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Gaining Competitive Service Value through Performance Motivation

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Abstract

For a service firm, customer perceptions of superior service quality can be an important competitive advantage. Practitioners and academics alike agree that employee motivation and vision and organizational learning are important determinants of service quality and subsequently customer satisfaction and loyalty. Utilizing a framework suggested by the resource-based view of the firm, this empirical study investigated the effects of employee motivation and vision and organizational learning on perceived service quality in a service firm (Radisson Hotels Worldwide).

The results of this research show that both employee motivation and vision and organizational learning positively affect perceived service quality. Additionally, this research found that employee motivation and vision mediate the relationship between organizational learning and perceived service quality. Thus, this research also provides evidence that both a valuable resource (employee motivation and vision) and a superior capability (organizational learning) can positively affect a distinctive competence (service quality) and that resources can mediate the relationship between capabilities and competencies.

Editors' Introduction

JSPM is a practitioners' journal. This does not mean that we do not value our academic community members. We do value them and consider our community of writers incomplete without them. We believe a bridge needs to exist between practitioners' work and academics' exploration and research. Still, the emphasis remains on useful, applicable methods and experiences. From time to time, when we find an academic paper or research effort that brings these qualities, we feel confident it will bring value to our readers. With permission from the original authors, we will extract the key ideas, exhibits and references, and present them in excerpted form to our readership. Below, we present such an excerpted paper by Julie Hays that explores the links between employee vision, motivation and learning, and their effect on customer-perceived service quality performance.

Executive Summary

- For a service firm, customer perceptions of superior service quality can be an important competitive advantage.
- Practitioners and academics alike agree that employee motivation and vision and organizational learning are important determinants of service quality and subsequently customer satisfaction and loyalty.
- Utilizing a framework suggested by the resource-based view of the firm, this study investigated the effects of employee motivation and vision and organizational learning on perceived service quality in a service firm.
- The results of this research show that both employee motivation and vision and organizational learning positively affect perceived service quality.

Introduction

For a firm to prosper and survive, it must sustain a competitive advantage. Practitioners and academics alike agree that, for service firms, one means to achieve this competitive advantage is by offering superior service quality.

Because services differ from manufacturing in many important characteristics, assuring quality in services is, in some ways, a more difficult proposition than assuring quality in manufacturing. Two factors, in particular, contribute to this difficulty. The “production process” of services involves the interaction of employees and customers, making it difficult to insure consistency and reliability in the service process and resulting “product.” Also, quality judgments of an intangible service are determined by individual customers’ perceptions and expectations, making it difficult to discover and correct service failures. Thus, for services in particular, both the employees (or, more specifically, employee motivation and vision) and the learning ability of the firm are thought to play a critical role in achieving superior service quality.

Much of the evidence supporting the effects of employee motivation and vision and organizational learning on service quality is anecdotal rather than systematic, theory-driven, empirical research. This lack of theory-driven, systematic, empirical research leaves both academics and practitioners in doubt as to both why and how motivation, vision and learning affect service quality. The resource-based view of the firm supports a theoretical framework within which to address these questions.

The resource-based view of the firm (see Exhibit 1) suggests that competitive advantage is achieved by developing distinctive competencies based on superior capabilities and valuable resources. This framework then implies that competitive advantage can be achieved by developing a distinctive quality competence based on a learning capability supported by the motivation and vision of a firm’s employees. Based on the premise that valuable resources can support capabilities and distinctive competencies that could allow a firm to gain competitive advantage, this research investigates the relationship between employee motivation and vision, organizational learning, and perceived service quality.

Although this study is focused on a particular service firm, it is important to note that it may have broader applications in both service firms and manufacturing firms. For many manufacturing firms, service is becoming an increasingly important competitive strength.

Perceived Service Quality, Customer Satisfaction, and Customer Loyalty

Superior quality is one distinctive competence that can lead to competitive advantage. Quality has been found to be an important determinant of both market share and profitability in many markets. The distinction between perceived service quality and customer satisfaction is blurred. Some of this confusion stems from the attempt to define *quality* as transaction-specific and *customer satisfaction* as cumulative.

No matter how service quality and/or customer satisfaction are defined, the ultimate goal for a firm is customer retention. In anything other than a monopoly situation, it can be argued that customer loyalty (or intent to repurchase) is a measure of customer satisfaction and/or perceived service quality.

The resource-based view of the firm, discussed previously, leads to the proposition that if superior service quality is a distinctive competence through which firms gain competitive advantage, it must be based on capabilities and resources that support this competency.

Organizational Service Learning – Service Quality

Organizational learning is another capability that is hypothesized to support distinctive competencies and therefore allow a firm to achieve a competitive advantage. The ability to learn efficiently from both employees and customers is thought by some experts to be necessary for organizational success and survival (Marquardt and Reynolds, 1994). Senge (1990) goes so far as to argue, “The rate at which organizations learn may become the only sustainable source of competitive advantage.”

In order to survive in an increasingly competitive and dynamic service economy, firms need the ability to quickly learn from both their employees and customers. Perceptions of service quality are shaped by customer expectations. Because customer expectations and perceptions change over time, organizational learning is needed to achieve and maintain superior service quality. A *learning capability* should therefore support a distinctive *quality* competence.

Employee Motivation and Vision – Service Quality

Quality perceptions are shaped by the courtesy, empathy, and responsiveness of service employees (Zeithaml, Parasuraman, and Berry, 1990). In service encounters, employees’ feelings about their jobs will spill over to affect how customers feel about the service they get (Bowen and Lawler, 1992). Motivated, empowered employees who have a clear vision of the importance of service quality to the firm will provide superior service. This superior service should ensure greater customer satisfaction. Employee motivation and vision can be viewed as a valuable resource which supports a distinctive quality competence.

Almost all of the available service literature highlights the importance of human resource variables in successful service firms. The ability of a service firm to achieve and maintain a distinctive quality competence can be seen to be based, in part, on a valuable resource embedded in the employees of the firm. Thus, the motivation and vision of the firm’s employees can enable the firm to achieve a competitive advantage by supporting a distinctive service quality competence.

Employee Motivation and Vision – Organizational Service Learning

Employee motivation through empowerment and vision are thought to be essential ingredients of learning organizations. Peter Senge (1990), who popularized the concept of learning organizations says, “one

cannot have a learning organization without shared vision. Without a pull toward some goal which people truly want to achieve, the forces in support of the status quo can be overwhelming. Vision establishes an overarching goal. The loftiness of the target compels new ways of thinking and acting. A shared vision also provides a rudder to keep the learning process on course when stresses develop ... shared vision fosters risk taking and experimentation.”

Organizational Service Learning – Employee Motivation and Vision

Motivational determinants include the role of leadership processes and job characteristics, as well as person/system fit and situational constraints (Waldham, 1994). While motivation and vision are thought to influence organizational learning, both feedback from job and knowledge of results (which are elements of learning) positively influence employee motivation and vision. Not only are employee motivation and vision thought to influence learning, but learning is also thought to influence employee motivation and vision.

Framework and Hypothesis

Exhibit 2 illustrates how the constructs of employee motivation and vision, organizational learning, perceived service quality, and perceived service quality fit into the resource-based view of the firm. Superior performance flows from distinctive competencies. Distinctive competencies are based on both superior operational capabilities and valuable resources. Superior operational capabilities, in turn, depend on the valuable resources of the firm. The valuable resources of a firm can then be hypothesized to mediate the relationship between capabilities and competencies.

Stated in terms of this study, customer satisfaction and loyalty flow from service quality. Service quality is based on both organizational service learning and employee motivation and vision. Organizational service learning, in turn, depends on employee motivation and vision. Employee motivation and vision then mediates the relationship between organizational service learning and perceived service quality.

Hypotheses

The hypothesis states that, particularly for service firms, increased levels of customer satisfaction and loyalty result from customer perceptions of superior service quality. This distinctive competence of superior service quality is in turn based on both an organizational learning capability and a valuable resource of employee motivation and vision embedded in the personnel and culture of the firm. Thus, we propose the following hypotheses (see Exhibit 3):

- H₁: Higher levels of employee motivation and vision (EMV) will have a positive effect on perceived service quality (PSQ).
- H₂: Higher levels of organizational service learning (OSL) will have a positive effect on employee motivation and vision (EMV).
- H₃: Higher levels of organizational service learning (OSL) will have a positive effect on perceived service quality (PSQ).
- H₄: The effect of organizational service learning (OSL) on perceived service quality (PSQ) is mediated by employee motivation and vision (EMV).

We argue that employee motivation and vision is the mechanism through which organizational learning impacts perceived service quality. Hypothesis 1 through 3 comprise a mediation model, where organizational learning is the antecedent, employee motivation and vision is the mediator, and perceived service quality is the consequence.

Research Design

Data was collected from a multi-national hotel corporation to investigate the above hypotheses. A mail survey (see Exhibit 4) was sent to a sample of 25 North American hotels in their chain. These hotels represented a wide variety of hotel types, locations, and sizes. Both management and front-line personnel perceptions of employee motivation, employee vision, and organizational learning were surveyed. Only one hotel did not respond and over 250 responses were received. The corporation also provided us with their monthly and yearly data on perceived service quality for most of these hotels. This study was aimed at: pilot testing the specific items (questions); determining the validity and reliability of the specific constructs, dimensions, and items used to (questions); determining the validity and reliability of the specific constructs, dimensions, and items used to measure them; and determining the relationship between employee motivation and vision (a resource), learning (a capability), and perceived service quality (a competence).

Summary, Discussion, and Direction

Our research findings indicate that employee motivation and vision have a significant positive effect on perceived service quality. Organizational service learning has a significant positive effect on employee motivation and vision. Organizational service learning has a significant positive effect on perceived service quality. And finally, the effect of organizational service learning on perceived service quality essentially disappears when the effect of employee motivation and vision is accounted for. This supports our hypothesis that employee motivation and vision mediate the effect of organizational service learning on perceived service quality. In all regressions, the mediation hypothesis was supported.

Particularly in service firms, the motivation and vision of employees drives perceived service quality. This resource, embedded in the personnel of the firm, was shown to have a significant positive effect on the distinctive competence of perceived service quality. The capability of organizational learning was also shown to have a significant positive effect on perceived service quality. This supports the resource based view that superior capabilities based on valuable resources support distinctive competencies, which enable superior performance.

Superior capabilities are built on valuable resources and both affect distinctive competencies. In this study, a resource (employee motivation and vision) was found to mediate the effect of a capability (organizational learning) on a competence (perceived service quality).

While this investigation of the effects of employee motivation and vision on organizational learning and perceived service quality for a particular firm will have value to both practitioners and academics, there are significant threats to both statistical validity and external validity. Statistical validity is threatened by both random irrelevancies in experimental settings (individual outlets are subject to various environmental factors, systematic individual influences) and the random heterogeneity of respondents (all of the respondents are from a single firm). Attempting to generalize the results of this study to other firms would be premature. Future work could be aimed at ensuring greater external validity by using the validated instrument across a range of firms. However, this research will enable us to refine both the instrument and the theory for further investigation.

References

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Exhibit 4. 100% satisfaction guarantee program

Hotel management and front desk survey
 Sponsored by Radisson Hospitality Worldwide and
 The Carlson School of Management at the University of Minnesota

Hotel name	
Your name	
Position (circle one)	Hotel Management Front desk employee
Your job title	
Phone number	
Fax number	

1. Our employees feel a strong sense of accountability and ownership for service quality. (EMVM4)
2. When a service problem occurs, we are almost always aware of the problem. (OSLDIS1)
3. We have very well-defined standards for service quality. (EMV3)
4. We have improved our service quality over the past year based on customer complaint information. (OSLIMP2)
5. Our employees try very hard to fix customer problems when they know about them. (EMVM3)
6. We have accurate information on why our customers complain. (OSLDATA2)
7. Our employees go out of their way to listen when customers complain. (EMVM2)
8. Customer satisfaction is an extremely important part of my job. (EMVM5)
9. Our employees are very aware of customer complaints and why they occur. (OSLDIS2)
10. Our employees always make customer satisfaction their top goal. (EMVM1)
11. Collecting customer feedback helps us to regularly improve our service quality. (OSLIMP1)
12. Our employees have a clear understanding of the role that service quality plays in helping our company compete in our market. (EMV2)
13. Customers with a service problem almost always complain to us. (OSLDIS3)
14. Information on customer satisfaction trends is communicated to all of our employees. (OSLDATA5)
15. Our service quality priorities are always clear to our employees. (EMV1)
16. We have accurate information on how many complaints we receive. (OSLDATA1)

All items were scored on a seven-point Likert scale with end points of "Disagree Strongly" and "Agree Strongly."