcher asks questions and interprets the answer given by the respondent. In addition, the researcher can use material such as books, pictures and observations of certain behaviour. When interpreting the material or interpreting a person's answer, new unanswered questions appear, which means that a new questions is asked and the communication is continuing.

The hermeneutic approach does not require a high degree of impartiality among researchers conducting the research. According to Andersson (1979), this approach on the other hand suggests that the partiality permeates all levels of the research being conducted. Andersson (1979) claims further the importance of remembering that a

hermeneutic researcher tends to bring his or her story and personality into the interpretation.

We are aware of the fact that the two contrasts are both complex as well as hard to strictly follow when conducting research which makes it difficult to argue that this study belongs to either of the approaches. However, we can claim that this study consists of traces of the hermeneutic approach. In studies such as ours, it is almost impossible to find one single truth as well as it is difficult to be totally impartial. If the positivistic approach was to be used, we would have to state several hypotheses as well as using some kind of survey. We would then not be able to use semi-formal interview offering the possibility to ask additional questions throughout the collection of the empirical information, which will be a very important aspect of this thesis.

How knowledge about service recoveries, empowerment as well as policy and practice will be created can be explained by using the hermeneutic circle. We will interview front-line employees as well as middle managers and we intend to have a dialogue, a communication. We will then interpret the answers and create new understanding. However, we are not seeking any single absolute knowledge. Instead, we intend to create a deep understanding. This new meaning might result in a new question. In this study, we are dependent on being able to ask additional question throughout the interviews.

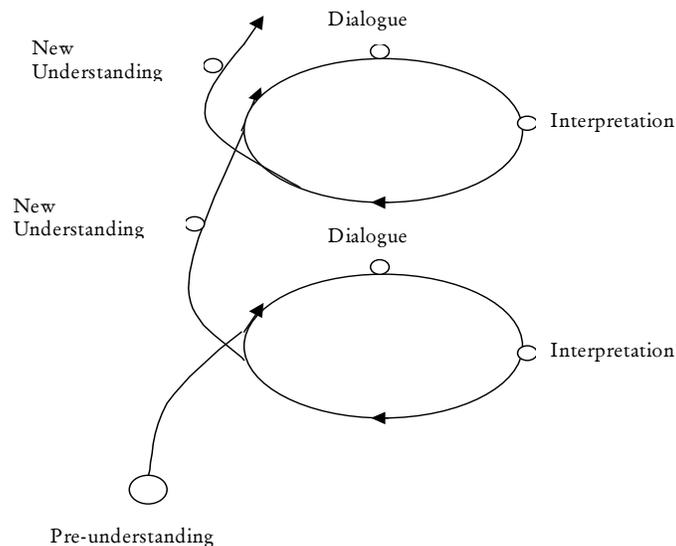


Figure 3 Hermeneutic Circle (Eriksson & Wiedersheim-Paul, 1999, p. 220).

3.1.1 Induction, deduction and abduction

There are three different ways to relate theory and empirical findings: induction, deduction or a combination of these, abduction. A researcher using the inductive approach can be said to be exploring, while a researcher using the deductive approach can be said to be proving (Patel & Davidson, 2003). The inductive approach implies that the researcher is collecting and analyzing empirical data to be able to draw conclusions. Those conclusions are then used to shape new theories and models (Eriks-

son & Wiedersheim-Paul, 1999; Patel & Davidson, 2003). A weakness connected to induction is the fact that the conclusions seldom are based on all observations. This means that it later might be possible to explore exceptions from the conclusions. Further, the inductive approach might force humans to think in only one direction, according to Eriksson and Wiedersheim-Paul (1999).

Deductive thinking, on the other hand, is connected to the process of first stating a hypothesis (Strauss & Corbin, 1990; Patel & Davidson, 2003). The stated hypothesis is based on an already existing theory. The hypothesis will, after comparing theory and empirical findings, either be rejected or accepted. Further, a conclusion will be able to be drawn, according to Eriksson and Wiedersheim-Paul (1999).

The abductive approach is, according to Alvesson and Sköldbberg (1994), a combination of induction and deduction as the same time as other moments are added in the process. The process of using abduction is, according to Patel and Davidsson (2003), a two-way process where the researcher starts by taking an example from the reality and transform it into theory. Patel and Davidsson (2003) further claim that the next step in the process is associated with testing the example from the reality on other cases in the reality.

We will use a theoretical framework on which our interview questions will be based, which implies that the study not can be seen as inductive. The study cannot be regarded as deductive either, since there are no exact theories about the interrelation between service recovery policy and empowerment. Instead, to be able to relate theory and reality we will choose to use an abductive approach. Throughout the thesis, we will collect relevant theories as well as empirical information. We will create an introductory understanding for service recoveries, empowerment, policy and communication through the collection of relevant theories. Further, we will collect empirical information through using verbal protocols and interviews. To further explain the choice of abduction, we will use the frame of references when we interpret the empirical findings, which will be done in the analysis. The analysis, in which already existing theory is connected to the empirical findings, might imply that some additional theory may be added to the field.

3.2 Research method

Repstad (1988) states that the choice of research method is dependent on which kind of study being conducted, and on the research problem. There are, according to a lot of researchers, among them Strauss and Corbin (1990), Potter (1996) as well as Rossman and Rallis (2003), two different research methods that are frequently used when researchers are about to conduct research: the qualitative and the quantitative method.

Sayre (2001) state that the qualitative and the quantitative methods give answers to different research questions. Researchers using the quantitative research method often state a hypothesis and prove or disprove the stated hypothesis by making empirical research. Further, Rossman and Rallis (2003) claim that those researchers also frequently investigate how well two variables are connected to each other by using cor-

relation analysis. According to Repstad (1988), the quantitative research method offers a restricted flexibility compared to the qualitative research method. The reason of this is the fact that the data used in the quantitative research cannot be compared and statistically analyzed if it is changed during the conduction of the study.

Researchers using the quantitative research method tend to act objectively and they do not add their own thoughts and beliefs to the answers. Potter (1996) and Sayre (2001) state that a researcher using the qualitative research method uses a more humanistic kind of research. This makes it possible to interpret as well as understand a phenomenon. The quantitative data is mainly collected by using survey instruments. According to Sayre (2001), the qualitative information is mainly collected through interviews, which often includes a frequent use of open-ended questions. The information that is used in the qualitative research method is often considered as “soft” while data that is used in the quantitative method often is considered as “hard” data such as numbers (Ericsson & Simon, 1993; Eriksson & Wiedersheim-Paul, 1999; Buglear, 2005). Sayre (2001) also claims that a quantitative method is most appropriate if it is important to be able to generalize the result. The qualitative method, on the other hand, does not give any space for generalization but, however, an in-depth learning about the research question. Further, the qualitative method is not about proving or disproving and it is not about measuring; it is all about interpreting.

According to Rossman and Rallis (2003), the purpose of the qualitative research is to learn about a single aspect and generate new knowledge as well as an understanding about that special aspect. Initially, qualitative research starts with questions and the intention of this method is to learn. Further, the information found is grouped into a pattern and turned into information and the information finally becomes knowledge when it is used or applied. To find answers, qualitative researchers search for information within the reality from which the researchers collect their impressions. Sayre (2001) states that in order to be able to understand a certain relationship between two things, e.g. a consumer and a product, the qualitative researcher develops one or several questions. The researchers then expect the answer to appear from those questions answered by a selected person. Further, Sayre (2001) argues that when using a qualitative approach, questions such as “why” tend to appear frequently. When conducting quantitative approach, on the other hand, it is common to count or use standardized surveys to prove or disprove the hypothesis. Quantitative researchers strive for impartiality and objectivity, which means data free from biases.

In this study, we have chosen to use the qualitative method. An explanation of this choice is that we must stay flexible as well as be able to remove and add questions while carrying out the interviews. We find this aspect very important to our study and think it would be devastating to the research to strictly follow a survey without being able to act flexible throughout the research, and then especially the interviews. We are aware of the fact that we will not be able to generalize the conclusions due to the chosen method. However, if a quantitative research method would have been chosen, we do not think we would be able to receive deep answers. Therefore we find the qualitative method to be most appropriate in this thesis.

3.3 Information retrieval

The data in this study will be collected partly by face-to-face interviews and partly by usage of verbal protocols. The interviews will start by handling over a “situation”, a verbal protocol, typical for each industry. The verbal protocols are situations where a problem has appeared representative for each branch. We created the verbal protocols by talking to people working within the special industries. The people who suggested the situations do not have any connection to either of the companies being interviewed later in this study.

The verbal protocols will be conducted by asking employees at each level how they would act in that certain situation, the verbal protocol. We will hand over the situation to the respondent and ask him or her to read the situation quietly without thinking. We will then ask the respondent to think aloud how he or she would act in that certain situation. We will compare if the two levels would handle the problem different from each other.

We will then continue by conducting an interview where the questions are based on an interview template. We will ask the two different levels of the company the same questions. Further we will ask the same questions to the three companies participating in this thesis. The interview template leaves space for additional questions appearing during the interview, which can be done thanks to the choice of method. Further, we will compare if and how the answers from the interviews and the verbal protocols differ between the two different levels of the company.

3.4 Verbal protocols

According to Ericsson and Simon (1993), the usage of verbal data has been used in many different fields, e.g. in the area of psychology and education. When collecting data through using verbal protocols, one or several persons are given one task. The researcher can then compare the answers given by the respondents to find out if there are any differences or similarities.

When using the technique of verbal protocols, the respondent is asked to “think aloud” and the method is most appropriate in decision-making processes or in problem solving situations (Brundin, 2005, forthcoming). The process of “thinking aloud” is, however, according to Ericsson and Simon (1993), consistent with the structure of the respondents’ normal cognitive processes. When the respondent is generating the respond, he or she is not telling what he or she actually is doing, but articulates the information the respondent deals with while generating the answer.

We have chosen to use verbal protocols combined with interviews. We will start the interview by handling over a situation typical for each industry; a verbal protocol. We have chosen to use the technique of verbal protocols since we want spontaneous answers among the respondents regarding how they would act in different situations. We want the respondent to answer how he or she would handle the situations without being able to think how he or she actually would act before answering. We will start the interview by giving the situations to the respondents and we also think it

will soften the interview situation and make the respondent more relaxed throughout the rest of the interview.

We will create the verbal protocols, the situations, by talking to people who work or have worked within the special branches. We will further give the front-line employee and the middle manager the same situation, verbal protocol. We will handle over one situation each, and then ask them to think aloud regarding how they would act in that particular situation. We will then compare the front-line employee's and the middle manager's answers to locate similarities as well as dissimilarities.

Some authors refuse to trust the validity of think aloud-communication situations. Those authors claim that the respondents' thoughts are unsuitable and irrelevant since those thoughts are not sane and realistically reliable. However, Ericsson and Simon (1993) state that verbal protocols imply some advantages compared to e.g. interviews as a method of collecting data. One big advantage of verbal protocols compared to interviews is, according to Ericsson and Simon (1993) that the respondents not have time to think too much about the answers when using verbal protocols; the researcher will receive spontaneous answers. Brundin (2005, forthcoming) argues that a disadvantage of verbal protocols is that the situations handled over often are created by the researcher, which might imply that the situation is not fully applicable to the respondent's situation.

When conducting verbal protocols it is important to ask the respondents to think aloud and to tell the interviewer everything he or she is thinking of from the time he or she sees the question (in this case: the situation) until he or she gives an answer. It is also important that the respondent is speaking constantly so that he or she cannot "plan" in advance what to say; it is the thoughts that are about to "speak". In addition, it is preferable if the respondent can explain each single step of the thinking process.

We are aware of the fact that this method is not used very frequently. We are, however, using this method as a complement to interviews. The verbal protocols will be given to the respondent as well as processed before the interview starts since the interview questions otherwise can affect the outcome of the verbal protocol.

3.5 Interviews

According to Merriam (1994), a variety of different methods exist that can be used to retrieve information. The most commonly used method is conduction of interviews. Most of the time, an interview occurs when two persons meet and information is handed over, from one person to another. Interviews can also be conducted by group interviews and panel interviews.

Further, Merriam (1994) states that the purpose of an interview within a qualitative research approach is to obtain information. The interviewer is interested in the information that the interviewee possesses. According to Repstad (1988), it is common that the interviewer has some kind of template to follow, but questions can, however, arise during the interview or the answers can be continued with more profound questions in order to get more specific information. Kylén (1994) as well as Eriksson and Wiedersheim-Paul (1999) claim that the questions being used throughout an interview

can be formal, informal or semi-formal. When the questions are formal, no space is left for additional questions. The researcher can also choose whether the questions should be handed over before the interview or not. It is important that the researcher has a very clear purpose of the research before formulating the questions. The researcher must formulate questions that are adapted to the purpose of the study. Which way of interviewing being the most appropriate for a certain situation may depend, according to Lantz (1993), on the number of interviewees. If there are a larger number of interviewees, a structured way of interviewing might be most appropriate. If there are a small number of interviewees, an unstructured way of interviewing might be the best.

According to Eriksson and Wiedersheim-Paul (1999), an interview can be conducted either face-by-face or by telephone. A few advantages of face-to-face interviews are that the researcher gets a more controllable situation as well as the fact that the interviewee gets more confident and comfortable. A disadvantage of face-to-face interviews is that the interviewer can affect the interviewee and his or her answers. Repstad (1988) states that some researchers claim that there are a number of factors that can affect the result of an interview. Some of these factors may be the place where the interview is conducted. In order to conduct a rewarding interview, it is recommended to carry out the interview in a neutral and calm place where the interviewee can feel safe and at ease. Another factor may be that the interviewee understands the interviewer as a threat or not interested.

We have chosen to use interviews in this thesis since we think we will be able to find the information necessary to fulfil the purpose of this thesis by using this method when collecting the empirical information. We find the subjects of service recoveries and empowerment to sometimes be somewhat sensible, and we do not think it will be possible to get the respondents to answer openly if using e.g. a survey. One great advantage of using interviews will be that we, throughout the interviews, will be able to observe the respondents when they answer the questions.

Throughout this thesis, we have chosen to use a semi-formal interview template³. We find it very valuable to be able to ask follow-up questions throughout the interviews. We also think the respondent may feel more flexible to ask questions and add things if the interview is not too formal. The questions that will be used in this thesis will be formulated in order to make the interviewee answer openly. The questions will be defined in a way that makes it easy to ask follow-up questions. The template will be based on a number of questions that will constitute for the frame of the interview. This template will not be followed completely and without interruptions. Moreover, the interviews in this thesis will be conducted at the interviewees' workplace, due to the fact that we want the interviewees to feel comfortable throughout the interviews.

³ See further Appendix 3

3.6 Selection

We will choose one company each from three different industries operating within the service sector. We have chosen industries we think are appropriate to our study. The first industry is the hotel industry which we have chosen a hotel included in a large Swedish hotel chain. The second industry is the banking sector, and the company chosen belongs to a large Swedish bank-chain. The last company chosen is a company within one leading Swedish insurance-company chain. These companies are chosen due to the fact that they exclusively provide services. From each company we will interview two levels: front-line employees and middle managers.

We have chosen to keep the names of the companies as well as the respondent secret. We do not find the names to provide the thesis with any deeper understanding for the subject. In addition, degrees of empowerment and service recovery policies are sensitive to reveal and directly be able to connect to a specific company.

3.7 Trustworthiness

Eriksson and Wiedersheim-Paul (1999) argue that there are two different forms of failures that can appear when research is carried out. Those measurement failures must be taken into consideration when the researcher is to determine the trustworthiness and quality of the research being conducted. The two measurement failures are known as validity and reliability. We are aware of the fact that the two terms validity and reliability are used frequently within the quantitative research method. The two terms can also be used within the qualitative research but with in a different meaning. Within the qualitative research quality concerns the whole research process, according to Patel and Davidson (2003). However, we intend to use some of the quantitative measurements for validity and reliability. We have chosen to use some quantitative terms since those expressions are well-known. We will also discuss some qualitative implications on validity and reliability.

Eriksson and Wiedersheim-Paul (1999) state that validity is the most important demand on a measurement. The term validity deals with whether the study measures what it really is intended to measure. If, however, the instrument used to measure something not is measuring what it is supposed to measure, the quality of the measurement itself does not really matter. Further, the choice of objects in a study is very important. It is, e.g. very important that the persons having the answers on the questions are interviewed. It is also crucial that the right questions are chosen when conducting research. However, Patel and Davidsson (2003) argue that the term validity in a qualitative study is determined by more than above. The validity concerns the whole research process and is not only connected to the data collection. Good validity is characterizing all parts of the research.

According to Eriksson and Wiedersheim-Paul (1999), a researcher can further have an additional demand: reliability. Reliability deals with the fact that a measurement instrument e.g. shall give trustworthy and stabile results. Reliability also deals with the question whether other researchers could have reached the same result by using the same method but by using different units throughout the replicate study. To receive a

high level of reliability, a study must be independent of researcher as well as research units. The latter depends on how high degree of generalizability the researcher wants.

Further, Saunders, Lewis and Thornhill (2001) state that several things can negatively affect the reliability. Whether an interview is conducted during neutral time or not can affect the outcome. Persons tend to give different answers on questions on different times of the day. A respondent can also give different answers on different days: the respondent might be more positive during Friday afternoon than Monday morning.

Throughout this thesis, we will conduct the interviews at the interviewees' work places. This may get the interviewees feeling secure. Throughout the interviews, a tape recorder will be used. This will increase the reliability of the thesis since it makes the quotation easier. It also makes it easier not to miss important information. Since an interview template made the foundation for the interviews, there were several standardized questions. This increases the validity of the study since it makes it possible to really measure what we intend to measure. However, it is important to remember that we still have the possibility to add and remove questions throughout the interviews.

We have chosen not to send the interview template to the interviewees in advance, since we want spontaneous answers during the interviews. We claim that sending the template as well as the verbal protocols in advance will ruin the answers. The interviewees could then have prepared the answer. Sending the template to the interviewees in advance would imply that the respondents could prepare and try to find out whether the company has a policy or not. Further, we scheduled the two interviews at the same company very close to each other, so that the two interviewees from the same companies were not able to talk to each other regarding the questions and the verbal protocols.

3.7.1 Generalizability

It is, according to Patel and Davidson (2003), important to remember that the term generalizability not is connected to the qualitative research method. Despite this, it is possible to determine validity in regards to generalizability. In quantitative research, generalizability implies that a result is received by studying a certain group which can be generalized to a bigger population. Further, Eriksson and Wiedersheim-Paul (1999) argue that generalizability refers to whether the result can be generalized and used in different situations over time.

Patel and Davidson (2003) state that the result of a qualitative study can be generalized if the selection is made systematically, which seldom is the case. A qualitative analysis can, however, imply an understanding of a phenomenon and an understanding of different variations of the phenomenon. A generalization can then gradually be done in relation to other exactly similar situations.

We are aware of the fact that the result of this thesis not correctly can be generalized. However, we do not find it important to be able to generalize the result in a study such as ours. Instead, we intend to create a deeper understanding about service recov-

ery policy and empowerment. In addition, the number of respondents is too few to be able to generalize the result accurately.

3.8 Method summary

The purpose of this thesis will be fulfilled by interviewing front-line employees as well as middle managers. An interview template will be used throughout the interviews, leaving space for additional questions, which is a very important aspect of the thesis. The interviews will help us to find out if there is any interrelation between a company's service recovery policy and level of empowerment. Since a qualitative method is used, the result will not be able to be accurately generalized. However, by using a qualitative method and interviewing the participants, we will be able to find deeper knowledge. The trustworthiness of the thesis will be strengthened by the fact that a tape-recorder is used throughout the interviews. This will minimize the risk of missing important information as well as making wrong quotations.

3.9 Method discussion

We think it is important to be able to discuss the chosen method as well as being able to consider which implications some of the choices may have had. Initially, we are aware of the fact that the companies participating in this thesis operate in the same city; Jönköping. The fact that we only picked companies from the area of Jönköping implies that we not will be able to find out if there are any regional differences. Further, we will not be able to draw any conclusions about differences between the industries; since only one company from each industry will be selected in this study.

As discussed above, the choice of a qualitative method sometimes implies less grade of objectivity, which we think is important to be aware of throughout the study. Further, the conclusions in this thesis will not be able to be generalized since the number of firms participating in the thesis is rather few. However, we choose in-depth interviews with fewer firms rather than using a survey including more participating firms.

Since we have chosen a relatively new information retrieval method, verbal protocols, we must be aware of the risks of handling the method incorrectly. As written above, we have chosen to combine a new information retrieval method with an old, frequently used method of collecting data; interviews. We think it is important to accept the challenge of using a new method, if the choice does not endanger the trustworthiness of the result.

As mentioned above, we have chosen not to send the interview template and the verbal protocols to the respondents in advance. If we send the template and the situations in advance, the respondent will have time to prepare and plan what to say prior to the interview. In this study, we want spontaneous answers throughout the interviews and verbal protocols. We think the result of the study would come out totally different if we would send the template prior to the interview. The purpose of the verbal protocols would be destroyed if the situations were sent in advance. Then, the respondents would be able to think quiet regards to the situation and not be able to think aloud, which would destroy the basic purpose of using verbal protocols.

Moreover, we must count on the fact that the respondents may not feel secure throughout the interviews since they not really will know what the questions are about in advance. However, we have chosen to conduct the interviews at the respondents' offices, which might make them feel somewhat comfortable. Further, we must count on the fact that one or several respondents will misunderstand or answer some question incorrectly. This can, of course, affect the conclusions that will be drawn later. We will try to avoid this by being clear throughout the interviews as well as encourage the respondents to ask us questions if they have any regards to the interview questions.

4 Empirical findings

In this chapter we present the empirical findings of this thesis. The chapter is divided according to the different companies, the verbal protocols and the interview questions.

4.1 Insurance company

4.1.1 Verbal Protocol A

According to the Swedish law, a vehicle must have a certain insurance. If the car does not have the special insurance, the owner of the car will have to pay a fine based on number of days missing the insurance. It is the car owner's responsibility to sign up for such insurance. An angry customer calls you at your office and claim that your company is responsible for the fine. How would you act in such situation and how would you handle the customer?

Middle manager (A)

A recognizes the situation and explains that it occurs frequently. When the customer calls A, she lets he or she explain the situation at the initial insurance occasion. After the explanation, A would ask some questions e.g. who the customer talked to, if he or she insured the vehicle over the phone or in person, if it was a women or men the customer talked to etc. After the questions, A would request to return and would after that turn to some sell support for help. She would search for the customer on the computer and track down eventual mistakes by the seller. A would also call the seller and ask him or her to explain. Every seller has statistics on which customer she or he has been in touch with. A would try to be impartial throughout the whole experience. A also emphasizes that it is important to keep in mind that all customers are different.

Front-line employee (B)

B starts by telling that the situation happens fairly often. A customer might call to complain because he or she did not realize that the insurance costs that much money. In a situation like that, B explains that an insurance it that costly and that it is the customers responsibility to insure its vehicle. B also helps the customer to sign insurance from the same day. She tries to be friendly and impartial but settled and says that she does not flare up very often. The customer usually understands that it is not B's responsibility to insure the customer's vehicle. According to B, the customer tries to find someone to blame, and the insurance company comes in handy. However, deep inside, the customers know that they are responsible for not having insurance but are angry with the system, not with B as a person.

4.1.2 Verbal Protocol B

A customer calls you at your office regarding compensation for an inquiry. Your company has decided on a certain sum of money the customer will receive thanks to his or her insurance. The customer claims that the sum of money is too small and wants more. You deny the customer a bigger sum of money. Next day you realize that the customer really has the right to receive a greater sum of money. How would you act in this situation?

Middle manager (A)

If the customer calls and complain, A would contact the division for damages, and try to find the information regarding the complaining customer. If the company is responsible for the failure, A would immediately call the customer and admit the failure. She would apologize and send the compensation the customer. Sometimes A gives the customer an extra compensation. She explains:

“It is not often I offer an extra compensation. It is sometimes viewed as a bribe. If I give something extra, I send a movie ticket or a flower check. I do not do that to compensate the customer; I do it in order to make the customer forget something sad.”

A continues by saying:

“The front-line employees have no authority to give extra compensations on their own. It only happens on managerial levels.”

If the failure requires a bigger compensation than e.g. a movie ticket, A does not have the authority to decide on her own. In cases like that she has to turn to her manager.

Front-line employee (B)

If the insurance company has made a mistake and the customer is entitled to a greater compensation, B would call the customer, admit that the company made a mistake and compensate by sending the money out the same day. B considers that:

“What is right is supposed to be right.”

B is sure that the phone call will please the customer. She says that she does not have any authority to give other kinds of compensation e.g. half of the premium paid by the insurance company. If a bigger compensation might be appropriate in a certain situation, the employee has to turn to her manager, the middle manager. B believes that the customer is satisfied by getting his or her money back. Sometimes it happens that B is in a situation where she would have acted in another manner. In such a situation it might be necessary with an extra compensation. A explains:

“I always want the customer to feel that he or she received something for the failure. If the insurance company has made a mistake, it is up to the company to recover it. If it is possible, compensation will be done in addition to what the customer is rightful to”.

According to B, an extra compensation is not very common. She has just worked at the company for almost two years and has not found herself in that situation more than a couple of times. Despite this, B believes that the employees at the company treats almost every case the same and that they have a good communication among the employees. A also thinks that if you are titled to pay a premium for one customer, and give a discount for another, it will end up in a bonus system. However, in some circumstances it might be the most appropriate. If the insurance company is responsible for the failure, the customer will receive some kind of extra compensation, like a movie ticket. One week before the interview, B visited a disappointed customer and offered him some tickets to a trade fair in the city. In this case it was not the company that had done the mistake but B gave the tickets to the customer because she wanted a satisfied customer. This customer had more than one insurance at this company and they did not want to risk losing him to a competitor. B explains:

“I offered the tickets to the customer because I wanted to take care of the customer relation. That type of compensation is all right, small things like that.”

4.1.3 Interviews

Middle manager (A)

The insurance company A works at has a policy regarding service recovery situations. This policy is based on the company’s vision and implies that the employees shall act professional and with compassion. A feels that the policy is well implemented in the company and through different educational steps all the employees are educated regarding the policy. If the policy is getting updated, every employee receives a version of the new policy. The policy is also available for the employees on an internal website.

A explains that the selling representatives who act on the front-line level have to turn to their manager if they want to compensate a customer extra. She says:

“My sellers know what they are allowed and not allowed to do.”

According to A, she has enough knowledge regarding the policy. The company measures the number of reports and customer satisfaction. A also believes that there is a connection between the company’s policy and the low number of complaints.

The policy helps to structure the work for A. She explains that is good to know in which order to make decisions, which people that make the decisions and what to inform the customer about. A also thinks that the whole organization work in line with the policy. Every employee at the company knows about the policy but, however, not everyone works with it due to different work assignments. A emphasizes, nevertheless, that all employees have access to the policy. A argue that in some situations, it might be necessary to step outside the policy, and argue that it is just natural to make mistakes.

A's acting in service failure situations is based both on the policy and on common sense. She thinks that it is important to take action if you have made a mistake. It is also important to correct failures if a company wants to remain attractive to the customers for a long time.

Front-line employee (B)

B explains that the insurance company has a policy regarding how to act when a customer experiences a service failure. The policy deals with the motto: "*what is correct should be correct*". According to B, the policy makes clear that the company is supposed to talk to the customer and explain, because most of the times the customer does not understand the service he or she bought. B says that:

"Insurances are difficult and we are aware of that. Sometimes we might be unclear in our definitions but we try as hard as we can. If we just explain that and describe the insurance they bought, the customer usually gets satisfied. I sometimes tell the customer that you cannot get any compensation for the car if you did not have traffic insurance and the customer usually understands."

The most common reason for a customer to complain is, according to B, that e.g. a neighbor got some additional compensation and the customer did not. In cases like that, B explains that the neighbor got more compensated because he or she had paid for an additional insurance. B continues by arguing:

"A complaint is almost always based on a misunderstanding. Insurance is complicated and when the misunderstanding has been investigated, the customer understands the situation."

B tells that the policy is a part of the education you get when you are hired at the insurance company but all employees also receive a printed version. B also admits that she cannot reel off the policy by heart but feels that she has enough knowledge regarding it. B tries to work in the line with the policy in her every day work life and do not diverge from it deliberately. She thinks that the rules and ethics in the policy are agreeing with her own values and beliefs. If this not would be the case, B would not work at the company. Due to all the different divisions at the company, it is difficult to investigate whether employees at all levels of the company have the same knowledge regarding the policy. Despite this, B believes that it occurs oversteps but the policy is followed most of the times. According to B, the policy contributes to make her work easier. She says:

"The policy makes my work easier because it is something I can work in line with. It feels safe to know that you have something to lean on, you can tell the customer that this is how we work at this company."

B continues by saying that she does not experience the policy as something that restricts her work. Sometimes B feels that it would have been better if the company had some kind of discount or bonus system, like many other companies. At the same time, she feels that it is good that they cannot give discounts like that; because that

would imply that the customers with the highest voice would get the discounts. The rest of the customers would be left without. B explains that she for a long time worked on her own, and that she because of her ability to make herself heard, bargained her insurance premiums by 70-80 percent. Today B considers that wrong and she is satisfied with the fact that the company she works at tries to keep the same level for everyone.

Sometimes the company still offers some extra to complaining customers, like the tickets mentioned before. B received a couple of tickets by her manager, which she could offer to customers. At the moment she does not have any tickets to offer, and in this case she has to turn to her manager if she believes that the customer needs something extra. Then her manager might say that she can pay for a movie ticket or e.g. give a calendar to the customer. B explains:

"I can not tell the customer that he or she can have half of the premium for the house insurance paid. That kind of authorities I do not have."

B thinks that it is important that a company acknowledge failures that have been made. She says:

"If we cannot admit that we make mistakes, we will not get anywhere."

4.2 Hotel

4.2.1 Verbal Protocol C

One customer enters the reception to check in. The receptionist discovers that the room the customer booked does not "exist". The hotel is over booked. How would you act in such situation? Note that the customer really has booked the room as well as brought a confirmation receipt. This means that the customer can prove that he or she really has booked a room as well as paid for it.

Middle manager (C)

This is, according to C, a quite common situation. The hotel is sometimes over booking the rooms since the employees know that some customers choose not to arrive. The hotel is situated in Jönköping where fairs often are organized. During fairs, the hotel sometimes over book. When a situation like this occurs, the employee books a new room for the customer. First of all, they apologize for the situation and take all the responsibility for the occurred situation. C explains that the employees try to call the other hotel within the same chain situated in Jönköping. If that hotel cannot offer any room, the employee calls another hotel situated in the city. The hotel employee also organizes a taxi transport from the original hotel to the new hotel. If the customer will stay more than one night, the employee transports the customer back to the hotel as soon as a room is vacant. Sometimes the employee chooses to update the room quality and offers a better room at no additional cost. C emphasizes that the customer shall get something extra because of the troubles.

Front-line employee (D)

In a situation like this, D would not pretend that she does not find a room. First, she would look for another room at the hotel without revealing the failure in order not to upset the customer. According to D, they usually have some kind of margin so most of the times it is possible to solve the mistake without letting the customer know. If there is no room available, she would try to find another room at another hotel, in the first place at the other hotel in the same chain in Jönköping. D also claims that the hotel sometimes chooses to over book the hotel, since they know by experience that all customers do not show up. If the customer then has to be transported to another hotel, they organize a taxi transport that, of course, the hotel pays for.

4.2.2 Verbal Protocol D

A customer who recently checked in comes down to the reception. The hotel guest claims that the cleaning of the room is poorly done. You follow the customer up to the room to inspect the cleaning and discover that the cleaning really is poorly done. How would you act in this situation?

Middle manager (C)

C starts by saying that she would never follow the customer to his or her room. She would trust the customer's judgment. C claims further that it would be rude to question the customer's judgment. In addition, an apology would be appropriate:

“If the customer claims that something is wrong, it is wrong”.

Further, C would promise the customer to get in contact with the janitor at the hotel for a consistently cleaning of the room. She would also get the customer a new room situated as close as possible to the original room. C would follow the customer to the new room and make sure that the customer is satisfied with it. C says further that it is most common that giving the customer a new room is good enough. However, if the customer is very upset, he or she could receive some additional recovery like a beer or a free admission to the gym located next door to the hotel. C adds that she does not deal with small complaints that are taken care of by the employees in the reception. She only deals with complaints that can be seen as difficult. C also argues that the employees in the reception are authorized to recover themselves. They are supposed to take care of the problem, right there, right then. Sometimes the front-line employees can turn to C the day after the service failure to discuss the compensation, but, this does not happen very often. C believes that most of the times the customer only wants to open up and in cases like that, the employees usually solve the problem by listening to the customer. C says:

“We want the customer to open up and tell us when something is wrong. It is very important that we take time to listen to our customers. We learn from our mistakes.”

Front-line employee (D)

D would in this case try to get another room for the customer. She knows that it takes time to clean a room, and in order to not keep the customer waiting, she would offer the customer a new room, hopefully next to the room that the customer booked from the beginning. In certain cases, she might upgrade the room. She claims that some customers are satisfied when getting a new room while some customers want more. She highlights the importance of understanding that all customers are different. If the hotel is fully booked, D would ask the customer to wait, while the room is getting cleaned. In a situation like this, D would compensate the customer with something extra, due to the waiting time. An appropriate compensation for a situation like this is, according to D, something from the bar or the restaurant.

4.2.3 Interviews

Middle manager (C)

According to C, the hotel has no written policy but the hotel chain has an internal education for the employees. The education is supposed to give the employees a view of how they shall act in different service failure situations. C says:

“Twelve satisfied customers balance one dissatisfied.”

She continues by saying that the hotel has a spoken policy that implies an instant compensation and that all employees have the authority to recover without turning to his or her manager. C explains:

“All the front-line employees have the authority to act and recover in situations where a customer is dissatisfied. The employees are free to recover in all ways. We think this is a very important aspect and the reason of this is that we want our employees to act as well as recover a mistake quickly.”

A believes that this policy has been implemented in the company partly through department meetings but also through the introduction program that every new employee has to go through. This program includes how the employees are supposed to handle customer complaints but also a description of the company culture. C considers herself to have sufficient knowledge regarding the policy and she knows that the policy is followed all the time. Of course it might occur a human mistake but most of the time the policy is followed. She continues:

“It is important to emphasize that all mistakes do not always have to be recovered. Sometimes it is enough for one customer to tell us about one thing he or she think is wrong. However, all customers are different and we always have to keep that in mind.”

C also believes that the front-line employees in the reception have the same knowledge regarding the policy as she has. It is important for the employees in the reception to be able to solve the problem and compensate directly. The policy makes C's work much easier due to the fact that the front-line employees are able to make their own decisions whether to recover or not.

Sometimes C thinks that it would be good to have a written policy that was approval for all hotels of the same chain. At the same time, she considers that the hotel chain already has a lot of different concepts regarding e.g. breakfast and conferences which are the same throughout all hotels within the chain. She feels that it is nice to run an own hotel and be able to handle situations slightly different from other hotels without breaking any policy.

C finds it very important for a company to recover failures that have been made. The customer is supposed to be satisfied and return to the hotel in the future. According to C, it costs a lot of money to look for new customers and if one customer experiences dissatisfaction, the spreading of rumors will be difficult to stop. At the same time, it is impossible to satisfy all customers all the time, but if a mistake occurs, C finds it important to act. The customer is not always right, but C acts most of the times on the basis of this.

Front-line employee (D)

According to D, the hotel has a policy on how to act in certain situations where a customer is dissatisfied. The policy gives the employees total authority in order to satisfy the customer. The policy is not written but is known within the company. In situations when the front-line employee cannot solve the problem, he or she can turn to the manager for advice, but the majority of the failures are solved by the front-line employee alone. D feels that she has enough knowledge regarding the policy and she knows how to act in different situations but she can also understand that it is difficult to know how to act for a newly employed. The longer an employee has been employed at the hotel, the more secure he or she feels in his or her situation. The policy is spoken to all new employees and the employees are supposed to work on the basis of it. D explains:

“We never want any customer to leave the hotel having a feeling of dissatisfaction.”

She continues by telling that the policy makes her daily work easier. If a customer experiences a service failure, D knows what to do. She also knows that it is important that the issue is solved immediately in order to satisfy the customer and prevent provision of negative word-of-mouth. According to D, the policy is followed all the time. The front-line employees are capable to recover the failures and if they find it too difficult they know that they can turn to their manager. D also believes that all levels within the hotel have the same knowledge regarding the policy. The policy is created by the top management and it is the front-line employees that use the policy in their daily work. D considers the different levels to be very united.

Further, D finds it very important to recover occurred mistakes. She believes that there is a possibility to create a lot of damage if the failures do not get recovered and the risk of losing the customer to a competitor increases. D also considers herself to have enough authority to act on the basis of her own experience and opinions in an unsuccessful situation. She is sure in her own actions and the decisions that she might make. D does not find the customer to be right all the time, but the customers must be satisfied. She says that she usually think the customer is right.

4.3 Bank

4.3.1 Verbal Protocol E

A customer enters the reception of the bank. The customer has ordered a certain currency and you discover that your bank does not temporarily have the currency that the customer ordered, in stock. How would you act in this situation?

Middle manager (E)

In a situation like this, E would apologize for the failure to the customer and then call the different offices of this bank in the area around Jönköping. E would do everything to help the customer to get a hold of the currency. If it is the bank's mistake and the customer has been promised the money, which implies that E would make sure to get it.

Front-line employee (F)

According to F, the bank is supposed to have received the currency on time. She argues that it must have been some mistake in the distribution of the money. If the bank has no currency in stock, she would call the other banks in the neighborhood and ask if they have the currency. First of all, she would turn to the currency exchange office that usually has a larger amount of currency, unlike the banks. If the currency exchange office does not have the currency, F would call another bank, a competitor, and try to help the customer in that way. In order to compensate the customer for the mistake, F would consider offering to pay the exchange fee to the customer. Suddenly, F changes her mind and claims that she, first of all, would call the different offices in the Jönköping area of the bank she works at, and if they do not have the currency, she would call other banks.

4.3.2 Verbal Protocol F

A customer enters the bank claiming that a cash withdrawal has been registered on his or her bank account, but claims that no cash withdrawal has been done. How would you act in this situation?

Middle Manager (E)

E starts by saying that it is impossible that a situation like this happens at a cash dispenser. If a customer, however, claims that this has happened at a cash dispenser, he or she must have given the cash card to someone else, together with a pin code. If a customer claims that this has happened at the bank office, it is a different story. The customer has to show a withdrawal receipt on the transaction and after that, E would track down the employee that handled the withdrawal. E admits that the human factor can be responsible for a situation like this and that everyone is able to do a mistake, but if it has been a failure, the bank will always give the money back to the customer. E explains by saying that the bank always considers the customer to be right, until the opposite has been proved.

Front-line employee (F)

According to F, the line of action in a situation like in verbal protocol F might differ due to the withdrawal. If the withdrawal occurred at an office, she would obtain the verification paper and check who signed it. If a mistake has been made, e.g. that the account number was wrong, F would correct the mistake and make sure that the customer does not get charged with any interest or similar. She would also apologize to the customer and if she wants to compensate with something extra, she would turn to her manager for advice. If it turns out that the customer was wrong and that the bank did not do any mistake, she would show a copy of the withdrawal for the customer and explain the situation.

4.3.3 Interviews

Middle manager (E)

E starts by saying that the bank's policy is the following:

"The customer is always right until the opposite has been proved."

He continues by claiming that this policy can be compared to be generally accepted within the company and that the bank gives people the benefit of the doubt. E does not know if the policy is written but says that the policy is regularly discussed and if the bank has made a mistake, it will always be a compensation of some kind. It is, according to E, very important to achieve customer satisfaction.

According to E, the policy is to a great extent, approximately 90 per cent, based on common sense. The bank is carrying out regular market surveys regarding customer satisfaction among many other things. He also claims that the policy is followed to a 100 per cent, particularly in situations where a customer has experienced a service failure. E also believes that the different levels within the company have the same knowledge about the policy. However, the knowledge is greatest at the front-line level; at e.g. the office, the phone bank and the internet bank, due to the fact that it is at this level that the situations appear frequently.

E continues by saying that the service is very important at the bank, and that the employees must have the knowledge of how to treat the customers in their backbones. E claims further that in most of the cases when a customer experiences a service failure, he knows how to react. Some situations are more common than others. According to E, the bank has certain amounts that can constitute a compensation for a customer, in order to make the customer satisfied. These amounts of money can be given to the customer without any discussion with a manager. These amounts can be found on paper but if it is a certain situation where a greater compensation is appropriate, the employee has to turn to his or her manager who decides what to do. E believes that it is very important to recover failures that have happened in order to please the customers. These recoveries might end up in a new customer thanks to provision of positive word-of-mouth.

E has no authority to decide on his own what to do in all situations, but he is authorized to recover 99 per cent of the service failures. E has a manager who is the manager of all the offices of this bank in Jönköping. In situations when E finds the service failure too difficult to solve, he can turn to his manager for an advice regarding how to act.

Front-line employee (F)

According to F, the bank has some kind of policy. When a mistake occurs, F would turn to her manager for an advice on how to act. She claims that it very often has to do with common sense and if it is possible she tries to recover it by herself according to her own work experience but most of the times she needs a managerial decision.

Different customers react in very different ways which, according to F, makes it difficult to have a policy on how to act specifically. If F has complaining customers, she would start by listening to them and let them give voice to their dissatisfaction. After that, she perhaps is able to enter the discussion and give some arguments, depending on how the customers are behaving. Despite this, F finds it very important to deal with recoveries when they appear. If the customer experiences irritation, the customer might share his or her dissatisfaction with another customer, and then the negative word-of-mouth is very difficult to stop. Sometimes F finds it appropriate to compensate with something extra, but it is different from case to case.

F does not think that she has the authority to act by herself when a customer experiences a service failure. In order to correct larger failures, she would turn to her manager. F finally adds:

“The bank always considers the customers to be right until the opposite has been established.”

5 Analysis

This chapter consists of the analysis regarding the frame of references and empirical findings. The analysis is divided in the same segments as the chapter of empirical findings. This chapter leads to the conclusions presented in the next chapter.

Our theoretical framework, which is based on the purpose, focuses on the areas of services, service recovery, empowerment, communication and policy. The interview template used throughout this thesis was based on the purpose as well as the theoretical framework.

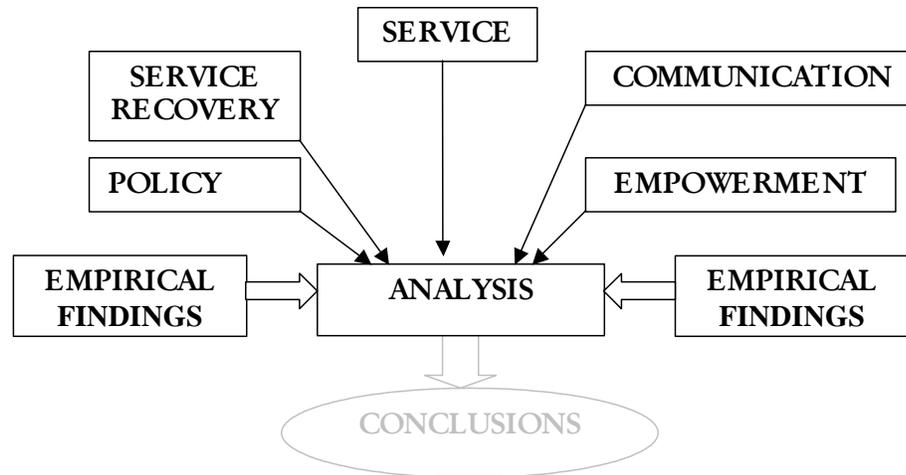


Figure 4 Analysis model

The analysis will be done through analyzing and interpreting the empirical findings. The analysis will be based on the theoretical framework as well as the empirical findings.

5.1 Insurance company

5.1.1 Verbal Protocol A

Middle manager (A)

A claimed that this situations happens quite frequently. However, she emphasized that all customers are different and claimed further that some customers require more time than other do. This is in line with the ideas of Hirschman (1970, in Wallin Andreassen, 1997) who claims that customers tend to act different when experiencing service failures, and that a customer can choose either to complain or remain silent. A emphasized the importance of explaining the situation to each customer. Further, A said that some customers choose to complain, while others choose to remain silent. However, she did not suggest any kind of recovery in this case, since it is the customers' responsibility to get the insurance.

Front-line employee (B)

Respondent B, as well as respondent A, claimed that this is a common situation at the insurance company. In this situation, B would carefully explain to the customer that it is his or her responsibility to get the special insurance. B claimed that this situation not is a service failure since it is the customers' responsibility to obtain the insurance. B claimed further that most customers finally realize that it is their own mistake and understand it. The fact that B would choose not to recover the situation is in line with the findings of Robbins and Miller (2004) who claim that a service recovery is an action to repair a mistake made by the service provider. Since it is the customers' responsibility to get hold of the insurance, the situation cannot be seen as a service failure.

5.1.2 Verbal Protocol B

Middle manager (A)

In this situation, A claimed that she would contact the department for damages and try to find out whether the company really is responsible. If respondent A would find out that the mistake is done by the company, she sometimes would choose to recover the customer experiencing the failure. A would then call the customer and admit that the company has acted incorrectly and decide whether to give any compensation or not. Giving the customers something extra in a failure situation does not happen frequently and respondent A emphasized that giving extra things can be seen as bribing. Middle manager A's opinion regarding service recoveries is contradictory to the findings of many authors. According to Bitner et al. (1990, in Wallin Andreassen, 1997), the service recovery itself is a very important aspect and argue further that any lack of recovery sometimes upset the customers more than the service failure itself.

Respondent A claimed further that the recovery not is any kind of compensation, but something in order to get the customer forgetting the mistake, which is contradictory to the findings of de Jong and de Ruyter (2004), who argue that service recovery is a crucial element of any service management strategy; not a bribe.

A service recovery can, according to Wallin Andreassen (1997), imply anything from a discount to an apology. A claimed that the insurance company most often compensates the customer by an apology; further compensation can be seen as a bribe. A emphasized the fact that if one customer gets some kind of discount while another customer pay full price, the whole situation will end up like a bonus system. She did not speak about service recoveries as a part of the daily work; recoveries occur, but neither often nor in large scale.

A stated further that the front-line employees have no authority to make extra compensations on their own, except for an apology. This is not in line with the findings of Hart et al. (1990) who claim that it is important to give the front-line employees authority to act in service failure situations. Smith et al. (1998) claim that one way to ensure customer satisfaction is to implement the same strategy regarding how to react and respond to service failures on management level as well as front-line level.

Front-line employee (B)

If the insurance company was wrong, B would call the customer and give an apology. She would compensate by giving the money the customer is supposed to get the same day. Most customers are satisfied with that and do not demand any extra compensation. She declared that she sometimes has the authority to give the customers some extra compensation, but only small things such as fair tickets. According to Daft (2001), empowerment has become a common word and there has been a great focus toward empowering the staff. Empowerment implies giving up central control, which will encourage speed, flexibility and decisiveness within the organization. Du-Brin (2004) claims that empowerment is about passing decision-making authority and responsibility from managers to other organizational members.

B said that she wants the dissatisfied customer to feel that he or she has received something for the failure. She also claims that if the company has done something wrong, it is up to the company to recover the mistake. According to Hart, Heskett and Sasser (1990, in Wallin Andreassen, 1997), a good recovery can turn a dissatisfied customer into a satisfied, loyal customer.

Front-line employee B claimed that she sometimes has the authority to recover service failures while middle manager A claimed that the front-line employees never have any authority to recover at all. This can be a sign of lack of communication within the company. According to Clappitt (2005), an organization's success will be dependent on communication. The different attitudes regarding the authority can be explained by several misunderstandings. It is also of big significance to have a communication within an organization having any kind of policy since it is important that all employees have the same view of the policy (Fisher 2000). Lack of communication might imply that a company's policy not is of all employees' awareness, according to Fisher (2000).

5.1.3 Interview

Middle manager (A)

Respondent A claimed that the insurance company has a policy for how to handle customer complaints in a service failure situation. According to Premfors (1989) a company can have a policy for the business or for parts of it. The insurance company has a policy for how to handle situations where customers are dissatisfied, which means that the company has a policy for one part of the whole business. The respondent stated that the policy is important to the company as well as to the organizational members.

A claimed further that it is not always possible to operate in line with the policy, which is corresponding with the findings of Hjern (2000), who states that always strictly follow a company policy will lead the daily work in a negative direction. A claimed that her actions sometimes are a mix between the policy and common sense.

She also emphasized the importance of correcting any mistake done by the company, but chooses quite seldom to recover the customer by giving him or her something ex-

tra, except for the promised service. Too generous recoveries can create hidden bonus systems and be seen as a bribe. As Bitner et al. (1990, in Wallin Andreassen, 1997) point out, it is important to remember that the recovery itself is a very important aspect of the total service provision. This is a bit contradictory to the ideas of A, who connected service recoveries to bribery.

Respondent A claimed that all levels of the insurance company have the same awareness regarding the recovery policy. She argued further that every employee at the company knows about the policy but not everyone works with it, due to different work assignments. Thomas (2000) states that policies tend to stay the same over a long period of time, which can explain the fact that respondent A stated that all company members have the same view on the company policy. Bang (1994) claims that a policy has to be repeated many times to facilitate any effect.

Front-line employee (B)

Respondent B, as well as respondent A, meant that the insurance company has got a policy for how to act when customers are dissatisfied. B also said that she first heard about the company's policy when she got her introductory education as a newly recruited employee. She claimed further that she does not know the company's service recovery policy by heart, but she feels that she has enough knowledge regarding it. It can be claimed that the policy is communicated early to the new employees since they get in touch with it during their first course at the company. Successful internal communication is a source of organizational success, according to Clampitt (2005). Superior internal communication can, according to Länsisalmi (2004), imply a higher success in regards to problem solving and experimentation. It is also crucial that a policy is repeated many times in order to make the employees aware of it, according to Bang (1994). The insurance company starts to communicate the policy at the introductory course, which is a sign of good communication regarding the policy.

Respondent B said that she tries to work in accordance with the policy when she is performing her daily work. She claimed further that she agrees with the company policy and that she not would be able to work at a company where her beliefs are not in accordance with the company's values. Respondent B further found it hard to answer the question whether the different levels of the organization have the same awareness and knowledge regarding the policy. However, she said that she believes that the organizational members mostly follow the policy, even though she thought that some exceptions sometimes are done. She stated that the policy does not restrict her when she is performing her work. A policy can, however, make it harder for an organization's employees if they strictly follow the policy, since this will restrict the employees' performance, according to Hjern (2000).

She claimed that the policy makes it easier for her to perform her daily work at the insurance company. Premfors (1989) defines policy as a chain of decisions, which helps the employee to make several decisions. However, B argued that it sometimes would be easier if the company had some kind of discount or bonus system, which many other companies have. On the other hand, she stated that such a system would

favor the customers with the highest voices, leaving nothing for the other, quiet customers.

5.2 Hotel

5.2.1 Verbal Protocol C

Middle manager (C)

Respondent C stated that this situation not is unusual. In a situation like this, the employee books a new room for the customer. If no room at the hotel is available, the employee tries to book a room at another hotel situated in Jönköping. C claimed that she sometimes would think of upgrading the room. However, she sometimes chooses to upgrade, then at no cost for the customer. C argued further that the hotel of course cover the cost for the taxi transport. According to Hirschman (1970), there are two different ways in which a dissatisfied customer can act: exit or voice. Verbal protocol C clearly indicates that the customer acts in the latter of the two alternatives. If the customer would act according to the first alternative, exit, the customer probably would discontinue staying at the hotel after the actual stay.

Front-line employee C clearly emphasized the importance of giving the customer something extra, because of the experienced problems. She claimed further that the reason why they choose to recover is to get the customer coming back. This is in line with the findings of Wallin Andreassen (1997) as well as Smith, Bolton and Wagner (1998) who all claim that service recovery is a very important aspect and ingredient to receive customer satisfaction, customer loyalty and finally profitability.

Front-line employee (D)

D claimed that she would not pretend that she does not find a room. However, she would, as well as respondent C, attempt to find a room at another hotel situated in Jönköping. She also claimed that she would organize the taxi transport at no cost for the customer. D explained that this situation sometimes tend to appear since the hotel sometimes chooses to overbook, since they do not count on all customers to show up. However, if the situation appears, D is clear of what actions that shall be undertaken as well as what to say and do. The customer will evaluate the service in situations like these and the customer's perception concerning the service will depend on the employee's actions among other things, according to Swartz and Iacobucci (2000).

5.2.2 Verbal Protocol D

Middle manager (C)

C instantly claimed that she would not follow the customer to the room. She carefully emphasized that she would trust the customer's judgment regarding the poor cleaning. She also stated that something is wrong, if the customer claims it. According to Robbins and Miller (1994), an unclean hotel room is a typical and common service failure. Respondent C said further that it would be very rude to question the

judgment of the customer. Most customers are satisfied with getting a new, clean room. Though, some customers are more dissatisfied, and sometimes she would choose to give the customer something additional. To recover a service failure by e.g. giving the customer something extra is a good foundation for building customer relationships as well as customer loyalty, according to Parasuraman (1991).

Respondent C highlighted the importance of getting customers to tell them when something is wrong. She meant that it is important to learn from mistakes. Service recoveries are, according to Landon (1980, in Wallin Andreassen, 1997), set off by the complaint of a customer. Further, service recoveries deal with communicating something negative regards to a service, according to Jacoby and Jaccard (1981, in Wallin Andreassen, 1997). This is why it is especially important to get the customer to tell the service provider when he or she is experiencing a service failure. The behavior of telling the service provider when experiencing a service failure is, as written above, necessary to be able to recover the situation, according to Hirschman (1970).

Front-line employee (D)

Respondent D claimed that she first of all would try to get a new room for the customer, which is situated closely to the original room. If there were no other rooms available, she would offer the customer something while waiting for the room to get cleaned. In some of those situations, she would think of upgrading the room in order to compensate the dissatisfied customer and turn him or her into a satisfied customer. When the customer chooses to complain, he or she communicates something negative in order to improve the present situation, according to Jacoby and Jaccard (1981, in Wallin Andreassen, 1997). When a company gets to know about the customer's negative experience, the company sometimes has the opportunity to turn the upset customer into a loyal customer (Wallin Andreassen, 1997).

Respondent D carefully emphasized that she always has to keep in mind that all customers are different. Respondent D's opinion that all customers are different is in line with the ideas of Day and Landon (1976, in Wallin Andreassen, 1997) as well as Gilly and Gelb (1982, in Wallin Andreassen, 1997) who all claim that customers tend to act differently when experiencing a service failure. They argue that the most common behaviors when experiencing a failure are provision of negative word-of-mouth, redress seeking or exit.

5.2.3 Interview

Middle manager (C)

The hotel has, according to respondent C, no written policy of how to act in service failure situations. However, Bang (1994) argues that a policy most commonly is expressed in employee brochures, business papers or in strategies. The hotel chain offers a great amount of courses where the policy indirectly is communicated. The employees get introductory education when they enter the company. The introductory program handles the issues of service recoveries and company culture.

According to Thomas (2000), a policy can be either very general or highly precise. C claimed that the hotel has an internal spoken policy that includes immediate compensation. A company's policy can be connected to the guidelines and basic principles for how to act in a special situation, according to Stora Focus (1989) and Bra Böckers Lexikon (1995). The employees have the guidelines of how to act when recovering a service failure.

The policy also implies that all employees have total authority to recover in any situation. This means that the front-line employees can act and recover a service failure without speaking to any manager prior to the recovery. According to Daft (2001), a firm can choose to empower its employees at different degrees. The lowest level implies that the employees have no authority to make decision when the highest level implies that the employees are responsible for the decision procedure and strategy.

The internal policy makes middle manager C's work much easier, since the front-line employees know that they have the right to act instantly to recover according to what they think is appropriate. However, respondent C claimed that the hotel chain already have many concepts that have to be followed and therefore a written, common policy, would be good, but also highlighted that it is good that she can act flexible and handle situations somewhat different compared to other hotels included in the chain, without breaking any policy. This is in line with the findings of Hjern (2000) who argues that a too strictly followed policy will reduce the work performance.

Middle manager C claimed that there is of big importance to recover mistakes being done by the company. She argued the significance of getting the customers coming back to the company in the future. C claimed further that customers tend to share their negative experiences with others, which will end up as harmful to the company. She stated further that it costs a lot of money to look for new, potential customer. This is exactly corresponding with the findings of Chakrapani (1998) who claims that 100 dissatisfied customers may cost a company 1600 until 2500 potential customers since the dissatisfied customers tell their friends and family who tell other people.

Front-line employee (D)

Respondent D claimed that the hotel has a policy regarding how to act when any customer is experiencing dissatisfaction. The policy is not written but is, however, spoken within the hotel. The policy allows all employees to act on behalf of what they think is appropriate in different situations. This means further that she, together with the other front-line employees, have total authority to recover in situations when customers feel dissatisfied. The trend is, according to Daft (2001), that the power is transferred from the management to the employees

D clearly emphasized the importance of recovering a failure done by the company. This is along the lines with the findings of Keaveney (1995, in Wallin Andreassen, 1997), who claims that it is important to remember that a sufficient service recovery action implies a decreased risk of losing a customer.

Respondent D said that the fact that she has full authority to recover failures makes her safe and secure when taking action to satisfy a dissatisfied customer. D claimed that she solves most of the problems herself, but also stated that she can turn to her manager for advice if she feels insecure of how to act. The fact that she feels safe in failure situations is in line with the findings of Houtzagers (1999), who argues that organizations that choose to empower their employees want self-confident employees having power of initiative.

Respondent D claimed that she is convinced that all employees at the hotel have the same awareness regarding the policy. Great awareness of the policy is a sign of good communication within the company, according to Fisher (2000) as well as Chase (1998). D further stated that the policy is created at the top level and communicated downward the organization. It is, according to Evans (1990) important that the information flows downward the organization, but it is of equal importance that the information flows upward as well.

5.3 Bank

5.3.1 Verbal Protocol E

Middle manager (E)

Respondent E would, in a situation like this, try to help the customer to get the money as fast as possible. He would first of all try to contact the other offices in Jönköping to try to get the currency. He claimed that he would do anything to recover the failure and get the money to the customer as fast as possible. It is important to recover service failures, and according to Bitner et al. (1990, in Wallin Andreassen, 1997), the lack of service recovery can upset the customer more than the failure of the service provision.

Front-line employee (F)

Respondent F would try to obtain the currency as fast as possible. First, she would turn to the exchange office situated close to the banking office and possibly check with other banks in the surrounding. She would also think of recovering the situation by offering the exchange fee at no cost for the customer, in order to make the customer satisfied. The fact that respondent F sometimes would give the customers something extra is in the lines with the findings of Wallin Andreassen (1997) and Robbins and Miller (2004) who claim that service recoveries is very important and one of the basic ingredients when receiving customer satisfaction, customer loyalty and in the end profitability.

5.3.2 Verbal Protocol F

Middle manager (E)

Respondent E would in this case start an investigation to try to find out if the withdrawal wrongly has been registered. He claimed further that he would try to find out

which employee who interacted with the customer. He stated that the bank can do the mistake with the human factor as a possible explanation. The fact that mistakes in services sometimes are done is confirmed by Parasuraman (1991) who claims that errors always will be a part of the service provision. However, Parasuraman (1991) also argues that organizations shall strive to minimize the amount of mistakes.

Front-line employee (F)

Respondent F would, in a situation like this, try to find the verification paper to check on the signature. If the bank was responsible for the mistake, she immediately would give back the money to the customer. She would further compensate if the customer had lost any interest due to the incorrect withdrawal. In some cases she would think of an additional compensation and would in such cases turn to her manager for an advice. She thinks it is important to recover from mistakes done by the company in order to not get dissatisfied customers. This is confirmed by Grönroos (1982) who claims that the way a service company handles the service recovery will imply either a strengthened or a weakened relation between the customer and the company.

5.3.3 Interviews

Middle manager (E)

Respondent E claimed that the banking company has a policy on how to act in situations when a customer is dissatisfied. He further stated that the policy is regularly discussed within the bank. The bank has several rules on which amounts that can be paid to a customer when a service failure situation appears. Those amounts can be paid to the customer without asking a manager. It is important to break the silence of the customer, listen to complaints, and recover from them in order to avoid provision of negative word-of-mouth, according to Chakrapani (1998).

E carefully highlighted the importance of receiving customer satisfaction. The bank measures customer satisfaction through a survey. He argued that customer satisfaction is important since the bank is taking a great risk if they not recover a failure situation since the dissatisfied customer probably will tell friends and family about the service failure. He also claimed that the bank probably gain lots of new customers when recovering from a failure since the satisfied customer might share his or her satisfaction with others; instead of dissatisfaction. Respondent E's thoughts are in line with the ideas of Chakrapani (1998) who states that 100 dissatisfied customers will cost a company up to 2500 potential customers.

Respondent E claimed that the whole organization is aware about the policy but he emphasized that the front-line level has the greatest experience due to the fact that service failure situations frequently appear at that level. This is in line with the findings of Hart et al. (1990) who state that front-line employees are aware of how to act to recover service failures, since they are the ones to know about the failures.

Front-line employee (F)

Respondent F claimed that the bank has a policy for how to handle dissatisfied customers. She claimed that she mostly handles the situation when having a dissatisfied customer based on her work experience mixed with common sense. However, she said that she can turn to her manager when she does not know how to act in a situation. F meant that it would be hard to have a specific policy on how to act when customers are dissatisfied since all customers are different and act in different ways. She emphasized that she in a service failure situation starts by listening to the customer. When the customer has finished his or her complaint she might enter the conversation. It is very important to break the silence of the customers and get them to complain, according to Chakrapani (1998).

In a service failure situation, F said that she sometimes chooses to give the customer something extra. However, she judges all situations and evaluates what has to be done. She said that it is very important to recover when a customer is in a state of dissatisfaction and the bank is responsible for it. F also claimed that it is important to recover since the dissatisfied customer will tell other, potential customers. Respondent F's ideas of recover any mistake as well as listen carefully to a dissatisfied customer is in line with the findings of Wallin Andreassen (1997) as well as Robbins and Miller (2004), who claim that service recovery actions are key ingredients in the process of achieving customer satisfaction and customer retention.

5.4 Analysis summary

We have chosen to summarize our findings from the analysis in a model that is presented below. We have chosen to place the companies according to how formal the service recovery policy is, as well as how high degree of empowerment the company has. The degree of empowerment used in Figure 5 is based on The Empowerment Continuum⁴ (Daft, 2001). We have chosen to use two types of policies: formal (written) policy and informal (spoken) policy. Those two types of policies are concrete in this thesis. Of course, we are aware of the fact that a company's policy can be formal but, however, spoken as well as written and informal.

⁴ See further Figure 1

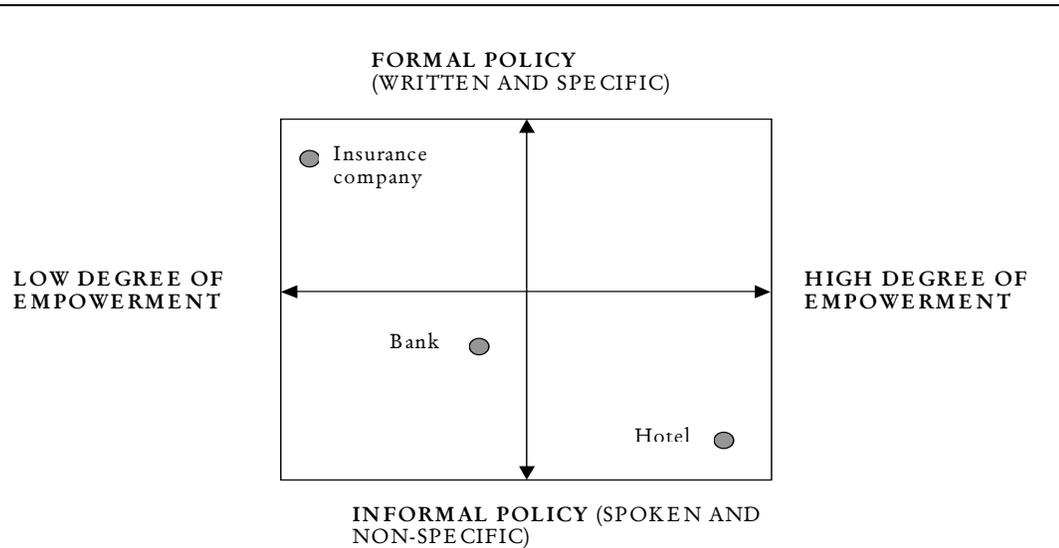


Figure 5 Analysis summary model

The insurance company has the lowest level of empowerment since the front-line employees very seldom are allowed to make decisions regarding service recoveries. If a front-line employee wants to recover a service failure, he or she has to ask the manager for admission. The insurance company has a written policy for how to act in service recovery situations. The policy is quite precise on how to act in service recovery situations, which implies that the policy is regarded as rather formal.

The hotel has the greatest level of empowerment since the front-line employees have the authority to recover in all failure situations according to what they think is appropriate. The policy of the hotel is spoken and regulates the fact that the employees *shall act* when a customer is in a state of dissatisfaction, not *how* they shall act. The actions to be taken are up to the front-line employees themselves. The policy is spoken and non-specific which makes the policy informal.

The banking company has a policy, somewhat written and somewhat spoken, for how to act in service recovery situations. The policy is also based on common sense and work experience, which implies that the policy is, according to us, semi-formal. The reason why the policy not is regarded as totally informal depends on the fact that the policy still contains of some written parts; the amounts that can be paid to a customer without asking a manager. However, the front-line employee at the bank did not mention these amounts and she claimed that she would turn to her manager in many of the recovery situations when she considers that the recover should be somewhat more than listen to the customer and apologize. She does not have a big authority to act in recover situations herself. The bank's level of empowerment is regarded to be in the middle. This is explained by the fact that the front-line employees have a rather low degree of empowerment, but the middle manager has a quite high degree of empowerment, which therefore implies a medium level of empowerment.

To summarize this section we can claim that the insurance company has the most formal policy and the lowest degree of empowerment. The hotel has the most informal policy, but also the highest degree of empowerment. The banking company has a

medium low level of empowerment as well as a medium-formal policy for how to act in service recovery situations.

6 Conclusions and further discussion

In the last chapter, we summarize our concluding remarks regarding the result of this study. We also give some suggestions for further research.

The purpose of this study has been to determine the relationship between service recovery strategy and empowerment. We will now outline the main conclusions found throughout the conduction of the thesis.

First of all, we can conclude that service recovery policy and empowerment tend to be somewhat interrelated. We can begin to conclude that the three firms contributing in this thesis showed to be different regarding service recovery policy and level of empowerment. We can from the analysis and empirical findings conclude that a high degree of empowerment of a company in this study imply a more informal and non-specific service recovery policy. Additionally, we can claim that a non-specific and non-formal policy seems to require a higher degree of empowerment. The reason of this might be that a non-specific policy does not indicate *how* to handle different service complaints which means that the front-line employee must be empowered and allowed to act according to his or her judgment of what is necessary in a special service failure situation.

The question in the title was whether companies have a service recovery policy, empowerment or both. This question tends to remain unanswered due to the result from the empirical findings. If taking the hotel company as well as the banking company into consideration, the question would be possible to answer. The answer would then be that the company will have either or. But, however, when taking all three respondents into consideration, which of course is necessary, the answer is that it is possible to have a service recovery policy, a high degree of empowerment or a combination of them.

It is important to keep in mind that the companies participating in this study have different attitudes toward service recoveries. We can discern two general types of attitudes: service recoveries as day-to-day occurrences and service recoveries as a kind of bribing. The hotel as well as the banking company considered service recoveries to be natural day-to-day occurrences, while the insurance company seemed to connect service recoveries to bribery and to the creation of a bonus system. However, it is impossible to conclude that the insurance company is less service oriented. It can, however, be concluded that the services offered by the insurance company and to some extent by the bank, are complex and require more investigation which means that recovery cannot be done immediately. An investigation is sometimes made at the insurance company as well as the banking company in a situation where a customer is experiencing dissatisfaction. The investigation implies that the companies not always will be immediate in their respond compared to the hotel, which almost always is immediate in the response to a failure situation. However, the services offered by the bank and the insurance company tends to be more similar and somewhat more complex compared to the services offered by the hotel, which might explain the slower respond to a failure.

6.1 Further Discussion

Many authors speak about empowerment to be an important determinant in organizational success. We will now discuss our view of empowerment, service recovery policy as well as the increased competition at the marketplace.

All middle managers interviewed in this thesis were clear about the increased competition among service firms as well as among firms in general. They were all aware of the fact that it is all about satisfying the needs of the customers better than the competitors. This indicates that the firms participating in this thesis has come far in the development toward the new service society.

All managers spoke about the importance of increasing their competitiveness as a company and the importance of not losing any customers to any competitor. Even some of the front-line employees mentioned the importance of being competitive and the importance of customer retention, which indicates that the importance of the increased competition and how to respond to it has spread within the organizations to a quite great extent.

As written above, we think the firms participating in this thesis have come far regarding adapting to the increased competition. However, the trend is moving toward an even more competitive market and we think it will become more important to have an empowered and professional staff at the front-line level, which respond immediate to service failures. A company can also choose to have a well defined, written policy, which let the front-line employees know how to act or a mixture between empowerment and a service recovery policy. But, however, we think the companies giving the front-line employees full authority to act will be the winners if they succeed to involve the employees and get them to act immediately. A policy will never be able to cover all possible failure situations. If the staff then is empowered, they can choose which recovery they think are appropriate. This, however, increases the responsibility of the employees. We therefore think that it will be more important to employ the right people; not only on the top level, but also at the front-line level as well as middle level. The company culture, the company policy or the awareness regarding the given authority must further permeate the whole organization.

We do not think the winners among service companies will be those thinking about today and tomorrow, but those thinking with enthusiasm about the future and the challenges and possibilities it offers.

6.2 Suggestions for further studies

Throughout this research, we have found out if there are any interrelation between service recovery policy and empowerment by using different service companies from different industries. Since we found some differences between different sectors, it would be interesting to find out whether there are any differences within a sector by including several similar service companies in a study.

Further, it would be interesting to investigate whether smaller service companies have less informal service recovery policies and more empowered employees compared to bigger and medium sized service companies.

Additionally, it would be interesting to find out whether service recovery strategy differs among different cities in Sweden. One topic suggestion would be to investigate whether the companies operating within larger cities are more service-oriented than companies operating within smaller cities. In addition, a comparison between different countries would be interesting.

6.3 Special thanks

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Appendix 1 - Verbal Protocols

INSURANCE COMPANY

Verbal Protocol A

According to the Swedish law, a vehicle must have a certain insurance. If the car does not have the special insurance, the owner of the car will have to pay a fine based on number of days missing the insurance. It is the car owner's responsibility to sign up for such insurance. An angry customer calls you at your office and claim that your company is responsible for the fine. How would you act in such situation and how would you handle the customer?

Enligt trafikskadelagen måste ett fordon ha trafikförsäkring för att få användas i trafik. Om bilen ej är försedd med trafikförsäkring utgår böter baserat på antalet dagar utan försäkring. Det är bilägarens ansvar att se till att bilen är försäkrad. En arg kund ringer dig på jobbet och säger att det är ditt företags fel att han eller hon har fått böter. Hur skulle du agera i denna situation och hur skulle du bemöta kunden?

Verbal Protocol B

A customer calls you at your office regarding compensation for an inquiry. Your company has decided on a certain sum of money the customer will receive thanks to his or her insurance. The customer claims that the sum of money is too small and wants more. You deny the customer a bigger sum of money. Next day you realize that the customer really has the right to receive a greater sum of money. How would you act in this situation?

En kund ringer dig på kontoret angående ersättning för en skada. Du på försäkringsbolaget har fastställt en summa som kunden skall erhålla. Kunden menar att ersättningen är för knapp och att hon/han skall få en större summa. Du nekar kunden mer ersättning. Dagen efter inser du att kunden faktiskt hade rätt, och att han/hon har rätt till ett större belopp. Hur skulle du agera i en situation som denna?

HOTEL

Verbal Protocol C

One customer enters the reception to check in. The receptionist discovers that the room the customer booked does not "exist". The hotel is over booked. How would you act in such situation? Note that the customer really has booked the room as well as brought a confirmation receipt. This means that the customer can prove that he or she really has booked a room as well as paid for it.

En kund kommer till receptionen för att checka in. Receptionisten upptäcker att rummet som kunden bokat faktiskt inte "existerar"; hotellet är överbokat. Notera att kunden har ett bokningsnummer och kvitto och faktiskt har bevis på att han/hon har bokat rummet. Hur skulle du agera i denna situation?

Verbal Protocol D

A customer who recently checked in comes down to the reception. The hotel guest claims that the cleaning of the room is poorly done. You follow the customer up to the room to inspect the cleaning and discover that the cleaning really is poorly done. How would you act in this situation?

En hotellgäst som nyligen checkat in kommer ner till receptionen. Hotellgästen påstår att städningen av hans/hennes rum är mycket bristfällig. Du följer med kunden upp till hans/hennes rum för att inspektera rummet. Du upptäcker att städningen av rummet är underkänd. Hur skulle du agera i denna situation?

BANK

Verbal Protocol E

A customer enters the reception of the bank. The customer has ordered a certain currency and you discover that your bank does not temporarily have the currency in stock. How would you act in this situation?

En kund kommer in på banken och har beställt pengar i en utländsk valuta. Du upptäcker att banken ännu inte har fått in valutan. Kunden måste ha pengarna omgående då han/hon skall resa redan idag. Hur skulle du agera i denna situation?

Verbal Protocol F

A customer enters the bank claiming that a cash withdrawal has been registered on his or her bank account, but claims that no cash withdrawal has been done. How would you act in this situation?

How would you act if the customer is:

- right/wrong?

En kund kommer in på banken och menar att ett uttag har registrerats på hans/hennes konto, men menar att inga pengar har tagits ut. Hur skulle du agera i denna situation?

Hur skulle de agera om kunden har:

- rätt/fel?

Appendix 2 – Intervjumall

– Har ditt företag någon policy för hur ni som anställda skall agera i speciella situationer då kunder är missnöjda?

Om ja:

- På vilket sätt har denna policy implementerats i företaget? Har du fått någon utbildning inom företaget gällande policyn?
- Tycker du att du har tillräcklig kunskap om policyn?
 - Tycker du att policyn följs? Om ja, på vilket sätt?
 - Om nej, varför tror du att det är så?
- Anser du att olika nivåer i företaget har samma kunskap om och agerar liknande sett utifrån policyn?

Om nej:

- Vet du hur du skall agera i situationer som kan uppstå om kunden upplever missnöje?
 - Om ja, baseras ditt agerande på egna uppfattningar eller har någon inom företaget talat om för dig hur du skall agera?
 - Om nej, agerar du över huvud taget? Varför/varför inte?
 - Tycker du att det skulle kännas tryggt att ha en uttalad policy angående hur man som anställd skall agera när en kund upplever missnöje?
- Tycker du att det är viktigt att företag åtgärdar misstag som skett gentemot kunder?
- Anser du att du har utrymme att agera själv i vissa situationer? Har du befogenhet att göra det?

Appendix 3 – Interview template

- Does your company have any policy regarding how employees should act in certain situations where customers are dissatisfied?

If yes:

- In what way have this policy been implemented in the business? Have you received any education within the company regarding this policy?
- Do you think that you have adequate knowledge regarding the policy?
- Do you think that the policy is followed?
 - If yes, in what way? Is your acting based on your own opinions or did anyone at the company explained to you how to act?
 - If no, why do you think it is like that?
- Do you regard the different levels of the company to have the same knowledge about the policy? Do they act similar on the basis of the policy?

If no:

- Do you know how to act in situations that might arise when a customer experiences a failure?
 - If yes, is your acting based on your own opinions or did anyone at the company explained to you how to act?
 - If no, do you act at all? Why/why not?
- Do you think that it would feel better to have a clear well-stated policy regarding how to act as an employee when a customer is dissatisfied?
- Do you think that it is important that companies attend to failures that have been done?
- Do you think you have space to act on your own initiative in certain situations? Do you have authority to do that?