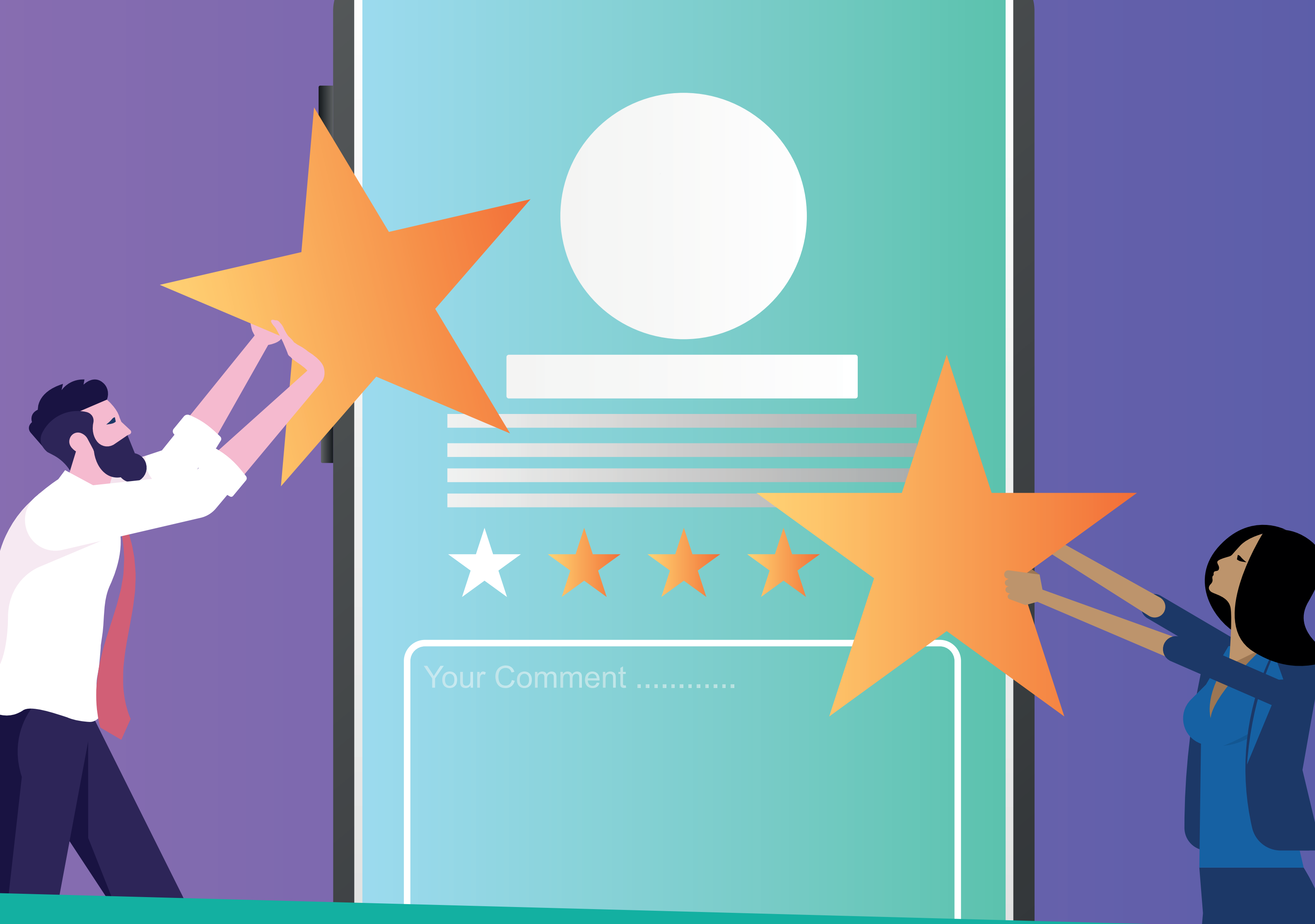


Pursuit of Excellence in Service Quality, Part II

Dr David Parker, Dr George Downie and Dr Sunia Vosikata.

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?

In part I of the article (*MSJ* Winter 2022) , the authors provided an introduction and background, and discussed what service delivery organisations must do to continuously deliver on expectations of the majority (or crucial) customers. In Part II, the authors will discuss models of quality assurance and present some empirical evidence in a case study of Amazon.

Models of Service Quality Assurance

ISO9000 (high-level quality philosophy) and ISO9001 (The eight fundamental requirements):

1. The customer, however defined, is at the centre of it all.
2. Leaders at all levels need to ensure unity of purpose and direction.
3. Engaged employees are both productive and ambassadors.
4. Understand the Process Approach.
5. Keep improving.

6. Base decision making on evidence.
7. Foster relationships with relevant partners.
8. Implement a Systems Approach.

The adage 'if you cannot measure it, you cannot improve it,' holds truth when applied to service operations' quality and performance. In particular, there is a need to establish quantitative rather than solely qualitative data. Because vocabulary, terms, and expressions, have multiple meanings to different people, misunderstandings can arise in the translation of customer needs into the language that is used inside the business that exists to satisfy those needs. As noted several times in part I of this article, clear communication is crucial.

Through this diversity of approaches to understanding expectations and perceptions of our customers', it becomes clear that quality and performance processes need to measure the gap between delivery of services and customers' perceived needs. Moreover, a unified approach is needed, which does not result in consequential information loss due to human interpretation at various points through the process of deployment. Total Quality Management models, ideally suited for tangible products, therefore, need to be complemented techniques that are underpinned with greater psychometric appraisal.

Dynamic Scorecard

What do we want to be famous for with the customers of our service? Such a question might at first be regarded as overly simplistic. But by asking employees, it is a surprise when the range of answers is proffered. Without a clear strategic-intent, wasted effort will result. It is apparent from the literature, as well as anecdotal evidence-based experience, that most of the finest service companies, both large and small, are benefiting from a clear, compelling service strategy. These companies have a consistent answer to the fundamental question. Their answer, expressed in a few sentences or words, is driving their service strategy. The service strategy embraces their core-activities; and in every case, it touches the human spirit of achievement. Everything the business is and does – the culture of the organisation – emanates from the company's service strategy. The end result can be measured using metrics that address:

- Reliability means consistent, dependable service every time the customer engages with the organisation.
- Surprise delivers something extra, more than the customer expects to receive.
- Recovery restores the customer's confidence when a service performance falls short of the expected quality.
- Fairness involves treating customers with respect and integrity.

For many organisations, although research suggests a dynamic shift, the bottom line is still the only information that matters. This is especially a problem when it comes to hardwiring the voice of the customer into the organisation. Despite all the effort collecting, organising, displaying, and even acting on, customer data, the ultimate indicator of whether customers really matter is whether your data becomes as important an indicator of performance as is profit.

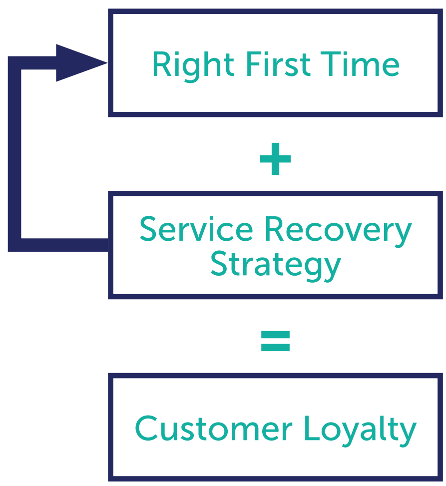
Solely using traditional financial measures falls short in at least three ways:

For many organisations, although research suggests a dynamic shift, the bottom line is still the only information that matters.

- First, they do not capture all of a company's strategic objectives.
- A second and usually more serious shortfall is the fact that financial measures are after the fact. They are recorded well after the actions and decisions that lead to them, so arrive too late to help prevent problems and ensure organisational health.
- The third problem with financial measures is that they are not very diagnostic. They can tell you that you are in trouble, but usually tell little about how, or why.

To address these shortfalls, a number of companies are balancing bottom-line measures with operational measures related to customers, employees and service offerings. Taken together, these constitute a business. The best scorecards are customised, linked both to the results the organisation must attain and the drivers of those results. These dynamic business scorecards represent a company-specific model that actually predicts bottom-line results. The basic elements of such a score-card are shown in Fig. 4. A company's processes and staff create its service offering. The service offering in-turn drives customer behaviour and customer behaviour drives business results.

Figure 4: Dynamic Scorecard



Companies are using scorecards in many ways and typically, they track 18 to 20 business fundamentals such as employee and customer satisfaction and on-time delivery. Although not all customer data needs to be reflected in a dynamic business scorecard, one that is well conceived helps provide a clear business purpose for improvement activities. Rather than improving a process solely to make customers happy, people can see its relationship to the performance of the business.

A cautionary point is that if customers perceive back sliding, this can create a more profound problem.

Some Empirical Evidence (Case: Amazon)

Appendix 1 (see page 19) describes, briefly, the historical development of the famous organisation Amazon. Company reports, various articles, academic papers and TV/radio interviews have been drawn upon to capture the insights and strategic imperative of its founder Jeff Bezos. In summary, the key aspects of Amazon's success, includes six operational imperatives:

1. Learn from failures
2. Plan long-term
3. Focus on shareholder value
4. Make customers centric in all things
5. Create only value and remove waste
6. Think 'outside the box' and be distinct from the crowd
7. Resist deviations from the long-term service strategy
8. Recruit the best people
9. Learn from failures
10. Make quick decisions, remove bureaucracy and take small steps

Moreover, it is not sufficient to merely identify such important drivers such as these, but their measurement and monitoring must be carried out, as witnessed by Amazon's continuous reporting of its progress. Metrics continuously measured include market leadership, customer and revenue growth, repeat business, and strength of brand. These metrics are key to Amazon's decision-making and its success. With the continued growth in the services sector, lessons learned from market leaders such as Amazon, should be compulsory reading aspiring organisations[7].

Notwithstanding this, Amazon's six markets persona continues to dog them and has damaged their reputation in several areas which has led to conflict with a number of entities from individuals to governments.

Identifying Critical Success Factors

It is critical that organisations appreciate the importance of service performance and how internal factors and external factors influence success and failure. Once customers' needs and perceptions are identified, critical success factors (CSF) must be evaluated. For example, a café located in the heart of a city business district with customers having limited time, must build systems and establish a reputation for speed of delivery, amongst other factors.

There may be the need to re-engineer processes where shortfalls are identified. By association, a critical success process (CSP) is one which allows the business to deliver the service

Table 1: Critical Success Process and Critical Success Factors

CSP\CSF	Customer retention	Customer acquisition	Service delivery	Total points
Customer interface	30	15	55	100
Services portfolio	20	65	15	100
Reliability of delivery	30	20	50	100
FOCUS	80 (3)	100 (2)	120 (1)	

needs to the customer and ensures the CSFs are achieved. For instance, in the café example (that recognised speed of service as a CSF), the critical success process (CSP) must be the barista process. Combining CSPs and CSFs within a matrix (see Table. 1) it is possible to prioritise the relationship of the CSP to the CSF.

It can be seen from the matrix (Table 1) that for each CSF there is 100 points allocated (horizontally) between the CSPs. In this example, the point of contact with the customer (interface) was seen to have the greatest effect on quality and performance. By repeating this for each of the CSFs and totalling vertically, we have scores which reflect how important a CSP is on the collection of CSFs. In this case, the initial order is seen to be the most important, and so the first step will be to improve this stage in the process.

Discussion and Conclusions

Companies are increasingly trying to use exceptional service quality as a means of gaining competitive advantage. In order to do so, they must strategically balance the capital investment carefully. It is important they use a pragmatic process which draws the analysis into a set of actions capable of producing a unique offer to specific customers using a particular delivery channel. The aim of exceptional service quality is to increase shareholder value, not merely to satisfy, or even delight customers.

Companies with exceptional service quality, eg Amazon, are recognisable as understanding the emotional needs of people as well as their functional requirements. Exceptional service quality is remarkably enduring; tactical enhancements and refinements are common, but the fundamental service strategy changes little because it taps basic human needs that change little over time.

A critical success process allows the business to deliver the service needs to the customer and ensures the critical success factors are achieved. Development of the CSP-CSF matrix gives a focus on the important CSP which has the greatest effects on the CSFs required for the service operations.

Strategic alignment to corporate goals requires a high standard of performance in all key components of service delivery. It is insufficient to settle for demographic descriptions of the customer; there is a need to measure the psychographic differences in the ways they construe value. Organisations must continually incorporate the evolving needs of customers – and will be driving the quality improvement activities. Therefore, the underlying quest of organisations is how to capture the 'Voice of the Customer'.

With regard to the operational strategy component, companies need to discover and articulate the fundamental value proposition that lies behind the design of the service the customer seeks. Ultimately, this answers: "What business are we in?" that is so crucial to fashioning a worthwhile vision or mission statement.

Focusing on the staff component, perhaps better thought of as the organisational culture, organisations must recognise the ways in which culture is integral to any competitive advantage. Consider the high-energy, almost frenetic culture of firms like Microsoft, Amazon, and Apple who unapologetically expect – and get – longer hours and harder work from their professional employees for no higher wages; staff passion exemplified.

The systems component of operations strategy, particularly

the use of information technology, is becoming increasingly powerful when properly exploited. Companies need to appreciate more ways that IT can be exploited to build customer value. Organisations need to be better able to apply systems analysis tools for building customer value. By applying re-engineering techniques, companies can start by focusing on the fundamental customer value bundle, ie the configuration of things and experiences the customer confronts every day in doing business with the organisation.

The case example of Amazon, supports much of our discussion and provides a succinct testimony to what is possible when a clear, long-term, service strategy is driving the direction of tactical operations.

It is critical that organisations appreciate the importance of service performance and how internal factors and external factors influence success and failure.

The authors acknowledge Graham Stratton for his insightfulness and valuable contribution.

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APPENDIX 1. Amazon

Jeff Bezos commenced planning his online bookstore in 1994, his initial idea being to have available for sale, millions of titles. Such a concept simply could not be possible in a conventional business model – one that would require bricks and mortar stores. The notion excited him and became an all-embracing goal. Clearly it was a high-risk departure from the norm and on a personal-level, meant that he would leave a well-paid, secure employment so he could devote his time in securing investment funds and developing the design and technology to deliver on the concept.

Bezos has reportedly said that the decision to leave his secure employment and focus on the online bookstore was a decision 'made with his heart and not his head'. However, his ongoing fear is not of failure, but rather regretting not taking lost opportunities. He has argued that for many people, regrets stem from omission – actions not taken, paths untravelled.

Failures are certain to happen, however. Consequently, his philosophy is to learn from failures and work backwards to inform the present decision-making.

Planning for the long-term is also important. Competitors, he has said, invariably plan for the next three to five years. Amazon's planning horizon is 15 to 20 years. The fundamental measure of success is shareholder value that is created over the long-term. This results from growing and securing market position. The stronger the market position, the more powerful the economic business model. The consequences are increased revenue, higher profit and good returns on invested capital.

Metrics continuously measured include market leadership, customer and revenue growth, repeat business, and strength of brand. These metrics are key to Amazon's decision-making and success.

A focus on shareholder value is an additional priority for Amazon. Knowing that its value today is the present value of future cash flows, and some 85% of the company's value is from year three and beyond, underpins the rationale: 'invest today to ensure that we achieve durable growth in the future.'

When having to choose between its collection of generally followed accounting principles (GAAP) and maximising the future value of the present value of future cash flows, they opt for cash flows. To-date, this economic strategy is working. Moreover, the adopted lean-thinking principles throughout the organisation, reinforces its cost-conscience culture. The emphasis has always been on growth and long-term profitability, while undertaking prudent capital management. During the COVID period, and most recently, priority is given to growth because, 'we believe that scale is central to achieving the potential of our business model.' Clearly, COVID has required Amazon to address unusual market needs, but its long-term service strategy is always strictly adhered to.

Amazon's focus on the customers, drives its operational imperatives. 'Focus on solving customers' problems and the share price will take care of itself,' Bezos continually reminds market analysts as well as company staff. Moreover, he has said that 'we do not celebrate a 10% increase in the stock price like we celebrate excellent customer experience.'

At the heart of Amazon's service strategy is the need to create value; it creates more of everything than it consumes. Value creation is derived from creativity and finding better ways of doing things ie, continually innovate. Hence, value-created is regarded as a metric for innovation.

An additional important message is to resist the safety of mediocrity; differentiate significantly from competitors. While there will undoubtedly be market forces that want 'safety', to survive and grow there is a need to be distinct. And with it, there is a price.

When there is doubt in decision-making, developing conviction to follow the strategy is more important than ever. Self-belief, therefore, is crucial.

Staffing is a critical component of Amazon's success and pursuit of excellent quality service. Bezos describes his attitude to recruitment as the opportunity to engage greatness. One needs to ask of the applicant: Do we admire this person? What evidence suggests this person could be a superstar? Will this person enhance the team?

As in all business arenas, especially when breaking new territory or meeting unexpected challenges, there will be failures. Bezos says that failure should not be regarded as a negative outcome, but rather an opportunity to learn. Excellent final outcomes are invariably the result of numerous failed experiments. Failure inevitably coincides with creativity, change and risk-taking.

Finally, he argues that making fast decisions are preferable to lengthy and drawn-out assessment. Most decisions are reversible but large organisations indulge in bureaucracy to slow decision-making. Being over conservative and slow are the biggest risks.

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