



How to create a service excellence organization

White paper about the European service excellence model and
the European technical specification CEN/TS 16880 -
Creating outstanding customer experiences through service excellence

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Introduction

Our economy is increasingly becoming an experience economy. Whereas good products and services were an important differentiating factor for companies in the twentieth century, customer experience has become the key differentiating factor for many companies in the past decade. Products and services have become dissatisfiers, with outstanding customer experiences driving customer value, customer delight and loyalty. Building long-lasting relationships through providing outstanding customer experiences and strong emotional connections with customers is today one of the most important strategic directions for many companies. This is seen as the way to secure future revenues and profits. It is also the main way to gain new customers. In more and more markets, customer advocacy and a reputation for service excellence are the most important sources of new customers.

For many successful European companies, service excellence (also referred to as customer centricity, customer excellence or customer intimacy) is not just a slogan but the essence of everything that takes place within the organization. For such organizations, this is not just a fad or a programme but an essential element of the company's culture. In recent decades, many, mostly American, publications on this subject have entered the bookshelves. However, none of these has offered a holistic and generally accepted model on all the capacities that an organization needs to create outstanding customer experiences on a daily basis.

In the 2012 – 2015 period, a European committee headed by prof. dr. Matthias Gouthier (University of Koblenz-Landau) has been working on such a service excellence model. It is described in the technical specification CEN/TS 16880 of the European Committee for Standardization: Creating outstanding customer experiences through service excellence. Delegates from France, Germany, Belgium, Switzerland, Denmark, UK, Spain, Finland and the Netherlands contributed to developing this model during the committee stage. They represented their national committees that included companies such as Audi, Groupe La Poste, IBM, KLM, Lufthansa, RBS Royal Bank of Scotland, Ritz-Carlton and Porsche. Eric and I formed the Dutch delegation of this European committee and participated in the development.

We hope that the European CEN/TS 16880 technical specification and the service excellence model will make a major contribution to enhancing the competitive advantage of European organizations. Using this white paper could be the first step. Moreover, there are other materials¹ available to help you on your journey to delivering service excellence and customer delight, thereby creating a strong competitive advantage and great financial results.

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The power of delighted customers

For many years, customer satisfaction was seen as one of the most important management objectives. The reasoning behind this was that managers expected satisfied customers to be loyal. However, research has shown that a large proportion of defecting customers are satisfied customers. What goes wrong? It transpires that even with a satisfied, or even very satisfied, customer, there is only a rational connection between the customer and the company: and this is not enough to ensure a long-lasting relationship.

Research² shows that when there is also a positive emotional relationship with a customer his/her value rises by an average of 50% (from 27% to 103% depending on the market sector). Customer delight derives from a combination of strong rational and emotional connections, in which the customer experiences emotions of pleasure and surprise from either an intense feeling of being valued or of expectations being exceeded³ Delighted customers behave in a completely different way to merely satisfied customers. For example, Mercedes-Benz US discovered that the likelihood of an existing customer buying or leasing a new Mercedes was 29% with satisfied customers but 86% with delighted customers⁴ Between 80-90 percent of positive referrals come from delighted customers; referred customers usually have superior economics themselves⁵. They are more loyal customers with a higher value for the organization.

The effect is sustainable business success. Unfortunately, there is only limited European research on the relationship between service excellence/outstanding customer experiences and the value to organizations, and more research would be valuable. Fortunately, such research has been carried out for many years for the US market. This shows that the eight-year stock performance (2007-2014) of leaders in delivering outstanding customer experiences has been 35 points higher than the S&P 500 Index average (107.5% versus 72.3%). Conversely, customer experience laggards trailed far behind with only an average 27.6% increase in stock value⁶

Conclusion: delivering outstanding customer experience is not a luxury but an essential for business success.

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Creating outstanding customer experiences

Either as a consumer or as a B-to-B customer, we have many contacts with companies every week. We forget many of them within a couple of hours, others we will remember for a long time. The latter because they were remarkable and outstanding in either a negative or a positive way. The objective of service excellence organizations is to deliver remarkable and unforgettable moments to customers, not only incidentally but at all relevant opportunities.

One of the main challenges facing the committee that developed the service excellence model was to focus on levels 3 and 4, i.e. the top two levels of the service excellence pyramid⁷. We have defined outstanding customer experiences as experiences that have the characteristics of one of these two top levels. The service excellence pyramid is illustrated in Figure 1. Level 1 represents experiences that reflect the core value proposition of the organization. This is what a customer expects the organisation to deliver, and leads to satisfied customers not more. Level 2 represents experiences concerning complaint handling when a failure occurs and, again, this will not lead to an outstanding customer experience.

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Then come two levels that can result in an outstanding customer experience. Level 3 represents 'individual service'. Here, customers experience warmth, personal attention and tailor-made service. They have an intense feeling of being valued. This kind of delight is felt because higher-level personal needs are satisfied.⁸ Level 4 amounts to 'surprising service'. Here, customers' expectations are exceeded, leading to emotions of surprise and joy. What does it take to deliver these outstanding experiences on a daily basis? Not a great website with ample self-help possibilities, nor excellent operational processes: it is employees that make the difference in their daily contacts with customers.

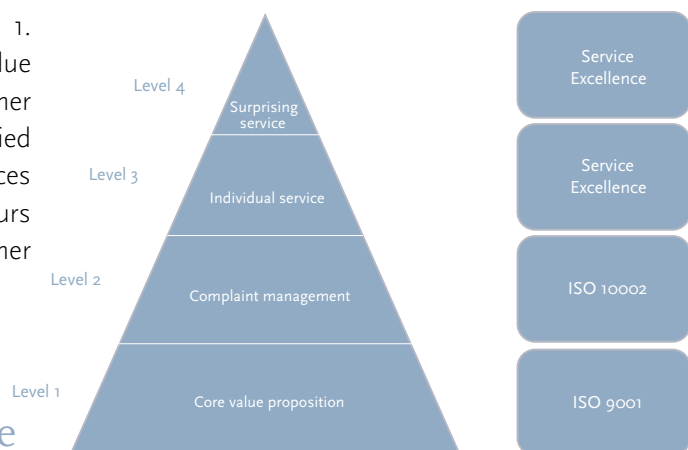


Figure 1. The service excellence pyramid

Service excellence

Service excellence is defined as ‘the capabilities of an organization to consistently deliver outstanding customer experiences’⁹ These capabilities reflect the nine elements of the service excellence model¹⁰ and their interplay (see Figure 2). They are related to all the activities within an organization and so involve not only the customer service department, but also other staff, back office operations and other parts of the organization. All employees contribute in their own way to service excellence. It is one of the main challenges facing the organization on the strategic, tactical and operational levels. It reflects four main organisational dimensions: strategic, cultural, innovation and operational.

The goal of ‘Achieving customer delight’ sits at the centre. Around this goal is the first element: ‘Designing and renewing outstanding customer experiences’. Surrounding this are the four main organizational dimensions, each with two elements. Below, we offer

brief descriptions of these elements and, here, we emphasize three important points. First, all the elements are equally important. Second, the numbers do not indicate an implementation sequence: there are many different routes when working on service excellence. Third, the model only represents the enablers, not the actual results for an organization.

‘It is a holistic model in that all elements are important’

It is a holistic model in that all elements are important. Unfortunately, what seems to happen in practice is that managers select a couple of elements and work on those, assuming that the others are somehow covered by other departments.



Figure 2. The service excellence model

The service excellence model

Designing and renewing outstanding customer experiences

The heart of the model (Achieving customer delight) is surrounded by the '*Designing and renewing outstanding customer experiences*' element. This symbolizes the fact that, in order to achieve customer delight, one has to design and renew the outstanding ideal customer experience. From a customer perspective, the organization should design, document, periodically evaluate and if necessary renew this ideal experience (sub-element a). This ideal experience should reflect levels 3 and 4 of the service excellence pyramid (see Figure 1). In practice, organizations use concepts such as experience values, service charters or service guarantees to describe this ideal experience. One of the leading principles of the model is that this ideal experience should be built in to all the other elements of the model. Not only customer journeys and internal processes should support this ideal experience, but also for example the criteria used in hiring new employees, training employees and the internal and external communications. This ideal customer experience is translated into organizational standards for customer journeys (sub-element b). Designing customer journeys

that lead to the ideal customer experience is part of this element (implementation is part of element 8). Further, these standards should be deployed in the organization, and in the case of large organizations include the possibility of adaption for local use (sub-element c). Perhaps, the most important customer journey in terms of delivering outstanding experiences is that of service recovery (sub-element d). The way an organization deals with customers with problems or complaints can create delighted customers but also dissatisfied and emotionally very negative customers.

1. Designing and renewing outstanding customer experiences

- a. Designing and documenting the customer experience
- b. Setting organizational service standards and delivering on the service promise
- c. Deployment of the customer experience concept throughout the organization
- d. Service recovery excellence

The ideal experience should reflect levels 3 and 4 of the service excellence pyramid

The strategic dimension

The strategic dimension consists of two elements: 'Service excellence vision, mission and strategy' and 'Leadership and management commitment'. Achieving customer delight and establishing outstanding customer experiences is not a project, it is a journey without an end. Further, it is a journey for the entire organization, not just the customer service department. The organization should work continuously and consistently on service excellence. As such, it needs to be part of the organization's vision (sub-element a), mission (sub-element b) and strategy (sub-element c), and not as a separate service excellence vision, mission and strategy but as an essential component of the organization's direction.

The second element in the strategic dimension is that of 'Leadership and management commitment'. This is crucial in order to change the organization and keep the focus on service excellence and delighted customers. Strong leadership by all managers and board members, with characteristics of servant leadership, should create and foster the organizational culture. This is not management by control but management by empowerment and support (sub-element a). Leadership encourages every employee to take ownership of delivering outstanding customer experiences (sub-element b). Gerard van Grinsven, former CEO of the Henry Ford West Bloomfield Hospital in the US, observed: *Who knows best how to help our patients and deliver outstanding customer experiences? That's not me, not my managers, but our employees.* This illustrates the importance of empowerment (sub-element c). In order to deliver outstanding individual and surprising experiences, employees should have the time, means and authority to do the extraordinary and to go the extra mile for customers. Without enthusiastic employees, there will not be delighted customers. Only if employees have the intrinsic motivation to delight customers, and are enthusiastic about the organization, their work and their environment, will customers feel that the outstanding service is genuine and part of the organization's culture. Consequently, the organization should take measures to ensure that it has the right employees who are happy and enthusiastic (sub-element d).

2. Service excellence vision, mission and strategy

- a. Service excellence vision
- b. Service excellence mission
- c. Service excellence strategy

3. Leadership and management commitment

- a. Leadership
- b. Shared efforts, defined responsibilities and objectives
- c. Employee empowerment
- d. Enthusiastic employees

The cultural dimension

Achieving outstanding customer experiences and service excellence should be one of the most important aspects of the organization's culture. Two elements 'Employee engagement' and 'Service excellence culture' jointly form this dimension. The title 'Employee engagement' is a little bit misleading since the content describes the way human resource tools and processes should be structured in order to support the organizational culture and to ensure that only the right customer-focussed employees are hired and that employees are supported to develop and grow in their attitudes, behaviour and competencies. In this respect, consequences are described for HR processes such as recruitment and induction (sub-element a), continuous learning and development (sub-element b), using empowerment (sub-element d), evaluation and assessment (sub-element e) and recognition/acknowledgement (sub-element f). Two aspects not related to HR are also part of this element. The first emphasizes that organizations should organize a continuous customer feedback loop on the individual or team level (sub-element c). In this way, employees can receive continuous feedback on aspects such as satisfaction measurements, complaints and compliments that can then be used as input for learning and recognition. The final sub-element (g) describes how the organization should organize employee feedback mechanisms in order to learn and improve.

The second element of this cultural dimension consists of the 'Service excellence culture'. The organization should define it (sub-element a), communicate it (sub-element b) and implement it (sub-element c). Actions related to other dimensions such as the 'Service excellence vision, mission and strategy' (element 2), 'Leadership and management commitment' (element 3) and 'Employee engagement' (element 4) should support the implementation of this service excellence culture.

4. Employee engagement

- a. Recruitment and induction of new employees
- b. Continuous learning and development of all employees
- c. Feedback of customers at an employee/team level
- d. Using empowerment
- e. Evaluation and assessment of employees
- f. Recognition/acknowledgement system
- g. Employee feedback mechanism

5. Service excellence culture

- a. Defining the service excellence culture
- b. Communicating the service excellence culture
- c. Implementation of the service excellence culture

The innovation dimension

The third dimension is the innovation dimension. Customer expectations evolve over time, and competition offers new services and outstanding service levels. Therefore, an organization should be agile, and highly adaptable to changing customer experiences. The 'Understanding customer needs, expectations and desires' element is about really listening to customers and understanding their expressed but also unexpressed needs, expectations and desires. This is not about questionnaires but about real listening: using methods such as interviews, observations and focus groups. This should be a permanent listening system (sub-element a). Feedback from customers such as complaints, suggestions and compliments can add to this listening. In order to deliver outstanding customer experiences, it is important to gather and register relevant customer information not only on an aggregated level, but also for each customer (sub-element b). What delights one customer could lead to dissatisfaction for another. Such information is an important source and can support employees in delivering individual and tailor-made experiences to the customer. Information and intelligence gathered should not only reflect customers but also other domains such as technological developments and competition in order to adapt quickly and even proactively to changing customer needs, expectations and desires (sub-element c).

The other element of the innovation dimension is

An organization should be agile, and highly adaptable to changing customer experiences

'Service innovation management'. Here, it is important that an organization continuously improves and embraces the plan-do-check-act principle in all its operations (sub-element a). There should be a learning culture (sub-element b), an innovative culture (sub-element c) and structured processes (sub-element d) that foster innovations in aspects such as service excellence, service delivery and the cues that influence customer experiences.

6. Understanding customer needs, expectations and desires

- a. Scope and depth of listening to customers
- b. Organization of data acquisition and use
- c. Adapting to customer needs, expectations and desires

7. Service innovation management

- a. Continuous improvement
- b. Learning
- c. Innovation culture
- d. Structured innovation process

The operational dimension

One element of this dimension is *'Managing customer experience related processes and organizational structure'*. At the heart of the model, *'Designing and renewing outstanding customer experiences'*, customer journeys are designed in order to deliver outstanding experiences. Now, in this element, these customer journeys are implemented and renewed. All other internal processes that influence, directly or indirectly, customer experiences should also be improved and managed (sub-element a). In these customer journeys and internal processes, the organization should use technologies and techniques to improve customer experiences (sub-element b). Further, the way the organization is structured can influence the customers' journeys and experiences. Therefore, the organization should be structured and organized in a

way that optimally supports the delivery of outstanding customer experiences. This not only relates to the organization itself but also to other organizations such as suppliers that contribute to service delivery, and there should be close cooperation and partnership with other organizations that have a role in relevant journeys of the organization's customers (sub-element c).

The other element of the operational dimension, *'Monitoring service excellence activities and results'*, deals with the planning and control cycle of the organization on the operational, tactical and strategic levels. Indicators and measurements related to service excellence, employees, customers, financial results and reputation should be important components of the regular dashboards and planning & control. The organization should have a good insight into the causal relationships of the indicators (sub-element a), it should use these indicators actively (sub-element b) and use the appropriate measurement tools (sub-element c). This should be monitored on the board, management but also team levels (sub-element d).

8. Managing customer experience related processes and organizational structure

- a. Managing customer experience related processes
- b. Deploying customer experience related technologies and techniques
- c. Management of organizational structures and partnerships

9. Monitoring service excellence activities and results

- a. Causal relationships
- b. Use of performance indicators
- c. Use of measurement tools
- d. Use of metrics on operational, tactical and strategic levels

The seven principles

Seven principles of service excellence are described in CEN/TS 16880. These are the fundamentals behind the nine elements of the model outlined above. We now outline how we see these principles:

1. Managing the organization from outside-in:

everything in the organization is structured with the customer, and the ideal customer experience, as the starting point. Processes, hardware, employees, internal and external communications are cues that are developed to deliver the ideal outstanding experience to customers.

2. Customer intimacy:

each customer is different and expects different treatment. In order to deliver outstanding customer experience (levels 3 and 4) it is important to know the preferences of and contacts within each customer. This is in order to deliver tailor-made personal and surprising experiences.

3. People make the difference:

it is often the behaviour of employees during service encounters with customers that can transform a potentially satisfied customer into a delighted customer.

4. Balanced attention to customers, employees and partners:

if employees and partners are enthusiastic about, and engaged with, the organization, customers will experience this in a positive way. Thus, management attention should also focus on employees and partners.

5. Integrated approach in order to deliver outstanding customer experiences:

there will only be a sustainable and structural focus on outstanding customer experiences if the organization develops all nine elements of the service excellence model.

6. Leveraging of technology:

technology can help deliver outstanding customer experiences in both direct and indirect ways.

7. Create value for stakeholders:

only by ensuring that service excellence leads to enhanced value for employees, for customers, for shareholders and for other stakeholders will it become a sustainable approach for the organization. Co-creation with stakeholders enhances this value.

The service excellence model; an organization maturity approach

CEN/TS 16880 does not include a service excellence maturity model. This issue was discussed within the European committee, but the decision made not to spend time on this.

In our book 'Service excellence', we used the ideas of Frederic Laloux¹ who argued that most organizations can be placed in one of four maturity phases: process driven, performance driven, culture driven or driven by a higher purpose. Figure 3 illustrates these phases of organizational development and their main characteristics.

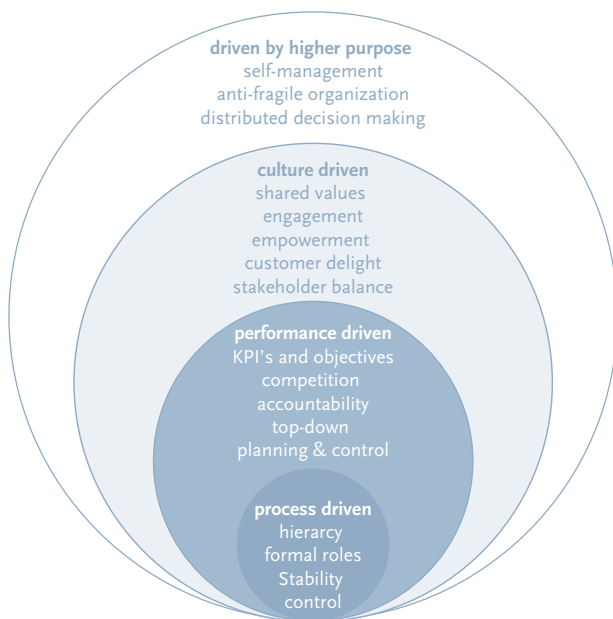


Figure 3. Four phases of organizational development (adapted from Laloux)

The emphasis when addressing the nine elements of the model could differ depending on the development phase. In the process-driven phase, we would expect the emphasis to be on element 8: Managing customer experience related processes and organizational structure. Companies with a performance-driven culture will add element 9 (Monitoring service excellence activities and results) to element 8 since an emphasis on measurements and the use of KPIs are central in this phase.

The emphasis when addressing the nine elements of the model could differ depending on the development phase.

The holistic approach used in CEN/TS 16880 comes to the fore in the third, culture-driven, phase. Here, many of the elements including Service excellence culture (5), Employee engagement (4), Leadership and management commitment (3) and also Understanding customer needs, expectations and desires (6) have a strong cultural component. Organizations that have achieved the fourth organizational development phase and are 'driven by a higher purpose' have self-management as one of their characteristics. In the third and fourth phases, some elements, most notably 7, 8 and 9, of the model are structured and organized differently than with organizations in the first two phases.

How to use the service excellence model?

Today, more and more organizations are starting to use the model. Our experience is that the main applications of the model could be:

Management development and business philosophy

Organizations use the model as a business philosophy. Management uses the model and principles to develop the organization and implement service excellence. The model is used in management development and as a framework for business plans.

Assessment

Organizations use the model and its principles as a framework for self-assessment or for assessment by others. The results show strengths in the organization and issues needing development and form a basis for improvement measures.

Recognition

The model and its principles can be used as a framework for identifying organizations that are working on service excellence and delivering outstanding customer experiences.

Our book 'Service Excellence' is available (in Dutch). It was published in 2016 (ISBN 9789462760998) with a foreword by prof. dr. Matthias Gouthier. The book provides a roadmap for building a service excellence organization based on the service excellence model and contains over 130 best practices, 9 extensive case studies and checklists. It is available at Dutch sites like managementboek.nl, bol.com and the German amazon.de.



Relationship with some other service and management models

The service excellence model as described in CEN/TS 16880 shows similarities and differences with other models. Here, we identify some of the main differences.

EFQM Business Excellence Model

This model addresses all organizational aspects that influence business excellence in general. At first glance, the service excellence model seems very similar. However, if you delve into the sub-elements of the service excellence model, you will see that it describes in more detail what it takes for an organization to organize outstanding customer experiences.

ServQual Gaps Model

This is an academic model describing organizational gaps that lead to (dis)satisfied customers. Many elements of the service excellence model such as service excellence innovation, culture and people engagement are not addressed in the SevQual Gaps Model.

COPC

This is a quality standard for contact centres and, as such, only applies to a part of the organization whereas the service excellence model refers to the whole organization. Further, COPC is more of a descriptive standard aiming at good, but not necessarily outstanding, service levels.

How to obtain CEN/TS 16880?

Copies of CEN/TS 16880 can be ordered from the web shops of the standardization institutes of many European countries (and elsewhere). The table below indicates some sources and prices. Apparently, the prices have not been standardized.

country	organization	web address	price
Belgium	NBN	http://shop.nbn.be/Search/SearchResults.aspx? a=CEN/TS+16880&b=&c=&d=&e=&f=&g=1&h=o &i=&j=docnr&Ulc=nl&k=o&y=&m=#details	€ 55.00
Cyprus	Cyprus Organization for Standardisation	http://www.cys.org.cy/en/	
Denmark	Dansk Standard	http://www.ds.dk/da/	
Estonia	Eesti Standardikeskus	https://www.evs.ee	
France	AFNOR	http://www.boutique.afnor.org/norme/ xp-cen-ts-16880/excellence-de-service-creer-une- experience-client-extraordinaire-par-l-excel- lence-du-service/article/843661/fa181940	€ 75.24
Germany	DIN/Beuth	http://www.beuth.de/de/technische-regel-entwurf/ onr-cen-ts-16880/238012149	€ 70.70 - 76.80
Ireland	NSAI	http://shop.standards.ie/nsai/Details.aspx?produc- tID=1843981	€ 57.60 – 60.00
Italy	UNI	http://store.uni.com/magento-1.4.0.1/index.php/ catalogsearch/result/?q=CEN%2FTS+16880&- fulltext=fulltext&tpqual%5B3%5D=zz&tpqual_ var=99&ttbloc=0	
Macedonia	ISRM	http://www.isrm.gov.mk	
Spain	Aenor	http://www.aenor.es/aenor/inicio/home/home.asp	
Sweden	SIS	http://www.sis.se	
The Netherlands	NEN	https://www.nen.nl/NEN-Shop/Norm/NVNCENTS- 168802015-en.htm	€ 61.30
UK	BSI	http://shop.bsigroup.com/ ProductDetail/?pid=00000000030323472	UKP 87.00 – 174.00 (non-members)
New Zealand	Standards New Zealand	https://shop.standards.govt.nz/cata- log/16880%3A2015(PD+CEN%7CTS)/view	NZD 404.65

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Eric de Haan (mail@goudenoor.nl) is Chairman of Stichting Gouden Oor and initiator of the Dutch Gouden Oor Award. His writings include 'De Tao van Service' and he developed the game 'ServiceGuru'. He was a member of the Dutch delegation of the European CEN/TS Committee and has contributed in the development of TS 16880.

References

- 1 CEN/TS 16880 (see the last paragraph of this white paper) and our book 'Service Excellence'. Unfortunately, it is currently only available in Dutch although we are planning an English version.
- 2 Scott Magids, Alan Zorfas & Daniel Leemon (2015). The New Science of Customer Emotions. Harvard Business Review, November, pages 68-76.
- 3 CEN/TS 16880, page 6.
- 4 B. Berman (2005). How to delight your customers. California Management Review, 48(1), pages 129-151.
- 5 Fred Reichheld (2006). The Ultimate Question, page 49.
- 6 Watermark Consulting (2015). The 2015 Customer Experience ROI Study, page 4
- 7 CEN/TS 16880, page 4.
- 8 See for example Schneider & Bowen (1999). Understanding customer delight and outrage. Sloan Management Review, Fall, pages 35-45.
- 9 CEN/TS 16880, page 7.
- 10 CEN/TS 16880, page 10.
- 11 Frederic Laloux (2014). Reinventing Organizations.