



# How organisations can learn from complaints

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## Abstract

**Purpose** – In the literature on complaint management the importance is acknowledged of learning from complaints. Still, the concept of organisational learning has not yet been embedded in the field of complaint management. Therefore, this paper aims to adjust a general model for organisational learning to the concept of complaint management in order to make it operational for this field.

**Design/methodology/approach** – The notion of organisational learning in combination with complaint management is modelled as a system. This system enabled us to analyse the practices of handling and analysing complaints within six Dutch service organisations and to assess the potential of these organisations for organisational learning.

**Findings** – The results of the paper categorise a variety of complaint management practices along two elements of organisational learning: triggers and modes of learning (i.e. informational learning or interactive learning).

**Research limitations/implications** – Further research should include the applicability of the learning model to different sectors or organisations.

**Practical implications** – This collection of practices can be used as a managerial guideline for improving the processes of learning from complaints.

**Originality/value** – This paper contributes to embedding the concept of organisational learning in the field of complaint management.

**Keywords** Complaints, Organizations, Learning, The Netherlands

**Paper type** Research paper

## Introduction

The phenomenon of customer complaints can be considered a fact of life with which organisations have to deal with in one way or another. From the customer perspective, however, it can be argued that complaint behaviour should be facilitated, taken seriously, and eventually motivate organisations to come to a (re)solution of some kind. This is regarded as common knowledge in complaint management (Barlow and Møller, 1996; Tax and Brown, 1998; Johnston and Mehra, 2002). More structurally, the emergence of (new) complaints could be a starting point for analysis, improvement or even the elimination of particular organisational practices that may have led to these complaints; here we approach the area of learning.

In this article, we start from the assumption that complaints can and should be an opportunity for organisations to learn from. Moreover, valuing complaints in this way improves organisations' long-term relationships with their customers. However, there are still many companies that do not adopt this approach; they seem to consider complaint management as a cost centre or even as a waste of money, and therefore do



not facilitate complaint behaviour (Barlow and Møller, 1996; Tax and Brown, 1998; van Ossel *et al.*, 2003; Stauss and Schoeler, 2004). For instance, Tax and Brown (1998) point out that only 5-10 per cent of the customers that are dissatisfied actually complain. Needless to say that due to this fact organisations cannot learn from complaints.

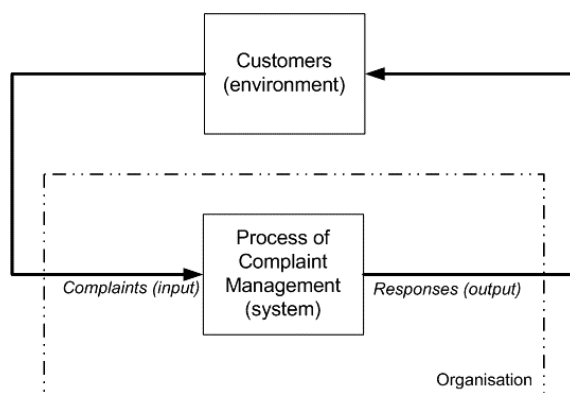
In this article, we have turned to the theory of organisational learning (OL) for obtaining insights into learning from complaints. Although in the literature on complaint management both opportunities for and difficulties of learning from complaints are noted (e.g. Tax and Brown, 1998; Johnston, 2001; Johnston and Mehra, 2002), to our knowledge the concept of OL has not yet been embedded in the field of complaint management.

In this paper, we aim at contributing to the integration of the OL notion into the domain of complaint management. More particularly, we will adjust a general OL model to the concept of complaint management in order to make it operational for this field. This adjustment has resulted in a classification of learning practices, which will be illustrated by case examples drawn from a number of service companies.

### Modelling complaint management

To apply OL in the domain of complaint management, the latter needs to be clearly delineated. In this paper, we set boundaries by modelling complaint management (CM) as an input-output system within an environment (compare van de Water and de Vries, 1992; de Leeuw and Volberda, 1996). The process of CM (i.e. the system) consists of a number of organisational activities, and we consider the buying customers as the environment of this structure. Now let us first discuss what the domain of CM is concerned with. If customers are not satisfied with the service(s) or product(s) delivered to them they may want to complain. A complaint can be considered as any form of expression of dissatisfaction by customers, either with or without good reason (see also Barlow and Møller, 1996; Stephens and Gwinner, 1998). In system terms this means that a complaint can be considered as the input of the CM-system, while the response (of whatever kind) to the customer is the output of that system. Through organisational activities within the system a complaint is transformed into a response (see Figure 1).

In the literature a distinction is made between complaint handling and complaint management (Stauss and Seidel, 2005). Complaint handling stands for operational activities directly aimed at helping customers resolve their complaints. In this way,

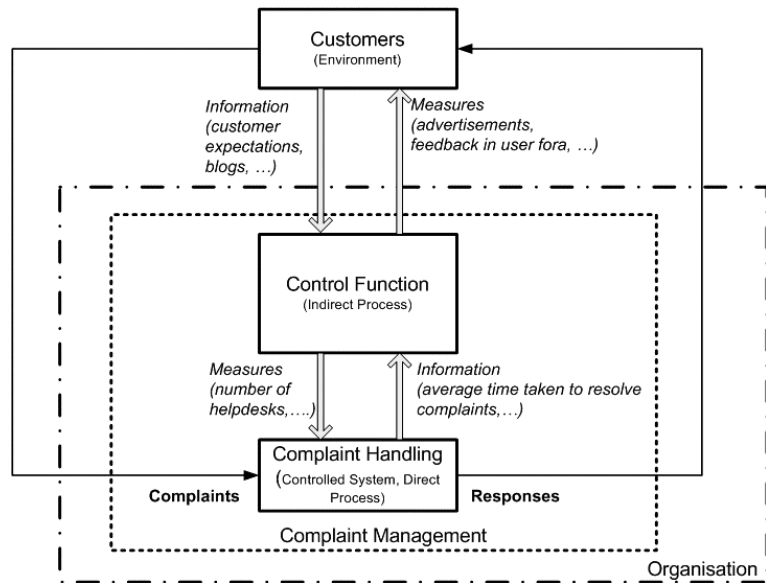


**Figure 1.** Complaint management (CM) modelled as an input-output system

complaint handling is a customer-oriented business process, consisting of front-office activities. Complaint management refers to the overall process. So in addition to the direct, customer-oriented process of complaint handling, it also encompasses indirect, internal business processes, such as the planning and control of complaints handling, including a long-term analysis of complaints. Such analyses enable an organisation to identify and review possible weaknesses within its internal and external processes. The objective of complaint management is therefore not only focussed on customer retention by solving customer dissatisfaction, but also on ensuring a long-term improvement of the service(s) to the customers and, in this way, building a customer-oriented organisation (Wegmann, 2001; van Ossel *et al.*, 2003; Stauss and Seidel, 2005).

From a systems perspective this means that complaint handling and complaint management focus on different levels of problems. It is therefore relevant to view CM as a multi-layered system. When opening the CM box as displayed in Figure 1, we see that the direct activities of complaint handling constitute a (sub)system to be controlled. We label this the controlled system. In addition, there are activities of planning and control; these activities constitute the so-called control function. Hence, the overall system of CM consists of the complaint handling process (controlled system) and a control function. For an overview of the CM modelled as a system, see Figure 2.

As mentioned, the environment of the CM system encompasses the customers who buy services or products. To complete our system model, the input (information) of the control function coming from the environment consists of information, such as customer expectations and consumer discussions about the quality of the products and services, for instance in user fora and in the blogosphere of web logs. The output (measures) of the control function aimed at the environment entails activities such as



**Figure 2.**  
Complaint management  
modelled as a  
multi-layered system

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advertisements or feedback in user fora. The input (information) of the controlled system (i.e. complaint handling) from the control function consists, for example, of the average time taken to resolve the complaints. The output (measures) is formed by the control measures to handle complaints, such as increasing the number of helpdesks.

### Combining OL with CM

In this section we add OL to the domain of CM, resulting in a combined model of OL and CM (OL-CM). It should be noted that, although individual learning (i.e. from complaints) is relevant (see, e.g. Rampersad, 2003), in this article we have confined ourselves to learning on an OL.

OL can be described on the basis of at least three elements. First, there is something that sets off or starts the process of learning. At the other end of the continuum, when the process of learning has taken place, there is an outcome: the results of learning. In addition, there are activities of inquiry underlying the process of learning. In the literature, these rather self-evident elements all contribute (in varying ways) to giving meaning to the OL concept. In this section, we use these three elements to make a connection between OL and CM.

First, a process of learning may be initiated when a particular actor perceives (part of) reality as problematic. Such perceived reality then functions as creative tension (Senge, 1990). A variety of events can cause creative tension, such as a problem, the divergence of a norm or vision, or, as is relevant in this case, a complaint. Furthermore, both internal and external events or circumstances (i.e. in the area of the complaint management domain) may give rise to such creative tension. Senge (1990, p. 9) argues that the existence of creative tension is necessary for being able to learn: "... creative tension comes from seeing clearly where we want to be, our vision, and telling the truth about where we are, our current reality". We refer to this creative tension as a trigger for OL.

Second, particularly the issue of how learning takes place is an important field of attention in the literature. Elements that underly OL are activities of inquiry; however, these activities can be carried out in various ways. Gnyawaly and Stewart (2003) analyse these learning activities and categorise them into two (main) modes of learning: informational learning and interactive learning (see also Elkjaer, 2004). Informational learning focuses on the acquisition, storage and distribution of information (see, e.g. Day, 1994; Garvin, 1993). Interactive learning, on the other hand, emphasises the importance of creating and transforming routines by interactions among people (see, e.g. Senge, 1990; Schein, 1993; Nonaka and Takeuchi, 1995). Typical of informational learning is the collection, analysis and distribution of information. The above-mentioned authors that define informational learning stress the relevance of collecting and storing information to gather explicit information to be transferred to the various actors within the organisation. In the case of interactive learning, a dialogue between individuals is essential for developing new routines or for creating shared knowledge structures. Since part of the individual knowledge is implicit, it is important to externalise this implicit knowledge to be able to share it (Nonaka and Takeuchi, 1995; Nonaka and Konno, 1998). This is an additional reason why interaction and dialogue are so important.

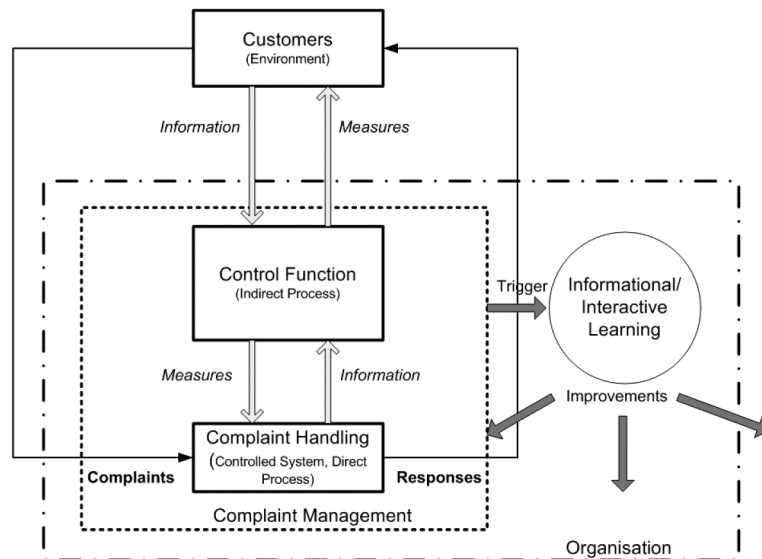
Gnyawaly and Stewart (2003) combine the two modes of learning in a model that includes four types of learning. Their model is a contingency model; they argue that

informational learning is primarily effective for reducing uncertainty within an organisation, whereas interactive learning is effective for reducing complexity. This means that, depending on the environmental circumstances of an organisation, one of the two types of learning is more effective than the other.

Third, as already suggested by the discussion of the processes of OL, the outcome of OL can be diverse. In order to differentiate OL from change or adaptation, Fiol and Lyles (1985) argue that learning is primarily cognitive (see Bapuji and Crossan, 2004, p. 399f.). Nowadays the idea prevails that the outcome of OL can be both cognitive and behavioural. This means that OL may lead to new knowledge, but also to action. In short, OL is the source of improvements.

By adding these three elements of OL (i.e. trigger, how: informational and interactive learning, and what: improvements) to the system model of complaint management, a combined OL-CM model is obtained (see Figure 3).

Based on this combined OL-CM model we may conclude that the complaint management process as a whole leads to the trigger that causes OL to be initiated. As indicated, the triggering of the learning processes can be caused by various events, for example, by a particular complaint, by the analysis of a set of complaints, or by a dialogue with a customer panel. What is crucial is that such an event is acknowledged as the input of the learning process; that is to say as the trigger. The application of the two learning modes to complaint management leads to the following. Informational learning from complaints concentrates on the formal and quantitative registration and analysis of complaints and their sources. Much attention is given to structural processes and information systems to store complaints as well as complaint analyses. Interactive learning from complaints concentrates on the dialogue between different



**Figure 3.**  
The combined model of organisational learning and complaint management (OL-CM model)

**Note:** The key elements of OL (i.e. Trigger, Improvements) are depicted by darker arrows than the input/output arrows of the system model of CM

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individuals, groups or units about the complaints and their main sources. At this point, the question of what is (or could be) the result of OL cannot be answered in specific terms. In any event, it should be noted that possible improvements can concern the domain of complaint management, or other parts of the wider organisation, or even how the organisation interacts with its environment (see the different “improvement arrows” in Figure 3). For instance, acknowledging that particular customers often express the same types of complaints (i.e. the trigger) could lead to further investigation of and/or a dialogue about the source of these complaints (i.e. the ways of OL), which may eventually result in a specific approach to the way in which complaints are handled, or to adjusting the organisation’s core process, or even to changing the organisation’s relationship with a supplier (i.e. the improvements).

In the next section, we will deal with the OL-CM model in more detail by discussing several practices (derived from those employed in six Dutch organisations).

### **Evaluating CM from a learning perspective**

#### *Study approach*

As mentioned, we aim at transforming a general OL model to a model that is suitable for the practice of CM. To achieve this goal we have analysed the practices of CM within six organisations. In preparing our data collection we determined the relevance of these particular organisations for our research in a number of steps. Based on desk research, we made an initial list of 23 organisations that could be interesting for this study. Our main criterion for putting organisations on this list was the possible presence of a particular management system for complaint handling. Some organisations were in fact known for their complaint handling procedures; others were assumed to possess this feature, largely because of their size. The organisations on the initial list were all contacted for an interview, which resulted in a final list of six organisations that we considered the most promising for our study: a software supplier, a document handler, a telecommunications provider, a delivery services provider, a financial institute and an industrial supplier. In each of these organisations, we interviewed the most relevant functionary or manager, mostly a complaints manager.

The two leading questions of these interviews were: “What are present practices of CM?”, and “How can these practices be described in terms of OL?” The findings of the interviews were sent back to the respondents for verification. Based on the interviews, we described for each organisation how they define a complaint, what they consider the goal of complaint management, how they handle complaints, and how they have organised learning from complaints. This led to a collection of practices categorised according to the OL-CM model. The complaint definitions underlying these practices varied from broad (e.g. every single expression of discontentment of a customer) to narrow (e.g. a problem of a customer that could not be solved immediately). In each case we used the organisations’ definitions as a starting-point for mapping relevant CM practices. However, in specifying the practices we also encouraged the respondents to go beyond their complaint definitions, particularly in the case of a narrow definition.

#### *Results*

This section discusses the different practices of CM as observed in the six organisations. The different activities associated with learning from complaints were

categorised according to the OL-CM model in the following way. The learning practices were classified on the basis of the extent to which they served as a trigger or as an example of how learning can take place. These categorisations are presented below:

(1) *Triggers:*

- Complaint reports, including information on problem owners, the number of complaints and their lead times. Sending complaint reports to top management periodically.
- The outcome of customer satisfaction research consists of a set of complaints that is used as input for developing possible improvements.
- The use of an online customer feedback system in which all information about complaints is stored, analysed and distributed. Reports and analysis are generated automatically.
- The distribution of complaint reports via a web tool; information about complaints is freely available.
- Mail alerts to managers when customers are not satisfied about a solution to a complaint or when lead times become too long.

(2) *How:*

- Information exchange and sharing during the complaint process and learning opportunities (informational):
  - Mail alerts to all employees participating in an improvement process and to the customer concerned.
  - Making information about improvement projects focussed on complaints accessible on the intranet.
  - Publishing information about reasonable terms concerning complaints throughout the organisation (e.g. on the intranet).
- Interactions to understand the complaints and their causes better (interactional):
  - Starting a dialogue with a customer (or group of customers) about the complaint as experienced by this customer (or this group).
  - Having employees take turns at various units for a period of time to increase the insight into the causes of the complaints.
  - Having a group of employees from different units or of one particular unit analyse the complaint.
- Interactions to resolve complaints (interactional):
  - Introducing a specific management system (e.g. a project-based system) that is collectively used by employees to work on improvements in the solving of complaints.
  - Improving work processes by direct contact between employees of different units or by designating them to teams dealing with complaints.
  - Interaction between support and development concerning customer complaints and their future solutions.
  - Root cause analysis by and within units that predominantly cause complaints; individuals involved should try to find a solution together.
  - Checks by (quality) management to establish whether complaints that frequently occur are being (or have been) improved.

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- Integrating management activities of complaint handling and analysis and the development of new products (including products that were already launched recently).
  - Developing performance indicators for complaints.
  - Developing standard procedures for complaint handling as well as implementing improvements.
  - Regular checks of the employees' knowledge level in complaint handling along with the provision of education on a structural basis.

How learning takes place is further specified according to the informational and the interactive learning mode. The practices described in the list have to be considered as managerial guidelines meant to complement organisations' complaint management procedures as well as to increase the understanding of how to work with triggers and learning activities.

### **Conclusion and further research**

In this paper we have presented a combined OL-CM model to be used in the domain of CM. This model indicates how organisations can learn from complaints and hence may improve their long-term relationships with their customers. The model is based on the OL model of Gnyawaly and Stewart (2003), which combines two modes of learning: informational and interactive learning. The practices obtained were labelled informational learning if they focussed on the registration and analysis of complaints or on the information systems that store complaints, including their analysis. They were labelled interactive learning if they focussed on the dialogue between various individuals, groups or units within the organisation.

The original learning model of Gnyawaly and Stewart (2003) reflects the argument that an organisation should review its mode of learning and determine whether it suits the environmental circumstances. For example, in a complex environment, the analysis of information will not necessarily lead to proper solutions; in this case it is likely that the interactive mode is more appropriate. This implies that based on the results of this study a management tool can be developed for analysing how organisations learn from complaints. Furthermore, the findings can be useful for expanding the list of activities that might enhance OL from complaints within an informational or an interactive mode (see the above list).

Since in CM a quick response to complaints is important (Johnston and Mehra, 2002), in general the primary focus of organisations is on the direct process of complaint handling. Because of this urgency, it might be difficult to allocate time (and money) to indirect CM processes, such as information retrieval and exchange between people, and thus to learning. Therefore, in order to obtain adequate information by means of interactive learning in particular, this practice must be explicitly organised within an organisation next to the complaint handling processes. We believe that otherwise learning from complaints will hardly take place. Furthermore, to test our findings a relevant task in future research would be to monitor possible changes in the quality of the customer relationships of organisations that have decided to apply the practices described in this article.

Finally, in this article the case organisations we studied are service organisations. In complaint management, the service context, which deals with non-tangibles, can be considered the most relevant. Because here production and consumption go hand in

hand, issues of quality, and consequently the presence of dissatisfied and/or complaining customers, particularly apply to this area (van Ossel *et al.*, 2003, p. 139). However, we suggest that further research also includes examining the applicability of the learning model to other sectors or organisations, for example the manufacturing industry, which deals with more tangible products.

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