

# CONCEPTUALISING THE SERVICE EXCELLENCE AND ITS ANTECEDENTS: THE DEVELOPMENT OF THE STRUCTURAL EQUATION MODEL

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## ABSTRACT

Increasing and maintaining service excellence in the tourism and hospitality industry are known to enhance the customers' satisfaction and could bring more profits to the organisations. This conceptual paper focuses on the antecedents of service excellence, in particular the relationship with service characteristics, empowerment of employees, service excellence, and its impact on the selected outcomes. Using the existing literature, a proposed structural equation model with its associated hypotheses is developed to explain the relationship between service experience antecedents and its associated outcomes. Hence, the proposed model provides an understanding of the inter-linkages among service excellence, its antecedents and the outcomes. It provides some clearer insights into the importance of managing customer service experience which can contribute to customer satisfaction as well as enhancing an organisation's competitive advantage. This is a conceptual paper, thus empirical work is required to test various research propositions empirically. The implications for the practitioners are also discussed.

**Keywords:** Service excellence, empowerment, service quality, customer satisfaction.

## INTRODUCTION

Organisations are increasingly providing service excellence in order to win the customers' hearts and stay competitive in the market. Service excellence forms an integral part of any superior service (Berry and Parasuraman, 1992). The giant service organisations such as Disneyworld and Marriott Corporation use service excellence as their theme for success. However, many businesses trying to offer service excellence are not as successful in making it happen, especially in retaining customers in the organisation and many of them are not very certain of the key factors that could influence the delivery of service excellence. In particular, there is very little evidence available with regard to the antecedents of service excellence from service marketing perspectives. Some of the previous researches into service excellence have concentrated only on specific issues such as culture,

empowerment and operating process (Kim and Kleiner, 1996). Rigorous empirical research in this area remains inadequate.

A suitable marketing strategy which involves relevant components is indeed very important in services. This is due to its role which is to satisfy the needs and wants of the customers. Moreover, the current era of customer oriented marketing is very concerned with the customers' needs and requirements. Likewise, the mediocre success of many service businesses suggests that there is still much to understand about service excellence, especially in the area of the hotel industry for example. Providing service excellence is not an easy task and not as straightforward as many organisations may think. It involves a combination of many elements from the design of service processes; the environment of the organisation and the participation, as well as the performance of the employees.

There has been a growing concern in most of the service organisations that delighting customers is essential to maintain competitiveness in a dynamic world today. According to Brown *et al* (1992), customer satisfaction no longer constitutes the convincing factor for success, but customer delight is more relevant. Rather than just satisfying customers, delighting them appears to bring more advantages to the organisations. One of the key concerns could be related to the fact that satisfied customers may not last longer with the company because even though they are satisfied, they may defect at a high rate (Schneider and Bowen, 1999). Increasing and maintaining service excellence in the service industry are known to enhance customers' satisfaction which brings more profit to the organisations. According to Cina (1990), there are five critical steps to be followed in order to achieve service excellence. The steps are: know the moments of truth and inventory them; assess the importance/performance of each contact; establish service management discipline and implement an action plan. All of these require the involvement of various components such as service process and delivery, the service environment, the employees' role performance, and customers' participation.

The finest organisations, by and large, do not gain customer experience by accident. They "harness the power of their people, their culture, their management, their end-to-end processes, and their system to design and deliver the wow factor" (Millard, 2006). Effective service strategies are therefore vital to enable the organisation to enhance convenience and customer value at each stage (Bolton *et al*, 2006). Notwithstanding its significance and despite a growing number of studies on the impact of service excellence on service quality, customer satisfaction, organisation performance and others, little has been written about service excellence and how organisations can achieve delighted customers. Questions such as what are the key determinants of service excellence have been left virtually unanswered in the (services) marketing literature. Therefore, the paper aims to contribute to the literature on service marketing as well as to the hospitality and tourism industry by developing and testing a model (future plan) empirically that attempts to explain what factors determine the service excellence in the service transaction in delivering value-added services to establish enduring customer-firm relationships as well as customers' satisfaction. Briefly, this paper

predicted that service excellence components or antecedents have some influences on service excellence. It is also proposed that service excellence will have positive relationships with its associated outcomes namely service quality, customer satisfaction and repurchase intention. The remaining sections of this paper are structured as follows. First, the paper will explain the research background and literature review. It will then briefly discuss the conceptual framework which is based on the structural equation model approach. This is followed by discussion and suggestions for future empirical research.

## **RESEARCH BACKGROUND**

Drawing from services marketing and management theory, this paper explores the effects of selected services attributes or components on service excellence suitable in a high contact service. Despite its widespread importance in delivering service excellence to its customers and a growing amount of attention in academic literature to the topic, little is known of the importance of service excellence and its outcomes. Moreover, almost none of the empirical research has attempted to validate the key drivers of service excellence. With the Malaysian hospitality and tourism sectors growing at a rapid rate, it is imperative that the industries uncover suitable precursors to service excellence since they may contribute many benefits to both customers and organisations. By thoroughly understanding what services elements such as the service process, environment and employees can do and help in promoting service excellence, organisations in the hospitality and tourism industry can better ensure that those elements can be fully utilised and maximised to help organisations maintain their competitiveness in the market. As such, the purpose of this paper is to propose a structural model of service excellence antecedents and its selected associated outcomes.

Therefore, the primary objective of this paper is to examine the drivers of service excellence and illuminate if those drivers have any impact on service excellence and its selected outcomes. In essence, this paper will try to find out how the organisations go about delivering service excellence. The paper uses previous service marketing theories as the organising framework to propose the drivers or antecedents of service excellence and its selected outcomes. Accordingly, answers to the following questions will be specifically sought:

1. Will the service process and delivery drive service excellence?
2. Will the service environment drive service excellence?
3. Will employee performance drive service excellence?
4. Will customer participation drive service excellence?
5. Will employee emotions drive service excellence?

6. Will service excellence have an impact on the service quality?
7. Will service excellence have an impact on customer satisfaction?
8. Will service excellence have an impact on customer repurchase intention?

Consequently, this paper proposes a structural equation model to test these questions and to validate the proposed service excellence antecedents.

## LITERATURE REVIEW

One of the most extensively studied constructs in the services marketing literature is service excellence. Significant research and managerial attention have been devoted to studying this area for more than 20 years (Zeithaml, 2002). Service excellence is viewed as being “easy to do business with” (Johnston, 2004). It requires service organisations to deliver their promises and have good systems in place to deal with this. Service excellence has been given considerable attention in the services marketing and management literature and service organisations that adopt marketing concepts have a belief that they ultimately achieve success through the provision of customer satisfaction (Deshpande *et al*, 1993). According to Oliver (1997), excellent service is “an expression of very high satisfaction” resulting from “surprisingly good performance”. This suggests that the service organisation does not only need to satisfy the customers but has to delight them as well. This is crucial because delight is constantly viewed as a result of service excellence that exceeds expectation (Grönroos, 1990; Schneider and Bowen, 1999). It is therefore, ultimately important to delight and satisfy the customers because dissatisfied customers are not inclined to come back (Moores, 1990). So far, there has been very little empirical research conducted on the service excellence construct itself. Even the definition and concept of service excellence are still blurred and not well established. Most of the literature is on rather a conceptual basis and concentrates on the theoretical perspectives only. The notion of a service excellence issue is discussed from or through other perspectives such as service quality (Zeithaml, 2002), service empowerment (Antonacopoulou and Kandampully, 2000), and culture and development (Kim and Kleiner, 1996). The previous empirical work on service excellence had almost exclusively focused upon looking at general service excellence such as leadership for service excellence (Wirtz *et al*, 2008), definition (Johnston, 2004), service quality balance score-cards (Jones, 2004) and service excellence programmes (Hesselink and Assem, 2002). Indeed service excellence constructs in the organisational context tend to have been overlooked at both the managerial and employee level and under-researched academically. This is surprising given the importance of service employees and the social relationship between employees and customers.

Thus, this paper is attempting to shed light by looking at the important factors that may have an effect on service excellence. It is argued that there are several components or factors that may influence service excellence as perceived by customers. Increasingly, research scholars are advocating that a commitment to service excellence will ensure higher service quality, more customer satisfaction, and a greater intention for them to repurchase. Service excellence is not driven by a single component but requires a consolidation of several components to build its excellence entity. Hence, drawing on the services marketing and management theory, these components or antecedents are expected to positively influence service excellence and are expected to have a positive effect on such outcomes as service quality, customer satisfaction and intention to repurchase. The following section will discuss the relationships between the constructs of the conceptual framework, model and the derivation of relevant hypotheses.

### **Antecedents of Service Excellence**

A suitable and well designed service process and delivery to meet individual customers' needs and requirements have become a crucial goal for most service organisations. Service processes explain the method and sequence in which the service operating systems work and how they link together to create the service experience and outcome that customers will value (Lovelock *et al*, 2005). This is achieved through many elements such as the design and flow of the service, and many others. The characteristics of a good service process such as flexibility and customisation in service encountered, for example, is highly appreciated by customers (Bettencourt and Gwinner, 1996). Well planned service may directly contribute to some favourable impacts on customers' evaluation especially in terms of the whole service excellence. Therefore, it is suggested that a well designed service process and delivery can enhance customers' perceptions of service excellence.

*H1: Service process and delivery is positively associated with service excellence.*

The service environment or servicescape is related to the style and appearance of the physical surroundings among others. The physical atmosphere and environment in a service organisation are found to have some impacts on customers which later become part of the service experience (Lovelock *et al*, 2005). Dube and Renaghan(2000) also confirmed the importance of architecture and design as key value drivers for guests. This may influence the customers' perceptions of quality and service excellence. Pleasure, arousal, scent and music for example, have been found to have interactive effects in positively influencing customers' behaviour (Matilla and Wirtz, 2001; Dube *et al*, 1995). This may lead customers to positively perceive higher service excellence. An outstanding coffee consumption experience provided by a successful coffee business such

as *Starbucks* promised service excellence through a relaxing atmosphere to help customers unwind and have a break. This is clearly one important element of the service environment that may bring service excellence perceived by customers. In line with this, the following hypothesis is offered:

*H2: Service environment is positively associated with service excellence.*

Service employees are the main source for delivering service excellence and productivity (Wirtz *et al*, 2003). Service excellence provided by the organisation to external customers is often overshadowed by the internal activities and service processes of the internal customers who are the employees (Hays, 1996) which are also known as employee performance. Employee performance refers to behaviours performed by the service providers or employees in serving the customers of the company (Bettencourt and Brown, 1997). An effective internal service excellence performed by the employees can be a source of competitive advantage to the organisation. For many years, service providers have been regarded as an important asset to the organisation and viewed as source of differentiation and competitive advantage (Pfeffer, 1994). Moreover, it has been proposed that a personal interaction between service provider or employee and customers, known as a service encounter, is at the heart of most services (Suprenant and Solomon, 1987). The previous research has provided evidence that high employee performance can have a positive impact on the whole service experience which contributes to service excellence. It is therefore hypothesised that:

*H3: Employee performance is positively associated with service excellence.*

Customers increasingly play active and even leading roles in service production and delivery processes (Xue and Harker, 2002) in most of the service organisations. The nature of service characteristics that is highly simultaneous requires customers to be part of the service transaction or to be a co-producer. The customer is required to participate in terms of supplying suitable/necessary information, triggering service, completing service, or even becoming part of the service process. Customers are the potential sources for increasing service firm productivity (Lovelock and Young, 1979). The customer's engagement in service as a co-producer is important in the cost reduction as well as the service quality improvement (Heskett *et al*, 1997). Thus, the degree of service success may depend very much on the participation of the customer to make the service happen. In other words, in some services, the customer is acting as a partial employee of the organisation. Thus, it is suggested that:

*H4: Customer participation is positively associated with service excellence.*

Emotion is an important element in the service delivery process (Kandampully,

1993) and plays a central role in the customer-employee interaction (Matilla and Enz, 2002). Recent research has provided some valid evidence whereby emotion plays a major role in perceived levels of service quality and customer satisfaction (Liljander and Strandvick, 1997). A positive mood for example, has been found to have some impacts on positive evaluation such as more favourable judgement (Mano and Oliver, 1993). The behaviours and attitudes of the front-line employees such as their excellence in performance and positive emotions may influence the customers' evaluation process; thus are crucial for the whole customer experience. This will bring to customers satisfaction or dissatisfaction which affect the whole organisation. Employees who display positive emotions during the encounter and express themselves in an orderly manner are expected to perform well on service excellence. In this study it is proposed that employees' positive emotions are likely to generate significant service performance, which in turn will influence the customers' evaluation of the service encounter positively. Thus, employee emotions appear to have some impacts on the service excellence.

*H5a: An employee's positive emotions are positively associated with service excellence.*

*H5b: An employee's negative emotions are negatively associated with service excellence.*

## **Service Excellence Outcomes**

The services delivered to customers may have impacts both good and bad. Customer satisfaction, service quality perceptions, word of mouth communication, decisions to remain loyal or to switch to another company are significantly influenced by the attitude and behaviour of service providers (Bitner *et al*, 1990, Keaveney, 1995) as well as other components such as the service process and the service environment. These have strong emotional impacts on customers which lead to strong intense feelings towards organisations (Johnston, 2004). Previous empirical evidence has provided evidence in which employees' attitudes towards perceptions of a high quality of service have a significant impact on customers' evaluations of service experiences (Johnson, 1996, Schneider and Bowen, 1985, Schneider *et al*, 1998). Customers who face positive and favourable experiences normally tend to be more satisfied with the delivered services. Accordingly, as we may be well aware, the more satisfied the customers, the higher the likelihood of retention, and the higher the likelihood of positive word of mouth behaviour (Reichheld and Sasser, 1990). Based on this evidence, the following hypotheses are therefore proposed:

*H6: Service excellence is positively associated with service quality.*

*H7: Service excellence is positively associated with customer satisfaction.*

*H8: Service excellence is positively associated with repurchase intention.*

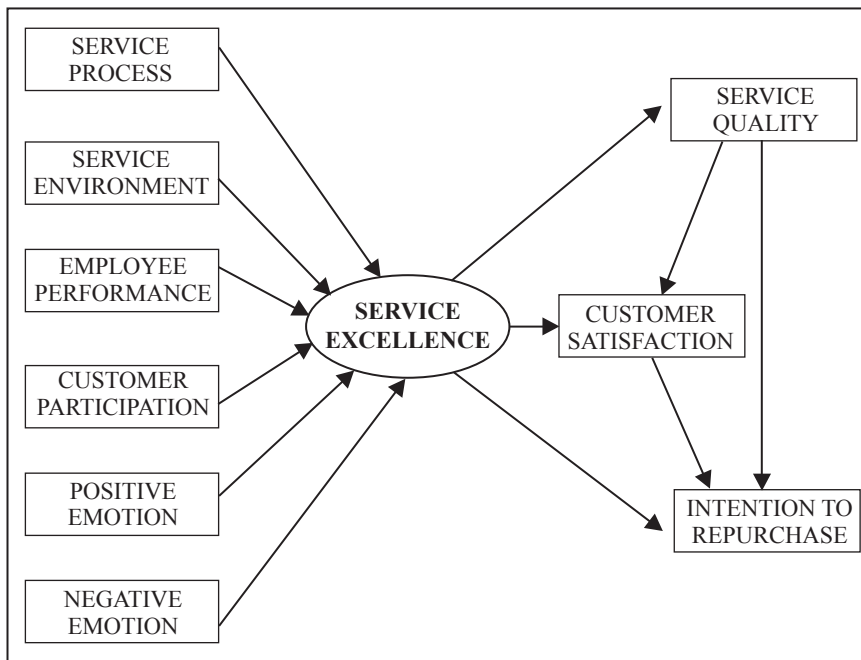
*H9: Service quality is positively associated with customer satisfaction.*

*H10: Service quality is positively associated with repurchase intention.*

*H11: Customer satisfaction is positively associated with repurchase intention.*

## CONCEPTUAL FRAMEWORK

Based on the preceding discussion and literature review, the proposed conceptual framework of the present paper shown in figure 1, includes 11 main hypotheses, and it is proposed to test them. Antecedents of service excellence are identified as service delivery processes, service environment, customer participation, employee performance, and employee emotions. Hypotheses 1 – 5 reflect the influence of service excellence antecedents on service excellence respectively. Hypotheses 6 – 8 identify the effect of service excellence on service quality, customer satisfaction and repurchase intention respectively. Finally, hypotheses 9 – 10 propose the linkage between service quality, customer satisfaction and repurchase intention as well as the linkage between customer satisfaction and repurchase intention.



**Figure 1:** Structural Model of Service Excellence Antecedents



The structural equation modelling approach using a two-step process is proposed for this research. This involves testing the proposed measurement model and the structural model or path analysis (Bollen, 1989, Schumacker and Lomax, 1996). First, a series of confirmatory analyses will be conducted to check the factor structure of all scales. Once the individual construct is assessed, the hypothesized structural model will be tested to examine the proposed relationships among the latent variables. The figure above shows a structural model for five independent or exogenous constructs and their interactions as a cause of one dependent construct. In this model, service delivery process, service environment, customer satisfaction, employee performance and employee emotions have been treated as exogenous constructs, while service excellence, service quality, customer satisfaction and intention to repurchase have been treated as endogenous constructs.

## **DISCUSSION AND SUGGESTIONS FOR FUTURE EMPIRICAL RESEARCH**

This paper is expected to contribute to our current understanding of the services characteristics (antecedents) and their interface with service excellence and its related outcomes. It is expected that those services characteristics as well as employee performance and customer participation will have positive influences on service excellence and its consequences. More specifically, the service delivery process and service environment designed by the organisation may demonstrate its effectiveness in contributing to service excellence. The employee performances are expected to have positive and significant influences on service excellence. That is, we can expect employees who perform well to influence the customers' perceptions of services delivered. Similarly, we expect the customer's own participation will also contribute to the service excellence. Having said this, we expect customers who participate and give their fair share will tend to view the service more favourably since they establish social relationships with the organisation in general and with the employees in particular. The employee's emotions are also expected to have a positive relationship with service excellence. Employees who display positive emotions are expected to influence the customers to view the service favourably which leads to positive service experiences as well as excellent service. Similarly, it is predicted that employees who maintain negative emotions will not be perceived favourably by customers. Service excellence in the end is predicted to have significant positive relationships with service quality, customer satisfaction and repurchase intention.

This paper intends to extend the conceptual framework and investigate within a hotel service environment. A hotel organisation is deemed to be suitable to test the model as the industry has become one of the most competitive among the service industries. Its competitiveness has therefore forced the hotels to find ways to attract new customers and retain existing ones. Moreover, owing to the

nature of the hotel industry that is highly intangible, perishable, heterogeneous and highly variable, it therefore demands special attention because of the difficulty in meeting customers' needs and wants. Additionally, this is particularly important as customers nowadays have rising expectations, less tolerance, a greater sense of importance and power and growing affluence.

This paper is expected to contribute to the theoretical advancement in the field of services marketing and the hospitality and tourism industry by empirically testing the structural model to develop a concept of service excellence in the hotel industry. Theories which are related to the role of service excellence have been widely discussed, but almost none of the studies has empirically tested these theories in particular and its antecedents in the hospitality industry.

From a practical standpoint, the findings of the study are anticipated to be useful in planning the marketing strategy of the organisation. The management will usefully utilise the findings to satisfy the needs and wants of the customers, thus exceeding their satisfaction by delighting them.

## CONCLUSION

This paper has argued that service excellence has been associated chiefly with interest in gaining competitive advantage through several important components as illustrated in the proposed model. Service excellence is suggested to be a technique which will contribute to higher service quality, greater customer satisfaction and increase intention to repurchase. In examining the antecedents of service excellence, this paper hopes to lay the groundwork for future research into the service excellence phenomenon in the services literature, while also offering practical recommendations to managers on how to deliver service excellence.

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