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USER AND PROVIDER PERCEPTIONS
OF SERVICE QUALITY:

AN EXPLORATORY STUDY OF A
PROFESSIONAL SERVICE

A thesis submitted in partial fulfilment
of the requirements of
Master of Business Studies at Massey University

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1991

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ABSTRACT

This study looks at service quality and its evaluation from users' and providers' perspectives. Applied research is conducted in a hospital diagnostic service, largely because of the high level of interest in issues of quality, and the technical and professional nature within the service.

The focus of the study is on examining the development of conceptual frameworks of service quality and carrying out research on service quality in an operational setting. Both qualitative and quantitative research methods are used in this exploratory study. A survey of expectations and perceptions of service quality features is carried out on 74 customers and 7 providers of the service.

Written and verbal comments on areas in which service quality may be improved from both groups are collated and coded. A series of survey statements is developed from the literature and from preliminary interviews as indicators of service quality features. Perceptions of customers are examined in relation to both the critical features of the service and perceptions on how the service performed in relation to each feature. The gap analysis is used to compare the views of the provider group with those of the customer group.

The findings demonstrate that there are several areas where views are similar between providers and customers. In addition, areas are identified where differences exist between the importance ratings for service quality features and the evaluation of performance of the service in relation to these features. Factors which may influence the extent to which these differences exist are presented. It is suggested that a major reason for these differences is a lack of understanding of the evaluation of service quality and the importance of this evaluation on the strategic positioning of the service.

It is concluded that although attention to clinical aspects of quality is important, a heightened awareness of the importance of service quality is needed by health service providers. Action taken by service providers to identify critical quality features and evaluate performance in relation to these features, can create opportunities for increased levels of customer satisfaction and the consequent likelihood of successful adaptation to changing environmental demands.

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CHAPTER 1

INTRODUCTION

1.1 BACKGROUND

Service quality is associated with the idea that creating customer satisfaction is the central focus of every business practice. Customer satisfaction means making sure that customers' perceptions always exceeds their expectations of the service. Service quality involves elements of the service considered important to customers or what the customer expects from the service. Service quality can be evaluated based on the extent of discrepancy between customers' expectations or desires and their perceptions.

The manager's critical task, says Drucker (1974), is to continually reassess the organisation's current and future positioning in relation to the customer. All firms - public and private, profit and not-for-profit, - should examine how their customers define value and how the service is perceived in relation to their competition (Drucker 1974).

Service firms that consistently concentrate efforts to plan, improve and evaluate their service quality are those that are likely to continue to provide jobs, create new and satisfy existing customers and withstand environmental and organisational pressures.

Only recently service quality and customer satisfaction have gained considerable recognition as the key to success in service firms. Specific factors have contributed to this new 'enlightenment' in service firms. New Zealand service managers are in the midst of a wave of economic and social changes based on a deregulated market system and these changes, along with increased consumerism, are making managers of service firms reevaluate their service strategy.

Methods used by managers of service firms to address cost constraints and increased competition include financial management and cost cutting strategies. For example, a common way in which managers in service industries have responded to changing economic conditions is by emphasising financial aspects of the service and focusing on efficiency and productivity improvement. Restructuring, trimming staff, or cutting services are common methods which have been undertaken to reduce the costs of providing services.

Another strategy adopted by service firms is the use of advertising and sales strategy. Limitations have been recognised in utilising these strategies since customers who were gained through aggressive marketing techniques were sometimes lost due to the inability of the service firm to maintain positive long term customer-provider relationships. It is generally acknowledged that due to increased levels of competition, it is important to assume strategies that both attract new customers and maintain existing ones.

Organisations will continue to miss opportunities to reduce waste and reduce workload unless improving service quality is recognised as a fundamental strategic goal of the organisation. As Juran (1980) states, quality planning, quality improvement and quality control require leadership and investment of organisational resources. Resources invested on improving quality will be wasted if efforts are not built into the processes, technology and systems in the organisation.

Work that has undertaken to identify and influence customer expectations has in the past, been considered a peripheral issue in service industries. This view is changing. In recent times attention is being paid to strengthening customer relationships and retaining customer loyalty. Service managers are concentrating on evaluating the service performance in relation to customer perceptions of service quality.

Evidence suggests that service quality is increasingly considered important by managers of service firms. Service is identified as the top concern of executives who were polled in a 1987 Fortune magazine survey. The executives were asked how they would improve service quality. Approximately 85 per cent of the executives identified increased employee motivation, change in corporate culture and top management emphasis on quality when providing services (Wren, 1989).

A trend seen in recent times is that customers are providing greater levels of feedback on the service exchange. Customers are increasingly expressing complaints, frustration and dissatisfaction with experiences in service industries (Koepp 1987). With the rise in consumerism, it is considered important to manage the customer-service exchange relationship and focus on enhancing the features of the service which are viewed as important by the customer.

Despite the importance of customer satisfaction and service quality it has become apparent that a practical understanding of these concepts have been missing in private, non-profit and public service organisations. Although these concepts may be considered important, there appears to be a limited understanding of the attributes of the service exchange relationship which are important to the customer and which service features contribute to enhancing service quality.

The evaluation and management of service quality can help private, non-profit and public service firms to become more accountable to their customers and to gain positive customer response about the service offering.

This study looks at the concept of service quality and how it differs from common approaches to addressing quality issues in health care. Improving service quality involves efforts to identify those constraints that block the ability of service providers to satisfy customers. Service quality requires a long term orientation. The long term orientation is needed to maintain the focus on current and future

expectations of the customer toward the service firm. This study explores the concept of service quality and its application in an operational setting.

Understanding customer expectations in respect of service and measuring user and provider perceptions of service quality enables service firms to better integrate the organisation's capabilities to meet these expectations. The study concentrates on applying the concept of service quality to the organisational and environmental context of a public health service. Current methods to assess quality in health services in general are reviewed. Issues are then identified that impact on the ability of the service to maintain a service quality focus.

Through exploratory research, service quality features are defined and then the service is evaluated. The evaluation focuses on customer perceptions of performance of the service based on service quality features. The study attempts to identify areas where investment may be necessary to improve service quality. The discussion highlights the fact that to improve service quality, managers need to identify factors which enhance the ability of service providers to satisfy customers. Potential barriers to addressing service quality within the operational context of the public health service are identified.

1.2 OBJECTIVES

There are five primary objectives of this study. The first objective is to describe conceptual developments in the understanding of service quality. The second is to examine the relevancy of the management of service quality in the health sector. The third objective includes conducting exploratory research on service quality in an operational setting. The study will then describe the extent to which the service quality approach is applicable in the public health sector. The final objective of this study is to identify issues relating to the management of service quality that need further study.

1.3 CHAPTER OVERVIEW

This thesis is based on the assumption that improving service quality needs to be recognised as a fundamental organisational goal in the public health sector. As an exploratory study, the intention is to tie together themes from managerial and health service literature and to look at how previous research and conceptual developments can help to address the practical realities of managing aspects of service quality.

The second chapter establishes the basis for focusing on service quality. The study's purpose is defined and then examples of related studies from industrial marketing, health service and private service industries are highlighted. The significance and relevancy of the study in the public health sector is then discussed. The relevancy of the study is based on strategic issues and characteristics of the health service that support the need for managers to better understand and address service quality issues.

The third chapter reviews terms and conceptual developments relating to service quality. For example, the use of the term customer is explained and characteristics of services are described. Much of the initial research on quality was carried out in manufacturing and product oriented firms. The discussion addresses the development of new approaches to examining service quality. The concepts of perceived service quality and the gap analysis of perceived service quality is then reviewed.

Having established the conceptual framework for examining service quality, the study will turn to identify methods currently used in the health industry to address issues relating to health care quality. A number of approaches have been used in the health care industry to evaluate quality. Some of the more common approaches to address health care quality assurance are reviewed such as audits of standards of professional practice, accreditation reviews, clinical reviews and measures of health outcomes.

Although there have been numerous approaches to addressing health care quality, it is suggested that limited work has been done which demonstrates linkages between activities carried out under the umbrella of quality assurance and needs of health service managers. In addition, little work has been done that relates outcomes of studies into quality assurance with the strategic positioning of the health service within the environmental context. Due to the prevalence of quality assurance activities and their associated costs, it is important for health service managers to understand possible limitations associated with these activities. Chapter 3 reviews common practices associated with quality assurance in health care.

The study has, to this point, looked at concepts of service quality and quality assurance in health care. Service quality is defined on the basis of discrepancies between customer expectation and perceptions of the service offering. It is suggested that the service quality approach is distinct from traditional approaches addressing health care quality assurance.

When addressing issues of service quality, it is necessary for managers to understand unique characteristics and possible constraints that impact on the organisation's capability to deliver service quality as perceived by the customer. In Chapter 5 a examination is carried out of characteristics of the industry that may influence the level of perceived quality of the service. These factors relate to a variety of service dimensions including communication, access, competence, etc. Factors impacting on the future direction in the management of service quality in the ultrasound services are highlighted.

The previous chapters define service quality as an organisational goal and outlines characteristics of the internal and external environment which impact on the extent to which the goal is likely to be reached. To this end, the previous chapters look at a conceptual framework of service quality, health care quality assurance and trends in the management of ultrasound services. Chapters 6 and 7 concentrate on the research on

the concept of service quality conducted in an operational setting. The investigation focuses on customer expectations and perceptions of service quality. Chapter 6 introduces the practical research on service quality carried out on the ultrasound service of a public hospital. The development, design and testing of the survey and sample size are reviewed. The research methodology is the focus of Chapter 6.

In Chapter 7 the research findings are presented. This section reviews the demographic profile of the respondents, outlines common referrals to ultrasound and then presents the findings of the survey on service quality features. For the purpose of analysis, service features were coded into three major areas including managerial, clinical and patient related issues. Features of highest importance to customers are identified. The gap analysis is used to examine individual expectation (importance) and perception (agreement) ratings.

Key issues identified in the research are examined in Chapter 8. Areas requiring management attention are addressed. The discussion looks at factors that both facilitate and create barriers to the management of service quality. Issues that need to be addressed in order to overcome service quality barriers are identified. Areas for future studies on health service quality and managerial research are recommended.