EXPLORING ORGANIZATIONAL OWNERSHIP EFFECTS ON STRUCTURAL DIMENSIONS OF SERVICE RECOVERY

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ABSTRACT

Service recovery is fundamental for customer retention after a failure has occurred. Despite this, there are few operational insights in literature. This paper explores, through two banking case studies, how organizational ownership may affect recovery operations with the regard to the seven structural dimensions of a service recovery system. What emerges is that running operations do depend on organizational choices that have this way carefully taken into considerations in service recovery design.

Keywords: service recovery, service operations management

INTRODUCTION

Service recovery refers to those initiatives that are designed and run to prevent and minimized negative consequences of service failures. This topic has caught much attention during last decades in academic and managerial contexts (Hart, 1990; Lewis and Spyroukopoulos, 2001; Smith Nagy et al., 2012) due to its determinant contribution to enhance the competitiveness of firms, with customers expecting more and more quality despite the huge increase of service variability sources. It has also been demonstrated that service recovery is a suitable support for companies’ differentiation that can be also incorporated in provider’s mission (Mitchell, 1993; Mitchell and Critchlow, 1993).

Service recovery techniques are useful to manage critical situations in which customer has encountered a failure and dissatisfaction arises as natural response to customer’s expectations betray, trying to restore a positive feeling with service provider and protecting the commercial relationship for the future. Its systematic use may prevent unpredictable customer defection, as only 5% to 10% of the dissatisfied customers complain and rest just move away without complaining (Dube and Maute, 1996). Real benefits have largely been studied and documented along different service contexts and failure types and there is a remarkable bulk of consolidated knowledge about positive effects that come from effective recoveries. Along this literature and managerial evidences, this work tries to highlight what are the real operational impacts that a strategic quality vision implies and how service firms should organize to run service recovery to get efficiently the well-known benefits.

This way, a review of literature about service recovery is provided, then the focus moves to operations management gaps about recoveries’ issues. Hence coherent research questions emerge and two in-depth case studies are presented and discussed drawing research findings and conclusions. Finally limitations and future research indications depict natural development of this work. According to the scope and purpose of the paper, important operational impacts are pointed out, providing practical indications for managerial applications.
The case studies have been selected in the banking industry, where restrictive regulation elevates the pressure on the provider in case of complaints and where long-term (profitable) customer relationships require much more care in dealing with queries (Boshoff and Leong, 1998).

LITERATURE REVIEW AND RESEARCH QUESTIONS

Since Gronroos’ definition (1988) “Service recovery consists of those actions a service provider takes in response to a service failure”, different perspectives and effects have been studied to build a comprehensive coherent body of knowledge about this particular strand of service quality. Service quality aims at fulfilling customers’ expectations through a mix of experience and outcomes, but the possibility of errors is always behind the corner. Therefore service quality must consider failures as undesired but predictable moments of truth (Gronroos, 1990), in which provider’s advanced capabilities should emerge to mitigate clients’ disappointment and pursue original customer satisfaction. The service recovery construct has different declinations such as the part of a service firm’s quality management strategy to maintain the business relationship with the customer (Schweikhart et al., 1993), a thought-out planned process for returning aggrieved customers to a state of satisfaction with the firm after a service or product has failed to live up to expectations (Zemke and Bell, 1990), an attempt to solve problems at the service encounter before customers complain or before they leave the service encounter dissatisfied (Michel, 2001), doing things very right the second time (Hart et al., 1990). What seems to emerge is the centrality of two aspects related to the aim and the method of service recovery, namely outcome and process, that have been already identified by Parasuraman et al. in 1988. Smith Karwan et al. in 2012 (pp. 1-2) highlighted that “the majority of research on service recovery has explored the topic from a customer perspective while following two general streams; practice effectiveness and outcome evaluations and/or future intentions”. Outcome’s vision guides service recovery steps to guarantee customer satisfaction before his/her exit from the service, while process, as a sequence of activities that requires specific resources and has to be efficiently and effectively managed, organizes service recovery. Literature about service recovery may be classified through these two concepts, outcome and process, with a significant relative prevalence of the former on the latter.

The “Outcome dimension” of service recovery has been enriched by different constructs each of which has gained its own dignity. One of the most discussed issues is the so called “service recovery paradox”, that witnesses the great impact of an outstanding service recovery on perceived customer satisfaction and service quality, where the right service recovery ingredients can eventually lead to a higher customer satisfaction in the failure scenario than in the normal one (Michel and Meuter, 2008). Besides another important theme is the “perceived justice” from the customer point of view, as a primary construct that tries to explain clients’ behaviour and desires along service failures and recovery. Three particular types of justice have been explored and connected to correct actions for their realization (Oliver and Swan, 1989):

- distributive justice, related to the content and the outcome of the service, aiming at the delivery of fair value of what the customer has paid for, prescribing techniques such as monetary compensation, replacement, refund, discounts;
- procedural justice, focused on the sequence of activities necessary to let the customer receive the recovery, indicating speed of recovery, facility to complain, reduction of
steps and interlocutors, transparency of rules and procedures as guidelines to meet customer tolerance toward the recovery process;

- interactional justice, concerning the interactions between the aggrieved customer and the frontline employees, suggesting simple behaviours such as atonement, apology, empathy, responsibility acknowledgement to show firm care about customer’s problem and enable a recover of his negative feelings.

Many studies have also highlighted the important consequences of service recovery for overall service quality with its direct implications on commercial side, such as positive effects on repurchase intentions, desirable word of mouth, loyalty (Swanson and Kelley, 2001; Maxham, 2001; Brown et al., 1996), demonstrating how adoption of service recovery techniques positively affects overall customer satisfaction, with all correlated benefits such as competitiveness and retention. This aspect has become increasingly fundamental as several studies have confirmed, Reicheld and Sasser in 1990 found that by retaining just five percent more of their customers companies can increase profits by up to 100 percent, and several academic contributions confirm the need of maintaining actual customers compared to the cost of finding new ones (Almquist et al. 2002). Empowerment is another key construct of service recovery literature as part of the study of frontline employees role, with many contributions that support self-managed teams, use of improvisation, decision power of frontline workers, human resources’ investments in training selection and rewarding. Most of researchers have stressed the central role of frontline employees in dealing with aggrieved customers and providing appropriate assistance and demonstrating emotional atonement (Boshoff and Leong, 1998; Lin, 2009; Bowen and Johnston, 1999, Boshoff and Allen, 2000; Gruber, 2011) exalting the importance of their proximity to the customer as a key enabler for the recovery intervention and a factor that enhances overall service quality perception by “using a personal touch”, according to the service excellence paradigm elaborated by Johnston in 2004.

While the mentioned constructs (i.e. empowerment, service paradox and justice) are mainly focused on aspect and dynamics than mostly refer to service quality there are a lot of research works that are two-folded and address customer satisfaction issues by process operating prescriptions. Actually positive effects driven by service recovery call for practical suggestions about what a service provider has to do in order to perform good recoveries and prevent negative consequences of failure, promoting a research strand on recovery options and practices, with prescriptive applicable indications such as “act fast” “measure the costs” “break the silence” “train and empower front line employees” (Hart, 1990), “set performance standards” “train customers in how to complain” “use technological support” “establish guidelines” “provide fair outcomes processes and interactions” (Tax and Brown, 1998) and again “integrate employees into winning teams”, “focus on aggregate labour costs instead of individual wages level”, “measure your score and get feedbacks” (Schlesinger and Heskett, 1991). All these papers report useful indications and provide successful examples of real cases but don’t analyse operational impacts or activities necessary to implement such improvement directions. So, many “what” managerial suggestions have been largely provided, leaving partially unexplored the equally important “how” instructions.

The “Process dimension” has been manifested in literature by dealing with process issues explaining how service recovery practices can help tracking main process defects (Strauss, 1993) and giving some improvement indications, through different works analysing recovery dimensions that concern customer-provider relationship. Some interesting researches for instance asserted the relative greater importance that the process variables have during
service recovery compared to the original service outcome variables (Spreng et al., 1995), created a model framework that divides organizational responses into six separate dimensions named timeliness, facilitation, redress, apology, credibility, and attentiveness (Davidow, 2003), elaborated a valid scale of service recovery process to support companies retention strategies (Sabharwal et al., 2010) and provided useful suggestions in selecting service recovery options (Boshoff, 1997). Some other studies focused on analysed interactions between actors of service recovery process in order to point out how single elements contribution may enhance the overall recovery performance, through human resources management, brand culture, processes’ conflicts solution (Cunha et al, 2009; Rod and Ashill, 2009; Michel et al., 2009; Dong et al., 2008, Lidén and Scalén, 2003).

Not only has the academic literature noticed the importance of the recovery theme, but also the business world has done as well. For example, Bain reports the recent cases of Dell and JetBlue, the former estimating that its customer service teams can convert a detractor to a promoter more than 30% of the times, the latter using real-time Twitter customer service recovery converting stranded passengers from detractors to promoters (Barry et al., 2011). A McKinsey survey (Nunez and Yulinsky, 2005) shows how service recovery processes are key in banking, highlighting how customers that had negative experience during the previous 24 months kept 4% less with the bank than did those who experienced positive moments of truth. Despite the great increasing attention paid by academics and practitioners there is still a lack of specific indications on how to measure service recovery performances or evaluate the operational impacts of these practices. Only few works try to analyse service recovery systems’ components (Smith et al., 2010), provide a comprehensive framework for the whole recovery process (Miller et al., 2000), focus on necessary resources and their organization to correctly run the recovery (Simons, J., Kraus, M., 2005) or concentrate on process characterization of different failure scenario (Michel, 2001). There’re many other clear indications in literature that prospect studies about operational inquiries of service recovery, actually while Simons et al. in 2005 affirmed that “research is still needed to offer prescriptive approaches that will address the timing, sequence, and cost-effectiveness of service recovery techniques, a recent literature review about service recovery “recommends researchers to explore […] cost base study of service recovery to return in form of friendliness and profit (Krishna et al., 2011), besides some authors sustained that “a perspective that has seen considerably less coverage, despite its clear significance, is an understanding of how organizations actually organize the systems from which recoveries may be enacted (Smith et al., 2009)”. Davidow in 2003 asserted that “organizations require proper infrastructures to address service recovery and that research is needed to better understand the multidimensional complexity of the complaint handling process”, furthermore Miller et al. in 2000 “stressed the need to more fully understand the entire (recovery) process”. In 2009 Smith et al. posed the question (p. 166): “how do organizations define or organize their recovery systems? And what are the relevant structural dimensions of that system?” Their questions clearly addressed an operations management approach in studying service recovery and identified seven relevant dimensions that characterize a service recovery system, namely formality, decentralization, influence, comprehensiveness, accessibility, human intensity, system intensity. In the same work they pointed out the need of a contribution by operations management researchers to the study of service recovery since so far it has been limited. Smith et al. in 2010 coped with operational themes in terms of technical systems (procedures, policies, authority structures) and human elements components, proposing that stronger socio-technical systems result in better recovery performances. They found that integrated recovery systems, with high-level recovery components, are synergic with social systems and foster personnel self-efficacy and diminish avoidance behaviours, leading to an overall higher
recovery performance and also employees’ satisfaction. Again Smith and Karwan in 2010 exploited the previous research on structural dimensions of service recovery systems to define three empirical profiles based on differences on structural dimensions, utilization of recovery practices (basic and extra), recovery outcomes (external and capability improvement), performances (customer satisfaction and market performance), organizational size and organizational ownership.

Organizational ownership seems to affect recovery performance and to be a significant variable to identify different profiles of firms about recovery behaviours. It refers to the organizational structure of the firm, that may be a single entity with different branches or the head of a group with several independent franchises, with a single site or multiple locations. Each of these options results in a unique set of challenges, for instance it has been argued that single-entity organizations may often suffer resource scarcity leading to higher failure rates (Morrison and Lašley, 2003), and that franchising may mitigate this effect fostering a more reactive empowered decision-making as well (Carney and Gedajlovic, 1991). Furthermore, the authors sustain that wholly owned multisite locations may be particularly effective since benefits are recognized in terms of both resources and standardized control. These studies witness how operational focus is important to sustain benefits of service recovery, providing indications that may be considered by managers when improving recovery systems through actions on specific dimensions. This paper wants to contribute to the service recovery operations management research by providing operational insights about structural dimensions’ implementation and investigating the effect of organizational implementation on those.

Hence two research questions emerge from literature gaps analysis and from practitioners needs:

- How are operationally implemented the structural dimensions of service recovery systems?
- How does the organizational ownership affect the implementation of structural dimensions of service recovery systems?

Service recovery systems components are investigated deepening their constituents, that is explicating how they are referred in operational context using second-level categories emerged from practitioners. Organizational ownership, which has been considered a determinant of recovery performance and system features (Smith et al., 2010), is observed through case study selection, as described in the following. Staying at the aforementioned contribution, branch or franchise locations would have higher propensity in solutions’ experimentation leading to better recovery performance and quicker customer-tailored responses. All these considerations are challenged in the discussion paragraph.

**METHODOLOGY**

Contributions on service recovery operations are quite scant and don’t provide many applicative suggestions, that lead the authors to focus on deepening the operational meaning of structural dimensions of service recovery systems and understanding the effect of the organizational ownership. In dealing with this, the researchers have taken into account the contingent nature of service recovery systems (Smith Nagy et al., 2012) that is the particular context influence that impacts on recovery practices. In other words, the value of recovery strategies is contingent upon the context in which service firms operate (Mattila, 2001), that
is confirmed also by de Ruyter and Wetzel (1999) who highlighted the importance of business context on service recovery decisions, demonstrating how different service settings may affect recovery actions effectiveness. The selected context is banking, which has largely been considered in literature as an adequate setting where service recovery can be studied (Michel, 2001; Boshoff and Leong, 1998). Indeed, the banking industry has been a service sector eager to embrace these relationship-marketing strategies in order to secure strong relationships with their customers in the competitive retail-banking environment (Colgate, 2001), and it has been chosen by several researchers as it is a “rich observatory […] with regard to the challenge of integrating internal and external variables, which can lead to appropriate service recovery” (Puga et al., 2003, p. 647). In addition, banking scenario seems to be more severe in the minds of customers, who perceive that banking has more serious financial and credit-oriented implications (Harris et al., 2006), and this tension is expected to be coherently reflected in operations’ design choices. This research has an exploratory nature, aiming at investigating consolidated constructs more in depth and with new operational insights (Eisenhardt, 1989; Meredith, 1998), and shares the main characteristics of qualitative research (Glaser and Strauss, 1967; Miles and Huberman, 1994).

Theme relative novelty and deep understanding goals require data often in a narrative form to understand causality between choices evaluations and constraints, participation of managers and employees in providing subjective experience and useful interpretations during the research is this way fundamental, furthermore research results are expected to emerge with work progression. For all these reasons an in-depth case study methodology is chosen. Given the research goal of describing operational routines generated by service recovery mission in pure service organizations, the unit of analysis is the complaint management system, and specifically its procedures objectives and controlling mechanisms. The following case study selection criteria have been established. The analysed cases should:

• operate as a pure service provider (structured large companies);
• have an official complaint management unit/division;
• be a financial institution, desirably a bank, in order to have particular commitment stimulated by regulation;
• be committed to a substantial investment in time and effort;
• provide appropriate and open access to information and informants.

The selected companies are:

• an Italian financial Group (case A), with branches (banks) and subsidiaries all around the world, with more then 97.000 employees, 2011 net operating profit of 19 billions euro and net profits of more than 2 billions euro (before goodwill adjustments), 19 millions customers with an average relationship of 8.9 years;
• an Italian bank (case B), branch of a French financial Group (with more than 200.000 employees) with a local 2011 net operating profit of 3.1 billion euros and a customer base about 2.8 millions.

The research involved the study of Italian complaints (those manifested in the Italian territory – subsidiaries or central offices). Italian group (case A) is composed of 23 banks, the largest of which is also the head of the group and whose complaints office deals with the complaints of all other banks (and their subsidiaries) as well. The Italian branch of the French group (case B) has a central complaints management office and several itinerant managers over the national territory. Observations and analysis lasted six months - from September
2012 to February 2013 - to run a multifaceted study on service recovery operational choices and implementation features that characterize recovery systems’ components. Semi-structured interviews were mostly used to investigate recovery system characteristics and impacts, supported by data collected on the field (Lee, 1999; Voss et al., 2002). Case study protocol followed a predefined scheme: comprehension of strategic directives of the firm (interviews with top managers about mission and commercial promises/offering for customers), study of the role of the complaint management division within company’s mission (i.e. overlapping of division goals and firm strategy), analysis of characteristics of structural dimensions of service recovery systems and connection with organizational ownership (deep analysis of data, workflows, participation to meetings), conceptualization of firm choices in light of its characteristics and goals.

Interviews had specific objectives depending on participants and they sought:

- to formalize strategic objectives of the firm (top managers);
- to understand practices in use (with operatives);
- to analyse data and interpret results (with middle manager);
- to validate outcomes (with all the participants).

In each company, interviews, meetings and focus groups were organized in different times along the semester, and lasted from 1 to 4 hour each. We organized:

- two separate interviews with marketing manager and compliance/complaints manager, to comprehend the strategic view of the firm and observing their alignment;
- five interviews with operatives to detect actual practice in use;
- five interviews with the customer care middle-manager to analyse data and interpret results;
- three focus groups with both managers and employees to gather additional information and analyse the process within an end-to-end perspective;
- a final four-hours meeting with all the people involved to share outcomes and validate evidences.

Besides, direct observation of data and procedures let the authors be more confident about inferences validity, being evaluated by different respondents and triangulated with our background, practitioners’ experience and literature knowledge.

CASES ANALYSIS AND DISCUSSION

This part presents and discusses the implementation features of the recovery system structural dimensions in the two case studies. These are (Smith et al., 2012): 1) formality, presence of clear rules, procedures, and codified activities that prescribe how to recover; 2) decentralization, locus of the authority as near as possible to frontline personnel; 3) comprehensiveness, availability of a complete range of solutions to face failures; 4) accessibility, ease in contacting the provider and manifest the complaint; 5) influence, the capability of the system to adapt to specific needs out of usual routines or procedures; 6) human intensity, training, evaluations and all investments in human resources; 7) system intensity, the degree of learning and monitoring failure data in order to improve.

Each dimension has been analysed through semi-structured interviews supported by official firm data and operative documentation. An open coding procedure has been used to catch all the elements of each dimension, with several cycles of refining to let main categories emerge.
and be related. Validation of categories and their linkages was carried out with all the participants to eventually get robust, confident and correct interpretation of their meaning, and assure comparability among the involved realities. This way, each dimension becomes itself the first blocked level of coding for operational implementation of service recovery practices, while the specific categories of each dimension emerged from the open coding process and led to different specific items for each of them. Categories are conceptual nodes that summarise several considerations and observations taken from interviews with managers and personnel and decline more in depth structural dimensions constructs, highlighting how recovery practices’ components are operationally considered and interpreted. Table 1 summarizes evidences caught in the two case studies, along the seven dimensions and the different categories codified during research (in italics).

The linkages between the characteristics and the context have been largely discussed with managers and operatives, and the following considerations emerged. Formality is rather high in both the organizations, and this is largely due to the strict regulation that imposes on to the banks an extreme rigor in treating with customer information and relating with them. Written procedures are recognized useful for giving guidelines and increase standardization to minimize errors, but while the head bank A adopt a central periodical review of procedures valid for the whole network of the group, the case B allows local innovations in procedures for specific needs, that have to be aligned to general policies but may adapt to better fulfil operational efficiency.

Decentralization is low in case A, where a central office manages all kind of complaints, while it is high in case B, with many activities delegated to the subsidiaries. The former bank decided to convey most of cases to the central office because of the need to preserve a kind of homogeneity between processing routines of complaints that arise in different banks of the same group. In fact differences in responses to analogue problems may hamper performances monitoring and brand’s image coherence, that’s why decentralization is kept strictly under control. On the other side bank B has a more peripheral approach that clearly define what has to be sent to central division but jointly allows that many complaints are solved by frontline employees and offices. This way a relevant amount of empowerment is promoted with minor dependency from headquarters, whose indications encourage to solve as many problems as possible on site. Organizational ownership plays a great discriminant role as the multiple-entity financial group can’t afford to delegate different banks to define their own recoveries, both for image homogeneity and for control needs, while organization B, branch of a French group, seems to be more flexible sharing with all its subsidiaries the same approach within the national territory.

Comprehensiveness is limited in banking, where it is rather difficult to fully standardize a complete list of failures and recoveries as simple common cases (e.g. wrong documentation, defective cards, unfair commissions charged) are frequent and complex and unusual cases (e.g. heritages, bad investments, false guarantees) require a lot of time. On the other hand, banks have to be prepared to face every kind of request of compensation, and their commitment and recovery positioning is determinant in defining possible recovery actions, that are quite broader in bank B due to a greater direct customer contact that may lead to less aseptic monetary compensation (discounts, free web-services and so forth).
<table>
<thead>
<tr>
<th>Dimension</th>
<th>Head of the Group</th>
<th>Italian Branch</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Formality</strong></td>
<td>Detailed written rules for every phase of the process, Sampling control of prescriptions respect, Periodical review of procedures and improvement</td>
<td>Detailed written rules to describe the entire process, Loose proactive control of procedural compliance, Continuous review of procedures and refining</td>
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<tr>
<td><strong>Decentraliz.</strong></td>
<td>Very limited range of complaints solvable by first contact employees, High dependency from headquarter in taking decisions, Low employee empowerment</td>
<td>Almost half of the range of complaints are solvable by frontline employees, Modest dependency from the central structure, Moderate frontline empowerment</td>
</tr>
<tr>
<td><strong>Comprehens.</strong></td>
<td>Absence of a list of possible codified recoveries, Range of solutions limited only by regulation and monetary budget, Mainly monetary-based solutions</td>
<td>Absence list of possible codified recoveries, Range of solutions limited only by regulation and monetary budget, Variety of non monetary-based solutions</td>
</tr>
<tr>
<td><strong>Accessibility</strong></td>
<td>Just one restriction of written complaint, every communication means is accepted, Some difficulties in managing different collection points generating delays</td>
<td>No restrictions for complaints manifestation, every communication means is accepted, Some difficulties in encouraging personal or phone discussion and solution</td>
</tr>
<tr>
<td><strong>Influence</strong></td>
<td>Moderate capability of outcome solutions’ customization, Low attitude to go the extra mile, Impossibility to adapt the process of recovery delivery depending on customer needs</td>
<td>Moderate use of customization in recoveries outcome, Moderate attitude to go the extra mile, Possibility to adapt the process of recovery delivery depending on customer importance</td>
</tr>
<tr>
<td><strong>Human Intensity</strong></td>
<td>High level of specific training, Large amount of education respect and on regulation adherence, Complete saturation of devoted human resources in recovery activities</td>
<td>Specific training, Continuous education campaigns, Focus on customer needs and stimulation of interactions, Partial saturation of devoted human resources in the subsidiaries</td>
</tr>
<tr>
<td><strong>System Intensity</strong></td>
<td>Detailed electronic database of complaints, Automatic reporting package generation, Monthly quality control and structured performance review, Agile process of system innovation and improvement</td>
<td>Detailed electronic database of complaints, Manual preparation of reporting documents, Three-monthly quality control with survey-base performance analysis, Agile process of system innovation and improvement</td>
</tr>
</tbody>
</table>

Accessibility is high in both the contexts, in banking it becomes a further element of complexity to be managed, as the customer is authorized by European regulation to express complains in any favourite written form, without a standard format or a fixed addressee, making collection and sorting really complicated (some people write directly even to the CEO), and worsening response time and sometimes even accuracy (e.g. loss of documentation). In addiction, one again organizational ownership affects significantly this dimension, as while bank B expressly invites customers to manifest their claims to their trusted frontline employee, bank A proposes immediately to write to the central office. This
way a clear difference emerges: case A tries to by-pass network interventions as they fear non compliant recoveries and loss of control, whereas case B stimulates local manifestations and solutions having organized a group of itinerant complaints’ managers that maintain control and alignment between subsidiaries.

Influence level is quite similar between the two cases. While the bank A has a more rigid approach that must be absolutely fair and formally flawless, but which doesn’t consider many exceptions or solutions that go beyond customer legal rights (except for very important millionaire customers), bank B allows some extra tokens with a moderate attitude to go the extra mile, especially with very important customers. Evaluations about the opportunity to spend “something more” for customer satisfaction are made by subsidiaries’ managers in bank B, as they cultivate the single relationship.

Systems intensity doesn’t present significant differences over the investigated realities, with high investments in both the banks. It is indeed really supported in terms of software maintenance and update, kaizen routines and innovation attitude, that are fundamental aspects of the recovery system to minimize errors and inconsistencies and increase efficacy, particularly on time quality and cost dimensions. Within banking, high system intensity is directly linked to large investments (i.e. time and money) in instruments and procedures which, in high competitive environments under strict regulation, must be consistent and precise to prevent process-based contestations and related quarrels. Differences are found in terms of analysed dimensions as the organizational ownership forces bank A to monitor performances with regard to comparisons between banks (in terms of failures occurred).

Human intensity is partially affected by banking regulation, continuous legal updates of contractual conditions and privacy and transparency norms imply high efforts in training employees to sustain their competences updated with last modifications, and they are usually devoted to recovery activities to maintain specialization and develop applicable experience with learning advantages. Performance review is formally designed and conducted in both banks, where employees’ reports provide punctual suggestions for improvement.

Organizational ownership affects human intensity, as it is reflected in service recovery process. While bank A prefers to deal with customer complaints from the central office, with few direct interactions with customers and a vision of complaints management as a “laboratory” of specialized experts grouped by failure typology, bank B fosters empowerment and problem solution by the subsidiary personnel, with multitasking profiles and share customer satisfaction mission and are prone to customer contact. This way employee training and selection have quite different perspectives over the two cases as they depend on the “locus of solution” which is in turn partially determined by the organizational characteristics that imply different needs (trusted and controlled delegation vs. centralized unique processing standardization).

CONCLUSIONS AND FUTURE RESEARCH

Some clear points emerge from case study analysis and also stand for managerial warnings for practitioners. First, business context entails deep impacts on operations, whose configuration has to take into account several variables, in particular those that determine system characteristics at the operational level. In the selected cases, they were expressed by strict regulation in banking. Indeed, evidences gathered by case studies suggest that recovery systems should be designed paying a great deal of attention to specific context’s characteristics that have direct implication on operational choices and consequent
investments. In banking strict regulation forces a high level of formality (to standardize all the steps of information processing to the max) so as to be compliant not only with regard to customer needs but also to law prescriptions, with codified procedures that minimize improvisation and deviations. Comprehensiveness seems to be quite affected by the banking context, too. In banking service variability and legal/financial complexity generate lots of single cases impossible to summarize with a list of recovery options. In other words, employees usually manage to recover but solutions are rarely known before having deeply studied the complaint. Standard solutions taken from a conceptual recovery list are possible only for recurrent clear errors (ATM machines, errors in billing) that don’t challenge recovery operations and represent the minority of possible categories (but the majority of the cases) are not time-consuming. All in all, public regulation deeply affects recovery dimensions introducing new constraints to be respected, while variability worsens complexity. Along this vein, one could expect that other less-regulated services (e.g. restaurants, hairdressers, hotels) would require a minor level of formality.

Second, some relevant differences are due to organizational ownership, whose role is significant but has still to be clarified. Decentralization is very different depending on capabilities of peripheral subsidiaries to align to central indications, the analysed case studies have supported that multiple-entity organizations may lead to higher complexity due to homogeneity needs with many difficulties that come from standardization challenges. In case A integrating 23 banks procedures and approaches resulted so difficult to make the top management decide for the centralized option. On the other hand case B fully exploits the benefits of the network empowering local managers and controlling alignment through itinerant experienced personnel, confirming the advantages coming from the multi-locations model whose effectiveness gains from proximity with the customer. Accessibility is coherent with the difference between these approaches, encouraging central transmission of complaints in case A and stimulating local manifestation (and possibility solution too) in case B. Human intensity follows the same logic as well, with people differently trained and managed according to power and tasks assigned to peripheral and central structures. Organizational ownership investigation partially confirms what has been argued by literature, actually this research suggests that multilocations/franchising/branches-organized firms may benefit in terms of recovery performance with the moderating effect of organizational size and the specificity of branches nature. In fact, very large firms with branches that were previously independent entities with different routines (the several banks of the case A) may face more difficulties than firms with subsidiaries historically aligned to headquarter policies. This way, organizational ownership is determinant in modelling structural dimensions of recovery strategy with a supposed relevant effect of organizational size and integration modalities.

Third, influence and system intensity present differences that are not caused by organizational ownership or banking context, but directly depend on the strategic commitment of the firm to recovery. In fact influence is developed through the “going the extra mile” “customization” and “adaptability” attributes that represent the effort spent by the provider in trying to accomplish customer’s needs and exceed expectations, in spite of attention to profitability. System intensity is strongly connected to the monetary investments in technology and procedures that are useful to build an “error-proof” system. Information elaboration and performance management, routines accuracy and available data depend on how the provider decides to fully own and control the recovery process to assure high quality, respect customer rights and be compliant with possible regulation. In this view service recovery role, as an order winner or qualifier, emerges as a discriminant in company’s
capabilities to serve delighting recoveries (winners) or just compliant ones (qualifiers). Banking faces recovery as a necessary evil to proficiently cope with, but when problems regard important customers the perspective changes and some extra efforts are put in place in order to maintain the profitable relationship.

At authors’ best knowledge, in literature there are no studies that explicitly describe the implementation features of the structural dimensions of service recovery in service firms, despite the numerous proposals from researchers to better understand recovery operations. Such a contribution, called by several papers, is useful for all those managers that want or have to build up a complaint management system able to consider jointly the organizational and strategic aspects. The context influence, particularly in terms of regulation, and the organizational ownership have been investigated through two in-depth case studies. Further work must be done to validate and complete the framework and link the dimensions features to financial performance analysis. Furthermore the moderating effect of organizational size could be explored, as a relevant factor that affects service recovery operations combined with organizational ownership. The limit of few case studies may also be overcome by extending the research to other banks and service companies/industries to deeply analyse the multifaceted nature of recovery practices with respect to implementation details over the structural system dimensions.

What’s sure is the relevance of complex interactions of context and contingent factors in determining the characteristics of service recovery operations, that have to be carefully considered by service managers to maintain coherence between strategic mission and operational implementation.

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