

Analysing the Impact of Service Quality on Business Competitiveness

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Abstract

In the service industry, service quality is used by organisations to differentiate themselves from other organisations that are competing for the same purpose or goal. This however in the end will result in the increase of competition. Gaining a competitive advantage is what all organisations want to achieve. And there are ways to achieve competitive which will be discussed and explained in this research. Organisations need to understand the relationships linked to services quality, for example the relationship between service quality and customers satisfaction and the relationship between service quality, customer satisfaction and customer loyalty. Organisations need to make sure that their employees are satisfied with the work that they doing as this result in these employees being productive and motivated which is the key for achieving profitability and success in the organisation. In order to satisfy employees, managers of any organisation should improve their internal customers first by focusing on communication, reward and recognition, leadership support and factors that will keep employees satisfied. This will result in better quality services provided to the external customer. This will create a sustainable competitive advantage and lead to profitability.

Keywords: Service quality, business competitiveness, Organizations.

1. Introduction

Service quality is very different amongst organizations that provide services to customers. Service quality is considered as a result that increases competition. Competition is influenced by new participants who are doing similar work as other organizations in the service industry. This research will attempt to analyze the impact of service quality on business competitiveness in organizations doing similar work. Service quality is not perceived the same way from one service organization to another. Organizations need to achieve a specific level of service quality in order for them to gain customer satisfaction and customer loyalty. Service quality should be considered as a favorable standard, once it is viewed as a favorable standard, it will impact positively on the business the organization is doing. The service industry has been concentrating on the customers' view of service quality. This will help organizations create and develop strategies that will lead to customer satisfaction (Ngwenya, 2017). The fast-growing economy and the competition of organizations which are in the same sector or industry, these organizations have seen that the need for people gets higher and pickier. Organizations need to create their own diversity for their own products and services in order to survive in the market. Service quality influences customers' perceptions and feelings and it is seen as a critical success factor for an organization (Yang et al. 2017). The service industry should recognize service quality as a critical determinant when creating a competitive advantage and customer loyalty. Service quality is also considered as crucial for the success of business in organizations but certain characteristics of services are more complicated and challenging as the lack of tangible elements result in the evaluation of more and different attributes of the delivered service (Filippou et al, 2018).

According to Jain & Aggarwal (2017) they state that service quality is a summation of all attributes of a product or service that has an ability to satisfy both explicit and implicit needs that an organization should know in order to be successful. Service quality is the measurement of service delivery level that matches customers' expectations. The service industry needs to know that it is very important to define service quality and determine its influence in order to attain competitive advantage. There are two key success factors that organizations need to consider in order to be profitable and sustainable, the two success factors are providing excellent service quality and have a high customer satisfaction rate (Gwaza, 2016). According to Malik & Oberoi (2017) organizations should seek to improve their business' profitability and make continuous improvements on service quality.

1.1 Background

The competition of business between organizations has been changing drastically over the years. Competition does not only come from organizations that are doing similar work. Organizations compete both locally and internationally. Service organizations need to know that service quality is a very critical determinant of competitiveness, which will help organizations to differentiate themselves from similar organizations. This creates sustainable competitive advantage over these organizations doing similar work. This will in the long-run lead to profitability. Service organizations need to priorities innovation in order to remain competitive. The service industry should have the ability to provide excellent service quality in order to gain a competitive advantage or a competitive market edge (Gwaza, 2016). According to Malik and Oberoi (2017) service quality is considered an important requirement for maintaining a competitive edge. Providing excellent service quality will help organizations achieve high income, increase in "cross-selling" and also have the ability to keep a high number of customers and improve its market share. Organizations become competitive and survive the market because of customer loyalty, having customers that not only purchase the product or service but having customers who help the organization by promoting its business using word of mouth. Using word of mouth will create business benchmark so that the organization can have repeatable business (Gwaza, 2016).

According to Gwaza (2016) there are key drivers to success and profitability which are:

- Employee attitude
- Knowledge of staff
- Quality of relationships
- Leadership of management
- Employee development
- Process excellence and technical support

1.2 Research problem

There are four known ways to generate competitive advantage in organizations. These ways involve a logical and creative process. In an organization, every employee contributes in some way and it is important that the organization's competitive strategy is communicated and understood throughout the entire organization (Gwaza, 2016). The relationship between service quality and customer satisfaction has indicated a remarkable effect of service quality on customer satisfaction. There is a positive impact on service quality and customer satisfaction (Dalati, N/A). Gwaza (2016) stated that successful organizations are those who:

- Can differentiate their products or services in order to recognize the product's or service's ability to add value.
- Produce efficiently
- Improve overtime through innovation and improvement
- Prove that they are relevant for international markets

1.3 Research goal

The research goal of this paper is to examine the impact of service quality on business competitiveness. Organizations need to understand what service quality is and how it will help provide a great competitive advantage. Organizations

need to know about the service quality models that could allow its managers to identify where problems with quality lie. This will help the managers know where to improve the efficiency and profitability of the overall performance of the organization. It is important for organizations to know which competitive strategies to use in order to maximize their shareholders' prosperity. For service industries, service quality increases "patronage", competitive advantage and long-term profitability. Service quality will help organizations compete efficiently and also help to differentiate themselves from other organizations wanting to achieve the same goals. That is why service quality should be critically important for businesses.

1.4 Research Objectives

- To understand the service quality models that will help improve the organization's profitability and gain a competitive edge.
- To examine the impact of service quality on the organization's overall performance to remain competitive.
- To understand service quality and all the relationships it has that help create and sustain competitive advantage.

1.5 Research Questions

- How will service quality models help organizations improve their profitability and gain a competitive edge?
- What is the impact of service quality on the organization's performance that will help the organization to remain competitive?
- What relationships does service quality have to help organizations create and sustain competitive advantage?

2. Literature review

There are people who say that satisfaction leads to quality. It is said that the relationship between service quality, customer satisfaction and customer loyalty can be controlled by similar characteristics. Customer loyalty and customer satisfaction will depend on the service quality delivered by the organization (Ngwenya, 2017). Organizations build service quality by the services they deliver to their customers. Organizations use service quality as an attitude to measure customers experience after providing their services to them (Yang et al, 2017). Measuring customer service quality is necessary as it helps organizations get information on how they are performing. In order for organizations to gain competitive advantage, they need to understand the significance of service quality and the contribution it brings into the organization. The employees of the organization also play a huge role when it comes to the success of a service and delivering it (Filippou et al, 2018). Service quality focuses on how the organization provides its services to fulfil customers demand and expectation. Customer satisfaction has a positive influence on an organizations profitability as satisfied customers are loyal because of the quality of services they get (Jain & Aggarwal, 2017). According to Malik & Oberoi (2017) service quality is seen as the customers' opinion about an organizations service and its overall excellence. It is also seen as a set of tangible characteristics that determines the overall results of a service provided which will lead to customers and clients who satisfied. This will also lead to customers and clients having their needs and expectations met. Organizations provide services to their customers and the overall customer attitude the organization receives is based on the relationship between service quality and customer satisfaction. A positive relationship between these two results in a lot of profitability for the organization and it is a crucial role for staying competitive and surviving the competitive market. There has been research that examines the relationship between service quality and customer satisfaction in organization. Service quality in organizations is the link to the increasing of performance and profitability (Malik & Oberoi, 2017). Studies have shown how important service quality is and also it has emphasized its impact on organization's effectiveness and competitive advantage. Madanhire & Mbohwa (2014) stated that global markets give organizations very high exposure and customers demand high quality products and services at very low prices. In order for organizations to be competitive globally, they need to focus on producing high quality products and services that they are providing to customers. There is an operations management practice known as Total Quality Management (TQM) that organizations must give great attention too. Total Quality Management (TQM) is a commonly used element of business strategy which allows organizations to correctively control, monitor, analyze, manage and improve processes used to produce products or services and make appropriate actions that will result in the improvement of competitive advantage and thus strengthen the organization's business.

Total Quality Management (TQM) focuses on customer satisfaction. Customer satisfaction is considered important, as it is achieved through the continuous improvement of products and services (Madanhire & Mbohwa, 2014). According to Mokoena (2012) quality is a term that is defined differently everywhere by different organizations. Quality is sometimes misunderstood although it is needed by organizations to improve their business success growth and competitiveness. Organizations need to view quality as important in all their departments and functions in order for their business to achieve high customer satisfaction and continuous growth.

It is important that organizations have the knowledge that service quality in the service industry is a very important element that will help maintain growth and competitiveness. Competitive advantage should be considered as an asset in any service organization in order to identify other competitors. This will allow organizations to product better quality products and services and create customer satisfaction to gain more customers and clients than other organizations competing (Akilimalissiga, 2016). Ngwenya (2017) stated that there is a link between service quality and customer satisfaction the organizations need to focus strongly on and that this link should not be left unnoticed. Organizations will not see any progress in their business when service quality is not carried out equally throughout the organization. In the instance when the organization has achieved high service quality, it is only then that the organization can put a higher price on their services as their competitors. This will lead to high profitability and also gaining more customers regardless of how high their prices on their services are. “Service quality is extremely complex and characterize it utilizing five constructs namely: reliability, responsiveness, Assurance, empathy and tangibles.” A lot of studies go into service quality and add relevant key elements in order make great use of it and then apply in many different organizations. Service quality gives organizations the ability to increase their profits, satisfy their customers and keep them loyal for years as the organization makes progress (Yang et al, 2017). There is a twenty-two item scale called SERVQUAL, and it known for consisting of five dimensions namely: reliability, assurance, tangibles, empathy and responsiveness. SERVQUAL is a measurement tool used widely in the service industry (Jain & Aggarwal, 2017). The measurement tool known as SERVQUAL firstly had ten dimensions where service quality could be measured. Now there are five definitions that service quality can be assessed. SERVQUAL measures the quality of services, although it cannot be used to measure the quality of online services, but there are dimensions that will accurately measure online service quality (Malik & Oberoi, 2017).

Table 1: Definitions of dimensions of SERVQUAL model

Dimension	Definition
Tangibles	Physical facilities, equipment, external appearance.
Reliability	Organisation’s potential of performing the promised service accurately.
Responsiveness	Organisation’s willingness to help customers and provide quality service.
Assurance	Employees’ knowledge and courtesy levels and ability to inspire confidence.
Empathy	Caring and personalised attention provided to customers.

Figure 1 shows the relationships between the dimensions where customer satisfaction is the dependent variable and where the dimensions are the independent variables.

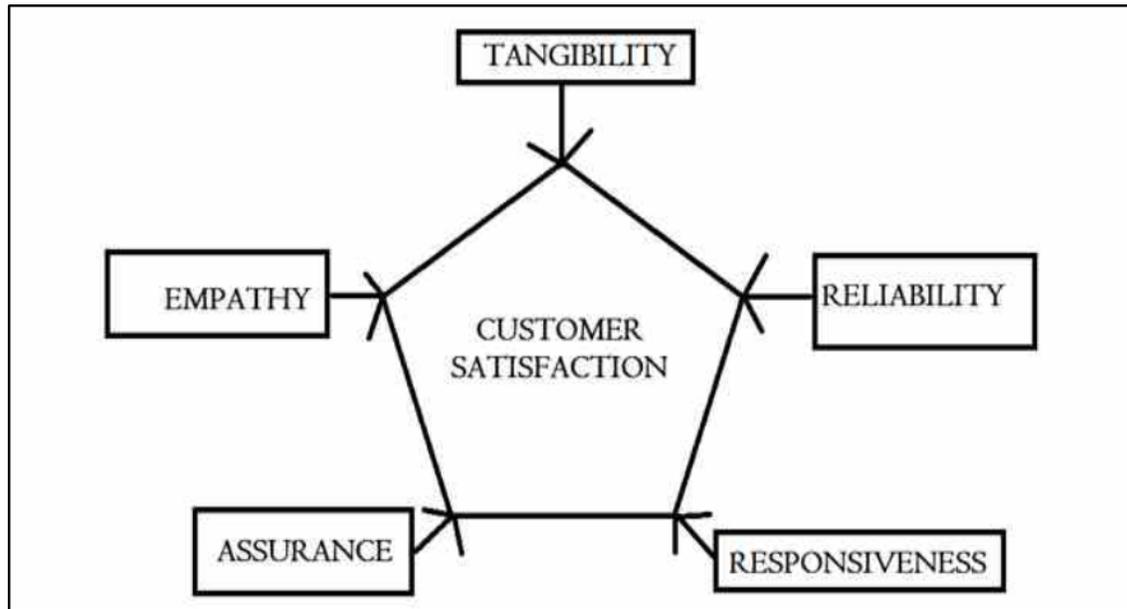


Fig 1. Research framework Model (Malik & Oberoi, 2017)

Service quality is used to determine customer loyalty and the organization's ability to management its departments. Organizations need to know that in order to create long term success in their business, they need to understand the relationship between satisfaction, trust, commitment and loyalty. Service quality helps organizations know what their customers are expecting from them. It is said that the expectations about the services provided are created from a framework where actual experience is judged (Schijns et al, 2016). Another way for organizations to achieve competitiveness is by using Total Quality Management (TQM). Using Total Quality Management (TQM) requires a good management system throughout the organization, quality tools like Statistical Process Control (SPC) and teamwork. Statistical Process Control (SPC) will help organizations with not only controlling but it will help with improving competitiveness by eliminating causes of process variation (Madanhire & Mbohwa, 2014).

3. Research Methodology

This research will use quantitative research method that will help with analyzing the information that will be collected. According to Yang et al (2017) there is a research framework that can be used to determine the relationship between service quality and customer satisfaction. This research framework will result in the positive relationship to customer loyalty and competitiveness. The research is using a descriptive research design to further understand the relationship between service quality, customer satisfaction and customer loyalty. The questionnaire will be used to measure service quality, customer satisfaction and customer loyalty (Jain & Aggarwal, 2017). Gwaza (2016) stated that "quantitative research is a type of research that explains phenomena by collecting numerical data that is analyzed using mathematically based methods." There are other ways the data collected can be analyzed which by using the qualitative and mixed methods approach.

4. Data Analysis

The data that will be collected will look at the service quality that customers receive from organizations. A questionnaire was used as the research method to collect the data and the technique that will be used to analyze the data collection is the measurement tool known as SERVQUAL. According to Akilimalissiga (2016) SERVQUAL has several advantages and they are explained as follows:

- SERVQUAL has been approved as a widely known measuring instrument in evaluating elements related to service quality.
- It is used to solve issues in the service industry.
- It is a trustworthy measurement that provides consistent final outcomes.
- SERVQUAL is restricted to 22 items for each expectation which are completed by employees and customers
- The results standardized in such way that improvement procedures are well identified.

Akilimalissiga (2016) stated that “the discrepancy between expectations and perceptions is known as a gap and described as the interpreting indicator of a customer’s perception levels of service quality.” The figure below explains the measuring of service quality using SERVQUAL model.

Conclusion and Recommendation

There are a lot of organizations in the world that provide services. Organizations should have the ability to separate themselves from organizations doing similar work in order to have great service quality (Ngwenya, 2017). The activities that the organization works on should be fully focused on customers and the organization’s one full priority should be on continuously improving service quality in order to achieve customer satisfaction and customer loyalty (Yang et al, 2017). Organizations have to be aware of the need for enhancing business competitiveness (Madanhire & Mbohwa, 2014). With the pressure of staying competitive and surviving the market share, organizations need to be aware of factors such as old technology, lack of financial support and operational area that the organization uses to stay profitable. Organizations need to keep these factors into consideration and find ways to continuously improve these factors to stay in business and deliver quality services (Mokoena, 2012). Improving service quality is essential in order to achieve customer satisfaction and business competitiveness. Staying competitive requires organizations to measure and manage the performance of their services in order to improve service quality (Mutingi et al, 2015).

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Biographies

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