



Pursuit of Excellence in Service Quality, Part I

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The COVID pandemic has highlighted, and arguably increased, the range of service supply channels and business models, for example: business-to-business and business-to-customer; with additional complexity resulting from using digital platforms, face-to-face, and telematics. We are witnessing the demise of manufacturing capabilities in the western world, corresponding with a dramatic increase in service-based economies. This change begs questions such as: What must be done to ensure excellent quality across these dynamic channels and operational models? Do we really know what our customers regard as good service? Does this perception change across segments and demographics? How can we continue to be ahead of our customers' desires and aspirations? Is excellent service quality solely measured by 'fit for

purpose'? Can we adapt or adopt manufacturing quality models for services?

Introduction and Background

What must service delivery organisations do to continuously deliver on expectations of the majority (or crucial) customers? An everyday starting point might be to ask customers: Would you wholeheartedly recommend us to members of your closest family and friends¹? If yes, then a further question might be: How might we improve in future? Arguably, no other answer is germane; other than useful in trying to rectify the situation in future.

Additional consideration in terms of this issue, are the cultures in Pacific Island countries. These are based on closely intertwined intricacies of family sub-units that are closely

weaved. Consequently, recommending exceptional/mediocre service delivery follows the collectivist structure through word of mouth. The collectivist structure is related to numerous other networks, often through distant blood ties.

The significant challenge for service organisations is to meet the specific demands of multi-channels. The days are gone when an outstanding high-street presence and reliable reputation was the key objective. Today, service complexities are compounded by differing modes of service delivery, international and cultural diversity, and global operating risks.

What factors and considerations, therefore, must organisations continuously optimise to pursue excellence in service quality? Moreover, what do we understand and recognise as being integral to excellent service quality? Perhaps the pragmatism of my research colleague* is a good place to start when thinking what we all would wish any service to aim for? His credo is the tenet: 'Treat others as you yourself would like to be treated – regardless of their customer status!' It is certainly an interesting concept to start an appraisal of service delivery-quality.

Moreover, quality dimensions might also be regarded as constructs of society, culture, and valid in a comparatively brief moment in time. After all, what was acceptable in yesteryears, would not be adequate today. Our research with clients promulgates the proposition that the notion of excellent customer service is in and of itself dynamic. In fact, there is no timeless acceptable measure of excellent service quality, and we need to be cognisant of changing customers' needs.

Developing a Strategy for an Exceptional Service Delivery

Organisations need continuous systematic analytical planning, with customers' needs as the focus-imperative; thereby ensuring that a sustainable service is designed and resourced. A fundamental pre-requisite at the planning stage, is to ensure that the voice of the customer is hardwired into the organisation so vital information can be collected and disseminated – for all the various supply channels. Only then will it be possible to evaluate, compare and contrast alternative strategies. The underlying imperative is to continually deliver exceptional customer value.

It is argued that strategic values are motivating to employees to the extent that they reflect employees' internal affective, normative, and task-oriented values; a zone of existing values in consideration of the voice of the customer. On that point, values management is a social process that results from routine interactions between the employees of an organizations and its customers. Business and corporate managers play key roles in using the formal management systems to integrate the organization's strategic practices with values that derive from employees' societal, cultural, and religious experiences and the interactions with the customers.

These would also be highly probable if comprehensive internal and external environmental analysis are conducted using SWOT or PESTEL analysis.

Embedded within the organisation structure are the business processes that ensure customers' requirements are met – invariably run across the organisation, cutting through departments within a function or between functions. Such processes can be regarded as a set of work activities arranged logically to realise a common business objective. Although the

Figure 1: The Six Markets Model. Payne et al



business processes move horizontally across the organisation, they have been traditionally managed by vertical structures built around functions and/or departments. Invariably, this leads to complex activities and thereby a source of process failure.

Organising service delivery around key processes is not an easy option. It requires a radical change in thinking and approach to achieve the planned goals. Also, as it changes the roles of senior and middle managers, and of frontline staff, is likely to be resisted.

Who is the Customer?

It may seem like a strange, or even purely academic question; it may however be crucial in facilitating the search for customer service and satisfaction.

During the early 1990s, Professor Adrian Payne and various colleagues at Cranfield Business School proposed that excellent customer service, and as a result tangible, sustainable competitive advantage, could be improved by adapting segmentation as a CRM (customer relationship management) framework.

By looking at each of six segments, he argued that better understanding the mechanisms that supported the firm's client markets, eg, suppliers, recruitment markets and in what seems prescient in the Tik-Tok and 'Insta' era, influence markets, additional value drivers and impacts could be identified and developed.

This essentially virtual cycle approach would, he suggested, support and enhance customer service across all six markets he identified.

Obviously, the central market is the traditional 'customer market'. As discussed elsewhere in this article, there exists copious research and practitioner information on delivering service here. One of the logical reasons for looking 'beyond the customer' is the truism that services are different, as point of delivery is also often the point of consumption.

The logic behind the other five markets that Payne identified is that the impact of 'customer service' is linear rather than single

Figure 2: Determining a service strategy



- Recruitment markets are becoming a major issue; especially in the UK where the skill shortage is increasingly evident. Notwithstanding the impact on perception already highlighted above, a poor experience experienced by a job applicant can turn a potential advocate into a reputational assassin. One example that emerged during research on behalf of a client revealed that, at one well known business school, MBA graduands had an interactive 'Black List' spread sheet naming firms who treated candidates at what was an agreed level of respect. This not only lead to poor reputation and potentially excellent candidates; it also produced a cadre of future high-flying individual who have a negative vision of your company.
- Influencer markets have always been important but have morphed into a major channel in their own right. It is arguably worth considering treating it also as an active market segment for some. It is important to consider not only treatment of those influencers with whom the organisation works but also their activities. Again, myriad examples exist of influencers' who have made unwise comments or behaved in ways deemed unacceptable. This has in some cases had disastrous consequences for the individuals, but also for brands that they are associated with.
- Referral markets have similarly been conspicuous especially in professional service and consulting firms. Referral schemes and rewards feature large and need to be managed and communicated. Again, there is an argument that referrers, even possibly not customers themselves, can be a potent positive, or negative force if not managed.

A key message that is coming from recent research is that customer service transcends the silo mentality. It requires everyone to be aware of their responsibilities: marketing, finance, HR, sales etc all need to be aware of their internal and external customers if true excellence in customer service is to be achieved.

point in nature, reinforcing the dynamic nature suggested above. For example:

- Servicing the internal market relates to supporting and dealing with your staff and adopting the approach that they are in effect 'customers'. Their experience in term of perceived fairness, conditions and support will have an impact on their behaviours, which will feed through to the central customer markets, as well as influencer, recruitment, and supplier markets. Well publicised examples of the this would be Sports Direct in the UK and Amazon. Stories of timed toilet breaks and other draconian work practices, true or not, have made their way into the public domain and may impact on other areas such as job applicants or the financial/capital markets. This may in turn affect customer perception, staffing levels and availability/price of capital.
- Similarly, supplier markets and their satisfaction in dealing with management, has a wider impact than just the decision of suppliers to sell to you. In this age of immediate media, examples of issues becoming PR disasters are legion eg, large companies forcing SMEs out of business by taking extended debtor days are broadcast over social media platforms and are on occasion picked up by powerful political and lobbying groups. The impact of these can affect share price, public perception and ultimately profitability.

Developing a Customer-Value Driven Organisation

The classic interventions to bring about improvement include: defining and process mapping of core activities; assigning an owner to each process; make process teams the main building blocks of the organisation; continuously knocking down functional/departmental boundaries; flattening the hierarchy structure; cutting the number of activities within each process to a minimum – thereby reducing the number of transactions and potential for errors; making customer satisfaction the primary driving force for change; rewarding team results.

The pursuit of perfection to deliver on a customer's expectation, demands an in-depth understanding of the key drivers of not only human behaviour but also of the complex support systems that facilitate delivery². Within most organisation's service delivery environment, there is a mix of highly sophisticated technical operations; and often the requirement to serve the needs of various international cultures. It is very difficult to distil the key drivers of satisfaction and loyalty – there are no simple, linear cause and effects and/or measurements. (See Figure 2)

For many organisations developing a strategic intent such as this, begins with the exploration of the root cause of customer defections by way of its customer listening posts³.



The enlightened view is to adopt the notion that the best way to protect the company is to champion customer feedback within the company.

Service differentiation

Service differentiation describes how we are perceived by our customers and the market when compared with competitors. If all service suppliers are making similar quality claims, then customers choose solely on the basis of service style and price. Such selection might be the ease of use of a website, or they are attracted to an ambience, design or behaviour which suits their taste. Service suppliers therefore respond by developing different service offerings for different customer groups or segments and alternative service channel. Niche delivery channels can be designed to appeal primarily to customer segments.

Strategic Alignment

Excellent quality is invariably associated with the alignment of service strategy to corporate objectives. It is essential to develop a clear competitive strategy for the service delivery of the company which matches the general business strategy. This requires several factors to be addressed, namely:

Positioning

The position taken in the market might be as market leader, with a dominant share and the ability to influence the rules of engagement (often by setting price points and quality standards). Or a follower position and, thus, able to exist by providing an alternative price or features of the service. Alternatively, other competitive positions include least cost provider or niche provider.

Sources of competitive advantage

Seeking competitive advantage over rivals invariably underpins strategic-intent. Important in this regard, therefore, is the core competence of the organisation, the corporate brand, and

exceptional customer and network relationships. Exploiting all simultaneously is a very powerful and enduring method of gaining competitive edge. The watchwords must be is it:

- Sustainable: is this ongoing and adaptable to market conditions?
- Feasible: is it doable?
- Achievable: do we have the resources (or can we get them)?

Differentiation

The service offered must be discernibly different from the competition in one or more characteristics. The weakness often recognised in popular, commonly available services, is the lack of clear differences – invariably caused from commoditisation. Through lack of creative design, these companies are failing to provide a unique service and thus allowing their offer to become a (common) commodity. This causes the customer to choose on the basis of price, and consequently makes the market price sensitive.

Critical success factors

Any market has rules of engagement by which the participants must comply. For instance, in a professional services industry, such as legal services or architecture, etc, participants must meet the statutory or industry standards in order to be able to participate. Meeting these professional criteria is a critical success factor (CSF) and it is not possible to trade without them⁴. However, other types of critical success factors are generally less clear, and are commercial imperatives which are the result of the evolution of dynamics within the market. For instance, it may be a critical success factor that a company has 24 hour telephone answering. Bringing new services to market quickly has become a CSF of late. Consequently, to gain competitive advantage and enhance quality imperatives, a service provider must identify what the critical success factors in the market are and which relate to differing supply modes and customer segments.

Segmentation

It is absolutely essential to choose which customers the company wishes to target and serve. Each customer has different demands, requirements, preferences, and perceptions of a high-quality service experience⁵. These are reinforced from varying lived experiences (see Figure 3). Each customer has a preference for a service delivery mode; thus, it is not possible to provide a universal service design that completely satisfies all customers. Segmentation, however, is based on service preference of customer clusters and groups, around which service delivery can be designed. Segmentation is arguably as much of an art as a science. The development of effective value propositions for each segment is crucial for clear communication and customer satisfaction. Understanding what each segment considers as both acceptable and excellent customer service is paramount and may be dependent on demographic factors; age, education etc. Regardless, effective segmentation requires three considerations:

- Is the segment big enough to be economically viable to deal with separately and profitably?
- Is the segment different enough from other identified segments? This ensures there is no cannibalisation of the existing customer base
- Is the segment reachable? This is crucial not only in managing excellence in the current situation but in identifying and monitoring future profitable and sustainable markets.

Figure 3: Influential factors influencing customers' perceptions

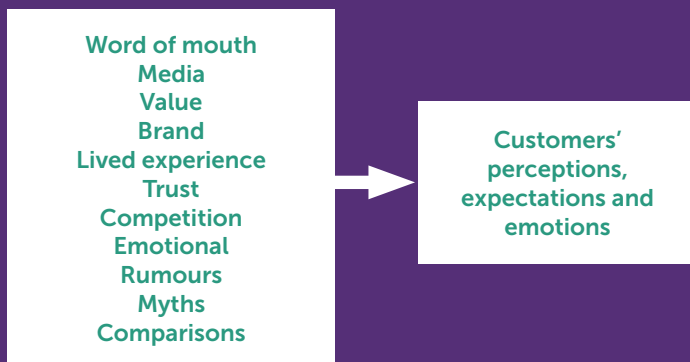


Figure 4: Right First Time + Recovery Strategy



Customer Retention and Recovery Strategy

A company which focuses primarily upon the first half of the loyalty equation, ie, getting it right first time, can create an unintended side-effect, namely it can ignore the importance of service failures and the resulting comments from customers. A company which solely prioritises service quality may not be able to build a long-term, loyal customer base, because it is ignoring episodic breakdowns in its relationships with its customers⁶.

Reimbursement is not the sole answer to a failed service operation. This type of non-customer-centric approach by a customer-relation function can be classified as the 'complaints management approach', which is more concerned with the process rather than the customer. In a complaints management environment, the operating procedures are focused upon:

- Success that is perceived to protecting the company from customer negative-feedback. This is often common when the customer relationship function is centralised and far removed from the customer interface (the front line). Subsequently, there is little analysis and dissemination of customer data. Moreover, success is deemed to be achieved when a culprit is identified for poor service. There is no partnership with customer contact areas to fix or prevent problems.
- Success that is measured by volume of throughput, measured with a focus on removal or prevention of backlog and not service levels.

In such organisational cultures, complaint management data is not easily accessible to external customers and internal customers (frontline service)³.

However, the enlightened view is to adopt the notion that the best way to protect the company is to champion customer feedback within the company. Preventative action will be driven by regular reviews of customer perceptions of service quality with the line-active members of quality improvement and product development teams. See Figure 3.

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In Part II, which will be published in the Spring issue of Management Services Journal, the authors will discuss models of quality assurance and present some empirical evidence in a case study of Amazon.

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