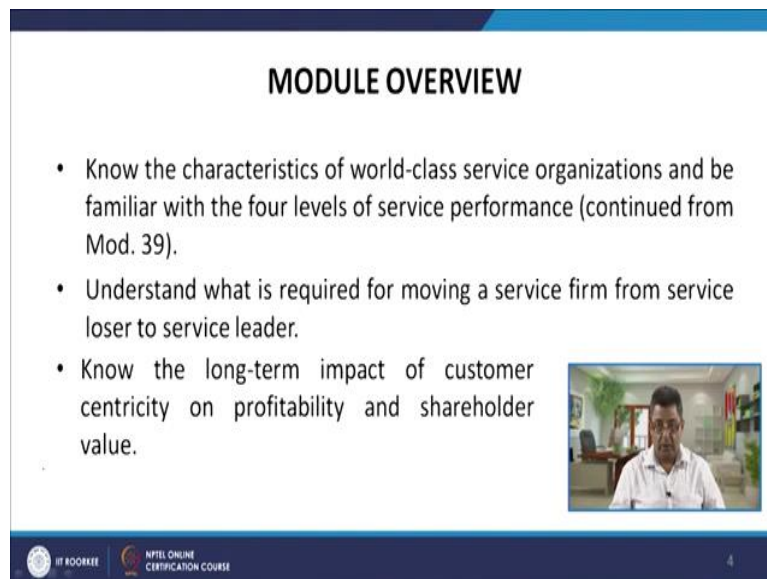


Services Marketing: Integrated People, Technology, Strategy
Professor. Zillur Rahman
Department of Management Studies
Indian Institute of Technology, Roorkee
Lecture: 40
Striving for Service Leadership & Creating the Seamless Service Firms
Part II

Welcome to the last module that is module 40 of this course on Services Marketing and we will continue the discussion on striving for service leadership and creating the seamless service firm which we started in module 39. Now, let us look at what are the things that we will talk about in this module.

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The slide is titled "MODULE OVERVIEW" and contains three bullet points. A small video inset shows a man speaking. The footer includes the IIT Roorkee logo and "NPTEL ONLINE CERTIFICATION COURSE".

MODULE OVERVIEW

- Know the characteristics of world-class service organizations and be familiar with the four levels of service performance (continued from Mod. 39).
- Understand what is required for moving a service firm from service loser to service leader.
- Know the long-term impact of customer centricity on profitability and shareholder value.


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The first is to know the characteristics of world class service organisations and be familiar with the 4 levels of service performance that is continued from the earlier module that is, module 39. Understand what is required for moving a service firm from service loser to the service leader. Know the long-term impact of customer centricity on profitability and shareholder value. Both of them they are linked, profitability and shareholder value.

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LEVEL 1: SERVICE LOSERS

- These firms are at the bottom of the barrel from customer, employee and managerial perspectives, and get failing grades in marketing, operations, and HRM.
- Customers patronize them for reasons other than performance, typically because there is no viable alternative, which is one reason why service losers continue to survive.
- Managers of such organizations may even see service delivery as a necessary evil.

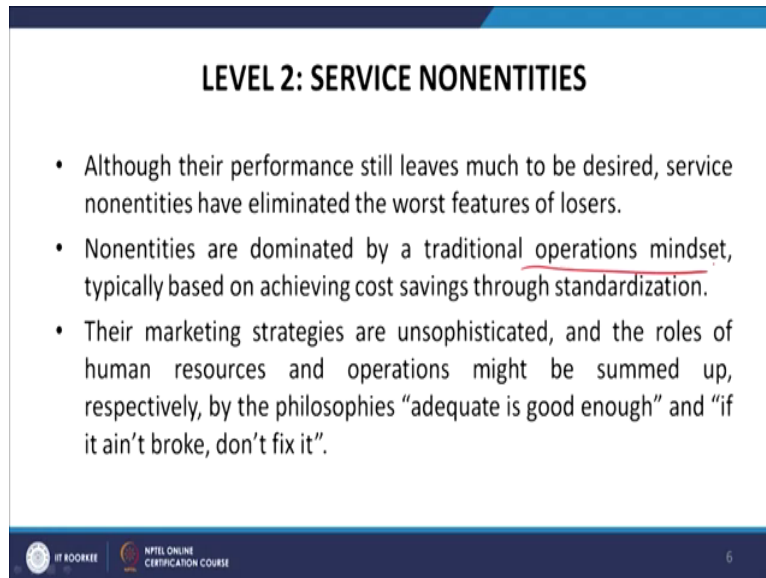


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Now, let us start with level 1 that is, Service Losers. These firms are at the bottom of the barrel from customers, employees and managerial perspectives and get failing grades in marketing, operations and human resource management. Customers patronize them for reasons other than performance, typically because there is no viable alternative that is available, which is one reason why service losers continue to survive.

Managers of such organisations may even see service delivery as a necessary evil. It means that the managers do not want to deliver the service but because they are earning the money, they are earning their salaries so therefore they have to deliver this service and that is why they think that it is a necessary evil.

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LEVEL 2: SERVICE NONENTITIES


- Although their performance still leaves much to be desired, service nonentities have eliminated the worst features of losers.
- Nonentities are dominated by a traditional operations mindset, typically based on achieving cost savings through standardization.
- Their marketing strategies are unsophisticated, and the roles of human resources and operations might be summed up, respectively, by the philosophies “adequate is good enough” and “if it ain’t broke, don’t fix it”.

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Level 2 that is Service Nonentities. Although their performance still leaves much to be desired, service non-entities have eliminated the worst feature of losers. So, they are somewhat better than the losers. Nonentities are dominated by a traditional operational mindset typically based on achieving cost saving through standardisation, so that is the basic problem with them. Then the traditional mindset.

Their marketing strategies are unsophisticated and the roles of human resources and operations might be summed up respectively by the philosophies adequate is good enough and if it is not broken, do not fix it.

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LEVEL 2: SERVICE NONENTITIES

- Managers may talk about improving quality and other goals, but are unable to set clear priorities to have a clear direction, nor gain the respect and commitment of their employees.
- Several such firms are often found competing in a lackluster fashion within a given marketplace, and you might have difficulty distinguishing one from the others.
- Periodic price discounts tend to be the primary means of trying to attract new customers.



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Managers may talk about improving quality and other goals but are unable to set clear priorities to have clear direction, nor gain the respect and commitment of their employees. That will come up in the figure later on. Several such firms are often found competing in a lacklustre fashion within a given market place and you might have difficulty distinguishing one from the other. Periodic price discounts tend to be the primary means of attracting new customers to them.

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LEVEL 3: SERVICE PROFESSIONALS

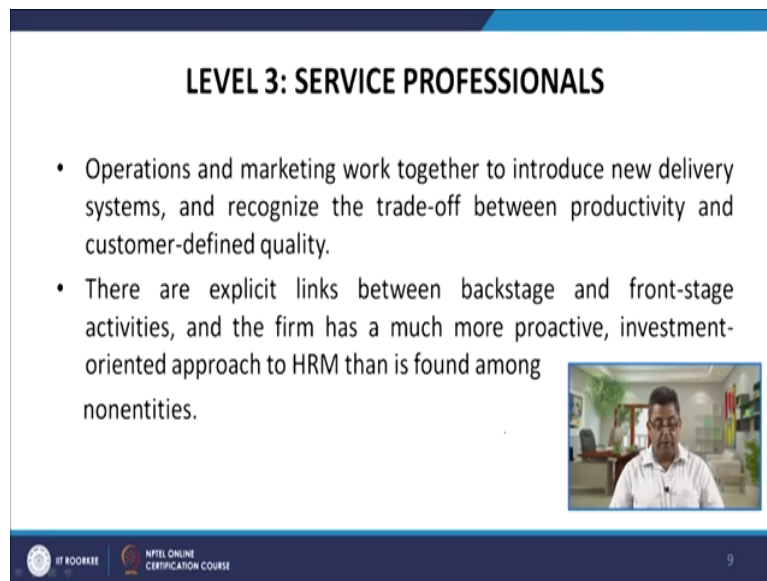
- Service professionals are in a different league from nonentities and have a clear market positioning strategy.
- Customers within the target segments seek out these firms based on their sustained reputation for consistently meeting expectations.
- Marketing is sophisticated, using targeted communications and pricing based on value to the customer.
- Research is used to measure customer satisfaction and obtain ideas for service enhancement.

The slide includes a video inset showing a man in a white shirt speaking. The bottom of the slide features the IIT KOOBEE logo and the text 'NPTEL ONLINE CERTIFICATION COURSE'.

Now, the third level that is called as Service Professionals. Service professionals are in a different league from nonentities and have a clear market positioning strategy. So, now this is their characteristic that they have a clear positioning strategy which was not there with the level 1 and the level 2 firms. Customers within the target market segments seek out these firms based on their sustained reputation for consistently meeting expectations.


Marketing is sophisticated, using targeted communication and pricing based on value to the customer. Research is used to measure customer satisfaction and obtain ideas for service enhancement. So, they keep on measuring customer satisfaction, so that improvement in service can be brought about.

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LEVEL 3: SERVICE PROFESSIONALS

- Operations and marketing work together to introduce new delivery systems, and recognize the trade-off between productivity and customer-defined quality.
- There are explicit links between backstage and front-stage activities, and the firm has a much more proactive, investment-oriented approach to HRM than is found among nonentities.



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Operations and marketing work together to introduce new delivery system and recognise the trade-off between productivity and customer defined quality. There are explicit links between backstage and front-stage activities and the firm has a much more proactive investment oriented approach to HRM than is found among nonentities.

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LEVEL 4: SERVICE LEADERS

- These organizations are breakthrough service organizations, world-class service leaders, and are the crème de la crème (the best of the best) of their respective industries.
- Where service professionals are good, service leaders are outstanding. When we think of service leaders, we think of Amazon, McKinsey, Ritz Carlton, Southwest Airlines, Starbucks, and Zappos. Their company names are synonymous with service excellence and the ability to delight customers.

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The fourth level is that of service leaders. These organisations are breakthrough service organisations, world class service leaders and are the crème de la crème, the (best of the best) of their respective industries where service professionals are good, service leaders are outstanding.

When we think of service leader, we think of Amazon, McKinsey, Ritz Carlton, Southwest Airlines, Starbucks and Zappos. Their company names are synonyms with service excellence and their ability to delight the customers.

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LEVEL 4: SERVICE LEADERS

- Service leaders are recognized for their innovation in each functional area of management as well as for their superior internal communications and coordination among these three functions – often the result of a relatively flat organizational structure and the extensive use of teams.
- As a result, service delivery is a seamless process organized around the customer.



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Service leaders are recognised for their innovation in each functional area of management as well as their superior internal communications and co-ordination among these 3 functions. Often the result of a relatively flat organisational structure and the extensive use of teams. As a result of this, service delivery become a seamless process organised around the customer. So, service delivery is then organised around the customer.

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Four Levels Of Service Performance Assessment Tool

Level	I. Basic	II. Foundational	III. Proficient	IV. Leader	Assessment Basis
Role of Marketing	Marketing Function	Marketing Function	Marketing Function	Marketing Function	Marketing Function
Customer Acquire	Customer Acquire	Customer Acquire	Customer Acquire	Customer Acquire	Customer Acquire
Customer Profile	Customer Profile	Customer Profile	Customer Profile	Customer Profile	Customer Profile
Customer Loyalty	Customer Loyalty	Customer Loyalty	Customer Loyalty	Customer Loyalty	Customer Loyalty
Role of Operations	Operations Function	Operations Function	Operations Function	Operations Function	Operations Function
Service Delivery Model Design	Service Delivery Model Design	Service Delivery Model Design	Service Delivery Model Design	Service Delivery Model Design	Service Delivery Model Design
Back Stage Operations	Back Stage Operations	Back Stage Operations	Back Stage Operations	Back Stage Operations	Back Stage Operations
Production	Production	Production	Production	Production	Production
Introduction of New Technology	Introduction of New Technology	Introduction of New Technology	Introduction of New Technology	Introduction of New Technology	Introduction of New Technology
Role of Human Resources	Human Resources Function	Human Resources Function	Human Resources Function	Human Resources Function	Human Resources Function
Recruitment	Recruitment	Recruitment	Recruitment	Recruitment	Recruitment
Training	Training	Training	Training	Training	Training
Performance Management	Performance Management	Performance Management	Performance Management	Performance Management	Performance Management
Compensation Management	Compensation Management	Compensation Management	Compensation Management	Compensation Management	Compensation Management

Table: Four levels of service performance assessment tool

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Now, these are the 4 level of service performance assessment tools. Now, we will talk about each in detail later on. So, in all these, so this is marketing, this is operations and this is human resource. These are the 4 levels of service performance assessment tools.

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MARKETING FUNCTION				
	Levels			
	1. Loser	2. Nonentity	3. Professional	4. Leader
1. Role of Marketing	Tactical role only; advertising and promotions lack focus; no involvement in product or pricing decision	Uses mix of selling and mass communication, using simple segmentation strategy; makes selective use of price discounts and promotions; conducts and tabulates basic satisfaction surveys	Has clear positioning strategy against competition; uses focused communications with distinctive appeals to clarify promises and educate customers; pricing is based on value; monitors customer usage and operates loyalty programs; uses a variety of research techniques to measure customer satisfaction and obtain ideas for service enhancements; works with operations to introduce new delivery systems	Innovative leader in chosen segments, known for marketing skills; brands at product/process level; conducts sophisticated analysis of relational databases as inputs to one-to-one marketing and proactive account management; uses state-of-the-art research techniques; uses concept testing, observation, and lead customers as inputs to new product development; close to operations/HR
2. Competitive Appeal	Customers patronize a firm for reasons other than performance	Customers neither seek nor avoid the firm	Customers seek out the firm based on its sustained reputation for meeting customer expectations	Company's name is synonymous with service excellence; its ability to delight customers raises expectations to levels that competitors can't meet
3. Customer Profile	Unspecified; a mass market to be served at a minimum cost	One or more segments whose basic needs are understood	Groups of individuals whose variation in needs and value to the firm are clearly understood	Individuals are selected and retained based on their future value to the firm, including their potential for new service opportunities and their ability to stimulate innovation.
4. Service Quality	Highly variable, usually unsatisfactory. Subservient to operations priorities	Meets some customer expectations, consistent on one or two key dimensions, but not all	Consistently meets or exceeds customer expectations across multiple dimensions	Raises customer expectations to new levels; improves continuously

Now, let us look at the first of this that is marketing. Now, what is the role of marketing so far as these four types of service organisations are concerned, the first is loser; nonentity; professional and leader. So, the role of marketing for a loser is as tactical role only, advertising and promotion lack focus, no involvement in product or pricing decisions.

In nonentity, they use mix of selling and mass communication using simple segmentation. They make selective use of price discounts and promotions conduct and tabulate basic satisfaction service. In a professional service firm, it has a clear positioning strategy against competition, uses focused communication with distinctive appeals to clarify promises and educate customers. Pricing is based on value. It monitors customer usage and operates loyalty programs, uses a variety of research techniques to measure customer satisfaction and obtain idea for service enhancement. Works with operation to introduce new delivery system.

For a service leader, the role of marketing is that they become they want to become innovative leaders in chosen segment, known for marketing skills, brands at product process levels, conduct sophisticated analysis of relational data basis as inputs to one to one marketing and proactive account management. Uses state of the art research techniques, use concept testing observation and lead customers as input to new product development and they are close to operations and human resources.

The second is the competitive appeal. Now, for losers, this means that customers patronise a firm for reasons other than their performance. For nonentity, customers neither seek nor avoid the firm. In professional, the customer seeks out the firm based on its sustained reputation for meeting customer expectations and at the fourth level, the company's name is synonymous with service excellence. Its ability to delight customers raises expectations to the level that competitors cannot meet.

The third is the customer profile. For the first it is unspecified, a mass market is to be served at a minimum cost. For second, one or more segments whose basic needs are understood. For the third type of companies, groups of individuals whose variation in needs and value to the firm are clearly understood and for the fourth type of firm, individuals are selected and retained based on their future value to the firm including their potential for new service opportunities and their ability to stimulate innovation.

And the fourth is service quality. This is highly variable, usually unsatisfactory, subservient to operational priorities in the first level. At the second it's for nonentity. In that case the service quality meets some customer expectation, consistent on one or two dimensions of service quality but not all the dimensions. In the third category, this is to consistently meet or exceed customer expectations across multiple dimensions and in the last category, it raises customer expectations to new levels, improve continuously.

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OPERATIONS FUNCTION				
	Levels			
	1. Loser	2. Nonentity	3. Professional	4. Leader
1. Role of Operations	Reactive; cost oriented	The principal line management function - creates and delivers product, focuses on standardization as key to productivity, and defines quality from internal perspective	Plays a strategic role in competitive strategy; recognizes a trade-off between productivity and customer-defined quality; willing to outsource; monitors competing operations for ideas, threats	Recognized for innovation, focus, and excellence; an equal partner with marketing and HR management; has in-house research capability and academic contacts; continually experimenting
2. Service Delivery (front-stage)	A necessary evil. Locations and schedules are unrelated to preferences of customers, who are routinely ignored	Sticklers for tradition; "if it ain't broke, don't fix it"; tight rules for customers, each step in delivery runs independently	Driven by customer satisfaction, not tradition; willing to customize, embrace new approaches; emphasis on speed, convenience, and comfort	Delivery is a seamless process organized around the customer; employees know whom they are serving; focuses on continuous improvement
3. Back-stage Operations	Divorced from front-stage operations; cogs in a machine	Contributes to individual frontstage delivery steps but organized separately; unfamiliar with customers	Process is explicitly linked to front-stage activities; sees role as serving "internal customers," who, in turn, serve external customers	Closely integrated with frontstage delivery, even when geographically far apart; understands how own role relates to the overall process of serving external customers; continuing dialog
4. Productivity	Undefined; managers are punished for failing to stick within budget	Based on standardization; rewarded for keeping costs below budget	Focuses on reengineering backstage processes; avoids productivity improvements that will degrade customers' service experience; continually refining processes for efficiency	Understands the concept of return on quality; actively seeks customer involvement in productivity improvement; ongoing testing of new processes and technologies
5. Intro. of New Technology	Late adopter, under duress, when necessary for survival	Follows the crowd when justified by cost savings	An early adopter when IT promises to enhance service for customers and provide a competitive edge	Works with technology leaders to develop new applications that create first mover advantage; seeks to perform at levels competitors cannot match

OPERATIONS FUNCTION				
Levels				
	1. Loser	2. Nonentity	3. Professional	4. Leader
1. Role of Operations	Reactive; cost oriented	The principal line management function creates and delivers product, focuses on standardization as key to productivity, and defines quality from internal perspective	Plays a strategic role in competitive strategy; recognizes a trade-off between productivity and customer-defined quality; willing to outsource; monitors competing operations for ideas, threats	Recognized for innovation, focus, and excellence; an equal partner with marketing and HR management; has in-house research capability and academic contacts; continually experimenting


Now, let us look at the operation function. On the left hand side are the various issues, so the first is the role of operations and we will talk about that for the 4 different categories of service companies. So, we will start with loser. So, what does role of operations means? It means reactive and cost oriented. For the second, the principal line management function creates and delivers product, focuses on standardisation as key to productivity and define quality from internal perspectives.



For the third, it means plays a strategic role in competitive strategy, recognises a trade-off between productivity and customer defined quality, willing to outsource and monitors competing operations for ideas and threats. For the fourth level, that is the leaders, they are recognised for innovation, focus and excellence an equal partner with marketing and HR management has inhouse research capability and academic contacts and they continuously do experimenting.

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OPERATIONS FUNCTION

	Levels			
	1. Loser	2. Nonentity	3. Professional	4. Leader
2. Service Delivery (front-stage)	A necessary evil. Locations and schedules are unrelated to preferences of customers, who are routinely ignored	Sticklers for tradition; "If it ain't broke, don't fix it"; tight rules for customers; each step in delivery runs independently	Driven by customer satisfaction, not tradition; willing to customize, embrace new approaches; emphasis on speed, convenience, and comfort	Delivery is a seamless process organized around the customer; employees know whom they are serving; focuses on continuous improvement





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The second is service delivery that is the front stage. For the first type of company, it is thought to be as a necessary evil, location and schedules are unrelated to preferences of customers who are routinely ignored. For the second, it means sticklers for tradition, if it is not broken, don't fix it, tight rules for customers, each step in delivery runs independently.


For the third level it means driven by customer satisfaction, not tradition, willing to customise, embrace new approaches, emphasis on speed, convenience and comfort. And for the leaders, the service delivery means delivery is a seamless process organised around the customer, employees know whom they are serving, focuses on continuous improvement.



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OPERATIONS FUNCTION

	Levels			
	1. Loser	2. Nonentity	3. Professional	4. Leader
3. Back-stage Operations	Divorced from front-stage operations; cogs in a machine	Contributes to individual frontstage delivery steps but organized separately; unfamiliar with customers	Process is explicitly linked to front-stage activities; sees role as serving "internal customers," who, in turn, serve external customers	Closely integrated with frontstage delivery, even when geographically far apart; understands how own role relates to the overall process of serving external customers; continuing dialog

↓
 Service Profit Chain






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The backstage operations for a loser means that they are diverse from front stage operations cogs in a machine. For the second level, contributes to individual front stage delivery steps but organised separately, unfamiliar with the customer. For the third level, the process is explicitly linked to the front stage activities, sees role as serving internal customers who in turn then serve external customers. So you may recall the service profit chain here.

Then for a leader it means closely integrated with front stage delivery even when geographically far apart, understands how own role relates to the overall process of serving external customers and continuing the dialog with the customer.

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OPERATIONS FUNCTION				
Levels				
	1. Loser	2. Nonentity	3. Professional	4. Leader
4. Productivity	Undefined; managers are punished for failing to stick within budget	Based on standardization; rewarded for keeping costs below budget	Focuses on reengineering backstage processes; avoids productivity improvements that will degrade customers' service experience; continually refining processes for efficiency	Understands the concept of return on quality; actively seeks customer involvement in productivity improvement; ongoing testing of new processes and technologies



The fourth is productivity. For loser, it is undefined, managers are punished for failing to stick within the budget. For nonentities, it is based on standardisation, rewarded for keeping cost below the budget.

For a professional firm, it focuses on reengineering backstage processes, avoids productivity improvements that will degrade customer service experience, continually define processes for efficiency. And for leaders, they understand the concern of return on quality, actively seeking customer involvement and productivity improvement, ongoing test of new processes and technologies.

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OPERATIONS FUNCTION				
Levels				
	1. Loser	2. Nonentity	3. Professional	4. Leader
5. Intro. of New Technology	Late adopter, under duress, when necessary for survival	Follows the crowd when justified by cost savings	An early adopter when IT promises to enhance service for customers and provide a competitive edge	Works with technology leaders to develop new applications that create first-mover advantage; seeks to perform at levels competitors cannot match

Reactive (handwritten in red, pointing to Level 3)

Proactive (handwritten in red, pointing to Level 4)

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Then let us talk about the introduction of new technology. So, what does that mean for losers, nonentity, professionals and leaders? So, for losers it means they are late adopters, they are under duress and they adopt the new technology under duress not on their own freewill and when necessary for their survival. For entity is follow the crowds when justified by the cost saving.

For professional, an early adopter when IT promises to enhance services for customers and provide a competitive advantage. So, now they are using this IT as a competitive edge and for leaders, they work with technology leaders to develop new applications that create first mover advantage, seeks to perform at levels competitor cannot match. So now, they are being reactive, so they will adopt new technologies while they want to create new technology, so they are proactive.


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HUMAN RESOURCES FUNCTION				
	Levels			
	1. Loser	2. Nonentity	3. Professional	4. Leader
1. Role of Human Resources	Supplies low-cost employees who meet minimum skill requirements for the job	Recruits and trains employees who can perform competently	Invests in selective recruiting, ongoing training; keeps close to employees, promotes upward mobility; strives to enhance the quality of working life	Sees the quality of employees as a strategic advantage; the firm is recognized as outstanding place to work; HR helps top management to nurture culture
2. Workforce	Negative constraints: poor performers, do not care, disloyal	Adequate resources, follows procedures but uninspired; turnover often high	Motivated, hard-working, allowed some discretion in choice of procedures, offers suggestions	Innovative and empowered; very loyal, committed to the firm's values and goals; creates procedures
3. Frontline Management	Controls workers	Controls the process	Listens to customers; coaches and facilitates workers	Source of new ideas for top management; mentors, works to enhance career growth, value to firm

Now, let us look at the human resource function. So, how does this human resource function, it unfolds in for losers, nonentity, professionals and the leaders.

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HUMAN RESOURCES FUNCTION				
	Levels			
	1. Loser	2. Nonentity	3. Professional	4. Leader
1. Role of Human Resources	Supplies low-cost employees who meet minimum skill requirements for the job	Recruits and trains employees who can perform competently	Invests in selective recruiting, ongoing training; keeps close to employees, promotes upward mobility; strives to enhance the quality of working life	Sees the quality of employees as a strategic advantage; the firm is recognized as outstanding place to work; HR helps top management to nurture culture



So, we will start with the first one, the role of human resource. What is the role of human resource in losers? It supplies low cost employees who meet minimum skills requirement for the job. For non-entity, they recruit and train employees who can perform competently and for a professional, invests in selectively recruiting, ongoing training, keeps close to the employees, promote upward mobility and strive to enhance the quality of working life.

Let us see what happens in the case of a leader. They see the quality of employees as a strategic advantage. The firm is recognised as an outstanding place to work. HR helps top management to nurture the talent.

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HUMAN RESOURCES FUNCTION				
Levels				
	1. Loser	2. Nonentity	3. Professional	4. Leader
2. Workforce	Negative constraints: poor performers, do not care, disloyal	Adequate resources, follows procedures but uninspired; turnover often high	Motivated, hard-working, allowed some discretion in choice of procedures, offers suggestions	Innovative and empowered; very loyal, committed to the firm's values and goals; creates procedures



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What happens to the workforce? For a loser, negative constraints, poor performance, do not care and they are disloyal. In case of non-entity, so far as workforce is concerned, they allocate adequate resources, follow the procedures but they are not inspired and the turnover of the employees often high. In a professional firm, professional service firm, the employees, the workforce is highly motivated, hardworking and allowed some discretion in choice of procedures and offer the suggestions for further improvement.

In case of the last one, innovative and empowered workforce, very loyal, committed to firm's values and goals and they create procedures so that customers becomes more satisfied.

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HUMAN RESOURCES FUNCTION

	Levels			
	1. Loser	2. Nonentity	3. Professional	4. Leader
3. Frontline Management	Controls workers	Controls the process	Listens to customers; coaches and facilitates workers	Source of new ideas for top management; mentors, workers to enhance career growth, value to firm





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Now what about the frontline management? In losers, these front-line managers, they control the workers. In nonentity, they control the processes. In professionals, they listen to the customers, coaches and facilitate the workers and in the fourth category of firms, they are source of new idea for top management, mentors, workers to enhance carrier growth and the value to the firm.

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Four Levels Of Service Performance Assessment Tool

Level	1. Loser	2. Nonentity	3. Professional	4. Leader	Business Score
Marketing Function	<p>Role of Marketing Facilitate all internal advertising and promotional activities. No involvement in product or pricing decisions.</p> <p>Customer Appeal Customer purchase a firm for reasons other than performance.</p> <p>Customer profile Unsegmented or those needed to be served at a premium cost.</p> <p>Service Quality Highly variable, mostly unsatisfactory. Substandard in appearance and service.</p>	<p>Role of Marketing Manage line of selling and mass communication, using simple promotional strategy. Select services and offer a combination of products, services and solutions based on customer needs.</p> <p>Customer Appeal Customer neither seek nor avoid the firm.</p> <p>Customer profile Segmented or those needed to be served at a premium cost.</p> <p>Service Quality Highly variable, mostly unsatisfactory. Substandard in appearance and service.</p>	<p>Role of Marketing Use financial communication and promotional approach to clarify customer and address customer, serving to benefit of customer. Monitor customer usage and optimize benefit programs and services of products. Substandard in appearance and service. Substandard in appearance and service.</p> <p>Customer Appeal Customer seek out the firm based on its consistent reputation for meeting customer requirements.</p> <p>Customer profile Segment of individuals whose behavior is made and often to the firm are clearly understood.</p> <p>Service Quality Consistently stable or variable. Customer expectations. Consistent and high quality.</p>	<p>Role of Marketing Use financial communication and promotional approach to clarify customer and address customer, serving to benefit of customer. Monitor customer usage and optimize benefit programs and services of products. Substandard in appearance and service. Substandard in appearance and service.</p> <p>Customer Appeal Customer's behavior is unpredictable with service satisfaction. Its ability to attract customer varies significantly to levels that competitors can't reach.</p> <p>Customer profile Segment of individuals whose behavior is made and often to the firm are clearly understood.</p> <p>Service Quality Consistently stable or variable. Customer expectations. Consistent and high quality.</p>	
Operations Function	<p>Role of Operations Revenue cost control.</p> <p>Service Delivery Model design A necessary dull, repetitive and unexciting.</p> <p>Back stage Operations Back stage operations are not visible to the customer.</p> <p>Production Unexciting, repetitive and unexciting.</p> <p>Innovation of New Technology Low adoption, slow service, value proposition not clear.</p>	<p>Role of Operations Manage production management between process and product quality. Focus on standardization in the production, and address quality from internal perspective.</p> <p>Service Delivery Model design Efficient for delivery "IF YOU WANT QUALITY OF HIGH COSTS FOR CUSTOMERS, EACH ONE IN SERVICE COST."</p> <p>Back stage Operations Back stage operations are not visible to the customer.</p> <p>Production Based on standardization, standard for long-term service design.</p> <p>Innovation of New Technology Follow the trend when justified by cost savings.</p>	<p>Role of Operations Manage production management between process and product quality. Focus on standardization in the production, and address quality from internal perspective.</p> <p>Service Delivery Model design Efficient for delivery "IF YOU WANT QUALITY OF HIGH COSTS FOR CUSTOMERS, EACH ONE IN SERVICE COST."</p> <p>Back stage Operations Back stage operations are not visible to the customer.</p> <p>Production Based on standardization, standard for long-term service design.</p> <p>Innovation of New Technology Follow the trend when justified by cost savings.</p>	<p>Role of Operations Manage production management between process and product quality. Focus on standardization in the production, and address quality from internal perspective.</p> <p>Service Delivery Model design Efficient for delivery "IF YOU WANT QUALITY OF HIGH COSTS FOR CUSTOMERS, EACH ONE IN SERVICE COST."</p> <p>Back stage Operations Back stage operations are not visible to the customer.</p> <p>Production Based on standardization, standard for long-term service design.</p> <p>Innovation of New Technology Follow the trend when justified by cost savings.</p>	
Human Resource Function	<p>Role of Human Resources Recruit low cost employees to the job. Minimal skill requirement to the job.</p> <p>Recruitment Recruitment is based on performance. No skill requirement.</p> <p>Compensation Management Minimal workers.</p>	<p>Role of Human Resources Recruit low cost employees to the job. Minimal skill requirement to the job.</p> <p>Recruitment Recruitment is based on performance. No skill requirement.</p> <p>Compensation Management Minimal workers.</p>	<p>Role of Human Resources Recruit low cost employees to the job. Minimal skill requirement to the job.</p> <p>Recruitment Recruitment is based on performance. No skill requirement.</p> <p>Compensation Management Minimal workers.</p>	<p>Role of Human Resources Recruit low cost employees to the job. Minimal skill requirement to the job.</p> <p>Recruitment Recruitment is based on performance. No skill requirement.</p> <p>Compensation Management Minimal workers.</p>	

Table: Four levels of service performance assessment tool



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Now out of these, all these things, these 12 dimension, now let us go back and see, out of all these 12 dimensions that we have talked in detail, there is, this is the assessment sheet and then marks are given from 1 to 10 on all these and then there are the total scores. So, now it

will tell the companies that where they are scoring what, which are the areas where they have to improve and which are the areas that do not need anything to be done.

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- Score each area from '1' to '4' depending on the performance level of the organization that is being assessed.
- Average the scores for each function, and then average the functions to obtain the total assessment score.

Score	Performance
3.5 and above	Excellent
2.5. to 3.4	Good
1.5 to 2.4	Poor
1.4 and lower	Very poor

*leader
professional
nonentity
loser.*

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Score each area from 1 to 4 depending on the performance levels of the organisation that is being assessed, so that chart that 12 dimensions that we have seen in the chart, you have to score from 1 to 4 or the managers of the organisation, they have to score from 1 to 4. Average the scores for each function and then average the functions to obtain the total assessment score. So, that we have seen at the end we are totalling them.

So, when the score is 3.5 and above, it means excellent, from 2.5 to 3.4, it means good, from 1.5 to 2.4, it means poor and from 1.4 and lower, it is very poor. So, these are the 4 types of organisation also. So, leaders and professionals and so maybe leaders lie here, professionals, nonentities and losers.

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Four Levels Of Service Performance Assessment Tool

Level	A. Leader	B. Managing	C. Professional	D. Leader	Assessment Score	
Role of Marketing	Focus of role only, advertising and promotion lack focus on measurement of product or pricing decisions	Clear role of selling and these communication using simple promotional strategy, focus on price of price, discounts and promotions, consistency and reliability basic promotional strategy	Clear role of selling and these communication using simple promotional strategy, focus on price of price, discounts and promotions, consistency and reliability basic promotional strategy	Focus on advertising or other special campaigns, work towards customer service with customer feedback, to create positive and educate customers, getting in touch to explore customer's feeling of customer to measure customer satisfaction and obtain ideas, to create a promotional strategy with operations in customer time delivery system.	Proactive leader in clear strategies, focus on marketing, customer service and operational decisions, to create positive and educate customers, getting in touch to explore customer's feeling of customer to measure customer satisfaction and obtain ideas, to create a promotional strategy with operations in customer time delivery system.	1
Customer Appeal	Customer perceive a firm for reasons other than performance	Customer neither seek nor avoid the firm	Customer seek to avoid the firm	Customer seek to avoid the firm	2	
Customer profile	Unidentified or those market to be served is a broad-based one	One or three segments whose basic needs are understood	Two or three segments whose basic needs are understood	Two or three segments whose basic needs are understood	3	
Service Quality	Highly variable, mostly unsatisfactory, inconsistent in operations procedure	Most core customer requirements met on one or two key dimensions, but not all	Most core customer requirements met on one or two key dimensions, but not all	Most core customer requirements met on one or two key dimensions, but not all	1	
Role of Operations	Service cost oriented	High production management, business process and delivery product, focus on standardization as key to producing and delivery quality from minimal investments	High production management, business process and delivery product, focus on standardization as key to producing and delivery quality from minimal investments	High production management, business process and delivery product, focus on standardization as key to producing and delivery quality from minimal investments		
Service Delivery Model (stage)	A necessary self-fulfilling and sustainable set of operations, processes of customer, with an underlying general concept that build stage operations, stage in a structure	High level for consistency, each step in delivery chain independently	High level for consistency, each step in delivery chain independently	High level for consistency, each step in delivery chain independently		
Back stage Operations	Processes to maintain customer delivery stage and organized separately activities with customer	Processes to maintain customer delivery stage and organized separately activities with customer	Processes to maintain customer delivery stage and organized separately activities with customer	Processes to maintain customer delivery stage and organized separately activities with customer		
Production	Standard, managers are prepared for taking to work within budget	Based on standardization, prepared for taking to work within budget	Based on standardization, prepared for taking to work within budget	Based on standardization, prepared for taking to work within budget		
Utilization of New Technology	Low utilization, value driven, value capturing for customer	Follows the trend when justified by cost savings	Follows the trend when justified by cost savings	Follows the trend when justified by cost savings		
Role of Human Resources	Employee low level employees who have minimum skill requirements for the job	Employee and a mix employees who can perform independently	Employee and a mix employees who can perform independently	Employee and a mix employees who can perform independently		
Motivation	Employee are motivated, good performance	Employee are motivated, "follow procedures but anticipate" outside the process	Employee are motivated, "follow procedures but anticipate" outside the process	Employee are motivated, "follow procedures but anticipate" outside the process		
Employee Management	Employee are motivated, good performance	Employee are motivated, "follow procedures but anticipate" outside the process	Employee are motivated, "follow procedures but anticipate" outside the process	Employee are motivated, "follow procedures but anticipate" outside the process		

Table: Four levels of service performance assessment tool

So, here we give these scores on the role of marketing, so maybe 1 and 2 and 3 and 1, so we can total here and similarly we get the total score.

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MOVING TO A HIGHER LEVEL OF PERFORMANCE

- Service companies strive to move up the performance ladder through conscious efforts to improve and coordinate their marketing, operations, and HRM functions in a bid to establish more favorable competitive positions, and satisfy their customers better.
- It requires human leaders at all levels of an organization to take a service firm in the right direction, set the right strategic priorities, and ensure the relevant strategies are implemented throughout the organization.

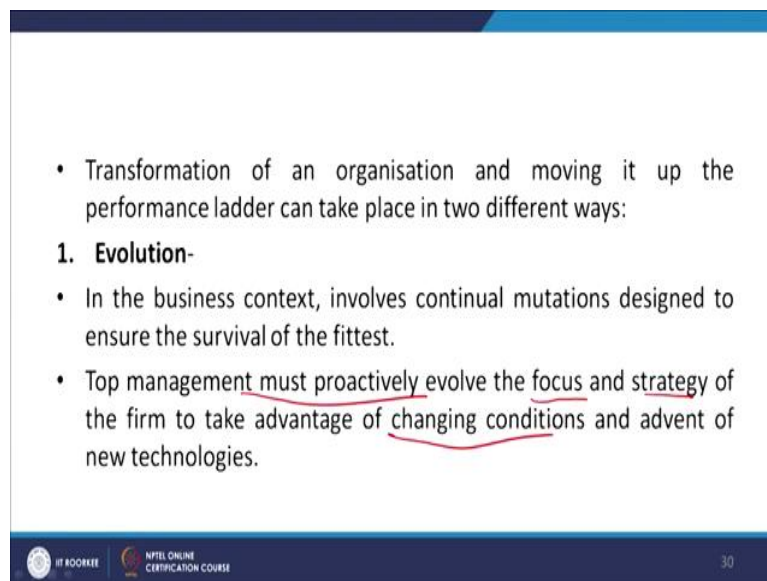
Now, moving how to go about moving to a higher level of performance. Now, we have seen about the 12 dimensions, now how to better our performance? Service companies, they strive to move up the performance ladder through conscious efforts to improve and co-ordinate their marketing operations and HR functions in a bit to establish more favourable competitive positions and satisfy their customers better.

It requires human leaders at all levels of an organisations to take a service firm in the right direction. So, we are talking of leaders at all levels not only at the top. Set the right strategic

priorities. Now that tool can be one tool that can give a company the strategic priorities they are looking for. And ensure the relevant strategies are implemented throughout the organisation.

So, these are the 3 things that need to be done. First is the human leaders at all the levels. Second is to look for the strategic priorities and then relevant strategies are implemented. So these are the 3 things that a company can look for in order to improve their performance.

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• Transformation of an organisation and moving it up the performance ladder can take place in two different ways:

- 1. Evolution-**
 - In the business context, involves continual mutations designed to ensure the survival of the fittest.
 - Top management must proactively evolve the focus and strategy of the firm to take advantage of changing conditions and advent of new technologies.

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Now, transformation of an organisation and moving it up the performance ladder can take place in 2 different phase. The first is evolution. In the business context, it involves continual mutations design to ensure the survival of the fittest. And second is the top management must proactively evolve the focus and strategy of the firm to take advantage of changing conditions and advent of new technologies.

So, now what?, Top management should be proactively looking to focus and strategy of the firm. What is the strategy and the focus of the firm? Because the market conditions, they keep on changing and the new technologies keep on coming, old technologies keep on outdated, so the top management, they have to actively look at what is the strategy and the focus of the firm in order to take it to the next higher level of performance.

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2. Turnaround-

- It involves situations in which leaders(usually new ones) seek to bring distressed organisations back from the brink of failure and set them on a healthier course.
- Turning around an organisation that has limited resources requires concentrating those resources where the need and likely pay-offs are greatest.

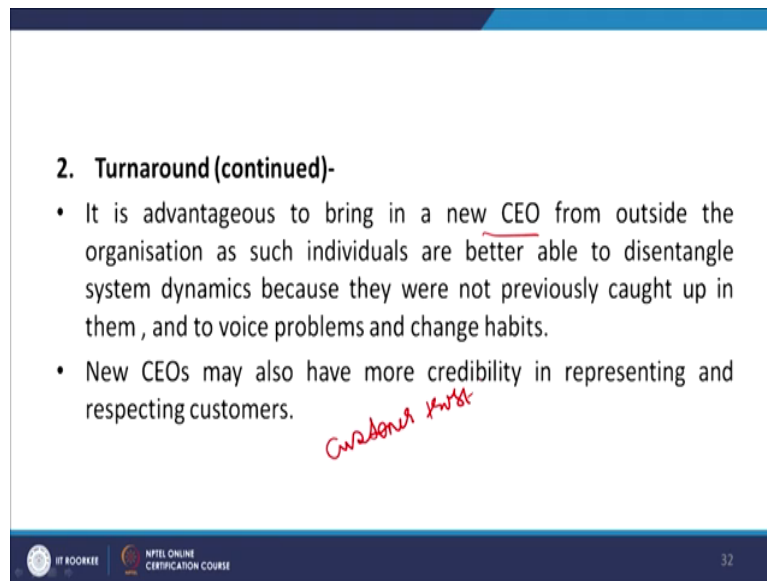
short on resources

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The second, the first is evolution and the second is turn around. It involves situations in which leaders usually new ones seek to bring distressed organisations back from the brink of failure and set them on a healthier course. So, this is what turn around is. Now these leaders they try to bring this distressed organisation back from the brink of failure and to set them on a course of action so that they are able to survive and succeed.

Turning around an organisation that has limited resources requires concentrating those resources where the need and likely payoff are the highest. So, obviously when an organization is not doing well, so it will be running short on resources. In any case, no organization has unlimited resources, so but then when we are talking of these kind of organisation, they are further constrained by resources. So, now there is a need to concentrate those available resources, where the need, one, and the likely payoff is the most.

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2. Turnaround (continued)-

- It is advantageous to bring in a new CEO from outside the organisation as such individuals are better able to disentangle system dynamics because they were not previously caught up in them , and to voice problems and change habits.
- New CEOs may also have more credibility in representing and respecting customers.

Customer trust

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It is advantageous to bring in a new CEO from outside the organisation as such individuals are better able to disentangle system dynamics because they were not previously caught up in them and to voice problems and change habits. So, now this new CEO, he may not be aware of the internal dynamics, internal politics of the organisation and he will not get involved in that and then he is able to voice the problem to understand what is the problem and how people have to change their habits.


New CEOs may also have more credibility in representing and respecting the customer. So, now the customer will also have more trust on the new CEO. Obviously if the old CEO continues, then the customer will see him or her in bad light. So in these kind of situation new CEO, coming in of new CEO, is important for the company as well as the customer.

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HURDLES IN REORIENTING AND FORMULATING STRATEGY

- According to Chan Kim and Renee Mauborgne, leaders face four hurdles in reorienting and formulating strategy.

1. Cognitive Hurdles
2. Resource Hurdles
3. Motivational Hurdles
4. Political Hurdles



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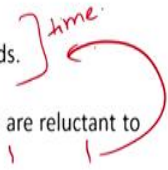
Now let us look at what are the hurdles in reorienting and formulating the strategy. So, we are talking of reorienting, one, and then formulating the strategy. According to Chan Kim and Renee Mauborgne, leaders face four hurdles reorienting and formulating strategy. Now according to these two specialists, the leaders face 4 hurdles in reorienting themselves and formulating strategy.

So, now we are talking of reorienting the leaders, how they can go about reorienting and formulating strategies. So these are the 4 types of hurdles, the first is cognitive hurdles, resource hurdles, motivational hurdles and political hurdles.

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HURDLES IN REORIENTING AND FORMULATING STRATEGY

1. **Cognitive Hurdles**
 - Are present when people can not agree on the causes of current problems and the need for change.
2. **Resource Hurdles**
 - Exist when organisation is constrained by limited funds.
3. **Motivational Hurdles**
 - Prevent a strategy's rapid execution when employees are reluctant to make needed changes.
4. **Political Hurdles**
 - They take the forms of organised resistance from powerful vested interests seeking to protect their positions.



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Now, let us look at each of these hurdles. The first one, that is cognitive hurdle, are present when people cannot agree on the cause of current problems and the need for change. So, now the dynamics - internal dynamics is so that the people are not on a common platform regarding what are the current problems and whether there is a need to change at all. The second hurdle is the resource hurdle. It exists when organisation is constrained by limited funds.

So, the organisation may also be limited by other resources like time, so they don't have too much time to reorient themselves, to reinvent them self. The third is motivational hurdles. Prevent a strategy's rapid execution when employees are reluctant to make needed changes. So, now this organisation was running short on resources, maybe money and time and this motivational hurdle is that the employees are reluctant to make the needed changes.

So, obviously when the employees are not changing within the time frame, then obviously the chances of failure will increase. So, that change in employee's behaviour within a predefined time frame is important. And the fourth hurdle is political hurdle. They take the form of organised resistance from powerful vested interest seeking to protect their positions. Now there are people in the organisation and they are not ready to change but they have to stick to their positions. So, then they create hurdles which are then called as political hurdles.

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- According to John Kotter, in most successful change management processes, those in leadership roles must navigate through eight complicated and time consuming strategies:
 1. Creating a sense of urgency to develop the impetus for change
 2. Putting together a team strong enough to direct the process
 3. Creating an appropriate vision of where the organisation need to go
 4. Communicating that new vision broadly

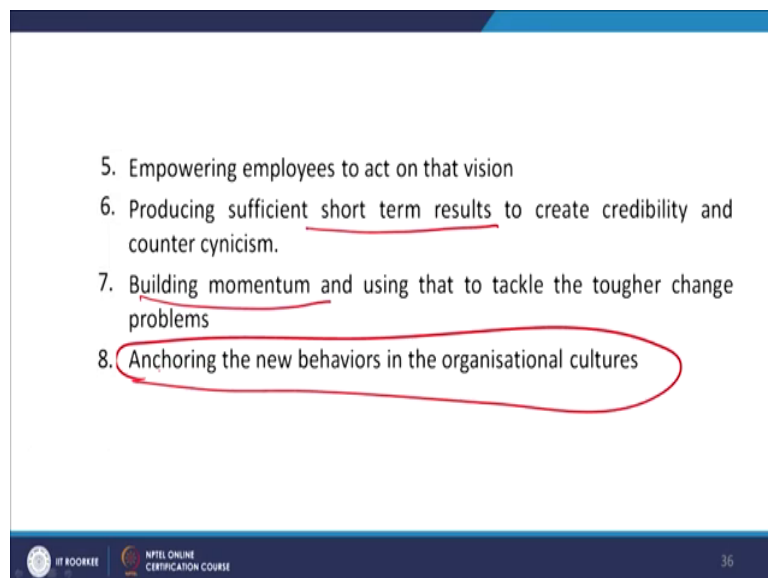
Now according to John Kotter, in most successful change management processes, those in leadership roles must navigate through 8 complicated and time consuming strategies. So, now John Kotter, he has outlined these 8 time consuming and complicated strategies for those people in leadership roles. The first is to create a sense of urgency to develop the impetus for

change. So, this sense of urgency is important because changing with times or changing within time.

The second is putting together a team strong enough to direct the process. So, now again the team should be strong enough that they are able to direct the process of change. The third is creating an appropriate vision of where the organisation need to go. So, we are here and we need to go there. So, that is another important thing that the company needs to do.

Without a vision, there will be no change and then communicate that new vision broadly that look this is what we are trying to do, this is where we are trying to go and for that you will have to change.

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Empowering employees to act on that vision. So, how this is where we want to go but then employees have to be empowered to act on that vision. Produce sufficient short term results to create credibility and counter cynicism. So, here these achievement of these short term results are also important because only then the CEO and the leader will be able to show that they are on the right kind of path otherwise if that not being so, the leader will lose the credibility and the counter cynicism will increase.

Building momentum and using that to tackle the tougher change problems. So, again this momentum is important because that is to be used to tackle the tougher change problems that will come and anchoring the new behaviour in the organisation culture, anchoring this new behaviour in the organisation culture. So, it becomes part of this culture, it is not that the new behaviour is only for some time but then it becomes a part of this organisation culture and

everybody who comes in will obviously get to know what kind of behaviour is expected from him or her.

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CUSTOMER SATISFACTION AND CORPORATE PERFORMANCE

- There is convincing evidence of strategic links between the level of customer satisfaction with a firm's service offerings and overall firm performance.
- Researchers from the University of Michigan found that, on average, every 1% increase in customer satisfaction is associated with a 2.4% increase in a firm's return on investment (ROI).

nutshell

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So, let us look at the customer satisfaction and corporate performance. There is convincing evidence of strategic links between the level of customer satisfaction with a firm's service offering and overall service performance. So, customers satisfied with a firm service performance, that will make firm more profitable and all those indicators related to firm performance will show better results.

Researchers from university of Michigan found that, on average every 1% increase in customer satisfaction is associated with a 2.4% increase in a firm's return on investment. So, you see company is doing less to increase customer satisfaction and the customer, they are giving more in return to the company. Every 1% increase leads to 2.4% increase in the firm return on investments. So, company moves one step towards the customer and the customer moves 2.4% steps towards the company, so this is what it is in the nutshell.

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CUSTOMER SATISFACTION AND CORPORATE PERFORMANCE

- Analysis of companies' scores on the American Customer Satisfaction Index (ACSI) shows, on average, among publicly traded firms, a 5% change in the ACSI score is associated with a 19% change in the market value of common equity.
- In other words, by creating more value for the customer, as measured by increased satisfaction, the firm creates more value for its owners.



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Analysis of companies scores on the American customer satisfaction index shows on average among publicly traded firms a 5% change in American customer satisfaction index scores is associated with a 19% change in market value of common equity. So, it not only affects the company's profitability but also the share holder value. 5% change in this score, it leads to 19% change in market value of the common equity.

In other words, by creating more value for the customer as measured by increase in their satisfaction, the firm creates more value for its owners. So, company is moving lesser towards customer and customer in return is moving and giving much more to the company. Not only in for the short term profits but also for the long term value for the owners and the stake holders.

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The slide is titled "CONCLUSION" and contains four bullet points. The first bullet point states that the discussion started with characteristics of world-class service organizations and their categorization into four levels of service performance. The second bullet point lists the four levels: loser, nonentity, professional, and leader, and notes they were discussed in detail in the context of three functional areas: marketing, operation, and human resources. The third bullet point discusses understanding important aspects like what is required for moving a service firm from service loser to service leader. The fourth bullet point discusses the long-term impact of customer centricity on profitability and shareholder value, with a handwritten note "Satisfaction" next to it. The slide footer includes the IIT KOOER logo, NPTEL ONLINE CERTIFICATION COURSE text, and the number 39.

CONCLUSION

- We started our discussion with characteristics of world-class service organizations and their categorization into four levels of service performance.
- These four levels including loser, nonentity, professional and leader were discussed in detail in the context of three functional areas of any organization. (marketing, operation, human resources)
- Understanding important aspects like what is required for moving a service firm from service loser to service leader, were deliberated upon.
- Finally, we discussed the long-term impact of customer centricity on profitability and shareholder value. Satisfaction

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

Now, in order to conclude this module, we started our discussion with characteristics of world class service organizations and their categorisation into 4 levels of service performance. Now, these 4 levels including losers, nonentity, professionals and leaders were discussed in detail in the context of 3 functional area of any organisation and those 3 functional area was marketing, operations and human resources.

Then we went on to understand important aspects like what is required for moving a service firm from service losers to service leaders and finally we have discussed the long term impact of customer centricity on the profitability and the shareholder value and as we have seen that as the customer satisfaction increases, the profitability and the share holder value increases much more.

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These are the 3 books from which the materials for this course and this module were taken.
Thank you.