

## **Learning by Organisations: A Study of the Attitude of Professional Services Firms in Construction towards Clients' Feedback**

**Dr. Patrick Sik-wah Fong**

Associate Professor, Hong Kong Polytechnic University, Hung Hom, Kowloon, Hong Kong

**Mandy Sau-pik Tse**

Quantity Surveyor, Davis Langdon & Seah Hong Kong Ltd., Causeway Bay, Hong Kong

### **Abstract**

Quantity surveying (QS) companies, which are a kind of professional service firm, depend on quality service and satisfied clients to succeed. As professional advisors to their clients, their traditional role as "the expert" who knows what is best for the client has changed greatly. The Royal Institution of Chartered Surveyors has urged QS firms to shift from their traditional services-offered orientation to a more client-centred orientation (RICS, 2000). The main aim of this study is to investigate various facets of QS firms' attitude towards clients' feedback in four regions: Australia, Hong Kong, the UK and the USA. A questionnaire survey was considered appropriate for collecting the opinions of QS practitioners selected through random sampling. The findings show that they are generally positive to client feedback. More than half like to solicit such information. The respondents agree that client feedback is beneficial in many ways. The main obstacles to seeking client feedback include taking the risk of offending clients, as well as the fact that clients are sometimes reluctant to provide feedback to their consultants.

### **Keywords**

Customer feedback, Professional Services Firms, Learning, Quantity Surveying

### **1. Introduction**

Nowadays, the delivery of customer service is complex, dynamic, and dependent upon customer expectations and perceptions (Cascio, 1995). Unlike the manufacturing and distribution of products, the delivery of customer service is generally not a highly routine or structured task. Bowen & Schneider (1988) distinguish services from products in three principal ways, shown in Table 1. Customer service effectiveness is important because organisations that provide good customer service gain a competitive advantage over those that do not. For example, the quality of customer service is related to customer loyalty, customer retention, and increased organisational profits (Reicheld & Sasser, 1990). Organisations can never be considered perfect, and so the need for constant evaluation and reinvention may be the only way to cope with the new developments that shake up the construction industry on a regular basis. In addition, loyal and satisfied customers serve as an important source of free advertising through referrals and recommendations, whereas unsatisfied customers are more likely to defect and to convey negative experiences to other potential customers (Hartline & Jones, 1996). Further, exerting efforts to retain current customers is significantly less costly than attempting to gain new customers (Reicheld & Sasser, 1990).

**Table 1: Service Delivery vs. Product Delivery**

<b>Service Delivery</b>	<b>Product Delivery</b>
Intangible - may consist of acts or processes	Tangible goods
Produced and consumed simultaneously	Produced and then consumed
Customers as active participants	Customers as passive participants

## **2. Feedback in Customer Service**

Seeking feedback from customers is one important way of keeping abreast of customer perceptions and thereby evaluating the service one provides. This information regarding customer perceptions of service effectiveness likely helps employees to meet their organisational and personal goals of satisfying customers. In addition to customers evaluating organisations, they are increasingly being used to evaluate employees. London and Smither (1995) reported that approximately 60% of the consulting firms and organisations they surveyed collected performance ratings of employees made by internal or external customers. Johnson (1996) concluded that seeking information from customers regarding service effectiveness (i.e., determining the needs and desires of customers) is a critical first step in providing excellent service. Schneider et al (1998: 159) concluded that “the key to positive customer perceptions of service quality ... may be listening to customers and creating conditions that will meet those customers’ expectations and needs”. These two studies demonstrate that organisations that collect customer information at the organisational level are perceived as providing better service than those who do not collect customer information.

### **2.1 Feedback-Seeking Behaviours in Service Effectiveness**

Customer feedback-seeking behaviours (CFSBs) can be defined as actions taken to assess customer perceptions of service effectiveness. There are two feedback-seeking strategies reviewed in the literature: direct inquiry and monitoring (Ashford & Cummings, 1983). These actions range from explicitly asking the customer for evaluations to passively observing customer reactions to service delivered. These represent a variety of CFSBs that could be enacted during a service relationship. CFSBs such as these might benefit service effectiveness in two ways. First, CFSBs may provide critical information for consultant self-regulation, allowing consultants to tailor their services to customer expectations. Second, the sheer act of customer participation (i.e., providing feedback to consultants) may enhance their satisfaction.

## **3. Research Objectives**

More specifically, quantity surveying companies, as a kind of professional services firm, place great emphasis on offering quality services and on satisfying their clients (RICS, 1991). Nowadays, many clients are sophisticated and experienced property developers/corporate clients (Construction Industry Institute, 1990). The Royal Institute of Chartered Surveyors has urged quantity surveying firms to shift from their traditional services orientation to become more client-orientated (RICS, 1991). As clients have become more demanding and begun to possess greater power, the importance of client feedback has drawn more and more attention (Haines, 1999). The goal of this study is to describe how companies manage the knowledge they have of their customers, and what kinds of problems and challenges they face in managing this knowledge. The main focus of the study is on customer feedback.

## 4. Research Methods and Results

A quantitative approach is adopted in this study, since such an approach is more objective and generalisable than a qualitative approach. Subjects were picked randomly from the RICS Membership Directory (2000). In light of the limited number of firms in Hong Kong, a maximum of 30 firms was chosen from each of four locations - Australia, Hong Kong, the USA, and the UK - to achieve a balance of numbers among these places. Table 2 shows the response rate and the composition of the respondents. The overall response rate was 36.7%, which meets the 30%-50% requirement suggested by Saunders et al (1997). The response rate in Hong Kong was the highest (50%), probably because stamped self-addressed envelopes were provided. The response rate in Australia was quite low (only 21.4%), even though reminders were sent.

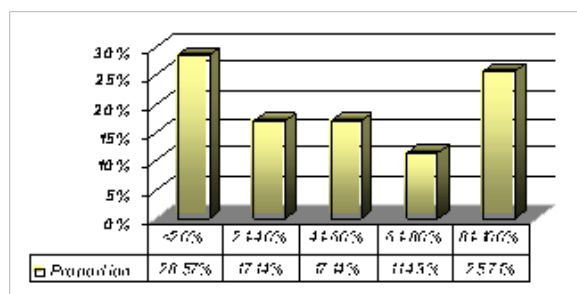
**Table 2: Response Rate**

	Australia	Hong Kong	USA	UK	Total
No. of questionnaires sent	28	26	30	30	114
No. of questionnaires returned	6	13	12	11	42
Response rate (%)	21.4%	50%	40%	29%	36.7%
Percentage of total responses	14.3%	31.0%	28.6%	26.2%	100%

Asked whether their firms had ever received feedback from clients, 86% of all subjects answered in the affirmative. Except in Australia, where 100% of the subjects had obtained client feedback, the results from elsewhere were similar, ranging from 81.8% in the UK to 84.6% in Hong Kong.

### 4.1 Proportion of Projects that Received Client Feedback

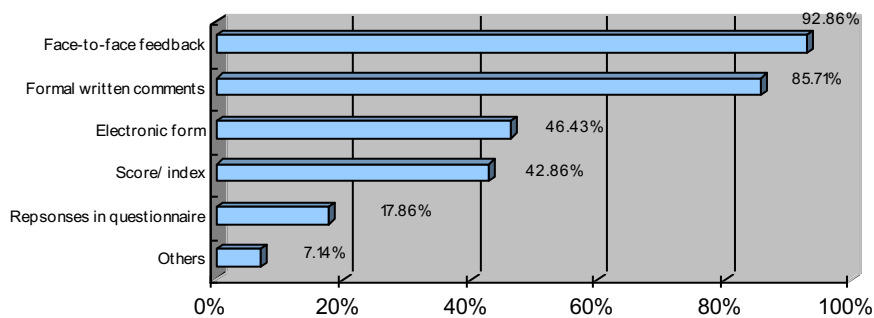
As a follow-up to the previous question, subjects were asked what proportion of their projects had received feedback from clients. Figure 1 below indicates the results. It is interesting to note that the largest groups are those that fall at the two extremes of the response scale. This implies that while some quantity surveying firms received little client feedback, others obtained a great deal.



**Figure 1: Proportion of Projects that Received Client Feedback**

Most of the respondents had received both confirmation and formative feedback, with 85.71% indicating confirmation feedback (i.e., where clients only marked the company's performance as good or bad, without further explanation) and 75% indicating formative feedback (in which constructive information on how to improve service quality and effectiveness was provided to the firms). Most descriptions of effective feedback emphasise this rule: the less specific the feedback, the weaker the impact. Feedback that is not specific can cause misperceptions, misunderstanding, and a general lack of agreement on both sides about the feedback (Lawrence & Wiswell, 1995).

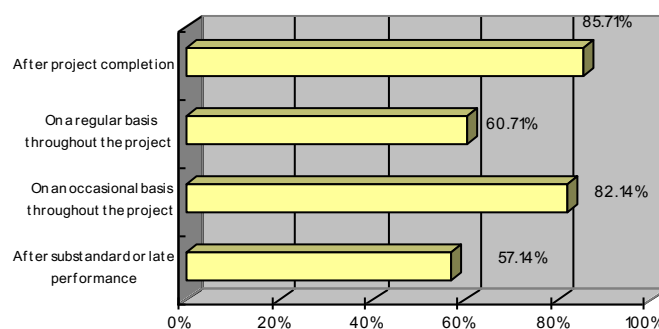
The most common forms of feedback that the quantity surveying firms received were “face-to-face interviews” (92.86%) and “formal written comments” (85.71%) (Figure 2). The percentage that came in electronic form (46.43%) was slightly higher than that which came in score/index form (42.86%). Among the five options, the least popular method was for the firms to send questionnaires to clients for feedback. Some firms received feedback through phone calls, accounting for the 7.14% listed as other methods. The main reason why the “face-to-face interview” and “formal written comments” are the most popular channels for customer feedback is probably that opinions expressed using such methods can be transmitted through normal business communications channels. However, the results can be interpreted in other ways. “Face-to-face feedback” and “formal written comments” generally consist of qualitative feedback, whereas “score/index” and “questionnaires” are usually quantitative. Currently, the amount of qualitative feedback outweighs that of quantitative feedback, as far as the client feedback that the firms obtain is concerned. This may be because clients are usually reluctant to give confirming or quantitative feedback (Smith, 2001).



**Figure 2: Feedback Formats in Current Practice**

#### 4.2 Timing of Feedback

The respondents mainly received client feedback after the completion of the project (85.71%) or on an occasional basis throughout the project (82.14%) (Figure 3). Feedback given at the final stage in the project’s life cycle is described in the RIBA Outline Plan of Work. The percentages of firms receiving feedback regularly (60.71%) and after substandard or late performance (57.14%) are similar. It can be concluded that slightly more than half of the firms had recognised the usefulness of client feedback and had a planned strategy for collecting client feedback - regularly and/or after unsatisfactory performance.



**Figure 3: Current Practices in Timing of Feedback**

### **4.3 Barriers to Feedback**

The main obstacles that firms encountered when soliciting client feedback were difficulties in obtaining such information. Firms ranked the remark “clients are reluctant to provide feedback” first (mean score = 2.4), while the comment that there is “no existing mechanism for collecting such information” was ranked second (mean score = 2.6). The “risk of offending the clients” was the third barrier that the firms faced. This result is different from what Race et al (1998) suggest. They believe that the storage of information is the most difficult part of the feedback cycle. However, storage is meaningless unless the retrieval of information is made simple. This may be why the feedback cycle developed by Race and others is not client-specific (not collected from a particular client only). It has been recognised that the clients of quantity surveying companies are usually sophisticated and experienced property developers or corporate clients (Construction Industry Institute, 1990). In such an unbalanced situation, soliciting feedback from clients may be treated as a less productive activity.

### **4.4 Negative Feedback vs. Positive Feedback**

Only 21.05% of the respondents agreed that their firms gained more from negative client feedback. The number of people (both 39.47%) who agreed that positive feedback is more beneficial to the firm equalled those agreeing that there is no difference between negative and positive feedback. Most Hong Kong respondents (66.67%) claimed that positive feedback is more beneficial. Their UK counterparts suggested that negative feedback is more beneficial (55.56%).

Bailey et al (1997) point out that individualists are more motivated to seek feedback about the success of their performance, whereas collectivists are more motivated to seek feedback about their failures. According to the cultural dimensions in organisations, as described by Hofstede (1980), Australia, Britain and the US score high in individualism, while China (indicative of likely results in Hong Kong) scores low. The finding in the current study, however, seems to contradict that of Bailey et al (1997). Hong Kong firms favour feedback on success, while UK firms favour negative feedback. The majority of firms in North America and Australia do not see a difference between the two. A meta-analysis by Kluger & DeNisi (1996) indicated that both positive and negative feedback were found to be beneficial for performance.

## **5. Conclusions**

The importance of this study is that it provides a foundation for perceptions of quantity surveying practices with regard to customer feedback. Although previous investigations have demonstrated a need for quantity surveying firms to seek feedback for better performance (Drew & Fellow, 1996), they have focused on reinforcing feedback that confirms the accuracy of cost estimates, without providing further knowledge concerning possible areas for improvement.

This study highlights the fact that quantity surveying firms are aware of the importance of tapping into customers' knowledge. They recognise the changing role and increasing influence of clients on the success of their business. They have avoided locking themselves into a static “body of knowledge” or “field of practice”, as advised by Matzdorf et al (1997). Next, there is a significant gap between the preferred style of soliciting feedback, including the level, format and timing, and what firms are actually doing. This implies that they either do not have enough power to determine the manner in which feedback is provided, or that they are rather passive in soliciting such feedback and are therefore influenced by the priorities of their clients. It is also interesting to note that although most of the respondents agreed that client feedback can improve their relationships with clients, they feel barred from seeking it because clients are reluctant to provide it or because they believe that soliciting it may offend clients. Those respondents who do not seek client feedback are also barred from obtaining this useful knowledge. This

client/consultant relationship, as the finding indicates, is not very cooperative, implying that clients are reluctant to engage in two-way communications from the consultant's perspective. This problem may lead to the non-fulfilment of clients' needs, a negative relationship between the two parties, the failure of projects or even the failure of the business. The reason for this is that two-way communications are vital in a project-based environment. Last, the respondents who felt this way are insecure about their chances of success, and find it hard to accept negative feedback, while those who welcomed negative feedback are willing to face up to their problems in order to achieve success.

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