

Chapter 15

Customer Quality Assurance

Making Organizations Accountable for Service Quality

***Customer Quality Assurance* creates guarantees and standards of customer service, complaint systems and means of redress to make it up to customers when organizations fail to meet those standards, and customer boards, councils, and service agreements to hold organizations accountable for meeting them.**

..... **I**n 1993, when Vice President Gore asked Bob Stone to be project director of his National Performance Review (NPR), one of the first people Stone recruited was an old colleague named Greg Woods. Woods, who had worked with Stone at the Defense Department, was running a high-tech company in New Mexico. But he was excited by the prospect of helping reinvent the entire federal government. They decided he should handle the “customer service” portfolio: his job would be to improve service throughout the government.

Woods immediately began contacting private companies that were legendary for their customer service, like Disney and Ritz Carlton, and pumping them for their secrets. Deputy Director John Kamensky, who had come over from the General Accounting Office (GAO), where he had drafted a report on reinvention in other countries, told Woods about the British Citizen’s Charter. It required that all public organizations in the U.K. adopt customer service standards defining the levels of service they promised their customers, among other things. Intrigued, Woods invited Diana Goldsworthy from the Citizen’s Charter unit to visit the NPR.



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Excited by what Goldsworthy told him, he called a meeting of people from federal agencies that served the most Americans: the Social Security Administration (SSA), Veterans Affairs, the U.S. Postal Service, the Internal Revenue Service, and a few others. He did a briefing on customer service standards and laid out an idea for one standard at each agency, to trigger discussion.

Woods knew that the SSA's toll-free number was important to millions of people. So he suggested that the agency promise that every citizen would get through on their first call. Only a few years old at the time, the 800 number was already the most heavily used in the world, with 60 million calls a year. But the agency was having trouble keeping up with the demand. Customer satisfaction had fallen for four years in a row, in part due to problems callers had reaching someone on the phone.

Toni Lenane, then the chief policy officer at the agency, attended the briefing. Woods remembers her reaction well: "She said, 'That's insane!'"

He asked what she meant. "She said, 'You've got to understand, currently we can't answer anywhere near 100 percent of the calls. The idea that we would invest the money to add the system and operators to do this is just not feasible.'"

But Greg Woods rarely takes no for an answer. He began talking with others at Social Security, finding allies. Larry Thompson, the acting commissioner, was receptive. Toni Lenane kept listening as well, as Woods argued that the agency could find new technologies and new methods to deal with calling volume by learning from business. When Shirley Chater, president of a women's college in Texas, was nominated to be commissioner, Lenane briefed her about Gore's and the NPR's interest in customer service. It turned out Chater had been working hard to improve customer service at her college. In her confirmation hearings, Woods remembers, "She was talking about world-class service—making it clear that customer service was something she absolutely, positively believed in."

So Woods kept pushing. He sent Lenane draft language for standards, which included his idea on the 800 number. He negotiated with Thompson and Lenane almost daily. Gore's report was scheduled to be released on September 7. As the deadline loomed, the phone conversations migrated into the late evenings. "I just hung in there," says Woods. "I was telling them, 'Well, I won't be able to include you in the book. I'll just have to take you out, and tell the VP, and we'll just go with the postal service,'" which had agreed to standards. "And finally they came through."

The Gore report prominently featured a promise from the Social Security Administration to post four performance standards in its offices.

- *You will be treated with courtesy every time you contact us.*
- *We will tell you what benefits you qualify for and give you the*



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information you need to use our programs.

- *We will refer you to other programs that may help you.*
- *You will reach us the first time you try on our 800 number.*

When Lenane and her colleagues managed to get complete data on the 800-number service, she says, they realized that she had been right: it *was* impossible. At the busiest times of the year in 1993, half the calls got busy signals. At the best times, 18 percent did. Every time payments went out at the beginning of the month, calls flooded the number. After weekends and holidays there were other huge “spikes.” On most days, volume crested between 10 A.M. and 2 P.M., then fell off.

And the agency couldn’t ask just anyone to answer the phone. Fielding questions from anxious senior citizens about their retirement checks requires knowledge, patience, and courtesy. The agency had already considered contracting the service out and decided it wouldn’t work. Its phone people prided themselves on their customer service. They knew a tremendous amount. And they required significant training. Agency leaders simply didn’t trust private contractors to provide the required quality of service.

So the agency put together a team and began studying its dilemma. In response to the NPR pressure, it had launched a series of new, more detailed customer surveys. When the team analyzed the new data, it was clear that Woods’s instinct had been right: endless busy signals on the 800 number damaged the agency’s reputation with its customers. “Our data showed that access was the single biggest driver for customer satisfaction,” says Lenane. “Getting through to the 800 number influenced the public’s perception of our competency and knowledge and their overall satisfaction.”

One of the surveys said, “From the time someone first tries to call the 800 number, it would be good service if he/she is able to get through within (blank).” The median answer was five minutes. If callers got through in two minutes, the agency could please nine out of 10 people.

“We knew we wouldn’t be able to hit two minutes,” says Lenane. “So we chose this median.” In 1994, as Woods prepared a progress report on the customer service initiative, she negotiated to change the standard.

Woods pushed hard, telling Lenane, “You can’t give ground on this, this is very visible in our report, from the vice president’s office.” With Gore’s authority behind him, he had real leverage. “We went over and over and over it,” he remembers. “Finally, we kept some things as standards and others as goals. What was essential—what I hung on to—was that they were committed in writing to someday get there.”

The NPR’s September 1994 report listed a series of new commitments from the Social Security Administration (SSA)—more specific this time and again



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featured prominently in the book. They included the following:

- *If you request a new or replacement Social Security card from one of our offices, we will mail it to you within five work days of receiving all the information we need. . . .*
- *When you make an appointment, we'll serve you within 10 minutes of the scheduled time.*
- *SSA knows that you expect world-class service in all your dealings with us. Today we are unable to meet your expectations in all areas, but we are working to change that. When we redesign our processes, you can expect that when you call our 800 number, you will get through to it within five minutes of your first try. Today we often are not able to meet this pledge. During our busiest days, you will get a busy signal much of the time.*

Almost no one familiar with the 800 number thought meeting the five-minute standard was possible. The number of calls kept rising, and Congress kept giving the agency more responsibilities. To make matters worse, downsizing was now under way, thanks to the president and Congress's agreement to cut federal employment. The agency was no longer even allowed to replace teleservice representatives (TSRs) who left. The "busy rate" was going up, not down: in fiscal 1994 the monthly low was 28.4 percent, the high 53 percent.

Yet because of their surveys, the agency's leaders knew how important access to the 800 number was to their customers. They knew the NPR was pushing for good reason. So they got to work. They led a benchmarking study the NPR did on telephone service, looking for operational changes and new technologies they could use. They considered hiring temporary employees for peak periods but decided their limited use would not justify the high cost to train them. Finally they began increasing the number of people from their Program Service Centers (PSCs), which did back-office processing of individual benefit cases, who also handled phone service when volume spiked. They knew full well that benefit processing would suffer, so at first they went slowly.

At this point, the new Republican Congress weighed in. In his budget hearings in April 1995, Congressman John E. Porter (R.-Illinois) extracted a series of performance commitments from the SSA, as part of the Government Performance and Results Act (GPRA) process. One was that 85 percent of calls to the 800 number would be answered within five minutes during fiscal 1996, and 95 percent in fiscal 1997.

Agency leaders had concluded that hitting the five-minute standard on the highest-volume days, on every call, would cost a fortune. "We had to say, the rule of common sense has to apply," says Jack McHale, deputy regional



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commissioner for the Philadelphia region. “Every hour [that] one of those benefit authorizers is on the telephone answering calls is an hour away from their regular work.” Beneficiaries would suffer in other ways, by not having their claims processed on time. Greg Woods also agreed to the 95 percent goal.

But the fact that congressional appropriators were taking the standard seriously changed the stakes. Money talks. “We call it a Porter commitment,” says Steve DeMarcos, then deputy director of the Mid-Atlantic PSC. “This is a commitment we make to Congress, where we say, we will deliver this level of service, and thereby continue to be able to receive budgetary considerations.” GPRA “not only gave it teeth, but it made it a very, very clear and focused goal that everybody knew and everybody was shooting for.”

Just as Porter was extracting his commitment, the agency received a huge shot in the arm. In April 1995, *Business Week* reported that Dalbar Financial Services Inc., after an independent survey of customer service over the phone, had rated the SSA’s customer service the best in the country. It topped that of L.L. Bean, Federal Express, Disney World, and every other private corporation tested.

Dalbar placed calls to measure performance, explains Lenane. “We did very poorly on access but very well on competency and knowledge. And in their scoring, those were the things they valued.”

This was a huge boost for those pushing for the resources necessary to meet the 95 percent standard. “It helped a great deal,” says McHale.

While as an agency we were struggling to get the budget commitment for the TSR replacement and get the spike commitment, boy, did that get us favorable attention. That got us in the headlines. It was much easier to say afterward, “If we want to continue in our world-class status, we have to do these things.”

The employees loved it. We had a celebration. Every employee got a copy of the Dalbar letter, and of course the agency got a Hammer award [from Vice President Gore] out of that. We were able to say to employees, “Hey, we’re better than Disney World, you know!” It really was a boost in morale for employees.

Unfortunately, the access rate was still going south. In fiscal 1995, only 73.5 percent of callers got through in five minutes, the worst rate yet. The monthly busy rate went from a low of 35.5 percent to a high of 61.8 percent.

Finally, agency and administration leaders bit the bullet. First, they agreed to replace teleservice representatives when they left, despite the downsizing effort. Then they converted two Data Operations Centers (DOCs), with about 700 people, to full-time telephone work.



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These two centers had low-level employees who spent their days keying information into computers. It was not clear that they could handle telephone work. “There was a reaction: ‘You’re going to do *what?*’” remembers Janice Warden, then the deputy commissioner for operations. The agency did have to spend more time than usual training them, but it worked. “It changed a lot of people’s mind-sets about what we could do, because we found out that these people were perfectly capable of becoming teleservice representatives.”

Finally, agency leaders decided to expand teleservice responsibilities to virtually every technical person who worked in a PSC, starting in January 1996. They trained 3,700 people in six large processing centers to handle calls when volume spiked—more than tripling the number of “spikers.”

“We worked out a sophisticated call routing system, with the ability to quickly bring these people on during peak calling periods,” says Jack McHale. “When calls fell off, they went back to their work.”

This required a mammoth training program and a long effort to win the support of the union, part of the American Federation of Government Employees. The key factor was job security: automation was expected to do away with some of the processing center jobs, so shifting to telephone service saved people’s jobs. Once they had won union support, Warden, Larry Thompson, and the union council president spent two months visiting the PSCs that were going to have to change.

These folks “did not do public contact work,” remembers McHale, “and many of them were not at all interested early on in interviewing the public on the telephone. A lot of them resisted.”

We spent “an enormous amount of time with employees, talking about the reasons we were doing it, and relating it back to the customer: customer expectations, the results of our survey,” adds Warden.

Managers followed up in their own facilities. Larry Massanari, regional commissioner for the Philadelphia region, remembers those meetings. “The key is always to keep people in an agency like this one focused on customer service,” he says. “Because the employees in the SSA, not surprisingly, are very much moved by serving people. And when you can put this in terms not of a number but what it means for people—who are like our parents, our brothers and sisters—then it takes on more meaning.”

Meanwhile, the agency restricted leave for teleservice reps and spikers at peak times and accelerated use of overtime. It worked with employees to come up with changes in processes and rules that would improve performance. And because calls peaked after people received payments at the beginning of every month, it began staggering monthly payments for all new recipients. (Surveys had revealed that existing recipients would not take kindly to shifting away from the beginning of the month.)



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The transition was hardly smooth. As the agency retrained thousands of people, customer service suffered—both in the processing centers and on the phones. November 1995 was the low point for 800-number access: only 57.2 percent of callers got through within five minutes. Then, on the first morning back to work in January 1996, as the agency put all the new spikers on to handle the post-holiday surge, AT&T's SSA 800 system crashed. Hundreds of thousands of social security recipients called in, and for several days they all got busy signals. The media gave the agency a drubbing, and agency leaders lost a lot of credibility with their employees.

But once AT&T fixed the system, the numbers began to turn around. By February the five-minute access rate was 92.1 percent, and it stayed in the 80 and 90 percent ranges for the rest of the fiscal year. In November 1996 it hit 95.9 percent, and it has stayed above 95 percent every year since. Meanwhile, customer ratings of the courtesy and knowledge of the agency's teleservice reps remained more than 95 percent positive.

It hasn't been easy. "We still really torture ourselves in terms of trying to make up for a very few days of the year [after holidays and long weekends] when you can't do 95 and five," DeMarcos told us in mid-1999. "You just can't do it on some days, and because those days come out so much lower than 95 and five—and because they're so high volume—it takes you forever to make up for them."

Agency leaders acknowledge that the improvement in 800-number service has come at the price of decreased performance in benefits processing. Many believe the agency has gone too far—that it would be much better off with a lower standard for the 800 number and faster turnaround in benefits processing. Others defend the standard, pointing to the customer surveys that prove how important access to the 800 number is to the agency's customers.

Still, achieving the goal has created real pride in the organization. "There was a lot of internal celebration" when we met "the goal in 1997 and 1998," DeMarcos remembers.

When you do it one year, two years, now into the third year, it really becomes a part of your culture. Internally, if you were to talk to all the people on the network . . . they know the 95 and five commitment. People know that, and that's what people work toward now. That's what drives us.

Agency leaders also agree that it would not have happened without the service standard. Jack McHale, who was then in charge of the 800-number service, had been lobbying for many of the changes for a long time. "We had to improve, because we were so bad," he says.



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But I don't think we would have stretched as far as we did. As someone who was asked what we needed to do to meet this standard, I would come up with these recommendations, and I could always lean on the standard. I could always do calculations of how short we would be. Had the standard not existed, we would have improved, but not as much.

USING SERVICE STANDARDS TO MAKE CUSTOMERS POWERFUL

The SSA story demonstrates how powerful service standards can be in driving public organizations to deliver what their customers want, when those organizations take them seriously. In September 1993, a few days after Gore presented his report, President Clinton followed through on its recommendation to issue an executive order requiring all federal agencies and departments “that provide significant services directly to the public” to identify and survey their customers, set service standards, and measure progress against them. The order proclaimed that “the standards of quality for service provided to the public shall be: Customer service equal to the best in business.”

By fiscal year 1998, according to the NPR (now the National Partnership for Reinventing Government), 570 federal organizations had created 4,000 standards. But they measured performance for only 2,800 of them, and unlike the SSA's standards, the vast majority were quite vague. So in 1998 the president ordered the agencies to talk with their customers about their service and standards and to use what they learned to improve both.

Though progress has been gradual, the entire process has clearly had an impact. In a survey of federal managers conducted by the Office Of Personnel Management in 1991, only 36 percent agreed that their organizations had “service goals aimed at meeting customer expectations.” When the National Performance Review asked the same question in a 1998 survey, 80 percent of supervisors agreed.

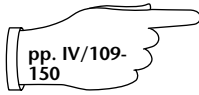
By 1998, according to the NPR:

- The National Archives and Records Administration met this standard 99 percent of the time: “Within 15 minutes of walking in, you'll have either the information or the help you need.”
- The Occupational Safety and Health Administration had reduced a one-month turnaround time for responding to worker complaints to one day.
- The Bureau of Land Management had trimmed turnaround time for permits from 15 days to a few minutes.
- The U.S. Postal Service had boosted on-time (three-day) delivery of first-class mail from 79 percent in fiscal 1994 to 92 percent in fiscal 1997, though it was doing far less well on Priority Mail and Express Mail.

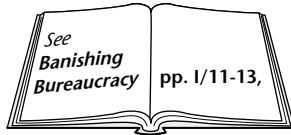


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The Customer Strategy



Every public organization can use quality assurance tools: customer service standards and guarantees, redress systems (to provide compensation to customers for failure to meet standards), complaint systems, customer service agreements, and customer councils and boards. Customer quality assurance is much like performance management, but it makes public organizations accountable to their customers, not just to their superiors in the chain of command. Like performance management, it creates less pressure—and thus slower improvement in most cases—than other approaches, such as competitive customer choice. But it works.



In the U.K., which pioneered customer quality assurance, the Labor Party conducted an in-depth review of the Citizen's Charter in 1998, after it came to power. By then there were some 200 national charters and an estimated 10,000 local government charters, each setting service standards, most outlining complaint systems, and a few promising redress to customers if the chartered organization failed to meet a standard. The review found that although many standards “were vague, unclear and missed the issues that were most important to users,” as in the United States, others were quite effective. It quoted several other positive assessments:

- “The Charter programme has provided both a stimulus and a means for organizations to raise their performance,” the National Audit Office testified.
- “The Citizen's Charter is an important initiative in making public services more responsive to consumers and should be retained,” added the National Consumer Council.
- “There are tangible benefits from the Charter programme which have persuaded at least some of the original sceptics,” concluded Parliament's Public Service Committee. “There have indeed been real improvements, a ‘change of culture’ in public services.”

The Labor Party pledged to continue and strengthen the program, though it made sure to remind citizens that “the Charter idea was pioneered by Labor local authorities in the 1980s.” It also gave the initiative a new name, “Service First,” as political parties often do when they embrace the opposition's ideas.

The basic tool of customer service standards makes so much sense that at least 15 countries have adopted it in some form, including Australia, Canada, Belgium, France, Ireland, Italy, Finland, Norway, Sweden, Portugal, Spain, Singapore, and, of course, the U.S. Some, like Australia and Canada, have done so in both national and state or provincial governments.

Survey research in Canada demonstrates why customer service standards have such appeal. The Canadian Centre for Management Development's



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Citizen-Centered Service Network surveyed 2,900 Canadians in 1998. After asking about 30 different aspects of service delivery, it found that “Citizens’ assessments of service quality are determined primarily by five factors: timeliness, knowledge and competence of staff, courtesy/comfort, fair treatment, and outcomes. . . . Timely services is the single strongest determinant of service quality across all services across three levels” of government. As we saw with the SSA, it is precisely these factors that service standards can improve, when used well.

Customer quality assurance has one final advantage: employees usually welcome it. Unlike managed competition and competitive choice, it is rarely threatening. Most employees genuinely want to provide excellent service.

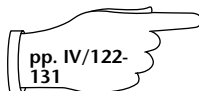
The Key to Success: Making Customer Service Consequential

Perhaps the most important lesson learned by the pioneers of customer quality assurance is this: when you create standards, guarantees, complaint procedures, and the like, create rewards for fulfilling them and penalties for failing. As with customer choice, consequences give this approach its teeth. Service standards, complaint systems, service agreements, and customer councils will help managers and employees understand what their customers want, but consequences will give urgency to the challenge of providing it.

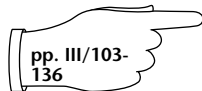
Consider the Social Security story. Though the SSA’s leadership understood that service on its 800 number was critical to customer satisfaction, answering every call within five minutes—or even 95 percent of all calls within five minutes—seemed impossible. If Greg Woods had not used Vice President Gore’s authority to cajole the agency into publishing a standard and then reported its performance every year, it would never have committed to the standard. If Representative Porter had not demanded that the SSA meet the standard or suffer budgetary consequences, the agency might never have gone to the extraordinary lengths it did to reengineer its work.

Or consider the U.K. When the Labor Government reviewed the Citizen’s Charter, “Many said that, at present, the public can feel frustrated when they discover that little can be done to enforce charter targets.” Without enforcement of consequences, in other words, standards pack much less punch. There are several ways to create this enforcement—all of which have been used by at least a few organizations in the U.K.

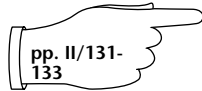
- **Create guarantees and redress policies.** Guarantees commit public organizations to give customers who are not satisfied—or have not been delivered the quality of services promised—either their money back or free redelivery of the services. Redress gives customers some form of compensation—financial or otherwise—if the organization fails to meet its service standards. We discuss



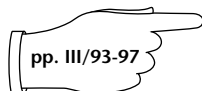
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these tools in detail later.

- **Build service standards into your performance management system.** The Social Security Administration holds some top managers accountable for meeting its service standards; if the organization fails, it affects their pay. Many of the U.K.'s executive agencies, which we discuss in Chapter Seven, have begun to include key service standards among their annual performance targets—which also affect top management's performance bonuses.

- **Publicize and compare performance against the standards.** NPR's annual publication of the SSA's results was a big part of what kept it from abandoning its 800-number standards. "I think part of what helped transform them was we kept reporting on it," says Candace Kane, who succeeded Greg Woods as head of the NPR's customer service team. "They knew that they were going to be publicly humiliated if in fact they hadn't delivered what they needed to deliver."

In the U.K., the Citizen's Charter led to the publication of comparative data on local governments, schools, hospitals, and passenger rail lines. This, the government concluded after its review, "was considered by many respondents to the consultation exercise to be a major success of the old Charter programme." The Labor Government promised to expand public reporting on performance. "The key is for standards, and performance against them, to be regularly published, so that they are available to all," it said.

When there are problems with service delivery in the U.K., the published information gives the media, the government, and interest groups the facts they need to press for improvement. The performance of privatized rail lines has been disappointing, for example. Virtually every time the press or a politician calls attention to the problem, they cite the number of complaints against the rail line, the numbers of delays and cancellations, and the amount of redress money paid. The private railroads are required to provide this data by the charters they inherited from the public sector, and the government posts the information company by company on the World Wide Web. Though the railroads have at least seven-year monopoly franchises on individual lines, publishing their performance against service standards keeps significant pressure on them to improve.

- **Create awards for meeting tough customer service standards.** The Social Security Administration gives awards to teleservice centers for outstanding service. Vice President Gore gives out Hammer awards. The U.S. Department of Education has an "honor roll" to recognize achievement in "satisfying customers." The IRS awards a "Seal of Approval" customer service award. The Federal Emergency Management Agency (FEMA) allows employees and customers to nominate FEMA workers.

Many other organizations have done likewise. One of the most successful



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elements of the Citizen's Charter was its Charter Mark: a seal of approval for customer service that winners are allowed to display on their buildings, stationery, and other materials for three years. The criteria for receiving a Charter Mark are demanding, and the competition is fierce: in 1998 there were 1,202 applications, from all levels of government.

The Labor Government's review found broad support in the public sector for the Charter Mark awards. And surprisingly, 29 percent of the public was aware of them. Prime Minister Tony Blair takes the awards so seriously that he speaks at the annual ceremony.

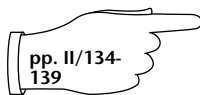
One of the Charter Mark award's best features, in our view, is that organizations win the right to display the Charter Mark for only three years; to win again, they must continue improving their customer service. By 1999, only 18 organizations in the country had won Charter Marks three times in a row. The threat of losing a Charter Mark puts real pressure on winners. British Gas won in 1993, then saw its customer service slip after it was privatized and began downsizing. Rather than suffer the embarrassment of losing it three years later, it handed its Charter Mark back to the government—which of course attracted great publicity.

Kent County Council's Arts and Libraries won in 1992. "I think we felt much more anxious about it this time," Development Manager Maggi Waite told the *Charter News* in 1995, "because in 1992 we had nothing to lose by applying. This time our reputation was at stake. . . . The suspense in the fortnight before we received the results was awful—just like waiting for your exam results."

Customer Quality Assurance in Compliance Organizations

Some public organizations don't primarily deliver services; they enforce compliance with rules. These include police forces, court systems, corrections systems, environmental protection agencies, permitting agencies, tax collection agencies, and the like. Their activities may *include* services—such as a 911 emergency phone system for the public or free help lines for taxpayers—but their core missions are the enforcement of laws and regulations. (Occasionally, the same people are both customers and compliers. Welfare recipients, for example, are compliers with state and federal laws about who is eligible for welfare, but customers of welfare services such as monthly checks, job training, and job placement. As we discuss in Chapter Seven, welfare departments should separate their compliance functions from their service functions, because the two roles conflict so much that one staff person cannot effectively play both.)

Can compliance organizations use the customer quality assurance tools? Yes, with some adjustments. Normally, their customers are not the people they deal with directly but the community at large, represented by elected offi-



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cials—as we explain in the Chapter Thirteen. We call the people that these organizations deal with day in and day out—taxpayers, suspected criminals, polluters, and so on—*compliers*. Compliance organizations can use quality assurance tools to improve their service to compliers, as a way to improve voluntary compliance. They can treat compliers as if they were customers. But when they do, they must balance the interests of compliers against those of their true customers. Tax collection agencies don't want to please taxpayers by letting them off the hook for taxes they owe, for example.

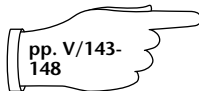
Many compliance organizations are now using the quality assurance approach as part of what we call “winning compliance.” They have shifted some of their energies from catching noncompliers to encouraging voluntary compliance—which is the cheapest form of compliance. Quality assurance is harder to use in most compliance organizations than in service organizations, because their employees don't (and often shouldn't) think of compliers as customers. They more often see them as “deadbeats,” “criminals,” “polluters”—or other words we won't print. Hence it is harder to get them to buy in. “They have the enforcement mentality,” says Peter Hutchinson, president of the Public Strategies Group. “Since all they see are deadbeats, day in and day out, they can't imagine treating them like valued customers.”

But it can be done, and increasingly it is being done. The Public Strategies Group defines eight steps that go into winning compliance:

1. Build support for standards, if possible, by involving compliers and other key stakeholders in helping to make or even enforce the rules.

In the early 1990s, the Massachusetts Department of Environmental Protection (DEP) accomplished a sweeping reform of its permitting systems, including dramatic reductions in the time required, one-stop shopping for most permits, and reduction of the number of permits required. The crucial ingredient in its success was the inclusion of environmentalists and business leaders in a series of stakeholder groups to redesign the state's rules and processes. The first group began by doing an inventory of all 137 permits required by the state and describing the processes associated with each. This pinpointed where backlogs were occurring, where too many steps were required, and where permits were unnecessary. When business and environmental leaders agreed on solutions, the legislature was often willing to act.

The federal Occupational Safety and Health Administration went even further: it gave control over *enforcement* to large businesses that developed teams of managers and union members to perform inspections and solve problems. Workplace safety improved dramatically in those plants. The Vermont Department of Corrections even let some nonviolent offenders negotiate with community boards to define their *penalties*—and how they



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would make restitution to their victims and the local community. Recidivism rates fell.

2. Focus regulations on results, not process.

Many regulations prescribe exactly how compliers have to comply with the law, particularly in the environmental arena. They tell them what technology they must use, how it must be installed, how often it must be inspected, and so on. Often compliers know there is a better way, but the law won't let them use it. Reinventors have begun to substitute regulations that define the outcome required, but leave it up to compliers to figure out how to produce it. If a new technology will meet the goal at a lower price, they are free to use it. This not only makes it easier for them to comply, it stimulates innovation to find better and cheaper methods.

3. Educate compliers about what is expected of them.

When the Minnesota Department of Revenue shifted hundreds of employees from enforcement work to educating businesses about how to pay the proper amount of sales tax, it increased sales tax collections dramatically. The U.S. Customs Service similarly shifted part of its staff from inspecting goods brought into ports and airports to working with importers "so we can rely on their internal control processes," as former commissioner George Weise put it.

"Those out to break the law will continue to be apprehended," explained Dennis Murphy, then director of the Norfolk, Virginia, Customs district, "but we're moving from what you might call a 'gotcha' focus, in which we just try to catch somebody, to one of trying to make sure that the people we deal with understand what's required of them so they don't make mistakes based on ignorance, sloppy work or poor communications."

4. Make compliance easy, by providing services that facilitate it.

The Massachusetts DEP invited businesses planning large projects that required multiple permits to come in early in their planning process. Businesses would map out what they intended to do, and the department would help them design the project to minimize the number of permits required. This worked so well that the department decided to establish four regional service centers. It hired new staff to act as lead contacts, to shepherd businesses through the process. They and others used analytical techniques drawn from Total Quality Management (TQM) to find out who had the most permitting problems and then invited those businesses, municipalities, and consultants in early in the planning process.

Other states have since taken similar steps. California introduced "tiered permitting," replacing one-size-fits-all permits with different types based on the level



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of environmental risk involved. The California Environmental Protection Agency also established ten “one-stop” permitting centers around the state, to help developers get all the permits they needed for a project in one place.

5. Establish quality guarantees, standards, and redress mechanisms for service to compliers.

The first stakeholder group at the Massachusetts DEP recommended a money-back guarantee. Permits would have to be issued within strict time limits, and if the department missed a deadline, it would return the fee. The legislature passed the necessary legislation, and “it was the single best thing we did,” then-commissioner Dan Greenbaum told us.

It created a dynamic like a business trying to collect a fee for a service. It provided impetus for management reforms, like a real tracking system so you would know what was happening with each permit.

Staff told us they'd need lots more people to meet the time lines. We managed to get a few new people from budget, but then further cutbacks frustrated even that. We got like a tenth of what people thought they needed. But we met the deadlines the first year; it turned out there was a lot of slack in the system. Part of it was poor management: for example, no tracking system. And part of it was that the department had people who were environmentalists and believed that by delaying things they were protecting the environment.

Greenbaum used a two-stage process to give the organization time to improve: after the first year, the deadlines automatically tightened by 30 percent. But over the first four years the department missed only 75 deadlines out of 14,000. Word got around about which regional and program offices were refunding the most fees. “There’s a certain pride in not being the one to show up as doing the worst,” said Greenbaum’s successor, Thomas B. Powers.

6. Report to the public on compliance levels, and give compliers feedback on their level of compliance.

If taxpayers are told that they have filed incorrectly, or businesses are informed that they have violated an environmental rule, most will correct their mistakes. Even police forces use feedback to change the behavior of citizens. Captain Michael Masterson of the Madison, Wisconsin, police department describes a particularly good example.

Instead of going out and writing tickets in one neighborhood, we went out and set up individual speed display boards and took neighborhood residents with us. We did a little poster, a little warning notice that talked about fines for speeding. It was during the holiday, so we [gave]



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people a holiday greeting. But anybody that speeded, not only did the cop talk with them, but the resident talked to them too. In a very cordial, nonthreatening way, we said, "Look, this neighborhood is important, our children play here, they use this sidewalk, and the speed limit is 25."

They got off with a warning. We got an incredible response. The people that were stopped felt it was great that the police dealt with people in this manner. The neighborhood thought it was a great effort working with them, helping them create an awareness of the problem. And the officers thought it was great. Officers have hearts; they don't like to be laying \$100 tickets on somebody around Thanksgiving and Christmas.

7. Treat compliers differently, based on their past performance, competence to comply, and motivation levels.

There is little sense in treating law-abiding citizens who have made a mistake the same as habitual lawbreakers. The police don't do it, the courts don't do it, but many compliance agencies do. Before it reengineered its sales tax process, the Minnesota Department of Revenue sent the same nasty letter to any business that missed a deadline for payment of the tax. After the reforms, it reacted very differently, based on the past performance of the business. If it had a perfect record, it sent out a very nice letter noting the missed deadline, mentioning that the check was probably already on its way, but reminding the business owner of the oversight. A series of other letters, each slightly tougher, went out to those with less than stellar records. And state revenue collectors visited habitual nonpayers—sometimes with police protection.

8. Employ a continuum of incentives and consequences for compliance.

Refunds and other forms of redress help salve the wounds inflicted by poor service, but they don't create incentives for people or businesses to comply. Governments usually use sticks, not carrots, to do this: they create stiff penalties, including fines and jail time, for failure to comply. Reinventors don't abandon the sticks, but they add carrots. The Minnesota Revenue Department announced that if you got your tax return in by a certain date, for example, you would get a refund within 48 hours. Normal turnaround was 24 days.

QUALITY ASSURANCE: OTHER LESSONS LEARNED

Because using service standards, guarantees, and redress has a lot in common with using other performance goals, we recommend Chapters 11 and 12 as well as this one for guidance. Many of their lessons apply here as well. In addition, the following lessons apply to all or most of the customer quality assurance tools.



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1. Involve customers in the creation of guarantees, standards, redress policies, complaint systems, and customer service agreements.

If you don't, you won't know what is important to them. When the Oregon Division of Motor Vehicles was reengineering its offices, its leaders "knew" their customers' main concern was long lines. They planned to add clerks and automate the process. But when they surveyed those customers, it turned out that their top complaint, by a wide margin, was unflattering pictures on their drivers' licenses. So they reengineered that too.

"Never assume what people want," says Steve DeMarcos at the Social Security Administration. "Find out from the customers. You can kill yourselves to do something that you find out people think is a yawner."

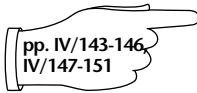
In both the U.S. and the U.K., many organizations have neglected this step—and paid the price with worthless, or even harmful, standards. "The place agencies have had the most trouble is the idea that they have to ask their customers what they want and whether they're getting it," says Greg Woods. "They revert to the Washington mentality: we figure it out in D.C. So they always get it wrong."

Customer surveys are useful here, but face-to-face contact with customers is even more important. Customer councils are perhaps the best tool, though you can use many of the customer voice tools outlined later in the chapter. "It is really valuable for people to see and speak directly to their customers," says Laurie Ohmann, a Public Strategies Group partner who has helped several organizations do this. "Get the people who are charged with doing the improvements to look at people they're serving square in the face and ask the questions." You can even videotape the sessions and show them to the rest of your organization.

This not only helps generate standards that are meaningful to your customers, it helps convince your employees to take them seriously. They have to be "connected to what the customer has actually told you in the surveys and from discussions," says the SSA's Janice Warden, who now works on these issues as a deputy director of the NPR. "You have to be able to point to that, to make it credible to the entire organization." Otherwise, she says, you will run smack into this attitude: "Let's not kid ourselves. Are we doing this because it's important or because Vice President Gore told us to?"

2. Educate customers about your services, so they will have realistic notions of what is possible and will understand their own responsibilities.

If people think it should be simple for them to call the SSA's 800 number and reach a knowledgeable employee right away, they will be disappointed if they have to try for five minutes. If they know, on the other hand, that the SSA



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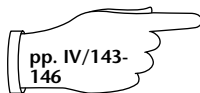
runs the world's largest toll-free service and that it gets more than 65 million calls a year, they may feel differently. So tell them. Put an explanation on a tape that plays as they wait on hold. Send one out with their monthly checks. Put signs and pamphlets in your offices.

Often, services won't work unless customers uphold their end of the deal. For example, tax agencies can't send speedy refunds if taxpayers don't fill out their returns completely and accurately. Permit offices cannot process permits rapidly if developers hide information from them. In cases like these, add customer (or complier) responsibilities to your service standards and guarantees—and publicize them.

3. Keep pressure on from outside the organization to create meaningful guarantees, standards, redress policies, and complaint systems.

As we saw at the Social Security Administration, setting meaningful standards and then fulfilling them can take almost heroic efforts. Most organizations won't do that—or will only do it until the leader who drove it moves on. So you need some external force that keeps the pressure on—forever.

In the U.S., the NPR played this role, as best it could. In the U.K., publication of performance data kept external pressure on railroads, schools, local governments, and hospitals. Another good method is a customer council or board with real power—a tool we discuss later in this chapter. Diana Goldsworthy, former deputy director of the U.K.'s Charter unit, says the British would have benefited from the presence of such a customer council:



The truth is that the Charter unit itself, inside the Cabinet office, is all civil servants reporting to a minister. It's very difficult for us, credibly, to present ourselves to the tabloid press as people who go and kick down doors. But that role ought to be exercised by somebody. We could have had this outside panel being the nasty guys, in the press and on the TV, saying, "I'm just going to make sure that Charter does this and Charter does that, and I've told John Major today . . ." I think it's difficult to have people who are inside the machine, if I can put it that way, also be the people who are beating your sheet to death, publicly.

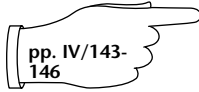
Even an elected minister or vice president cannot really do this, she points out. Imagine the media flap if Al Gore had publicly criticized Education Secretary Riley's or Labor Secretary Reich's department, and you can understand why.

4. Create an outside review process to approve guarantees, standards, redress policies, complaint systems, and the performance measurement processes associated with them.

Just as you need outside pressure, you need an external body to review and approve standards, redress policies, and the rest. Otherwise, vague standards

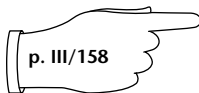


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that cannot be measured and have no means of redress attached—“We will do our best to provide timely, courteous service”—will be the norm. The review process should involve both customers (ideally through a customer council or board) and a neutral reinvention office such as the NPR or the Charter unit. In the U.K., the Labor Government has asked departments to review all charters at least once every two years, and the Cabinet Office has set up an audit system to check on the quality of charters and intervene when necessary.

When private contractors deliver public services, this is equally important. Because some private rail operators in the U.K. made their charters less uniform and harder for customers to decipher after they took over, the Cabinet Office had to force them to use a standard format. Many organizations, public and private, have quietly redefined what “on time” or “a 30-minute” wait means, as well. In the National Health Service, for instance, some clinics began to measure waiting time not when the patient arrived but when he or she first talked to the receptionist. Because this kind of fudging is inevitable—as with any kind of performance measure—an outside body also needs to review definitions, indicators, and measures to keep them honest.



5. Publicize your standards, guarantees, redress policies, complaint systems, and results.

If people don’t know about these policies, they will have far less effect than they should. For example, the U.S. Postal Service has publicized its first-class on-time delivery standards (three days within the continental U.S., one day locally) and reported quarterly on its performance. The results have generated front-page newspaper stories, creating useful urgency within top management. But the postal service has been silent about another standard: “You will receive service at post office counters within five minutes.” If you look hard next time you go into a post office, you may find a tiny, 4-inch by 5-inch sign announcing the standard. But you’ve probably never noticed it. As a result, it is meaningless to the customer. Nor does it seem to have had any impact on employee behavior, from our observations. It is, sadly, a wasted opportunity to win over the public.

Publicizing your progress is also necessary, at times, to convince your employees that you can improve. It was only when the five-minute-access rate at the SSA began inching up that employees started to believe the goal was possible, for example.

6. Involve frontline employees in creating standards and other tools—and in figuring out how to meet them—to help them buy in.

If standards and redress policies are simply imposed on employees, few will respond to the challenge. At the SSA, says Janice Warden, “I don’t think



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we could have done it without really engaging the employees in discussions, getting their ideas about how we could do this better. We talked with thousands of them.” The commissioner made the decision to set standards, but employee input was critical in figuring out how to meet them.

The British also learned this lesson. Their review pointed out that front-line employees had “often been ignored in the past.” The government’s guide, *How to Draw Up a National Charter*, added, “They are the people who will have to deliver the standards in your charter, and they are often well placed to offer practical suggestions for improvements, and to identify people or organizations who should be consulted.”

7. Involve the union, if there is one.

To improve services, you will often need to redesign work processes, change work rules, change job descriptions and classifications, and the like. Unions can block such changes. Hence it is critical to get them on board. In the SSA, this took months of discussion, but it was worth it, says Janice Warden.

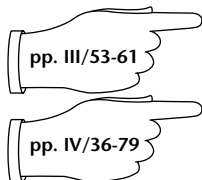
8. Empower frontline staff to make decisions.

When organizations fail to deliver the quality of service that they have promised or customers have legitimate complaints, frontline staff need to be able to make it right, immediately. If you have to wait three weeks for management to make a decision, you will alienate your customers. Lesley Harvey at British Gas, a privatized company with a charter, remembers a customer who ordered a new oven that turned out to be defective. “I just agreed to change it,” she says. “Before, I would have had to refer it to a senior manager.” But “there’s nothing more annoying for a customer than to be told you can’t make a decision, you have to refer it upstairs. This way, the customer has more faith in you.”

9. Use standards, guarantees, complaints, and customer councils to drive redesign, reengineering, and restructuring.

There’s only so much improvement you can produce by changing attitudes and getting employees to work harder. If customer quality assurance doesn’t lead to reengineering work processes and restructuring organizations, as it did at the SSA, then it won’t be worth using.

Customer-driven agencies typically organize around customers’ needs, not organizational functions. They create single points of contact for customers, one-stop services, and integrated work teams to handle all of a customer’s needs. They use TQM and business process reengineering to redesign their work processes and organizational structures. They use internal enterprise management to get better value from their suppliers, so they can serve their customers better. Sometimes they even convert their service systems to give customers more choices—or vouchers they can use to choose their own providers.



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10. Study other organizations, including private companies, to see how you might rethink, redesign, and reengineer.

Studying the best in business gets you out of your box. “We would not be where we are with the 800 number if we had not participated in benchmarking, primarily with the private sector,” says Toni Lenane of the SSA. “It just opens up this whole world that you never even contemplated might be there.”

11. Back up your quality assurance approach with training, mentoring, learning networks, and other support for employees.

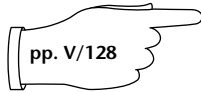
To improve customer service, your employees will need much more than “smile training.” They will need new skills: the ability to do customer surveys and focus groups; the ability to analyze, improve, and redesign work processes; the ability to build teams. You will need to support them with training, expert consultants—and if you’re smart, mentoring, learning networks, and site visits.

When John Christian took over the Parks and Recreation Department in Sunnyvale, California, he sent six people to Disney’s customer service training program in Anaheim: clerical, frontline, and managerial staff. When they came back, they became the Customer Action Service Team—an internal training unit for customer service. Then he took a team to the Granite Rock Corporation, a California construction company that won the Malcolm Baldrige National Quality Award in 1992, “to see what we could learn from private companies.” That was so effective that he institutionalized regular “benchmarking trips” to cutting-edge parks and recreation departments as well as private corporations. The key is to send not just managers, he told us, but also professional, frontline, and clerical staff. “That’s very, very powerful.”

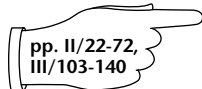
In the U.K., the Charter unit has helped build 25 “quality networks” around the country, with over 2,000 public sector members that share what they are learning. It also sponsors an annual conference and a best-practice quality forum, which brings network leaders and Cabinet Office staff together to learn from one another. There is a mentoring system, through which Charter Mark holders provide support to other organizations in their regions. And finally, the renamed Service First unit is creating a self-assessment package based on the Charter Mark criteria so that organizations that aren’t ready to apply can still use the criteria to figure out what they need to do to improve their customer service.

12. Don’t create a separate unit to do this; integrate customer quality assurance into your strategic and performance management systems.

If you create a separate unit to handle service guarantees and standards, redress policies, and complaint procedures, then your line operations will see these things as headquarter’s agenda, not their own. They may go through the



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motions, to comply, but they won't build their own work around customer service. You may need a reinvention office to catalyze action, but development of standards and the like should be done by line organizations—with review by a reinvention office and customers, as we argued in lesson four. Then make sure the standards are an integral part of your strategic and performance management systems, like any other outcome goals and performance targets. Don't treat them as something separate from your performance goals.

13. *Make sure your leadership is seriously committed.*

To succeed, you need commitment from your organization's leaders, their leaders, and your top civil servants. "If Shirley Chater and Larry Thompson had said to me, 'You've got to do this,' and Larry had then walked away from it, it would not have taken on the power it did," says the SSA's Janice Warden. It also helped that the vice president and president talked about service standards and the SSA's 800 number.

Then, says Warden, you have to "get the buy in from the top career executives—that layer that remains in place when the administration goes away. And you know, you do that through discussions. And there's the same credibility issue in terms of how the standards were established"—are they rooted in real customer needs?

What do you do if your organization's leader is not committed? Toni Lenane has a good answer:

I teach customer service at the Western Management Development Center run by the Office of Personnel Management, and what I frequently hear from agency people is, "I'm interested, but I can't get my boss to be." My advice is, find out the thing that'll make it worthwhile to them, so they'll get some kudos and some recognition. All it takes is your boss getting some success, and they'll become a believer.

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QUESTIONS PEOPLE ASK ABOUT CUSTOMER QUALITY ASSURANCE

Q: *When the needs of different customers conflict, what do you do?*

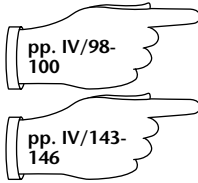
Often, public organizations have multiple sets of customers. Public schools, for instance, have parents, the community at large, and the future employers of graduates. Compliance organizations have both customers and compliers. Sometimes the needs of different customers conflict, and the needs of customers and compliers often conflict.

The first step is to carefully define your primary and secondary customers and compliers. Then ask each group what they want. When their needs conflict, you can sometimes work out win-win solutions. For example, if the pub-



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The Customer Strategy



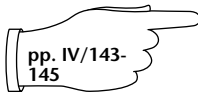
lic wants less pollution but business wants less burdensome regulation, you can reinvent your regulatory system, as the Massachusetts DEP did. The best method is often the one the DEP chose: create a customer or stakeholder council, which includes all major perspectives, and ask them to help you craft solutions.

Q: When more than one organization is involved in delivering the service or producing the outcome, what do you do?

Many outcomes that are important to the public involve the work of multiple organizations. Even some distinct services involve more than one organization. For example, when a public works department sweeps the streets, it usually relies on a police department to have the streets clear of parked cars. Often, this is so low on the police's priority list that it doesn't get done. The result: dirty streets and dissatisfied customers.

When customers tell you what is important to them, if it involves services from multiple agencies, bring the agencies together to develop mutual standards and policies, as well as reinforcing standards and policies. Have them report to a mutual customer council, if that is practical.

Prime Minister Tony Blair in the U.K., aware of how often this problem frustrates citizens, has made a priority of what he calls "joined-up government." "We are encouraging the development of new cross-cutting charters, which bring together information on related services," his government announced after its review of the Citizen's Charter.



When you create mutual charters—or even when you can't—another useful tool is a customer service agreement between agencies. For example, the public works department could negotiate a service agreement with the police department, specifying the level of service the police would provide in ticketing and towing illegally parked cars as well as the consequences if they failed to meet those standards.

Q: Won't guarantees, redress, and a complaints system cost too much, taking money away from investment in real customer service?

In a word, no. In fact, they will probably save your organization money. Budget offices may assume that money-back guarantees and financial redress will cost money, but if the funds come out of the organization's budget and the incentives in the budget system are right, the opposite will happen. The fear of losing money will drive managers to avoid such situations by correcting problems and improving service. This will minimize the employee time taken up with complaints and redelivery of flawed services, while maximizing value for customers. Complaints systems also look expensive until you study the realities, as the British have. "Handling complaints well saves time and resources,



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by ensuring complaints do not escalate up the system,” the Citizen’s Charter Complaints Task Force found. Its research included a look at how much four different public services estimated it cost to deal with complaints at three levels: the front lines, the senior staff, and an external review. Not surprisingly, resolving complaints at the front lines saved enormous amounts.

THE CUSTOMER QUALITY ASSURANCE TOOLKIT

Service Standards define the levels and quality of services that public organizations commit to deliver to their customers or compliers. See below.

Quality Guarantees promise to give customers or compliers their money back or to redeliver services for free if the organization fails to meet its service standards or the customer or complier is not satisfied. See p. IV/122.

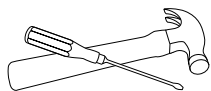
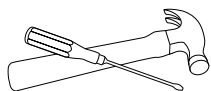
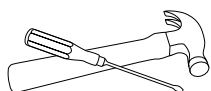
Redress gives customers or compliers some form of compensation—financial or otherwise—when an organization fails to meet its service standards. See p. IV/125.

Complaint Systems track and analyze complaints, ensure prompt responses, help organizations learn from complaints to improve their services, and hold them accountable for doing so. See p. IV/131.

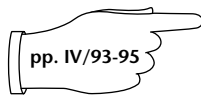
Customer Councils and Boards are small groups of customers who meet regularly with an organization’s leadership and have some power to hold it accountable for performance. See p. IV/140.

Customer Service Agreements are performance agreements between an organization and its customers, defining the levels and quality of service to be provided and the rewards and penalties for doing or failing to do so. See p. IV/143.

Customer Voice—the ability to listen to customers through surveys and other methods—is a critical competence for those using the Customer Strategy but does not have enough power to be labelled a tool. See p. IV/145.



SERVICE STANDARDS



Service standards are the heart of customer quality assurance. Some are very simple. Since surveys show that difficulty getting information or services over the telephone is the most common problem encountered by public sector customers, many organizations (like the SSA) have standards related to phone service. But the same research shows that people also care about much bigger things, such as the outcomes they experience. Hence other service standards focus on bigger issues: what percentage of students reads at grade level; what percentage of the community rates service “good” or “excellent”; what percentage of citizens rates the police “courteous,” “respectful,” or “honest.”



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SERVICE STANDARDS FOR ROUTINE TRANSACTIONS

The Canadian Centre for Management Development has created a national network of “service quality leaders from the federal, provincial and municipal governments,” which it calls the Citizen-Centered Service Network. In 1998, it released a detailed survey of 2,900 Canadians about their perceptions of public services. One product of this research was a series of suggestions about appropriate standards for routine transactions. Although these are based on Canadians’ expectations, we find them appropriate to the U.S.—and no doubt in other countries as well.

Telephone:

How many minutes is it acceptable to wait for a government representative?

- 97 percent find a 30-second wait acceptable.

What is the maximum number of people you should have to deal with?

- 85 percent find two people acceptable.

If you leave a telephone voice message at 10:00 A.M., what is an acceptable time to wait for a return call?

- 75 percent find four hours acceptable.

Counter Service:

How many minutes is it acceptable to wait in any line?

- 68 percent find five minutes acceptable.

What is the maximum number of people you should have to deal with?

- 82 percent find two people acceptable.

Mail:

What is an acceptable time to allow for a mailed reply?

- 87 percent find two weeks acceptable.

E-Mail:

If you e-mail a government office by 10:00 A.M., what is an acceptable time to wait for a reply?

- 90 percent find four hours acceptable.



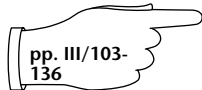
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You can set standards for any service. Bromley, a borough of London, created standards related to pavement, noise, and the environment, among other things. “We now promise that if you find an uneven paving stone, we’ll put it right within two hours,” Chief Executive Nigel Palk told us. Sunnyvale’s Leisure Services unit set quality standards for virtually every piece of equipment, including a requirement for shiny seats on the play equipment, because that’s what kids like. In the Minneapolis School District, the central stores and equipment unit promised 48-hour turnaround on any order of supplies. Before they did so, average turnaround had been six weeks—too slow for many orders. Teachers often had to buy supplies out of their own pockets. “So when the central stores people would show up six weeks later with the stuff, everybody was always mad at them,” says Peter Hutchinson, who acted as superin-

CHARACTERISTICS OF GOOD STANDARDS

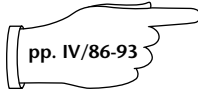
The British and Canadian governments have both published useful lists of what makes a good service standard. We have combined them and added one of our own. There are always exceptions, but in general, effective standards should be:

- *Meaningful to customers.* They should be focused on things customers care about, not things managers care about.
- *Relevant.* They should focus on those issues considered most important by customers.
- *Challenging.* They should force the organization to improve but not be completely out of reach.
- *Owned by managers and employees.* They should not be imposed without manager and employee buy-in.
- *Simple.* They should be brief, to the point, and in plain language.
- *Measurable.* You have to be able to measure them, to tell how often the organization is meeting them.
- *Monitored.* You need systems in place to measure them regularly, plus auditors to spot-check the measurements, to keep them honest.
- *Published.* After being independently validated by auditors, performance against the standards should be published and given to customers.
- *Reviewed.* Because customers’ needs change, review your standards and update them when conditions or customers’ needs have changed.
- *Integrated with performance management.* They should be part of the system you use to measure performance, create accountability, and foster learning.



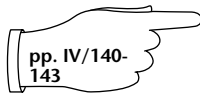
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tendent for three and a half years. After Hutchinson took away the unit's monopoly, allowing the schools to buy equipment anywhere, central stores created its 48-hour standard and offered a rebate to purchasers at the end of the year, out of any profits generated. Its business increased by 20 percent, and customer satisfaction skyrocketed.



When you want to set a stretch goal but worry that it is unattainable, you can do what the SSA ultimately did: set a two-tier or two-step goal. By saying they would answer 95 percent of all calls within five minutes, they stretched the organization but accepted the fact that on the highest-volume days they would never meet the standard. By committing to 85 percent in fiscal 1996 and 95 percent in fiscal 1997, they acknowledged the reality that it would take time to hit their stretch goal. Another option is to set one standard for most times but a different standard for the busiest periods. It's better to avoid such "loopholes," but sometimes they are necessary. When you create them, keep them small. If the SSA had used 75 instead of 95 percent, its standard would have been relatively worthless: the organization would have "succeeded" even when one of every four callers took 10 minutes to get through.

Another interesting option is to include information when you publish your standards on what the service costs. The Canadian federal government requires this. "Without relevant cost information, service users' expectations may be unrealistic and their preferences for service delivery inconsistent with what you can produce," the Treasury Board explains. "As taxpayers concerned about cost, they cannot modify their use of the service if they are unaware of service costs." To offer a concrete example, if social security recipients knew that it would cost the agency double what it spends on its 800-number service to meet the five-minute standard 100 percent of the time, they would probably be happier with the 95 percent rule. If they knew that dropping it to 90 percent would save 15 percent of the cost, they might even support that. (If you have a customer council, you can ask it to help you make such decisions.)



We would not suggest following Canada's example and making this a requirement, however. Since most organizations in the U.S. don't yet use activity-based costing, it would prevent or delay their adoption of service standards unnecessarily. It's a nice addition, but it's not a necessity.

Steps in Creating Service Standards

1. Create a plan and a timetable.
2. Define the critical success factors—the most important aspects of the service from the customer's point of view.
3. Consult your customers.



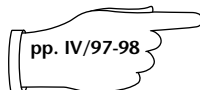
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4. Analyze the survey data.
5. Draft three to five measurable standards—preferably with redress policies.
6. Review the draft standards with employees, to get their input.
7. If you need any policy changes to achieve the standards, pursue them.
8. Get feedback on the draft standards from your customers or compliers.
9. Finalize your standards (and, ideally, your redress policies), and give feedback to your employees and customers.
10. Measure your performance against the standards, and develop an improvement plan.
11. Publish your standards, and publicize them.
12. Measure performance regularly, and give rapid feedback to employees.
13. Make further service improvements that are necessary to reach your standards.
14. Review your standards every two years, because customer needs and other conditions will change.

1. Create a plan and a timetable.

To prepare your organization for service standards, there are a number of things you can do:

- Secure the commitment of top management and any elected officials whose authorization you will need.
- Pick a team or teams to produce your standards. Try to include managers, middle managers, frontline employees, and customers. You may need one team to lead the initiative, plus implementation teams dealing with different agencies or services.
- Figure out how you will consult with your customers and staff.
- Work out the time and cost that will be involved in creating and measuring service standards, and get commitments from the top to support both.
- Prepare a timetable to guide the process, so everyone knows what to expect.
- Define the services for which you want to produce standards. Remember to do this from the customer's perspective, not the organization's. You may need some standards that cross organizational (and even governmental) boundaries.
- Define the customers or compliers for each service, including both primary and secondary customers. (Remember, these may be different than the service's "users," particularly with compliance functions.) You may need different standards for different groups of customers and compliers.



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2. Define the critical success factors—the most important aspects of the service from the customer’s point of view.

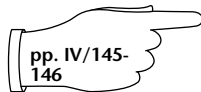
Use a variety of methods to figure out what is most important to your customers or compliers:

- Informal consultation—in waiting rooms, through customer councils, or through existing user and interest groups.
- Existing data on performance and complaints.
- Customer surveys or other market research already done.
- Examinations of similar organizations that have done this, to see what their critical success factors are.
- A walk through the system as a customer, to understand it from the customer’s perspective.

The London borough of Bromley uses a “Quality Wheel” as a checklist so service teams won’t miss any possible success factors. We offer a modified version of this excellent tool in Figure 15.1.

3. Consult your customers.

Now that you’ve done your homework, you’re ready to ask good questions in a survey or focus group. Developing a good survey is not easy; the critical success factors you have defined will help you know what to ask. Professional expertise will help you make sure your sampling methods have credibility.



4. Analyze the survey data.

Sometimes the messages from customer surveys and focus groups are obvious; sometimes they are not. At the SSA, it took sophisticated analysis to reveal that timely service on the 800 number was a critical driver behind customer satisfaction for the entire agency. “We did regression analysis,” says Toni Lenane, “and that’s when it jumped out at us.”

5. Draft three to five measurable standards—preferably with redress policies.

Armed with good data from customers, you’re ready to draft standards. As we said earlier, involve staff and customers on your team. Don’t draft too many standards; no service should have more standards than agency employees can easily remember. You want them focused on what is most important.

Greg Woods now runs the Education Department’s Office of Student Financial Assistance, the federal government’s first “performance-based organization.” “If you want to create change in a large organization,” he argues, “you have to have a handful—like three—simple objectives that everybody in the place understands.”



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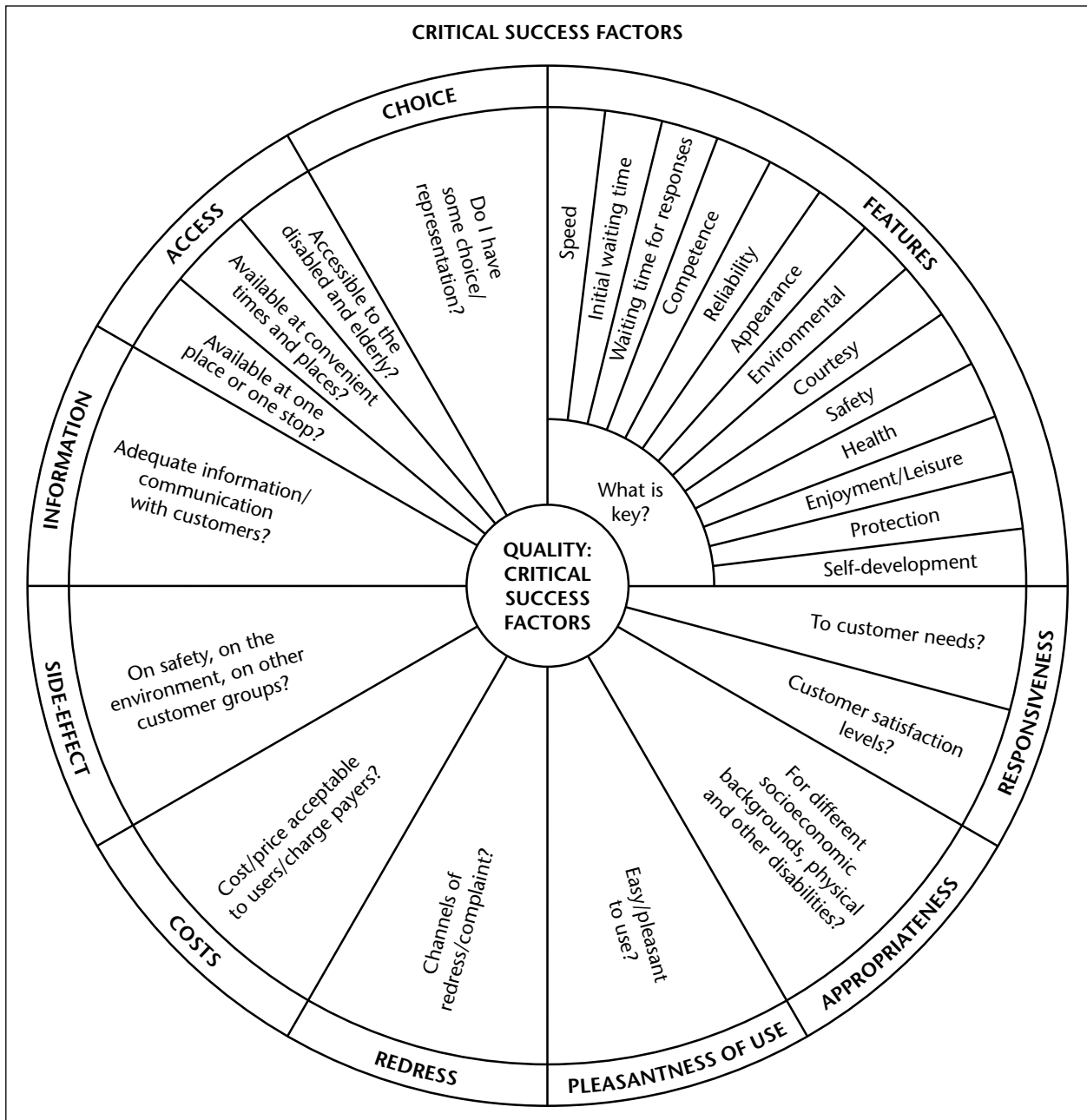


Figure 15.1. Quality Wheel



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The postal service said “on-time delivery,” and they measured it locally and nationally, and that drove everything. I think that’s the power of customer service standards. Where the standard becomes the driver for the organization, you get dramatic change. The private sector example that I first fixed on was Federal Express—the idea that everybody in the place knew that you were supposed to get the package there by 10:30 A.M. The CEO’s bonus was based on that. The entire management’s bonus system was based on that, and profit, and employee satisfaction. What government doesn’t have is this kind of single-mindedness about some kind of objective.

6. Review the draft standards with employees, to get their input.

Canada’s Treasury Board secretariat has published a *Manager’s Guide for Implementing Quality Services*. “There are no shortcuts,” it warns. “The standards would not be acceptable if imposed from above or simply borrowed from elsewhere. The process itself is important, and the entire office needs to be involved.”

There are many reasons to involve staff: to see if the draft standards are feasible and amend them if necessary; to learn what work process and other changes need to be made to reach them; to learn what new resources will be needed; to identify the training employees need to meet the standards; to identify other offices or units whose cooperation will be necessary to meet the standards; and most important, to secure the buy-in of all employees.

7. Pursue any policy changes needed to achieve the standards.

Sometimes you cannot provide what customers want without important changes in policy. A school district might need to change its student assignment process. A welfare office might need to change its appeals process. Policy changes like this virtually always require the approval of elected officials—or, at the least, top civil servants with policymaking jobs. If you run across policies that are in your way, do what you can to secure that approval. If you can’t get it, ask for authority to run a pilot project to test the new approach.

8. Get feedback on the draft standards from your customers or compliers.

You need to see whether you’ve come up with standards that make sense to your customers or compliers. Is this what they care most about? Are the quality levels promised adequate? Have you missed anything important? You can use many methods for this step, from customer councils to surveys. But focus groups or councils are generally preferable to broad surveys, because they allow you to probe—to understand why one success factor is more important than another, to get recommendations for changes, and to explore ways to improve the standards.



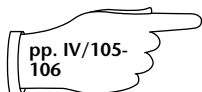
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9. Finalize your standards (and, ideally, your redress policies), and give feedback to your employees and customers.

With the input you have gathered from employees, policymakers, and customers, you can now rewrite your standards and finalize them. After you do so, tell the employees and customers you consulted what standards you have chosen and why. Employees who give you advice and then see it being ignored often become quite cynical. The same can be true of customers in councils or focus groups. They can't read your mind; employees won't know what customers told you about your draft standards, and vice versa. Neither will know what changes were rejected by policymakers. Once you explain these things, they will realize that your consultation was genuine, and they will understand and more likely embrace the final product.

10. Measure your performance against the standards, and develop an improvement plan.

If you haven't already done so, measure to see how close you are to meeting your standards. If you aren't close, it may be wise to focus on improvement before you announce your standards, or to set two-stage standards. Starting off with a dramatic failure in your customers' eyes can be motivational, but it is quite painful.



To improve, create teams to redesign processes; ask your employees for ideas; use TQM or business process reengineering if you think they will help; and figure out how new information technologies could boost your performance. Also begin training your staff.

11. Publish your standards, and publicize them.

As we said earlier, standards no one knows about are not worth much. Use every method you can imagine to educate your customers: signs in your offices, flyers in your waiting rooms, leaflets mailed with benefits, press releases and events, videos, newsletters, public service announcements on radio. Use your customer council to help; they will have more credibility with the press and public than management will. Get your union involved. Don't be passive about publicity.

12. Measure performance regularly, and give rapid feedback to employees.

Feedback on results should come monthly—or at a minimum, quarterly. “You have to make the data live and recent, so people will use it to manage,” says John Kamensky, NPR deputy director. “Displaying it geographically is often important, too,” because it helps people analyze it and understand how



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to improve their services.

The SSA gets data about its 95–5 standard daily, but data on accuracy comes in only every six months. It's produced by having quality assessment staff listen in on phone conversations, and to get enough sampling data to provide valid feedback takes six months. The agency could collect more data and report more often, but it would cost a lot more, says Larry Massanari, a regional commissioner. "It's important that you provide timely feedback, and we're not able to do that in the accuracy area," he says. "I think one of the lessons to be learned is you have to keep data in front of people. If you can't keep people in touch with the data, it's hard" to motivate them to improve.

13. Make further service improvements that are necessary to reach your standards.

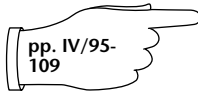
If the standards are to be taken seriously by your customers, you've got to start meeting them pretty soon. The improvement process should never stop.

14. Review your standards every two years, because customer needs and other conditions will change.

You may be able to afford something now that you couldn't two years ago. The price of information technology may have plummeted. You may have new customers with slightly different needs. Or customers may have gotten so used to being served within five minutes that they want a tougher standard.

Service Standards: Do's and Don'ts

The general lessons about customer quality assurance presented earlier all apply to service standards. In addition, we offer a few more specific pointers:



Make specific, measurable commitments, not vague statements. The majority of standards we have seen are virtually worthless, because they are vague and unmeasurable. Candace Kane saw more than her share of the "We're going to be responsive to you" variety while at the NPR, she says. "You really want to get specific: 'We will resolve the problem within 24 hours.'"

Keep your standards short and to the point. British charters are often long documents that explain many things other than an organization's service standards, redress policies, and complaint systems. Many are 15–page brochures. We think this simply buries the important points, making it harder for the reader to understand just what the organization is committed to. We would prefer five-line signs in lobbies and waiting rooms. The point is to make specific commitments, not to explain everything the customer might want to know about the organization. You can use other documents for that.

The British have come at least partway toward this position; their review



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concluded that the charters “are often too long.” Their new “how-to” guide says charters should be “simple, accessible, ‘living’ documents. . . . The key features of a charter are: a statement of the standards of service users can expect to receive; the arrangements for seeking a remedy should something go wrong; and brief information on the service provided (including contact numbers and addresses).” If the latter information is a paragraph or two, we agree.

The Canadians, whose documents we also find too long, seem to have learned this lesson as well. In *Service Standards: A Guide to the Initiative*, the Treasury Board Secretariat says “short, simple delivery targets will be more effective than long, convoluted ones.”

Define precise terms for service commitments. Don’t say “five days,” say “five business days.” Different interpretations of terms are inevitable when you create service standards with real, measurable commitments. When the Public Strategies Group (PSG) helped Indianapolis create service standards and redress policies, for instance, the Information Services Office created a standard about how long it would take new staff to get e-mail and Internet access. “The way they thought about it was, this became a process they could control once the employees’ request for a connection made it to the Information Services in-box,” says PSG’s Laurie Ohmann.

What we learned was that the employees believed the process started as soon as they signed up to be an employee. “I start counting from today.” Or at the least, “I start counting from the time I fill out the request form.” The I.S. people only started counting when it got logged into their system, and the paper forms went through interoffice mail. So if they promised a two-day turnaround, they’d blown it before they ever got the form.

Make your level of commitment very clear. Again, vagueness creeps in far too often. “We will do our best to . . .” is not going to reassure many customers. As the Canadian guide says, “‘We guarantee’ is better than ‘We will’ which is better than ‘We aim to.’”

Don’t use percentages in your standards, when you can avoid it. “Research shows that many people do not understand percentages,” according to the British government’s guide, *How to Draw Up a National Charter*. “So wherever possible you should avoid their use. For example, say ‘nine out of ten’ people in place of 90 percent.”

Don’t feel your standards have to be uniform for every unit that delivers a given service. It may be harder to meet a timeliness standard in a rural area, where people and packages have to travel long distances, than in an urban area. People may have to stand in line longer at post offices in New York City



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than at post offices in Montana, because lunchtime crowds in New York can be huge, no matter how many service windows you open. Let your standards vary if necessary.

Service Standards: Pitfalls to Avoid

Having too many standards. Everyone we have asked about this in our research has recommended no more than three to five standards.

Listening to your customers only at the front end. It's easy to forget that you need to listen to your customers up front, then again after you have draft standards to show them, and then again periodically to see if their needs have changed. "For me the biggest mistake in everything agencies did on customer service was not talking to their customers enough," says Candace Kane.

Most agencies did it as a linear process. We told them to "constantly ask your customers." What we didn't say was, "After this step, ask your customers; then do this step and ask your customers; then do this step and ask your customers." So they mostly just did it once.

Creating expectations you can't fulfill. The last thing you want to do is to set yourself up for failure. Lorraine Chang has worked on customer service standards at Southern Pacific Railway, at the U.S. Department of Labor, and as a consultant with the Public Strategies Group. This is a classic pitfall you must avoid, she cautions. If you don't, "You discredit yourself with your customers, and then morale in the organization plummets, because you're beating yourself over the head constantly. You're widening the gap, creating more distrust."

Try not only to make sure your standards are attainable but also to help customers form realistic expectations. The private sector sometimes makes the mistake of creating expectations that are too high. The last time David Osborne bought a new car, the company he bought it from offered free coverage for all services—including oil changes—for 50,000 miles. That was impressive, but the company made one mistake. When Osborne asked how long their routine service visits and oil changes took, the salesman said "45 minutes to an hour." When it actually took 90 minutes to two hours, he was disappointed. The service was excellent—they even washed the car—but the company had created false expectations around time, which happened to be a critical success factor for this customer.

Creating perverse incentives that hurt customer satisfaction. This is perhaps the most important pitfall to avoid. "Watch out for how you set your standard up," warns the SSA's Janice Warden. "You've got to present a total picture of what the customer wants. We could have very well said 95 and five, without continuing to emphasize the courtesy and accuracy." The result could

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have been teleservice representatives hanging up on customers before they were satisfied. As Warden says, “What you say is what you get.”

You have to watch closely for any backfires, adds Larry Massanari. “You don’t always know; only the customer begins to feel it.” This is yet another reason to continue listening to the customer.

Ignoring elements of service that are critical to customers. This is a balancing act: you don’t want too many measures, but you don’t want to miss anything important, either. In the SSA, Massanari points out, there are three key pieces: the field offices, the benefits processing offices, and the 800 number. The agency’s standards need to cover all three, which they do.

Ignoring contractors who are important parts of the supply chain. It is easy to forget to include suppliers who are critical to your performance. The SSA did, and it cost them dearly. When AT&T’s 800 service crashed, it was a severe blow. “If you have a contractor involved,” advises Warden, “you have to treat them as a full partner.” Make them part of the team creating standards from the beginning and have them create standards for their service to you.



RESOURCES ON SERVICE STANDARDS

Canadian Treasury Board Secretariat. *Quality & Affordable Service for Canadians: Establishing Service Standards in the Federal Government; Service Standards: A Guide to the Initiative; and A Guide to Costing Service Delivery for Service Standards.* Ottawa: Treasury Board of Canada Secretariat, 1996. Three useful Canadian guides, which are available for free on the Web at www.tbs-sct.gc.ca/pubpol_e.html (scroll down to “Quality Service”) or on paper or diskette from the Distribution Centre: phone (613) 995-2855; fax (613) 996-0518. Available in French or English.

Erin Research Inc. *Citizens First: Summary Report and Full Report.* Ottawa: Citizen-Centered Service Network and Canadian Centre for Management Development, October 1998. Important survey research on citizens’ expectations, priorities, and satisfaction with different services, including useful information about what they care about most. Available for free at www.cmd-ccg.gc.ca/publica.publi.html (scroll down to “Service and Quality”). Phone: (613) 943 8370. Fax: (613) 995-0286. Other useful reports are available on the same web page.

National Performance Review. *Putting Customers First ‘97: Standards for Serving the American People.* Washington, D.C.: National Performance Review, October 1997. A summary of customer service standards and progress in the U.S. federal government, which includes learnings and links to all agencies’ standards. Available for free at www.npr.gov/custserv/.



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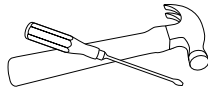


United Kingdom. Cabinet Office. *How to Draw Up a National Charter and How to Draw Up a Local Charter*. London: Cabinet Office, 1998. Superb nuts-and-bolts guides from the people who invented customer quality assurance in the public sector. Available for free at www.cabinet-office.gov.uk/servicefirst (click on “Best Practice,” then “Best Practice Guides,” then “Charters”).



United Kingdom. Cabinet Office. *Service First: The New Charter Programme and The Citizen’s Charter, A Consultation Exercise: the Government’s Response*. London: Cabinet Office, 1998. In-depth reviews of the Citizen’s Charter, which provide valuable lessons about what works and what doesn’t. Available for free at www.cabinet-office.gov.uk/servicefirst (click on Index).

QUALITY GUARANTEES



Quality guarantees promise to give customers or compliers their money back or to redeliver services for free if the organization fails to meet its service standards or the customer or complier is not satisfied.

A guarantee is the most powerful statement you can make to your customers. It also has enormous power to force your managers and employees to come up with whatever it takes to deliver. Think of the difference between Federal Express, which guarantees delivery by 10:30 A.M. the next day or your money back, and the U.S. Postal Service’s express mail, which is not guaranteed and only gets there overnight two out of every three times. The former has grown rapidly for years and now controls 50 percent of the overnight business; the latter has slipped from 45 percent of the market in its early years to 6 percent.

Guarantees are common in the private sector, and they are being made more and more often in the public sector. As we said earlier, the Massachusetts DEP guarantees that it will make permit decisions on time or the fees are waived, and other states, counties, and cities have followed suit. The U.S. Census Bureau promises that if you’re not happy with its products, you will get your money back.

Fox Valley Technical College, in Wisconsin, guarantees satisfaction to businesses that buy customized training from the college, or they get “the appropriate portion of the customized training redone at no additional charge.” Other community colleges have created similar guarantees.

Several states and many high schools guarantee certain graduates with “certificates of employability.” Typically, if an employer says a graduate has inadequate skills within the first year, the school provides free instruction to bring him or her up to par.

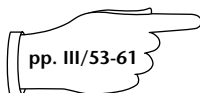
Sometimes new public programs use a guarantee to get over the credibil-



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ity hump with their customers. In the late 1980s, the Michigan Commerce Department decided to offer a partial subsidy for 20–40 hours of general management consulting, from private consulting firms, to small businesses. It put together bulk contracts with consultants who would work for 50 percent of their normal fees, in return for a volume guarantee. More important, it offered small businesses an unconditional money back guarantee if they were not satisfied—and required the contractors to provide it! The purpose was to overcome the natural skepticism small business owners had about help from the government. Not one client asked for their money back. Customers rated its services an average of 4.5 on a 1–5 scale, with 5 being the highest rating.

Some programs use a guarantee to create a competitive advantage. When Minnesota's Department of Administration used internal enterprise management to remove the monopoly enjoyed by many of its internal support functions, the print shop, vehicle fleet, and data entry units all promised money back to other agencies if they were not satisfied. "In the printing area, it really put the focus on preventing rework, because rework became doubly expensive," says Babak Armajani, then deputy commissioner of the department.

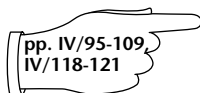


In the fleet area, it had the impact of better preparation of the vehicles. Most of the dissatisfaction was from having a dirty vehicle. They actually published standards about the vehicle: that it would be clean, full of gas, everything would be in working order. They didn't have to give the money back very often—but enough that it became a major focus.

Sometimes public leaders even negotiate guarantees with private contractors. When Indianapolis contracted with the British Airports Authority to manage its airport, the company guaranteed to lower costs for the airlines. It posted a \$50 million irrevocable letter of credit to back up the guarantee.

Quality Guarantees: Do's and Don'ts

Most of the general lessons on customer quality assurance and more specific guidance about service standards outlined earlier apply to guarantees as well. In addition, we suggest a few more pointers.



Publish a clear statement of what level of service is guaranteed. As with service standards, guarantees should be specific, to the point, and precisely defined.

Don't make guarantees hard to collect on. People are skeptical of guarantees. If they sense that they will have to jump through hoops to collect on the guarantee, you may simply increase their cynicism about government.



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When you publish your guarantee, include a clear description of what the customer must do to collect on it.

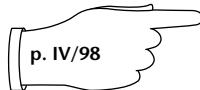
Make sure your guarantee is reasonable and doable. One of the oft-cited stories about this tool concerns Domino's Pizza, which used a money-back guarantee to build one of the largest pizza chains in the world. In the 1970s, it guaranteed that if you ordered a pizza by phone, it would be there in 30 minutes. If not, it was free. Some of Domino's drivers were known to speed to meet the deadline, and the company was held liable for some of their accidents. So it kept the standard but changed to a redress approach: if the pizza is late, you get a \$3.00 discount.

If you can't quite pull off a guarantee but still want to, announce that it will go into effect in 12 months. This will create the urgency in your organization to do what it takes to make the guarantee workable.

Empower your employees to make guarantees work and to make refund decisions on the spot. We've already explained why you need to empower frontline employees to make customer quality assurance work. In addition, you need to make sure they can make refund decisions. There is no better way to undercut the impression a guarantee makes than by saying to a customer who expects a refund, "I'm sorry, I'll have to check with my supervisor. We'll get back to you."



In compliance activities, be careful that guarantees don't drive staff to cut corners in ways that undercut the outcomes you want. When the Massachusetts DEP did this, it brought compliers and customers—businesses and environmentalists—together to design its guarantee. This is a good idea, because it creates a check on any tendencies to go too far. The department also measured the percentage of permits denied, which remained at about 10 percent after the turnaround standard and money-back guarantee.



If customer behavior is necessary to produce the outcome, specify what the customer must do to qualify for the guarantee. Some schools provide guarantees that require specific behavior by students and parents: signing weekly progress reports, missing no more than a set number of days of school and homework assignments, and the like. Some philanthropists and state governments have also used this approach, guaranteeing groups of low-income students that if they maintain at least a B average, stay in school, and stay away from drugs, their college tuition will be paid.

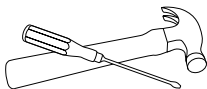
RESOURCE ON QUALITY GUARANTEES

Christopher Hart. *Extraordinary Guarantees*. New York: Amacom, 1993. A useful, readable book on private sector quality guarantees.



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REDRESS



Redress gives customers or compliers some form of compensation—financial or otherwise—when an organization fails to meet its service standards.

As David Osborne was preparing to write this chapter, he had an experience that brought home to him the importance of redress. He was returning from Bogota, Colombia, to Massachusetts, changing airlines in Miami. When he arrived at the American Airlines counter in Miami, they had no record of his electronic ticket. The ticket agent searched the computerized database for a few minutes and discovered the problem: for some reason, two reservations had been made, and the agent who had ticketed the first leg, from Boston to Miami, had inadvertently used the wrong one. When no one used the second reservation, the computer system automatically removed it.

The only problem was that now the plane was oversold. Osborne, who was very tired, would have to stand by for a coach seat. Frustrated, he contacted his travel agent and discovered that there was one first-class seat that had been reserved but not yet paid for. “Aha!” Osborne thought. “My ticket was purchased a week ago; I should get that seat.”

Unfortunately, American’s gate agents didn’t see it that way. When he protested, they told him to sit down—that they would take care of him. Despite some effort, he could get no more commitment from them than this. Finally, at the last minute, he got a coach seat on the full airplane. During this entire process, which took about two hours, not one American employee apologized, much less offered to make up for the error. Osborne asked several American employees how to file a complaint, but no one knew—or cared.

You can imagine Osborne’s feelings for American Airlines. Now imagine if the company had a redress policy. Any customer who got bumped from their seat or flight through the fault of the airline might get a discount on their ticket, for instance—either for that trip or the next one, whichever they preferred. This would not only mollify the passenger, it would give airline management an incentive to minimize how often such mistakes happened. And it would give employees a gracious way to apologize and make it up to the passenger, rather than simply acting defensive.

The Many Benefits of Redress Policies

Redress policies are similar to guarantees, but they offer a broader array of compensation to customers. While guarantees offer your money back or free redelivery of the services, redress policies can offer virtually anything as compensation, financial or otherwise. Typically, they are triggered automatically when an organization misses a service standard, while guarantees can be trig-



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gered that way or simply by customer dissatisfaction.

As the preceding example illustrates, redress policies have multiple benefits. First, they create satisfied customers. Indeed, market research suggests that the most loyal customers in the private sector are not those who have enjoyed years of good service but those who have experienced an incident of poor service that the company went to great lengths to put right.

Second, redress policies create incentives for service providers to get it right the first time. If they don't, they lose something valuable, like time or money.

Third, redress saves providers money, because it encourages organizations to minimize the need for rework.

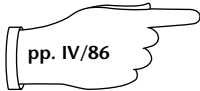
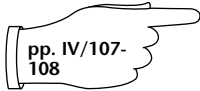
Fourth, redress policies make life much easier for employees, who can now graciously apologize and do something nice to make it up to the customer, rather than stand there and take the heat.

Fifth, redress policies help organizations recover from problems even when customers don't complain. Twenty years ago, careful research in the U.S. private sector found that only 1 out of 27 people who experienced problems with service took the time to complain. Recent research in the U.K. suggests that the number may be larger in the public sector (it was 49 percent in the British survey, though it varied widely from service to service). But even in the U.K., the majority who had problems said they didn't complain. The best complaint system in the world won't help them—but automatic redress when organizations miss their standards will, because it is triggered even when people don't complain.

Finally, redress policies give organizations a constructive way to deal with the fact that they cannot always be perfect. Hitting a challenging set of service standards 100 percent of the time is impossible. As we saw with the SSA, the cost of that last 5 percent is sometimes too steep. That means some customers will be disappointed. It is far better to use redress to make it up to them than to either break the bank trying to achieve the impossible or to let 5 percent of your customers go away angry. If you do the latter, the consequences are clear: whereas the average satisfied customer tells three people about their experience, market research indicates, the average dissatisfied customer tells *nine*.

In the public sector, not every organization is in competition to attract customers. “But we're in competition for public support,” Peter Hutchinson points out, “and we're losing. So ultimately, all of this is about winning the competition for public support.

If you want to win the competition, you have to satisfy as many people as you possibly can, and alienate as few as possible. And redress is the way you deal with the second half of the equation. Even if you're to-



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tally committed to customer service, if you ignore redress, mathematics says you will lose. Redress is about keeping dissatisfied customers from telling those other nine people. It's not about punishment. It's just being smart, when you can't do it right the first time. And sometimes you can't; sometimes the price of perfection is too high.

Guarantees and redress are two of the most powerful tools you have to win the competition for public support. They make service standards meaningful to customers; they give them *teeth*. Think about your own experience. Does the post office's 5-minute standard mean anything to you if you wait 10 minutes and nothing happens? No. But what if you were to get a free book of 10 stamps (worth \$3.30) if you waited longer than 5 minutes? Would that convince you that the post office was serious about its service commitments?

Financial Redress

It is often hard to convince managers and budget offices to use financial redress, because they fear potential financial loss. The U.K., which pioneered the practice in the early 1990s, has experienced this problem. In 1995, the Citizen's Charter Complaints Task Force, a high-powered group drawn from both the public and private sectors, found that "managers in local offices of central Government service are cautious about offering financial compensation. The perception that the Treasury holds the purse-strings is strong." They recommended that financial redress always be included in an organization's menu of redress options.

We feel that in certain circumstances payment of financial compensation is money well spent. . . . Financial redress should be seen positively as a tangible recognition of a user's right to reasonable levels of service, providing organizations with an incentive to get things right in the future. We believe it has a powerful symbolic importance in those exceptional cases where users seek it and it is the appropriate response.

Unfortunately, the Labor Government appears to be backing away from financial redress. Virtually the only organizations forced to use it, other than the postal service and the London Underground, are privatized monopolies: the rail operators, the electric utilities, the water companies, and British Gas.

The rail companies offer a good example of the practice. The government requires them to have punctuality and reliability standards, among others. A typical set would promise, for example, that 90 percent of trains would arrive within 10 minutes of the scheduled time and 99 percent of scheduled trains



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would run. When a commuter line misses one of its targets over a 12-month period, riders typically get a 5 percent discount on their next season ticket. When a line misses both targets, the discount is normally 10 percent. If any train is delayed for more than an hour, passengers get vouchers worth at least 20 percent of the price of that trip.

There are a few other examples in the U.K. In the Glasgow passport office, for example, frontline staff can offer up to £15 (about \$25) to pay for a replacement set of photographs if the office loses them. Claims up to £100 pounds can be approved on the spot by the customer services manager.

In the U.S., financial redress is even more rare. When it ran the Minneapolis schools, the Public Strategies Group used it. If a school bus was late, for example, the school received a credit of \$100 toward school buses for a field trip. In 1999, Cal State University at Long Beach began putting one-year “warranties” on its 700 credentialed teacher’s college graduates every year. The college will send an education professor to a school district for one-on-one advice during the first year on the job if the school requests it because the teacher is having problems. The state of Georgia offers a similar plan.

The Academy of the Pacific Rim, a charter school in Boston, will turn over to another school of the parent’s choosing the equivalent of the funds it would receive from the state for a child’s education (roughly \$7,500 in 1998) if the student fails a state standardized test in 10th or 11th grade. To qualify, parents must sign and return weekly reports on their child’s progress, missing no more than three in one year, and students must miss no more than four assignments per subject per year. If teachers recommend tutoring sessions, students must attend. The school has set up a fund using donations from its founders and foundations to make the payments.

Nonfinancial Redress

Redress does not have to be financial to be effective, however. A refund, discount, voucher, or other payment not only makes a strong statement to the customer that the organization cares about satisfying them, it also creates powerful incentives for the organization to meet its standards. It’s hard to top. But most people aren’t looking for money when they complain about poor service.

There are an infinite number of ways to provide redress. You can make it fun: hand out chocolate, or throw a pizza party if the customers are an office or team. The Information Services Office in Indianapolis gave people things like coffee mugs and mouse pads, with an added touch: “We’ll deliver it personally and tell you why we were late.” Sometimes an apology is enough—or at least a very good start. For some reason, people and organizations in the public sector find it difficult to issue apologies.

Lorraine Chang urges organizations to look for redress options “that sur-



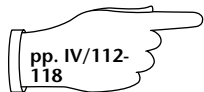
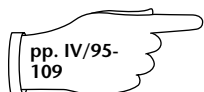
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prise and delight the customer. The best thing to do is to have a little twist of the unexpected. To have somebody show up at the door from a government agency to apologize and explain could be enough of a surprise to make it really meaningful and powerful, as opposed to getting a letter in the mail, which they might just toss.”

You can even ask the complainant what form of redress he or she feels would be appropriate. Some organizations surveyed by the Citizen’s Charter Complaints Task Force supported this idea—“indeed, some consider it essential, citing evidence that it puts the relationship with the service user on a positive footing, and ensures greater satisfaction with the outcome.”

The task force recommended a menu of redress options, which would at minimum include:

- *An apology.*
- *An explanation.*
- *Assurance that the same thing will not happen again, backed up by action and monitoring.*
- *Action taken to put things right.*
- *Financial compensation.*



Redress Policies: Do’s and Don’ts

The general lessons about customer quality assurance all apply to redress policies, as do the “do’s and don’ts” and “pitfalls to avoid” presented for service standards and guarantees. In addition, we recommend that you develop redress policies and service standards in tandem, using the steps outlined earlier. We would add just a few more pointers specifically about redress:

Make clear to your customers or compliers exactly what forms of redress are available. Just as you need to widely publicize your standards, you need to do the same for your redress policies. This is a wonderful investment: the more customers see that you offer meaningful redress, the more they will respect your organization.

Make sure the redress will be meaningful to your customers—by surveying them. If customers see your redress policy as mere window dressing, it will only feed their cynicism. If they see it as self-serving for your organization, you will have lost them. Many private companies send a voucher or discount coupon to people who have complained, for instance. But some customers who are angry enough to complain want nothing to do with the company. The last thing they want to do is use it again! So they react to the discount with understandable disdain.



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Give your customers or compliers a choice of what form of redress they want, when possible. The same thing is not meaningful to every customer. When an airline bumps a passenger, for example, some are very happy to take a later flight in return for a free round-trip ticket anywhere in the country. For others, who may be traveling to events they cannot afford to miss, such an offer is unacceptable. Customer choice is a good idea even in much less dramatic situations. When David Osborne explained his idea of giving 10 free stamps to postal customers who waited in line more than five minutes, for example, his youngest daughter said, “I’d rather have 10 free lollipops.” And why not?

Don’t give the customer’s anger time to fester; hand out your redress on the spot. When you complain, if a human being listens, acknowledges your complaint, apologizes, and presents you with redress on the spot, your anger usually dissolves. You become, if not a satisfied customer, at least a mollified customer. You leave with at least some respect for the provider. If, however, it takes three weeks for you to receive a note of apology and a discount coupon, it may only feed your anger. In the meantime, of course, you’ve probably told nine people about your bad experience.

Empower your frontline staff to offer redress, and give them clear guidelines and training. If you’re going to hand out redress on the spot, your frontline employees have to be able to do it. (If for some reason this simply won’t work, make sure each office has a customer service person who can immediately take the complaint and deliver redress.) In the Ritz-Carlton hotel chain, frontline employees are authorized to spend up to \$2,000 per incident to put things right for customers. Based on experience in both the public and private sectors, the Citizen’s Charter Complaints Task Force recommended “that the discretion to resolve complaints, offering immediate redress as appropriate, should be delegated as far as possible down the line.”

This requires clear guidance for employees, including examples of how to respond when different things happen and which form of redress to use in which circumstances. It also requires training, with lots of role playing.

Use forms of redress that connect directly to your mission and the outcomes you want to produce for customers, if possible. A good example is the redress policy for British rail operators. The mission and desired outcomes are clear: get people there on time, every time. The central form of redress flows directly from that commitment: if your train is late, you get a discount.

Another good example is the redress policy for late school buses in Minneapolis. If bus operators harm the education process by delivering students late to school, they make it up by donating \$100 in services that will help the education process. Sometimes people “just think about punishment, and we’re going to hold them accountable in a hard-edged way,” says Peter Hutchinson, who invented the late bus policy. “But the key to making these things suc-

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successful is connecting the supplier and the redress to the outcome you're trying to produce. Then you get a powerful agreement that everybody understands and can get enthusiastic about."

Follow up with customers and compliers to ensure that they are satisfied with the redress they received. A follow-up phone call will surprise and impress most customers. More important, if they are not satisfied, it will give you a second chance to put things right and win them back.

RESOURCE ON REDRESS POLICIES

The Citizen's Charter Complaints Task Force. *Putting Things Right*. London: Her Majesty's Stationery Office, June 1995. Though this publication only has a few pages on redress, they are excellent. See p. IV/129 for more information.

COMPLAINT SYSTEMS

Complaint Systems track and analyze complaints, ensure prompt responses, help organizations learn from complaints to improve their services, and hold them accountable for doing so.

In their book *A Complaint Is a Gift*, Janelle Barlow and Claus Møller call complaints "the biggest bargain in market research." They tell a fascinating story about the complaints system installed by British Airways a few years after it was privatized:

First, [CEO Colin] Marshall installed video booths at Heathrow [airport] so that upset customers could go immediately to a video booth and sound off to Marshall himself.

Then, to the tune of \$6.7 million, BA introduced a computer system to help analyze customer preferences with the aim of keeping customers for life. The system is affectionately called Caress. . . . Before Caress, BA literally had mountains of complaint-related papers. Now they are quickly scanned into the computer, along with any relevant travel documents: tickets, baggage receipts, and boarding passes. . . .

Caress makes suggestions as to appropriate compensation for each category of complaints, but customer relations executives can override the system if they feel something different is warranted. It used to take BA about a month to respond to complaints. Now, 80 percent of the time, BA handles complaints in only three days! BA customer surveys show an increase in satisfaction from 40 percent to 65 percent. And while satisfaction has increased, compensation given to upset passen-



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gers has actually decreased.

Caress is also able to categorize the common complaints BA receives. Over half of them deal with seat allocation, food quality, denial of boarding, smoking/nonsmoking conflicts, seat comfort, ticketing, delays, baggage handling, disruption of service . . . and check-in services. Now BA is attempting to proactively address these aspects of its service.

In 1991, the Citizen's Charter required all public organizations in the U.K., at all levels of government, to create complaint systems. None that we know of rival that of British Airways. But many have made a difference. In a late 1998 survey of 5,000 people, 67 percent said public services were better at listening to complaints than they had been a few years before—up from 43 percent in 1995.

Complaint systems have a number of benefits:

They identify areas that need improvement. “Complaints should be viewed in a positive way, for each one is an opportunity to correct a problem and eliminate it forever,” says Stanley Spanbauer, former president of Fox Valley Technical College. Customer surveys won't always pinpoint problems for you, because your most dissatisfied customers will have already quit using your services. And broad citizen surveys don't usually uncover the level of detail that complaints do. Complaints can tell you about frontline employees who treat customers poorly, bad handoffs between units, misguided policies, perverse incentives, even overly bureaucratic administrative systems.

“In many instances,” say Barlow and Møller, “the information a company obtains through customer complaints is impossible to get through any other means.”

They give you a second chance to satisfy your customers. If you respond to a complaint by solving the problem, using redress to make it up to the customer, or both, a good complaints system gives you a second chance to create a loyal customer, salvage your reputation, and halt the spread of bad reports about your service.

They support your standards and redress programs. If you encourage people to complain and make it easy for them to do so, you will have more opportunities to find out where you are failing, to offer redress, and to win back dissatisfied customers.

They remove some of the public's feeling that no one in government cares or listens to them. This perception is widespread; by aggressively courting complaints and acting on them, public institutions can overcome it.



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Using Complaint Systems to Force Improvement

Some complaint systems are only a means of getting information from customers. But good ones also include action to remedy problems and rewards for doing so. Reinventors create performance targets for how complaints are to be handled: how satisfied the customer is, whether the underlying problem has been addressed, and how long it takes to acknowledge the complaint, investigate it, and resolve it. (They don't include performance measures tied to the volume of complaints, because they don't want to create any incentives to minimize the number of complaints.) In these ways, reinventors use complaint systems to build constant pressure to improve service.

Sunnyvale offers a good example. Its Parks and Recreation Department uses a computer program to track how many complaints come in and what is done to resolve them. One of the organization's performance targets is to resolve 90 percent of complaints to the customer's satisfaction. "We log the concern and give it to the best person to resolve," explains director Robert Walker. After that employee takes action,

We send it back to the person and say, "This is what we thought your concern was," and tell them what we did. [Then we] ask them: One, "Did we get your concern right?" Two, "Did we resolve it?" Three, "Did we do it in a courteous manner?"

We get a lot of response to that. A lot of people say: "This is why I moved to Sunnyvale. I can't believe that a government agency would respond so quickly." We read them at meetings, use them to boost morale.

Our goal is only 90 percent, so we have an acknowledgment from the city council that it's okay that we don't resolve all of them. Because sometimes they are just squeaky wheels that complain about everything. Or sometimes you can't figure out how to resolve it.

In most systems, all the city manager and council would hear are the complaints; now we've got a process that gives us lots of positive feedback we can pass on, and numbers that show we've got positive resolution to 90 percent of complaints. It gives the manager and city council confidence in us.

As Sunnyvale's experience demonstrates, complaint systems should not be isolated from performance management systems. Targets and measures related to complaint resolution should be built right into your system, and people should be rewarded for doing a good job with them. You should also use



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what you learn from customer complaints to set and adjust your service standards, guarantees, and redress policies—as well as the rest of your performance measures.

To make sure these systems are integrated, advises the Citizen's Charter Complaints Task Force:

- Build complaint handling into your strategic and business plans.
- Have top management and your policy board regularly review information about complaints.
- Cover information about complaints in your annual reports.
- And make complaint handling a factor in performance bonus policies.

Steps in Creating a Complaints System

1. *Secure the commitment of top management, make preparations, and create a plan.*

Create a team, preferably from all levels of the organization and including customers, and pick a team leader. Do a staff survey to understand current attitudes toward complaints. Use existing or new customer surveys to assess how customers view service and complaint handling. Develop a plan and timetable, and communicate it to the entire organization.

CHARACTERISTICS OF EFFECTIVE COMPLAINT SYSTEMS

An effective complaint management system should be:

- Easily accessible to customers.
- Well publicized.
- Easy to use.
- Quick to resolve complaints.
- Informative, reporting progress to people on their complaints.
- Fair, offering full and impartial investigations.
- Respectful of customers' and compliers' desires for confidentiality.
- Effective at solving problems.
- Able to provide appropriate redress.
- Used to provide information to management so services can be improved.

This list is adapted from the U.K.'s *Good Practice Guide* and Canada's *Effective Complaint Management*.



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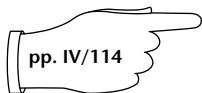
2. Draft a complaints policy.

The employee-customer team should do a first draft that includes:

- Where, how, and when people can complain.
- Which complaints will be handled at the front line, which by higher-level management, which by an independent ombudsman, and which should be referred to policymaking officials, auditors, or investigators.
- A menu of redress options, and specific guidance about what authority employees have to use them.
- A policy on when follow-up calls should be made to see if the complainant is satisfied with the response.
- A policy on when to cut off response to “continual and vexatious complainants,” as the British call them.
- Standards defining how many days it should take for each of these steps: to acknowledge a complaint, investigate it, provide a response, and conduct any necessary further investigation.

3. Consult with customers and employers on the draft policy before finalizing it.

As with service standards, consultation is important in developing complaints policies, to make sure you are delivering what customers want and what employees can actually deliver.



4. Assign responsibility for monitoring and overseeing the complaints system.

You need a team, unit, or individual in charge of making sure the system works as it should. They should operate or monitor the recording system, produce regular reports on the frequency and nature of complaints, identify problem areas, make sure improvements are made and measured, and evaluate the system through follow-up surveys and other methods.

5. Develop a recording and tracking system to capture complaints and responses.

The system should allow recording of all complaints, all communications with complainants, and all actions taken, and it should highlight areas where services appear to have the most problems, so the oversight group can intervene. Automate this process, so staff find it easy to use. And don't make it so complex that they find it a burden.



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6. Create procedures for review of complaints when complainants are not satisfied with the response.

A fast, internal review should “provide a genuinely fresh look by a senior officer at a higher level in the organisation,” according to the British guide *Putting Things Right*. If the internal review does not lead to resolution, the complainant should be able to appeal to an independent ombudsman. “A common theme running through our research focus groups was the lack of confidence complainants have that their problem will be taken seriously by the organisation to whom they are complaining,” reports the Citizen’s Charter Complaints Task Force in *Putting Things Right*.

Many people are concerned that there should be a “special body” or an “independent person” who could investigate complaints impartially. . . . As Fife Health Council put it to us, “Suspensions are alleviated when complainants are encouraged to seek the advice of an independent third party. It demonstrates a more open approach.”

The opportunities for review should be clearly spelled out in information given to customers, which should include contact names and phone numbers.

7. Train staff to use the system.

All staff need to know the complaints policy and what they should do when a customer complains to them. Training should not simply be about the technical side, however. As Barlow and Møller put it, you also need to “train your staff to view complaints as gifts. . . . The entire organization has to buy into the idea that effective complaint handling is the mechanism to keep dissatisfied customers from walking away.” This means many employees will have to change their attitudes.

8. Develop a communications strategy to make sure all customers know how to complain.

There are myriad ways to do this. The British *Good Practice Guide* lists these options: information sheets handed out at the first contact with the customer, information sent with regular mailings, leaflets and posters, newsletters and booklets, the media, explanations and toll-free numbers in telephone directories, help desks, complaint cards that can be handed or mailed in, and signs with logos and phone numbers.

9. Institutionalize regular reports by the oversight body to senior managers, policymakers, and customers.

At a minimum, the *Good Practice Guide* counsels, reports should include the following information:

- The volume of complaints, broken down by categories.



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- Performance against published standards for acknowledgment, investigation, response, and review of complaints, with comparisons to previous periods to show progress or the lack thereof.
- Analysis of the complaints, to explain contexts, highlight problem areas, and suggest which complaints are most likely to recur.
- And proposals for changes that will solve problems and keep complaints from recurring.

10. Evaluate your system, primarily by asking your customers what they think of it.

Is it easy for customers to complain? Is the process free of hassles? What percentage of the time does it lead to customer satisfaction? Use surveys, focus groups, customer panels, and other methods. Test your system by secretly filing complaints, as if you were a customer. Evaluating your system is critical. In its research in the U.K., the Citizen's Charter Complaints Task Force found that "The organization's confidence in its complaints system and the actual perception and experience of users who complain are often at odds."

Customer Complaint Systems: Do's and Don'ts

Make it easy to complain. In most systems, people find it difficult to complain. Even after seven years of effort to create effective complaints systems in the U.K., 85 percent of citizens surveyed in 1998 agreed that "it takes a lot of determination to get something done about a complaint." You need aggressive efforts to overcome this attitude. Encourage complaints in person, by phone (toll free), by letter, by e-mail, and through your Web site. But go further: designate someone within your organization to help people make complaints and to make sure they are properly dealt with. That person should have authority to rectify any failure in complaints handling, and you should publicize his or her role to all customers or compliers. The London borough of Bexley calls these people "complainants' friends." Their job is to ensure that complaints are resolved.

Resolve complaints quickly and fairly, and keep complainants informed. When the Citizen's Charter Complaints Task Force surveyed 685 citizens about the most important factors in handling a complaint, the top priorities were "speed of response," "being kept informed," and "fair investigation."

Make extra efforts to help those who are afraid to complain. In the public sector, where people often have to deal with monopolies, many are afraid to complain for fear of retribution. Parents are afraid that principals, teachers, or coaches will take it out on their kids if they complain. Prisoners



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fear guards will make it tougher on them. Hospital patients and elderly residents in public housing fear worse treatment if they complain. Even in a good-government city like Sunnyvale, fear of retribution is not uncommon. When city leaders began interviewing businesspeople about permitting, remembers Bill Powers, director of community development, “One of the things we heard was people were afraid to complain, because you’re complaining to the regulator who can deny you things. We didn’t think we conducted business that way, but their perception was that the fear was pretty real.”

There are a number of ways to combat fear of retribution. You can provide a confidential complaint channel. You can set up an independent ombudsman, with the power to intervene if the complainant later alleges retribution. You can survey people who have lodged complaints to ask if there was any retribution, then act on what they tell you. And you can identify groups of customers or compliers who appear vulnerable and rarely complain, then deliberately ask if they have complaints and reassure them that there will be no retribution. The Citizen’s Charter Complaints Task Force offers a good example:

Lothian Regional Council’s Social Work Department monitors complaints about its services. It realized that it was getting little in the way of complaints from elderly people in residential homes. The Department recognised that these users were of a generation which is, on the whole, less likely to complain but that their particular situation, being on the receiving end of care, might inhibit them further. To counteract this, the Director and other senior staff make regular personal visits to the homes to encourage users to give feedback, including complaints, on how the service works and to reassure them that they will not suffer as a result of complaining.

Give employees the tools and authority they need to resolve complaints. “The most successful complaints handling is in services where the receiver of the complaint assumed complete ownership of it, only relinquishing this ownership when the complainant was satisfied or it became clear that the complaint should be referred to the next stage of review,” the Citizen’s Charter Complaints Task Force learned from its research. “We found staff that had been given such discretion were highly motivated.”

To back up frontline staff, assign someone in each office to be customer service manager, make them available for immediate consultations, and give them authority to make most decisions when frontline staff are not sure what to do. Barlow and Møller also urge organizations to empower frontline staff to deviate from “marginal policies” when necessary. But, they caution, you have to make it clear which policies are inviolable.



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Staff need to understand how far policies can be pushed, when exceptions simply cannot be made even if management is involved, and why the policies are there in the first place. Again, managers can create role-play situations to help coach staff as to appropriate behavior. Because front-line staff have the most direct contact with customers, and they generally know first where problems start to develop, then at staff meetings, they should be encouraged to discuss policies that need changing.

When employees do something creative but wrong to rectify a complaint, they add, never punish them. Praise their ingenuity and explain why they should make a different decision in the future.

Create communication channels that take complaints quickly and accurately from the front line to upper management. If frontline staff are not encouraged to pass information to managers, Barlow and Møller warn, complaints that cannot be handled on the front line may never make it beyond. “In fact, without open communication between front-line personnel and managers, service quality is very difficult to achieve.” Forms are seldom adequate to convey the reality behind complaints, they add. “We recommend as much face-to-face reporting as possible to get some sense of customer anger or having front-line staff judge on a scale of one to five how angry the customers were.” Regular meetings to discuss complaints are also useful.

Create a channel to send complaints about policy to the appropriate body. Some complainants take umbrage with policies. If a parent complains to a school principal that her daughter didn’t get assigned to her first choice of school, the principal can’t fix that problem with better service. Such complaints need to go straight to the superintendent and school board, who control the assignment process. If they get enough complaints about a policy, then they should review it.

Don’t blame the targets of complaints. If you immediately blame employees who are the targets of complaints, you will create a culture that tries to suppress complaints. “Fix the system without rushing to blame staff,” advise Barlow and Møller. “Punish your processes, not your people. Staff members will be more likely to pass along complaints to management if they know this is the company’s approach to complaints.” If you create a genuine customer quality assurance system of the kind we have been describing, staff who are the object of complaints will understand that their behavior should change. You can work with the few who don’t—and if they ultimately refuse to change, let them go.

Create many ways to learn from complaints. Create a recording system, have your oversight team analyze patterns and identify problems, assign teams to solve those problems, establish regular times to discuss complaints with employees, invite customers in for focus groups, and help people learn from success stories.



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RESOURCES ON COMPLAINT SYSTEMS

The Citizen's Charter Complaints Task Force. *Good Practice Guide*. London: Her Majesty's Stationery Office, June 1995. An excellent, nuts-and-bolts how-to guide. Available from the Service First Publications Line: 0345 22 32 42.

The Citizen's Charter Complaints Task Force. *Putting Things Right: Main Report*. London: Her Majesty's Stationery Office, June 1995. Another excellent source of information, somewhat duplicative of the first but with more background on research. Available from the Service First Publications Line: 0345 22 32 42.

Service First Team. *How to Deal with Complaints*. London: U.K. Cabinet Office, 1998. A more recent version of the *Good Practice Guide*, available for free on the Web at www.servicefirst.gov.uk/index/publications.htm (click on "Complaints") or from the Service First Publications Line: 0345 22 32 42.

Janelle Barlow and Claus Møller. *A Complaint Is a Gift*. San Francisco: Berrett-Koehler, 1996. An extremely useful book; though focused entirely on the private sector, it offers everything you need to know about complaint systems, from a reinventor's perspective.

Innovative and Quality Service Group. *Effective Complaint Management*. Ottawa: Treasury Board of Canada Secretariat, 1996. Though somewhat derivative of the British material, this guide is also useful. Available for free on the Web at www.tbs-sct.gc.ca/pubpol_e.html (click on "Q," then "Quality Service Guides"). Phone: (613) 995-2855. Fax: (613) 996-0518.

"Handling Citizen Complaints and Requests." In Harry P. Hatry, Louis H. Blair, Donald M. Fisk, John M Greiner, John R. Hall, Jr., and Philip S. Schaenman. *How Effective Are Your Community Services? Procedures for Measuring Their Quality*. Washington, D.C.: Urban Institute and International City and County Management Association, 1992. A useful chapter on measuring and handling complaints in local government.

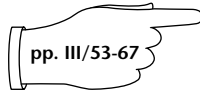
CUSTOMER COUNCILS AND BOARDS

Customer Councils and Boards are small groups of customers who meet regularly with an organization's leadership and have some power to hold it accountable for performance.

In the mid-1980s, reinventors in the Minnesota Department of Administration were pushing hard to improve a department known throughout state government by its initials: DOA. They had figured out how to use competition to drive improvement, by taking away the monopolies many support functions en-



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joyed and making them earn their revenues from their customers. But what about functions that needed to remain monopolies, either because they were more efficient that way or because they had to offer standardized services to everyone? These included the mainframe computer unit, the statewide data and voice communications network, and the state records center, among others.

Departmental leaders decided to make the monopolies enterprise funds as well, but to call them “utilities” (as in the private sector) and regulate them to make sure they didn’t abuse their monopoly power. The regulatory instrument they invented was a customer council for each utility, made up of deputy or assistant commissioners from the departments and large agencies that were their principal customers. As a department memo laying out the strategy explained, the councils had the power to advise the commissioners of finance and administration on “the types of services to be provided by the utility, service levels required, investment proposals, and rate proposals” (prices).

Babak Armajani, then deputy commissioner of administration, explains what happened when they gave customers the power to help set the utilities’ prices and decide when they could invest in new technologies:

The telecommunications utility’s council consisted of nine people. The state Department of Natural Resources (DNR) came in and said, “We want a telecommunications line that would allow for voice and data transmissions to Togo”—a tiny town in far northwest Minnesota, almost to Canada—“where we have a research facility.”

The utility costed it out and said, “Here’s how it would change our rates.” At that point, everybody turned to the utility manager and said, “What are you going to do about this?” He turned to them and said, “What are you going to do about it? You set the rates.” So they scheduled a meeting. The big customers of the telecommunications network said to the DNR, “We don’t like the idea of paying for your line to Togo, we’re trying to keep our costs down.” So there was a debate. And in the end, what happened was a deal was worked out, and DNR agreed to pay a lot of the cost, and the utility agreed to pay the rest. But it was negotiated between the customers, in the true fashion of a cooperative. The Finance Department and the utility really didn’t get involved in deciding, yes, there should be a line to Togo, or no there shouldn’t.

This happened more and more, around different issues. “You got much tougher discussions, much stronger oversight than would have been provided otherwise,” says Armajani, “because the customers knew more about this stuff and had a strong interest in keeping the rates low.”



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Minnesota was inventing a new tool: a customer council. Creating a board or council made up of customers—and giving it some real authority—can be a powerful way to make public organizations more accountable to their customers. It also helps ensure that improvement strategies will outlast changes in political leadership.

Customer boards and councils are narrower than steering organizations or community governance bodies: their job is to improve service quality and outcomes for customers, not to help steer the organization or community. But if they have real power—if they are more than advisory—they make a big difference.

Some public organizations have followed Minnesota's lead and created customer boards or councils for internal support functions that retain monopolies. In the U.K., some customers sit on the boards of utilities that have been privatized. In public housing in the U.S., some resident councils advise public housing authorities. And school councils made up primarily of customers (parents, community members, and occasionally even a student or two) are becoming common.

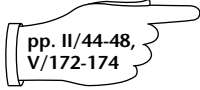
Customer boards and councils can play a number of roles, including:

- Approving particular investments.
- Approving rates or prices.
- Commenting on outcome goals, output goals, or both.
- Commenting on CEOs' performance agreements and organizations' flexible performance agreements.
- Commissioning customer surveys and focus groups.
- Publishing performance scorecards.
- Helping write and approving organizations' service standards, performance targets, guarantees, redress policies, and customer complaint systems.

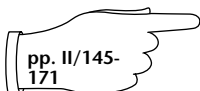
In many of these roles—such as publishing scorecards—customer councils or boards have far more credibility with citizens than an organization's management does. They can function as a source of external pressure that makes the organization take quality service seriously, as we argued earlier.

Customer Councils and Boards: Do's and Don'ts

Don't settle for advisory status. Many local school councils have been set up without real authority. Unless they have a principal who is willing to share power because he or she believes in doing so, they often become extremely frustrated. If you ask customers to discuss real issues and offer advice, but no one takes the advice, you can end up with angry, cynical customers.



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Create clear charters for customer councils and boards. Make it crystal clear what their role is and how much power they have. Otherwise, you are likely to end up with misunderstandings, conflict, frustration, and even public battles.

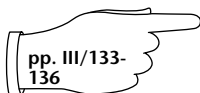
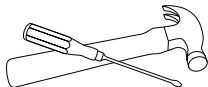
Train your council or board members for their roles. “You have to teach people how to be a customer board,” says Armajani. They don’t come in understanding their role or knowing how to play it. “This conversation [on the telecommunications council] was screwed up for three or four months until we got a facilitator to help us figure it out, because none of us knew what it meant to function like a cooperative.”

Don’t allow interest groups or “professional” customers on the council or board. Interest groups and professional customers—those who have become so serious about their battles with an organization that they show up at every meeting or hearing—typically bring their own narrow agendas, regardless of the public interest. Some bring conflicts of interest as well. Councils won’t work well if some of their members come in with their own bones to pick.

In compliance organizations—or organizations that deliver both services and compliance—customers should be in the majority, but the council should also include some compliers. If the Environmental Protection Agency were to create a customer council, for instance, it would want the majority of its members to be normal citizens and environmentalists, but it would also want some businesspeople and state and local government representatives, representing compliers.

To keep councils and boards in touch with customer needs, rotate people on and off them. After a few years on a council or board, people will have spent so much time working with the organization that they will share its perspective as much as the customers’. At this point, it’s time to replace them. The best term limits will depend on the nature of the board or council. Those that function more as governing boards will require more expertise among their members—and therefore longer terms.

CUSTOMER SERVICE AGREEMENTS



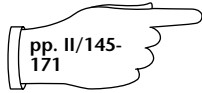
Customer Service Agreements are performance agreements between an organization and its customers, defining the levels and quality of service to be provided and the rewards and penalties for doing or failing to do so.

Because accountability for performance is at the heart of reinvention, reinventors use many kinds of performance agreements:

- Between a boss and subordinate.
- Between a government and a contractor (see pp. III/70-93).



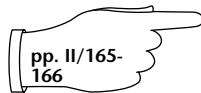
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The Customer Strategy

- Between a steering and a rowing organization.
- Between one level of government and another.
- Between customer and supplier organizations.

We call this last type of agreement a customer service agreement. Often these are between two public organizations: a line organization that serves the public and a staff organization, such as a purchasing or personnel office, that supports the line organization. But they can also be between two line organizations, between an organization and its customer board or council, or between an organization and its external customers. For instance, some public schools sign agreements with the parents of their students or even with the students themselves.

Customer service agreements include service standards and often redress, but they involve more extensive two-way negotiations and cover more issues. They can include many of the same components as flexible performance agreements: expected results, resource levels, flexibilities granted either party, special conditions, responsibilities of the customer, consequences for performance, and so on.

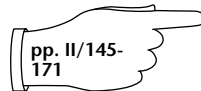


Why would you want to do this? “What’s important about these is that they make explicit relationships between units in an organization, which are today informal, with no accountability,” says Peter Hutchinson, president of the Public Strategies Group. “They allow you to have a serious conversation about the mutual expectations you hold. I think that’s where the magic is: you take all this stuff that’s assumed, that’s underground, that you can never see—it’s all built around relationships and individuals—and you make it explicit.”

In organizations that are serious about reinvention, these customer service agreements have become common, simply because they make sense. Most agreements are voluntary, but top managers can also require different units to negotiate service agreements to work out problematic relationships or to figure out how to provide seamless service to the public. Negotiating them is not much different than negotiating other performance agreements, although if they are voluntary they require sincere commitment from both sides.

Pointers on Using Customer Service Agreements

Much of what we discuss in Chapter Seven about flexible performance agreements applies here. In addition, here are a few more tips:



Keep them simple. People tend to make their agreements too long and elaborate, which can make them unmanageable. They don’t have to focus on



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every dimension of the service—just on specific areas of service that the customer wants improved.

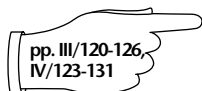
Make sure you include rewards and sanctions in the agreement. Where there are no consequences, there is no real accountability. Without consequences, when one party does not perform to expectations, nothing happens. The relationship reverts to ambiguity, and the agreement becomes a paper process with little effect on performance.

If you get creative about rewards and sanctions, you can come up with something that works. You can use financial payments, impact on a manager's performance bonus, impact on every employee's performance bonus or appraisal, redress policies, and awards.

You can also use less formal rewards and sanctions, such as the following agreements:

- “You’ll come and talk to my employees and tell them how much their work is appreciated.”
- “You’ll come and apologize to my employees.”
- “You’ll throw a Friday afternoon pizza party to thank our employees.”

Use the service agreement as a living document; don't just file it away. Meet quarterly to review progress. And use the agreement's performance targets to manage: measure them regularly, reward teams for achieving them, and put teams to work to improve performance.



**CUSTOMER VOICE:
A CRITICAL
COMPETENCE**

As we argue in the introduction to Part 13, the ability to listen to your customers is a critical competence for those using the Customer Strategy. It is not a strategy or tool in and of itself, because although it is necessary, it is not sufficient to improve public organizations. Hearing what their customers want doesn't ensure that organizations will stretch themselves to provide it. But using customer quality assurance without listening to customers is impossible.

There are many different methods of listening to your customers, each of which has advantages and disadvantages. Often you will want to use multiple methods to ensure that you get both a representative picture and more detailed feedback. We list here 16 distinct methods, with the broadest forms of input (such as customer surveys) at the beginning and the most narrowly focused, in-depth forms (such as customer interviews) at the end. Think of it as a funnel, widest at the top and narrowest at the bottom.

Customer Surveys

This is perhaps the most systematic method of learning what your customers



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think. Surveys actually come in many varieties:

- **Citizen surveys** sample an entire community.
- **Targeted customer or complier surveys** sample a narrower slice of people who are direct users of an organization's services or objects of its compliance work.
- **Random surveys**, which can either be broad or targeted, ask a representative sample to get scientifically valid data. These need to be done by telephone or face to face, because mail and e-mail surveys require people to return them, which automatically makes the sample unrepresentative.
- **Mail, e-mail, and Web site surveys** do not provide representative samples, because those who take the time to return them typically have some bias, such as a higher-than-normal interest in the subject. They are cheap, and they can be highly suggestive. But you can never assume that they accurately reflect the views of the entire category you want to survey.
- **Exit surveys** ask people about a service just after they have used it. These can provide very specific feedback about a service's strengths and weaknesses. They can be representative of those who use the service, if the sample is large enough, but they are not representative of the larger universe of potential customers.

There are real limits to what even the best random surveys will tell you. If customers don't know a lot about the issues in question—particularly if those issues are somewhat technical or complex—surveys are not terribly helpful. If you don't ask about services that you don't offer but customers might want, you only get feedback on how you're doing, not on whether you're doing the right things. And even if you do ask the broader questions, few customers will be able to imagine what you might provide or how you might provide it; they simply don't know what they don't know. Finally, customer surveys don't usually tell you what customers think of your services compared with other jurisdictions' services, because they aren't always familiar with those others. Hence they rarely get you the kind of comparative information you can get from benchmarking.

Customer Panels

Customer panels are groups of customers who agree to be surveyed repeatedly and perhaps participate in focus groups, interviews, and other consultations over a period of time, to give an organization or government regular feedback. They can be as small as a dozen people or as large as 5,000, like the U.K.'s "People Panel." They help leaders and managers understand their customers' views, hear about problems when they develop, test out new ideas, get feedback on service quality, and get input on customer quality assurance tools



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such as standards and redress policies. Unlike customer councils and boards, however, they do not have any power to hold the sponsoring organization accountable: their only purpose is for consultation.

Customer Feedback Calls or Cards

Many organizations put customer feedback cards in their offices or hand them to customers as they enter or leave. You can also mail a card to or telephone a random sample of those you have served, asking for feedback. The Madison, Wisconsin, police department has long done this, mailing a feedback form and a note from the police chief to every 35th person its officers encounter, whether a suspect, a victim, a recipient of a speeding ticket, or someone complaining about a loud party. The forms use five-point ratings (from “excellent” to “very poor”) on seven factors (concern, helpfulness, knowledge, quality of service, professional conduct, how well the police solved the problem, and whether they put the person at ease). The department uses them to rate its quality every month, and it also passes the specific forms to the officer or officers who handled each interaction, as a form of direct feedback.

Some organizations, such as Fox Valley Technical College, even survey customers a year or two after they were served, to see if the service yielded the desired results.

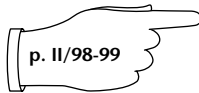
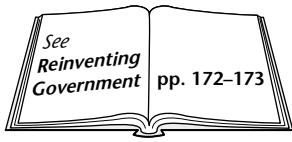
The only method here that produces a representative sample is random customer feedback calls. The others require the customer to initiate action, which automatically makes the sample nonrepresentative.

Open Days or Charrettes

When they want to get input about a service or issue from a variety of citizens without the disadvantages of holding a formal public hearing, some governments invite people to visit a set location at any time during a scheduled day to meet government staff and register their views. The Texas Performance Review (TPR) used charrettes to understand people’s concerns about their public schools. These events can be relatively informal, as the TPR’s were, allowing people to drop by any time, or they can be more structured, with formal presentations and discussions. They allow you to contact both users and potential users, although they don’t produce representative samples. They also give you instant feedback. On the negative side, they require careful preparation, publicity, and staging to be effective.

Written Consultations

This is an old format, which allows those concerned about an issue or service to register their views. It is typically used in the U.S. when new regulations are being drafted, though the British use it for a much wider array of purposes. The Labor Government’s review of the Citizen’s Charter used a written con-



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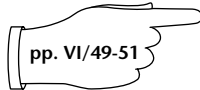
sultation exercise, for example. Though useful for hearing from organized interests, this process is not very effective if you want to hear from typical customers—who will not usually take the time to write out their views.

Test-Marketing

Occasionally public organizations pilot new services or features and then use customer interviews, focus groups, surveys, or other methods to see how people like them. Though this is more common in the private sector, it makes enormous sense.

Focus Groups

These are small groups of customers (usually under a dozen) brought together for an hour or two to discuss a particular service or issue. Typically a neutral facilitator is used to draw out the group's expectations, perceptions, and attitudes. Focus groups are quite common today. The Fund for the City of New York, a nonprofit organization dedicated to improving city government, has even used 15 focus groups from different neighborhoods to help design a scorecard to rate the quality of city services. It edited videotapes of their sessions and showed them to the agencies being discussed—another useful technique.



Meetings with User Groups and Interest Groups

User groups, interest groups, watchdog groups, and other voluntary organizations can usually give you useful feedback on services. They often represent many customers or compliers, and some carry out their own research on their members' views. Often they can help you figure out how to reach all the customers you need feedback from. However, be careful not to assume that these groups are offering representative views. Most have their own particular interests and opinions, which they are eager to share.

Telephone Help Lines and Help Desks

These are designed primarily to help customers get information and help, but like complaint systems, they can also be a source of feedback. Brisbane, Australia, a city of 950,000, has a help line citizens can call 24 hours a day and reach a human being—"on average, within 11 seconds," according to columnist Neal Peirce. That person is trained to answer questions and provide information on virtually every city activity. They can also take complaints, fill out reports on problems, or pull up a map of any property in the city and give the caller information about it. One useful technique is to have your CEO and managers staff the help line occasionally.

Customer Suggestion Forms or Boxes

Too few organizations use this tool with their customers. Fox Valley Technical

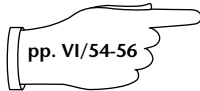


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College has used suggestion boxes on campus since 1990. “This can be effective if the system is carefully monitored and if there is assurance that quick action will be taken to respond to both suggestions and complaints,” advises former president Stanley Spanbauer.

Customer Contact

Many managers work the front lines periodically to help them understand what customers and employees experience firsthand. Disney executives, for example, spend time wearing Goofy and Mickey Mouse costumes in their parks. Shirley Chater, former commissioner at the Social Security Administration, worked as a clerk. Others spend time talking to people in waiting rooms, or visiting with them at other times, or meeting with them to get feedback. This is extremely useful, because it is such a personal experience for the managers.



Customer Interviews

When they were reinventing the Minnesota Department of Administration in the 1980s, Babak Armajani and his colleagues required support service managers to visit their customers in other agencies. They then distributed printed reports with comments from the line agency managers throughout the department, to encourage managers to serve their customers better. When he was city manager of Salem, Oregon, Gerald Seals asked his department directors to meet with their customers and then discuss the experience at cabinet meetings. In Sunnyvale, Leisure Services had people observe a customer-provider interaction and then interview the customer immediately afterward.

In *A Complaint Is a Gift*, Barlow and Møller offer this advice: “Do not be satisfied with the first response your customers give you.” They quote Granite Rock CEO Bruce Woolpert, who used customer interviews as part of the feedback process that helped his company win a Baldrige award: “If you sit with a customer long enough, eventually they will say, ‘There is one thing . . .’ You always want to sit long enough to hear that.”

Customer Confidants

Some managers develop a relationship with a few customers they regularly call for feedback. If these customers are representative of the views of others, this can provide valuable insights that managers trust enough to act on.

Quality Inspections and “Mystery Shoppers”

“Mystery shoppers”—people who use restaurants, hotels, airlines, and other services and rate their experience—are now common in the private sector. They are used occasionally in the public sector in the U.S., but the Citizen’s Charter has made them a more popular option in the U.K. The Royal Mail employs a private firm of mystery shoppers to test its customer service cen-



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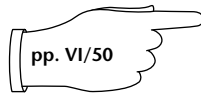
ters, and one of its divisions created an internal team to check its 200–odd delivery offices: to call and ask questions about services and then rate the speed with which the phone is answered; the responsiveness, courtesy, and knowledge of the person who answers; and the quality of the information given out.

Feedback from Employees

Employees who are in contact with customers every day often know what frustrates them and what they want changed. So ask them. Use formal, structured processes, from suggestion boxes to feedback forms to regular “customer feedback” meetings. Then act on what they tell you. This has the secondary benefit of building employee morale and commitment to the organization.

Walking in the Customers’ Shoes

Perhaps the most intense customer feedback experience is that of being a customer oneself. Show up unannounced at offices where you are unknown and go through the system as a customer would. The experience can be eye-opening.



HOW TO CONSULT CUSTOMERS: TOP TEN TIPS

From *How to Consult Your Users: An Introductory Guide*, by the Service First team in the U.K.’s Cabinet Office.

1. Build consultation into your **regular planning** cycle and consult early. Don’t wait until too late to change your plans, and do give people enough time to comment.
2. **Don’t ask for views if you can’t or won’t do anything with them**—make clear what you can change and what you can’t.
3. **Learn from others**—use experts if necessary, but don’t just do something because “everyone else does.” Work out what’s right for your own situation.
4. Use **more than one method** of consultation.
5. **Be flexible**—think how to reach all your users (people with disabilities, people from ethnic minority groups, etc.).
6. Don’t just consult your users—**ask others**, too, including your front-line staff.
7. **Be sensitive** to those you want to consult—encourage them to give honest views, e.g. by assuring confidentiality.
8. **Publicize** your consultation so that all who want to can feed in views, and so that people realise you are committed to listening to them.
9. **Report back** on what views you received and what you have done as a result.
10. **Evaluate** carefully after consulting, and learn lessons for next time.



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RESOURCES ON CUSTOMER VOICE

Canadian Centre for Management Development. *Client Satisfaction Surveying: A Manager's Guide*. Ottawa: Canadian Centre for Management Development, 1998. A handbook on what kinds of survey information managers should collect, with best-practice examples from all three levels of government in Canada. Available free at www.ccmd-ccg.gc.ca/publica/publi.html (scroll down to "Service and Quality") or by e-mailing info@ccmd-ccg.gc.ca. Phone: (613) 943-8370. Fax: (613) 995-0286. Other useful reports are available on the same Web page.



Harry P. Hatry, Louis H. Blair, Donald M. Fisk, John M. Greiner, John R. Hall Jr., and Philip S. Schaenman. *How Effective Are Your Community Services? Procedures for Measuring Their Quality*. Washington, D.C.: Urban Institute and International City and County Management Association, 1992. A comprehensive guide to measuring local services that includes how-to information on a variety of customer voice methods for many services, along with sample surveys.



Harry P. Hatry, John E. Marcotte, Therese van Houten, and Carol H. Weiss. *Customer Surveys for Agency Managers: What Managers Need to Know*. Washington, D.C.: Urban Institute Press, 1998. An excellent guide on customer surveys.

United Kingdom. Cabinet Office. *How to Consult Your Users: An Introductory Guide*. London: Cabinet Office, 1998. An excellent brief guide to 16 of the methods outlined above, which is available free on the Service First Web page (www.servicefirst.gov.uk/index/publications.htm; click on "Consultation") or from the Service First Publications Line: 0345 22 32 42. Other useful reports are available on the same Web page.



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Notes

All quotations that are not attributed in the text or in these endnotes are from interviews with the authors or their associates. Only in cases where there might be some confusion about the source of a quotation have we indicated in a note that it came from an interview.

Chapter Fifteen

- P. IV/87: “Only a few years old . . . 60 million calls a year”: Interviews with Jack McHale, deputy regional commissioner for the Philadelphia region of the Social Security Administration, and Steve DeMarco, acting director, Mid-Atlantic Program Service Center.
- P. IV/87: “Customer satisfaction had fallen . . . reaching someone on the phone”: Al Gore, *From Red Tape to Results: Creating a Government That Works Better and Costs Less* (Washington, D.C.: National Performance Review, 1993), p. 46.
- Pp. IV/87-88: “The Gore report prominently featured . . . *on our 800 number*”: Ibid.
- P. IV/88: “At the busiest times . . . 18 percent did”: Data on busy rates and access rates from October 1992 through March 1999 provided to the authors by Steve DeMarco, acting director, Mid-Atlantic Program Service Center.
- P. IV/88: “The agency had already . . . quality of service”: Interview with Larry Massanari, regional commissioner for the Philadelphia region.
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