

**SUSTAINABLE SERVICE RECOVERY AND PERFORMANCE OF  
BUSINESSES IN THE SERVICE INDUSTRY IN SOUTH EAST NIGERIA**

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***Abstract***

The service industry plays an important role in the economic development of South East, Nigeria. This sector significantly contributes to the local economy. Despite the importance of the service industry, there seem to be a decline in the quality of service provision across various sectors. The study therefore determined the relationship between sustainable service recovery and performance of businesses in the service industry in South East Nigeria. The study adopted a correlational survey design. The population of the study consisted of medium-scale enterprises engaged in the service industry in South East, Nigeria. The sample of the study was 400 respondents. Two structured questionnaire were used to collect data for the study. Pearson product moment and multiple regression analysis were used to analyze data. The finding of the study revealed a high positive relationship between sustainable distributive justice, sustainable procedural justice, sustainable interactional justice and performance of businesses in the service industry in South East Nigeria. Furthermore, the finding of the study showed that there is a significant relationship between sustainable service recovery (sustainable distributive, sustainable procedural and sustainable interactional) and performance of businesses in the service industry in South East Nigeria. Sustainable service recovery significantly improves performance of businesses in the service industry in South East Nigeria. It was

recommended among others that managers of businesses in the service industry should ensure that compensation offered to customers for service failures is perceived as fair and contributes to the organization's economic growth.

**Keywords:** Sustainable, Service Recovery, Performance, Business, Service Industry

## INTRODUCTION

The service industry has become a cornerstone of the global economy, contributing significantly to GDP across various regions. As of recent estimates, services contribute approximately 67% to global GDP, reflecting a steady increase from 53% in 1970. This trend is particularly pronounced in developing economies, where the service sector has outpaced both manufacturing and agriculture in growth rates (World Trade Organization, 2023). By 2019, services accounted for about 55% of GDP and 45% of employment in developing nations (Gill, 2021). In Nigeria, the service industry plays a crucial role in the economy, contributing around 53% to the national GDP. This sector encompasses various activities, including telecommunications, banking, hospitality, and trade (Owusu et al., 2021). The growth of the service sector is vital for Nigeria's economic diversification efforts, particularly as the country seeks to reduce its dependence on oil revenues. The expansion of services not only creates jobs but also stimulates other sectors by providing essential support and infrastructure.

The service industry is characterized by intense competition, where businesses strive to differentiate themselves through the quality of services rendered. High-quality service is essential for attracting and retaining customers, as it directly influences customer satisfaction and loyalty. Jean (2012) opined that Service failure occurs when crucial service performance falls below the customer's expectation. Customers often receive subpar services, causing frustration and despair. Responding to consumer complaints quickly is vital for maintaining a company's image, regardless of expenses or time limits. Mwakyusa and Katema (2024) stated that managing complaints is a key indicator of improving service recovery. Anderson and Porter (2016) defined service recovery as an organization's

capacity to handle customer-facing issues. Service recovery, on the other hand, refers to the actions and measures undertaken by a service provider in response to a service failure (Fatma et al., 2016). Oranusi and Mojekeh (2019) asserted that a good service recovery system improves operational efficiency by identifying trends and causes of complaints, adopting a customer-focused approach to resolution, providing effective customer service training, and monitoring and improving the complaints handling process. This has increased the call for sustainable service recovery in the service sector.

Sustainable service recovery merges the principles of rectifying service failures with the aims of sustainability. It stresses the importance of not only addressing service issues efficiently but also ensuring that recovery efforts have a positive impact on long-term customer relationships and broader societal objectives. Sustainable service recovery can be defined as the process by which service providers not only correct service failures but also enhance customer satisfaction and loyalty while promoting environmental and social responsibility (La & Choi, 2018). The goal is to address these issues to the stakeholders' satisfaction, thereby ensuring their retention (La & Choi, 2018). Desjardins (2000) opined that sustainable development involves a sustainability discourse, which began with the realisation that global economic development cannot be separated from ecological stability, social justice, and equity.

The link between sustainable service recovery and performance of businesses has been scarce. Though some authors like Santos-Vijande et al (2013) asserted that sustainable service recovery requires organizations to analyze root causes and implement corrective actions. This process helps identify and address inefficiencies in operations, leading to improved performance and cost savings. Kalagbor (2022) stated that Organizations can improve their image among stakeholders by connecting service recovery with CSR values and advocating for sustainability. This credibility helps to attract and maintain consumers, workers, and business partners. Sustainable service recovery helps the organization's long-

term viability by preventing future failures, mitigating negative consequences, and fostering a culture of continuous improvement (La & Choi, 2018). This resilience assures the organization's ability to succeed in the face of adversity. Sadly, these views have not been empirically proven in South East Nigeria. It is against this background that the researcher investigated sustainable service recovery and performance of businesses in the service industry in South East Nigeria.

### **Statement of the Problem**

The service industry is an important sector to the economic development of South East, Nigeria. This sector includes hospitality, healthcare, education, transportation, and business services, all of which significantly contribute to the local economy and employment opportunities. It supports local economies by providing jobs and facilitating trade. Establishments range from hotels and restaurants in the hospitality industry to educational institutions and healthcare facilities, catering to the diverse needs of the population. Despite the importance of the service industry, there seem to be a decline in the quality of service provision across various sectors. This decline has led to increased litigations and customer dissatisfaction. A significant issue is the failure of many firms to recognize their role in maintaining corporate social responsibility. This neglect can lead to service failures that adversely affect customer perceptions.

Studies have shown that poor service quality has been shown to impact customer loyalty negatively (Liao et al., 2022). When customers feel their needs are not met, they are less likely to return or recommend the business to others. Sustainable service recovery practices have been identified as a means to enhance customer loyalty and retention (Oranusi & Mojekeh, 2019). However, the relationship between sustainable service recovery and business performance has not been empirically proven in Southeast Nigeria. This gap indicates a need for further research such as the present study to investigate sustainable

service recovery and performance of businesses in the service industry in South East Nigeria.

### **Research Objectives**

The study investigated sustainable service recovery and performance of businesses in the service industry in South East Nigeria. The specific objectives of the study are to:

- i. Ascertain the relationship between sustainable distributive justice and performance of businesses in the service industry in South East Nigeria.
- ii. Determine the relationship between sustainable procedural justice and performance of businesses in the service industry in South East Nigeria.
- iii. Find out the relationship between sustainable interactional justice and performance of businesses in the service industry in South East Nigeria.

### **Research Questions**

The following research questions guided the study:

- i. What is the relationship between sustainable distributive justice and performance of businesses in the service industry in South East Nigeria?
- ii. What is the relationship between sustainable procedural justice and performance of businesses in the service industry in South East Nigeria?
- iii. What is the relationship between sustainable interactional justice and performance of businesses in the service industry in South East Nigeria?

### **Hypotheses**

The null hypothesis was tested at 0.05 level of significance:

Sustainable service recovery (sustainable distributive, sustainable procedural and sustainable interactional) does not significantly improve performance of businesses in the service industry in South East Nigeria.

## **Literature Review**

### **Conceptual Review**

#### **Sustainable Service Recovery**

Service recovery is defined as the actions taken by a company in response to an observed service failure. Service recovery could be defined as an action undertaken by a service provider in response to a service failure in an attempt to deliver the service correctly on the second attempt (Oranusi & Mojekeh, 2019). It was defined as the actions of a service provider to mitigate and/or repair the damage to a customer that results from the provider's failure to deliver a service as designed (Johnston & Hewa, 2007). Smith et al (2012) defined service recovery as an instrument of competitive advantage that sought to rectify customer issues during and after the service encounter and before and after complaints. Okeiyi and Agu (2022) defined service recovery as a thought-out, planned process for returning aggrieved customers to a state of satisfaction with the firm after a service or product had failed to live up to expectations. Agu et al (2018) stated that "since most dissatisfied customers were reluctant to complain, service recovery attempts to solve problems at the service encounter before customers complained or before they left the service encounter dissatisfied. Service recovery strategies involved actions taken by service providers to respond to service failures. Smith et al. described service recovery as a bundle of resources that an organization could employ in response to a failure. Sustainable service recovery could be defined as the process by which service providers not only rectified service failures but also enhanced customer satisfaction and loyalty while promoting environmental and social responsibility (La & Choi, 2018). It involved addressing service failures in a manner that not only resolved immediate customer issues but also contributed to long-term organisational sustainability and environmental stewardship. This required implementing recovery strategies that were effective in the short term and aligned with sustainable practices, ensuring that the service recovery process did not compromise future service quality or stakeholder trust. The aim was to address these issues to the stakeholders'

satisfaction, thereby ensuring their retention (La & Choi, 2018). Desjardins (2000) asserted that sustainable development involved a discourse on sustainability, which began with the realisation that global economic development could not be separated from ecological stability, social justice, and equity. Sustainable service recovery encompasses three key dimensions of justice that organizations must consider to effectively address service failures while promoting long-term sustainability:

1. **Sustainable Distributive Justice:** This refers to the tangible resources offered by the firm to compensate for the service failure, such as refunds, discounts, or replacements (Peng & Yeong, 2019). Sustainable distributive justice involves ensuring that these outcomes are perceived as fair by customers and contribute to the organization's economic growth and profitability.
2. **Sustainable Procedural Justice:** This dimension focuses on the fairness of the processes and policies used to resolve the service failure (Liao et al., 2022). Sustainable procedural justice requires organizations to develop systems and operational procedures that are transparent, consistent, and responsive to customer needs. This helps prevent future failures and contributes to the organization's long-term resilience.
3. **Sustainable Interactional Justice:** This aspect emphasizes the fairness of the interpersonal treatment customers receive during the service recovery process (Mwakyusa & Katema, 2024). Sustainable interactional justice involves empowering employees to offer personalized solutions, communicate empathetically, and build strong relationships with customers. This contributes to customer loyalty, retention, and the organization's social impact.

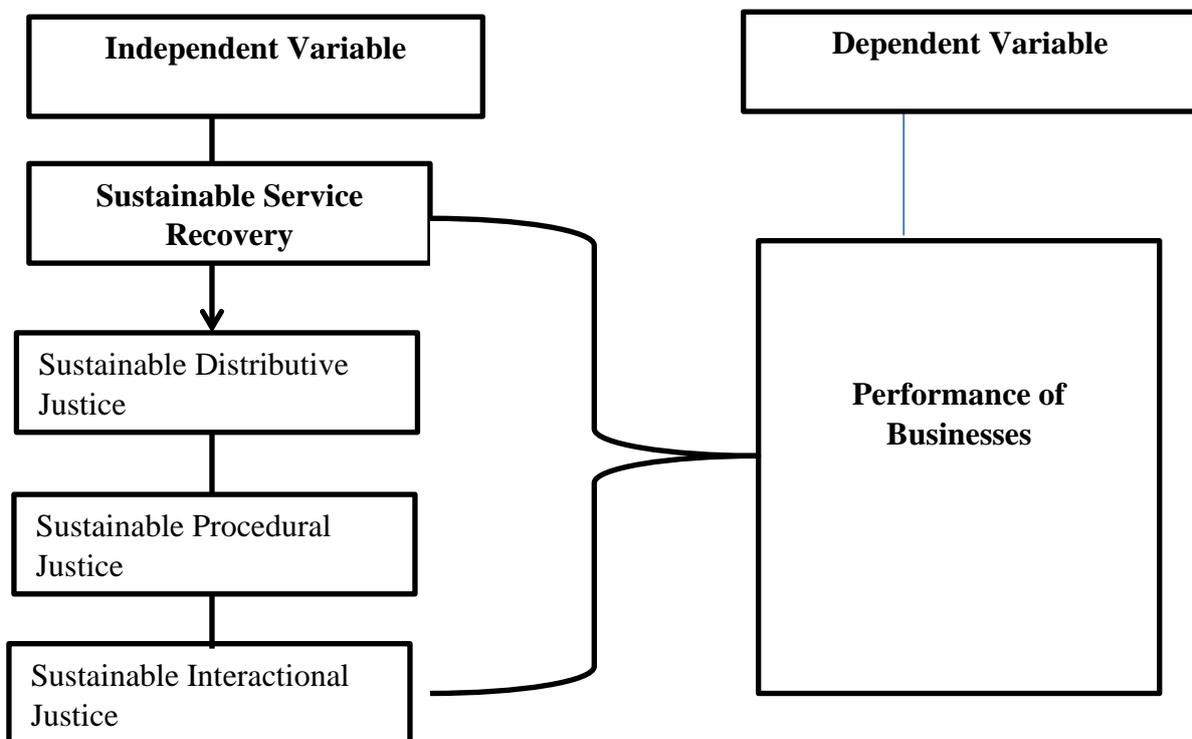
### **Business Performance**

Performance is a widely utilised concept across various fields. Generally, it refers to the extent to which a mechanism or process achieves its intended purpose. In the realm of enterprise management, Franco-Santos et al. (2007) characterised an organisation's

performance as the effectiveness of its management and the value it delivers to customers and other stakeholders. For this research, performance is associated with fulfilling stockholder and investor interests. Business performance is defined as the operational capacity to meet the expectations of a company's primary shareholders (Zulkiffli & Perrere, 2011), and it is essential to evaluate this to gauge an organisation's achievements. Common indicators for measuring business performance include profit, return on investment (ROI), turnover or customer numbers, design quality, and product improvement (Wood, 2006). In the context of this study, business performance is defined as the capability of a business venture to maintain or achieve its predefined objectives through securing business profit, increased turnover, and high ROI.

### Conceptual Framework

The conceptual framework depicts the link between sustainable service recovery and performance of businesses in the service industry in South East, Nigeria. The independent variable of the study is sustainable service recovery (sustainable distributive, sustainable procedural and sustainable interactional) while performance of businesses is the dependent variable.



**Fig 1:** Conceptual representation of the relationship between sustainable service recovery and performance of businesses in the service industry in South East, Nigeria

Source: Field Study, 2024

### **Review of Empirical Studies**

Oranusi and Mojekeh's (2019) study examined the impact of service recovery on customer retention in commercial banks in Onitsha, Anambra State, Nigeria. The research, based on equity theory, involved 300 customers from six banks in the area. The study used structured questionnaires and simple regression analysis to collect data. The results showed that service recovery significantly improved customer retention in the selected banks. The study suggested that banks should provide employees with service recovery strategies that include immediate and appropriate service failure response to enhance customer retention. The findings suggested that banks should prepare their employees with service recovery strategies to address customer dissatisfaction in the banking sector.

Okeiyi and Agu (2022) used a four-factor model to study the impact of service recovery strategies on customer loyalty in three fast food firms in Umuahia, Abia State. The study found that apology, explanation, refund, and replacement were positive but non-significant predictors of customer loyalty, explaining 10.7% of the variance. The study recommended immediate, timely, and appropriate service recovery using compensation strategies to drive customer and loyalty. It also suggests a proposed framework on the link between service recovery and customer loyalty.

Amawhe and olufolahan (2024) study examined the relationship between Service Recovery effectiveness and Net Promoter Score (NPS) in the Nigerian transportation sector. The study, involving 400 participants, found a positive correlation between perceived Service Recovery effectiveness and NPS, aligning with the Service Recovery

Paradox theory. However, a Negative NPS score was also observed, indicating improvement in key factors.

Mwakyusa and Katema (2024) conducted a study on the impact of distributive, procedural, interpersonal, and informational justices on customer satisfaction in Tanzanian telecommunications companies. The study involved 91 respondents and used descriptive and regression analysis techniques. Results showed that distributive and interpersonal justices positively influenced customer satisfaction, while informational and procedural justices had negative and insignificant effects on recovery satisfaction.

Peng and Yeong (2019) examined the impact of perceived justice on customers' emotional responses, focusing on first-time and repeat visitors' perspectives of service recovery. They used 550 self-administered questionnaires and 477 usable questionnaires to measure relationships among seven constructs, including distributive justice, procedural justice, interactional justice, positive emotion, negative emotion, overall satisfaction, and word-of-mouth intention. The study found no significant relationship between procedural justice or interactional justice and negative emotion, but other paths were significant. The moderating role of first-time and repeat visitors also significantly impacted the relationships of positive emotion and negative emotion with overall satisfaction.

Liao et al (2022) investigated the relationship between service failure, recovery strategy, perceived justice, and post-recovery satisfaction in mobile commerce. They found that satisfaction levels vary with different types of service failure and recovery strategies. Perceived justice is influenced by service failure magnitude and recovery strategy, and post-recovery satisfaction. This study is crucial for academics and professionals to develop effective programs for service recovery.

Ting-Yu et al (2014) examined the relationship between service recovery and relationship retention in customers of Noble Family in northern Taiwan. The study found significant correlations between service recovery and customer satisfaction, with remarkable correlations between service recovery and relationship retention. Customer satisfaction

also showed partial mediating effects on the correlations between service recovery and relationship retention. The research sample consisted of 500 questionnaires with a 53% retrieval rate.

### **Methodology**

The study adopted a correlational survey design. The research was conducted in the South East zone, which comprises the states of Abia, Ebonyi, Anambra, Enugu, and Imo. The population of the study consisted of medium-scale enterprises engaged in the service industry across these five states. According to estimates, there are approximately 14,890 registered medium-scale enterprises operating in the service industry in the five states in South East zone. To determine the sample size for the study, Taro Yamane's formula for a finite population was used. The formula is given as:

$$n = N / (1 + N(e)^2)$$

Where:

Where

n = sample size

N= Population of the study

E= Sampling error (in this case 5 percent)

The sample size is therefore computed as follows:

$$\text{From the above, } n = 14,890 / (1 + 14,890 (0.05)^2)$$

$$n = 400$$

Two structured questionnaire were used to collect data for the study. The first question collected information on sustainable service recovery (sustainable distributive, procedural and interactional justices). The second questionnaire collected information of indicators of business performance. The questions were modified from prior research to ensure reliability and validity. The instrument was structured on a 5-point rating scale of Strongly Agree (SA), Agree (A), Disagree (D), Strongly Disagree (SD). Validity of the instrument was ensured through a two-step approach: initially, the questionnaire was pretested in a

pilot study, and subsequently, it was refined with the assistance of three marketing experts at the Department of Marketing, Nnamdi Azikiwe University, Awka. Cronbach's alpha tests were conducted to determine reliability. As demonstrated in Table 1, the results indicated that all variables surpassed the threshold alpha value of 0.7, confirming their reliability.

**Table 1: Cronbach Alpha Test of Reliability**

Variable	No. of Items	Co-efficient Value
Sustainable Distributive Justice	5	0.81
Sustainable Procedural Justice	5	0.76
Sustainable Interactional Justice	6	0.84
Business Performance	6	0.88

Source: Field Study, 2024.

The instrument was distributed by the researchers with the assistance of 10 research assistants. The research assistants were trained on the mode of instrument administration and retrieval. Out of 400 copies of questionnaire administered on the respondents, 387 were returned in good condition and used for data analysis. Pearson product moment correlation was used to answer the research questions. The hypothesis was tested using multiple regression analysis. The co-efficient "r" obtained was used to ascertain how each of the independent variables correlate the dependent variable. In interpreting the values of the null hypotheses, when p-value is less than or equal to .05 ( $p \leq .05$ ), the null hypothesis was rejected. On the other hand, when the p-value is greater than .05 ( $p > .05$ ), the null hypothesis was not rejected.

## Results

### Research Question 1

What is the relationship between sustainable distributive justice and performance of businesses in the service industry in South East Nigeria?

#### Table 2: Summary of Pearson Correlation Analysis between Sustainable

**Distributive Justice and Performance of Businesses in the Service Industry in South East Nigeria**

		<b>Sustainable Distributive Justice</b>	<b>Performance of Businesses</b>	<b>Remark</b>
<b>Sustainable Distributive Justice</b>	Pearson Correlation	1	.710**	High Positive relationship
	Sig, (2-tailed)		.000	
	N	387	387	
<b>Performance of Businesses</b>	Pearson Correlation	.710**	1	
	Sig, (2-tailed)	.000		
	N	387	387	

\*\* Correlation is significant at the 0.05 level (2-tailed).

Data in Table 2 revealed that the Pearson's Correlation Coefficient is  $r=0.81$ . This shows that a high positive relationship exists between sustainable distributive justice and performance of businesses in the service industry. This implies that the use of sustainable distributive justice in businesses in service industry in South East, Nigeria would greatly improve their performance. Thus, there is a high positive relationship between sustainable distributive justice and performance of businesses in the service industry in South East Nigeria.

**Research Question 2**

What is the relationship between sustainable procedural justice and performance of businesses in the service industry in South East, Nigeria?

**Table 3: Summary of Pearson Correlation Analysis between Sustainable Procedural Justice and Performance of Businesses in the Service Industry in South East Nigeria**

	<b>Sustainable Procedural</b>	<b>Performance of Businesses</b>	<b>Remark</b>
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		<b>Justice</b>		
<b>Sustainable Procedural Justice</b>	Pearson Correlation	1	.723**	High Positive relationship
	Sig, (2-tailed)		.000	
	N	387	387	
<b>Performance of Businesses</b>	Pearson Correlation	.723**	1	
	Sig, (2-tailed)	.000		
	N	387	387	

\*\* Correlation is significant at the 0.05 level (2-tailed).

Data in Table 3 revealed that the Pearson's Correlation Coefficient is  $r=0.72$ . This shows that a high positive relationship exists between sustainable procedural justice and performance of businesses in the service industry. This implies that the use of sustainable procedural justice in businesses in service industry in South East, Nigeria would greatly improve their performance. Thus, there is a high positive relationship between sustainable procedural justice and performance of businesses in the service industry in South East, Nigeria.

### Research Question 3

What is the relationship between sustainable interactional justice and performance of businesses in the service industry in South East, Nigeria?

**Table 4: Summary of Pearson Correlation Analysis between Sustainable Procedural Justice and Performance of Businesses in the Service Industry in South East Nigeria**

		<b>Sustainable Interactional Justice</b>	<b>Performance of Businesses</b>	<b>Remark</b>
<b>Sustainable Interactional Justice</b>	Pearson Correlation	1	.748**	High Positive relationship
	Sig, (2-tailed)		.000	
	N	387	387	

<b>Performance of Businesses</b>	Pearson Correlation	.748**	1
	Sig, (2-tailed)	.000	
	N	387	387

\*\* Correlation is significant at the 0.05 level (2-tailed).

Data in Table 4 revealed that the Pearson's Correlation Coefficient is  $r=0.74$ . This shows that a high positive relationship exists between sustainable interactional justice and performance of businesses in the service industry. This implies that the use of sustainable interactional justice in businesses in service industry in South East, Nigeria would greatly improve their performance. Thus, there is a high positive relationship between sustainable interactional justice and performance of businesses in the service industry in South East, Nigeria.

#### Null Hypothesis

Sustainable service recovery (sustainable distributive, sustainable procedural and sustainable interactional) does not significantly improve performance of businesses in the service industry in South East, Nigeria.

**Table 5: Test of significance of Multiple Regression Analysis on the Relationship between Sustainable Service Recovery (Sustainable Distributive, Sustainable Procedural and Sustainable Interactional) does not Significantly Improve Performance of Businesses in the Service Industry**

	Unstandar dized B	Std. Dev. $\beta$	Standardized $\beta$	t-value	p-value
Constant	42.124	5.68		48.444	.000
Sustainable Distributive Justice	.201	.110	.516	8.065	.000
Sustainable Procedural Justice	.330	.121	.332	5.047	.000
Sustainable Interactional Justice	.543	.274	.600	14.003	.000
R	706				

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R <sup>2</sup>	.534	
Adj. R <sup>2</sup>	.608	
F	60.564	000

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The summary of the test of significance of regression analysis as shown in Table 5 show that the regression coefficient (R) is .706 while the R<sup>2</sup> is .534 and Adjust R<sup>2</sup> is .608. The F-ratio associated with regression is 60.56, and the P-value = .000. Since p-value (.000) is less than the specified level of significance .05, the study therefore did not accept the null hypothesis. This means that there is a significant relationship between sustainable service recovery (sustainable distributive, sustainable procedural and sustainable interactional) and performance of businesses in the service industry in South East Nigeria.

### **Discussion**

The finding of the study revealed that there is a high positive relationship between sustainable distributive justice and performance of businesses in the service industry in South East Nigeria. The finding of the study may have resulted because sustainable distributive justice ensures fair distribution of rewards and resources among employees, leading to increased motivation and job satisfaction. This boosts productivity and performance. This is in line with Mwakyusa and Katema (2024) who reported that distributive justices positively influenced customer satisfaction. This is so because in the service industry, satisfied customers are more likely to return, recommend the business, and contribute to a stable revenue stream, enhancing overall performance. Peng and Yeong (2019) revealed that distributive justice, significantly impacted on customers satisfaction and word-of-mouth intention. This is further validated by the hypothesis which revealed a significant relationship between sustainable distributive justice and performance of businesses in the service industry in South East Nigeria

The finding of the study revealed that there is a high positive relationship between sustainable procedural justice and performance of businesses in the service industry in South East Nigeria. This finding may have resulted because fair and transparent operations foster trust and loyalty among customers, leading to a stable customer base and improved business performance. Fair procedures ensure ethical standards and legal compliance, reducing legal risks and enhancing stakeholder trust. Ethical practices also contribute to business sustainability and performance, benefiting customers, employees, and investors. This finding is in agreement with Oranusi and Mojekeh's (2019) who reported that that service recovery significantly improved customer retention. This in contrast with Mwakyusa and Katema (2024) who revealed that procedural justices had negative and insignificant effects on recovery satisfaction. This difference in results might be attributed to changes in the economic, cultural, and regulatory circumstances between the areas analyzed, which may influence the perceived relevance and impact of procedural fairness on corporate success. The test of hypothesis revealed that sustainable procedural justice significantly improves performance of businesses in the service industry in South East Nigeria

The finding of the study revealed that there is a high positive relationship between sustainable interactional justice and performance of businesses in the service industry in South East Nigeria. Mwakyusa and Katema (2024) reported that interpersonal justices positively influenced customer satisfaction. Similarly, Oranusi and Mojekeh's (2019) who reported that that service recovery significantly improved customer retention. This is further validated by the hypothesis which revealed a significant relationship between sustainable interactional justice and performance of businesses in the service industry in South East Nigeria. This is in line with Amawhe and olufolahan (2024) who found a positive correlation between perceived Service Recovery effectiveness and Net Promoter Score (NPS).

### **Conclusion and Recommendations**

The researchers conclude that sustainable service recovery positively improves performance of businesses in the service industry in South East Nigeria. The service industry as a very important sector should adopt best practices in the adoption of sustainable distributive justice, sustainable procedural justice and sustainable interactional justice for improved business performance. The researchers therefore recommended that:

- i. Managers of businesses in the service industry should ensure that compensation offered to customers for service failures, such as refunds, discounts, or replacements, is perceived as fair and contributes to the organization's economic growth. This can be done by developing clear and transparent policies for determining appropriate compensation based on the severity of the service failure.
- ii. Managers of businesses in the service industry should establish systems and operational procedures for service recovery that are consistent, responsive to customer needs, and contribute to the organization's long-term resilience.
- iii. Management of businesses in the service industry should empower employees to offer personalized solutions, communicate empathetically, and build strong relationships with customers during the service recovery process. This can be done by providing training and resources to help employees deliver high-quality interactions that contribute to customer loyalty and retention.

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