

Perceived Service Quality as a Customer-Based Performance Measure: An Empirical Examination of Organizational Barriers Using an Extended Service Quality Model

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This study empirically examines organizational barriers to delivering high-quality service performance as measured by customer perceptions and expectations. Using the extended service-quality model developed by Zeithaml, Berry, and Parasuraman (Journal of Marketing, 52, 35-48) as a conceptual framework, five specific propositions implied by the model and by earlier studies contributing to its development were tested. Such testing required a complex research design involving five service companies as well as samples of customers, contact employees, and managers from each company. The results have practical implications and suggest an agenda for future organizational research. © 1992 by John Wiley & Sons, Inc.

A general tenet in marketing and business holds that high-quality goods and services are favored in the marketplace. Both research (Aaker, 1987; Buzzell & Gale, 1987) and company experience (Rudie & Wansley, 1985) support that tenet and further suggest that high service quality performance produces measurable benefits in profit, cost savings, and market share. As a result of this evidence and a widespread belief in the tenet, companies have placed service quality at the top of a list of strategic constructs important in the next several years (Uttal, 1987).

Empirical research by PIMS (Profit Impact of Marketing Strategies) clearly shows the positive relationship between service quality and organizational performance. Using a large database with thousands of strategic business units, the research shows that the most critical factor affecting a business unit's performance is the market-perceived quality of its products and services relative to those of competitors (Buzzell & Gale, 1987). Moreover, Reichheld and Sasser (1990) offer convincing evidence that retaining customers through service quality raises profits through

increased purchases and referrals, price premiums, and reduced operating costs.

Unfortunately, while most American companies today are drowning in measurement, focus is on short-term financial performance, on productivity and efficiency—and not on long-term customer satisfaction and value. To demonstrate fully the impact of service quality and customer satisfaction on organizational performance, other measures must be added to corporate report cards. Trusting short-term operational and financial measures to chronicle the future success of a business is dangerous:

. . . income-based financial figures are better at measuring the consequences of yesterday's decisions than they are at indicating tomorrow's performance . . . many executives saw their companies' strong financial records deteriorate because of unnoticed declines in quality or customer satisfaction or because global competitors ate into their market share. (Eccles 1991)

A central tenet of the Malcolm Baldrige Award is actions based on facts, data, and analysis, requiring companies to anchor strategies on measurable results that are broader than financial measures alone. Quality measures that have evolved in the last 10 years, such as defect rates, six sigma, and cycle times, are part of the picture. More critical are perceptual measures such as customer satisfaction and perceived service quality. The Baldrige criteria specify that the focus must be on the customer:

. . . indicators should be selected to best represent the attributes that link to customer requirements, customer satisfaction, and competitive performance as well as to operational effectiveness and efficiency. A system of indicators thus represents a clear and objective basis for aligning all activities of the company toward well-defined goals and for tracking progress toward the goals" (United States Department of Commerce, 1992).

Most recently, Kaplan and Norton (1992) have called for a balanced scorecard of organizational performance, a set of measures that gives managers a more comprehensive view of the business than financial or operational measures alone. One of the four main categories of measurement they propose is the customer perspective, answering the question, "How do customers see us?"

Despite the growing importance of service quality, as of the early 1980s little academic research had focused on conceptualizing the construct and identifying its determinants. The small number of articles discussing the topic focused on the *general* nature of service quality and its components (Gronroos, 1982; Lehtinen & Lehtinen, 1982; Lewis & Booms, 1983; Sasser, Olsen, & Wyckoff, 1978). To try to fill this research void, in 1983 we began a systematic, multiphase research program

focusing on service quality. This program has thus far produced a series of three studies.

The first study in the series (Parasuraman, Zeithaml, & Berry, 1985), developed a conceptual model of service quality that indicated customers' perceptions of service quality performance are influenced by a series of four distinct gaps occurring in organizations (see Fig. 1). These organizational gaps, which can impede delivery of services that customers perceive to be of high quality, are:

- Gap 1:* Difference between customer expectations and management perceptions of customer expectations.
- Gap 2:* Difference between management perceptions of customer expectations and service quality specifications.
- Gap 3:* Difference between service quality specifications and the service actually delivered.

CONSUMER

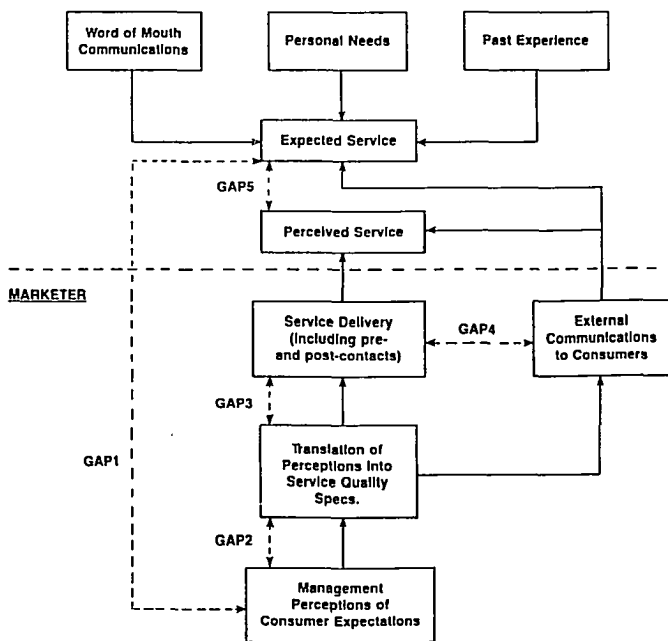


Figure 1. Conceptual model of service quality.

Gap 4: Difference between service delivery and what is communicated about the service to customers.

Perceived service quality, the customer-based performance measure, was defined in the model as the difference between customer expectations and perceptions (*Gap 5* in Fig. 1), which in turn was hypothesized to be influenced by organizational Gaps 1–4.

The second study in the series (Parasuraman, Zeithaml, & Berry, 1988) focused on developing a procedure for quantifying customers' assessment of service quality performance (i.e., *Gap 5*). In this study *SERVQUAL*, a multiple-item instrument designed to measure service quality along five dimensions, was developed and tested:

- Tangibles:* appearance of physical facilities, equipment, personnel and communication materials.
- Reliability:* ability to perform the promised service dependably and accurately.
- Responsiveness:* willingness to help customers and provide prompt service.
- Assurance:* knowledge and courtesy of employees and their ability to inspire trust and confidence.
- Empathy:* caring, individualized attention the firm provides its customers.

In the third study (Zeithaml et al., 1988), a reasonably exhaustive set of constructs potentially affecting the magnitude and direction of the four service quality gaps (Gaps 1–4) on the organization's side of the model was identified. Most of these constructs involved communication and control processes implemented in organizations to manage employees as well as manage the consequences of these processes. These constructs are organized by gap and defined in Table I. Figure 2 is an extended model of service quality, summarizing the various organizational constructs and their relationships to the service quality gaps. The purpose of this article is to describe and discuss findings from the latest study in our research program, a large-scale empirical study of the relationships implied in Figure 2.

RESEARCH PROPOSITIONS

The broad purpose of this study was to examine empirically the extent to which organizational factors delineated by the extended service-quality model (Fig. 2) influence ultimate service performance as perceived by customers. To accomplish this purpose, five specific propositions implied by the model and by earlier studies contributing to its development were tested.

Table I. Constructs Hypothesized to Influence Service Quality Gaps within Providers' Organizations

Constructs Influencing Gap 1

- **Marketing Research Orientation (MRO):** Extent to which managers make an effort to understand customers' needs and expectations through formal and informal information-gathering activities.
- **Upward Communication (UC):** Extent to which top management seeks, stimulates, and facilitates the flow of information from employees at lower levels.
- **Level of Management (LOM):** Number of managerial levels between the top most and bottom most levels.

Constructs Influencing Gap 2

- **Management Commitment to Service Quality (MCSQ):** Extent to which management views service quality as a key strategic goal and allocates adequate resources to it.
- **Goal-Setting (GS):** Existence of a formal process for setting quality of service goals.
- **Task Standardization (TS):** Extent to which technology and training programs are used to standardize service tasks.
- **Perception of Feasibility (POF):** Extent to which managers believe that customers' expectations can be met.

Constructs Influencing Gap 3

- **Teamwork (TEAM):** Extent to which all employees pull together for a common goal.
- **Employee-Job Fit (EFIT):** Match between the skills of employees and their jobs.
- **Technology-Job Fit (TFIT):** The appropriateness of the tools and technology that employees use to perform their jobs.
- **Perceived Control (PC):** Extent to which employees perceive that they are in control of their jobs and that they can act flexibly.
- **Supervisory Control Systems (SCS):** The extent to which employees are evaluated/compensated on what they do (behavior) rather than solely on output quantity.
- **Role Conflict (RC):** Extent to which employees perceive that they cannot satisfy all the demands of all the individuals (internal and external customers) they must serve.
- **Role Ambiguity (RA):** Extent to which employees are uncertain about what managers and supervisors expect from them and how to satisfy those expectations.

Constructs Influencing Gap 4

- **Horizontal Communication (HC):** Extent to which communication and coordination occur between different departments that have contact with and/or serve customers.
 - **Propensity to Overpromise (PTO):** Extent to which the firm feels pressure to promise more to customers than can be delivered.
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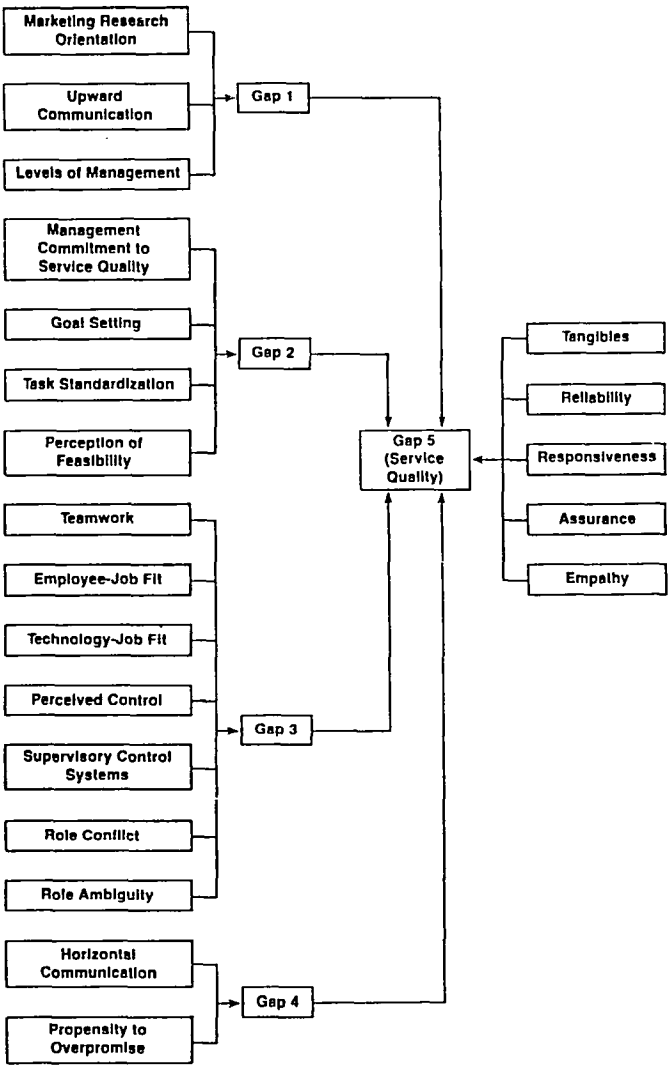


Figure 2. Extended model of service quality.

The first four propositions pertain to antecedents of the service-provider gaps (for detailed discussions of these propositions and support for them see Zeithaml et al., 1988):

- P_1 : The size of the *Marketing Information Gap* (Gap 1) is related:
- (a) negatively to marketing research orientation,
 - (b) negatively to extent of upward communication, and
 - (c) positively to levels of management.
- P_2 : The size of the *Standards Gap* (Gap 2) is related:
- (a) negatively to management commitment to service quality,
 - (b) negatively to setting of goals relating to service quality,
 - (c) negatively to task standardization, and
 - (d) negatively to perception of feasibility for meeting customer expectations.
- P_3 : The size of the *Service Performance Gap* (Gap 3) is related:
- (a) negatively to extent of teamwork perceived by employees,
 - (b) negatively to employee–job fit,
 - (c) negatively to technology—job fit,
 - (d) negatively to extent of perceived control experienced by employees,
 - (e) negatively to extent to which behavioral control systems are used to supplement output control systems.
 - (f) positively to role conflict experienced by employees, and
 - (g) positively to role ambiguity experienced by employees.
- P_4 : The size of the *Communication Gap* (Gap 4) is related:
- (a) negatively to extent of horizontal communication, and
 - (b) positively to propensity to overpromise.

In developing and discussing the basic conceptual model of service quality (Fig. 1), Parasuraman, Zeithaml, and Berry (1985) proposed that Gap 5, the customer-based measure, is a function of organizational gaps (Gap 1–4). Accordingly, the fifth proposition examined in this study was:

- P_5 : The size of the *Service Quality Gap* (Gap 5) is positively related to the sizes of the provider gaps (Gap 1–4).

RESEARCH DESIGN

Overview

Testing the five propositions required a relatively complex research design involving five service companies, with three different samples of

Charles C. Manz, Christopher P. Neck, James Mancuso, & Karen P. Manz

For Team Members Only: Making Your Workplace Team Productive and Hassle-Free
New York: AMACON, 1997, pp. 176, \$17.95, paperback.

For Team Members Only is aimed directly at team members struggling to learn new skills and different ways of working. The authors use real-life team member experiences to develop this book. It supplies step-by-step guidelines and interactive exercises for enhancing skills such as: team thinking, team talk, team leadership, and team problem solving.

Robert H. Miles

Leading Corporate Transformation: A Blueprint for Business Renewal
San Francisco, CA: Jossey-Bass Inc., Publishers, 1997, pp. 260, \$25.00, hardcover.

This book gives executives the framework for achieving fundamental transformation without exposing the organization to unacceptable risk. The author provides expert guidance and tools needed to meet a variety of corporate transformation challenges. Senior executives and leaders at all levels will find this book insightful and relevant.

Peter G. Northouse

Leadership: Theory and Practice
Thousand Oaks, CA: Sage Publications, 1997, pp. 274, \$22.95, paperback.

This book describes and analyzes a wide variety of different theoretical approaches to leadership. Special attention is given to how each theory can be used to better real-world organizations. *Leadership* is written in a clear, concise, and interesting manner.

Saroj Parasuraman and Jeffery H. Greenhaus (Editors)

Integrating Work and Family: Challenges and Choices for a Changing World
Westport, CT: Quorum Books, 1997, pp. 280, \$59.95, hardcover.

The editors have arranged this book into five parts. Part I deals with environmental factors

that impact work and family. Part II provides a look at the issues from the vantage point of specific stakeholders. Part III concentrates on the role of culture in shaping policies and practices. In Part IV, the impact of career development programs is examined. Part V concludes the book and examines the cultural barriers to achieving more effective integration of work and family.

Robert Bruce Shaw

Trust in the Balance: Building Successful Organizations on Results, Integrity, and Concern
San Francisco, CA: Jossey-Bass Inc., Publishers, 1997, pp. 242, \$25.00, hardcover.

Today's companies are adapting to compete in the changing global economy, and trust has become much more than just a human resource issue. The author shows the reader that trust is now the foundation on which high-performance organizations and teams are built. Included in this book are assessment surveys to help determine how individuals and organizations are performing against certain benchmarks of trust, especially the methods of overcoming trust dilemmas such as those that come from downsizing and reengineering efforts.

Karl Erik Sveiby

The New Organizational Wealth: Managing and Measuring Knowledge-Based Assets
San Francisco, CA: Berrett-Koehler Inc., 1997, pp. 220, \$29.95, hardcover.

This book outlines the conceptual framework for changing business strategies to focus on intangible assets. It includes guidelines for managers to learn how to identify the indicators for their companies' intangible assets—their employees' talents and strengths, their customers' support and interest, and their suppliers' reliability and ingenuity. The author details how to effectively use and measure these "tacit" assets and how to monitor them for financial success.