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Service Management, Service Systems, and Service Excellence

The Moment of Truth: *El Momento de Verdad*

Bullfighting provides the origin of the concept of moment of truth: *el momento de verdad*. The lore and spectacle of bullfighting has attracted award-winning writers such as Ernest Hemingway and James Michener.[1] According to Hemingway, the moment of truth is the climax of the bullfight, a finalization of a process of killing the bull. *El momento de verdad* is "the final sword thrust, the actual encounter between the man and the animal."[2] The earlier parts of the spectacle of the *corrida de toros* (bullfight) lead to the moment of truth. Strict rules of bullfighting prescribe the manner in which the *matador* (bullfighter) should kill the bull. By law, the bull should be killed within fifteen minutes—fifteen minutes in which the matador must create moments of truth. Using a *muleta* (a red cloth folded over a pointed wooden stick), the matador encourages the bull to charge. By skilled use of the *muleta* the matador directs the bull to lower its head as a prelude to a charge. In so doing, the bull exposes the arch between its shoulder blades. Stepping close to the bull, the matador reaches over the horns to the exposed area and plunges the sword into the exposed flesh. Bullfight aficionados recognize this as the moment of truth. The matador plunges the sword deep enough to sever the aorta and cause death. In the timeframe of the bullfight the moment of truth is but a few brief instants. The size and speed of the bull leave little scope for hesitation in this life-and-death struggle between man and animal. If the bull raises its head while the matador is reaching over for the kill, the sword is not long enough to reach the aorta and make the kill. The matador's body is then exposed to the horns. The matador's skillful placing of the sword ensures death. A mistake by the matador in timing and placing the sword (for example, by striking bone) may lead to victory for the bull. If the matador is unable to control the movement of the bull, he is likely to be gored. When this happens, the matador can expect hospitalization—at best.

In the bullring, a matador's survival depends on his ability and actions in response to the movements of the bull. The skill is to get the bull to respond to the movements of the matador.

Ideally, the matador uses his innate knowledge of the bull to predict the bull's likely behavior. In the opening phases of a *corrida*, *picadors* (men mounted on horses) confront the bull. This is a period of *tienta* (testing) during which the matador observes how the bull reacts. A matador's knowledge and skill are developed over years of practice. Bulls bred for fighting are not exposed to bullfighting until they first enter the bullring. For the matador, practice takes place on farms and in training camps. Matadors refine their performance well away from the bullfighting stadium and paying spectators. Trainee matadors fight cows, young bulls with their horns capped, old full-sized bulls, and full-sized young bulls. By law, bulls should be between three and five years old. Bulls younger than this may lack maturity; bulls older than this are no longer sufficiently agile for the tournament. A bull bred for fighting enters the bullring once only. At the end of the spectacle it is killed. When a matador is unable to kill a bull, the slaughter takes place after the event and outside the view of the spectators. A bull that survives its first encounter with a matador is an extremely dangerous animal. Bulls learn quickly and tend to remember their lessons. For this reason, bulls are not trained with the red flag. Remembering from training that there is no man behind the *muleta*, a canny bull would "forever after ignore the cloth and go for the man."[3] Lacking fear, and knowing the rules, the bull would be the winner in this zero-sum contest.

Ensuring Quality at the Point of Service Delivery

In service delivery and service management, moments of truth are fleeting instances when the service provider and the customer interact. At this moment service quality is exposed for scrutiny. Thus, participants in the service encounter can notice and experience key criteria that contribute (or detract from) the management and implementation of service quality. Each moment of truth tends to be unique. It is thus extremely difficult to teach an employee correct and adequate behavior for service encounters. And as these occur in real time, there is a heavy burden of service responsibility on the employee. Training and other preparations for these types of situations demand special methods and techniques. The moment of truth will clearly show where the service provider has received inadequate training or has poor people skills.

Somewhat ironically, some service organizations and their employees dismiss moments of truth as unimportant and troublesome and seem to regard customers as a necessary irritant. At best, this is a cavalier approach to quality management. At worst, this could contribute to an organization's eventual deterioration and demise. As the popular saying by business consultants has it: "If you think your customers are not important, try doing without them for a month or so." As in the metaphor from bullfighting, at the moment of truth the quality of service is revealed and the customer thus has an unprecedented opportunity to experience the service and assess its quality. Indeed, each moment of truth offers the customer an opportunity "to assess, re-assess, or verify a previously held perception of their relationship with the service provider."[4] Over time, the accumulated sum of individual moments of truth contributes to the customer's overall perception of service quality. Noticeably, an integral part of business development at SAS became human resources (HR) development and the education of the airline's employees in concepts of service management. Key tasks included empowerment and decentralizing authority so that frontline, customer-facing employees could make decisions affecting their service without needing to defer to their line managers. Throughout SAS, 360° evaluations became a standard process on an annual basis for employees at all levels and in all functions.

Richard Normann's (2002) three-phase model of service delivery offers a useful framework for analyzing service.[5] In using and developing this framework, we are able to focus on the tasks for an organization's leaders, managers, and employees. Such an analysis can note in particular the implications for delivering service excellence. In Normann's models of service it is essential to set an organizational-wide framework for the management of good service. The organization as a whole bears the responsibility for service delivery with an essential need to educate all employees, especially (but not exclusively) employees at the forefront of service delivery to the customer. Most important is the role of management in organizational governance. A fundamental need is that senior management must internalize the concept of good service. With this in place, all else follows; in its absence, nothing follows. This is equally important in public and private sector organizations. From some perspectives it is possible to argue that it is even more important in the public sector. However, for public sector organizations the existence of regulatory and governance frameworks increases the complexity of service design and delivery. The need for political control, supervision, and steering brings a more complex set of goals to which cognizance must be paid.

The immediacy of the service delivery (an encounter in real time, often face-to-face) means that it is essential for quality to be "right first time, every time." The rationale for this is twofold. First, there are new customers (whom the organization wishes to retain). Second, there are returning customers (who have prior experience of the service). The personal nature of the service delivery transaction means that effective personal skills are of critical importance and that a key priority for organizations is to educate employees in the required personal skills. This is critical, though often overlooked. The personal component of service provision cannot be overemphasized. Nor can the importance of treating service as part of social

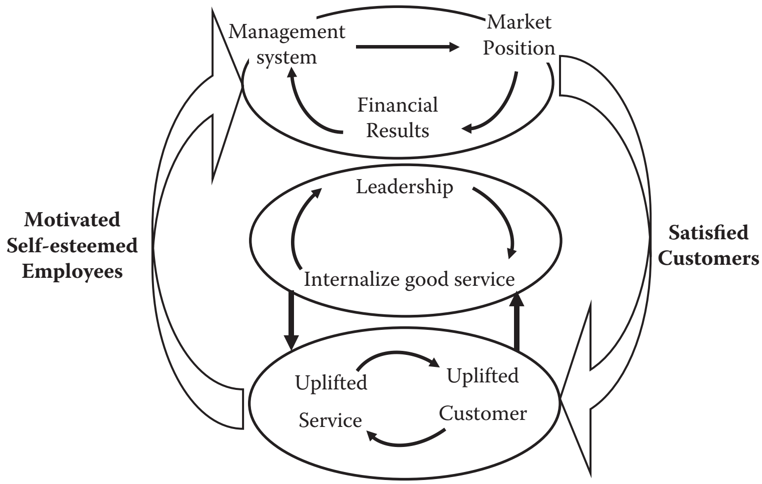

FIGURE 3.1
Components of a service management system. (Adapted from Richard Normann (2002), *Service Management: Strategy and Leadership in Service Business* (3rd ed.), Chichester, UK: John Wiley & Sons, pp. 61–74.)

intercourse. A psychological component adds yet further complexity, as provider and receiver need to determine the parameters of the encounter. This indicates a need for special management skills on the part of the provider. Figure 3.1 shows a three-step model of the processes of service delivery as components of a service management system.

We have developed this model from what Richard Normann calls the virtuous circles of the service company.[6] Virtuous circles are the focuses of service organizations in their efforts to mobilize and direct resources (physical, financial, and human capital) toward satisfying customers. In our adapted model we show an interconnectedness of the internal workings of the service organization, including leadership and internalized service, and the results of these activities. Results reflected in the marketplace include customers' purchasing preferences and the strength of a brand as a service provider. The marketplace also includes financial results that indicate an organization's financial health and strength, as shown in its official documents as well as the more psychologically based views of the financial markets. When organizations show positive financial results from their commercial endeavors, they can in turn make investments in capital assets such as business equipment, buildings, and land for expansion and business development. Arguably the most important investment is in human capital, for example, through recruitment of employees with needed skills, training (perhaps reskilling) employees, and investments in technology, especially that which supports the provision of service to customers.

At the heart of Figure 3.1 is the role of leadership, especially in promoting the internalization of good service. In this context internalization applies equally to the organization's leadership and its employees, regardless of whether their work routines require them to interface with customers. In sum, the organization's leaders and executives should be prepared to "walk the talk." When internalization of service is not embraced throughout the whole organization but restricted only to employees "whose job it is," that organization risks a mismatch between strategic, policy, and motivational announcements made by its leaders to the workforce. This is how organizations become "out of kilter" and lose strategic direction and momentum. Leadership credibility is a prerequisite for a healthy organizational culture.[7] Losing credibility is much easier than gaining it, as credibility needs to be earned by actions rather than words alone.

Moments of Truth as an Opportunity for Assessing Service Quality

For the service provider each moment of truth engaged with a customer provides an opportunity for focused feedback. This includes immediate feedback from customers through their willingness to continue the service encounter to eventual use (purchase) of the service. In this way, the customer can review the proffered service quality against expectations and use these to develop intentions for the next steps in this service encounter.

The service organization also has opportunities to review the service delivery (including the performance of the service employee and using a benchmark of preset service standards). The moment of truth can be the point when service organizations become aware of and reconsider parts of the service encounter that malfunction (suggested by the subsequent actions of the customer, which might include so mundane an action as walking away). Even when the customer's actions are positive (i.e., when the encounter is successful from the differing perspectives of each participant), wise organizations would not be complacent. Rather, they would seek to develop the service standards to higher levels of excellence. From feedback, the organization can also assess when it needs to innovate new elements of service. This service delivery environment has been described as "a laboratory where that part of the innovation destined for the client is worked out."[8] As service involves high levels of human interaction, it is difficult to isolate incidents for analysis in a test tube or a petri dish. The difficulty of observing in real time the large quantities of service encounter data required to make accurate assessments of quality led SAS to set up video cameras at key moments of truth in passengers' journeys. The videotapes were later analyzed by a team of professional researchers.[9] These video recordings of passengers progressing on their journey were supplemented by observations in airport terminals. One executive was reluctant to move out of his office into the terminal to observe passenger flow and was informed that his desk would be moved from his office into the terminal. From that viewpoint, he could make his executive decisions about passenger service. Alternatively, he could remain in his office and delegate his assistant to observe passenger flow in the terminal, in which case the assistant would be empowered to make the executive decisions.[10]

In a survey by McKinsey of the U.S. banking sector, high-performing branches used the moment of truth to identify and resolve customers' problems in retail banking.[11] In this particular study, customers' interactions were "emotionally charged" at the moment of truth with bank employees. Dealing with financial services employees tends to be an emotive experience, especially if the discussion centers on a loan or overdraft arrangement. Affective commitments such as trust (of both bank and employee), reciprocity, shared values (with the bank), and rapport (with the service-providing employee) are influencing factors in financial service transactions and as such need to be addressed at the moment of truth.[12] In the McKinsey study, depending on the employee's response, customers had positive or negative emotions. On the positive side were bank employee responses such as being well informed (for example, about the customer's financial history and current needs), troubleshooting (i.e., resolving) the customer's financial problems, and being proactive in processing financial proposals. Somewhat predictably, in banking services the most positive customer response related to an employee offering good financial advice. In the same study, customers' negative emotions about financial services related to staff incompetence and unfriendliness and lack of suitability in proffered advice and services. Organizations that have ongoing customer relationships create extra value for customers.[13] Included in this extra value are benefits such as security, a feeling of control, and reduced risk in the purchase decision.[14]

A Service Delivery System, including Organizational Systems and Processes

Figure 3.2 shows a service delivery system that includes an organization's systems and processes, its leadership, and the role of customers in providing feedback. The figure should be read in a clockwise direction so that systems and processes lead to mobilization of resources that focus on service tasks. Mechanisms to encourage feedback from frontline employees and customers are designed by the organization's leadership (at either

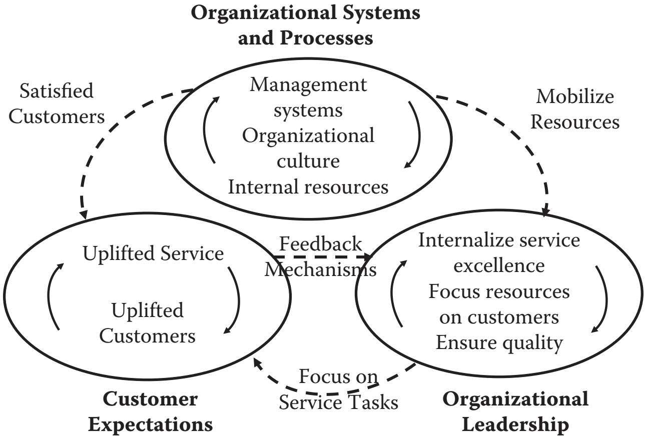

FIGURE 3.2
Organizational processes for service delivery. (Adapted from Richard Normann (2002), *Service Management: Strategy and Leadership in Service Business* (3rd ed.), Chichester, UK: John Wiley & Sons, p. 73.)

the executive or departmental level). Feedback from service encounters can thus be routed to the leadership for service improvements. With service improvements, the organization generates satisfied customers who become loyal and repeat customers.

In Figure 3.2 we show interlocked components in a service delivery process. The figure shows three components of an organization's environment from the perspective of service management. Two components relate to the organization and one component focuses on customers. Components of an organization are the organizational systems and processes and features of the organization's leadership. The customer-focused dimension relates to customer expectations. Organizational systems and processes include the management systems that relate to how the organization communicates at senior levels and its processes of decision making and mobilizing internal resources (capital assets, financing, and people). A critical component is the culture of the organization ("the way we do things around here").[15] Organizational culture is a crucial component in service delivery and needs to be a major focus for executives who aspire to ensure that their organization can deliver service excellence.[16] The customer-focused dimension relates to customer expectations.

For the organization, critical issues are the management systems and processes, sufficient (and appropriate) internal resources, and an organizational culture that is (or which can become) customer-focused (Figure 3.3). For managers, key tasks are communication, development of employee competencies (through training or brought in via recruitment of new employees), and processes that do not contradict or inhibit customer service and quality. Many organizations seem to have difficulty in achieving these fundamentals.

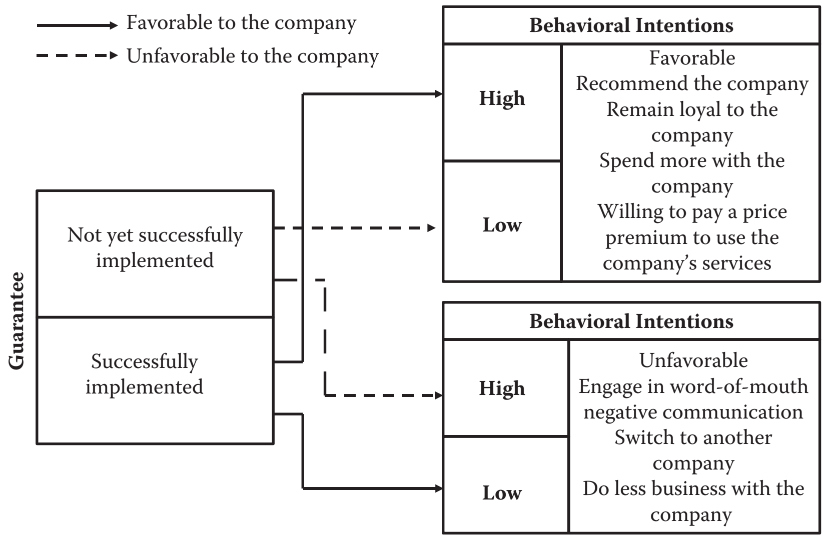

FIGURE 3.3
Effect of service guarantees on customers' behavior (hypothesized model). (From Jay Kandampully and Liam Butler (2001), Service Guarantees: A Strategic Mechanism to Minimise Customers' Perceived Risk in Service Organisations, *Managing Service Quality*, 11(2), 117.)

In mobilizing resources, managers need to address customer issues (such as timely delivery of service) and align competent human and other resources toward this goal. It is important for all within the organization to internalize service and what this means in terms of task performance, team contribution, and consistent quality. Quality of performance is a delicate issue, especially over repeated iterations of service. Technology is capable of delivering quality first time, every time. But technology is reliant on a human element. Human actors tire, need rest breaks, and have bad days. Under these conditions the technology may operate GIGO (garbage in, garbage out). For the organization, the goal is to focus on the service tasks and ensure mechanisms are in place to use feedback for purposes of improvement. Effectively managed, the organization and its processes can expect satisfied customers. The importance and the social and psychological characteristics of moments of truth create a demand for a different type of management to be successful and efficient. Internalization of the good service concept in all parts of the service organization is essential. The management must demonstrate the same high-quality service to all its personnel as the service it expects to be provided to its external customers. Again, this is a goal that many organizations fail to achieve. For Ernest Hemingway, the moment of truth brings satisfaction for the members of the viewing public who pay for seats at the spectacle.

It is important for all personnel in an organization to internalize good service. This includes both back office staff and top management, who may not always meet customers directly. It is said that development of service competences through education and training is wasted effort if training is only provided to frontline (customer-facing) employees.[17] Here, internalizing good service means understanding consumers' needs and how the organization's products and services meet these needs. This can be more successfully achieved with a flat organization. For this reason, in his book *Moments of Truth* Jan Carlzon emphasizes the need for organizations to become flat—especially if these organizations are service-oriented.[18]

Leonard Berry suggests key components of an effective service quality information system.[19] In all there are six features that service organizations should incorporate into a feedback system. Of primary importance are mechanisms that can incorporate customer feedback. Unless this is designed into the system, it will be difficult for the organization to receive and then process valuable feedback from the perspective of customers. A marked distinguishing feature between closed and open systems is that an open system is designed to allow engagement of parts of the system with the external environment, while a closed system is isolated from the environment outside itself.[20] Part of the information system should enable the customer to choose or set priorities for service. Without an awareness of customer priorities executives and managers designing service systems may squander precious resources, including into their service system design features for which customers care little. As a central rationale for focusing on service quality is ongoing improvement to existing service offerings, an ideal information system will process incoming data from the perspective of prioritizing improvements (i.e., where should resources be focused and in which order of urgency). As improvements are made, continuous feedback will aid further managerial decision making on resource preparation, focus, and allocation. Concurrent with service feedback needs to be financial data to plot service improvements against customer revenues. Additional strands of data should relate to the organization's human resources (HR) competences and integrate service improvements with data about employee performance, especially where one or more employees have proposed service quality improvements that generate customers.

Endnotes

1. Ernest Hemingway (2004 [1939]), *Death in the Afternoon*, London: Arrow Books; James A. Michener (2005 [1984]), *Iberia*, New York: Random House Books; James A. Michener (1995), *Miracle in Seville*, New York: Random House Books.
2. Ernest Hemingway (2004 [1939]), *Death in the Afternoon*, London: Arrow Books, p. 59.
3. James A. Michener (2005 [1984]), *Iberia*, New York: Random House Books, p. 20.

4. Kalyani Menon and Aidan O'Connor (2007), Building Customers' Affective Commitment towards Retail Banks: The Role of CRM in Each 'Moment of Truth,' *Journal of Financial Services Marketing*, 12(2), 160.
5. Richard Normann (2002), *Service Management: Strategy and Leadership in Service Business* (3rd ed.), Chichester, UK: John Wiley & Sons.
6. See Richard Normann (2002), *Service Management: Strategy and Leadership in Service Business* (3rd ed.), Chichester, UK: John Wiley & Sons, pp. 61–74.
7. See James Kouzes and Barry Z. Posner (2007), *The Leadership Challenge* (4th ed.), San Francisco: Jossey-Bass; James Kouzes and Barry Z. Posner (2011), *Credibility: How Leaders Gain and Lose It, Why People Demand It* (4th ed.), San Francisco: Jossey-Bass. Also see Brian Leavy (2003), Understanding the Triad of Great Leadership: Context, Conviction and Credibility, *Strategy and Leadership*, 31(1), 56–60.
8. Jean Gadrey and Faïz Gallouj (1998), The Provider-Customer Interface in Business and Professional Services, *Services Industries Journal*, 18(2), 8.
9. See the description in Fredrik Ekdahl, Anders Gustafsson, and Bo Edvardsson (1999), Customer-Oriented Service Development at SAS, *Managing Service Quality*, 9(6), 405ff.
10. See Jan Carlzon (1987), *Moments of Truth*, Cambridge, MA: Ballinger Publishing, pp. 41–85.
11. Marc Beaujean, Jonathon Davidson, and Stacey Madge (2006), The Moment of Truth in Customer Service, *McKinsey Quarterly*, 1, 62–73.
12. Kalyani Menon and Aidan O'Connor (2007), Building Customers' Affective Commitment towards Retail Banks: The Role of CRM in each 'Moment of Truth,' *Journal of Financial Services Marketing*, 12(2), 157–168.
13. Annika Ravald and Christian Grönroos (1996), The Value Concept of Relationship Marketing, *European Journal of Marketing*, 30(2), 19–30.
14. Christian Grönroos (2004), The Relationship Marketing Process: Communication, Interaction, Dialogue, *Journal of Business and Industrial Marketing*, 19(2), 99–113.
15. We quote here from Terrence E. Deal and Allan A. Kennedy (1982, 2000), *Corporate Cultures: The Rites and Rituals of Corporate Life*, Harmondsworth, UK: Penguin Books; reissued by Perseus Books.
16. See discussions in John C. Crotts, Dundan R. Dickson, and Robert C. Ford (2005), Aligning Organizational Processes with Mission: The Case of Service Excellence, *Academy of Management Perspectives*, 19(3), 54–68; Richard S. Lytle and John E. Timmerman (2006), Service Orientation and Performance: An Organizational Perspective, *Journal of Services Marketing*, 20(2), 136–147; Leonard L. Berry and Kent D. Seltman (2008), *Management Lessons from Mayo Clinic: Inside One of the World's Most Admired Organizations*, Boston: McGraw-Hill.
17. See the discussion in K.J. Blois (1992), Carlzon's Moments of Truth: A Critical Appraisal, *International Journal of Service Industry Management*, 3(3), 5–17, especially 11–12.
18. Jan Carlzon (1987), *Moments of Truth*, Cambridge, MA: Ballinger Publishing, especially Chapter 6.
19. Leonard L. Berry (1995), *Leonard L. Berry on Great Service: A Framework for Action*, New York: Free Press, p. 34.

20. Open and closed systems stem from the work of Ludwig von Bertalanffy (1901–1972), who developed ideas that became known as general systems theory (GST). For discussions see Debora Hammond (2002), Exploring the Genealogy of Systems Thinking, *Systems Research and Behavioral Science*, 19(5), 429–439.