SERVICE LEADERSHIP
The Quest for Competitive Advantage

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Foreword

The proverbial, but true, story: Marty and his wife were traveling recently from New York to New Orleans on a combined business trip and 25th anniversary long weekend. When they arrived at the ticket counter to obtain their boarding passes, they discovered that their reservations had been cancelled due to a data entry error made by the airline’s reservations agent. Unfortunately, they were told, there were no seats available on their original flight, and the best the airline could do was to book them on a connecting flight that would get them to New Orleans around midnight, rather than midafternoon, on what already was going to be a rather quick trip. While the ticket counter attendant was shrugging his shoulders, a fellow attendant noticed the commotion and came over to inquire. When he learned of the problem, he began to make phone calls, at one point having two phones at work, one in each ear. He was making calls, working the computer, and asking the original attendant to help in various ways, all, it seemed, at the same time. It took him about 15 minutes, but he finally found two seats to New Orleans, in first class no less, and Marty and his wife were on their way to a well-deserved weekend celebration.

Now, what does another airline story have to do with this book? It’s no secret that as we write, the airline industry is in dire financial straits. As every frequent flyer knows, for some time and for some airlines, the response has been to create cost savings by making service cuts of one kind or another. These cuts are felt directly by customers, thereby making driving, taking the train, videoconferencing, or vacationing close to home all increasingly attractive options, thus deepening the original troubles facing the industry.

The airlines should read this book. So should our bank. And maybe even our doctor.

Drs. Grönfeldt and Strother have melded nontraditional concepts of leadership with evolving business theory to create a new paradigm for what leadership looks like in a service industry environment.

From our perspective, as authors, teachers, and consultants on leadership development, there are three core leadership ideas that inform this powerful rethinking of the culture of a service firm. These are three of the essential elements of what we would call a leadership culture in a firm, an organization, or perhaps even a family.
First, in a firm with a leadership culture, every employee, no matter where he or she sits in the organization chart, with or without a corner office, believes and acts as if exercising leadership is an integral aspect of his or her job description. Exercising leadership is not the prerogative of those at the top.

Second, in a firm with a leadership culture, one of the ways that leadership is manifested is that individuals take responsibility for the firm as a whole, not just their individual silo. In the Grönfeldt-Strother context, that means that a service problem in one department has the constructive attention of everyone with some stake in it.

Third, in a firm with a leadership culture, leadership means exercising discretion, taking risks, and, again in this context, first meeting the customers' needs in ways that might well be beyond “standard operating procedure,” job descriptions, and formal authorization, asking for forgiveness later rather than approval beforehand.

The significance of bringing together these two disciplines in this book goes beyond the service industry, and we expect that the model they have created will provide food for thought for practitioners and students in a wide range of business environments.

—Ronald A. Heifetz
Harvard University

—Marty Linsky
Harvard University
Acknowledgments

Like all explorers, we are drawn to discover what's waiting out there. We embarked on this journey without the slightest hesitation or thought of the road ahead, the obstacles we would meet, and the challenges we would face. We had direction, purpose, and motivation.

These binding elements made impossible schedules, thousands of miles, and the scarce resource of time look like bumps in the road on our way to accomplishing our mission. The thousands of minutes, hundreds of hours, days, and months spent on this project flew by. The result of our efforts is presented in this book. However, it is by no means only a result of our work and dreams but a collective effort of so many people we have met and worked with in the past.

We would like to express sincere appreciation to all those involved: our assistants Halla Jonsdottir and Ashildur Bragadottir who organized our world; the managers and CEOs who shared their experiences with us; all our talented friends at IMG Gallup and Deloitte—Gunnar Beinteinsson, Thor Karlsson, and Gunnar Haugen, to name only a few—who communicated their knowledge and insights; Jennee Saddorf and Michael Wahlgren at Florida Tech, who helped field test questions; and Edwin Strother, for his editorial expertise. We would also like to thank Al Bruckner at Sage for his helpful input and cheerful encouragement during the entire publishing process, Katja Fried for her developmental editorial expertise, and Catherine Chilton for her tireless copyediting. Without these valuable people, this book would not have been possible.
As the towering skyscrapers of New York’s Manhattan mysteriously disappear into the grey January sky, a tall and slender man steps into the executive meeting room on the 12th floor in Time Warner’s headquarters on Columbus Circle. He is relaxed, his posture modest, and he almost appears shy if it were not for his sharp eyes. He is a physicist, a businessman, an executive, a renowned novelist, and the leading strategist for the global media and entertainment company Time Warner Inc. His name—Olaf Olafsson.

Whether measured by quality, popularity, or financial results, Time Warner companies are at the top of their game. America Online, Time Inc., Time Warner Cable, Home Box Office, New Line Cinema, Turner Broadcasting System, and Warner Bros. Entertainment maintain unrivaled reputations for creativity and excellence. Their purpose is to keep people informed, entertained, and connected in today’s world of mass media and information obsession. In order for best-in-class businesses to maintain their position, constant reinvention needs to take place. The Company’s culture needs to encourage prudent risk-taking and creativity. That does not happen without some core values that every employee understands,” says Olafsson.
Since the merger of Time Warner and America Online (AOL) in 2000, the company has been undergoing a transformation of its culture and leadership style. The merger resulted in cultural upheaval for the company. The two cultures did not match. “I think the culture factor was certainly underestimated. Culture is serious stuff—you need to define it, hone it, cultivate it, and be clear about it if you are to expect competitive advantage to emerge from under its wing.” Sometimes culture has been categorized as the soft stuff of business. In the opinion of the executive vice president of Time Warner, however, there is absolutely nothing soft about the success a collective culture can produce. “Any financial or other business metrics you can think of are indeed affected by the health of a company’s exciting culture.”

The company’s values are the very foundation of any culture. They are usually developed by and communicated from the CEO and his closest team members and represent the management’s beliefs and core understanding of how business should be run. “You need to value your values, and they need to be completely integrated with the way you manage.” They can be used to change the current situation, or they simply reinforce values that have emerged from past practices and a consistent management style. Seven values outline and frame Time Warner’s company culture: creativity, customer focus, agility, teamwork, integrity, diversity, and responsibility. They guide employee and manager behaviors and decision making. “We wanted the definitions to be simple and the message to be clear. This is not open-heart surgery—but it is equally important to the health of our company that they are respected, understood, and reinforced through our actions.”

**Time Warner Values**

*Creativity:* We thrive on innovation and originality, encouraging risk taking and divergent voices.

*Customer Focus:* We value our customers, putting their needs and interests at the center of everything we do.

*Agility:* We move quickly, embracing change and seizing new opportunities.

*Teamwork:* We treat one another with respect, creating value by working together within and across our businesses.

*Integrity:* We rigorously uphold editorial independence and artistic expression, earning the trust of our readers, viewers, listeners, members, and subscribers.

*Diversity:* We attract and develop the world’s best talent, seeking to include the broadest range of people and perspectives.

*Responsibility:* We work to improve our communities, taking pride in serving the public interest as well as the interests of our shareholders.
In addition to the values, Time Warner’s board of directors has adopted *Standards of Business Conduct*, which applies to all corporate employees of Time Warner Inc. This code has served as a model for similar codes of conduct that have been adopted at each of the company’s businesses. Also, *Code of Ethics for Senior Executives and Senior Financial Officers* has been developed and implemented at the company and its businesses.

The cultural no-man’s-land Time Warner found itself in after the biggest merger in recent U.S. history had a tremendous impact on the company’s performance. It finally resulted in transformation of the top of the pyramid as well as on various levels at the corporate headquarters. When Richard D. Parsons became the CEO of Time Warner Inc. in 2002, Olaf Olafsson returned to Time Warner as executive vice president, after having been away from the company for some time. After the merger, he left his position as vice chairman of Time Warner Digital Media, where he had been responsible for developing strategic business plans and identifying emerging growth opportunities for Time Warner’s diverse digital media businesses.

“When I returned and joined the new corporate team, the company had all kinds of issues, many of them stemming from some core cultural problems. Given the health of our balance sheet today, it’s actually quite amazing that it was only two years ago that some analysts were wondering if Time Warner would even make it over the mountain of debt left by the AOL merger. The new management’s first task was to make some drastic changes at the corporate level and begin articulating and reinforcing the type of culture we were convinced the company needed. Well, it is as simple as this: The head leads the way. The top management must not only wish for the values to be true—they must make them true by leading by example.

Time Warner began hunting for *creative, customer-focused, and agile* people for most top management positions—*responsible* men and women known by reputation to have *integrity* and live those values the company now embraced. The company then trusted them to deliver the level of business results the company’s shareholders looked for. “If you have the right people on board, life is easy.”

The values are communicated by day-to-day actions and special value and training programs. They are reinforced without exception. “There is very little tolerance for managers who do not exhibit the underlying values in the way they approach the job and their staff.” The entertainment and media industry is known for big personalities, high self-esteem, and numerous prima donnas. At Time Warner, however, people from every walk of life can be expected to receive equal treatment. “Here the best argument wins—not rank or fame,” says Olafsson, and smiles. “We all deserve to be treated with integrity and respect, no matter where we come from or what we do for a living within the company.”

Time Warner relies on people’s leadership at every level. “We are innovators in technology, products, and services. Our people’s leadership—their creativity, talent, and commitment to excellence—ensures that Time Warner continues to provide the high-performance service, trustworthy information, and enjoyable entertainment our audiences, members, and customers expect.” This definition of leadership fits well with the company’s values. When asked what leadership is, Olafsson concludes: “It is about inspiration and motivation. About a belief. About respect and
courage to challenge ideas, performance, and rank. It can be found wherever you
look—it is by no means restricted to a job description or corporate level. With more
than 80,000 employees across continents, in numerous business divisions, and with
a network of strategic alliances—the ability to work with others is a determining
factor for success. “The most important element is ability to work with others. I am
convinced that over 40% of people’s success in today’s businesses comes from one’s
ability to work with people of all shapes and sizes. It is simply a prerequisite for
almost anything else. It requires self-confidence and respect. The company’s culture
has to nurture both.”

For people who engage in leadership, Olafsson emphasizes the importance of a
clear, simple, and consistent way of communicating ideas, thoughts, and strategies.
These qualities should be displayed through both verbal and written communi-
cation and even more so through nonverbal behaviors and actions. His belief in
clarity, simplicity, and consistency is as obvious when he turns to talk to people
suddenly standing in the doorway of the meeting room as it was when he initially
entered this room an hour ago: He practices what he preaches in the way he talks.
It is apparent in his body language and voice—and in the way he works. “Leading
needs to be personal. The work needs to be fun, not only business. Only that
way can we harvest the power of the soul, not only the mind. I believe that’s how
you win.”
service leadership is the culture that empowers the organization to strategize its promises, design its processes, and engage its people in a proactive quest for competitive advantage. When an entire organization has a service leadership mind-set, every employee-customer encounter is considered to be an invaluable opportunity to improve customer service and engender customer loyalty. Under these conditions, every individual takes responsibility and pride in creating or protecting the organization’s leading position in service quality or in designated markets by carefully observing and communicating customer needs through the organization.

Changes in our daily lives and corporate environments continuously force organizations to reexamine their strategy concerning their markets, their employees, and their customers. Globalization, advanced technology, and communication compel all organizations to acquire a competitive advantage by placing an emphasis on a factor that is not as easy to copy as price or technology—namely, the quality of service they give to customers. Furthermore, increased competition has called attention to the growing importance of employee initiative, innovation, flexibility, and productivity as a response to pressures to adapt to external changes in the corporate environment. If organizations are to be expected to successfully plan and carry out continuous cycles of change to survive in today’s service-driven economy, the exciting question of leadership in service arises.
Leadership

There is no universal definition of leadership, in spite of a growing number of studies on the topic. Leadership principles and themes can be found in such diverse ancient texts as Egyptian hieroglyphics (2300 BC), the writings of 6th-century Chinese philosophers, the Bible, and sagas of Viking heroes and villains.

In Greek political thought, each citizen was a potential leader and had an equal right to have his voice heard. Over the centuries, definitions of leadership developed from the democratic ideas of the Greeks to ideas and images of the “Great Man,” one individual who leads. This is the person “who steps in and leads those who cannot or do not want to assume the responsibility into battle, into safety, into new territory, into new heights of accomplishment.” Note that the assumption of the person stepping in is that others do not want to.

Only in recent years have the old ideas of the Greek political philosophy of every citizen’s leadership powers begun to emerge again, this time in the form of collective leadership efforts on the part of every organizational member. Now, in the early 21st century, leadership is viewed as “the capacity of a human community to shape its future, and specifically to sustain the significant processes of change required to do so.” Leadership no longer applies just to each manager’s ability to lead. Now it also applies to the whole organization and its ability to develop a leadership mind-set for an entire organization.

Service Leadership and Sustainable Competitive Advantage

The challenges are great for today’s service organizations, but the opportunities for those who master the science of leadership in the service sector are also tremendous. The act of leadership can be integrated into the marketing and operational strategies of any service organization. In fact, in today’s service-driven economy, you cannot expect to achieve leadership without service. The common denominator is the focus on assuming a leadership role—either as a company in the marketplace or as an individual within the organization, regardless of formal authority or power.

The concept of service leadership builds on ideas of strategy as perspective or culture and theories of leadership as a collective mind-set. Henry Mintzberg, one of the leading contemporary scholars in strategic management, has identified various approaches to strategy formulation and application. One of those strategies is the cultivation of a strong organizational culture. This kind of culture centers on strong organizational values and norms, reinforcing certain sets of behaviors needed to give the organization a competitive edge. The concept of service leadership suggests that the desired behaviors in today’s service settings are collective leadership acts and that all organizational members share in protecting and preserving their organization. It takes the management practice of empowerment a step further in an attempt to overcome the disadvantages associated with power transfer and to capitalize fully on investments in higher labor and training costs. In service organizations aiming for service excellence,
employees must have not only the authority to point out issues or to watch and wait for things to happen; they must also crave service excellence and regard it as their responsibility to be proactive to protect and preserve their organization and collectively shape their future working environment and organizational success.

There is no doubt that, when an entire organization considers each encounter between an employee and a customer to be a rich opportunity to improve customer service and build customer loyalty, a leadership mind-set is in place. In this situation, every employee takes responsibility and pride in helping the organization reach a high level of service quality. Employees do this by carefully observing and communicating customer needs through organizational channels. Of course, this calls for a change in employee and managerial roles. It also calls for a reversal in the traditional relationship between service provider and customer. Instead of the employee just doing what the manager dictates, he or she must do what the customer wants and needs.

This new view of roles and relationships empowers the entire organization to streamline its strategies and processes accurately and in a timely manner and thus to achieve continuous service adaptation. This ability gives the organization a solid competitive advantage in the marketplace, where reactive behaviors are more common than proactive ones.

Traditionally, leadership theory has focused on various traits and behaviors of individual leaders and the circumstances in which they find themselves, causing us to overlook the real leadership potential all around us. A definition of leadership that fits this book is best reflected in the words of George Bernard Shaw, who said: “The people who get on in this world are they who get up and look for the circumstances they want, and, if they can’t find them, make them.”

What relevance does this notion have in a service context? One of a service organization’s key performance indicators is the level of customer satisfaction it has obtained. Understanding and fulfillment of needs creates perceived value to customers and subsequently translates into customer satisfaction. In today’s business environment, this is simply a prerequisite in the service industry. It is essential for the organization striving for service leadership to expect and foresee changes and to use the power of a collective leadership mind-set to be able to go further and faster to obtain the organizational goals of growth, profits, and service quality. The organization can obtain sustainable competitive advantages through service leadership—in other words, it has to dare not to do what it has always done, both at the organizational level and on each employee’s individual level of responsibility. Standardized procedures and carefully laid-out processes ensure speed and accuracy of service. However, if an organization is going to use customer service as its primary weapon in the battle for market superiority, it must learn to use proven methods of success and simultaneously dare to be different. It must position itself differently and manage its human resources to foster initiative, helping behaviors, and continuous improvement efforts. This is in line not only with marketing thoughts in the past two decades but also with the core of leadership science and human resources theory and research. In short, a service leadership mind-set inspires each person to dare to use his or her brain to break market, organizational, or
personal barriers that are holding the organization back. In this way, the organization can be expected to obtain what can be called proactive service adaptation.

The Theoretical Framework of the Book

Service is composed of intentions, interactions, and impacts. In other words, a service organization intends to provide a certain set of services, based on the organization’s corporate and service strategies. These strategies are carefully formulated to optimize the organization’s operational efficiency and to fulfill expected customer needs. The intended services, or the service promise, are then delivered through interactions with the customers. The interactions are regulated by service processes that may be automated, technologically assisted, or totally dependent on human contact. The impact of an interaction depends on how well the customers’ expectations are met, which in turn affects their level of satisfaction. The impact is delivered through people and processes and determines customers’ loyalty and, thus, ultimately, the organization’s profitability.

The velocity of change in our service-driven economy calls for a new approach to service management. Organizations that used to be scared to death of the uncertainty of change are now faced with the daunting uncertainty of the dangers associated with staying the same. Changes must be implemented for the service promise, the service design process, and the use of human resources embedded in the people of the organization.

In this book, you will see that, for the service industry, the traditional idea of a corporate culture must be expanded to the new paradigm of a service leadership culture. Service leadership concepts are based on three assumptions:

Assumption 1: Organizations can achieve competitive advantage in service through a collective leadership mind-set based in strategic application of processes and people to design and deliver the service promise.

Assumption 2: The process ensures competitive advantage through speed, accuracy, and adaptability of service delivery and enhances organizational efficiency by maximization of both internal and external resources.

Assumption 3: The people ensure competitive advantage through proactive adaptability to change by employing innovation, flexibility, and motivation to move the organization forward.

The concept of service leadership is based on a multidisciplinary approach that draws on leadership theories and principal methods of strategic management, service management, and human resources management, as shown in Figure 1.1. The theoretical framework suggests that (a) the leadership mind-set of organizational members is powerful and (b) leadership mind-set can be a driving force for sustainable competitive advantage. Therefore, service leadership is defined as the culture that empowers the organization to strategize its promises, design its processes, and engage its people in a proactive quest for competitive advantage.
A service leadership culture is a strategy designed to (a) carefully select and design service processes with active participation of customers and employees in the design processes and (b) strategically build on collective leadership efforts at every level of the organization to fully benefit from an organization’s investment in its human resources. This paradigm shift requires changes in traditional management practices and demands more from employees. The manager’s role becomes one of creating the framework within which the organizational members will work and cultivating an environment with which people can identify and to which they can commit their skills, ideas, and knowledge.

Figure 1.2 emphasizes the three key elements of service leadership. First, strategies are crucial for developing the service promise, which has to be tied to the organization’s goals and mission. Second, the service process must deliver the services in the most efficient manner to enhance profitability. The service providers (people) are then the key ingredient in making the service unique and difficult to imitate.

The Power of People

For the last decade, strong organizational cultures have been believed to be critical to bottom-line performance in large organizations. Commitment-based organizations that are packed with people who fit the organizations’ values perfectly have repeatedly outperformed other organizations.

The implementation of service leadership culture is meant to create harmony between customers, employees, and organizational structure. An organization can create a competitive advantage by fully using its investment in the “best of the best” through employee selection, continuous learning and training, and cultivation of employees’ sense of responsibility through leadership. The organization’s services
can become strategically unique by emphasizing those features of the organizational capabilities that create the best results and are hard for competitors to copy. This type of culture encompasses all the characteristics of a competency culture (see Chapter 9 for details). To ensure the accomplishment of unparalleled products or services, the successful organization applies a strategy of superiority, excellence, creation of market niches, and constant innovation. This success depends on a strong, service-oriented corporate culture with superior goals. To reach those goals, the organization must fully use its employees’ competence and find the correct balance between standardization, customization, and automation of processes. In such cultures, the function of leadership is to challenge others, to set standards, and to persuade others to believe that carrying out their role helps the organization fulfill its vision and purpose. The fundamental issue is the realization of superior goals. Through that culture, both the full use of employees’ competence and a strategic balance of resources can be reached to ensure the best service delivery.

The Customer

Who are an organization’s customers? In today’s complex environment, the answer to that question is more complicated than ever. Most people immediately think of a retail customer or end user of a product as the typical customer. However, we have to look at a number of other groups if we truly want to identify the full range of customers.

Any organization has both external and internal customers. External customers are those to whom the organization sells its products or services. These external customers can take a variety of forms. They can range from a single individual shopping in a department store to a large multinational corporation that is buying machine parts for its assembly plants. An external customer could be a person buying a service, such as automobile repair, or a group of corporations contracting for health insurance for their employees.
Defining an organization’s internal customers is often more challenging. An internal customer is one within the organization itself—employees who are served by other employees. A department that provides a service to another department is taking care of one of its internal customers. For example, the purchasing department has the production department as an internal customer when it is responsible for acquiring the parts and materials for the assembly line. Also, all employees are the internal customers of their company’s human resources department and its services.

The larger and more complex the organization, the more complicated the definition of internal customer becomes. A company’s call center employees are customers of the training department, which prepares them for their jobs, and of the payroll department, which prepares their paychecks. What about a company that outsources some of these services? Is the outsourcing organization an internal customer or vice versa? Think about some services that are frequently outsourced. For example, a small company may outsource its bookkeeping and payroll operations. Although the employees who perform the bookkeeping and payroll operations actually work for another company, they are providing services for the small company. Thus, there is an internal customer relationship between the two organizations. This is a complex relationship, which will be discussed further in Chapter 6.

Framing the customer service strategy and designing the appropriate process for service delivery will depend on the characteristics of both an organization’s internal and external customers. Chapter 6 covers this topic in more detail.

The Purpose of Process

Standardization and customization of processes must carefully match the needs of the customer as well as the organizational strategy if the design is to create a competitive advantage. The benefits of standardization are speed, accuracy, and cost reduction. Some organizational processes can be standardized, but which processes to choose and how the required changes should be implemented depend on their role in differentiating the organization’s services from the services of their competitors. Service processes should be designed to enhance efficiency and maximize customer satisfaction. Customer satisfaction does not depend on the quality of the service alone but on the fit between the customer’s needs and expectations and the services that are delivered in a particular situation. In other words, the environment determines the process design through active participation of customers and employees in the design process.

Three dimensions must be considered in strategic decisions in process design: (a) the environment, (b) the strategic approaches, and (c) the characteristics of the service itself. Stable environments allow for more static approaches to the process design and provide the possibility for more standardization. Unstable environments such as highly competitive markets or changing needs of customers require more dynamic approaches to the service delivery, calling for more innovation, customization, and changes in at least some parts of the delivery process, as illustrated in Figure 1.3.

The design of the processes helps organizations tailor their promise to customers’ needs in a timely and proactive manner and deliver the services with optimal efficiency. Good process design allows organizations to deliver their
services faster, cheaper, and better, depending on customer preferences (see Figure 1.4). According to research, this enhances customer satisfaction and, consequently, loyalty—the generator of organizational profitability. The concept of service leadership is discussed in detail in Chapters 3 and 4, and the building and maintenance of service leadership cultures are outlined in Chapter 9.

**Purpose and Overview of the Book**

The purpose of this book is to provide a comprehensive theoretical framework as well as practical strategies—not just for survival but for a true search for excellence in the uncertain and ever-changing world of customer service management. The theoretical framework is based on the notion that customer service contains three key variables: a promise, a process, and people. The book is organized around those variables. It provides insight into (a) strategic schools of thought and practices needed to determine the service promise, (b) an overview of service process design principles, and (c) management and human resources practices needed to implement the service strategy through the service providers—that is, the people. In addition, we take a close look at how the outcome of the applied service strategies can be measured and how the results of the measurement can be used to enhance service performance.
The book takes the reader step by step through the service management process. After going through the book, the reader will have the necessary understanding and skill to choose the right strategy for the right circumstances, to design service processes, to identify the means and methods to implement them, and to measure the outcome. Furthermore, the reader will have a new understanding of the importance of leadership, which is embedded in all members of an organization, for organizational success in a service context.

This text provides a comprehensive view of the *whats* and *whys* of service behaviors and actions, in addition to the *hows* of process implementation. There is evidence of a growing consensus among managers that the path for future organizational success calls for rethinking their strategies. In most industries, the trend has been moving away from top-down control, formal planning, and the kind of industry analysis frequently associated with traditional prescriptive strategic planning. This trend has also been evident in the service industry, where organizations no longer believe that rigid structures and bureaucratic solutions are the key to customer satisfaction. In this turmoil of change, organizations—many of which are struggling with delivering their promises to customers—are engaging in “strategic experiments without the guidance of appropriate theories of strategic management.”

Thus the need for strategic theory in the 21st century is greater than ever.

This text makes a number of significant contributions to the field. First, it incorporates a thorough discussion of the development and application of strategies and how they may be applied to enhance organizational performance. Second, it includes a discussion on both quantitative and qualitative methods in a service context. However, the most important contribution to the study and practice of service management is the conceptualization of the new paradigm of *service leadership* and the development of a multidisciplinary approach to the topic.

**Content Outline**

The text is organized into 12 Chapters and divided into three main sections. Part I addresses the service *promise*. The chapters in this section introduce various

![Service Leadership Action Chain](image-url)
definitions of the service concept, discuss the industry’s growing global economic
importance, and provide insight into the different ways that service strategy can
be determined and applied. The key decisions addressed are where to go and why.
The aim of the first section of this book is to discuss how service leadership can be
fostered from within to enhance organizational success.

Once an organization knows where to go and why, the question of how to get there
immediately arises. The purpose of the second section of the book is to discuss
various ways of designing and mapping the service process. Implementation of
the service process is another essential part of successful service management. This
section of the book provides valuable and practical insights into what to look for
among the dragons and dungeons of the service implementation process. An essen-
tial part of this process is to know and understand customer needs, attitudes, and
expectations. Therefore, one chapter (Chapter 8) in this part of the book is dedi-
cated to the question of how to monitor and measure customers’ perspectives and
expectations. The logistics of continuous improvement and service recovery are
also discussed.

Part III of the book deals with the human element of service. The focus is on
what can easily make or break any effort to operationalize a service strategy or
process—the people. What makes people behave the way they do toward their cus-
tomers? Any organization that depends on obtaining customer satisfaction and
loyalty for survival must know how to answer this crucial question. Various aspects
of employee service orientation, as well as the roles of employees and managers, are
examined to help answer this vital question. This part of the book also addresses
the human resources management (HRM) practices of selection, socialization,
and training of frontline staff. Successful HRM practices can modify, adapt, and
align employee behaviors with organizational goals. In addition, ways to achieve a
collective service leadership culture are introduced. Throughout the text, the applica-
tion of service leadership strategies and methods of data use, which are needed
for strategic and operational practices in service, are highlighted.

The methods discussed in this book can be applied to various industries around
the world, provided there is careful consideration of local and company cultures.
Each chapter is organized in the same manner, starting with learning objectives, to
direct the reader’s attention, followed by a theoretical overview and practical appli-
cations of the relevant topic. The chapters provide a comprehensive overview of the
theory and research associated with each topic. Furthermore, each chapter provides
practical insights and the application of step-by-step methods regarding strategies,
processes, or people.

Each of the three parts of the book starts with an interview with a top executive
of a company that depends on the delivery of impeccable service for its success.
These leading service strategists were asked to reflect on the unique elements of
their organization’s success, as well as probable future challenges and trends in the
service industry. The interviews provide an opportunity to examine past practices
and emerging trends through the eyes of high-level executives of large multi-
national corporations. These interviews are designed to engage the reader in a struc-
tured application of the tools of the trade and to promote out-of-the-box thinking.
concepts and viewpoints related to service leadership. Throughout each chapter, practical insights from a variety of corporations and their executives demonstrate how these organizations implement service strategies and deal with specific service leadership issues. At the end of each of the three sections, a summary of data management and research methods needed for strategy formulation, process design, and service performance evaluation is provided. Chapter review questions and topics for discussion are given at the end of each chapter.

**Key Concepts**

*Directions:* The following are key concepts presented in this chapter. Write a complete definition for each one.

- Service leadership
- Service leadership mind-set
- Proactive service adaptation
This section highlights practical tools and methods for designing services. The first two chapters in this section discuss design principles for service strategies and processes. The third covers the crucial area of service recovery—what a company must do to recover the customer when service is not delivered correctly the first time. The final chapter in this part discusses the use of metrics in all phases of the service design and delivery processes.

**Leadership Insights**

The Power of the Transformer

How can a hospital innovatively design and transform its processes to make its service delivery more powerful and efficient?

**Chapter 5**

Developing the Service Strategy

How can an organization develop its strategies so that they reflect the company’s mission and goals?

**Chapter 6**

Designing the Service Process

How can the service process be designed to maximize efficiency in service delivery and ensure the best fit to overall organizational strategy?

**Chapter 7**

Strategizing for Service Recovery

How can organizations recover after failing to meet customer expectations? How can failsafe tools and techniques be built into the service process?

**Chapter 8**

Designing Service Metrics

How can the organization effectively measure each phase of its service processes and delivery methods to make the organization more effective in satisfying its customers?
Part III focuses on the role of the service provider in the quest for service quality and competitive advantage. First, methods of enhancing employees’ customer-oriented behaviors are explored; second, important issues in managing a service organization are discussed. Third, the crucial role of human resources in successful service organizations is dealt with. Finally, a step-by-step approach on how to build an effective service leadership culture is summarized.

Leadership Insights

The Power of the Providers—General Electric
What cross-cultural approaches are used by General Electric in business-to-business customer service to avoid service failures?

Chapter 9 Activating Customer Orientation
What is customer-oriented behavior, and how can organizations enhance such behaviors?

Chapter 10 Managing Service Organizations
What are the most effective methods of managing service organizations, using a service leadership mind-set?

Chapter 11 Implementing Human Resources Policies for Service Organizations
How can the changing roles of human resources personnel, processes, and practices help to strengthen service competencies?

Chapter 12 Building and Maintaining an Effective Service Leadership Culture
How does it all fit together—the promise, the process, and the people—in a competition-driven service leadership culture?
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