Investigating the Influence of Employee Performance on Service Quality Perceptions: A Study Across Service Categories.

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Key Words:

1. Service Quality,

2. Employee Performance,

3. Service Characteristics

Abstract

The past three decades have seen an explosion in terms of the variety of service organisations as well as delivery mechanisms. Through all of this, frontline employees have been a constant and critical factor in the quality of service delivery. Although all service quality measures allude to the role of employees indirectly, specification of measures of employee performance in the context of service quality remains a neglected area. Since quality is a strategic aspect, within the control of an organization, there is an urgent need for this. The present study has firstly, identified and investigated the influence of employee performance dimensions on customer perceived service quality. Secondly, the study has investigated the differential impact of employee performance dimensions on customer perceived service quality. Finally, the study has investigated the differential impact, if any, of employee performance dimensions on customer perceived service quality across different service categories.

The study has adopted a mixed-methods research approach using a two-phase sequential, cross-sectional research design. In the first phase (Phase I) an exploratory study was conducted using qualitative methods to identify the dimensions of employee performance that influence customer perceived service quality. Eight dimensions of employee performance were identified: Empathetic Response, Absence of Manipulative and Unethical Behaviour, Expertise and Competence, Response to Service Failure, Not Withholding Service, Response to Customer's Mistakes, Going Beyond the Call of Duty and Listening Behaviour. In the succeeding phase, the researcher investigated the causal relationship between employee performance and customer perceived service quality and also the extent to which service industry characteristics influence this causal relationship.

The study offers insights and conclusions that have both theoretical as well as practical implications. The study endeavours to make existing models of service quality more robust as it clarifies dimensions of employee performance in the context of service quality, encompassing four different service categories. The conceptualization and measurement of employee performance dimensions in behaviour-based rather than outcome based parameters has significance for HR practice.

INTRODUCTION

Services represent a large growth area of the world economy. New services such as social networking websites, online ticketing, online trading, etc. are continuously being launched and are fast becoming an integral part of life. In the developed economies, services account for over 70% of GDP. Services contribute to 57.3% of India's GDP.

Services may be defined as "acts, deeds, performances or efforts". Services may also be defined as "economic

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activities offered by one party to another, most commonly employing time based performances to bring about desired results in recipients themselves or in objects or other assets for which purchasers have responsibility. In exchange for their money, time and effort, service customers expect to obtain value from access to goods, labour, professional skills, facilities, networks and systems; but they do not normally take ownership of any of the physical elements involved". All products aim at providing value to customers by delivering certain benefits. In the case of tangible products these benefits are delivered through ownership and use of physical objects. As a service is intangible, benefits are delivered through actions and performances.

In the Indian context, several services such as car washing centres, legal services, which were hitherto in the unorganized sector have expanded their scale of operations and adopted modern management techniques in order to address newer and larger segments of buyers and negate competitive threats. A lot of the value adding business activities performed by organisations internally are now being outsourced. These include but are not limited to logistics, warehousing, product design, recruitment and training of personnel, accounting and payroll, security, database and information management and customer service. There is also a great deal of diversity in terms of mechanisms to create, communicate and deliver services. These include usage of internet, voice and face to face options or combinations thereof.

The increasing competition combined with enhanced scale of operations has meant that the stakes are ever rising in managing a service business. There have been movements in two directions: on the one hand organisations have attempted to enhance standardisation and productivity; on the other, they have focused on customisation and interaction with customers as the key value creator in this experiential era. Through all of these changes, frontline employees (FLEs) have been a constant and critical factor in the quality of service delivery.

In a service context the 'acts, deeds and performances' of contact employees (front line employees) represents the service for the customer. The role and importance of employees in service production, delivery and communication has been well documented. For the customer, the frontline employee (FLE) is the face of the organisation. FLEs play a boundary spanning role between the customer and the organisation. Employees bring varying levels of experience, expertise and attitudes to a service interaction resulting in positive or negative experiences for customers. Their behavior influences customer expectations and perceptions of service as well as desired organizational outcomes in terms of increased sales and revenue or repeat business. A study by Spake, et al (2003) shows that as customers' comfort levels with frontline employees increases, they experience reduced risk in a service encounter. This can happen through different stages in a service encounter and is particularly applicable to high contact services.

The intangibility of service processes and performances poses the greatest challenge for managing quality. To a certain extent service managers have been able to address this by documenting the service process in terms of actions of customers and frontline employees and their linkages with back end processes. They have also been able to measure and specify aspects related to the physical environment of the service, such as ambient conditions, spatial layout, signs, symbols and artifacts (Bitner, 1992) and also tangible objects related to service delivery. However, arriving at measures or standards of frontline employee performances and behaviours has met with only limited success.

Employee Performance has been conceptualised in the context of satisfaction, service failure, complaints and switching behaviour, customer oriented boundary spanning behaviours, effective sales performance, customer trust, productivity and quality. Largely the conceptualisation has been about behaviours and actions of service employees.

Studies pertaining to quality have ascribed an important role for employees. Surprisingly, in all these studies the role of employees has been largely inferred. Although all studies allude to performance aspects influencing quality perceptions of customers, these have been conceptualized as aspects of organizational performance rather than employee performance. Customers consider frontline employees to be the face of the organisation. However, it appears that measurement of employee performance, especially in the context of customer perceived service quality, is not an area that has received much attention from researchers. Since quality is a strategic aspect, within the control of an organization, there is an urgent need to clarify dimensions of employee performance in the context of service quality.

Services have been characterised according to the nature of the service delivery process, the recipients of the service (people or objects owned by them) and elements of the physical environment and setting (servicescape) in which service delivery takes place. They have also been categorized according to different aspects of a service encounter such as duration of service delivery, level of intimacy between customers and service providers and extent of emotional content in service encounters. Different ways in which services have been characterized may have

implications for the nature of interaction between employees and customers of service organisations.

While several studies support the fact that employee performance is an important element of service, very few have employee performance as the focal point. Fewer still have studied employee performance in the context of service quality across different service categories.

The present study attempts to address this gap by specifying dimensions of employee performance, developing measures for the same and investigating their influence on customers ' service quality perceptions in a variety of service industry contexts.

LITERATURE REVIEW

One of the earliest definitions of a service was offered by Rathmell (1966) who defined it as, "a deed, a performance or an effort". He further proffered that the utility from a service lies in the nature of actions and performances therein while as utility from a tangible product lies in the physical characteristics of the product. More recently Lovelock (2005) has defined services as "economic activities offered by one party to another, most commonly employing time defined performances to bring about desired results in recipients themselves or in objects or other assets for which purchasers have responsibility. Service customers expect to obtain value from access to labour, professional skills, facilities, networks, systems, and equipment, but do not normally take ownership of any of the physical elements involved". In these definitions it would be pertinent to note the emphasis on deeds, performances, efforts, and value creation through amongst other things labour and professional skills. All of these aspects are enabled through employees in service organisations. Indeed, in service interactions the employee personifies the service organization.

FLEs are often referred to as 'boundary spanners' as they operate at the service organisation's boundary and link the organization and its internal operations to customers and the external environment. Their performance is likely to influence customers' perceptions of service quality. In addition their performance is likely to influence costs and profits for the organization. FLEs are in the unenviable position of having to face two bosses: the customer on one hand demanding attention and quality and the

organization on the other demanding efficiency and productivity (Bateson, 1985). The multiplicity of roles (employee and service provider) as well as the multiplicity of role demands (delivering quality as well as productivity) leads to stress and role conflict for FLEs. Apart from performing 'emotional labour' which is a major source of stress, FLEs also experience other kinds of role conflicts. These may be in the form of person/role conflict, organization/client conflict, inter-client conflict and the inherent tensions of managing trade-offs in delivering both quality and productivity.

Person/role conflict may arise when employees are expected to dress, behave and speak in a manner that is contrary to their inherent nature and/or habits. Organisation/client conflict refers to the often conflicting demands of the two bosses that FLEs have: the customer and their supervisor or manager in the organization. Customers expect employees to be responsive, adaptable and act always in their best interests. Often customers may expect employees to go the extra mile often deviating from organizational policies and rules to fulfill their demands. All of this can be a source of conflict for FLEs. In service facilities where FLEs serve customers in turn or serve more than one customer at a time, incompatible expectations of two or more customers may be a source of conflict (waiter, teacher, bank teller). Customers may have different expectations from the service interaction and expect employees to comply. This is also a potential source of conflict. Finally, FLEs are expected to deliver standards of both quality as well as productivity. This is easier said than done. Employees are expected to deliver caring, individualized, prompt and error-free service while at the same time processing a mandated number of customers in a specified period of time. While delivering quality service may result in repeat purchase and positive referrals for the organization, it is no secret that individual employees are more likely to be evaluated on the basis of productivity targets which are easier to measure and track. Therein lays the inherent conflict between individual and organizational objectives.

No doubt organisations try to manage and minimize these conflicts through human resource strategies in the areas of recruitment, training, motivation, empowerment and compensation; nevertheless the dynamic nature of service interactions means that this is often like chasing a moving

Table 1: Employee performance dimensions emerging from literature reviewed

1. Competence
2. Social Skills
3. Reliability
4. Responsiveness
5. Assurance and Trust
6. Empathy
7. Providing emotional support through positive or supportive emotional statements
8. Orchestrating affective content in the service performance for the customer 's benefit
9. Providing a reason for service failure
10. Service recovery efforts
11. Adaptability, particularly in response to customer requests
12. Anticipating customer requests and offering explanations and justifications when the employee cannot immediately fulfill a request
13. Spontaneity
14. Cooperation
15. Interpersonal listening
16. Functional performance: This may include adherence to a service script, answering calls and replying to mails within a specified time, following procedures, maintaining customer logs and so on. Also known as 'in-role behaviours ' (IRB)
17. Provision of extras: employee's discretionary efforts not captured in formal job descriptions. This includes initiatives to improve customer interactions, conscientious efforts to respond to customer concerns and all other efforts that imply that employees are willing to go 'the extra mile'. Also known as 'extra role behaviours ' (ERB).
18. Authenticity
19. Problem solving behaviour
20. Timeliness
21. Individualised attention: customer specific information and constructive suggestions
22. Educating the customer about company rules and policies
23. Coping behaviour for problem customers
24. Following company processes and backroom work.
25. Employee indifference
26. Employee dominance
27. Manipulative and unethical behaviour such as cheating, intimidation and hard sell.

target. A significant aspect for management is to decipher exactly what employee performances customers expect in a service encounter.

The literature reviewed pertained to the three conceptual domains relevant to the study – Employee Performance, Service Quality and Service Industry Characteristics.

EMPLOYEE PERFORMANCE

It is observed that 'deeds, processes and performances' in a service interaction are delivered by frontline employees, especially in a face to face context. However, most literature in services marketing and management refers to these as aspects of organizational performance rather than employee performance. Although several studies have investigated attitudes, behaviours and skills of employees that influence customer perceptions, attempts to define employee performance have been scanty. A review of literature revealed a single definition of employee performance in a service context by Price, Arnould and Tierney (1995): "Provider performance involves developing authentic understanding, provision of extras and orchestration of primary goals in addition to functional performance". Singh (2000) opines that FLE performance comprises the twin aspects of performance productivity and performance quality. According to him "FLE (performance) productivity is assessed by comparing quantifiable output with behavioural standards for both customer contact and backroom functions. In contrast performance quality is concerned with how the service is delivered."

Employee Performance has been conceptualised in the context of satisfaction, service failure, complaints and switching behaviour, customer oriented boundary spanning behaviours, effective sales performance, building trust, productivity and quality. Largely the conceptualisation has been about behaviours and actions of service employees. Tables 1 summarises the employee performance dimensions emerging from literature reviewed.

SERVICE QUALITY

The foundation of Service Quality theory lies in Customer Satisfaction and Product Quality literature. Several scholars have studied service quality with varied approaches. The dominant perception is that quality in tangible products is an objective measure as it involves a tangible output that is consumed. But in a service context

the process of service creation and delivery as well as the outcome is evaluated by customers. Therefore services are likely to involve subjective evaluations.

The approaches to service quality conceptualization stem from either the marketing or the operations management perspectives. Researchers in services marketing and consumer behaviour conceptualise service quality as a customer driven, subjective measure. In contrast, the operations management perspective is likely to depict quality as an objective, manufacturer/producer driven measure. While the focus in marketing is towards improved brand value and positioning through enhanced service quality perceptions, operations managers focus on analysing and developing service operations for reducing variability in service performance and fail-safing performance. While researchers in marketing have been influenced by literature pertaining to customer satisfaction, the operations management perspective has been influenced by literature pertaining to product quality and in particular, the philosophy of Total Quality Management (TQM).

In marketing literature, service quality has been described as an attitude that results from the comparison of expectations with performance. Gronroos (1984) opines that 'quality of a given service will be the outcome of an evaluation process where the consumer compares his expectations with the service he perceives he has received'. Gronroos' defines perceived service quality in terms of two dimensions: process or functional quality and technical or outcome quality. According to him, the influence of technical and functional quality on overall service quality is mediated by corporate image.

Perhaps, the only conceptualization of service quality from an operations perspective comes from Joseph Juran, who has defined quality as 'fitness for use' and expanded it further into two dimensions: product features and freedom from deficiencies. In the context of a service he has conceptualized the following product features: Accuracy, Timeliness, Friendliness& Courtesy, Anticipating Customer Needs, Appearance of Facilities& Personnel and Reputation. Freedom from deficiencies in the context of a service has been conceptualized as 'service free of error during service transactions' and 'processes free of rework, redundancy and waste'. Juran opines that quality of the

service transaction (encounter) involves both the technical adequacy of the result (outcome quality) and the social skills of the frontline person who conducts the transaction. This in fact echoes Gronroos' conceptualization of service quality as process (functional) and outcome (technical) quality.

The marketing perspective has been the dominant one in service quality literature.

Parshuraman, Berry and Zeithaml (1985) define service quality as 'the degree and direction of discrepancy between customers' service perceptions and expectations'. The Gaps model proposed by them conceptualises service quality as a gap between customer expectations and perceptions in terms of five dimensions: reliability, responsiveness, assurance, empathy and tangibles. Others researchers have further developed service quality models in specific industry contexts such as Retail service quality (Dabholkar, Thorpe and Rentz, 1996) and Logistics service quality (Mentzer, Flint and Hult, 2001).

Brady and Cronin (2001) have suggested a multidimensional model and scale comprising three dimensions and nine sub-dimensions of service quality as follows:
1. Interaction quality: Attitude, Behaviour, Expertise
2. Physical Environment Quality: Ambience, Design and Social Factors
3. Outcome Quality: Waiting Time, Tangibles and Valence

During the past few decades there has been considerable debate on how service quality should be measured. Service quality is conceptualised by Parasuraman, Zeithaml and Berry (PZB) as an attitude that results from customers' evaluations of the gap between customer expectations and perceptions. They further developed the SERVQUAL scale to measure service quality. The scale has 22 items for measuring customer expectations and 22 items for perceptions of service performance along 5 dimensions: reliability, responsiveness, assurance, empathy and tangibles. Measures of both expectations and perceptions are overall, global measures and not in the context of a specific service encounter. This dominant conceptualization and measurement has been critiqued on several counts with attempts for extending and/or

modification.

While PZB have acknowledged that their model borrows from Gronroos conceptualisation of service quality as technical and functional quality, their conceptualization of 5 dimensions (reliability, responsiveness, empathy, assurance and tangibles) and the SERVQUAL scale largely reflects functional measures of service quality. However, it has been found that both process or functional quality and technical and outcome quality affect service quality perceptions (Kang and James, 2004).

Another area of criticism is that SERVQUAL suggests overall, global measures of service quality which may be futile when organisations want to initiate improvements and/or changes in service delivery at the operational level (Woodside, Frey and Daly, 1989; Olorunniwo and Hsu, 2006).

Roest and Pieters (1997) aver that consumers make judgements about service quality during the service delivery process. Therefore while an overall measure of service quality is useful as a strategic input, research at the transaction specific level is required to diagnose the basis of good or bad service quality perceptions. A similar opinion is echoed by Rust, Zahorik and Keiningham (1997) who suggest transaction specific measures of service quality as more suitable for measuring the progress of quality improvement efforts. In fact Gronroos' conceptualization of perceived service quality suggests it to be a transaction specific construct. Says he, "the service is basically immaterial and can be characterized as an activity where production and consumption to a considerable extent take place simultaneously. In the buyer-seller interactions the service is rendered to the consumer. Clearly, what happened in these interactions will have an impact on the perceived service".

SERVICE CHARACTERISTICS

Services are not uniform in the manner in which they are produced, delivered and consumed. The manner in which services are characterized has implications for both employee performance as well as customer perceived service quality.

Services may be offered in a format wherein employee performances are standardized (retail, banking) or customized (retail banking service to high net worth

customers). The level of contact between service providers and customers may be high or low. Typically in service contexts where customers are present during the process of service delivery the level of contact is likely to be high (e.g. Health care services) whereas it is likely to be low when customers need not be present during service delivery (e.g. Maintenance and repair services). Some low contact services may also be delivered remotely through the use of electronic and telecommunication networks and the internet (Banking and Retail).

Services may be characterized on the basis of the way in which they are differenciated – some service processes may be offered in a sequence of standardized steps while others may be relatively unstructured with greater room for divergence on the part of front line employees.

In some service contexts such as clubs, gyms and telecom services, customers have a membership relationship to the service organization. These services are accessed and consumed on a continuous basis through a subscription fee paid in advance to the service organization. As a result of this customers may experience switching costs in moving from one service provider to another. On the other hand in the context of restaurants and airlines the service is delivered in the form of discrete transactions.

Although intangibility is the single most important characteristic that distinguishes tangible products from services, this aspect may manifest itself differently across services. Some services may comprise tangible actions by service providers (e.g. Healthcare and logistics services) while in others the actions of service providers may be relatively intangible (e.g. education and banking).

Finally, services may be characterized on the basis of who they are directed at – people or objects. Services may affect people's bodies (e.g. Hairdresser) or minds (e.g. Educational services) and may be directed at objects or assets owned by people to enhance and maintain their value (e.g. Automobile repair and financial advisory services).

In the past few decades the dominant line of thinking has been that since a service is a series of interactions between service providers and customers, a process based categorisation may be more relevant. Lovelock (1983) has suggested that services may be categorized on the basis of who or what the service is directed at (people or their possessions) and the nature of actions involved in the service (tangible and intangible). Table 2 depicts Lovelock's categorization of services.

Table 2 : Lovelock's categorization of services

What is the Nature of the Service Act	Who or what is the Direct Recipient of the Service	
	People	Possessions
Tangible Actions	People Processing (services directed at people's bodies): Passenger Transportation Healthcare, Lodging, Beauty Salons, Physical therapy, Fitness Centers, Restaurants/bars Barbers, Funeral Services	Freight transportation, Repair and Maintenance, Warehousing storage, Office cleaning services, Retail Distribution Laundry and dry cleaning Refueling Landscaping/gardening Disposal/recycling
Intangible Actions	Mental stimulus processing (services directed at people's minds): Advertising/PR, Arts and entertainment Broadcasting/cable, Management consulting Education, Information services Music concerts, Psychotherapy Religion, Voice telephone	Information processing (services directed at intangible assets): Accounting, Banking Data Processing, Data Transmission, Insurance, Legal services, Programming Research, Securities Investment, Software Consulting

RESEARCH GAPS

Although all studies allude to performance aspects influencing quality perceptions of customers, these have been conceptualized as aspects of organizational performance rather than employee performance. Customers consider frontline employees to be the face of the organisation. However, it appears that measurement of employee performance, especially in the context of customer perceived service quality (CPSQ), is not an area that has received much attention from researchers. The researcher believes that there is an urgent need to clarify dimensions of employee performance in the context of service quality.

Most of the studies have been conducted in a single industry context or at best two or three industries. Only few studies have tested the conceptualization of employee performance across different service categories. The present study addresses this gap by firstly, investigating the influence of employee performance on customer perceived service quality. Secondly, the study investigates employee performance dimensions and their differential impact on customer perceived service quality. Finally, the study investigates the differential impact, if any, of employee performance dimensions on customer perceived service quality across different service categories.

RESEARCH OBJECTIVES

1. To identify the dimensions of employee performance that influence customer perceived service quality.
2. To develop a scale to measure the dimensions of employee performance.
3. To investigate the influence of employee performance on customer perceived service quality, across various service industry types.

RESEARCH HYPOTHESIS:

1. Employee performance directly influences customer perceived service quality.
2. Employee performance dimensions have a differential impact on customer perceived service quality.
3. The influence of employee performance on customer perceived service quality varies across service industry categories.

RESEARCH METHODOLOGY

Research Design:

The study has adopted a two-phase sequential research design. In the first phase (Phase I) an exploratory study was conducted using qualitative methods to identify the dimensions of employee performance (EP) that influence customer perceived service quality (CPSQ). This phase also contributed towards developing indicators for measuring EP dimensions. In the succeeding phase (Phase II) the researcher has firstly developed and tested measures of employee performance dimensions. Secondly, the researcher has investigated the causal relationship between EP and CPSQ and also the extent to which service industry characteristics influence this causal relationship.

The present study has adopted the mixed methods approach to address the research objectives.

In both Phase I and Phase II the researcher has adopted a cross-sectional research design. In Phase II, the research design also facilitated comparison of cases across service categories in terms of the causal relationship between EP and CPSQ.

The researcher has used the open-ended questionnaire employing the critical incident technique (CIT) for data collection for Phase I of the present study. The CIT is a set of procedures designed to systematically gather information concerning specific incidents (events or occurrences) that lead to either effective or ineffective behaviour with respect to a particular activity (Swan and Rao, 1995). CIT facilitates investigation of an event or occurrence identified by the respondent. The objective is to gain an understanding of the incident from the perspective of the respondent taking into account cognitive, affective and behavioural elements. In the present study CIT was used to collect data on perceptions of EP in the context of CPSQ across different service categories.

In Phase II a survey was conducted using self-reporting questionnaires to detect patterns of association between EP and CPSQ across different service categories.

SCOPE OF THE STUDY

The study investigates the influence of employee performance on customer perceived service quality across service categories. Table 3.depicts the services selected for the present study as they adequately represent each of the four categories suggested by Lovelock (1983) and allow for sufficient employee-customer interface.

Who or what is the Direct Recipient of the Service		
People	Possessions	
People Processing (services directed at people's bodies):Restaurant, Airline, Hospital, Beauty Parlour	Possession Processing: (services directed at people's possessions): Automobile service station, Authorised service franchisee of home appliances, Mobile service provider, Internet service provider	
Mental stimulus processing (services directed at people's minds): Educational Institute, Coaching class/Training Institute	Information processing (services directed at intangible assets): Bank, Investment Adviser	

The study focuses on Pune City. Pune is the industrial hub of Western India comprising the automotive and IT sectors and is also an educational centre of national repute. Since it is an industrial and educational centre of national repute Pune attracts people from different parts of the country with different socio-economic and educational levels, who come here for work and/or study.

The following demographic factors defined the scope of Phase 1 of the study: gender, occupation, age. The researcher was of the opinion that there exist gender based differences in evaluations of both employee performance as well as service quality. Further, the researcher believed that occupational categories may decide exposure to and experience with service categories and consequently influence expectations and interpretation of employee performance and service quality. Finally, the researcher was of the opinion that objectives of service consumption in terms of outcomes desired as also expectations from the process of service consumption may differ across age categories.

The following demographic factors defined the scope of Phase 2 of the study: gender, occupation, age, qualification and income. The reasons for including the factors of gender, occupation and age have already been discussed in the preceding paragraphs. The researcher believed that in addition to the above factors, educational qualifications were likely to influence expectations and perceptions of both employee performance as well as service quality. Finally, the researcher believed that income was likely to influence both access to service categories as well as expectations of service performance.

Data collection for Phase I took place over a period of 17 months from 2012 to 2014.. In both phases data was collected in the context of an experience of service consumption which had occurred in the six months prior to the date of data collection. Respondents were customers of different types of services. For Phase I of the study a customer was defined as an individual fulfilling the aforementioned geographic and demographic characteristics, who had consumed any one of the following services in the six months preceding the date of data collection: coaching class, computer course, beauty salon, auto mechanic, insurance agent, dry cleaner, restaurant, medical services (doctor, dentist, etc), travel agent, bank, financial advisor, telecom service provider, day care/crèche, health club/gym, airline, home improvement services(plumber, electrician, carpenter, painter, interior decorator). For Phase II of the study a customer was defined as an individual fulfilling the aforementioned geographic and demographic characteristics, who had consumed any one of the following services in the six months preceding the date of data collection: Restaurant, Airline, Hospital, Beauty Parlour, Automobile service station, Authorised service franchisee of home appliances, Mobile service provider, Internet service provider, Educational Institute, Coaching class/Training Institute, Bank, Investment advisory firm (Broker).

QUESTIONNAIRE DESIGN
The researcher drew upon earlier studies involving CIT to design an open-ended questionnaire for the present study. This is given in Table 4.

Table 4: Questionnaire for Phase I

Given below is a list of services. Highlight the ones that you have consumed in the last 6 months.

coaching class, computer course, beauty salon, auto mechanic, insurance agent, dry cleaner, restaurant, medical services (doctor, dentist, etc), travel agent, bank, financial advisor, telecom service provider, day care/crèche, health club/gym, airline, home improvement (plumber, electrician, carpenter, painter, interior decorator)

Select one which you remember prominently to be of a high (good) quality or poor (low) quality. (Highlight one)

What was the price of this service? (bill amount, fees, charges): Rs.

How important is this service in your life: High, Medium, Low (Highlight one)

Describe the incident that made you believe that the service was of high quality/low quality. When did this happen – what led to this situation – what did the employee/s of the organization say or do that made you feel the service was of high/poor quality (Approx. 60 words or more)

The questionnaire for Phase 2 consisted of the following parts –
i.Preamble
ii.List of services from which the respondents had to select one
iii.Closed ended questions pertaining to EP and CPSQ
iv.Questions to collect demographic information about respondents

The preamble introduced and outlined the purpose of the survey and gave instructions for recording responses. It also addressed respondent concerns regarding confidentiality. The second part comprised a list of 12 services belonging to the four service categories as suggested by Lovelock (1983). Respondents had to select one of these which had been consumed in the six months prior to the date of responding to the questionnaire, in which they had interacted with employees from the organization. They were then asked to respond to the questions that followed in the context of the service they had selected. The third part of the questionnaire consisted of 62 questions. Of these, 49 pertained to EP and 13 were about CPSQ. Since these questions were about perceptions of EP and CPSQ, the researcher adopted a Likert scale format for these.

DEVELOPING MEASURES FOR EP AND CPSQ:
Measures for CPSQ were drawn directly from the scale suggested by Brady and Cronin (2001). As there were no validated measures for employee performance (EP) dimensions the researcher developed these through a process of triangulation of data collected in Phase I, expert opinion and literature review. The scale items for employee performance dimensions were tested across 3 experts for face validity.

PILOT STUDIES: Two separate studies were conducted for Phase 1 and 2 to test the questionnaires and modes of administering them.

SAMPLING: For Phase I a convenience sample was selected. Care was taken to ensure that the sample adequately represented respondents across customer demographics. The sample also reflected critical incidents from all the four service categories as suggested by Lovelock (1983). The sample demographics are given in Table 5.1

Table5.1: Sample demographics for Phase I

Demographic Characteristic	% of respondents
Gender:	
Male	52
Female	48
Occupation:	
Students	45
Salaried Employees	26
Self Employed	13
Homemakers	10
Retired	6
Age	
20-29 years	41
30-39 years	18
40-49 years	29
50-59 years	4
Above 60 years	8

In all 87 critical incidents were collected from four service categories as given in Table 5.2.

Table5.2: Critical Incidents across service categories (Phase I)

Service Category	No. of Critical Incidents
People Processing	40
Possession processing	25
Mental Stimulus Processing	05
Information Processing	17
Total	87

A uniform, unrepresentative quota sampling method was adopted for Phase II of the study. Quotas were fixed for consumption experiences with different categories of services. This is depicted in Table 6. Respondents were geographically dispersed across the city of Pune. Care was taken to ensure representativeness of the sample by contacting respondents across different customer demographics.

Table 6: Service categories

Service categories		Valid Percentage	Cumulative Percentage
Valid	People Processing	24.5	24.5
	Possession Processing	22.8	47.3
	Mental Stimulus	31.4	78.7
	Information Processing	21.3	100.0
	Total	100.0	

Sampling Adequacy:

In all 408 responses were collected. This sample size is statistically significant for a study of this nature.

Table 7: Sampling adequacy

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.933
Bartlett's Test of Sphericity	Approx. Chi-Square	8964.848
	df	741
	Sig.	0.000

The KMO measure of sampling adequacy was .933 thus confirming the appropriateness of the sample. The statistic of Bartlett's test of sphericity was highly significant with a value of 8964.848 and 741 degrees of freedom.

DATA ANALYSIS AND FINDINGS

The researcher used an inductive categorisation method to code the data that was collected in Phase I of the study. The process was data driven. The researcher did not rely on or attempt to match data with conceptualisations of employee performance existing in literature. However, although the categories emerged from data, the labels for the categories were drawn from literature where possible. 12 employee performance dimensions emerged from the study. These are conceptually elaborated below:

Empathy: Empathetic behavior of employees is seen to elicit a positive emotional response from customers. This behaviour could be employee driven and /or induced in response to a customer request or event. Lack of empathy is often seen as a service failure and may become a cause for customer switching.

Manipulative and unethical behavior: For the customer, the frontline employee is the face of the service organization. Since service consumption does not lead to ownership of anything, establishing that employees are acting in an ethical manner is paramount. While ethical behavior by employees may be seen as a 'hygiene' factor, manipulative and unethical behavior surely leads to negative perceptions.

Trust: Most services are high in experience and credence properties therefore service buying decisions involve high perceived risk. Often service employees take decisions for and on behalf of the customer. Therefore it is important to

establish that the employees are acting in good faith.

4.Expertise and Competence: Consumers hire or rent service facilities and/or employee performances to meet their needs. Consumers want that a service should be delivered effectively and efficiently. Therefore employee expertise and competence may be seen as a basic requirement.

5. Response to service failure: When there is a service failure customers expect employees to respond to this in a suitable manner. Since services are intangible there can be no return or refund of a failed service and hence response to service failure assumes significance.

Withholding Service: Customers often perceive that employees are withholding one or more aspects of service delivery. This perception may be the result of a process of benchmarking with other customers who may be served in a common facility or a prior experience with another provider or a typical experience for that service category.

Attitude: Employee attitudes are inferred by customers through body language and tone in addition to employee actions. It is less about what employee actions are performed and more about how they are performed. No doubt customers want that their needs and wants should be satisfied in a service interaction. At the same time they expect that this interaction should preserve their dignity. Employee performances that undermine customers' self-esteem are likely to create negative perceptions.

Reliability: Customers generally expect consistent, dependable performance in any product, tangible or intangible. However, the risk of inconsistent performance is greater in a service as it is perishable and also because

most service performances are time- based and involve conditional access to facilities and/or labor.

Responsiveness: Customers expect that employees display willingness to engage in an interaction. Promptness on the part of service employees is likely to lead to positive perceptions.

Timeliness: As mentioned earlier, most services entail access to service facilities and/or labour for a limited period of time. Hence timeliness in service delivery assumes great significance for customers.

Response to Customer's mistakes: In several service contexts customers are co-producers and have a significant role to play in the service delivery process. Therefore mistakes on the part of the customers can lead to service failure. Employee responses in such situations can influence customer perceptions.

Going out of the way for the customer: When customers see employees going beyond what is expected of their role in terms of service delivery, it is likely to lead to positive perceptions. Such behaviours might make customers feel special and valued.

Four additional dimensions emerged from the literature review:
Employee Performance under adverse circumstance: Every so often service employees have to perform under adverse circumstances such as infrastructure failures,

unruly crowds and acts of God. The behaviour of employees in such cases might influence customer perceptions.

2. Listening: Research suggests that listening builds trust and a long term relationship with customers.

3. Employee Incivility: Rude and uncivil behavior of employees can impact customers' moods and negatively influence service quality perceptions. In-fact research shows that such behavior is often sees as service failure.

4.Authenticity: In a service interaction customers expect that employees display genuine feelings and emotions. Genuineness might suggest that employees are interacting with customers first as individuals and then in their role as service providers. Synthetic or fake and mechanical display of emotions may be interpreted negatively by customers. In addition to what employees say and do, authenticity may be interpreted through tone, expressions and gestures.

The measures of employee performance dimensions identified in Phase I were validated in Phase II using Exploratory Factor Analysis (EFA). Results of the EFA showed that in all eight dimensions accounted for 66.271% of variance in the scale items. Results of the orthogonal rotation showed that there were no significant cross loadings. The eight dimensions are given in Table 8.

Table 8: Eight dimensions of Employee Performance that emerged after Exploratory Factor Analysis

1.Empathetic Response
2.Absence of Manipulative and Unethical Behaviour
3.Expertise and Competence
4.Response to service failure
5.Not Withholding Service
6.Response to customers' mistakes
7.Going beyond call of duty
8.Listening Behaviour

Hypotheses testing:

Hypothesis 1: Employee performance directly influences customer perceived service quality (CPSQ).

Table 9.1: Goodness of fit of model measuring influence of Employee Performance on CPSQ.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df 1	df 2	Sig. F Change
1	.777	.604	.596	.949	.604	74.502	8	391	.000

Table 9.3: Goodness of fit of model measuring influence of Employee Performance on CPSQ across service categories

Table 9.2 – ANOVA: EP and CPSQ

	Sum of Squares	df	Mean Square	F	Sig.
Regression	536.883	8	67.110	74.502	.000[b]
Residual	352.207	391	.901		
Total	889.090	399			

The ANOVA is significant for the relationship between EP and CPSQ. The total variation is 889.090. The regression explains 60.3% of the variation in CPSQ to be as a result of EP.

Hypothesis 2: Employee performance dimensions have a differential impact on customer perceived service quality. For the model depicting the relationship between EP and CPSQ, VIF<10 (1.0) for all the dimensions of EP and Tolerance >0.1 (1.0) for all the dimensions of EP. Thus the model meets the condition of non-existence of multi-collinearity. The findings support Hypothesis 2.

Hypothesis 3: The influence of employee performance on customer perceived service quality varies across Service industry categories.

The findings indicate the differential impact of EP on CPSQ across the four service categories. EP has the greatest impact on CPSQ in Possession Processing services (R Square= .700) followed by Mental Stimulus Processing Services (R Square=.604) and Information Processing services (R Square=.600). EP has the least impact on CPSQ in People Processing Services (R Square=.530). This is elaborated in Table 9.3.

Table 9.3: Goodness of fit of model measuringinfluence of Employee Performance on CPSQ across service categories

SERVICEINDUSTRY	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
					Change Statistics				
People Processing 1	.754^a	.569	.530	.933	.569	14.840	8	90	.000
Possession Processing 1	.853^c	.727	.700	.915	.727	26.625	8	80	.000
Mental Stimulus 1	.793^d	.629	.604	.932	.629	25.032	8	118	.000
Information Processing 1	.799^e	.638	.600	.880	.638	16.777	8	76	.000

CONTRIBUTION OF THE STUDY

The study endeavours to make existing models of service quality more robust as it clarifies dimensions of employee performance in the context of service quality, encompassing four different service categories. The researcher has developed, validated and tested a scale of employee performance with respect to service quality, in the Indian context. The researcher believes that the scale is the first of its kind to be developed in the Indian context.

A significant contribution of this study is that it demonstrates the relative influence of different dimensions of employee performance on customer perceived service quality within and between service categories. The conceptualization and measurement of

employee performance dimensions in the present study is behaviour-based rather than outcome based. The study is a step forward in translating customer driven measures of service quality into measures which can be controlled by the organization.

This study presents the differential impact of employee performance dimensions across the four service categories conceptualized by Lovelock (1983).

The findings can assist operations managers in analysing and developing service operations for reducing variability in employee service performance and for fail-safing performance through poka-yokes.

The conceptualization and measurement of employee

performance dimensions in behaviour-based rather than outcome based parameters has significance for HR practice. Human resource managers can use the scale developed for the study both for recruiting as well as inducting and training employees. It can also be used as an assessment tool for measuring employee performance within and between units of the service organization.

LIMITATIONS AND DIRECTIONS FOR FURTHER RESEARCH

The researcher has used the critical incident technique (CIT) to clarify employee performance dimensions influencing customer perceived service quality. In all, 87 critical incidents were analysed in order to develop hypotheses. No doubt a larger sample of critical incidents would have enhanced the quality of the study. Secondly, the critical incidents were largely elicited from respondents in Pune thereby limiting the geographical scope of the study. Some ideas for future research actually stem from the limitations of CIT method itself. Firstly, the method relies on self- reporting by respondents. Since the respondents were specifically asked to narrate an incident of high or poor service quality in which employees played a significant role, they may have neglected other aspects of service delivery such as context of service consumption, process, physical evidence, service-scape, etc., which might also influence service quality perceptions. Secondly, due to self-reporting, certain dimensions of employee performance, though important may not have figured in the critical incidents collected for this study. Researchers in future might conduct a parallel study of service providers to understand employee performance dimensions from the providers' point of view.

The scale has been tested on a relatively small sample and is open for further validation.

The service industries tested in this study account for only a small portion of all services and therefore generalisations may be risky. The scope of the study was restricted geographically to the city of Pune since over 80% of the respondents were from Pune. Future studies may attempt to develop and validate the scale in different settings. The scale may be further tested using Confirmatory Factor Analysis.

CONCLUSION

The study is significant as it attempts to bridge the

conceptual gap in service quality research by clarifying dimensions of employee performance that influence service quality perceptions across service categories. This is pertinent as quality of interaction with employees may be the key differentiator in today's experiential era.

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