Guru's view

Service quality and productivity: a synergistic perspective

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Keywords

Service quality, Productivity, Service industries

Abstract

Companies delivering services must broaden their examination of productivity from the conventional company-oriented perspective to a dual company-customer perspective. This broadened approach can help reconcile conflicts – the leverage synergies – between improving service quality and boosting service productivity. This article proposed a conceptual framework for understanding the inter-linkages among service quality and the various components of the company-customer perspective of productivity, and discusses the implications of the framework for service executives and researchers.

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Managing Service Quality
Volume 12 · Number 1 · 2002 · pp. 6–9
 · ISSN 0960-4529
DOI 10.1108/09604520210415344

Anecdotal accounts in the popular press about companies that epitomize service excellence, as well as findings published in the scholarly literature, attest to the benefits of delivering superior service. Not as well understood or researched are the costs of doing so, which are of critical concern to practitioners facing increasing pressure to improve productivity and profits. Conflicts between cost considerations and customer-service improvements are frequently resolved in favor of the former, particularly in companies predisposed to boosting their bottom lines by cutting costs. While increasing service productivity is a laudable pursuit – especially in the short term – a sole focus on it can be counterproductive in the long term.

My primary goals in this essay are to encourage practitioners to think more broadly about productivity and to stimulate research aimed at enhancing our understanding of potential conflicts and synergy between service quality and productivity. I begin by proposing a dual company-customer perspective of productivity (as an augmented version of the conventional perspective). I then offer a conceptual framework for understanding the interplay between this dual perspective and service quality. I conclude with some observations about the framework's implications for managers and researchers.

Much has been written on the concept of productivity and the complexities associated with its assessment. However, the extant literature examines the concept almost exclusively from the perspective of producers, be they units within a company, companies as a whole, or entire business sectors. In other words, the conventional view of productivity is that it represents some measure of the ratio of a producer's output to input. Such a producer-oriented perspective works well in the context of products – ranging from potato chips to computer chips, cosmetics to chemicals, mobile telephones to mining equipment. The output in product contexts can be measured relatively easily and unambiguously in terms of units produced in a manufacturing facility. Likewise, the input can also be calculated in a straightforward fashion by summing the various costs associated with labor, equipment, raw materials and other factors of production. Therefore, improving productivity in product

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Volume 12 · Number 1 · 2002 · 6–9

contexts is a matter of either: increasing the units produced (i.e. output) with no increase – or less than a proportionate increase – in production costs (i.e. input); or decreasing production costs with no decrease – or less than a proportionate decrease – in units produced.

The producer-oriented view of productivity outlined above is insufficient for service contexts because what is being produced is a set of "performances" that are typically produced and consumed simultaneously through one or more interactions between the producers and customers. As such, in service contexts customers often play a co-production role, providing some amount of direct or indirect input in the form of time, physical effort and mental energy. When service businesses subscribe to a purely producer-oriented view of productivity – which is the case more often than not – the quality of service to customers invariably suffers.

Consider, for instance, a cable-television company's call center offering telephone-based support to customers. The call center's productivity measured in conventional terms converts to a metric such as the number of customer calls processed per hour per employee. Trying to maximize this metric is a matter of depleting the call center staff and/or setting stringent performance standards for the staff (e.g. average time per call not to exceed two minutes; number of calls processed per hour should be at least 30). The problem with this approach to boosting productivity is its failure to consider customers' inputs into the process (e.g. waiting time and emotional energy due to frustration), as well as the outputs experienced by the customers (e.g. service performance, satisfaction).

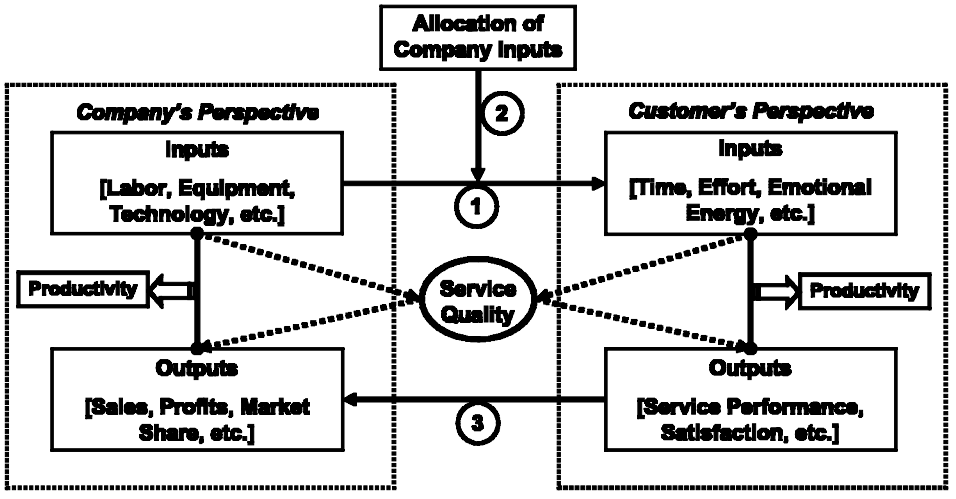
Productivity from the customer's perspective – defined as the ratio of the service output experienced by a customer to the inputs provided by that customer as a participant in service production – suffers when managers in service-producing businesses blindly mimic the productivity-improvement methods of their peers in product-producing businesses. By the same token, service managers who focus solely on enhancing productivity from the customer's perspective cannot afford to continue to do so forever unless they are endowed with unlimited budgets. The company and customer perspectives on productivity, when considered separately, are at odds with each other; improvement in one type of productivity is invariably accompanied by deterioration in the other. But the two perspectives need not – and should not – be viewed independently. Enlightened companies that examine productivity from a dual company-customer perspective can benefit from synergies that elude service businesses focusing on a single perspective.

Figure 1 presents a conceptual framework that captures the company and customer perspectives of productivity and portrays the central role of service quality in linking the two. As implied by the dotted arrows leading into oval at the core of the framework, inputs from both the company and the customer influence service quality. All else being equal, we can hypothesize that higher levels of company inputs – and lower levels of customer inputs – will lead to higher levels of service quality (by the same token, lower levels of company inputs and higher levels of customer inputs are likely to decrease service quality). Service quality, in turn, influences outputs from both the company and customer perspectives. Based on insights from the extensive literature on service quality, we can hypothesize that higher (lower) levels of service quality will contribute to higher (lower) outputs for both company and customer. One noteworthy point in Figure 1 is that the framework depicts a company's output in broad terms (e.g. sales, profits) rather than in narrow terms (e.g. number of customers served, number of transactions processed) as is often the case in companies that view productivity from a purely production perspective.

In addition to being linked through service quality, the components of productivity from the two perspectives also have some direct linkages. The relationship labeled "1" in Figure 1 captures the notion that as a company channels more resources into service provision, the customer's input should decline. For example, if a call center increases the number of telephone representatives, customers' waiting time and frustration in obtaining service should decrease. Similarly, as company inputs decline, the inputs required from customers will increase.

The link labeled "2" suggests that the extent to which changes in company inputs trigger changes in customer inputs will

Figure 1 A conceptual framework for understanding the interplay between service quality and productivity



depend on how the company allocates in available inputs. Specifically, if a company increases its inputs but allocates them inappropriately (e.g. a call center spending its resources more on sprucing up its facilities than on more pressing issues such as employee training), the corresponding reduction in customer inputs will be lower than if the company inputs are allocated appropriately. Similarly, if a company is forced to decrease inputs but cuts resources in the wrong areas (e.g. a call center facing a budget crunch deciding to lay off service representatives rather than delaying the purchase of expensive equipment), the corresponding increase in customer inputs will be higher than if the resource cuts are made in less essential areas. The moderating effect represented by link 2 has a powerful message for service executives: how a company allocates its service inputs – not merely how much it allocates – will strongly influence productivity from a customer's perspective (and eventually also from the company's perspective, as reflected by the cross-linkages in the framework).

Relationship 3 in Figure 1 is based on insights from past research and represents yet another manifestation of the intertwining of the two productivity perspectives. Outputs from a customer's perspective (e.g. Was the service performed properly and as promised? Was the service experience pleasant?) will have a positive impact on company outputs.

In conclusion, I hope that the framework proposed in Figure 1 encourages service executives to think more broadly about productivity. Improving service quality and boosting service productivity are in conflict only when productivity is narrowly defined and viewed solely from the producer's standpoint. The dual company-customer perspective depicted in the framework, with service quality at its core, highlights the potential synergy between service quality and productivity. Service executives can start leveraging this synergy by examining the following questions in their particular contexts:

(1) What inputs do our customers and we currently channel into our service processes?
(2) In what ways are changes in our inputs likely to affect customer inputs and perceptions of service quality?
(3) Are we allocating our input resources in a manner that is consistent with customer priorities?
(4) In evaluating the results of our service operations, do we define the outcomes sufficiently broadly and from the perspective of our customers as well?
(5) What is the nature and extent of the association between the outcomes experienced by our customers and realized by us?

I also hope that the proposed framework provides an impetus for further research in the overlapping domains of service quality and productivity. For instance, conducting studies that empirically examine the general links shown in Figure 1, and the specific hypotheses proffered earlier, is a fruitful area for further research. A prerequisite for such empirical studies, and another research avenue, is the development of appropriate metrics to operationalize the various

constructs in the framework. While measures exist for some of these components (e.g. service quality, satisfaction, market share), new measures are needed for others (e.g. customer effort, emotional energy). Yet another area for research is the building of mathematically rigorous analytical models (based on the conceptual ideas in the framework) that can aid decision makers in determining, for instance, the optimum amount and allocation of company inputs for maximizing outputs.

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