

Customer Satisfaction Survey Best Practices

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Construction is an increasingly competitive industry where organizational focus on exceeding customer needs and expectations takes on added significance. It is important for improved performance and essential to establish a competitive advantage. The industry's best contractors consider profitability a critical element for organizational success and know higher customer satisfaction can lead to enhanced profitability. The purpose of this research paper is to identify how top performing contractors solicit, disseminate, and respond to customer feedback. A self-administered survey was used to solicit information regarding contractor's client feedback process. The sample used for the study was general contractors located in the Southeastern United States with a minimum annual volume of ten million dollars. The survey instrument was designed to collect nominal and interval data on the company and their approach to customer satisfaction surveys. For data comparison, indicators for financial performance were included to separate top performers from the balance of the sample. Statistical differences found that top performing firms are committed to obtaining, evaluating, and reacting to client feedback. Not only do the best regard enhancement of customer satisfaction related to services and performance as a primary objective, they also view customer satisfaction as an organizational focus and key in evaluation of project team performance.

Key Words: Customer Satisfaction, Client Satisfaction, Satisfaction Surveys, Feedback Process, Best Practices

Introduction

Annual construction volume in the United States exceeds 1.2 trillion dollars (US Census Bureau). Construction is one of the largest industries and is often considered a barometer of the nation's economic health. The industry is highly competitive with an average pretax margin of less than 2% of construction volume. Quite often contractor selection is price-driven, in large part because of the difficulty firms have in differentiating their service and/or product. The end game is a completed facility, and construction is often viewed as a commodity (CFMA, 2007; Bausman, 2001).

However, the construction industry has a unique combination of characteristics and factors influencing the delivery of each project. It is an industry that uses the 'project' method of delivery to plan, price, organize, and produce a unique facility. Each constructed facility typically represents a major long-term investment for an owner who is actively involved throughout the delivery process. Due to the unique production environment, the delivery process can also have perceived value (Bausman, 2001).

Each project has extensive and well-documented requirements for the physical product that set forth construction, appearance, and performance criteria. These criteria are used in the evaluation of the contractor's production process and establish the standards governing the acceptability of the final product. However, many of the production variables have a high 'service' component. In contrast to the tangible finished product, contractor services provided during production are intangible and more complex, ambiguous, and difficult to evaluate. Regardless, construction services provided during project delivery are routinely assessed based upon perceived quality and customer satisfaction. In the final analysis, customer satisfaction is influenced by both the production process as well as the finished 'good' produced by the contractor (Maloney, 2002; Anderson et. al., 1997).

Customer Satisfaction

The best performers view profitability as an essential ingredient for organizational success, but they believe that it flows from customer satisfaction. They know that satisfaction is linked to profitability and that higher satisfaction correlates with higher profitability (Denove & Power, 2006). Top performers realize that customer satisfaction and loyalty are essential to their long-term success (Johnson & Gustafsson, 2000). The best firms know that they can improve performance by creating an organizational culture focused on exceeding customer needs and expectations, and they realize that this operational focus can lead to increased profitability. They recognize that in an increasingly competitive market, customer satisfaction takes on added significance (Denove & Power, 2006).

The top performers have a generic strategy that is focused on the delivery of exceptional service exceeding customer expectations. In an effort to elevate their firm above commodity status, they seek to differentiate their organization through a relentless focus on customer satisfaction. They create an organizational awareness and commitment to the customer. They seek to enhance the client's experience and interaction with the firm. Top performers work to be viewed as an extension of the customer's organization – a valued member of the owner's team. They relentlessly pursue improvements in operational efficiency and embrace an organizational philosophy of continuous improvement to enhance performance with the long term goal of increased customer satisfaction (Bausman, 2004). Since the majority of the work acquired by industrial and commercial firms is negotiated (CFMA, 2007), client satisfaction is not an option. Rather, it is an absolute necessity for operational success and long-term survival.

The best performers have an intense focus on their current and prospective clients. They continuously solicit feedback on their performance and regularly seek information from the client's management team concerning the customer's operational needs (Bausman, 2004). 'The best' link customer needs with organizational response. Customer feedback provides management insight needed to allocate resources, define organizational focus, and establish operational priorities (Johnson & Gustafsson, 2000). Great companies listen to their customers (Denove & Power, 2006). They realize that standardized response is often not compatible with customer satisfaction. The best know that enhanced customer satisfaction requires customization of service – tailoring the firm's offerings and actions to meet individual and unique customer needs (Anderson et al., 1997).

The most successful firms charge management at every level and in every department with responsibility for customer satisfaction. They solicit regular and comprehensive feedback from their customers that is shared openly and often with the entire organization. The top performers are continually probing the market and their clients for insight and critique. They believe that meaningful data and feedback concerning their operating environment, and the firm's performance within that arena, are essential for effective response and organizational success. They believe that assessment and measurement: 1) are key to identifying areas needing improvement, 2) must be continuous, 3) need to be as 'objective' as possible, and 4) must provide feedback that is meaningful, useful and provide guidance for action (Bausman, 2003).

Research Objectives

But how do contractors establish customer expectations, solicit feedback, disseminate customer assessment of performance, and react to poor performance and/or low customer satisfaction levels? This research effort investigated that primary question. The researchers examined the work of previous research and scholarly publications on customer satisfaction surveys as well as solicited input from a regional sampling of building contractors. The primary objectives were as follows:

- Investigate how customer expectations are established.
- Identify the most effective method(s) used to solicit customer feedback.
- Determine how customer feedback is obtained.
- Investigate how customer feedback is utilized.

Research Methodology

Survey Instrument

The 'general' approach taken with this research effort was to obtain data from a broad and representative sample of the population. The research methodology incorporated a self-administered survey to obtain input from a large sampling of contractors using a Lickert scale for response options. Use of close-ended responses permitted an evaluation by each of the respondents on the selected topics of customer feedback and organizational response.

The survey instrument was designed to collect nominal data on the company and interval data on the contractor's approach to customer satisfaction surveys. The questionnaire was structured to obtain input on the following primary topics:

- **Company Data:** General company information, including type of organization, annual construction volume, area of operation, amount of negotiated and bid work, and the percentage of public and private work.
- **Customer (Client) Satisfaction Surveys:** Practices used to establish client expectations, develop survey criteria, solicit feedback, and respond to customer feedback on performance.
- **Firm Performance:** Financial performance of the contracting firm over the past five years as measured by percentage pretax profit based upon revenue, revenue growth, and return on investment.

The survey instrument was pilot tested and needed refinements were incorporated. When completed, the survey instrument contained a total of forty-nine (49) questions including those for the company's subcontractor feedback process. Due to paper length limitations, findings regarding subcontractor feedback will be presented in a future paper.

Sample Selection

The population for the study consisted of general contractors located in the southeastern United States. The sampling frame used for this study was the Dun & Bradstreet database of commercial and industrial contractors located in North Carolina, South Carolina, Georgia, and Florida with a minimum annual volume of \$10 million. The actual sample included 496 firms.

Survey Distribution and Response

A personalized cover letter along with a hard copy of the survey instrument was mailed to all 496 members of the sample. Each was asked to respond using an enclosed self-addressed, postage paid envelope. As of the cutoff date eighty-one (81) useable questionnaires were returned and thirty-one (31) of the four hundred ninety-six surveys were returned undeliverable. Combining both factors, the actual response rate was 17% (81/465).

Findings and Analysis

Organization and Statistical Analysis

Survey respondents were asked to provide input in three primary areas: 1) general company data, 2) practices used to establish expectations, survey development, solicitation and utilization of feedback, and 3) financial performance data. The statistical analysis of the data included the calculation of descriptive statistics, means testing, and the testing of paired samples. All statistical testing of the data was performed to a level of significance of .05 unless noted otherwise in this report.

General Company Data

A majority of the respondent firms operate on a regional or national scale - forty-nine percent (49%) operate regionally and fifteen percent (15%) of the respondents have operations on a national scale. Twenty-two percent (22%) of the respondents operate within the state and fourteen percent (14%) limit their operations to the local community.

Sixty percent (60%) of the firms had an annual volume of fifty (50) million or less. Approximately thirty percent (30%) of the respondents had revenue between \$50-250 million/yr and ten percent (10%) had an annual volume greater than \$250 million. Ninety percent of the respondents were commercial builders and the remainders were industrial firms. An average of forty percent (40%) of the respondents' revenue was from public agencies with the balance from clients in the private sector.

Forty-nine percent (49%) of the respondents' work was negotiated and fifty-one percent was hard bid. A majority of the respondents' work (61%) came from repeat clients. Contractors negotiating the majority of their work had 64% repeat business. Even contractors obtaining a majority of their work in the hard bid market acquired fifty-eight percent (58%) of their revenue from repeat clients.

Client Satisfaction Survey

Respondents provided information regarding their financial performance over the past five years. This information permitted categorization of response data based upon financial performance. To identify best practices, the firms with the top financial performance were analyzed. Specifically, firms in the top quartile of percentage pretax profit (based on annual volume) were evaluated. Their responses were means tested to determine how these Top Performers establish client expectations, obtain feedback, and respond to customer critique(s). The result of that analysis is as follows:

Establishing Client Expectations.

The top performing firms identified one-on-one discussions with the owner as the most effective method to establish client expectations. In addition, they regularly use preconstruction meetings prior to the start of a project to help establish expectations, determine performance criteria, and define team interaction. Insight provided by the architect/engineer and the contract documents are seen as the least effective method to establish expectations. The design team and contract may be good sources to establish contract requirements, but are not viewed as effective tools to identify expectations facilitating client satisfaction.

Formality of the Process.

Firms were asked to provide insight regarding the actual process they used to identify the level of client satisfaction. Interestingly, only 44% of the top performers had a formal feedback process. The findings of this study support the assertion that the formality of a firm's client feedback system/process is not correlated with financial performance. Top performing firms solicit client feedback using either a formal or informal process, and with some firms both methods are employed.

Contractors with a formal feedback process utilize a questionnaire that is typically prepared using internal personnel. However, the survey instrument is developed in collaboration with the client. Performance criteria deemed important to the customer is identified and forms the basis of the survey instrument. A few of the top performing firms also involve a third party in the development of the questionnaire to enhance instrument objectivity and comprehensiveness. The formal feedback process generally requires a maximum of 30 minutes with a majority of firms utilizing a questionnaire that required less than 15 minutes of the client's time to respond.

However, a majority of the top performers utilize a structured, yet informal, client satisfaction feedback process. These firms submit that face-to-face discussions with the client were the most effective method to obtain

comprehensive feedback on performance and client satisfaction levels. Regular client meetings were slightly less effective and informal social settings were considered the least effective method.

Client Feedback Process.

Top performers regularly solicit feedback from their clients. They make it easy for the client to ask for assistance, provide criticism, or offer praise. Regardless of process formality, feedback was solicited at least quarterly and often on a monthly basis. The project owner was most often solicited for assessment of performance, but the owner's senior management and project representative were also typically involved in the feedback process. Feedback was also solicited upon completion of the project. Post project meetings with clients are conducted to evaluate performance, review satisfactory and unsatisfactory service and/or production, and brainstorm areas for improvement.

The most successful contractors view one-on-one conversations with the client as the most effective way to solicit feedback. Soliciting client views over the telephone was the next most common method, but its effectiveness was rated a distant second. Use of the postal service and the internet to obtain client feedback were rated ineffective methods to gain insight on client satisfaction regarding the firm's performance.

Primary responsibility for obtaining client feedback rested with senior management and the president/CEO of the firm. Senior management and company leadership stayed 'close' to their clients. Project management was involved in the process, but did not typically assume a primary role. Third parties were rarely involved in soliciting client feedback.

Feedback Evaluation and Action.

Top performers share client feedback on performance and satisfaction with every level of the organization, especially the project team. Low satisfaction with any facet of performance commands quick and decisive action. The project team expeditiously develops and executes a plan to improve client satisfaction. They make the client's needs an organizational priority. Client satisfaction is a key element in the evaluation of project management and field supervision performance. Customer satisfaction is linked to management financial reward and advancement.

Influence of Contractor Size, Type & Contracting Method.

The general company data that was collected from the respondents during this study also permitted a comparative analysis based upon contractor size, type of work, and contracting method. The results of the comparative analysis are summarized below (level of significance of 0.05).

Company size. Comparing companies with an annual volume of \$50 million or greater (large firms) with those companies having an annual volume of less than \$50 million (small firms) yielded the following results:

- Large firms have a more structured feedback process. In addition, the process is more formal. The majority (57%) of large firms had a formal process while only 41% of small firms had a formal process.
- Large firms believe that their formal process is more effective than an informal process.
- Large firms are more likely to conduct post-project meetings with their clients to evaluate project performance.
- In small firms the president/CEO has primary responsibility for obtaining client feedback, whereas senior management has primary responsibility with large firms.

Private vs public sector work. An evaluation of the approach between companies performing a majority of their work for the public sector versus those with the majority of their work for the private sector provided two statistically significant differences.

- Firms operating primarily in the private sector were more inclined to have a formal feedback process. A significant majority of these firms had a formal process. In contrast, less than a third (30%) of the contractors with a majority of their work in the public sector had a formal feedback process.
- Additionally, in the public sector the project representative was most often solicited for client feedback, whereas in the private sector contractors more commonly solicited feedback directly from the project owner.

Contracting method. Contractors obtaining a majority of their work by lump sum bid were less likely to have a formal feedback process.

Repeat business. The amount of repeat business also influenced the contractor's approach to client feedback. Contractors with 75% or more of their work with repeat clients were:

- More likely to have a formal feedback process, and
- The president/CEO was more likely to be directly involved in obtaining client feedback.

Significant Differences of the Top Performers

In addition to means testing, the practices of firms with financial performance in the top quartile, the top performers, were statistically compared with firms in the lower three quartiles of financial performance. The performance categories included percentage of pretax profit based on revenue, annual revenue growth, return on investment, and overall firm financial performance/success of the firm compared to industry averages. The comparative statistical analysis was performed to a level of significance of .05 unless noted otherwise. The statistically significant differences are as follows:

Percentage of pre-tax profit. When comparing the top quartile as measured by percentage of pretax profit to the lower quartiles the statistically significant differences include:

- Top performers are more prone to share client feedback with the project team.
- Client satisfaction has greater importance in the evaluation of project management team performance.
- Once feedback is obtained, top performers are more likely to develop a plan to improve client satisfaction.
- If poor client satisfaction is identified, the management team is more likely to respond in a timely fashion.

Additional statistically significant differences surface when evaluating the top quartile for revenue growth, return on investment, and overall financial performance (level of significance of 0.10).

Annual revenue growth. When comparing the top quartile as measured by annual revenue growth to the lower quartiles, the best performers believe that client satisfaction is more important for the long-term success of the firm.

Return on investment. Firms in the top quartile as measured by return on investment are more likely to regularly solicit client feedback.

Overall financial performance. Firms in the top quartile of overall financial performance submit that their formal process for gathering client feedback is more effective than an informal process.

Summary

The top performing firms are committed to obtaining, evaluating, and reacting to client feedback. Their primary objective is to enhance customer satisfaction relating to their services and performance. Customer satisfaction is an organizational focus and key in the evaluation of the performance of their project team.

The formality of the feedback process is largely dependent upon company size, amount of repeat business, and primary type of work. Large firms, contractors operating primarily in the private sector, and those with a majority of their work from repeat customers have a more structured and formal process. However, regardless of company size, percentage of repeat business, or type of work, top performers have a feedback process that relies heavily upon personal contact and communication with the project owner and/or their representative.

Top performers recognize that each customer has unique needs and expectations. As a result, they make a concerted effort to identify customer expectations through direct discussions with the owner and participation in preconstruction meetings with the owner and their team prior to the start of the project.

Once expectations are established, top performing contractors solicit feedback on a regular basis. Leadership of these firms is readily accessible to their customers. Senior management and company ownership of the contracting firm are directly involved in the process. They stay 'close' to their clients and solicit feedback at every stage, including subsequent to project completion. Feedback is shared openly with the project team and low satisfaction with any facet of performance commands quick and decisive action. With the top performers, the client's needs are an organizational priority.

The survey instrument utilized to gather data for this research may be viewed below. For detailed statistical data analysis, please contact Dr. Dennis Bausman at dennisb@clermson.edu.

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US Census Bureau

Questionnaire on the Customer Feedback Process for Your Firm

Section I: General Information

Which of the following geographical designations best describes your firm's *area of operation*?

Global National Regional State-wide Local

What was the 2007 annual volume (millions) of your company? < \$10m __ \$10-50m __ \$50-250m __ >\$250m __

Approximate % of your company's annual volume in: ___ Gen'l Bldg. ___ Residential ___ Industrial ___ Other ___

What is the approximate % of your firm's annual volume for each of the following: (does not have to total 100%)
 Public Agencies ___ Negotiated ___ Repeat Clients ___
 Private Owners ___ Hard Bid ___ Other (please specify) ___

Section II: Client (Owner) Satisfaction

How are expectations for client satisfaction established? (Rank from 1= most effective to 5=least eff./; use no. once)
 ___ Contract Requirements ___ One-on-one with the Owner ___ Other ___
 ___ Pre-construction meeting ___ Insight provided by A/E

Rank the following on the most effective way to solicit client feedback. (1=most effective;5=least eff.; use no. once)
 ___ One-on-One ___ Mail ___ Telephone ___ Internet ___ Other ___

Does your company have a formal process for collecting client feedback? ___ yes ___ no
 If yes, how is the questionnaire typically developed? (Select all that apply)
 ___ Internal Personnel ___ 3rd Party ___ Standard Form ___ Client Input ___ Other ___

Typically, how long does it take your clients to complete your company's survey?
 ___ 0-15 minutes ___ 15-30 minutes ___ 30-45 minutes ___ 45-60 minutes ___ 60+ minutes

Rank the effectiveness of the following informal processes. (1=most effective; 4=least eff.; use each no. once)
 ___ Face-to-Face with Client ___ Informal Social Settings ___ Regular Client Meetings ___ Other ___

Rank from 1-5 who has the primary responsibility for soliciting client feedback. (1=prim. resp.; 5=least resp.; use once)
 ___ President/CEO ___ Sr. Mgm't ___ Project Mgm't ___ 3rd Party ___ Other ___

How often is client feedback solicited?
 ___ Never ___ Weekly ___ Monthly ___ Annually ___ Other ___

Rank from 1-5 who is normally solicited to provide client feedback on performance of GC? (1=most often; 5= least often)
 ___ Project Representative ___ Owner Rep. ___ Sr. Management ___ Owner ___ Other ___

With whom in the company is the client feedback shared? (Select all that apply)
 ___ CEO ___ Sr. Mgm't ___ Project Mgm't ___ Field Supervision ___ All Project Personnel

Please indicate the extent of your agreement with the following statements.

1=strongly disagree, 2=disagree, 3= neither agree or disagree, 4=agree, 5=strongly agree	Strongly Disagree	(Circle One)	Strongly Agree
My company's client feedback process is very structured.	1	2 3 4 5	
Our formal process for gathering client feedback is more effective than the informal process.	1	2 3 4 5	
Pre-Construction meetings are conducted before all jobs to establish client expectations.	1	2 3 4 5	
Post-Project meetings with clients are conducted after every job to evaluate performance.	1	2 3 4 5	
Client feedback is shared with all of the project team.	1	2 3 4 5	
Client satisfaction feedback is regularly solicited from each client.	1	2 3 4 5	
Client satisfaction is important for evaluating the project management team performance.	1	2 3 4 5	
Once feedback is obtained, the project team develops a plan to improve client satisfaction.	1	2 3 4 5	
If poor client satisfaction is identified, the mgm't team responds in a timely manner.	1	2 3 4 5	
Client satisfaction is important with regard to the long term success of our company.	1	2 3 4 5	

Section III: Information Concerning Your Firms Performance

How does your firm's performance over the past 5 years compare to industry averages? (mark one for each item)

<u>Performance Measure</u>	Top 25%	(Top quartile – best in class) Next 25%	Lower 25%	Bottom 25%
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Percentage of pretax profit (based on volume)	_____	_____	_____	_____
Annual revenue growth	_____	_____	_____	_____
Return on investment	_____	_____	_____	_____
Overall firm financial performance/success	_____	_____	_____	_____

Thank you for your time and valued input. If you would like a copy of the results, please attach a business card or list an email address below.

Email address: _____