'An Investigation into Quality Practices within Irish Service SMEs'
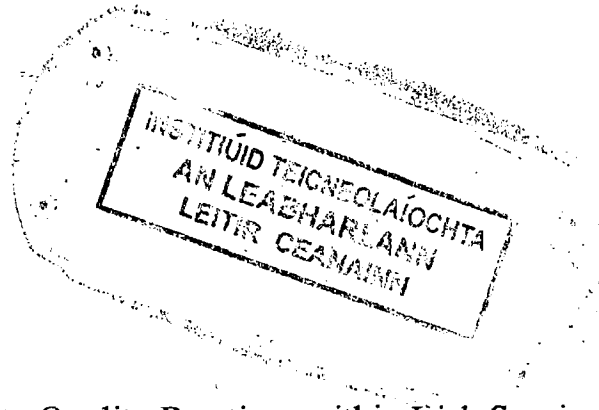
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Vicky O'Rourke

Submitted to the Higher Education and Training Awards Council,

2006

'An Investigation into Quality Practices within Irish Service SMEs'

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"Submitted to the Higher Education and Training Awards Council",

August, 2006.

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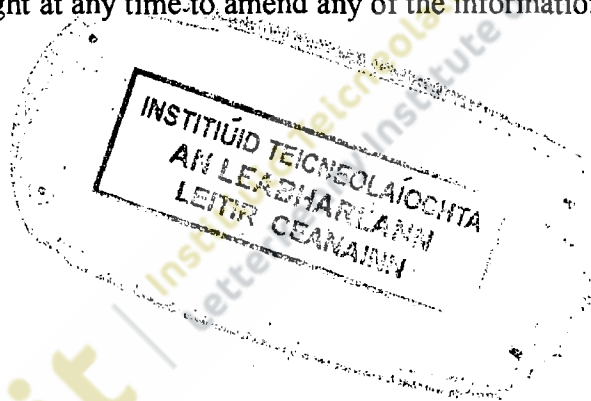
Abstract

An Investigation into Quality Practices within Irish Service SMEs

Vicky O'Rourke

The objective of this research was to determine the extent to which quality practices and procedures were integrated within Irish Service SMEs, with a view to proposing a quality model which reflects the unique set of pressures faced by SMEs. A series of depth interviews among owner/managers who had embarked on a quality management accreditation process were undertaken. Their purpose was to explore issues surrounding quality management in SMEs. Subsequently a second phase of primary research was undertaken with a representative sample of Irish service SMEs. Its purpose was to determine how quality practices and procedures were implemented within service SMEs with particular focus on their impact on the reduction of service quality gaps.

Owner/managers intermittently involve themselves with a selection of quality practices; many are not conducted on a frequent basis, including the identification of customer requirements.

Analysis indicates that previous implementation of a quality model is positively related to the frequency with which many quality practices are conducted, including the activity of setting employee performance targets. In addition, previous implementation of a quality model positively affected attitudes toward quality models. However, implementation levels remain low.

This research proposes a conceptual quality model for service SMEs which aims to address issues raised throughout the study. This model is subject to further testing and refinement.

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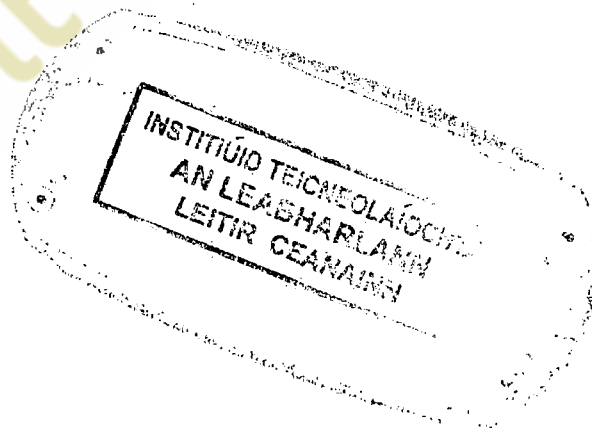
Acknowledgements

I would like to sincerely thank the following for their help and support in completing this dissertation:

My supervisor, Billy Bennett, Department of Business Studies, Letterkenny Institute of Technology for his enthusiasm and guidance

The Donegal County Enterprise Board and the seventeen participants in the qualitative phase of the research who kindly donated their time and expertise

The 240 respondents who willingly completed and returned the lengthy questionnaire

The staff of Letterkenny Institute of Technology, in particular the library staff, management and the Student Services Officer, many thanks for all your assistance

My family who provided encouragement at every opportunity

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List of Abbreviations

ANOVA	Analysis of Variance
CEO	Chief Executive Officers
DIY	Do It Yourself
EFQM	European Foundation for Quality Management
HACCP	Hazards Analysis and Critical Control Points
INAB	Irish National Accreditation Board
IQCS	Interviewer Quality Control System
ISM	Irish Standard Mark
ISO	International Standards Organisation
JIT	Just in Time
QBR	Quality Bus Routes
RATER	Tangibles, reliability, responsiveness, assurance and empathy
SGS	Société Générale de Surveillance
SME	Small to Medium Sized Businesses
SMS	Short Messaging Service
SPC	Statistical Process Control
SPSS	Statistical Package for Social Sciences
TQM	Total Quality Management
TQS	Total Quality Service

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quality models and previous implementation of a quality model

Introduction

This research aims to investigate quality management within Irish service SMEs.
Quality management is an essential element of the successful strategic management of
service firms (Robledo, 2001, p. 22), yet research into quality practices within SMEs
is limited (Husband and Mandal, 1999, p. 701).

A literature review is conducted over the first two chapters. In chapter one TQM
literature is reviewed and its impact on the company, customers and employees is
analysed. Chapter two focuses on service quality literature and quality management
within small business. The literature examined raises a number of issues which are
explored further in the subsequent chapters.

Chapter three communicates and justifies the primary research methodology
employed. Two phases of research, one qualitative and one quantitative, were
conducted and the objectives, data collection method, measurement and sampling
procedures of each are laid out.

Qualitative findings and analysis forms the content of chapter four. A series of in-
depth interviews are recorded, analysed and summarised. Information collated at this
stage contributes to the following phase of primary research.

The quantitative primary research takes its focus from Parasuraman *et al.*'s (1985, pp. 41-50) Gaps model and incorporates many recommendations from the Total Quality Management (TQM) arena. Chapter five contains the findings of this extensive piece of research which are presented under those headings taken from the Gaps model with one extra heading: quality management and small business.

Chapter six concerns itself with the interpretation of the aforementioned findings. Statistical analysis is conducted to determine the extent to which a number of phenomena affect quality management practices within small business.

The final chapter, chapter seven, draws conclusions from the research conducted. Key insights from the research are identified and reflections on the research are included. Finally, a conceptual model for service quality in SMEs is proposed.

Chapter One: Quality Programmes and Practices

1.1 Introduction

1.2 ISO 9000

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1.1 Introduction

In order to thrive in the current economic climate, managers need to consider quality and the effect it can have on an organisation's competitiveness. From the 1970s onwards much has been written about this topic, however; Dale, van der Wiele and Williams (2001, pp. 241-248) point out that despite increased focus on quality over the last two decades, there are still a number of companies who do not see the need to address quality issues.

This study aims to identify quality management models and tools which may be useful for owner/managers of small to medium sized service businesses. Through extensive primary research, these quality management models are explored in order to determine attitudes toward quality practices and identify successful quality practices of owner/managers.

The objective of the first phase of qualitative primary research was to explore quality management attitudes and practices among owner/managers of SMEs who have participated in a quality programme. The objective for the second quantitative phase of primary research was to establish how service quality practices and procedures are implemented in Irish service SMEs in terms of:

- Customer expectations

- Service quality standards

- Service performance

- Communications

- Quality management

This chapter is concerned with quality models and methods including Total Quality Management and the ISO9000 series, the broader impact of quality on the employee and the customer as well as costs of quality.

The 1980s saw the emergence of much literature in the area of quality and Deming and Juran's research became the quality manual for many companies (Allred and Addams, 1999, p. 353). Slack *et al.* (2001, pp. 674-675) have documented the list of contributors to the 'quality movement'. These include Feigenbaum, who introduced the notion of quality in 1957, and the 'leading sages' (Rao *et. al*, 1996, p. 26), Deming, Crosby, Juran, Ishikawa and Taguchi. Consequently, many tools and techniques for quality improvement have emerged in this field (Mc Adam, 2000a, p. 320). Tools are those devices which have a clear role and include pareto diagrams, control charts and histograms while techniques have wider applications, and include statistical process control and benchmarking (McQuater *et al.*, 1995, p. 37). There are a number of widely recognised approaches to quality management in practice today. Two such approaches, the ISO 9000 series and Total Quality Management are step-by-step plans for quality improvement; both are further analysed in this chapter. The ISO 9000 series are internationally accepted standards relating to the quality management system an organisation has in place. Total Quality Management has been widely covered in the literature on quality management. This chapter introduces and explains the step-by-step approaches and highlights potential implementation

difficulties. It also provides a brief synopsis of a selection of other commonly used quality models, tools and techniques.

Quality affects all areas of a company's activities and it impacts not just management style but also has a direct impact on employees and customers. The introduction of a quality assessment method or quality assurance model for a company can have far-reaching implications.

First, a quality programme affects *customers*. Customer requirements are the starting point and driving force behind a company's quality standards. The customer supplier chain helps keep a customer at the heart of the organisation and helps companies to understand the links between themselves, suppliers, internal customers and external customers.

Second, employees have an impact on quality *in an organisation* – employees in service companies are often an integral part of the service. Some companies view their employees as internal customers. They do this in order to find out employees' attitudes and feelings towards the workplace and, because employees can have a direct effect on external customer satisfaction, it is important that they are content. Reward systems can also affect employee behaviour; some companies choose to provide a direct financial reward such as an incentive component in order to promote an ethos of quality. This idea is discussed further in Section 1.5.5 which provides examples of companies who use direct monetary rewards for employees and examples

of companies who do not, as well as how each ensure that employees are dedicated to the quality movement.

Culture can also influence a company's effectiveness in the pursuit of quality. A quality culture needs to be developed and nurtured. This chapter puts forward recommendations on how to foster a quality awareness culture and how to implement successful leadership practices.

Finally this chapter discusses the cost of quality. Due to intense market competition, costs and cost control are vital components that contribute to a company's success.

Though there are many aspects to quality management, the purpose of this chapter is to provide an overview of the main areas. The two most commonly used quality assessment methods, the ISO 9000 and the Total Quality Management approach are discussed in detail while others are briefly presented. A company also needs to consider the broader impact of quality and this is examined through three aspects: the company, its employees and its customers. This sets the background for Chapter Two, which introduces services quality and small business.

1.2 ISO 9000

A substantial body of research has been conducted on the ISO 9000 series. Globally this method of quality management has proved to be very popular and achievable for

companies. The International Standards Organisation's ISO 9000 is a set of 'individual but related international standards on quality management and quality assurance. 'ISO 9000 standards set the platform for global competition' (Badiru, 1995, p. 17), and were 'developed to model a quality system that assures customers of a supplier's ability to supply quality products and services' (Tague, 1994, p. 24). This systems standard documents what you do, rather than you create (Asher, 1996, p. 24).

Asher (ibid) summarises the ISO 9000 process in five steps:

1. Describe existing methods of operation or process

2. Flowchart what you have described making sure to include all elements that may impact on the quality of the outcome

3. Execute the process as it has been described in the first two stages

4. Provide evidence that these procedures are being followed for example, show documents

5. Improve on this

Juran and Gryna (1993, p. 579) summed up the five sub-components as standards for each of the following:

1. 9000: Selection of documents

2. 9001: Design, development, production, installation, and servicing

3. 9002: Production and installation

4. 9003: Final inspection and test

5. 9004: Quality management and system elements

These quality standards 'provide minimum criteria for a quality system' (Juran and Gryna, 1993, p. 36). The ISO 9000 includes details on stakeholders' expectations, the

role of processes and documentation, and how to apply for the different standards

(Evans and Lindsay, 1999, pp. 528-529).

The components were revised in 1994 and 2000 and the standards are universally

applicable to manufacturing and service enterprises, irrespective of their size (Heuvel

et al, 2005, p. 362). The latest version provides a single requirements standard, ISO

9001. The old ISO 9001, ISO 9002 and ISO 9003 standards were withdrawn and

incorporated into a new ISO 9001. This standard 'regrouped the 20 elements of the

old ISO 9001:1994 into four main chapters: management responsibility, resource

management, product/ service realisation and measurement, analysis and

improvement' (Tan *et al*., 2003, p. 667). This version recognises that processes within

an organisation are interrelated and it promotes continuous improvement in order to

ensure that the outputs of one process do not negatively affect the inputs of another

(Bhuiyan and Alam, 2004, p. 10). There is one additional element to this ISO

9000:2000 standard, ISO 9004 which provides guidance for implementation (Mc

Adam and Fulton, 2002, p. 340).

Key steps within the process are the establishment of a quality policy, the

development of a corrective action plan to monitor performance and limit non-

conformance, the creation of detailed procedure drafts which must be approved and

the writing of a quality manual to consolidate all procedures. The process also

suggests that employees must be properly trained, internal audits must be conducted

and preparation must be made for the registration audit. Accreditation ensures that the

company conforms to their pre-specified practices and provides a basis for assuring

buyers that suppliers are conforming to their quality system (Evans and Lindsay, 2000, pp. 531-534).

Badiru (1995, p. 21) explains that the ISO 9000 standards call for written documentation of every aspect of a business process so that all employees are aware of, and always comply with, written work procedures. Asher (1996, p. 25) notes the need for management to demonstrate commitment and to convince employees to operate the system. He also recommends that the writing up of procedures is a crucial phase and argues that the more time spent on this, the more effective the whole exercise will be. There are many benefits associated with ISO accreditation; carrying it out will result in profitability and process improvement and this exercise will reap benefits in both marketing and sundries (Koo *et al.*, 1998, p. 313). Buttle (1997, p. 940) previously identified similar benefits, both operational and marketing, as motivations for pursuing accreditation, and found that the most important benefit was profit improvement. Accreditation provides a platform for progression to EFQM, the European Foundation for Quality Management's total quality management model (Fuller and Khera, 1997, p. 175).

1.3 Total Quality Management

There is a steady and growing interest in the theory and practice of Total Quality Management (TQM) from both an academic perspective and a perspective based on applications (Mc Adam, 2000a, p. 320). Soltani (2005, p. 797) argues that the popularity of TQM for strategic purposes in both large and small (manufacturing and services) enterprises has resulted in widespread shifts in the global economy.

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According to Oakland (1995, p. 40-42), it is a way of organising and understanding each action within the company. It is largely dependant on the people element of the organisation and how individuals need to become responsible for their actions. Managers play a key role, their objective being to ensure that each employee understands the customer supplier relationship and how they themselves affect it. TQM is 'a well defined and well executed quality assurance programme' (Choppin, 1994 a, p. 45). Choppin (1994 a, p. 45) likens the concept to a dream, pointing out that success can never be fully realised. Essentially the process is one that involves breaking old habits and applying key TQM practices (Longenecker and Scazzero, 1996, p. 56). 'Quality is measured most precisely when defined as conformance to specifications; it is most difficult to measure when defined as excellence' (Reeves and Bednar, 1994, p. 431).

Despite its increased popularity over the past two decades, there is a need for a common definition of TQM. Since definitions of TQM are so varied this leaves this approach open to various types of criticism (Bergquist *et al.*, 2005 p. 309-316).

Crosby, one of the earliest writers in this field, introduced the Quality Management Maturity Grid (see Appendix A) as a method for quality assessment. This grid helps companies to identify where they are now and where to go in the future. He suggests that it is best used to create a vision of the company that everyone can accept. 'It is valuable in comparing the status of different companies or divisions and it provides a continual source of direction concerning what needs to be done next' (Crosby 1979, p. 40).

Figure 1.1: Crosby's fourteen steps for quality improvement

1. Emphasise management's commitment to quality

2. Form cross functional quality improvement teams

3. Determine where current and potential quality problems may exist

4. Appraise the cost of quality and explain its use as a management tool

5. Raise the quality consciousness and personal concern of all employees

6. Take actions to correct problems recognised through the preceding steps

7. Set up a committee for zero defects programme

8. Teach supervisors to enthusiastically carry out their part of the quality improvement programme

9. Hold a zero defects day, inform all employees that there has been a change

10. Encourage all employees to establish improvement goals for themselves and their groups

11. Encourage employees to communicate to management the problems they face in attaining their improvement goals

12. Recognise and appreciate those who contribute.

13. Establish quality councils to communicate on a frequent basis

14. Do it all over again to stress that the quality improvement never ends

(Source: Crosby, 1979, pp. 132-139)

Crosby's philosophy is best explained using what is known as the four absolutes of quality (Crosby, 1979, p.131):

   a)   Quality means conformance to requirements

   b)   Quality comes from prevention

   c)   Quality performance standard is zero defects and

   d)   Measurement is the price of non-conformance

The zero defects standard may not always be achievable, for example, it may not be accurate to expect zero defects from a line worker because it is possible that poor manufacturing systems design could be a cause of defects and this is beyond the worker's control (Nwabueze, 2001, p. 505).

Oakland (1995, pp. 443-444) summarises the three most prominent plans for quality improvement. The first is a fourteen point offering of steps for quality improvement from Crosby (see Figure 1.1).

Kruger (2001, p. 154) summarises the many assumptions that Crosby's work has demolished. Firstly, the supposition that all quality problems come from workers within the company; Crosby does not believe that employees are the cause of all quality problems. Secondly, the assumption that quality is not measurable; Crosby cites the cost of non-conformance as being identical to quality. Kruger also points out that Crosby believes that responsibility for quality does not lie within the quality department alone but that it is the responsibility of every employee in the company.

A second fourteen-point plan was introduced by Deming (1986, pp. 23-4). His main argument is that low quality equates to high costs and, as a result, that business loses its competitiveness. The fourteen-point plan (see Figure 1.2) is an answer to what he regards as being the problems with quality. This model is applicable to all types and sizes of companies: large, small, manufacturing or service providers.

Figure 1.2: Deming's fourteen points for management

1. Create constancy of purpose for improvement of product and service

2. Adopt the new philosophy

3. Cease dependence on mass inspection

4. End the practice of awarding business on price tag alone

5. Constantly and forever improve the system of production and service

6. Institute modern methods of training on the job

7. Institute modern methods of supervision

8. Drive out fear

9. Break down barriers between staff areas

10. Eliminate numerical goals for the workforce

11. Eliminate work standards and numerical quotas

12. Remove barriers that hinder the hourly worker

13. Institute a vigorous programme of education and training

14. Create a structure in top management that will push every day on the above 13 points

(Source: Deming, 1986, pp. 23-4)

In reality, however, there are barriers that prevent successful implementation of this plan. The first problem is a lack of stability of direction to produce a product or service that will answer market demands and provide employment. An over-emphasis on short-term profits also hinders success because focusing on short-term profit may mean that a company is not always striving to achieve stability of direction. A second barrier is performance evaluation, the plan can only be successfully implemented when the focus is on leadership rather than on defects. Management by figures effectively means management by defects. The mobility of management poses a third

difficulty in the case where management commitment focuses on short-term goals such as making the grade at annual reviews rather than improving long-term company practices. Furthermore, managing a company based on profit figures alone can lead to a very narrow vision of what success means. It does not allow for the non-monetary benefits of customer satisfaction, such as word-of-mouth advertising or other intangible benefits such as improved staff morale (Deming, 1986, pp. 97-123). Kruger (2001, p. 150) surmises that Deming is more concerned with statistics, than the people aspect of the processes.

Figure 1.3: Juran's ten steps to quality improvement

1. Make people aware of the need and opportunity for improvement

2. Set targets for improvement

3. Prepare to teach the goals, set up a quality council, identify problems, choose projects, assign teams and design facilitators

4. Provide training

5. Execute projects in order to solve the problems identified

6. Report the progress made

7. Provide acknowledgement

8. Communicate the results

9. Maintain scores

10. Keep momentum by making yearly improvement part of the normal systems and processes of the company

(Source: Oakland, 1995, p. 444-445)

The third quality improvement plan summarised by Oakland (1995, pp. 444-445) is Juran's Ten Steps to Quality Improvement (see Figure 1.3). Juran was one of the first

writers on quality and concentrated mainly on what is now known as the Juran trilogy. This trilogy consists of 1) 'quality planning: the process for preparing to meet goals', 2) 'quality control: the process for meeting quality goals during operations' and 3) 'quality improvement: the process for breaking through to unprecedented levels of performance' (Nwabueze, 2001, p. 505).

Kruger points out that Juran's work has an apparent managerial flavour noting that Juran's main contribution was that 'quality control must be conducted as an integral part of the management function' (Kruger, 2001, p. 150).

Despite different perspectives on quality Crosby, Deming and Juran all agree that top management commitment is an essential ingredient for success. Each stresses the need for continuous improvement, the delicate nature of company culture and the importance of a customer focus. They also agree that quality improvement efforts will save a company money. The nature of a company's business affects the application of any of these philosophies and a company must fully understand the three perspectives in order to decide on the most suitable for their company (Evans and Lindsay, 1999, p. 102). Another important factor is recognising that the three methods differ greatly: Deming's model concentrates on verifying solutions as opposed to creating them, Juran's programme is a structured one, whereas Crosby's work concentrates employee motivators (Evans and Lindsay, 1999, p. 424).

Render and Heizer (1997, p. 97) refer to Deming, Juran and Crosby as the leaders in the fight for quality. However, recognition has also been given to Taguchi and Ishikawa who have proposed other quality models. Slack *et al.* (2001, p. 675) identify the contributions of Ishikawa who created the cause and effect theory and quality

circles and of Taguchi who proposed the concept of the quality loss function. The cause and effect diagram frequently called the fishbone diagram aims to get to the bottom of quality problems by asking 'what, when, why and how' (Slack *et al.*, 2001, p. 624). Quality circles consist of a group of voluntary members with little management direction who seek to improve processes that are not urgent (Slack *et al.*, 2001, p. 691). The quality loss function is a mathematical function, which includes all the costs of poor quality such as wastage, repair and inspection (Slack *et al.*, 2001, p. 576). It argues that once a measured characteristic is outside specification 'there is a minimal loss at the nominal value, and an ever-increasing loss with departure either way from the nominal value' (Deming, 1986, p. 141).

Tools and techniques of TQM include histograms, which graphically represent data so patterns can be detected, flowcharts, which pictorially display the sequence of activities and tasks in an operation and check sheets, which are used to collect data relating to problems and complaints. Other tools include Pareto diagrams, scatter diagrams, control charts and cause and effect diagrams. These are often referred to as the magnificent seven because they are simple, flexible and user friendly (Haksever *et al.*, 2000, pp. 357-361).

General quality improvement follows a logical process of defining quality, developing quality standards and, subsequently, measuring quality. For deviations that may occur, it is essential that an effective corrective action plan is developed and the necessary changes are made to eliminate quality problems. Lastly, a successful TQM strategy seeks to integrate all factors that affect quality (Longenecker and Scazzero, 2000, p. 228). A successful TQM strategy offers many advantages including improved productivity, enhanced employee relations, co-operative harmonisation of efforts,

increased dependability, as well as frequency and consistency in producing good

products and services (Badiru, 1995, p. 47).

1.4 Other Quality Models

1.4.1 Benchmarking

The notion of benchmarking originated from the Japanese saying 'If you know your

enemy and know yourself, you need not fear the result of a hundred battles' Tzu, Sun,

(500 BC). The process of benchmarking involves comparison, improvement and

exchange of data. 'Every organisation approaches continuous improvement in a

slightly different way, and it is quite common for a fashionable idea to be used as the

vehicle for those initial stages' (Tutcher, 1994, p. 44).

The process of benchmarking involves looking at what you do, identifying areas for

improvement, evaluating ideas from other enterprises in order to establish best

practices and implementing the changes in your business. 'Benchmarking implies

learning from the best. The premise of benchmarking is that, if an organisation

follows the best quality examples, it will become one of the best in the market. A

major objective of benchmarking is to identify deficiencies in quality and attempt to

remove them' (Badiru, 1995, p. 8). In other words, the aim is to identify gaps in

performance and close these gaps by putting best practices in place, thereby

establishing superior operations. A conceptual model describing these gaps will be discussed in the subsequent chapter.

There are several types of benchmarking, Oakland (1995, pp. 181-182) notes that there are four widely accepted basic benchmarking choices: internal, competitive, functional or generic. Asher (1996, p. 16-17) identifies three types: internal, competitive and comparative. Internal benchmarking makes a comparison between functions or departments as a means of improving performance. Competitive benchmarking makes a comparison between businesses within one industry sector with the aim of establishing gaps in performance between an organisation and its main competitors. Comparative benchmarking is the comparison of performance across industry sectors aimed at establishing best practices (Asher, 1996, p. 17). Generic benchmarking is a comparison of business functions that are very similar regardless of the industry. (Oakland, 1995, p. 182)

Anderson and Mc Adam (2004, p. 476) recommend that the use of benchmarking should be forward looking, to identify 'upstream and change domain measures' as this would prove a more beneficial application of this technique in the current aggressive business environment.

Benchmarking is one of the less structured approaches to quality management which are in existence. Other more structured approached include the European Foundation for Quality Management's (EFQM) model and statistical process control.

1.4.2 European Foundation for Quality Management (EFQM)

In 1991 the European Foundation for Quality Management (EFQM) along with the European Commission introduced the European Quality Award. Its aim is to increase awareness of quality and how it can affect European companies' competitiveness in the global marketplace (Evans and Lindsay, 1999, p. 143) and to recognise business excellence (Wilkes and Dale, 1998, p. 731). Building on the foundations of Total Quality Management, it consists of enablers and results (Collard, 1993, p. 183). Instead of being just another TQM approach, it has its own strengths (Mc Adam and O'Neill, 1999, p. 196). Enablers encompass the people and processes in a company, while results are yielded by these enablers. It provides a method of self-appraisal for companies. A company's enablers are leadership, policy and strategy, people management, resources and processes and its results are customer satisfaction, people satisfaction, impact on society and business results including financial and non-financial measures (Collard, 1993, pp. 183-185). The model requires assessment within companies on how their TQM approach satisfies customers, employees and stakeholders alike. The European Quality Award is granted to the most successful applicant (Evans and Lindsay, 1999, p. 143). The EFQM model is a suitable model for companies who have gained ISO accreditation and want to further improve their activities (Tari, 2005, 187). As the European Union continues to develop European-based quality, standards such as this one will become increasingly important (Mc Adam, 1996, p. 24).

1.4.3 Statistical Process Control
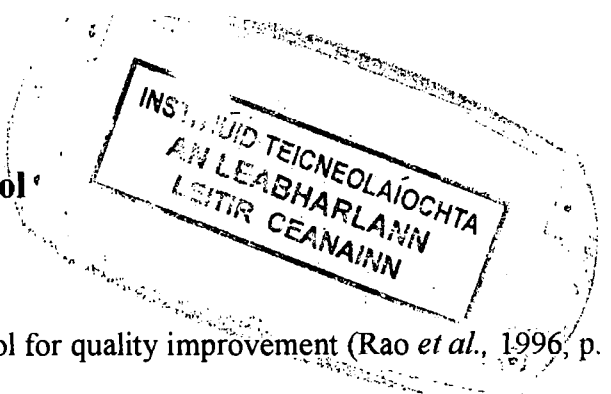
Control charts are a very effective tool for quality improvement (Rao *et al.*, 1996, p. 295). Statistical Process Control (SPC) uses a combination of statistical techniques, which aid a company in its quest for continuous improvement. SPC allows for the straightforward identification of whether a process is in statistical control. The method involves sample data being taken from the process on a regular basis and plotted on a control chart. If a process is in statistical control, its points will be distributed randomly throughout the chart, this means that the process's output is reliable and consistent. The aim of this technique is to reduce variances. Should points be distributed in a non random manner, patterns may be identified on the control chart, for instance eight successive plotted results pointing in an upward or downward direction would indicate that the process is out of statistical control. SPC can indicate where the causes of a variance lie and can monitor these causes and eliminate them. There are two kinds of variances: common and special variances. Common are variances that will always exist in a process, they occur naturally and randomly. For example, a difference in the output due to the different working patterns of teams. As these causes are predictable, a company can plan for these deviations, and must seek to reduce these variations over time. Special or assignable variations exist because of the presence of an unpredictable phenomenon that is not inherent in the process. This type of variance cannot be planned for but can be eradicated once identified; for example, process quality adversely affected due to mislaid paperwork (Asher, 1996, pp. 56-95).

Six sigma is a well established approach that has evolved from the idea of control charts and process control. 'The basic goal of a six sigma strategy is to reduce variation within the tolerance or specification limits of a ... performance characteristic' (Anthony, 2006, p. 234). To date, six-sigma has predominantly been adopted in larger, manufacturing firms and there is less evidence of successful implementation in SMEs (Anthony *et al.*, 2005, 860). Although six sigma has been successfully implemented in many manufacturing industries, its application in the service sector is still comparatively limited due to various constraints. However, that is not to say that six sigma could not be exploited by service firms in the future (Antony, 2006, p. 243).

1.5 Impact of Quality on the Company

In its wider context, quality cannot be assessed solely on internal tests, it must be assessed on the level of interaction between three variables: the customer, the product or service, customer training on the product. The product or service needs to be tested prior to customer usage. Proper training must be provided to illustrate how the customer should use the product or service (e.g., instructions for use, advertising and warranties or replacement of faulty parts). The last element of this triangle highlights the importance of ensuring correct use of the product or service (e.g., how the customer uses, installs and maintains the product or service). Quality is a function of these three elements rather than just the first element alone (Deming, 1986, pp. 170-177).

The wide range of customers forms a spectrum in which there can be three variations on the word customer for the purpose of discussing quality: 'those who emphasise initial purchase price as equal to or more important than quality, those who evaluate alternative products on both initial price and quality simultaneously and those who place emphasis on obtaining the best (Juran and Gryna, 1993, p. 89).

Some companies target all three parts of this spectrum, while others pursue the different types of customer. By analysing its customers' needs, a company can then understand their quality requirements and establish their product or service quality standards (Juran and Gryna, 1993, p. 89). Collard (1993, p. 70) points out that neither customer requirements nor customer base remain static.

1.5.1 Managerial Implications of ISO9000

Tague (1994, p. 25) found that ISO works best when the implementation process has four phases: 'awareness and commitment, assessment and revision, documentation and lastly living the system'. She argues that education is vital for successful implementation and that all employees must have a clear understanding of the benefits of registration. Companies must devote the necessary time and resources to this first stage in order implement the ISO standard successfully. Fuller and Khera (1997, p. 175) suggest that simplification and user friendliness are two elements needed for the awareness phase of ISO.

Cross-functional teams have been very beneficial when trying to assess and revise the business functions; however, Tague (op. cit.) notes that documentation can sometimes be a stumbling block. She found that there is a tendency for people to presume the

whole exercise is about documentation and to become side-tracked with this. As a result she suggests that one common format be used within each department. Once the system is implemented it should be dynamic and able to cope with the changing needs of its users. If it is not, it is time for revision of the system.

Registration communicates to actual and potential customer that the company meets international predetermined quality assurance criteria. This creates a positive image of the company for the customers. The process leads to a review of procedures which should result in decreased wastage, no duplication of effort and no inefficiencies. Registration also results in employees gaining a more rounded understanding of how the company operates and how it might be improved (Nwankwo, 2000, p. 85).

Possible drawbacks of the ISO scheme include cost and time, which, at the outset, discourage management from embarking on ISO accreditation (Koo *et al.*, 1998, p. 313). McLachlan (1996, p. 21) recognises the main criticisms of ISO; that it does not address the needs of small businesses, is biased towards manufacturing and, in reality, does not ensure the production of quality products or services. Haksever *et al.* (2000, p. 338) expand upon their explanation that when implemented the ISO does not equate to an instant quality management system but to the building blocks to create such a system. Many arguments are made by Sneddon (1997, pp. 162-168) as to why ISO standards impede the companies who adopt it, including the fact that a culture of inspection is fostered, which leads to questions of responsibility being passed over from supervisors to employees and back again. He explains that over documentation is a common response to this problem and this in itself discourages innovation. Another argument he puts forward is that 'ISO 9000 has failed to foster good customer-supplier relations' (Sneddon, 1997, p. 167). Mo and Chan (1997, p. 138)

highlight further drawbacks including the cost of certification, its influence on customers' attitudes (certification versus price) and associated increased overheads. Companies who have had success in implementing a TQM philosophy may find that the ISO series sometimes contradicts this philosophy because it creates costs. However, despite concerns regarding the benefits of the ISO series, it still remains in fashion (Martinez-Lorente and Martinez-Costa, 2004, p. 267) and when understood and used correctly, the benefits are apparent (McLachlan, 1996, p. 23).

Of note is the fact that recent research indicates that the benefits of the newer standard, ISO 9001:2000, have not been as evident in the area of customer satisfaction as those of its predecessor. In addition, it is suggested that an erosion of the perceived usefulness of the ISO 9001:2000 will occur in the future, particularly in the area of short term benefits (Casadesus and Karapetrovic, 2005, 127).

1.5.2 Managerial Implications of TQM

Research shows that TQM leads to improvements in performance and competitiveness (Escrig-Tena, 2004, p. 612). Management, in particular senior management, have a critical part to play with regard to vision and support in order to ensure successful implementation of TQM (Dale *et al.*, 1997, p. 380). Their attitudes and enthusiasm towards TQM affects implementation (Weeks *et al.*, 1995, p. 43). The elements of the management cycle relevant when discussing quality are quality policies and goals, the deployment of these goals, and plans to meet these goals. In addition to these are organisational structure and resources, feedback and reviewing,

the provision of rewards based on performance measured against goals, and training (Juran and Gryna, 1993, p. 119).

There are similarities and differences between the models introduced by Deming, Juran and Crosby. Similarities include the general belief that management are responsible for quality; they all agree that inspection is not the ideal answer and that teamwork is the route to success. Deming and Crosby's structured approach, the fourteen points, to tackling the quality question is similar while Juran's is shorter (ten points). Crosby argues that quality is free and that those costs incurred are the costs of non-conformance; Deming believes there are no optimum costs of quality and that continuous improvement is necessary whereas Juran claims that there is an optimum cost of quality and that it is not free (Oakland, 1995, p. 446).

Juran proposed the breakthrough sequence in order to help management embark on an improvement programme. Management need to collate proof of the need for quality improvements such as low productivity or poor service and its resulting adverse affects on profit. Breakthrough projects need to be approached with a project-by-project approach, so management must identify a project to pursue. Responsibility for this project then needs to be allocated, and may be sub divided into group work; this activity can be referred to as organisation for breakthrough. The workforce must then use data collection methods, statistics and problem solving tools to diagnose the problem and suggest a remedy. Occasionally, specialised experts are called into the company to carry out this stage. The journey of recovery is made up of many different phases including implementation and resistance to change. Lastly, these new standards and methods need to be continuously reinforced in order to ensure that old habits are not re-introduced (Evans and Lindsay, 1999, 422-423).

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The Deming Cycle is another technique which can be applied at all levels of the organisation due to its simplicity. It comprises four stages: plan, do, study and act. This cycle is more relevant to the implementation stage of any quality improvement initiative because once the changes are planned and implemented in the 'do' phase, they are then studied to evaluate their effectiveness before being standardised and carried out on a regular basis in the last (act) stage. The cycle is carried out on a never ending basis and helps managers to focus on continuous improvement (Evans and Lindsay, 1999, p. 420-421).

Longenecker and Scazzero (1996, p. 55-60) conducted a study among 137 upper-level managers in order to better understand managers' perceptions and feelings toward TQM. The study concluded that long-term quality improvement may be jeopardised as enthusiasm and support for TQM decrease over time. It also showed that some companies never fully integrate TQM principles into their overall management thinking and plans despite this being a requirement in order for long term permanent improvement.

McDonald (1996, p. 5) agrees with these findings and places lack of management commitment at the top of his list of ten reasons why TQM does not always work. The others in descending order are lack of vision and planning, satisfaction with a quick fix, the process becoming tool bound, quality being too constraining, contentment with customer satisfaction, culture change versus the project approach, quality management becoming too institutionalised, people not being truly involved and, lastly, the lack of real business measures against which to compare TQM efforts. Likewise, Vinten (1998, pp. 389-390), in a review of earlier research, found that a

lack of any real business measure is a difficulty because the rewards are not always as tangible as a direct improvement in profit. He reports that intangible benefits include teamwork and morale. Nwabueze (2001, p. 505) also agrees that little advice has been given by the gurus (Crosby, Deming and Juran) for empowering the user. However, Longenecker and Scazzero (1996, p. 56) report that the gurus warn that achieving some quality improvement can breed complacency and so needs to be approached from a long-term perspective. They also note that Deming highlights the fact that management complacency and lack of organisational discipline can hamper efforts and prevent employees from maturing and developing. In addition to these issues, recent research indicates that there is inconsistency in the usage of TQM terminology (Leonard and Mc Adam, 2002, p. 62) and this can lead to TQM benefits not being fully realised. It is more beneficial to use the correct language and terminology rather than fashionable definitions as these definitions do not always result in meaningful progress.
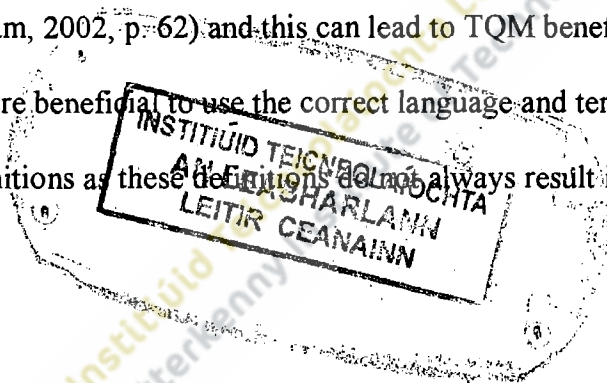
Osada (1991, pp. 25-33) summarises the key components for excellence as the five S's: seiri (organisation), seiton (neatness), sesio (cleaning), seiketsu (standardisation), shitsuke (discipline). He further highlights the need for management's knowledge and resolve (Osada, 1991, p.p. 183 - 186). Ho and Fung (1994, p. 25) concur with these findings suggesting that managers must fully understand the need for these five elements of excellence before they can be implemented. More recent writings stress the importance of the sustainability of quality management when implementing and evaluating TQM (Svensson, 2006, p. 26).

TQM will remain a central element of organisational development in the future and must remain 'focused on organisational practice and business goals' (McAdam and

Henderson, 2004, p. 62). A TQM culture 'reinforced by supportive leadership, enabling organisations to reduce cost [and increase] ... flexibility... [will help organisations] to achieve competitive advantage' (McAdam and Henderson, 2004, p. 63).

1.5.3 Culture and Leadership

Culture is a value system or a set of guiding principles (Evans and Lindsay, 1999, p. 524). Calori and Samir (1991) describe it as being the social glue of an organisation. The effectiveness of a company depends on the strength of its culture, in other words the extent to which people are working towards the same goals (Oakland, 1995, p.41). Nwankwo (2000, p. 90) believes 'quality must be rooted firmly in the culture of the organisation'. In order to change management styles and techniques, management must first re-evaluate their beliefs (Evans and Lindsay, 1999, p. 254).

Two types of assessment that can be used to recognise a quality culture are employee focus groups and questionnaires. Understanding a company's quality culture is very important as this will help a company to understand the risks present in the company (Juran and Gryna, 1993, p. 31). If an organisation carries out an audit first to identify their existing culture, they will then have a benchmark against which they can compare any change of management efforts against (Harte and Dale, 1995, p. 44). Evans and Lindsay (1999, p. 524) advise that the development of a quality culture will depend on top management leadership, a customer focus, delegation of responsibility and decision-making, and the breaking down of old organisation hurdles.

Possible implications on culture of a total quality programme include a reduction in numbers, for example inspectors, changes in management style with a bigger emphasis on responsibility, a need for learning new skills such as understanding statistical data and techniques, and 'a more participative approach whereby middle management have less control over some of the activities involved in total quality such as task groups or quality circles' (Collard, 1993, p. 59).

To align culture with continuous quality improvement each employee must be involved and allowed to inspect their work. Each organisational member must be committed to satisfying customer needs and they must be honest and sincere. In addition mistakes must be seen as opportunities for improvement (Dale and Plunkett, 1995, p. 5).

Collard (1993, pp. 176-177) formulates a process with four main criteria for changing company culture. First, core business functions are chosen to start the transition or concentrate on parts of the company that have enthusiastic champions of the cause. This helps quicken the momentum for change. Second, the entire approach must be customer focused. Third, the change ethos must spread horizontally so that managers show good example of how change can be approached. They will also help to break down cross-functional barriers more quickly. Finally, measurement should be taken cross-functionally, so that different departments are encouraged to work together resulting in better communication. Collard also notes that local empowerment should not happen before people truly understand the issues and implications of total quality because it is then that people will see the need for actions such as faster decision making as opposed to decisions just being discussed. Dale and Plunkett (1995, p. 5) report that changing attitudes can be one of management's most difficult challenges

requiring power, motivational and facilitation skills. Haksever *et al.* (2000, p. 335) agree that management must facilitate rather than dictate in customer satisfaction discussions with (their) employees.

Nwankwo and Richardson (1996, p. 45) point out that 'essentially an organisation is a reflection of its leaders'. The aim of successful leadership is to improve the quality and output of an organisation and to create a synergy between man and machine. Leaders must seek to continuously improve the system in use and instil pride in employees for the work they carry out (Deming, 1986, p. 248). 'Leadership is the ability to positively influence people and systems under ones authority to have a meaningful impact and achieve important results. Leaders create clear and visible quality values and integrate these into the organisations strategy' (Evans and Lindsay, 1999, p. 265). Juran and Gryna (1993, p. 164) identify eight key management roles for successful leadership including the establishment of a quality council and quality policies and goals, the deployment of these goals and the provision of resources, rewards and recognition. Developing a mission statement and providing clear strategies for achieving it, identifying critical success factors, reviewing the management structure and encouraging employee empowerment are very important requirements for satisfactory leadership (Oakland, 1995, p. 32-35). 'If a leader is the only person who knows what game is being played, then the leader is obviously the only one who can win' (Crosby, 1979, p. 155). Kondo (2002, p. 147) states that leadership does not require coercion, rather the art of convincing others to accept and work towards the group's common goals.

Successful leadership skills include organisation, enthusiasm, decision making, patience, fairness and the ability to be a good listener (Collard, 1993, pp. 107-108).

Managers need to develop and exhibit their leadership skills. Contrasts between managers and leaders that are pertinent to the total quality movement are that managers plan projects, push projects and control people whereas leaders practice, produce and motivate people (Evans and Lindsay, 1999, p. 229).

Oakland (1995, pp. 31-32) believes that leadership is a vehicle for achieving TQM, this he says results in the right things being done right the first time. Haksever *et al.* (2000, p. 335) agree that strong leadership is essential for successful TQM implementation and that it is also the starting point for culture change.

While leadership plays a pivotal role in ensuring a quality management programme is effective, other variables including employees and customers cannot be ignored.

1.6 Customers

Customer – Supplier Chain

Juran and Gryna (1993, p. 89) suggest three types of customers which a company must consider when addressing quality: current and potential customers, internal customers and suppliers. Oakland's (1995, pp. 8-9) viewpoint is slightly different in that customers (internal and external) are part of the quality chain which enables a company to meet its customer requirements. Each interaction within the organisation is part of the customer supplier chain. At two stages external interactions happen, between the company and its supplier of raw materials and between the company and the purchaser of the end product. He stresses the importance of each and every

customer supplier link between these two stages, and, that if any of these links are broken or ineffective, this will affect the quality of the product the external customer receives. Pudney (1994, p. 53) refers to these chains as the 'customer-supplier partnership'. He explains that management now see this as a new relationship, one that is based on collaboration rather than adversity. He adds that this change is partly due to globalisation, whereby an opportunity has been created for close relationships because if a company is becoming global, its suppliers may have to as well. He notes that this can create an opportunity for learning within a company, whereby major customers often become teaching customers. He suggests that in order for this notion to become truly successful, managers must treat their customers as equals. Choppin (1994 b, p. 51) adds that the basis for most quality initiatives is the customer relationships developed within the company and that these are vital for external customer satisfaction.

Asher (1996, p. 47) explains that in order for the customer supplier chain to work properly there must be a clear definition of requirements and standards and that this will ensure quality. Requirements are clearly defined if they are not unnecessarily long, are clear, meet both stated and implied needs, are acceptable to the customer and the supplier, and are achievable and measurable. Processes exist in order to satisfy customer needs.

Successful companies place the customer at the centre of their organisational existence. Successful companies know their customers and communicate their needs throughout the whole organisation. The 1996 study carried out by Whiteley and Hessan describes how successful companies, across a wide spectrum, generally used five strategies. First they learned how to satisfy the needs of every customer in their

target markets. Second, they ensured they received exact information from their customers and used this information to drive the company. Third, instead of promoting formal, hierarchical teams, they fostered the notion of widespread collaboration on behalf of their customers. Their fourth finding was that managers must find innovative ways of communicating with customers with a view to differentiating the company from competition. Lastly, they found that leadership style has also changed. Managers are now on the shop floor meeting customers and asking questions rather than sitting at their desks (Whiteley and Hessan, 1996, p. 47-52).

Walsh (1995, p. 35) suggests that 'unless companies constantly monitor customers' expectations and their delivery against those expectations they will not survive in an increasingly crowded marketplace'. She explains that in the 1990s, after the recession, there was a fundamental change in customer expectations. As a result companies had to re-focus their efforts and move away from the notion of cost cutting being the only route to success. In her study, customers were asked what their key values were and from this the company's customer requirements became explicit. She later reiterates this as being the single most important key to success for management, that 'customers' voices must be heard amid the clamour of corporate decision making' (Walsh, 1995, p. 37). Cumming (1994, p. 18) concurs explaining that success is as a result of customers being offered the best value for money, in addition to the company being confident that they are meeting customer requirements.

Customer Requirements and Customer Satisfaction

Williams and Visser (2002, pp. 196-200) disagree with the importance of customer requirements. They speculate that many chief executive officers (CEOs) spend more

time with investors than they do with key customers. They argue that line managers are not necessarily interested in customer satisfaction either; they are more concerned with meeting financial targets. They believe that middle management are the most concerned with meeting customer requirements in order to further their personal performance, 'they have become addicted, they cannot sleep peacefully at night without having had their "fix" of customer satisfaction scores' (Williams and Visser, 2002, p. 201). They suggest that customers now rate satisfaction as relatively unimportant, that customers who are dissatisfied are ultimately rewarded more than satisfied customers. Blodgett *et al.* (1995, p. 37-39) carried out a previous study in this area which supports this finding. They found that if a customer believes they have been dealt with fairly they will often engage in repeat purchase behaviour. Williams and Visser (2002, p. 199) conclude by saying that customer satisfaction is relatively unimportant to all key groups with the exception of middle management and that it is being replaced with individual customer behaviour.

1.5.5 Employees

'Employees are the custodians of quality' (Badiru, 1995, p. 54). 'Increasingly, companies are finding strong competition in their efforts to attract a number of suitably motivated and trained employees into their ranks' (Christopher *et al.*, 1991, p. 26). Haksever *et al.* (2000, p. 220) recommend that selection should be based on clearly defined criteria for carrying out the job. Rees (1995, pp. 99-100) explains that the human resource management approach taken within a company will largely depend on whether the firm is producing a tangible product or not. For example, a manufacturing company concentrates on the hard aspects of human resource

management such as quantifiable production techniques, while on the other hand a service sector company uses a more qualitative and soft approach.

Internal Customers

It has been accepted that a successful internal customer service system is a vital ingredient for a successful TQM strategy (Marshall *et al.*, 1998, p. 382) since satisfied employees translate into satisfied customers (Fisk *et al.*, 1993, p. 71). Employees are customers of services provided by other functions and they can not decide where they carry out transactions as it is dictated by management. However, they can decide not to abide by practices and procedures laid out by management (Marshall *et al.*, 1998, p. 383).

Empowerment and Rewards

While it is preferable to promote a quality programme without using direct monetary rewards, it is often done by means of an incentive component. The introduction of a direct financial reward system can conflict with the ethos of quality management because the focus of employees can shift from quality to quantity. Employees may feel the reward system contradicts a quality culture so a move from individual rewards to group rewards and a multi-faceted scheme balancing the emphasis of volume against a quality improvement is more effective (Oakland, 1995, p. 295).

Spina and Kliener (1997, pp. 179-184) maintain that the success in the automotive industry is due to their committed workforce. Packages have been constructed to ensure that employees are awarded benefits which guarantee the protection of their livelihoods and create an attractive environment that fosters positive relations between the worker and the organisation. A further aim of this package is to promote confidence for both parties in the longevity of their relationship. Benefits include health care, personal time, monetary rewards and flexibility (e.g., for parenting responsibilities). It is recognised that dedicated employees underpin a successful company and rewards are instrumental in getting the best out of employees and ensuring that they have a positive attitude toward the company. For example, employees' birthdays are announced at meetings at Toyota, employees are rewarded with regular bonuses on a merit basis at Nissan and Ford. The benefits of such reward packages far outweigh the costs incurred. Of course, companies need to pay close attention to the direction they are taking and make sure that the reward system matches the company's progress.

Employee participation in decision making and the sharing of responsibility are essential to the successful integration of TQM. Employees must be aware of their role and its importance (from senior executives to ground level staff) (Muller, 1995, pp. 36-37). Sohal (1994, p. 19) advocates staff empowerment in decision making as well as rewards and recognition (non-monetary) such as hampers as it is better to foster an atmosphere of caring as opposed to focusing one focused solely on financial gain.

Townsend (1995, p. 19) describes the importance of employees as follows: 'no one employee can ensure the reputation of an organisation, but any one employee can ruin it. Thus it is illogical not to involve every person on the payroll.' Badiru (1995, p. 54) agrees: 'employees must play active roles on quality improvement efforts' and employee involvement and ownership help maximise the contribution of a company's workforce.

Rees (1995, p. 106) questions how real flexibility and empowerment in job roles is. He summarises the approaches of the quality gurus (Deming, Juran, Crosby and Oakland) as being 'progressive in their implications for employees insofar as they allow for job enlargement, functional flexibility and enhanced responsibility' (ibid). He concludes with the suggestion that quality management provides more flexibility for shop-floor workers while simultaneously giving management tighter control over work (done). Boshoff and Mels (1995, p. 33) advise that employees may often be aware of customer requirements but are unable to deliver due to inhibiting company policies and this in itself can lead to demotivation, below par performance and discontent.

1.8 Costs of Quality

While it is evident that people play a key role in quality management and the benefits far outweigh the costs of an effective quality management programme, the costs of quality are another consideration for organisations. The current economic climate makes it essential for organisations to monitor and evaluate costs; paradoxically companies cut back on quality efforts when markets are slow or competition is rife in

order to keep expenditure at a minimum (Lazlo, 1997, p. 410). Despite the realisation of the importance of quality, many companies do not focus on how to improve quality and reduce costs (Superville and Gupta, 2001, p. 419). The goal of quality betterment is to minimise inefficiencies and waste and the basis of this concept is to concentrate efforts on adding value as opposed to cutting costs (Laszlo, 1997, p. 411).

1.8.1 Components of Costs

Costs can be classified into various sub-groups. Crosby (1979, p. 18) groups costs under three headings: a) appraisal costs b) prevention costs and c) failure costs. Juran (1962, pp. 16-18) breaks down failure costs into internal failure costs and external failure costs. Oakland (1995, pp. 186-189), Dale and Plunkett (1995, p. 42), Laszlo (1997, pp. 410-411), Superville and Gupta (2001, p. 419) and Margavio et al. (1994, p. 11) concur with the Crosby classification but like Juran (1962, p. 16-18) separate failure costs into internal and external costs. Asher (1996, pp. 154-156) does not believe it is necessary to separate failure costs any further because it leads to the focus changing from how to reduce these costs to the question of to which category these costs belong.

Oakland (1995, pp. 187-188) describes appraisal costs as the costs associated with customers, suppliers' evaluation of materials bought, processes such as in-coming and in-process, and final inspection and training (Juran, 1993, pp. 17-18). These costs are the 'cost of verification and control performed at any stage of the quality loop (Dale and Plunkett, 1995, p. 42).

Crosby (1979, pp. 123-124) describes prevention costs as those carried out when trying to prevent defects in the design and development stage. Collard (1993, p. 51) elaborates citing them as the costs of getting a product or service right the first time. Asher (1996, p. 155) defines prevention costs as any cost that relates to planning and the setting of objectives, the writing up of procedures and other associated activities. Examples include product or service requirements, equipment inspection and training. Internal failure costs are described by Juran and Gryna (1993, pp. 16-17) as being the result of non-conformance and include scrap, rework and re-inspection. The definition of conformance is described as 'conformance to requirements' (Crosby, 1979, p. 17). These costs can occur at any stage (Dale and Plunkett, 1995, p. 42). They are the costs incurred when work fails to meet its quality standard before the customer receives the product or service (Oakland, 1995, pp. 188-189).

Dale and Plunkett (1995, p. 42) describe external failure costs as being those costs which occur after the product or service has been delivered to the customer as a result of non-conformance. Juran and Gryna (1993, p. 17) cite examples including warranty charges and complaint adjustment. Collard (1993, p. 53-59) regards these costs as often being part of good customer relations and may be separate to production costs. Crosby (1979, pp. 124-125) has included these external costs as costs of production. Margavio *et al.* (1994, p. 11) agree that loss of customer goodwill is another result of poor quality and it is not a provided for in the traditional accounting sense.

1.8.2 Cost of Quality Models

Juran's 1962 cost of quality model divides costs into conformance and non conformance costs; prevention and appraisal costs fall under the heading of conformance while internal and external failure costs are non conformance costs. He suggests adding the total of these two divisions of costs to arrive at total quality costs. He believes optimum quality means less than one hundred percent conformance, where there are some defects, because after a certain point the monies spent on quality improvements does not result in proportionate savings of profit. The first monies spent on reducing conformance costs will reap most savings for the company. He concludes that, as costs of conformance increase, costs of non-conformance decrease (Superville and Gupta, 2001, p. 420).

There are also hidden costs including the cost of redesign for quality reasons as well as extra manufacturing costs as a result of defects such as overtime costs and potential lost sales (Juran, 1993, pp. 22-23).

Crosby (1979, pp. 121-123) believes that quality is free. However, this statement will never be proven unless management can agree on a method of measurement. He maintains that quality improvement can lead to increased profits without making one extra sale. Once all of the three categories of costs are calculated, management can then concentrate on reducing them. He recommends a ten percent decrease in these costs per annum as an achievable target. Plunkett and Dale (1995, p. 44) view Crosby's model as a positive all round company wide approach, which can yield enhancements in efficiency and quality.

Superville and Gupta (2001, p. 420) conclude that Deming believes the costs of quality are minimised when zero defects are reached. He believes total conformance is the optimum because the costs of non-conformance are so high that it is pointless valuating them. This is in contrast to Juran who believes that non-conformance costs are a direct consequence of an increase in conformance costs.

Roden and Dale (2000, p. 184) found that confusion exists within organisations over the classification of costs of quality. Superville and Gupta (2001, p. 420) explain that 'there is no one correct cost of quality model for a firm since quality costs are dynamic and constantly changing over time'. Many firms concentrate on reducing internal and external failure costs when prevention and appraisal would reap the most rewards. Lazlo (1997, p. 413) surmises that not all cost reducing practices improve quality but all worthwhile quality improvement projects reduce costs.

Another facet to the costs of quality is the cost of implementing improvements within the organisation. Management may be reluctant to invest in processes and training necessary for quality improvement as the benefits may not quantifiable from the outset. Quality costing is a technique which assists in monitoring the effectiveness of quality improvement being undertaken. It expresses costs in management parlance such as a percentage of annual sales turnover. Often management may be more agreeable to change when performance is expressed in monetary terms as opposed to non-conformance data (McQuater et al., 1995, p. 41).

1.9 Conclusion

Businesses use many quality models and methods. However, ISO certification and the TQM approach are by far the two most popular approaches. Quality improvement methods such as SPC and benchmarking are often carried out on a departmental basis rather than company wide but do provide benefits such as identifying new quality standards and ensuring consistent conformance to those standards.

ISO accreditation should be viewed as a starting point on the route to successful quality management as its implementation requires that managers start thinking practically about how to improve their operations. While it is an accepted route for quality management, it does not seek to improve the quality of the product, rather it improves the quality of how the product is made, which suggests that it does not have the ultimate customer in focus all of the time. Accreditation has many benefits including internal and external marketing benefits such as employee involvement in quality management and assurance for buyers. However, there is a tendency for companies to become introspective and innovation may be discouraged. There is also a question over whether ISO accreditation makes a significant difference to customer supplier relationships. Nevertheless, it is a starting point for companies on their quest for quality improvement, and it is often a prerequisite for doing business, especially with international companies.

TQM is the most respected approach for quality management. The three most acclaimed writers in this area, Deming, Juran and Crosby, have each proposed step-by-step models for quality improvement. Each approach utilises a variety of tools

such as histograms and flowcharts, and all three writers stress the importance of management commitment. The main difficulty with TQM is that once some improvements are made, the workforce can become satisfied and, as a result cease to strive for continuous improvement of quality, which is the driving force behind all TQM methods.

The most frequently referenced to areas outside of the company's processes that affect quality improvement are customers, employees, costs and the company culture. Customers should underpin all company efforts, driving quality improvement. Customers need to be educated on how to use the company's product or service. Since every customer has a different expectation regarding quality, they should be viewed as a vital source of information because it's the customer who sets the quality standard a company should aim towards. The success of a company's quality improvement efforts relies heavily on its employees, who should be treated as internal customers and who should be empowered. However, there is a question over how employees should be rewarded. Most companies employ some form of a reward system based on performance. The difficulty with introducing such a reward system is that the focus of employees can shift from quality to quantity, which contradicts the ethos of TQM.

Costs of quality can be categorised into internal failure costs, external failure costs, prevention costs and appraisal costs. There are differing opinions on what exactly the costs of quality are: rather than zero defects, an optimum point where a balance can be struck between monies spent on reducing defects and value for money for the company; or quality is free; or that the optimum cost of quality point is reached at zero defects because the costs of non-conformance are so high. In reality, as a

company starts to improve quality, to pursue any of these notions achieves benefits for the company because a reduction in the costs of quality, whether zero defects or an optimum point, is still a reduction of costs for the company.

A TQM culture facilitates fewer inspections and empowers employees to carry out their own checks. This is an improvement on the ISO ethos, which focuses on inspection. Employees become more motivated and communication improves as a result of TQM. Successful leadership is the underlying factor in trying to introduce or sustain a TQM culture.

Chapter Two: Service Quality and Small Business

2.1 Introduction

2.2 The Nature of Services Marketing

2.3 Service Quality Models

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2.1 Introduction

The aim of Chapter Two is to provide a brief description of some of the facets of services marketing, to identify quality models pertinent to services marketing and to suggest how quality service can be delivered in small to medium sized businesses (SMEs).

In recent years, services have become more important and now represent almost two thirds of the world's total output (Malhotra *et al.*, 2005, p. 266). The nature of services marketing differs in many ways to the nature of product marketing. A selection of pertinent differences are highlighted in this chapter.

This chapter discusses the quality models used in service businesses. While general quality models have some applicability in service businesses, services marketing specific models are presented. The Gaps model and the SERVQUAL model are two of the most widely recognised models; these were major developments in 'conceptualisation and measurement' (Tripp, 1997, p. 22). These two models are discussed in some detail, and the SERVQUAL model is critiqued. Since ISO accreditation and the TQM approach are frequently applied to services, the implications of using these approaches for service businesses are described.

Following the presentation of the Gaps model, which conceptualises areas where quality problems occur, an extensive description of Zeithaml *et al.*'s (1985, pp. 51-128) advice on how to avoid pitfalls is presented. Guidelines and recommendations

are included on how to combat quality problems and solve quality problems efficiently.

Finally, this chapter addresses the small business environment. Included is a description of the characteristics and objectives of the small firm. Small firms often have very different objectives to those of larger companies; these aims affect the way a company progresses. The marketing function is also very different in small firms due to a lack of resources such as expertise and financial constraints. Therefore, it is necessary to discuss marketing characteristics, objectives, the techniques as well as how marketing differs in the small firm. Similarly, quality management in small businesses is affected by limited resources. Due to increased competition, small businesses must seek to improve and ensure quality at all times. However, a unique set of advantages and limitations exist within small businesses and when coupled with owner/managers unique objectives for being in business, affect the success of quality management efforts. The main quality programmes focused on here are TQM and the ISO series. The discussion on TQM for small businesses includes recommendations for successful implementation while discussion on the ISO series includes the benefits of accreditation and the experiences of small firms.

2.2 The Nature of Services Marketing

"It has been argued that the single most important difference between products and services is the characteristic of intangibility" (Bebko, 2000, p. 9) However, there are many differences which exist between services and manufacturing businesses. Features that can be found in most service industries include a large amount of

transactions with a large amount of people. The volume of paper (e.g. mail) and the volume of processing are usually very high. There is a considerable risk of errors and there can be lots of handling and re-handling of large amounts of small items (Deming, 1986, p. 189).

While services have four distinct characteristics: intangibility, heterogeneity, inseparability and perishability (Zeithaml *et al.*, 1985, pp. 33-46); these four characteristics do not fully describe all services and the emphasis on any of the characteristics can vary from service to service (Payne, 1993, pp. 7-9).

The service encounter is made up of four elements: the customer, the service provider, the delivery system and the physical evidence. Customers are the most important element of the service encounter as their satisfaction is a company's ultimate aim because this dictates the customer perception of quality. The service provider must have the proper knowledge and training that is required to deliver quality service. Service employees represent the company, keep the delivery system going; therefore, it is important that they are satisfied in their jobs. The delivery system encompasses everything from suppliers and processes to the organisational culture. Physical evidence refers to all tangible elements of the service, for example, the servicescape the noise illumination levels and cleanliness of facilities (Haksever *et al.*, 2000, pp. 26-29). Understanding and managing service encounters are central to creating and maintaining satisfied customers (Lovelock, 1996, p. 67).

The traditional marketing mix (product, price, promotion and place) has been expanded for services to include three additional aspects; people (their training, motivation and rewards), physical evidence (the aesthetics and functionality of the

physical design and other tangibles) and process (level of customisation and complexity) (Zeithaml and Bitner, 1996, pp. 23-27). Haksever *et al.* (2000, pp. 132-135) refer to the people element as participation, the participation of all people who play a role in the service encounter. They highlight the importance of employee skills, attitudes, commitment and the ability to use discretion. Payne (1993, pp. 174-176) does not concur with Haksever at al. (2000, p. 132-135) and Zeithaml and Bitner (1996, pp. 23-27) instead he refers to the final element of the services marketing mix as customer service. He says that, traditionally, this was part of the 'place' element but as customers get more sophisticated it needs to be considered alone. It is important to remember that employees' roles are even more critical in service enterprises than manufacturing organisations (Dotchin and Oakland, 1994b, p. 27). Alongside an extended marketing mix, services have different process to manufacturing organisations, thus quality management models specifically for services have been proposed.

2.3 Service Quality Models

Challenges within the service sector include increased competition, increased customer demands and the need to 'work smarter and not harder' (Burke, 2001, p. 28). Quality is a crucial facet of the successful strategic management of service firms (Robledo, 2001, p. 22). Service quality is an attitude shaped through long term assessment of a performance (Hoffman and Batesman, 1997, p. 298). It can be described through at least four viewpoints: excellence, value, conformance to specification and meeting or exceeding expectations. Most researchers have concentrated on meeting or exceeding expectations (Hernon and Nitecki, 2001, p.

649). However, Johnston (2005, p. 1300) argues that there is scope for studies in service operations; however, marketers have defined service quality as tantamount to customer satisfaction. The importance of service quality cannot be underestimated as it is one of the most crucial features in developing and maintaining relationships (Svensson, 2003, p. 267).

Quality models for the most part have originated from the manufacturing side, however, some of these models such as the ISO9000 and Total Quality Management are applicable to services. The difficulty with measuring and ensuring service quality comes from the fact that often the entire product is intangible. Dotchin and Oakland (1994a, p. 9) explain how even organisations who consider themselves to be manufacturers still have to concentrate on service elements.

Regardless of company size, it is important for a company to 'act small', be creative, flexible and able to offer a spontaneous service to customers as opposed to a rigid and impersonal one. This results in a quality service for customers (Berry, 2001, p.75). Quality improvements need to involve all those who are involved in service delivery: top management, supervisors and staff (Gilmore, 1997, p. 189). 'Improving service quality has become the most important strategy for business competitiveness' (Yang, 2003, p. 320) and a number of authors have concentrated on this area with most of the research stemming from the Gaps model and the SERVQUAL construct (Kang and James, 2004, p. 266).

2.3.1 The Gaps Model

The Gaps model originates from a study carried out in 1985 by Parasuraman, Zeithaml and Berry, relating to service companies and their views on quality. It explains how 'customer dissatisfaction in the marketing of services is referred to as the Gap Model' (Wyld *et al.*, 2005, p. 383). The study concentrated on four types of service categories: retail banking, credit card services, securities brokerage and product repair and maintenance. These business categories were chosen because they represented a cross section of the different dimensions of services. A series of focus groups were conducted and the findings among the groups indicated some distinct patterns. The authors discovered that a general model could be developed from the study, centred on key inconsistencies relating to service quality and service delivery. The model proposed four gaps that can exist in the service provider's domain, which may result in unsatisfied customers. These Gaps are:

Gap 1: Customer Expectation - Management Perception Gap

Gap 2: Management Perception - Service Quality Specification Gap

Gap 3: Service Quality Specifications - Service Delivery Gap

Gap 4: Service Delivery - External Communications Gap

An occurrence of any of these gaps results in a difference between the expected service and the perceived service experienced by the customer, referred to as Gap 5 (Parasuraman *et al.*, 1985, pp. 41-50). Hoffman and Batesman (1997, p. 300) refer to these gaps as the knowledge gap, the standards gap, the delivery gap and the communications gap, all of which can lead to the service gap. Haksever *et al.* (2000, pp. 332-333) explain that this model helps to conceptualise service quality.

There are some limitations to the model, however, including the fact that there is no allowance for a customer to have low expectations of service quality, and, therefore, if this expectation were exceeded, a customer would have received a higher level of service than expected. It is also suggested that it is sometimes unsuitable for smaller organisations.

Nevertheless, this model is widely accepted (Gilmore and Carson, 1996a, p. 39) and 'there has been no fundamental challenge to the underlying conceptual model' (Imrie, 2005, p. 369). It provides 'valuable insight into understanding the challenges of delivering quality service' (Haksever et al., 2000, pp. 333). It is concerned with the performance of the whole organisation and, therefore, is similar to the TQM method (Fuentes, 1999, pp. 232-233). Similar to Fuller and Khera's (1997, p. 175) recommendation that ISO accreditation provides a platform for progression, Mukherjee and Nath (2005, p. 179) believe the Gaps model is a good starting point for analysis and service quality measurement.

2.3.2 SERVQUAL

As a result of the focus groups held during Parasuraman et al.'s study (1985, pp. 41-50) a discovery was made about how customers evaluate services, and the criteria they use. Information gleaned from focus groups helped to identify ten general characteristics which customers repeatedly used to evaluate service quality. From these findings the SERVQUAL construct (Appendix B) was designed to measure the degree to which a customer feels these characteristics exist in a particular service. Building on the Gaps model, it sought to compare a customer's expectations of a

service with their perceptions of the service. This instrument was ultimately refined to 22 items and five dimensions: tangibles, reliability, responsiveness, assurance and empathy (RATER). This device was tested with a view to determining the relative importance of each dimension across the four types of service categories and it found reliability to be the most critical dimension (Parasuraman *et al.*, 1988, pp. 12-36).

A 97 item instrument was constructed, consisting of pairs of statements, one to measure expectations and one to measure perceptions of a firm. Alongside each was a seven point scale ranging from strongly agree to strongly disagree.

The aims of SERVQUAL include determining customers' perceptions and expectations of service quality and, consequently, identifying where service quality gaps exist. It also seeks to ascertain how important each dimension of service is to a customer and attempts to provide direction to the company by indicating which dimension that company should concentrate its efforts on. It helps managers to acquire knowledge and understanding of customers' expectations and perceptions of the service. Further, it facilitates the management of these expectations and perceptions. Lastly, it helps a company to prioritise service improvement activities (Brysland and Curry, 2001, p. 396). It is a diagnostic tool to identify an organisation's strengths and weaknesses (Tan and Pawitra, 2001, p. 419). The service quality of competing companies can also be compared by tracking SERVQUAL perception scores along each dimension. This provides insights into a company's relative strengths and weaknesses (Zeithaml *et al.*, 1990, p. 178).

Palmer and O'Neill (2003, p. 269) advise that perceptions should be tracked over time, and that managers should concern themselves with customers' perceptions of

quality as they engage in word-of-mouth communications or repeat purchases
(O'Neill and Palmer, 2004, p. 446).

There are some limitations to this model, summarised by Buttle (1996, p. 9) as being
theoretical and operational, the former including paradigmatic objections, the Gaps
model, process orientation and dimensionality, the latter concerned with expectations,
item composition, moments of truth, polarity, scale points, two administrations and
variance extraction. The most significant of these criticisms are associated with the
validity of the RATER dimensions, the disconfirmation paradigm and whether
customers actually regard service quality as the difference between expectations and
perceptions (Buttle, 1996, p. 29). Hoffman and Batesman (1997, p.311) identify the
main criticisms as these based on the length of the questionnaire, the validity of the
service dimensions, and the prognostic capacity of the tool in regard to successive
consumer purchases.

Primarily, it is based on Parasuraman *et al.*'s (1985, pp. 41-50) definition of quality as
being the difference between expectations and perceptions. The questionnaire
contains both a set of questions pertaining to the respondent's views of what a service
should be and a set of corresponding questions designed to measure the respondent's
perceptions of a service. Buttle (1996, p. 9) finds little evidence that service quality or
lack of it is discovered through a contradiction of expectations and perceptions.
Attention has been drawn to the fact that a respondent should answer questions
regarding their expectations before the service encounter and perceptions afterwards.
The reason for this is that if a respondent answers both sets of items after the service
encounter, the service encounter itself may have biased the respondent's expectations.

Nevertheless this is not always practical for a number of reasons including time constraints and access to respondents.

Questions have also been raised about the applicability of this model generically across service sectors (Svensson, 2001, p. 6; Lovelock, 1996, p. 466; Hernon and Nitecki, 2001, 683). There is a question about whether service quality should be measured as attitudes, perceptions or disconfirmation, as expectations are likely to change over time and involve subjectivity (Hernon and Nitecki, 2001, p. 686). It has been suggested that the perceptions segment alone is a more precise predictor of service quality (Boulding *et al.*, 1993, p. 22; Andaleeb and Simmonds, 1008, p. 157) and purchase intention (Hoffman and Batesman, 1997, p. 312). However, Hoffman and Batesman (ibid) state that it is still undecided if this is a valid point, as they feel Parasuraman *et al.* make a convincing argument that the combination of both scales provides more informative answers. This also provides justification for the length of the instrument.

Failure to define perceptions more clearly is another notable criticism of this model. It is suggested that the time of measurement can affect customers' perceptions; they can sometimes be influenced through time due to the customer attempting to reduce post purchase dissonance, or they can become distorted over time. It is also suggested that the perceptions element of the model does not draw from the theory of psychology, social sciences and economics (O'Neill and Palmer, 2001, pp. 184-8; Buttle, 1996, p. 9). Gronroos (2001, p. 151) admits that the introduction of perceptions was originally intended as a substitute for the lack of tangible elements in services marketing and was to be used in a conceptual manner because customers' perceptions are be altered as a result of their previous experiences with the service. However, research carried

out by Boulding *et al.* (1993, p. 25) found that the greater the customer's perceptions of a company's overall quality the more likely they are to engage in positive word of mouth.

Teas (1993, p. 28) finds the definition of expectation conceptually unclear. The word 'should' lends itself to ambiguity of respondent's interpretation of the question posed, and dependency on whether or not respondents have well formed expectations. If the word should 'is taken as an ideal standard it lends itself to an ideal point interpretation of a possible classic attitudinal model, which would imply that it is theoretically unstable to assume that if performance levels exceed the ideal standard it will result in a higher perceived quality than if performance was to equal the ideal standard' (Teas, 1993, p. 21). SERVQUAL is based on a disconfirmation paradigm as opposed to an attitudinal one (Buttle, 1996, p. 9). It is suggested that culture also affects a customer's expectations. Since culture is associated with learning, it influences how customers evaluate a service. Learned values guide consumer behaviour and no allowance is made for how this difference drives the expectations part of the model (Imrie *et al.*, 2002, pp. 12-13).

As previously identified the validity of the five service dimensions also comes under scrutiny (Teas, 1993, p. 30; Buttle, 1996, p. 29). The five service dimensions accused of being incapable of withstanding statistical examination (Buttle, 1996, p.29; Hoffman and Batesman, 1997, p. 312). Nevertheless Parasuraman *et al.* (1988, p. 18) consider the scale to be valid as it measures what it is supposed to. Hoffman and Batesman (1997, p. 312) elaborate that some overlapping is evident because the dimensions are interrelated, however, respondents' results display strong differences in the rating of the dimensions.

Regardless of its criticisms, SERVQUAL will remain a popular choice of service quality measurement until a superior but equally user-friendly model is proposed (Wisniewski, 2001, p. 383; Hoffman and Bateman, 1997, p. 314; Davies *et al.*, 1999, p. 35; MacLaran and McGowan, 1999, p. 36). 'No other instrument for measuring service quality has been tested as stringently and comprehensively as SERVQUAL' (White and Abels 1995, p. 38) and 'there has been no fundamental challenge to the underlying conceptual model' (Imrie, 2005, p. 369). A practical suggestion for ensuring that its full potential is realised is that surveys should be carried out annually. This would allow for yearly comparisons and also help a company to determine whether improvements to the service have altered customers' perceptions (Brysland and Curry, 2001, p. 400) and to track the effects of quality improvement efforts (Anderson, 1995, p. 52). This complements Boulding *et al.*'s (1993, p. 22) earlier conclusions on consumer expectations and perceptions changing over time, and Mickaliger's (2003, p. 6) conclusion that reviews enable the company to determine customer's desired quality levels and the levels which the customer is willing to accept. It is also suggested that the model can be manipulated to suit differing purposes (Boshoff and Mels, 1995p. 28; White and Abels, 1995, p. 38).

Hoffman and Bateman (1997, p. 314) surmise that the originators of the model never intended this to be a final and complete exercise of service quality assessment and would be best utilised when incorporated with other research tools. They suggest that the model is best used in contexts close to its original background. This is in contrast with Buttle's (1996, pp. 8-32) work, which found that SERVQUAL had been useful across a variety of industrial service settings and, despite its shortcomings the model was almost of an institutionalised standing. In addition, Jiang *et al.* (2002, p.152)

found that 'the issues of validity… [are]… minimal… [and]… not to the point where a potentially valuable analytical tool should be dismissed as an application or research device'. To conclude, despite being an important contribution, it is but one model in the evolution of service quality (Robinson, 1999, pp. 21-32).

Since its inception there have been many adaptations of this model, one being the LONGSERV model. This is a 26-item model that measure service quality in the hotel sector. It considers that customers' expectations should be different depending on price segments (Cheung and Law, 1998, p. 403). The SERVPERF model seeks to eliminate the expectation and perception problems inherent in SERVQUAL. This scale is only concerned with performance (Lee *et al.*, 2000, p. 227). It argues that performance equates to service quality and the organisation's profits are the key indicator. It views service quality as an attitude which consumers develop over time. A customer either experiences positive or negative disconfirmation after using a service and this modifies their perception of quality. The service provider enjoys improved sales if the customer experiences negative disconfirmation and, therefore, if a company wants to monitor service quality it should simply monitor profits (Baggs and Kliener, 1996, pp. 38-9). However, it is still 'reasonable to consider SERVQUAL to be superior to SERVPERF as a measure of perceived service quality because the SERVQUAL measurement scale follows a more scientific approach to scale development' … it is 'more firmly based on the literature' (Quester and Romaniuk, 1997, p. 183). It has been used more widely, and allows for comparison with other service companies (White and Abels, 1995, p. 40; Hernon and Nitecki, 2001, p. 693; Frost and Kumar, 2001, p. 372).

More recent research carried out by Seth *et al.* (2005 p. 924-5) reviewed the various service quality models and concluded that service quality, outcomes and measurement, are dependent on the type of service setting, need and time factors. They found that all models include six key ingredients: clear market and customer focus, motivated staff, clear understanding of concepts of service quality and the factors affecting it, effective measurement and feedback systems, implementation system and, finally, a customer care system.

Some traditional quality management models are also appropriate for service organisations, these include TQM and ISO 9000.

2.3.3 TQM

Until recently the TQM process has been mainly associated with manufacturing companies; however, service companies also need to adopt this philosophy if they are to be successful in today's economic climate. The principles are generally the same for both types of company; however, management commitment becomes even more important in service organisations (O'Neill *et al.*, 1994, p. 38). The TQM philosophy is closely linked to activities such as reducing costs and improving service levels (McAdam *et al.*, 2003, p. 436). The conceptual transfer of quality management principles has been somewhat difficult, however, some aspects are transferable and the 'slogans of the quality gurus have been adapted to fit the service context' (Wilkinson *et al.*, 1998, p. 26). A study carried out by Mc Adam (2000b, pp. 314-316) found that many of the factors of quality model implementation, while originating from large organisations, were equally applicable for small businesses. Although the

study was limited, he found that the model developed, based on the business excellence model, was sufficiently general to be applicable for other quality models. The main areas highlighted included the necessity of TQM being strategically linked to organisational goals and attention was drawn to the fact that flexibility and short term benefits were a prerequisite to successful implementation of a quality model for small business. Additional elements included employee participation and understanding, management commitment and consistency of purpose, the importance of processes and measure and the need for customer understanding and satisfaction. He noted that small businesses often prefer action rather than monitoring and benchmarking may assist small business to overcome their somewhat insular disposition. The process of quality improvement for services follows the same as that of manufacturing, the main contrast being that with service organisations the high dependence on the human element of the operation is much harder to control (Longenecker and Scazzero, 2000, p. 228). Longenecker and Scazzero (ibid) point out that both Crosby and Juran highlight the importance of management's role in any quality effort.

Employees can monitor and assess the quality of their service using TQM tools and techniques. These allow for work to be sampled and the identification of results that are not up to standard, such as an unusual pattern on a control chart (Haksever *et al.*, 2000, p. 372).

Sureshcshandar *et al.* (2001, p. 378) argue that although quality management theory, from a conceptual viewpoint, is applicable to services no account is taken of the unique characteristics of services such as delivery and consumption, and customer participation in service delivery. Gupta *et al.* (2005, p. 391) contend that TQM should

be referred to as Total Quality Service (TQS) for service industries because of the complex issues surrounding service delivery.

A study by Longenecker and Scazzero (2000, p. 228-231) makes five recommendations for service companies adopting a TQM approach to service quality.

1. Assess the effectiveness of the current practices that impact service quality

2. Recognise that management support and teamwork are crucial for long-term improvement

3. People who drive service quality must be acknowledged, they are the key ingredient for successful quality initiatives

4. The TQM system must seek to constantly advance TQM practices.

5. Effective leadership is a key driver for improved service quality

Managers must repeatedly ask themselves whether they taking all the necessary steps to ensure that their employees are quality conscious and have the necessary support to achieve service quality. Hemmington and Watson (2002, p. 278) recommend that the company's vision of service must be entrenched in the culture and practice of the whole business in order for it to be expressed during service delivery.

Rees (1999, p. 456) highlights the importance of employee involvement and team work for ensuring quality service delivery. The notion of team work is one of the primary means of involving employees in continuous improvement activities. He suggests that employee empowerment fosters a spirit of quality awareness. This results in employees being both committed and in control as opposed to being in a scenario where commitment and control are on opposite ends of the spectrum. He sums up by recognising the limitations of employee empowerment, namely that employees are only as empowered as management's control will allow. Mc Adam

(2000b, pp. 314-315) concurs with this perspective, suggesting that employees in small businesses need training opportunities to feel involved, as well as to be engaged in communication and feedback in order for successful TQM implementation.

O'Neill *et al.* (1994, p. 40) suggest that in order to manage an effective quality improvement effort managers must provide staff with a clear and common definition of service quality and this must be made a principal factor in performance assessments and rewards. They also recommend that the customer must be the focus of attention at all times; management support and skills are needed in order to achieve this. Arasli (2002, p. 355) explains how the perceptions of managers and employees are crucial as they will take these perceptions as real and act as such. Furthermore, Javalgi *et al.* (2005, p. 220) recommend that in order to ensure success, a marketing orientation must be completely integrated across all sections of the business.

2.3.4 ISO 9000

The ISO 9000 series are generic standards which are applicable in service companies. The implementation and application of the ISO is often the quality management system of choice for service companies (Karapetrovic and Willborn, 1998, p. 259).

Service businesses can find many performance benefits with ISO accreditation. Conformance to quality can result in increased sales growth and margins. Also, accreditation can help to ensure that process control is improved and, therefore, costs are lowered. Ultimately, companies who strive towards a quality certificate are much more quality conscious at an operational level. It is speculated that ISO accreditation

does not directly equate to better quality per se, in other words it does not automatically reduce costs or waste, rather it results in marketing benefits, that customers regard an accredited company as of better quality than non- accredited competitors. The direct benefits and results of accreditation are unclear, possibly because management's ultimate motivations for seeking accreditation are not always clear, and these motivations have a profound effect on the advantages a company realises as a result of becoming ISO certified (Dick *et al.*, 2001, pp. 115-116).

Karapetrovic and Willborn (1998, p. 257) cite some clear benefits to service companies who implement quality management systems. Benefits include increased customer satisfaction, improved productivity and efficiency, and procedures and processes in a service system which are related and are all focused on achieving a quality service. An additional benefit is that staff training can be simplified (Cooper-Mitchell, 1994, p. 19).

It is important that a company clearly defines its objectives relating to quality service so that the company can carry out a performance audit using the ISO 9000. Customer needs and requirements should be at the forefront. This exercise may result in the setting of new objectives or reviewing existing ones. It can also highlight areas in the service design and delivery process which need to be altered (Karapetrovic and Willborn, 1998, pp. 259-60).

Dick *et al.* (2001, pp. 114-36) conclude that service companies who regard certification as an important factor in the pursuit of quality place more emphasis on quality than service companies who do not see the importance of certification. In

addition, companies need to include quality in all facets of their business if they are to experience increased competitiveness from embarking on quality-management systems such as the ISO series (Mc Adam and Fulton, 2002, p. 345).

2.4 Delivering Quality Service

To ensure the successful delivery of a quality service it is important to understand not only the quality management models appropriate for services but the underlying causes of poor quality. Parasuraman *et al*.'s (1985) conceptual model of service quality highlights the need for the focused management of all facets of the service on offer. This section presents recommendations and procedures to ensure that quality gaps do not arise.

2.4.1 Gap 1: Not knowing what Customers expect

Companies often have a genuine interest in providing the service the customers want yet do not spend enough time or effort determining their exact needs; this can lead to wasted time and money. There are three main reasons why this gap occurs: inadequate marketing research, insufficient upward communication and too many levels of management (Zeithaml *et al*., 1985, pp. 51-53).

A key success factor for determining customers' needs and wants is market research. It needs to be centred on service quality issues such as customers' needs, wants, expectations and how the company can recover if these are not satisfied during the service encounter. Even the smallest company should be able to carry out some

market research to understand their customers' expectations. Complaints received can be used strategically by drawing similarities with customers' expectations in similar industries, as customers evaluate many different services on the same service dimensions. Across different industries customers often place the same importance on certain service quality dimensions (Zeithaml *et al.*, 1985, pp. 52-56).

Zeithaml *et al.* (1985, pp. 55-7) recommend that if a company trains or educates customers (such as immediate customers, distributors and agents) they themselves can gain insights into customer expectations and problems. Key client studies are another source of valuable information. Surveys within their larger customers and in-depth discussions with key end users are two methods of utilising this resource effectively. Customer panels can be created, or a customer's satisfaction with an individual transaction can be tracked immediately after it occurred. A more in depth technique is to conduct customer-expectation studies whereby surveys, focus groups and SERVQUAL are used repeatedly to identify problems and track changes in customer expectations (Zeithaml *et al.*, 1985, pp. 56-60). It is recommended that companies use combinations of these techniques (depending on available resources) to extract timely information on customer expectations.

In order to improve upward communications a company should ensure that customer contact personnel are given the opportunity to relate the information they receive from customers to top management. Often top management's understanding of customer expectations depends on the communication received from customer contact personnel. It is important that these communication channels remain open, otherwise management's perceptions can become very far removed from customers' actual expectations. This gap often occurs because there are too many levels between

customer contact personnel and top management. Middle managers often clog up the system and should be in more contact with end users; this is often not the case and it can result in gaps between top management and their customers (Zeithaml *et al.*, 1985, p. 65).

2.4.2 Gap 2: Incorrect Service-Quality Standards

Incorrect service quality standards can be as a result of of not knowing what customers expect (Gap 1) or it can be for a number of other reasons including resource limitations or the existence of a short-term profit orientation within the company. Problems that lead to this gap within a company include insufficient management commitment to quality, management's perception of the feasibility of reaching customer expectations, task standardisation and the extent to which quality goals are based on the customer's rather than the company's standards (Zeithaml *et al.*, 1985, pp. 71-73).

A company can often focus on performance objectives such as cost reduction rather than service quality because performance objectives are easier to visualise and measure. Companies who believe they are committed to service quality often only view service quality as an internal issue (such as efficiency or productivity of employees) rather than considering service quality from the customer's perspective. Managers should, first of all, be dedicated to service quality as the customer views it, and must, secondly, communicate this dedication to all employees. Top management must ensure that middle management fully support of setting service standards that are centred on the customer. Middle management should be made to feel that the

pursuit of quality is ongoing and that their efforts will be recognised (Zeithaml *et al.*, 1985, pp. 72-76).

Managers may often believe that the exercise of meeting customer expectations is unfeasible. This is a managerial mindset that may be a result of organisational constraints of a technological or financial nature. If this is the case managers may indeed be unable to meet customer expectations; however, more often than not this perception of unfeasibility is due to management's resistance to changing the status quo of the organisation. In order to close this gap managers must be willing to change, must be innovative and, at all times, must be dedicated to the customer (Zeithaml *et al.*, 1985, pp. 76-9).

Lack of task standardisation can also lead to this second gap. Sometimes managers believe that a service can not be standardised because it would not equate to a high quality service whereas quite often routine parts of a service (such as customer account maintenance) can be standardised. If every element of the service offered is customised, it is much more difficult to determine standards. Technology (such as databases, work process structure, scheduling, and delivery systems) can reduce the time spent on the non-personal aspects of a service. This, in turn, can allow for more time to be spent on personalisation of other parts of the service because there is less of a strain on resources (Zeithaml *et al.*, 1985, pp. 80-83).

The setting of goals, which very important in order to ensure Gap 2 does not occur, should be driven by customer requirements and expectations. Sometimes these will coincide with management's objectives; however, if all goals are based on such objectives, there is a possibility that time will be spent measuring goals that the

customer does not regard as important. Goals should be designed to meet customer expectations, they should be designed in such a way that service providers understand what they are being asked to supply. Employees need to understand these goals and realise the need for them because only then can employees be expected to perform to these targets. Critical tasks need to be identified and communicated to employees so they know on which areas to concentrate the most. Once this has been achieved, goals must be measured and reviewed regularly and employees must be given feedback so they know what management expects of them. In addition, goals should be balanced so that they are achievable but challenging thereby ensuring that employees are stimulated but not frustrated when trying to achieve the goal in question (Zeithaml *et al.*, 1985, pp. 83-86).

2.4.3 Gap 3: The Service Performance Gap

The third gap is when employees are unable or unwilling to perform the service to an acceptable standard. Services that are labour intensive, heavily dependent on a human element or executed in many locations are especially vulnerable to this gap. There are a number of factors that can lead to this gap: role ambiguity and conflict, poor employee or technology job fit, incorrect supervisory control systems, lack of perceived control or a lack of teamwork (Zeithaml *et al.*, 1985 pp.89-90).

Role ambiguity is when employees do not have the necessary skills or training to carry out the job effectively. Therefore, training is fundamental. Consequently, management provide role clarity for employees, through communication and the provision of feedback, so that they are clear about what is expected of them. Training

can take the form of technical training (about the service they are providing), interpersonal skills training (so employees know how to deal with customers in the correct manner) and customer training (to ensure that employees know who their customers are so that they can serve them better). Role conflict arises when a person feels that they cannot deliver what is being asked of them. If both managers and customers are making different demands on an employee it can lead to role conflict. Customers may want the best service while managers want increased sales or an employee may have too many customers to deal with. This can impact negatively on an employee's job satisfaction. Performance measures that concentrate on the customer along with internal efficiency should be used (Zeithaml *et al.*, 1985, pp. 90-99).

The existence of a poor employee-job or technology-job fit can also cause Gap 3 to occur. Customer contact jobs are usually lower level jobs and people who work in these jobs usually have a lower level of education and are often the lowest paid employees. As a result, they can often lack the skills and motivation needed to serve customers sufficiently. Another possible reason for this problem is when the technology the employee uses to carry out the service delivery is not as effective as it could be. Technology needs to be reliable in order to enable an employee to provide a quality service. Success depends on managers selecting the right employees and technology for the job in question so that the three fit together and work together in the best possible way (Zeithaml *et al.*, 1985, 99-101).

Often the measure used by managers to assess employee performance is their output, but this is often an incorrect way to measure service quality because customers can sometimes judge service quality on the way the service was delivered. It is suggested

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that rather than using an output control system to measure performance, a behavioural control system should be used. An example of such as system is assessing how customers are treated during a particular service, for example, the level of friendliness they experienced. Using this type of measure ensures that employee performance is consistent with the customer's expectations of what the service should be. The reward system in place in the company should be very sensitive to employee performance so that it will motivate employees to perform well. Examples of rewards can include bonuses, career opportunities and recognition (Zeithaml *et al.*, 1985, pp. 102-104).

Employee empowerment is often a key success factor for service companies. The more an employee feels that they are in control of their job, the less stress they experience and, in turn, the better they perform at their job. In order to ensure that employees have perceived control of their job, they should be afforded a certain amount of flexibility with regard to how they deal with customers. However, it is important to find the right balance between the provision of employee empowerment and the standardisation of some aspects of the service. One way of achieving the balance is to provide departmental goals but to allow the department to decide how they should go about reaching them (Zeithaml *et al.*, 1985, pp. 104-107).

The last factor that contributes to this third gap is a lack of teamwork in an organisation. It is important that every employee is striving for the same goal. Zeithaml *et al.* (1985, p. 107) suggest that employees should be treated as internal customers and a good support network should be provided for them. This allows them to serve external customers to the best of their ability.

2.4.4 Gap 4: Promises not Equalling Delivery

This gap arises when a company does not deliver what it has promised. The operations side of the business should be able to deliver what the marketing side promises. They must work in tandem to ensure that external marketing communications provide an accurate account of the service on offer. Companies must make sure to communicate their service quality efforts, otherwise customers will not have formed accurate expectations of the service on offer. Contributing factors to the existence of this gap are ineffective horizontal communications and the inclination to 'over-promise' (Zeithaml *et al.*, 1985, pp. 115-117).

Effective horizontal communications are important in order to ensure that customer contact personnel have the necessary resources and are able to deliver what has been promised to the customer. They are also needed to ensure that the marketing department does not over estimate what the service promises to do. If is the case, customers automatically experience positive disconfirmation of expectations. Slice of life advertising can often be an appropriate method of marketing communication because it depicts an honest picture of what the customer should expect the service to be. Further employee involvement in the advertising process helps them to become aware of the level of service that customers are being promised (Zeithaml *et al.*, 1985, pp 117-120).

Employees should be treated as internal customers and should experience a quality service from their Human Resource Department. This is important because how they are treated has a direct affect how they in turn treat external customers. An open

communication channel between Human Resources and employees ensures that employees are rewarded for their efforts and, therefore, are motivated to perform well. Another feature of successful service firms is consistency on their policies and procedures. Since customers expect the same standard of service in each of the company's outlets each branch should be given the same level of autonomy and have the same amount of standardisation. One solution is to provide a standard operating manual for repetitive processes and allow discretion in dealing with individual service requests. Alternatively, a company could opt for the same goals for every department but allow individual departments decide how to achieve these (Zeithaml *et al.*, 1985, pp. 120-123).

Due to increased competition companies are forced to offer customers a better package than other similar firms. This can often lead to increased pressure and, as a result, companies may over-exaggerate the service they are offering. Raising customer expectations will initially lead to increased sales but will ultimately lead to an increased number of dissatisfied customers. To ensure this does not happen, external communications should emphasise that the company possesses quality dimensions that are important to the customer. These should be a truthful reflection of the service on offer as this will help to manage customers' expectations of the service. Occasionally, service difficulties are as a result of the customer not being made aware of the role he or she has to play in the service. If they are not made aware of the role they have to play it may affect the level of service they themselves receive, or the level of service others around them experience (Zeithaml *et al.*, 1985, pp. 123-128).

2.5 The Small Business Environment

It is now accepted that small businesses are not just a scaled down version of big businesses. Small businesses are usually run by either entrepreneurs or owner/managers. Entrepreneurs are often more creative, looking for new ways to manage the company and new opportunities. They are by nature more innovative whereas owner/managers are not necessarily innovative. Owner/managers tend to manage a company in a way that complements their personal motivations, be it survival or growth (Stokes, 1992, p. 7). The difference in management between these two types of owners is recognised. Glancey *et al.* (1998, p. 250) explain that entrepreneurs by nature have superior decision-making capabilities and have the potential to attain high growth and profit levels whereas owner/managers may not possess the same competencies. Small business structures are non-sophisticated and organic. Employees also play a different role, due to the flexibility within the company; employees need to be multi-skilled and how a job is carried out is often left to their discretion... 'interchangeable roles render the rules redundant'. Communication is often informal in nature and decision making is of a participate nature (Carson *et al.*, 1995, p. 67).

Micro organisations are companies with up to nine employees, small business employ between ten and 99 employees, while medium organisations are composed of between 100 and 499 employees (Ghobadain and Gallear, 1997, p. 122). Classifications differ somewhat as explained Wilkes and Dale (1998, p. 735), there are vast differences between a company employing less than ten employees and a company employing

less than 200. They recommend the use of the company size classification as identified by the European Union as follows:

1. Micro companies (less than ten employees)

2. Small companies (less than 50 employees)

3. Medium sized enterprises (less than 250 employees)

(Official Journal of the European Union, 2003)

Stokes (1992, p. 2) explains that small businesses possess three important characteristics: first, an independent ownership; second, a personalised management and, third, a small share of their market. Carson (1990, p. 8) adds that small firms' capital and ownership is provided by a limited number of people. Barriers to entry that a small firm may experience include economies of scale, capital investment, access to distribution channels and costs associated with customers (e.g., switching costs). Probably the most important feature of many small firms is that their customers are able to dictate to them (Stokes, 1992, pp. 30-31). Small firms are limited in terms of resources: finance, time and expertise.

While it is accepted that small firms differ from large ones, it is unclear as to whether the difference is because of their size or whether it is because they have different objectives for going into business (Carson, 1990, pp. 8-9). Greenback (2001, p. 117-8) explains that micro-business owner/managers often have a different agenda to larger organisations, their objectives tend to be a mix of economic and non-economic factors such as earning an acceptable wage and experiencing job satisfaction and control. Their objectives tend to be a more personal; profit maximisation may not be the most important goal as it is more important for an owner/manager to be able to earn a suitable wage than to realise large profits. Often their aims are to earn an acceptable

income, to retain ownership and to experience job satisfaction (Storey, 1989, p. 178). Further, their objectives are often more flexible and owner/managers often alter objectives in order to remain content instead of challenging the status quo. Owner/managers may not be risk takers because of previous experience or may not be as determined to experience maximum growth or profit because of their personal values (Greenback, 2001, p. 117-118). Glancey *et al.* (1998, p. 250) speculate that rather than being obsessed with achieving a high growth level, a small firm is often more concerned with resilience in order to be able to survive periods of economic instability. Carson *et al.* (1995, p. 62-63) agree that owner/managers are more personally involved in formulating strategy, but in contrast to Greenback (2001, pp. 117-118) speculate that they are more likely to pursue risky projects. This can be due to the fact that they do not accept the resource limitations they are under and forge ahead with complex customer requirements in the hope that resources such as technology will become available at a later date.

'Strategic planning and implementation are flexible, though dominated by the lead entrepreneur's vision' (Carson *et al.*, 1995, p. 63). The main priority of a small business is survival; however there are other objectives that can influence the strategy a company chooses to pursue. Other factors include the provision of long-term security and profit, attaining status within the owner's community, providing employees with a satisfying place to work, and developing environmentally sound methods of conducting business. Some of these additional objectives may be counterproductive to growth, for example, the most environmentally sound policy may hinder profit maximisation. Taking all of this into consideration it is therefore more difficult to identify what exactly is a successful strategy for a small firm,

because success for one business may not mean success for another if each is pursuing different goals (Stokes, 1992, p. 70).

Mc Adam (2000b, p. 308) recognises how customer demands can be integrated into small business without long formalised procedures due to the close proximity of employees with customers. The short, informal approach enables the business to manage scarce resources more effectively. It is recommended that the traditional four 'P's of marketing should be used as analytical tools, as opposed to directives. This would help small businesses focus on understanding people and processes in order to create effective business practices (Zontanis and Anderson, 2004, p. 236).

Many differences exist for the owner/manager competing in a services market as opposed to a manufacturing market. Because they are delivering intangible products it is much harder to survive and become established. Key to the success of an entrepreneur is understanding the unique characteristics of services and how these characteristics can be exploited in order to gain competitive advantage. An entrepreneur must also understand the forces that govern the industry, for example, the competitive nature of the market. Entrepreneurs must also be able to employ a mixture of strategic and tactical activities, which will improve their competitive position (Rodie and Martin, 2001, pp. 5-21).

Little attention has been directed toward quality improvements in the marketing activities of small firms. Most research completed in this area focuses on tangibles such as product quality (Gilmore and Carson, 1993, p. 59) and existing marketing theory does not offer significant practical daily advice for small firms. Many firms are needlessly vulnerable through shortcomings in their marketing practice and there is a

need to determine exactly what owner/managers need from marketing (Mc Cartan-Quinn and Carson, 2003, p. 210).

Given the nature of small companies, marketing is carried out in a random and informal way. It is often carried out in a spontaneous manner and usually conforms to the industry norms (Gilmore *et al.*, 2001, p. 6). Marketing activities are limited in this type of environment and Carson (1990, p. 9) identifies three types of constraints prevalent for marketers in small firms: limited resources, the lack of specialist expertise and thirdly, company size (marketing activities will have a much lesser impact). Stokes (1992, p. 86) agrees that they often lack the specialised knowledge and skills. Other limitations exist too such as the belief that marketing activities are too expensive and ineffectual (due to the access to a very narrow segment of a market). Finally the firm's progress is directly related to its objectives and some firms may not want to grow or will not take the time to consider long term marketing plans because they are preoccupied with short term operational problems (Stokes, 1992, p. 87). As the small business is not departmentalised, the marketing function is spread over a large part of the company where many employees carry out a degree of marketing (Gilmore and Carson, 1993, p. 61). The marketing style of many small firms can be quite different to larger firms and is often constrained in extent, or simplistic and ad hoc. It is frequently price, product or service orientated and centred on the experience of the owner/manager (Stokes, 1992, p. 87).

SMEs on the other hand enjoy some marketing advantages. Since they are more likely to be much closer to the customer than a large organisation shorter lines of communication and the personal touch result in increased customer satisfaction and customer loyalty. Staff are more loyal and committed to the business because the lead

entrepreneur is likely to be in regular close contact with them. SMEs can normally offer more flexibility to the customer. Customisation may happen with much more ease than that of a larger firm because they are small and flexible; this would suggest that they can respond quicker to customers' inquiries. SMEs are more sensitive to market changes such as customer demand or changing trends and can usually respond quicker to these changes. This is partly due to the fact that they do not have a definite long term strategy and expect to have to change whereas larger companies may not have this expectation. In a large firm changes to plans of action are discussed at length with the result that they may not react to new opportunities in the market in time. SMEs are usually more open to serving market niches with their product or service as the opportunity arises and they are always seeking out new opportunities that a larger company may dismiss because the market would be too small for them to make significant sales. As a result of the above marketing advantages small firms, they can enjoy easy access to market information (Carson *et al.*, 1995, pp. 87-88).

A study conducted by Carson (1985, pp. 7-18), on the evolution of marketing in small firms in Northern Ireland identified four stages: initial marketing activity, reactive selling, the DIY (do it yourself) marketing approach and integrated proactive marketing. Initial marketing activity is usually carried out in two ways: through word-of-mouth communications and through enquiries from potential customers that have second-hand knowledge of the firm's goods. The second stage, reactive selling, occurs because, as the company begins to become established, their expenses start to mount and, simultaneously, customers start to look for information. At this stage the company needs some expert advice to help to increase sales. However, in order to fund this specialist expertise, they need increased sales; it is a 'Catch 22' situation. Consequently the company moves into the third phase, the DIY marketing approach.

Unfortunately it is usually not as successful or rewarding as marketing efforts should be because it is sporadic. Sometimes the owner/manager will not recognise that his or her efforts are not as fruitful as they could be because they are satisfied with an undersized increase in sales. The fourth stage that companies move to is the integrated proactive marketing stage where the company markets itself professionally. The move to this final stage is often difficult because of the cost of acquiring expertise, so a part-time consultant is often employed. Carson (1985, p. 7-14) argues that if a company has survived and its marketing has evolved to the fourth stage, it is normally in a position to employ a full time marketing employee. This signals the beginning of the firm's marketing department and its transition from a small company to a larger one.

Other research by Carson (1990, p. 8-51) had proposed exploratory models which may be used to assess small firms' marketing performance; these models are the marketing limitations model, the levels of generalisation model, the planning versus operations model, the marketing planning adapted for small firms model, the stages of marketing development model and the levels of activity model. These are referred to as an 'interlocking network' which allow for and take into account changes in a firm's marketing efforts over time. While refinements of this model were later proposed by Fuller (1994, p. 45), Guilhon et al. (1998, p. 97) recognise that in their approach to quality, small businesses pass through similar phases to those described by Carson and generalise that, internationally, the quality approach of SMEs is reactive which leads to the improvement and the hiring of consultants.

2.5.1 The Challenges with Quality Models for SMEs

Small business issues are, for the most part, overlooked in the service quality literature (MacLaran and McGowan, 1999, p. 41) and 'there is a distinct lack of research into quality methods in SMEs. What little evidence is available is derived from narrow based samples... [and there is]... inconsistency in the treatment of quality methods' (Husband and Mandal, 1999, p. 701). Ireland's economy is heavily dependant on SMEs and SMEs can not manage the effect of poor quality. Most quality models are based on larger firms (Boon and Ram, 1998, p. 20) and do not offer an ability to meet customer requirements with a minimum usage of resources (Mc Adam and McEnroe, 2004, pp. 171-172). Also, due to prevailing small business constraints, managers often have more than one role within the business and, therefore, may not have time to commence new programmes (Wilkes and Dale, 1998, p. 731).

Husband and Mandal (1999, p. 701) suggest that the level of implementation of quality models in small firms is unclear, that quality systems and standards have been adopted in some firms but that the proportion is lower than that in larger firms. They speculate that more reasons exist for this than accepted limited resources. One such reason is that quality efforts are not integrated throughout the business, but rather, are treated as a separate component. Additionally, quality tools and techniques are not easily understood or interpreted by SMEs. SMEs have an intricate set of features and pressures which are rarely reflected by quality methods and models (Husband and Mandal, 1999, p. 701). Wilkes and Dale (1998: 738) concur with this view stressing the importance of flexibility and ease of understanding of any quality model intended

for small business. Additionally, small firms generally do not engage in formal communications nor do they have many forms of control systems (Wilkinson *et al.*, 1998, p. 165).

Ghobadain and Gaellar (1997, pp. 143-4) found that the management philosophies of large firms may not automatically be suitable for small business; while the rudimentary theories are uniformly appropriate, the elements and execution may vary. Reasons cited were similar to those previously identified: size, communication style and leadership style. Allowing for the differences highlighted, small firms have to adapt to the requirements of TQM as large organisations do, and limited resources need not hamper small firms' TQM aspirations. Mc Adam (2000b, p. 319) found that the principles of TQM were equally appropriate for small business.

Recommendations for successful TQM implementation include providing clear direction and recognition for employees, an effective communication system, a progressive training programme, and realistic targets. Recognition schemes in small business need not be complicated, which may be an advantage small businesses have over larger organisations, as recognition can tend to get lost in bureaucracy (Ghobadain and Gaellar, 1997, pp. 143-144). Realising the importance of employees as an invaluable asset for successful TQM implementation is a critical success factor for small firms (Kuratko *et al.*, 2001, p. 303). In order to improve competitiveness, owner/managers must be aware of the environment within which they operate, of what that market needs and, subsequently, they must decide on the quality investment priority (Giuliano and Toletti, 1998, p. 484). This should include an analysis of the current environment in which they are operating and of future trends in order to

identify any changes that will need to be made to succeed in the future (Hodgetts *et al.*, 1999, p. 47).

Yusof and Aspinwall (2000, pp. 294-298) advise that any framework for small business needs to be less complicated than those in circulation at present. Due to small business constraints, difficult frameworks can lead to unsuccessful implementation attempts. A guide for a successful framework for implementation within small business could include that it 'is systematic and easily understood, [is of a] simple structure, [has] clear links between elements which are presented, [is] general enough to suit different contexts, represents[s] a road map and a planning tool for implementation, [and] answers "how to?" and not "what is?" TQM'. Steps for success include the commitment of all employees with regard to quality work, customer satisfaction and improving quality, keeping quality at the centre of every activity including that with suppliers, and making customer satisfaction and quality a priority (Talha, 2004, p.18).

There seems to be some disagreement amongst authors with regard to the benefits of ISO for small business. Many contributors over the last decade found the ISO series to be beneficial. Boon and Ram (1998, p. 23) found that the ISO series is more applicable to small businesses. Reasons for seeking accreditation of quality systems such as the ISO series greatly impacts on the success of small business efforts in this area. If it is viewed as a positive exercise in order to improve competencies the likelihood is the exercise will be more successful than if it is a reactionary measure to external demands (Brown *et al.*, 1998, pp. 276-280). A study carried out by Brown *et al.* (1998, pp. 273-285) found that benefits of ISO accreditation include improvements in productivity and staff motivation; however, it was found that it did not help the

organisation's ability to remain in business. Mo and Chan (1997, p. 135) agree identifying a reduction of waste, downtime and labour inefficiencies as benefits. However, Chittenden *et al.* (1998, p. 81) found that the most highly rated benefits of ISO 'relate to marketing and competitive issues rather than internal operating efficiency'. More recently these benefits have been contradicted somewhat as a study of SMEs showed that 'quality in SMEs is more suited to structured continuous improvement than large organisational quality models such as …ISO … [as they were found to be] …overly bureaucratic and inflexible' (Mc Adam and Armstrong, 2001, p. 399). The benefits of ISO accreditation are similar for all companies, large and small; however, the difficulties of implementation seem to be more critical in smaller businesses (Mo and Chan, 1996, p. 144).

The high cost of accreditation and the amount of paperwork generated were highlighted as two disadvantages which small businesses associate with ISO accreditation. The use of consultants assists in overcoming the difficulties of employee commitment and paperwork (Brown *et al.*, 1998, pp. 276-280). These factors were also rated as the biggest difficulties in Mo and Chan's (1997, p. 138-141) research, which also highlighted the changes arising from accreditation as the third disadvantage. In addition, they found that use of consultants were costly and sometimes unhelpful.

Brown *et al.* (1998, pp. 276-280) conclude that SMEs have had mixed experiences when gaining ISO certification. Often their reasons for embarking on this programme are driven by external factors such as pressure from purchasers, and, as competition can follow suit, this competitive advantage is not sustainable. Therefore, it is regularly seen as another cost of doing business without any parallel increase in customers.

However, Anderson and Sohal (1999, p. 867) feel the long term benefits for a small business prevail over the initial costs allied with its implementation. The importance of employee commitment and a positive reason for seeking accreditation must not be underestimated as important criteria for success (Brown *et al.*, 1998, pp. 276-280; Mo and Chan, 1997, p. 138). Mc Adam and Mc Keon (1999, p. 240) found that ISO 9000 was seen as a starting point for TQM which was more beneficial for small businesses. Chittenden *et al.*'s (1998, pp. 82-83) research suggests that the ISO standard should be modified for small business and offers suggestions such as the inclusion of customer feedback and adherence to other quality standards as acceptable for parts of the assessment and registration process.

It is not a given that small organisations who are ISO certified can make the transition easily to other programmes such as the EFQM; small businesses need to ensure that the basics are in place before looking to progress to another quality programme (Dale, 2002, p. 30).

2.6 Conclusion

Services marketing is a very different phenomenon to that of product marketing and has a unique set of features. For this reason it is much more difficult to assess how the firm is performing. Research on service quality is centred on the work of Parasuraman *et al.* (1985, pp. 41-50). While it is recognised that the Gaps model and the subsequent SERVQUAL instrument are somewhat flawed, it is accepted that until a more definitive model is proposed these two will continue to be used. TQM and ISO accreditation have been embraced by the service industry as well as the manufacturing

one; however, most of the focus of these quality improvement techniques with regard to services is based on soft areas such as people management.

The Gaps model illustrates the causes of poor quality for a service. Given that services are intangible, it can sometimes be difficult to visualise quality problems with an intangible good. Zeithaml *et al.* (1985, pp. 51-128) have proposed various remedies for the correction of each of the four gaps. Their Gaps model and SERVQUAL instrument are well accepted and are the most frequently referenced for service quality assessment (Haksever *et al.*, 2000, p. 333); therefore, their suggestions on how to close these gaps need to be considered if a company is to become successful and offer quality service.

The small business is a very different entity to the larger business, and often what is assumed with a large business such as profit maximisation is not the case in a small firm. This in itself presents different challenges for marketers, who must try to achieve their objectives with limited resources. It is suggested that marketing efforts can be visualised on a continuum, whereby as the company grows, the marketing process becomes more apparent and professional. There has been little research into the assessment of quality efforts in small firms; however, it is clear that the basic theories are applicable while implementation may differ. Benefits from quality programme implementation apply equally to small business; however, due to limited resources the cost of implementation is a bigger deterrent than in larger business. The simplification of existing quality models may lead to increased implementation in small business.

It could be speculated that the reason for the lack of research in this area is due to the unpredictability of individual small firm's objectives because unless a definitive definition for quality is proposed and accepted, achieving quality within a small company, in many cases, means conformance to objectives.

This review of literature raises questions with regard to the suitability of quality management models and tools for owner/managers. As owner/managers operate in a demanding environment and are governed by resource limitations, the usefulness of many quality management models may not be directly transferable to the service SME environment. There is an evident need for this issue to be explored further as research offerings, for the most part, do not allow for those unique characteristics (Husband and Mandal, 1999, p. 701; Boon and Ram, 1998, p. 20; Mc Adam and McEnroe, 2004, pp. 171-172; MacLaran and McGowan, 1999, p. 41)

Areas which need to be explored include the integration of quality management throughout the business (Husband and Mandal, 1999, p. 701), the use of formal and control systems within the small business (Wilkinson *et al.*, 1998, p. 165) and the reality of human resource management for owner/managers paying particular attention to goals, training and communication (Ghobadain and Gaellar, 1997, pp. 143-144).

Chapter Three: Research Methodology

3.1 Introduction

3.2 Qualitative Research Methodology

    3.2.1 Research Objectives

    3.2.2 Data Collection

    3.2.3 Measurement Technique

    3.2.4 Sampling

3.3 Survey Research Methodology

    3.3.1 Research Objectives

    3.3.2 Data Collection Method

    3.3.3 Measurement Technique

    3.3.4 Sampling

    3.3.5 Analytical Approach

3.4 Conclusion

3.1 Introduction

In order to investigate quality practices within Irish service SMEs, primary research was conducted in two phases. Initially, in the first phase, a series of in-depth interviews were carried out with owner/managers. The purpose of this research was to establish the level of importance quality management was afforded within their organisation. The second phase of primary research took the form of a large scale survey. Respondents who contacted by post completed a lengthy questionnaire which *sought* to determine the usage of quality practices and procedures within their organisation.

In management research, the research philosophies are often viewed as being on two opposite ends of a spectrum (Mangan *et al.*, 2004, p.565), however they are not mutually exclusive (Knox, 2004, p. 119). Traditional research methods have centred on positivist methodologies (Hill and McGowan, 1999, p. 5). These established methodologies remain popular as they provide 'objective measures for the treatment of data, large samples and statistical validation' (Hill and Tiu Wright, 2001, p. 435). However, the constructivist or non-positivist approach is becoming increasing popular for small business research. This approach can often be more beneficial when researching SMEs as it allows for interaction with the owner/manager and often generates unique perspectives on the issue being researched (Hill and Tiu Wright, 2001, pp. 435-6). For this research, a combination of both approaches was utilised.

Qualitative research was carried out first in order to gain key insights into the culture of SMEs, and to explore their preferred quality management tools and techniques. An

evaluation of an existing quality management programme provided an opportunity to explore practical issues surrounding quality management. This was instrumental in the development of structured hypothesis for more detailed investigation in the quantitative phase. Qualitative research is at the front end of research, and has a 'well established pedigree' (Cassell et al., 2006, p. 290), while quantitative research allows for descriptive analysis of issues. Thus, the qualitative research was followed with a large scale quantitative study to determine, without prejudice, key working quality practices of SMEs.

Both pieces of research were analysed with a view to determining preferred quality practices and measuring the extent to which these practices were conducted effectively in organisations, and were reported under the headings taken from the individual research objectives.

The analysis plan sought to assess the results with respect to:

- Whether or not owner/managers placed a significant level of importance on customer expectations

- Whether or not employees were effectively managed in a manner that is conducive to a quality environment

- Owner/managers' attitudes toward quality management including issues such as:

  o The setting of service quality standards

  o Communications

  o Structural quality management models

The specific research objectives for the qualitative and quantitative research are articulated in sections 3.2.1 and 3.3.1 respectively.

3.2 Qualitative Research Methodology

Depth interviews were conducted with owner/managers who had participated in a quality model accreditation process (Enable programme) in Co. Donegal, Ireland, in order to explore quality management within SMEs. The structure of the methodology is modelled on a number of factors which affect an organisations pursuit of quality including management characteristics and people management (see Appendix C).

3.2.1 Research Objectives

Overall Objective

To explore quality management attitudes and practices among owner/managers of SMEs who have participated in a quality programme.

Sub Objectives

1. To discover if management characteristics are conducive to a quality environment

2. To uncover small businesses' attitudes toward the importance of managing customer expectations

3. To explore the role that people play in a company's pursuit of quality

4. To establish small firms commitment to the pursuit of quality based on their unique objectives

3.2.2 Data Collection

17 depth interviews were undertaken with owner/managers in SMEs who had previously participated in a quality programme. As 'qualitative research methods are well suited to the characteristics of services and the nature of the service product' (Gilmore and Carson, 1996b, p. 21), this type of research was employed first. Depth interviews were utilised in order to probe respondents to uncover their motivations and attitudes in relation to small business and quality, as they 'permit the moderator to delve much deeper into a topic ... and ... allow for a more candid discussion on the part of the interviewee' (Churchill, 1995, p. 160). Depth interviews are one of the most commonly used qualitative research methods (Crimp and Wright, 1995, p. 32; Stokes and Bergin, 2006, p. 27). Given the busy schedules under which potential respondents work it was decided that depth interviews were more suitable than focus groups, as they are easier to arrange in terms of co-ordinating individuals (Malhotra and Birks, 2003, p. 183).

Depth interviews were deemed a suitable data collection method as they 'uncover greater depth of insights than focus groups...attribute responses directly to respondents ... [and] ... result in a free exchange of information'. However the 'lack of structure makes the results susceptible to the interviewer's influence...the length ... [and] ... costs of the interview mean that the number [of interviews conducted] tends to be few' (Malhotra and Birks, 2003, pp. 182-3). The costs and time associated with this research were deemed worthwhile.

All interviews were held between 20 November, 2003 and 18 January, 2004. Each

owner/manager was contacted by telephone and asked to partake in an interview.

Depending on the owner/manager's schedule depth interviews were arranged for a

time and location which was suitable to them. A full list of interviewees is included in

Appendix D. It is important during depth interviews that interviewees feel

comfortable and relaxed; for the most part, a depth interview is a good way to gain

access to, and converse with, managers. The interview usually takes place within the

manager's work environment (Malhotra and Birks, 2003, p. 180). 14 of the 17

interviews were held at the owner/manager's place of work; the remainder were held

at Letterkenny Institute of Technology, Co. Donegal.

3.2.3 Measurement Technique

A theme sheet was used as a topic guide (Malhotra and Birks, 2003, p. 180) to

facilitate discussion and ensure that specific areas of interest were discussed (Crimp

and Wright, 1995, p. 33). It included a series of open-ended questions and prompts to

probe the respondents (see Appendix E). The duration of interviews varied but on

average lasted 45 minutes, with the shortest interview taking over 25 minutes and the

longest over one hour and ten minutes. This range is typical of depth interviews,

which tend to be between 30 minutes and one and a half hours in duration (Malhotra

and Birks, 2003, p. 180).

The purpose of the research was first communicated to owner/managers during the

telephone call and reiterated at the start of the interview, as recommended by

Malhotra and Birks (2003, p. 180). Discussions were unstructured and sections were

discussed in a sequence initiated by the owner/manager. The owner/manager directed the pace of the discussion and sections were sometimes combined or discussed at length at the owner/manager's behest. Owner/managers were probed when necessary or offered prompts as per the theme sheet to stimulate more in depth conversation. Domegan and Fleming (2003, p. 154) advise that interviews should be recorded so as to place the interviewer in a better position to develop a rapport and explore issues. Owner/managers were asked if they were comfortable with the interview being recorded to facilitate documentation of the interview. For the three respondents who were not comfortable with this, the interview was recorded on paper.

3.2.4 Sampling

The population sample was defined as owner/managers of small businesses in Co. Donegal who took part in a quality model accreditation process (Enable programme) of the Donegal County Enterprise Board between 2002-2004.

The Donegal County Enterprise Board's Enable programme was based on Excellence Ireland's 'Foundation Mark'. The Foundation Mark is a modified version of the EFQM, tailored for SMEs. This business development and improvement model addresses five areas: leadership and planning, people management, management of resources, operations and process management, and results (www.donegalenterprise.ie/training/training_enable.html). Due to the nature of the Enable programme, the owner/managers were deemed to be a vital source of information for this study.

A census, 'a complete count of each element' (Malhotra and Birks, 2003, p. 345), was taken of all owner/managers who took part in the Donegal County Enterprise Board Enable Programme. A census is possible if the population is contained within a small locality and if it is feasible to conduct (Crimp and Wright, 1995, p. 107). It was felt, upon consideration of the time requirements, financial costs and practicalities highlighted by Domegan and Fleming (2003, p. 354), conducting a census was both possible and the desired option.

The total population size was 26 owner/managers and in total 17 owner/managers responded, generating a response rate of 65%. This very high response rate makes this a valuable piece of research and resulted in very interesting insights into the practical implications of quality model implementation in SMEs.

3.2.5 Analytical approach

Given the nature of the research, responses were qualitatively analysed in terms of the four themes explored during the interviews. The information gathered was reduced, summarised and analysed accordingly.

3.3 Survey Research Methodology

A postal survey of a representative sample of SMEs across Ireland was taken.

3.3.1 Research Objectives

This second phase of primary research sought to determine how quality practices and procedures were implemented within Irish service SMEs. The focus was derived from Parasuraman *et al.*'s (1985) Gaps model and their extensive proposals for ensuring that quality gaps do not occur. This provided a structure of four broad categories to which an additional category regarding quality management and SMEs was included. The questionnaire was based on these five categories.

Overall Objective

To establish how service quality practices and procedures are implemented in Irish service SMEs, with particular focus on their impact on the reduction of service quality gaps.

Sub Objectives

Customer Expectations

1. To determine the means of establishing customer requirements

2. To investigate the timeliness of upward communications (from employees to managers)

Service Quality Standards

3. To examine usage of quality management techniques for the setting and monitoring of customer service specifications

4. To determine owner/managers' satisfaction with communications (formal and informal) within the organisation

Service Performance

5. To establish owner/managers' perceived effectiveness of current training

6. To uncover owner/managers' perceptions regarding drivers of employee motivation

7. To determine perceived difficulties associated with performance management

8. To determine owner/managers' perceptions of service quality as experienced by the customer

Communications

9. To determine the methods of customer communications used

10. To examine satisfaction with customer communications

Quality Management

11. To determine awareness of existing quality models

12. To elicit attitudes towards quality models in terms of appropriateness for SME service businesses and perceived usefulness in their business

13. To identify the levels of adoption of quality management models in terms of past, current and intentional usage

14. To identify the perceived benefits of current quality models

15. To identify the perceived limitations of current quality models

3.3.2 Data Collection Method

The data collection method utilised was survey research. 'Survey research is the systematic collection of data from a sample of respondents' (Domegan and Fleming, 2003, p. 182). It is 'a structured questionnaire [often] given to a sample of a population and designed to elicit specific information from respondents' (Malhotra, 1999, p. 178).

A popular classification highlights three major research methods: telephone surveys, personal (face-to-face) surveys and mail (postal) surveys (Domegan and Fleming, 2003, p. 183; Malhotra and Birks, 2003, p. 225; Churchill, 1995, p. 359). Procter (1997, pp. 94-107) includes an additional two: syndicated research services and self administered surveys while Andreasen (2002, pp. 146-158) concurs with the former classification but includes Internet research as a fourth option. The most frequently used survey research methods are mail or postal surveys and telephone surveys (Bagozzi, 1996, pp. 120-121).

Traditional mail surveys are a popular data collection method for primary researchers (Svensson, 2004, p. 280; Lagrosen and Lagrosen, 2003, p. 373; Gustafsson *et al.*, 2003, p. 234; Soltani *et al.* 2004, p. 405) and are most commonly used in developed countries (Malhotra and Peterson, 2001, p. 226). Traditional mail surveys have many advantages including low cost, absence of interviewer bias and the opportunity to collect more in depth information; however, these survey types typically have low response rates (Malhotra and Birks, 2003, p.234; Domegan and Fleming, 2003, pp. 191-192; Proctor, 1997, p. 96). Proctor (1997, p. 97) notes that mail surveys are

suitable when trying to access people who may be difficult to interview in person due to the fact that they are often 'insulated' from individual communications by a gatekeeper.
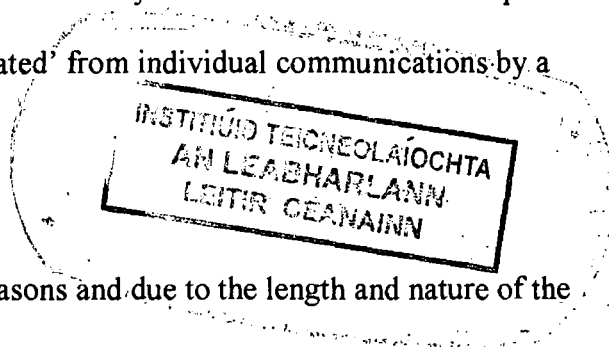
Upon consideration of the above reasons and due to the length and nature of the questionnaire it was decided that survey research via mail was the most appropriate contact method. This is a traditional method of survey research where questionnaires are mailed to prospective respondents (Malhotra and Birks, 2003, p. 230). Domegan and Fleming (2003, pp. 190-191) advise that the interview package should include a covering letter, a return envelope and details of any incentives. Andreasen (2002, pp. 146-53) suggests some techniques to improve low response rates. The covering letter should be on official letterhead. The covering letter and questionnaire should both be appealing, motivating, and professional. If possible, the letter should be personalised and a self addressed return envelope should be included. Domegan and Fleming (2003, p. 195-196) agree with these suggestions and add that, while some of these issues are important, many (such as covering letter, anonymity, questionnaire size or deadline dates) are not confirmed to improve response rates.

This research's postal package included a personalised covering letter on letterhead paper (see Appendix F), a questionnaire (see Appendix G), and a stamped addressed return envelope. Personalisation of the letter was intended to assist in accessing the owner/manager in each case as recommended by Proctor (1997, p. 97).

3.3.3 Measurement Technique

For ease of completion and clarity, the questionnaire (see Appendix G) was structured on the Gaps model. Questionnaires generally take the form of structured or unstructured questions. Highly structured questionnaires comprise a series of questions designed to limit variations in respondents' answers. Alternative responses are standardised (Churchill, 1995, p. 351) and typically questions take the form of dichotomous, multiple choice or rating scales (Domegan and Fleming, 2003, p. 273). Unstructured questions are suitable for open-ended responses (Churchill, 1995, p. 353; Domegan and Fleming, 2003, p. 273). This questionnaire employed a mixture of structured and unstructured questions. The main body of questions were structured as it was desirable to standardise responses: however, at each appropriate opportunity an open-ended question was included in order to 'derive a more accurate picture of the respondent's true position' (Churchill, 1995, p. 353).

The questionnaire comprised five sections, the first four drawn from Parasuraman *et al.*'s (1985) Gaps model and a fifth concerned with quality management.

Customer Expectations

Section 1 of the questionnaire concerned itself with 'management's perceptions of customer expectations' (Zeithaml *et al.*, 1990, p. 52). A mixture of dichotomous, ordinal, likert and interval scales, along with some open-ended questions were used. Section 1 sought to satisfy sub-objectives one and two.

As Badiru (1995 p. 8) explains, benchmarking is a best practice activity whereby companies make comparisons with competitors in order to identify areas for improvement. Following on from this a TQM culture emphasises the need for continuous improvement (Evans and Lindsay, 1999, p. 102). Questions 1 and 3 used an ordinal scale of 'Never, Occasionally, Sometimes, Always, Often', in order to ascertain, firstly, if owner/managers ever look to other companies for service ideas and, secondly, if owner/managers ever review what customers perceive to be the important elements of their service. 'An ordinal scale is a ranking scale in which numbers are assigned to an object to indicate the relative extent to which some characteristic is possessed" (Malhotra and Birks, 2003, p. 295). This scale was chosen because small businesses normally do not engage in formal communications nor do they have many forms of control systems (Wilkinson *et al.* 1998, p. 165) and, therefore, may find it difficult to quantify their activities. Domegan and Fleming (2003, p. 287) and Malhotra and Birks (2003, p. 339) warn that these response options may be too ambiguous. This scale was used intermittently throughout the survey when it was felt that respondents would be unable or unwilling to give a more precise response when a description of usage frequency was sought. Domegan and Fleming (2003, pp. 277-278) explain that sometimes respondents may be unable to remember the information or unwilling to respond accurately particularly with questions which could have a bearing on status or social norms.

Dichotomous questions are 'best used for determining points of fact' (Domegan and Fleming, 2003, p. 285). Question 2 is a dichotomous question which sought to discover whether owner/managers formally identified what customers perceive to be the important elements of their service.

Questions 4 and 5 employed interval scales to discover the frequency of usage of pre-identified tools to help identify customer needs. It was felt that this was most appropriate for making comparisons between each of question 4's answer options. Zeithaml *et al.* (1985, pp. 56-60) recommend three tools that managers can use to help identify customer needs: surveys, focus groups and complaint analysis. Stokes (1992, pp. 30-31) added that owner/managers often learn from customers. Therefore, the predetermined answer options in Question 4 became survey, focus group, complaint analysis and observation. In Question 5 the predetermined answer options were generated from those identified by Morley *et al.* (2004, p. 172-176).

The penultimate question in this section employed a likert scale; this is a commonly used rating scale (Cuthbert, 1996, p. 13; Zeithaml *et al.*, 1985, pp. 195-196) which asks respondents to indicate their degree of agreement or disagreement with the statement in question (Malhotra and Birks, 2003, p. 304). Since upward communication is very important (Zeithaml *et al.*, 1985, p. 65), it was deemed necessary to include a question pertaining to managers' satisfaction with upward communications in their own company. Finally an open-ended question was included to provide respondents with the option of suggesting any improvements in upward communications within their company.

Service Quality Standards

Section 2 pertained to service quality standards and addressed sub-objectives three and four. The basic premise of all quality improvement principles is to firstly document what you do (Badiru, 1995, p. 8; Asher, 1996, p. 24). Zeithaml *et al.* (1990, pp. 71-73) stress the importance of management's commitment to quality and setting

quality goals based on the customer when implementing successful service quality standards. Questions 1 to 4 inclusive sought to uncover the reality of setting quality standards for small business. Question 1 was a dichotomous question which sought to ascertain whether small businesses follow that basic principle of documenting what they do. Owner/managers who have a written document describing the service they provide for customers were asked to complete an ordinal scale of 'Never, Occasionally, Sometimes, Always, Often'. This response reveals the extent to which they feel the service conforms to this written document. The subsequent two questions used the same format, of one dichotomous and one ordinal question, and related to service standards. Zeithaml *et al.* (1990, p. 74) stress the importance of implementing correct service standards and ensuring that managers motivate and support the setting of service standards that are centred on the customer. Respondents were asked, firstly, if they had written service standards and, if so, the extent to which they felt customer requirements were used as the basis for setting these standards.

There are numerous methods of monitoring progress on, or achievement of, standards. Haksever *et al.* (2000, p. 372) list check sheets, control charts and histograms among the magnificent seven. However, Carson *et al.* (1995, p. 67) explain how employees in small business are often given the flexibility to decide themselves how a job is best carried out; hence such tools may not always appropriate. Husband and Mandal (1999, p. 701) found that quality tools and techniques are not effortlessly understood, or suitable, for the complex characteristics and constraints faced by small businesses. On the basis of this, and findings from the earlier qualitative research undertaken, three tools for monitoring progress on achievement of service standards were included in question five's interval scale, namely: intuition, check lists and customer complaints.

It was felt that the predetermined answer options for identifying customer needs were also appropriate to use for monitoring customer satisfaction (Question 6). A semantic differential scale was employed to ask owner/managers how suitable they felt each of the predetermined tools was for monitoring satisfaction. The semantic differential is 'a seven-point rating scale with end points associated with bipolar labels that have a semantic meaning' (Malhotra and Birks, 2003, p. 305). 'Semantic differential can be used to compare images of competing brands, stores and services' (Domegan and Fleming, 2003, p. 339) and, in this case, helps to find out the views of owner/managers on the suitability of recognised tools for monitoring customer satisfaction.

There are numerous methods of internal communication including formal meetings, reports, e-mail, newspapers, memos, the grapevine, telephone and notice boards (McClave, 1997, p. 6). In Question 7 respondents were asked to complete a nominal scale identifying which of these methods were utilised for employee communications. A nominal scale does not reflect the amount of the characteristic an object possesses, merely, it allows us to count the frequency with which each object is selected (Malhotra, 1999, pp. 248-250). This question measured the popularity of each communication method amongst the sample of owner/managers.

To complete this section, respondents were asked an open-ended question which would identify any issues with employee communications they would like to see improved.

Service Performance

Section 3, addressing sub-objectives five to eight inclusive, concerned itself with service performance, which is largely dependant on employees being able or willing to perform the service to an acceptable standard (Zeithaml *et al.*, 1985 p. 89).

The first question in this section employed a nominal scale that categorised company size based on the European Union classification (Official Journal of the European Union, 2003).

One of the sources of inadequate service performance as described by Zeithaml *et al.*, (1985 pp. 90-91) is role ambiguity which arises from inadequate employee training or skills. Question 2 sought to determine the regularity with which individual employees received training. Churchill (2003, p. 424), Malhotra and Birks (2003, p. 339) and Domegan and Fleming (2003, p. 288) recommend an unambiguous time line for measuring frequencies. It was felt that for this question their recommended structure was suitable. A nominal scale was used to define the frequency with which individual employees were given training on service delivery.

Likert scales allow for the measurement of attitudes (Proctor, 1997, p. 123) and in Question 3 likert scales were used to solicit responses to a series of statements relating to employee training, management's satisfaction with training, the difficulties with training and whether management find training a source of motivation for employees.

Zeithaml *et al.* (1990, pp. 102-104) advise that performance targets should be addressed, (possibly) reviewed and monitored. In Questions 4 and 5 respondents were

asked if performance targets were set and revised. Question 6 sought to determine if employee performance was monitored and Question 9 sought to ascertain the frequency with which feedback is provided to employees. Question 4 also provided an opportunity for those who never set performance targets for employee tasks to elaborate on why via an open-ended question. In addition Question 10 was an open-ended question which provided owner/managers with an opportunity to communicate any difficulties they experienced when providing feedback to employees on their performance.

Much of the quality literature argues for the cessation of dependence on spot checks and inspection when trying to instil a quality culture (Deming, 1986, pp. 23-24; Sneddon, 1997, pp. 162-168; Oakland, 1995, p. 446; Collard, 1993, p. 59) and while many authors recognise the use of supervisors (Crosby, 1979, pp. 132-139; Sneddon, 1997, pp. 162-168), owner/managers of small business often rely on their own intuition when monitoring employee performance (Carson *et al.* 1995, p. 67). Question 7 employed asked respondents to rank three common methods of monitoring. Question 8 took the form of an open-ended question which provided owner/managers with an opportunity to communicate any difficulties they experience when monitoring employee performance.

Juran and Gryna (1993, p. 164) advise that employees need to be kept informed and that results must be communicated to them. Question 11 sought to discover whether small businesses communicated performance results to employees using an ordinal scale. For those owner/managers who did communicate business results to employees, a rank order scale was used to determine which communication methods were most commonly used.

The concluding series of questions for Section 3 were based on Zeithaml *et al.*'s

(1990, p. 176) five dimensions of the SERVQUAL construct: tangibles, reliability,

responsiveness, assurance and empathy (RATER). This series of questions utilised

likert scales to establish owner/managers' perceptions of customers' satisfaction with

their service.

Communications

Section 4 concerned itself with communication and focused on sub-objectives nine

and 10. Businesses must ensure they communicate the quality of their service;

otherwise customers do not have the opportunity to form accurate expectations of the

service on offer (Zeithaml *et al.*, 1985, pp. 115-117). However, in the case of small

business, this problem is sometimes confounded as they normally do not take part in

formal communications (Wilkinson *et al.* 1998, p. 165). The first question in this

section sought to establish the preferred methods of communicating the service

provided to customers. An ordinal scale was employed to determine the regularity

with which various communication methods were used. Churchill (1995, p. 420)

recommends that such a scale may be more beneficial if presented horizontally, as a

series of questions can be listed along the left hand side and instruction only need to

be given once, thereby allowing a great deal more information to be gleaned from

respondents in a short period of time.

A likert scale was used in Question 2 to examine owner/managers' opinions of

customer perceptions of their business. Finally, in this section, respondents who found

they were dissatisfied with customer perceptions of their service were asked to

identify the frequency with which individual predetermined causes of negative

customer perceptions occurred. Zeithaml *et al.* (1990, pp. 115-121) warn that this

quality gap can occur for to a number of reasons: when the company does not perform

the service as promised, when the service on offer is not communicated correctly to

customers, or when employees are not sufficiently motivated to perform the service.

These issues formed the predetermined answer options in Question 3.

Quality Management

The final section of the questionnaire concerned itself with quality management and

small business, addressing objectives 11 to 15. Question 1 sought to measure

respondents' awareness of widely accepted contributors to quality as identified by

Slack *et al.* (2001, pp. 674-675). Husband and Mandal (1999, p. 701) found that

adoption of such quality programmes is lower with small firms. Therefore Question 2

used a nominal scale to measure the frequency with which small business

owner/managers felt that each of the pre-identified quality programmes and models

were relevant for small business. Question 3 employed likert scales to determine how

beneficial and applicable owner/managers felt quality programmes were for small

business. The relevance of implementation is addressed by Husband and Mandal

(1999, p. 701) as quality is often treated as a separate component of the business and

communication is generally informal. Brown *et al.* (1998, pp. 284-285) conclude that

the benefits of implementation are often unclear for small business. The use of likert

scales allowed for analysis of the degree of agreement or disagreement (Malhotra and

Birks, 2003, p. 304) with this short series of questions pertaining to the relevance of

widely accepted quality models (Question 3).

Carson *et al.* (1995, p. 63) and Husband and Mandal, (1999, p. 701) found that implementation levels in small business were unclear. It was decided to investigate this issue further: Question 4 employed a dichotomous scale to find out if owner/managers had ever implemented a quality model or programme before, and if so, which model and when. Question 5 utilised a dichotomous scale to find out if owner/managers are currently implementing a quality model or programme, and if so, which one(s). Similarly Question 6 asked respondents if they intended to pursue a quality model or programme in the future and, if so, why.

Quality is often treated as a separate component in small business (Husband and Mandal, 1999, p. 701) and Question 8 sought to determine whether responsibility for quality was integrated within the business. This question took the form of a nominal scale which sought to determine the frequency with which responsibility for quality lay with one designated person, or a group of people, or the entire group. The response to this question would also provide a clearer picture of attitudes towards quality. Muller (1995, pp. 36-37) and Kruger (2001, p. 54) found that successful quality initiatives depend on the accountability of everyone.

Numerous benefits and difficulties have been identified for businesses pursuing a quality programme. Advantages include improved productivity, better employee relations, increased dependability and consistency in producing good products and services (Badiru, 1995, p. 47), and a reduction of waste and inefficiencies (Mo and Chan, 1997, p. 135). Ultimately, these advantages assure consumers of a company's ability to deliver quality products and services (Tague, 1994, p. 24). However various difficulties exist including the cost of ISO accreditation and the amount of paperwork it generates, difficulties with employee commitment (Brown *et al.*, 1998, p. 284) and

apprehension of owner/managers about the changes required for accreditation (Mo and Chan, 1997, pp. 138-141). As a result, the concluding two questions (9 and 10) sought to determine owner/manager's perceptions of the benefits of quality models for small business.

In order to refine the instrument, as is recommended in marketing research (Dotchin and Oakland, 1994c, p. 8; Blankson and Stokes, 2002, p. 51), a pilot test was carried out during the month of March 2005 with ten owner/managers of small businesses in order to refine the instrument A small number of issues became evident: the length of the survey and the level of detail. These issues were raised six and four times, respectively. Based on this feedback, the survey was condensed and its format redesigned to cover three double sided A4 pages as opposed to six single sided pages. Indeed, Gunderson *et al.* (1996, p. 73) found that lengthy questionnaires tend to result in lower response rates.

3.3.4 Sampling

The population consisted of owner/managers of micro, small and medium service businesses within Ireland in 2005. Kompass Ireland have a comprehensive database of all businesses in Ireland. They certify that this list is over 90% accurate, with 140,000 of the 150,000 actively trading businesses in Ireland (see Appendix H). Due to its accuracy, the Kompass database was considered an appropriate sampling frame.

The sampling method employed was stratified random sampling. In stratified sampling the population is divided into mutually exclusive groups. Then a simple

random sample of elements is chosen independently from every group (Webb, 1992, p. 55; Churchill, 1995, p. 601). Probability sampling means that sample data can then generate results which bear a level of statistical confidence as being representative of the whole population (Crask *et al.*, 1995, pp. 181-182). Stratified sampling can produce statistics with fewer errors as it enhances the representativeness of the sample (Churchill, 1995, pp. 603-604; Malhotra, 1996 p. 371) and allows for analysis within and across strata thereby allowing for the comparison of two or more groups (Domegan and Fleming, 2003, p. 366; Imrie *et al.*, 2002, p. 13).

Chisnall (1997, p. 89) recommends that strata be as homogenous as possible. Strata chosen for this research were company size (based on the number of employees), location of the business and the type of service the business engaged in. If too many strata are selected this causes difficulties with the survey and make tabulation more complicated (Chisnall, 1997, p. 89). 'Although the number of strata to use is a matter of judgement, experience suggests no more than six. Beyond six strata, any gain in precision is more than offset by the increased cost of stratification and sampling' (Malhotra, 1996 p. 371). Proportionate sampling was then carried out to adequately reflect the population. Proportionate sampling is a technique where 'the proportion of a characteristic possessed by the population is reflected in the sample by having the same proportion' (Webb, 1992, p. 56).

Stokes (1992, p. 70) and Carson *et al.* (1995, p. 67) highlight differences in business management as a result of size. Additionally many unique issues affect small business during the implementation of quality models (McLachlan, 1996, p. 21; Mo and Chan, 1997, pp. 138-141; Mc Adam, 2000b, pp. 314-316). The company size classification is based on the number of employees. Micro companies are those with less than ten

employees, small companies are those with between 11 and 50 employees and medium sized enterprises are those with between 51 and 250 employees (Official Journal of the European Union, 2003; Wilkes and Dale, 1998, p. 735).

In addition it was decided to use the Annual Services Report classification of service sector and business location (Annual Services Report, 2002) so as to ensure a representative sample of businesses in Ireland. The sample taken was proportionately representative of service businesses in Ireland (see Appendix H).

Sample Size

As probability sampling allows for statistical confidence. The sample size selected was in accordance with similar studies. The decision on the sample size was also based on consideration of the level of accuracy desired and the relative cost of precision.

Various sample sizes have been drawn for survey research purposes. For this study an initial sample size similar to that used by Dunn (1986, p. 5) was used. Dunn (ibid) distributed surveys to 800 respondents and received a response rate of 22%. After consideration of expected response rates from a postal survey and, given the time and cost constraints, it was decided that 800 questionnaires would be distributed during the data collection period. Coincidentally the sample obtained from *Kompass Ireland* contained 825 companies.

The desired response rate was determined using a confidence level of 95% as is common in primary market research (Malhotra and Birks, 2003, p. 389; Domegan and

Fleming, 2003, p. 399). The formula used for determining the sample size (n) was as follows:

$$n = \frac{\pi\,(1-\pi)\,z^2}{D^2}$$

where π = population proportion

Z = confidence level

D = level of precision

(Malhotra, 2004, p. 349)

$$\frac{(.5)(1-.5)\,1.96^2}{.06^2} = 266.77$$

With a level of precision of 6%, a sample size of 267 was deemed desirable; this figure was verified through the use of desired final sample size formula from Survey System (Creative Research Systems, 2003). In Dunn's (1986, p. 5) study, a response rate of 177 firms or 22% was achieved. It was hoped that through extensive call backs, this rate could be improved upon. In this study a sample size of 200 incidents was the minimum desired as this size has been used for many similar studies of services and quality (Parasuraman et al, 1988, pp. 18-22; Akan, 1995, p. 40; Waller and Ahire, 1996, p. 26; Lagrosen and Lagrosen, 2003, p. 373; Blodgett *et al.*, 1995, p. 37; Douglas and Connor, 2003, p. 168). Further, this sample size 'compares well' with others (Quester and Romaniuk, 1997, p. 183).

The final sample size achieved in this research was 240; this corresponds with a

precision level of 6.32%.

Analysis of the final sample size reached of 240 resulted in a 95% confidence level

and level of precision of 6.3%.

$$n = \frac{\pi\,(1-\pi)\,(z)^2}{D^2}$$

where π = population proportion

Z = confidence level

D = level of precision

$$\frac{(1.96)^2\,(.5)\,(1-.5)}{D^2} = 240$$

D = .06325

This figure of .06325 or 6.3% represents 'a range of values, centred at the sample

estimate, known to contain the value being estimated with a given degree of certainty'

(Crask *et al.*, 1995, p. 237). As the sample size does not represent 10% or more of the

population, the finite population correction need not be applied (Malhotra and Birks,

2003, p. 390).

The survey was sent out to a sample of 825 micro, small and medium enterprises between the dates of 01 July, 2005 and 07 July, 2005. A response rate of 160 or 19.3% was returned before the cut-off date of August 07, 2005. To increase the response rate, follow up calls were conducted between August 25, 2005 and September 29, 2005 with every owner/manager who did not return their questionnaire by that first date. These owner/managers were asked to return the completed questionnaire. Taking into account the eight owner/managers who had either retired or gone out of business, this resulted in a response rate or final sample size of 240 or 29%, before the cut off date of October 15, 2005.

3.3.5 Analytical Approach

Malhotra (1996 p. 423) identifies the data preparation process as having the following steps: preparation of preliminary plan of data analysis; checking of questionnaires, editing, coding, transcribing, cleaning of data, statistical adjustment of the data and selection of data analysis strategy. Domegan and Fleming (2003, p. 413) shorten this process to include editing, coding, tabulation and summarising of data.

Questionnaires were first checked for completeness. Also analysed were those responses which showed little variance, patterns of answers indicating that the respondent did not understand the questions, and incomplete sections (Malhotra 1996 p. 473). Responses were then checked for ambiguity, consistency and completeness as suggested by (Domegan and Fleming, 2003, p. 414). For those unstructured answers which were illegible, attempts were made to infer the meaning. Some respondents did not answer the question on the number of employees but had earlier stated that they

did not have any employees. Since the classification used (Official Journal of the European Union, 2003) defines micro businesses as those employing zero to nine employees, the first answer option for this question was selected.

Numerical values are assigned to various responses in order to code the data (Chisnall, 1997, p. 400). All structured questions were coded to facilitate speedy data input. Unstructured questions were not coded.

The data was then entered in the Statistical Package for Social Sciences (SPSS) package. Malhotra (1996, p. 480) highlights the need for care when keypunching data, as this method is error prone. Once the findings were entered, they were verified for errors. SPSS assisted this verification by identifying out of range values (Malhotra, 1996 p. 481). Since it is useful to code respondent numbers (Churchill, 1995, p. 74), all respondents were coded in order to facilitate any amendments and ensure accurate data entry.

SPSS was used for single and bi-variate analysis. It is a robust powerful 'integrated system for statistical data analysis' (Domegan and Fleming, 2003, p. 422), suitable for analysis of large amounts of data. SPSS is frequently used to analyse data in marketing research and is widely recognised as a valid computer data analysis package (Quasi and Padibjo, 1997, p. 492; Marris and Fleming, 2005, p. 193; Woon, 2003, p. 323; Brown *et al.*, 1998, p. 276; Harris and Fleming, 2005, p. 193).

Two types of tabulation were then performed: simple tabulation and cross tabulation. Simple tabulation can be used to communicate the results of the study (Churchill, 1995, p. 744). This assisted in data cleaning through determination of the degree of

non response and the location of outliers. Summary statistics were then calculated. Domegan and Fleming (2003, p. 337) find that while the likert scale is ordinal in nature its results are frequently treated as interval. In this research, likert scales were treated as interval in nature. The most notable area of non response arose from those who were unable to complete questions regarding employees and had communicated in the survey that they had no employees. It was decided that to facilitate this issue an extra column was inserted into the SPSS data editor, to identify those companies without employees. Those respondents (without employees) were then omitted from analysis of pertinent questions. Churchill (1995, p. 744) recommends that when eliminating cases with missing items, the number of cases on which the analysis is based must be continually reported. He also suggests that occasionally no information on an item may be *important* in itself; however, in this case, it was felt that elimination of cases without employees was justified as they were legitimately unable to answer the questions. Single tabulation allows for identification of distribution frequencies for each variable; cross tabulations describe two or more variables simultaneously and can provide greater insights into complex phenomena (Domegan and Fleming, 2003, p. 420).

Statistical tests were then carried out to determine if associations identified within the data were statistically significant. Analysis of variance (ANOVA) and chi square tests are often utilised for survey research purposes (Sureshchandar *et al.*, 2001, p. 393; Warden *et al.*, 2003, p. 442; Galetzka *et al.*, 2006, p. 277; Lagrosen and Lagrosen, 2003, p. 375) and both were employed in this study.

'Parametric hypothesis testing procedures assume variables of interest are measured on at least an interval scale' (Malhotra, 1999, p. 469). Parametric (metric) data are

based on the assumptions of independent data, normally distributed which are interval in nature and have an equality of variance (Field, 2000, pp. 37-38). Where it was possible to analyse variances in means, analysis of variance (ANOVA) tests were conducted to determine if all means were the same in the population under examination (Norusis, 1999, pp. 262-263) (Field, 2000, p. 244). 'ANOVA ... [can be] used as a test of means for two or more populations' (Malhotra, 2004, p. 469).

For instances where a comparison of means was not appropriate, the chi square test was conducted (Norusis, 1999, p. 309). For non parametric hypothesis testing it is assumed that variables are measured on a nominal or ordinal scale (Malhotra, 1999, p. 469), that data are independent (Norusis, 1999, p. 313). The chi-square statistic, a non-parametric test, can be used to determine if a relationship is statistically significant; if an association exists between the variables under analysis (Malhotra, 2004, p. 444).

3.4 Conclusion

The first phase of research involved an in depth qualitative study of companies who had participated in a quality programme. The results of this research yielded in rich information which accurately depicted the issues surrounding quality management in SMEs. A response rate of 65% made this phase of research a substantial element of the overall study. It provided insights which were incorporated later in the second phase of research, a large scale nationwide survey of owner/managers. The survey research determined the frequency with which quality practices were carried out and attitudes toward quality practices in SMEs. The second phase of research achieved an

excellent response rate of 29% which allowed for meaningful analysis and

interpretation.
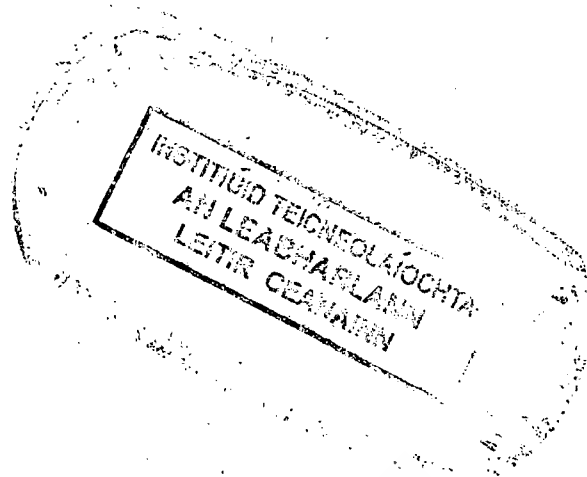
Chapter Four: Qualitative Findings and Analysis

4.1 Introduction

4.2 Impact of Management Characteristics on a Quality Environment

4.3 Managing Customer Expectations

4.4 Role of People in a Company's Pursuit of Quality

    4.4.1 Suppliers

    4.4.2 Customers

    4.4.3 Employees

4.5 Commitment of Small Firms to the Pursuit of Quality

4.6 Conclusion

4.1. Introduction

This chapter discusses the findings of an in-depth study on the quality issues confronted by small business owners. Section 4.2 (Impact of Management Characteristics on a Quality Environment) focused on respondents' reasons for being in business in order to uncover whether their objectives had changed as a result of market demands and, if so, the implications of these changes on respondents' ability to set quality standards. Section 4.3 sought to determine if customer expectations were proactively managed to ensure customer satisfaction. Communications, whether within the company, with suppliers or with consumers, should be purposeful, structured and focused. Section 4.4 (Role of People in a Company's Pursuit of Quality) examined how these three key groups were managed in small businesses. In the final section of this chapter, Section 4.5, (Commitment of Small Firms to the Pursuit of Quality) respondents communicated the reality of quality management within small business.

4.2 The Impact of Management Characteristics in a Quality Environment

Small business owner/managers often have a different agenda to managers in larger organisations. The objectives of owner/managers of small businesses tend to be a mix of economic and non-economic (Greenback, 2001, pp. 117-118). In addition, strategic management is flexible (Carson *et al.*, 1995, p. 63). This section concerned itself with discovering if owner/managers' motivations and objectives had changed. As the

degree to which these objectives are transient dictates not only how quality improvement programme is implemented but also the success of such a programme.

Business Objectives

Respondents were asked if their motivations for being in business had changed since the business was set up. Of the 14 who responded, nine stated that their ambition and business had grown while two respondents felt that their motivations had not changed. Individual responses included 'loving the job too much [and therefore] ... it overtakes [the] want to make profit' and 'tried to expand but it's very hard in this area'. For the most part, motivations had evolved positively, and the main motivation was not survival so respondents felt they could focus on quality management.

14 respondents described what drives the direction of their business whether the business has a quality focus and is customer driven. Eight respondents explained that both their customers and the market drive their business; profit was the second biggest driver with three respondents highlighting this. The owner/manager takes on a different role with regard to small business (Stokes, 1992, p. 2) including independent ownership and personalised management. Two owner/managers selected themselves as the main driver of their business. One respondent highlighted belief in the product as the factor that drives the direction of his business. These are relatively positive findings as over half of all respondents' businesses are customer driven which is the foundation for quality improvement.

Interestingly, when respondents later discussed key goals not one identified the customer as being at the centre of company goals, which is the essence of quality

improvement. This reiterates Longenecker and Scazzero's (1996, pp. 55-60) conclusions that companies never fully integrate TQM principles into their overall management.

Business Constraints

Small firm limitations include finance, time and expertise (Stokes, 1992, pp. 30-31). Ownership is limited, and barriers to entry can include economies of scale, access to distribution channels and the costs associated with staff training (Carson, 1990, p. 8).

In the depth interviews, one company did not highlight any constraints within their business; however; the remaining 16 companies who discussed this issue highlighted various constraints including costs, distribution and the owner/manager themselves.

Predictably finance was the main limitation, identified by eight respondents. Three companies cited government levies and the tax structure. Two companies highlighted distribution as their biggest constraint. Two owner/managers felt they themselves hampered the business, both describing themselves as being 'undisciplined'. Stokes (1992, p. 70) explains this is because owner/managers' goals are not always clear. In addition, one owner felt his business was labour intensive and wastage was a constraint.

It is accepted that small business constraints hamper any quality improvement (Wilkes and Dale, 1998, p. 731). This research confirms the existence of small business constraints which act as inhibitors.

4.3 Managing Customer Expectations

Since the setting of customer expectations at the correct level is a critical activity, this important issue was investigated further. Managers must be proactively involved in the management of customer expectations, at all times communicating one clear message. Respondents were asked to describe how they informed customers about their service, and who was involved in this activity. In addition, at this point, respondents were asked to discuss the level of involvement of personnel in quality assurance. Small businesses have to react to market demands and respondents were asked about their propensity to over-promise, which affects customer expectations and has implications for quality management.

Communication Methods

The marketing activity of the owner/managers of small firms who were interviewed can be best described through the structure of Carson's (1985, pp. 7-18) model. It can be inferred that the majority of those who responded were in the 'initial marketing activity stage' as ten respondents relied on word-of-mouth communications. No firm appeared to be in the 'reactive selling phase'. One company had previously used advertising and word of mouth and did not find it fruitful; this phenomenon has been addressed by Stokes (1992, p. 86). Carson. (1985, pp. 7-18) explained that this often happens to firms in the third phase of his model, the 'DIY marketing approach', and that companies become dissatisfied with marketing as a result of carrying out the marketing efforts themselves. Another company only advertised to the end customer through labelling and presentation. The research indicates that five respondents were

in the fourth phase of Carson's model 'the integrated proactive marketing stage', as they use a combination of communication methods.

This research confirms that marketing communications are of an ad hoc nature and little attention is given to this activity. Overuse of word-of-mouth communications can lead to incorrect customer expectations which will impinge on the customer's perceived quality.

Involvement in Marketing Communications and Quality

Ten respondents regarded themselves as being in charge of marketing communications however limited. In six companies responsibility lay with a certain number of employees. The importance of marketing communications cannot be underestimated as it aids the determination of customer expectations. Communications do not seem to be structured or consistent for most small businesses. In addition, the findings indicate that not all small businesses followed a TQM culture. Eight companies sought to involve all employees in quality assurance, which is the ethos of a successful TQM initiative. Conversely, other respondents mentioned a specific number of individuals as opposed to a company wide commitment to quality.

Approach to Selling

In discussing customer expectations, respondents were asked if faced with strong competition, whether they would be more likely to over-promise or under-promise. Of

the sixteen respondents who replied, seven would under-promise, five would oversell, while three found they would do neither and one felt they would do both.

While Blodgett *et al.* (1995, pp. 37-39) and, more recently, Williams and Visser (2002, pp.196-200) suggest that customer satisfaction is not necessarily paramount, all TQM recommendations stress the importance of adherence to agreed customer requirements and expectations.

4.4 The Role of People in a Company's Pursuit of Quality

The correct management of 'people' within and outside the organisation is a critical success factor. People include suppliers, employees and customers. Suppliers play a pivotal role in an organisation's quest for quality and can make a positive contribution toward competitive advantage. Employees are the embodiment of the organisation and thus must be both managed in a way which complements the service on offer and enabled to provide the promised service. Customers are the lifeblood of the organisation. While it is often assumed that an organisation has little control over them, quality management research highlights the importance of customer management.

4.4.1 Suppliers

The frequency and value of communication with suppliers was probed in order to discover the nature of and satisfaction with supplier relations.

Communication with Suppliers

While a number of communication methods were utilised, the most frequently used communication method for communication with suppliers was the telephone (see Table 4.1).

Table 4.1: Usage of communication methods for communication with suppliers

Communication Method	No.
Telephone	6
Purchase order system	2
Telephone and sales representatives	2
Sales representatives	1
Fax	1
Telephone and fax machine	1
Telephone and e-mail	1
Fax and e-mail	1
Purchase order system and telephone	1

Of the 16 companies who explained how frequently they placed orders with suppliers, four companies placed orders daily, while nine companies placed orders weekly. Individual order frequencies were:

'A few times a year.'

[We are] 'not quite [Just in Time (JIT)] but we are very close to it.'

The majority of companies (15) spoke with their suppliers at times other than order placing. Nine of these companies found suppliers to be a useful source of market information. Two companies found them to be a useful source for new product

information. However four companies reported that suppliers were not a very useful source of information. This research confirms that personal contact is maintained with suppliers, which is a positive feature of small business and that this is supportive of a quality conscious environment.

Supplier Relations

Seven companies were satisfied with their supplier relationships, while three explicitly stated that they did not find suppliers to be a good source of market information generally due to the fact that their suppliers are too big. This would appear to indicate that there is some room for improvement in supplier relationships.

Ten companies indicated that they would like to see improvements in supplier relationships, including payment and delivery times (mentioned by three companies) costs (highlighted by two companies) and better communications (identified by two other companies).

The need for suppliers to become incorporated in a company's quality ethos is imperative, close relationships are critical, as is the opportunity for learning (Pudney, 1994, p. 53). Fifteen out of the seventeen companies felt suppliers were a very important component in the pursuit of quality. Overall, respondents indicated that they have close supplier relations, through the methods and frequency of ordering as well as suppliers' knowledge of their business.

4.4.2 Customers

Small businesses are in the unique position of being close to their customers. This can create strategic advantage: 'by analysing its consumer needs a company can then understand their quality requirements and establish their product or service quality standards' (Juran and Gryna, 1993, p. 89). This section focused on the facets of customer management which affect quality management.

Customers Communications

Respondents indicated how they communicate with their customers. Eight companies spoke with their customers face-to-face, four used both face-to-face and over the telephone, while two used the phone only. The following received a single mention:

'Through sales representatives and the telephone.'

'Telephone ... [and increasingly] ... e-mail.'

'[There is] not as much contact as I would like, especially with the smaller ones but I try.'

One of the above respondents mentioned that they prefer to do business face-to-face.

11 respondents indicated how often they speak with their customers. Five companies spoke with their customers regularly during the purchase, while four companies spoke with their customers at intervals. Communication for two respondents is on-going:

'even if they weren't placing an order I would go and see them so they won't forget us'.

Whitley and Hessan (1996, pp. 47-52) point out that companies need to find innovative ways of communicating with customers in order to differentiate themselves from the competition. For small business the preferred communication method indicated is face-to-face. In this research approximately half of the companies seek to differentiate themselves from competition through in depth knowledge of their customers.

Customer Satisfaction

Asher (1996, p. 47) has described the need for a clear definition of requirements and standards in supplier chains. Supplier chains must meet stated and implied needs and be fully acceptable to the customer as this will assist in ensuring customer satisfaction.

16 respondents provided their definition of customer satisfaction. Five respondents described it as 'no complaints'. Three companies perceived customer satisfaction as receiving positive customer feedback, while another three described it as repeat business. The following explanations were each mentioned twice: some one 'who pays', some one who 'gets the product they asked for'. One company saw a satisfied customer as 'one you don't hear from'.

Notably, only three companies described customer satisfaction as a two way communication process. These findings suggest that small businesses do not proactively seek clarification on customer satisfaction and that responsibility for communicating satisfaction lies with the customer.

16 owner/managers were probed on whether they felt that delivering all promises made to customers was crucial to success. Eight companies felt it necessary to deliver all promises made: 'the customer is most important'. Six companies believed it is not always necessary and two believed the key to success is through managing expectations or 'keep[ing] your customers informed'.

Six respondents felt that, at times, demands were unrealistic. Reasons mentioned included being 'impractical about time', being 'too demanding', and, as a result respondents were tempted to 'over-promise'. A further six companies who discussed this issue made the point that it is up to the company to manage customer demands and ensure they are realistic. Three respondents suggested that customers felt demands were realistic ('they are real because we have agreed them'), whilst one company did not.

These findings indicate that there is a need for small businesses to take more responsibility for the management of customer expectations and that, to ensure quality, more emphasis needs to be placed on meeting customer expectations.

Customer Relations

Of the 12 respondents who discussed the importance of customer relations in their pursuit of quality two thirds (8) felt customer relations were pivotal. Two companies felt customer communications were very important: 'quality needs to be seen to be upheld'. Other comments made referred to the perceived trade-off between quality and price:

'If they want cheaper jobs it is done by decreasing quality.'

'Everyone looks for the bees knees but no-one wants to pay for it.'

Asher (1996, p. 47) explained 'processes exist in order to satisfy customer needs';
however, only seven out of the 13 companies who discussed this area felt satisfying
customer needs was absolutely necessary. It could be speculated that the reason for
the discrepancy is that small companies are more flexible, have a personal touch and
may expect some customer flexibility in return (Carson *et al.*, 1995, pp. 87-88).

Market research is pivotal to understanding customers' needs and wants (Zeithaml *et
al.*, 1985, pp. 52-6). Significantly, when asked to discuss the merits of market
research in order to determine customer requirements over half of the respondents
(ten) had carried out, or were about to carry out, some market research. While one
company did not discuss this area, six companies had not undertaken any form of
market research. Reasons for this included the cost of research. One owner/manager
carries it out 'in his head' and another felt that 'people don't have time to fill out
forms'. Overall, the findings here are encouraging as they indicate that small
businesses have an ability to use marketing tools to determine customer requirements.

Strategic Use of Customer Complaints

Companies with limited time and money to spend on researching customer
expectations can use complaints strategically in order to understand where they are
failing (Zeithaml *et al.*, 1985, pp. 52-56.) Of the ten companies who discussed the use
of customer complaints, seven companies chose to deal with complaints immediately,
three monitored complaints, while one had done so in the past but found that

monitoring provided no real benefit. One company who had experienced two complaints since inception, felt they had learned from these complaints. One company explained that there was not enough information to spot trends and another had simply forgotten to monitor them. From this research, it is evident that complaints are not fully utilised as a strategic tool.

4.4.3 Employees

Respondents discussed employees and the many facets of employee management which impinge on their ability to provide a quality service.

Employees' Role in Quality

Kruger (2001, p. 54) detailed how quality is the responsibility of all employees in the organisation. O'Neill *et al.* (1994, p. 40) recommend that the customer must be the focus of attention at all times. Owner/managers were probed on their view of the purpose of employees within their company. Seven felt that the purpose of employees within their company is to be part of a team. Five owner/managers felt that employees were 'here to do a day's work'. Two respondents mentioned job satisfaction. Only two concurred with O'Neill *et al.*'s (ibid) perspective and saw the purpose of employees as being to serve the customer.

Respondents described what they felt employees would see their purpose as being in the company. Five respondents felt that employees' main objective were to achieve job satisfaction. Three respondents felt it was to serve the customer while making

some money for themselves. Two companies each felt that money and being part of a team were employees' motivations. Clearly managers do not believe that customers are at the heart of employees' motivations or objectives.

Human Resource Management and the Small Firm

Respondents discussed tools and techniques utilised for recruitment, selection, training and rewarding employees in order to discover if a quality culture was promoted.

The findings reported here concur with Stokes (1992, p. 86) as human resource management is much less structured and more intuitive. Four respondents used their intuition when recruiting employees, an additional four looked for past experience while four used a combination of both. Two owner/managers were familiar with candidates' backgrounds before recruiting them. One respondent had a preference for recruiting people on a trial basis, and one company looked for references or referrals.

Specific qualifications were sought when necessary by four companies but the majority did not place as much emphasis on qualifications. Four companies felt they were an advantage but not necessary. Three respondents explained how they do not look for any qualifications while one company trained employees and another employed people on a trial basis. One respondent explained 'experience is the key'. Haksever *et al.* (2000, p. 200) recommend that selection should be based on clearly defined criteria for carrying out the job in question. However, with small business this does not generally appear to be the case.

Encouragingly, more emphasis is placed on training. Training is fundamental for employees in order for them to carry out their job competently (Zeithaml *et al.*, 1985, pp. 90-99; Oakland, 1995, p. 444). The findings indicate that companies understand training: of the 16 companies who provided training eight carried out in-house training, two used external facilities and another two companies used a mixture of both. The majority of respondents (thirteen) were satisfied with the training provided to their employees, two companies were dissatisfied and the other was unsure. Costs were highlighted by three companies as an ongoing problem; two companies explained that 'loss of man hours can be a problem' while 'funding costs and loss of production' was mentioned by one respondent.

15 respondents described how they reward employees and, encouragingly, non-monetary rewards featured well, used by over half of all respondents. Five respondents explained how feedback and recognition were important such as 'praise at eleven o'clock tea'. Other non-monetary rewards included staff nights out, promotion and flexible working hours.

Over half of the 15 respondents used their intuition and knowledge of the job to assess whether employees were performing well. Six respondents used intuition alone, while one used spot checks also. Two assessed performance based on the time taken to do the job and two companies used a combination of both time management and statistics. One respondent received feedback from other employees, a further explained how they used a combination of time management and employee feedback, while one respondent relied on output statistics only. A single respondent felt that 'everyone has their own standards and know if they are performing well'.

These findings indicate that there is an over reliance on intuition and non quantitative measures, which are not the most effective measures, because in order to effectively direct quality improvement, managers must provide staff with a clear and common definition of quality (O'Neill *et al.*, 1994, p. 40).

Employee Communications

Six respondents regularly used a mixture of formal and informal communication methods when communicating with employees. Three owner/managers used formal communication very frequently and while three made limited use of formal communications. Three companies preferred not to use formal communications and one respondent explained that 'it is very hard to get everyone's differences aired' and how formal meetings may create 'unhealthy competition'. One respondent did not describe their use of formal communications.

(Again) 16 respondents described the nature of informal communications within their company and all 16 explained that they prefer informality. Carson *et al.* (1995, p. 67) indicated that communication in smaller companies is often informal in nature, which the above findings affirm. However, it is important that there are always open communications - Crosby and Juran have both stressed the importance of communications (Oakland, 1995, p. 444).

While strategic planning and implementation are often flexible within small business (Carson *et al.*, 1995, p. 63) it is important that goals are set, communicated and reinforced throughout the organisation (Oakland, 1995, p. 444). In discussing employees' awareness of their business goals, eight respondents felt employees were

aware while seven indicated they were not. One respondent explained how employees would only know 70% of the company's goals because, at times, the owner/managers themselves do not know what the goals are. Reasons for employees' lack of awareness of company's goals included the company's 'goals changing too much' and not wanting to 'tell them too much, it's nice to give them a little information so they know what is going on'. While it is understandable that the communication of organisational goals is more difficult in smaller organisations, it is equally as important as in large organisations to ensure that no quality gap arises.

Eleven companies gave feedback to employees on goal achievement, five companies did not. Comments included:

'They would know of achievement by my moods.'

'They can gauge themselves by a busy office.'

Eleven companies appear to broadly follow Juran's recommendations for providing feedback on goal achievement (Oakland, 1995, pp. 444-445) at least in a limited fashion, while the remaining five neither provide clear direction or feedback.

Eight companies stated that they verbally inform employees of what is expected of them while five companies use formal employee job descriptions. One company uses both, a written job description for new employees while older employees 'know the job so it's not an issue'. One owner/manager felt that contracts 'need to be transferable' and another agreed that they needed to be flexible. One insight from a respondent who did not use a formal job description was 'we never did, I am wary of it especially for those here a number of years...I'd be afraid someone would turn around and say this isn't in my job description'. There is a need to increase the use of

formal job descriptions as this would help ensure that employees are aware of the critical tasks which they must perform. Zeithaml *et al.* (1985, pp. 83-86) highlight the importance of employee awareness of critical tasks in order to ensure customer satisfaction.

4.5 Quality and Small Business

Successful quality management starts with management and, from there, filters down to employees. This section addresses respondents' perceptions of the importance of quality models and the value of those in existence.

The Perceived Importance of Quality

All 17 owner/managers explained how quality was pivotal to their company. Comments included:

- 'Improving and increasing customer satisfaction.'
- 'It means everything within reason ... people deserve what they get because of the price they are paying.'
- 'Quality has to be as good as we can give.'

Table 4.2 details how respondents ensure quality. Two respondents did not discuss the methods they use to ensure quality. Of the remaining respondents only one third use quality programmes or tools such as the ISO series or check lists.

Table 4.2: Methods used to ensure quality

Methods for ensuring quality	No.
Customer contact	4
Intuition	3
Check lists	3
Having the right employees	2
ISO series	2
Computer package in order to decrease human error	1

One respondent explained that 'if a job is done wrong we would re-do it. This could probably be avoided by giving the customer a discount but re-work is cheaper in the long run in order to find out where we went wrong originally'.

Managers play a key role in achieving TQM and they must ensure that employees understand their role within the company's pursuit of quality (Choppin, 1994 a, p. 45). Research shows that the extent of implementation of quality models in small firms is lower than in larger firms (Husband and Mandal, 1999, p. 701). The research reported here details 16 responses regarding the importance of quality within companies and how owner/managers ensure it is achieved. Notably only one quality model was mentioned; however, the notion of quality would appear to be at the forefront of all respondents' minds.

Awareness of Quality Models
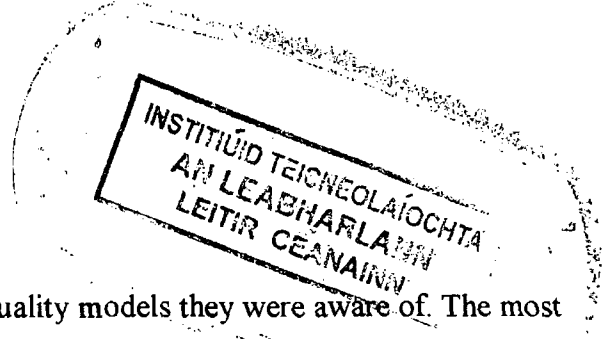
Respondents were asked to mention any quality models they were aware of. The most frequently mentioned quality model was the ISO 9000 series (eight respondents) and the Quality Mark (three respondents). Subsequently, a list of quality models was read out and respondents were asked if they recognised any of them. Clearly prompted awareness is much higher than unprompted awareness of quality models (see Table 4.3). The ISO series and benchmarking were, by far, the most recognised of the models presented; however, awareness of quality models overall was clearly low.

Table 4.3: Prompted awareness of quality models

Quality models	No.
ISO series	14
Benchmarking	9
Total Quality Management	3
EFQM	1

Relevance of Quality Models for Small Business

Significantly almost three quarters of all respondents (twelve) felt quality models were not relevant for small business. This is an important finding as it evidences a considerable lack of enthusiasm for quality models amongst owner/managers. From the reasons cited the majority of comments can be categorised into two broad areas:

Validity of quality models:

- 'They are no good if they are not put into practice.'

- 'They are too easily bluffed.'

- 'It's more fictitious work than real.'

- 'They are just something for your letterhead, real quality changes sometimes
  don't flow down to the customer.'

In order to satisfy customers only:

- 'I don't see the advantage of us doing ISO, only if a customer asks us to
  follow parts of it for them.'

- 'Not particularly … if we can satisfy our customer's audit it is all we need.'

- 'ISO can bring more business but no, unless a customer has requested it before
  they do business.'

Three respondents reported that they would like some flexibility, and an ability to
select parts from a model which they felt were relevant, and omit others. One
company felt that their industry quality model was vital to conducting their business,
as it is their license. Another suggested that TQM was hard work but worth it.

Fifteen respondents discussed issues surrounding the challenges to implementation.
Table 4.5 summarises the key challenges identified.

The relevance of and challenges posed by implementation match those highlighted by
Husband and Mandal (1999, p. 701): cost, time and validity. The discussion indicated
the need for a more tailored, flexible quality model for small business:

Table 4.5: Challenges associated with the implementation of quality models

Challenges	No.
Paperwork	6
Time	4
Fear of change	2
Unsuitability for small business	2

Ten respondents indicated their willingness to implement a quality model in the future if support was available for them. This is a positive finding. However, four companies felt that they would not and an additional three were unsure. As over half of all respondents were willing to avail of support if it was available to them, it signifies the importance owner/managers place on their already scarce resources and the necessity for a clear structured quality model which does not detract from their core business.

4.6 Conclusion

Depth interviews with 17 owner/managers who had implemented a quality programme yielded some very interesting findings.

Over half of the respondents want some measure of sustainability from their business and keep their objectives flexible in order to achieve this. This will have implications for any quality management programme they may pursue.

While it is promising to find that over half of all respondents' businesses are customer driven there is evidence to suggest that this customer focus is not successfully diffused throughout the company.

An insufficient level of importance is placed on customer expectations and requirements. The research confirms that structured marketing communications, a tool used to manage customer expectations, is lacking. In addition, only three respondents felt that if faced with strong competition they would adhere to agreed customer requirements.

The findings indicate that overall supplier relations are conducive to a quality environment. While there is room for improvement, their importance is well recognised and close contact with suppliers is maintained.

The importance of customer relations is slightly more contradictory because their importance is recognised and close contact is maintained, respondents do not take enough responsibility for customer satisfaction. In addition, less than half of all respondents felt that satisfying customer needs was necessary.

An over reliance on intuition leads to reactive human resource management within small firms – this can hamper quality improvement efforts. However, more promisingly, training in small firms is afforded a significant level of importance.

Owner/managers were unsure of the rationale of quality models and the question of their validity was repeatedly raised. All respondents recognised the importance of quality yet 12 respondents felt that existing quality models were not relevant to small business. This, coupled with ten respondents' willingness to implement a quality model if support were available, implies that small firms feel their needs are not addressed by those quality models currently in circulation.

Overall, this qualitative phase of the research provided valuable insights into the quality management practices of SMEs. Furthermore, it contributed to the development of the quantitative phase of the research, notably the development of issues in the measurement instrument.

Chapter Five: Quantitative Research Findings

5.1 Introduction

5.2 Customer Expectations

5.3 Service Quality Standards

5.4 Service Performance

5.5 Communications

5.6 Quality Management and Small Business

5.7 Conclusion

5.1 Introduction

Reported in this chapter are the findings from survey research conducted with owner/managers of small to medium sized service enterprises in Ireland during 2005.

The research is reported under headings taken from the Gaps model, namely, customer expectations, service quality standards, service performance and communications. The final section is concerned with quality management models. Contained within this chapter are the results only, reported using percentages, frequencies, graphs, text and (where appropriate) tables. Further analysis of these findings is undertaken in Chapter Six.

Section 5.2 (customer expectations) focuses on how customer requirements are established. Literature describing the characteristics of small business suggests that owner/managers approach customer requirements informally (Mc Adam, 2000b, p. 308); however, quality management literature stresses the importance of determining customer requirements (Walsh, 1995, p. 37; Zeithaml *et al.*, 1985, pp. 83-86). In addition, communications are often informal in nature in small business (Carson *et al.*, 1995, p. 67); however, effective communication systems are critical for successful quality management. The latter part of Section 5.2 addresses the level of satisfaction amongst respondents with upward communication.

Section 5.3 looks at examining service quality standards. Mc Adam (2000b, p. 319) believes that small firms are capable of following a TQM philosophy and this section

sought to determine the reality for small business, the reality of the practice of determining service standards and monitoring achievement of same.

Section 5.4 looks at service performance and the issues surrounding it. Mc Adam (ibid) found that small businesses, like larger businesses, are capable of ensuring employee involvement and understanding at all levels. This section sought to determine the means by which employees are managed and the degree to which employees are enabled to perform the service to the required standard.

The penultimate section (5.5) concentrated on communications - Zeithaml *et al.* (1985, pp. 115-117) advise that the operations and marketing communications aspects of a business must work together in order to ensure that customer expectations are being set at the correct level. This section sought to uncover the frequency with which communications occur with customers and the causes of any negative customer perceptions.

While there is uncertainty regarding the level of quality model implementation among small business, the preceding four sections sought to determine the frequency with which quality practices were carried out. The final section of this chapter (Section 5.6) is concerned with the usage of a selection of the formal quality management programmes, the level of adoption and perceptions of quality models, in order to uncover owner/managers' attitudes toward formal quality improvement exercises.

In the subsequent analysis chapter these findings are then compared with the literature and earlier research findings.

5.2 Customer Expectations

This section describes how customer requirements are established. The determination of customer requirements is based on the benchmarking technique and Giuliano and Toletti's (1998, p. 484) recommendation that owner/managers should be aware of the environment within which they operate. Respondents were asked to give details on the practice of formally identifying requirements, the frequency of review of these requirements, and the tools used to identify customer requirements. In addition, in accordance with the causes of Gap 1, this section also concentrates on the communication tools used for and satisfaction with upward communications (from employees to managers) within the company.

Sourcing Service Ideas from Other Companies

17.1% of respondents had never looked to other companies for service ideas while 82% had to some extent; the 82% who had can be split into 56.5% who infrequently (sometimes or occasionally) did and 25.5% who regularly (often or always) did so.

Table 5.1: Reasons for looking to other companies for service ideas

Reasons	%
To improve	29
To 'keep an eye on competition'	14
To keep up-to-date	6
To maintain competitive advantage	2.5
To stay open to change	2.5

Respondents elaborated on their reasons for looking to other companies for service ideas (see Table 5.1). The most notable reason was to 'improve' (27%). For 1.5% of companies their ideas came from headquarters.

Individual reasons that respondents gave for looking to companies for service ideas included:

- '[It all] depends on the quality'

- 'Clients tend to dictate an exacting level of service'

- 'Depends on expertise'

- 'For specific projects'

- 'I am always interested'

- 'Mostly related to merchandising and suppliers'

- 'The grapevine is a good way of communicating'

- 'When I need to know if my service is useful for their contacts'

- 'Where an unusual situation occurs'

Conversely, of those who did not look to other service companies for ideas 29% felt that they did not need to and 12% felt that they already provided a specialised service. Other reasons included '[it is] not always easy to' and 'time constraints', which were each mentioned by 7% of owner/managers. 5% felt that they 'did not analyse others enough'.

Others reasons respondents gave for looking to companies for service ideas included:
Dedication to customer requirements (3 respondents)

- 'Never [as] customers give me all the ideas I need'

- 'Service equals customers'

- 'We manufacture to customer requirements'

Size (2 respondents)

- 'Small operation of two family members'

- 'Very small businesses [our customer base consists of] only a few pensioners'

Reasons which received a single mention were:

- 'I don't look deliberately - there are already enough creative ideas to follow'

- 'We are in business for thirty years'

- 'There is a shortage in financial services of suitable models [which] generally believe in offering quality service'

- 'We are fairly proactive … we are doing what we should be'

Formal Identification of Customer Requirements

Respondents were asked if they had ever formally identified what customers perceive to be the important elements of their service; 69.6% of respondents had while 28.3% had not, 2.1% did not respond. Of those who did not, nine respondents felt that they did not need to while eight felt that they did not have the time. Meanwhile seven respondents had informally identified those important elements and three 'have not got around to it' yet. Reasons for the non identification of customer requirements which were mentioned twice were:

- 'We are too small to worry [or] spend time on it'

- 'The business is based on personal referral'

- 'It is difficult to identify the important elements'

Reasons which received a single mention were:

- 'We manufacture to customer requirements'

- 'We are currently conducting satisfaction surveys'

- 'Because it feels more for my benefit than [the customers]'

- 'We are in the early stages of our business'

- 'Would consider it in the future'

- 'In daily touch with [my customers]'

- 'We rely on goodwill as opposed to formality'

- 'Surveys aren't part of my control'

- 'To lazy to contact all, but do speak to customers and always monitor'

Some respondents who stated that they did formally identify customer requirements offered additional comments; two conduct customer surveys and the following comments were made by individual respondents:

- 'Customer feedback is sufficient'

- 'Evaluation post service and during service delivery'

- 'Get the job done on time'

- 'Good communications'

- 'We realise customer perception is a major success factor'

- 'Our service is a very direct professional one'

- 'Personal service and quality'

- 'Project review as part of ISO 9000'

- 'Small sized market'

- 'Very prompt attention to service'

- '[it's] vital that customers are frequently on [the] receiving end of our personal service and that our own standards of excellence are maintained'

- 'we strive to meet with our top 100 customers each year to formally renew relationships'

Frequency of Review of Customer Requirements

3% of respondents never review the elements of their business which customers perceive to be important while 28.3% of respondents review those elements irregularly (occasionally and sometimes); 15.4% reviewing occasionally and 12.9% sometimes. A total of 40% of respondents carry out reviews habitually (often and always); 25.8% often carry out reviews and the remaining 14.2% always review these elements.

Tools Used to Identify Customer Requirements

Table 5.2: Usage of tools to identify customer requirements

Tool	Never used %	Irregularly used %	Regularly used %
Observation	4.6	11.2	53
Complaint analysis	13.3	20.9	30.4
Survey	37.1	10.8	15
Focus group	41.7	12.6	4.6

Respondents were asked how they identified customer needs in terms of their usage of surveys, focus groups, complaint analysis and observation for this purpose (see Table

5.2). The most commonly used methods were observation and complaint analysis in that order with almost two thirds (64.2%) of respondents having used observation and over half (51.3%) of respondents having used complaint analysis to some extent.

Respondents were asked to give details on any other tools or methods they use to identify customer needs. 5 respondents use face-to-face communication and two use review meetings. Additional items which received a single mention were:

- 'ISO procedures'

- 'Our knowledge of quality issues'

- '[Quality Bus Routes] QBR's are the main way to determine the most important elements'

- 'Third party consultant'

- 'Analysis of sales volume by customers'

Communication Tools Used for Upward Communications

Table 5.3: Usage of communication tools for upward communications

Communication tools	%
Face-to-face	72.5
Telephone	44.6
E-mail	29.6
Formal meetings	28.7
The grapevine	15

Respondents described their usage of various tools for upward communications, that is, communications from employees to managers. Table 5.3 depicts the most

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commonly used methods, in decreasing order. Face-to-face communications are the most commonly used tool by owner/managers.

Satisfaction with Upward Communications

Almost two thirds (65.4%) of respondents were satisfied with upward communications while 5% were dissatisfied, 16% were neither satisfied nor dissatisfied, and 13.6% did not respond. In total, 24% of respondents gave details on how they would like to see upward communications improved. This 24% can be grouped into separate categories as follows:

Speed and frequency (19 respondents)

- 'More frequent communications' (7)
- 'Faster communications' (7)
- 'Quicker response times' (3)
- 'More proactive [communications]' (2)

Structured communications (15 respondents)

- 'More formal communications' (10)
- 'More inclusive of all staff' (2)
- '[Employees relaying] … customer feedback' (2)
- 'More communication between functions' (1)

Culture of the organisation (9 respondents)

- 'Less confrontational communications' (3)

- 'More openness' (3)

- 'More concise [communications]' (2)

- 'Employees understanding and enthusiasm' (1)

Training (4 respondents)

- 'More education on using computers'

- 'More responsibility on employees to lessen the work load on admin staff

- quality of analysis'

- 'Its down to individual manger, we are better in some departments as opposed

  to others'

Ideas from the improvement of upward communications which were individually

mentioned were:

- 'More detail'

- 'The use of telephone instead of mail'

- 'Speed and honesty'

- 'The quantity of communication'

- 'Better mobile phone service'

- 'Easier access but not constant'

- 'Internal E-mails'

- 'Verbal communication'

- 'Face-to-face, group sessions, away days for planning and regular information

  sessions'

5.3 Service Quality Standards

Causes of the second gap, the service standards gap, identified by Zeithaml *et al.* (1985, pp. 71-73) are centred on management's commitment to quality, the realism of customer demands and the extent to which standards are based on customer requirements. This section concerns itself with determining the means by which respondents set service standards and manage the achievement of these standards.

Service Statement

60.4% of respondents had a written document describing the service they provide for the customer while 38.3% had not (1.3% did not respond). Those who did not have a written document were asked to give their reasons. Of the 38.3% who did not have a written service statement, 27% felt that they did not need to; 6% felt that recommendations and word-of-mouth were adequate; 4% stated that they had not taken the time to do so while 3% felt that each customer had individual needs. The following reasons were each cited twice:

- 'Business is obtained by the service provided over a long period of time'
- 'Haven't considered it'
- 'It would need continuous updating'
- '[We are] too small'

A number of respondents felt a written service statement was not necessary:

- 'I deal personally with clients'
- 'They can see from the web and shop what we ... offer'

- 'They know what they want'

- 'We use verbal communication to inform our customer of our service standards'

- 'We are a small business and business is face-to-face'

- 'Old shop, just the odd advertisement in a magazine'

- 'We have a mission statement and terms of business'

- 'We use other carriers who have these'

Additional singular comments included:

- 'We deal with special problems and machine parts'

- 'Too expensive'

- 'We are a customer of a larger institution which refuses to give us a service level agreement'

- 'It could fall into the wrong hands'

- 'It's a brochure rather than a formal document'

Conformance to the Service Statement

29% of all respondents who had a service statement felt their service was always carried out as described and an additional 21.3% felt it was often carried out as such. 2.5% said their service was intermittently carried out as described and 1% stated that their service was never carried out as described in the written document. The remaining 46.2% did not respond to this question.

Service Standards

43.8% of respondents had written service standard, while 52.5% had not. In total,

84.6% of all respondents regularly (often and always) used customer requirements as

a basis for setting their service standards, irrespective of whether they had written

service standards or not; 52.9% of those had always done so and an additional 31.7%

had often done so. In addition, 10% of owner/mangers had used customer

requirements on an irregular basis while 4% had never used customer requirements

for setting their own service standards.

Respondents described the frequency with which they used intuition, check lists and

customer complaints to monitor achievement of service standards. The following

table (see Table 5.4) depicts the frequency with which these tools were used to some

extent for this purpose.

Table 5.4: Tools used to monitor service standards

Tools	%
Customer complaints	75.8
Intuition	75
Check lists	57.1

Some respondents detailed other measures which they used to monitor achievement of

standards. Five owner/managers used customer feedback while three relied on their

quality system and another two used in house discussions. Items which received a

single mention were:

- 'Reporting and analysis'

- 'The relationship between order and delivery'

- 'We develop milestones at the beginning for the project'

Respondents gave their opinion on the suitability of a number of tools for monitoring customer satisfaction irrespective of whether they used them or not (see Table 5.5) and it was found that observation (83.4%) and complaint analysis (66.7%) were the most suitable tools for this purpose.

Table 5.5: Suitability of tools for monitoring customer satisfaction

Tools	Suitable %	Unsuitable %
Observation	83.4	7.1
Customer complaints	66.7	14.2
Surveys	42	43.7
Focus groups	17	53.4

Other tools which were found suitable for monitoring customer satisfaction included:

- 'Customer feedback' (3%)

- 'Repeat business' (2%)

Two additional owner/managers monitored 'on the floor'.

Tools and techniques which were identified singularly were:

- 'Appraisal'

- 'Common sense'

- 'Courtesy calling by managers'

- 'Employee feedback'

- 'Liaison with customer's family to ensure needs are met'

- 'Management meetings to analyse staff performance; performance reviews linked to business performance and SWOT analysis'

- 'Monitoring credit notes'

- 'Customer complaints'

- 'Telephone calls post service, customer satisfaction ratings'

- 'Text, telephone calls [and] perceptual studies'

Employee Communications

Respondents were asked a series of questions relating to employees. Due to the fact that the strata concerning company size made provisions for those who did not have any employees it was decided to exclude those who had explicitly stated that they had no employees. 20 respondents explicitly stated that they had no employees and the figures were adjusted accordingly. Therefore, the remainder of this section is based on 220 respondents.

Table 5.6 details the usage of various communication methods for communicating with employees; formal meetings and telephone were the most utilised tools used by 63% and 51%, respectively.

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Table 5.6: Usage of communication methods for employee communications

Communication methods	%
Formal meetings	63
Telephone	50.5
E-mail	41
Memos	32.7
The grapevine	21.8
Notice boards	21.8
Reports	18
Face-to-face communication	13
Newsletters	12.7
Informal meetings	2

SMS/ Text messages were included as another communication method by two owner/managers.

Tools and comments which were mentioned singularly included:

- 'Day by day working communications'

- 'Fax'

- 'Meetings'

- 'Monthly staff presentations followed by drinks'

- 'Radio'

- 'Tasks'

- 'Verbal, project notebooks'

- 'Small company, we all work very closely'
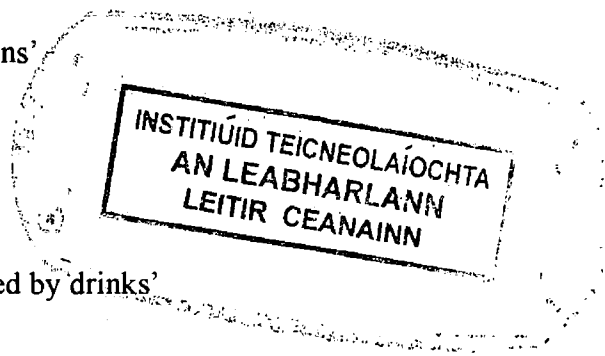
Owner/managers were asked which aspect of communication with employees they would like to see improved. Overall the response to this question was low with the most desired improvements being increased formality, honesty and frequency (see Table 5.7).

Table 5.7: Desired improvements with employee communications

Improvements	%
More formal communications	3
More honesty and communication	3
Increased frequency	3
Improved feedback	2
Increased speed/timeliness	2
Increased use of reports	1

A better structure and more informal meetings were each mentioned twice.

Improvements which were mentioned singularly include:

- 'Employees should show an increased flexibility with time'

- 'Line manager communication'

- 'Making sure what I said was understood, not misunderstood'

- 'Making staff assimilate what has been said, even though they have had input'

- 'Managers communication new developments with their staff'

5.4 Service Performance

As this section, for the most part, concentrates on employees it was deemed appropriate to address the issue of the size of the business based on the number of employees first. Respondents were asked to respond to a number of service performance issues raised in the literature. These issues included training, motivation and performance management. Other issues included the provision of clear direction and recognition for employees and a progressive training programme (Ghobadain and Gaellar, 1997, pp. 143-144). In addition, respondents were asked to consider how customers perceived their service performance based on the RATER factors.

Respondent Profile

Figure 5.1: Respondent's profile: company size based on number of employees
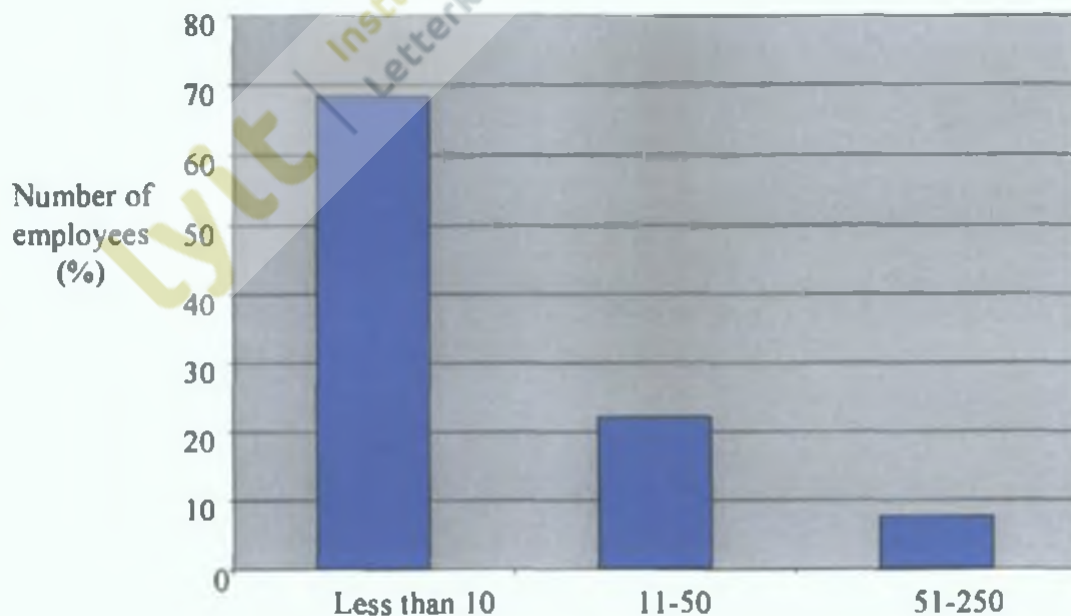
The largest proportion of respondents (68.3%) were classified as belonging to micro organisations, 22% to small organisations and 7.5% to medium sized enterprises (see Figure 5.1). 5 respondents did not give details on their company size. In addition, it was inferred that those who had explicitly stated that they had no employees belonged in the 'Less than 10' category.

Training and Motivation

When asked how often in the previous year employees were offered training on service delivery, 23% had not offered training in service delivery, 45% had offered training once or twice, 12.7% had done so three or four times while 14.5% had offered training more than four times. 4.8% of respondents did not describe the frequency with which service delivery training was offered.

Table 5.8: Attitudes toward motivating factors and the impact of training

Statement	Agree %	Disagree %	Neither agree nor disagree %
'The reward package motivates employees'	73.6	4	1
'The provision of training motivates employees'	71	5.4	12
'The setting of targets motivates employees'	68.6	5	15
'I am satisfied with the training provided'	62.7	15.4	13
'Employees are happy with the training provided'	57.2	9	21.8
'The loss of man hours are a major difficulty with employee training'	45	25	19.5
'The costs of training are too expensive'	38.6	25.4	26

Respondents were asked to indicate their agreement or disagreement with a series of statements regarding training and motivation (see Table 5.8). The statements eliciting

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the most agreement were that the reward package motivates employees (74%) and that the provision of training motivates employees (71%). Notably the statements which elicited the least agreement were 'the loss of man hours is a major difficulty with employee training' (45%) and 'the costs of training are too expensive' (38.6%).

Performance Management

22.7% of respondents had never set performance targets for employee tasks, 39% did so irregularly (sometimes or occasionally) while 34% had regularly (often or always) set targets. Similar to the preceding section, 4.3% of respondents did not give details on whether or not they set performance targets for employee tasks.

Those who answered 'never' were asked to give reasons. Nine felt there was no need to, while two felt that targets did not apply to their business and another two stated that they were too busy to set them.

In addition, 18% of respondents never revised performance targets, 48.6% of owner/managers revised infrequently while only 21.3% regularly did so; the remaining 12.1% did not respond.

9% of respondents had never monitored employee task performance, 28.6% stated that they did so irregularly while 56.8% found they regularly did; 5.6% did not give details on the frequency with which they monitored employee performance. Those who stated that they did monitor employee performance were asked to indicate the frequency with which they used spot checks, intuition and supervisors for this purpose. Respondents were also asked to include any other methods they used. The

most frequently used methods were supervisors and spot checks and were each mentioned by 34.5% and 34% of respondents, respectively (see Table 5.9).

Table 5.9: Usage of tools to monitor employee performance

Tools	Use most often %	Sometimes use %	Use least often %
Supervisors	34.5	8	12
Spot checks	34	18	8.6
Intuition	21	14	16.3

Other tools which were used included appraisals (mentioned by ten owner/managers), customer feedback (used by four owner/managers), and regular contact (cited by two owner/managers). Items which received a single mention were:

- 'Ongoing basis, when I sign off on letters'

- 'On-the-floor monitoring'

- 'Productivity shows'

- 'Reports on performance measurement'

- 'Talks'

- 'Targets'

- 'Time tracking software'

Owner/managers were asked to describe what difficulties, if any, they experienced when monitoring employee performance. Only 15.7% of all respondents found they experienced difficulties (see Table 5.10).

Table 5.10: Difficulties experienced when monitoring employee performance

Difficulties	No.
The amount of time required	15
Inability to be there all of the time	15
Consistency	5
Clear goal setting	4
Honesty	4
Employee resistance	3

Additional comments can be grouped into four categories:

1. Difficultly of changing or improving the existing company culture (4 respondents)

- 'Sometimes employees are in their present position for some time and this can be a challenge'

- 'Can you trust employees 100%?'

- 'Employees go missing from jobs'

- 'Loyalty of managers to employees'

2. Difficulty of measurement (4 respondents)

- 'Output is easy to monitor but quality is far more difficult to monitor'

- 'Some tasks are qualitative and difficult to measure'

- 'Monitoring work load is not easy'

- 'Sometimes duties cross over between several employees making it difficult to find where problems arise'

3. Speed of measurement (3 respondents)

- 'Feedback from employees not received quickly enough or formally sought'

- 'Responses can be poor'

- 'Timeliness is important, sometimes it's too late when employees ask for assistance to help them overcome a difficulty'

4. Lack of standardisation (2 respondents)

- 'Sometimes the random inconsistent nature of our business makes it hard to gauge performance'

- 'Changing work environment'

Other individual comments included:

- 'Having to replace unsuitable staff'

- 'If checking is not explained'

- 'It can be difficult to criticise … must be tactful so as not to undermine staff'

- 'Shift work creates some difficulties'

- 'Understanding'

Provision of Feedback

91% of respondents detailed whether they provide feedback for employees on their performance. 10% had never provided feedback and 31% had done so intermittently (sometimes or occasionally). Of the 50% who had regularly provided feedback on performance 29% had often done so while 21% had always done so.

Those who provided feedback were asked to comment on any difficulties which arise when doing so. The most notable comment was [employees displaying] a negative attitude by 7.2% of respondents. In addition, 7.7% of respondents found they experienced difficulties surrounding provision of feedback. Eight respondents (3.6%) did not experience any difficulties.

Most of the difficulties were concerned with the provision of constructive feedback as follows:

- 'Negative feedback can affect motivation' (3 respondents)
- 'Employees are not able to accept criticism' (3 respondents)
- '[Employees then need to] take the information on board' (3 respondents)
- 'Employees may disagree with feedback' (2 respondents)
- 'Feeling of awkwardness in the case of negative feedback' (2 respondents)
- 'Keep comments positive' (2 respondents)
- 'Speaking plainly without offending' (1 respondent)
- 'Supervisors can best assess performance, lack of consistency between supervisors in giving feedback [in terms of] positive and negative' (1 respondent)

Additional difficulties experienced included:

- '[The lack of] time' (3 respondents)
- 'Goal setting' (2 respondents)
- 'If shortcomings were identified previously it will not come as a surprise at review time'(1 respondent)
- 'Language barrier' (1 respondent)

- 'Structure' (1 respondent)

- 'Not so many difficulties if you use fact ... wrongly suspecting negatives is a

  danger ... most feedback I give is positive which has a great effect' (1

  respondent)

- Sensitivities of overall firms performance' (1 respondent)

- 'We have to do the job again'(1 respondent)

Communication of Business Results to Employees

Respondents gave details on the frequency with which they communicated business

results to employees. 15.9% had never communicated business results, 34.5%

irregularly (sometimes or occasionally) had done so, while 41.36% frequently (often

or always) communicated business results to employees. The remaining 8.24% did

not respond.

Table 5.11: Usage of communication tools for communicating business results to

employees

Tools	Use most often %	Sometimes use %	Use least often %	Never use %
Face-to-face	48.6	9	1.3	3.1
Formal meetings	22.2	9	7.2	5.9
Memo	5.4	5.9	11.8	8.1
The grapevine	4.5	3.1	2.2	20

Respondents described their usage of communication tools for communicating

business results to employees. As Table 5.11 above shows, face-to-face

communication was the most popular communication tool for communicating

business results, used most often by 48.6% of respondents.

Other methods mentioned singularly were:

- 'E-mail/circular'

- 'Financial activity reports are circulated'

- 'Office evenings'

- 'Personal contact'

- 'Tell them they are doing well - no secrets'

Table 5.12: Perceived customer satisfaction with service performance based on RATER factors

RATER Factors	%
Employees willingness to help customers	85.9
Employees' ability to perform the service	83.6
Courtesy of employees	83
Employees willingness to provide prompt service	82.7
Employees' accuracy of performance of the promised service	79
The caring attention employees provide to customers	78.6
The individualised attention employees provide to customers	78.6
Employees' knowledge	78
The appearance of employees	75
Employees dependability of performance of the promised service	75
Employees ability to inspire confidence	75
The physical facilities	66.8

Owner/managers described their perception of customers' satisfaction with their service performance based on the reliability, empathy, appearance, tangibles and responsiveness of their service (see Table 5.12). Overall, respondents felt customers were satisfied with their service's performance. The statements which elicited the most agreement were 'employees' willingness to help' (85.9%), their 'ability to perform the service' (83.6%) and the 'courtesy of employees' (83%).

5.5 Communications

As this section concerned external communication, all findings are reported based on the full sample (240 respondents). Zeithaml et al. (1985, pp. 115-117) describe the occurrence of Gap 4 as being due to the company not delivering its promises. Operations and marketing need to work together as marketing must set customer expectations at the correct level in order to ensure that customers will experience quality service. Therefore, external communications play a very important role in quality. However, a feature of small firms is the ad hoc nature of their marketing activities (Stokes, 1992, p. 87).

Customer Communication Tools

The most common methods which respondents used to inform customers about their service were face-to-face communications and telephone communications (see table 5.13). A high number of respondents did not use formal communication tools such as promotions (33.8%) or publicity (27%) to inform customers about their service.

Other methods which were used included word-of-mouth, which was identified by 7

respondents (3%) and direct mail and the Internet which were both individually

mentioned by 4 respondents.

Table 5.13: Usage of tools for customer communications

Communication tools	Regularly used %	Irregularly used %	Never used %
Face-to-face	65	20.4	0.4
Telephone	52	23	9
Personal selling	38	23	17.5
Advertising	29.6	34.6	20
E-mail	24	25.5	26
Publicity	22.5	30.9	27
Promotions	18.8	24	33.8

Other tools which were mentioned singularly were:

- 'Sponsorship'

- 'Loyalty card'

- 'Monthly statements'

- 'Networking'

- 'Notice board'

- 'Voicemail and header and footer [on letterhead]'
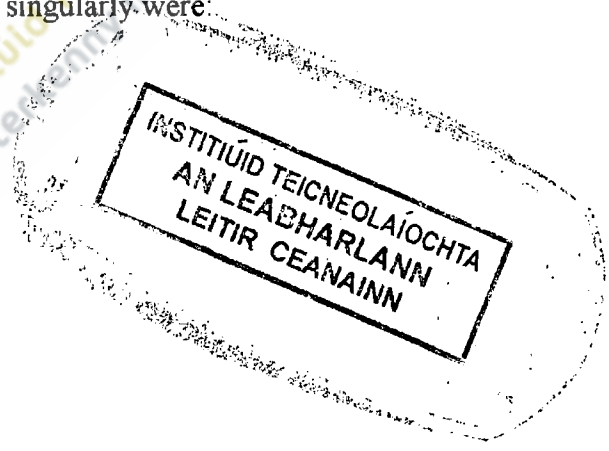
Customers' Perceptions of the Service

Owner/managers described their satisfaction with customers' perceptions of their service; 83.8% were satisfied, 5% were neither satisfied not dissatisfied while 5.8% were dissatisfied; 5.5% did not respond.

Overall, only one third of all respondents described causes of negative customer perceptions. From Figure 5.2 below it is evident that the main causes of negative customer perceptions of service were unrealistic customer expectations and over promising; significantly, no one selected advertising as a cause.

Figure 5.2: Causes of negative customer perceptions

Items which were mentioned individually by owner/managers who found they were dissatisfied with customers' perceptions of their service include:

- '[Customers] not fully appreciating the service'

- 'Perception of our capability'

Additional comments offered by owner/managers who were not dissatisfied included:

- 'Bad workmanship'

- 'Errors'

- 'Failure to communicate'

- 'Operating on our own'

- 'Outcomes outside of our control'

- 'Over promising leads to unrealistic customer expectations'

- 'Regular customers don't understand that we have a limited stock [because it wouldn't stay fresh] due to a low turnover'

- 'Shop too small'

5.6 Quality Management and Small Business

Small business issues are, for the most part, overlooked in the service quality literature (MacLaran and McGowan, 1999, p. 41) and there is inconsistency among authors on many issues surrounding quality management and small business, including implementation levels and the benefits for small business. This section addresses the level of implementation of quality management programmes amongst respondents and the degree to which benefits and impediments of implementation were perceived. In addition, the issues surrounding impediments to implementation were uncovered along with benefits respondents would expect to experience upon implementation of a quality model.

Awareness and Perceived Value of Quality Models

Awareness of quality models (see Figure 5.3) indicates that the quality model respondents were most aware of was the ISO series. Over two thirds of all respondents (70.4%) were aware of the ISO series, while a significantly lower proportion, less than a quarter of all respondents, were aware of the EFQM model (20.8%); 10.8% were aware of SPC.

Figure 5.3: Awareness of quality models
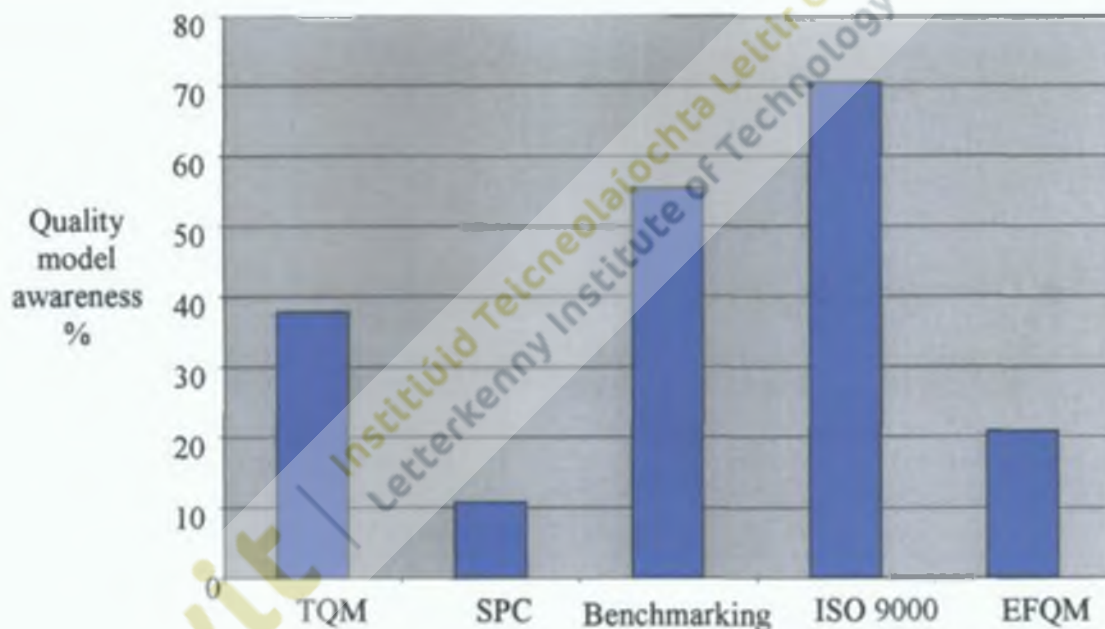
Owner/managers were then asked which of the models were relevant to small business (see Figure 5.4). Overall the number of respondents who felt quality programmes were relevant was much lower than prompted awareness. Again the quality programme that respondents felt was most relevant for small business was the ISO series (47%) and the two considered to be least relevant were SPC (3.3%) and EFQM (2.9%).

Figure 5.4: Perceived relevance of quality models
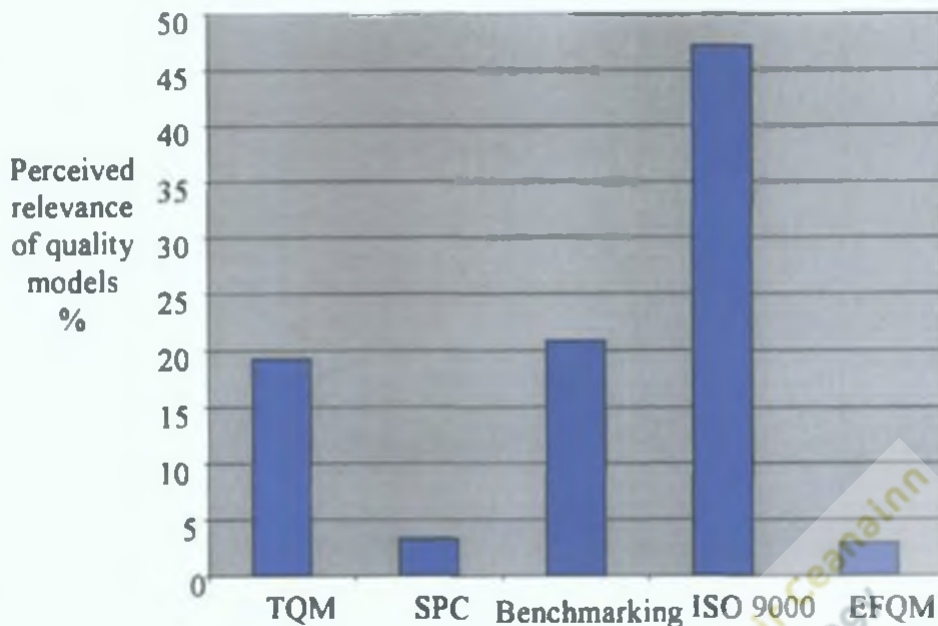
When asked to describe their degree of agreement or disagreement with the statement

'quality models are beneficial for small business' only 52.9% of owner/managers

agreed, 21.79% neither agreed nor disagreed and 6% disagreed; 19.31% did not

respond. This is not a ringing endorsement for quality models as just over a half of all

respondents agreed with this statement. In addition, over one fifth of all respondents

had not formed an opinion on the benefits of quality models for small business.

Similarly, only 45.4% of owner/managers agreed that quality models were applicable

for their (small) business, 21% neither agreed nor disagreed, 10.4% disagreed and

23.5% did not respond.

The high level of non response and neutral answers for these two statements may

contribute to the low levels of agreement.

Implementation Levels

90.3% of respondents gave details on whether they had implemented a quality model before; 66.3% of respondents had not previously implemented a quality model while less than a quarter (24%) had. Of those who had previously implemented a quality model the most popular was the ISO series (52%). 10% of those respondents who had previously implemented a quality model had used their own internal or customised quality programme and 7% had followed a TQM strategy. Items which received a single mention were:

- 'Accreditation by [Irish National Accreditation Board] INAB'

- 'European Hire Association'

- '[Hazards Analysis and Critical Control Points] HACCP'

- 'Accounting and auditing standards'

- 'Customised based on best practice'

- 'Personal performance agreements'

- 'Quality Assurance'

- 'Texaco mystery shopper'

- 'Timber machining size and quality accuracy'

24% of owner/managers were in the process of implementing a quality model, the most popular model being implemented (by 40% of these respondents) was some or all of the ISO series. One noted that they 'initially dropped it as it was too tedious, [and] subsequently redid it due to … regulation[s]'. 14% of owner/managers had decided to follow their own internal or customised quality model. 5% were in the process of carrying out benchmarking, 5% were in the process of carrying out TQM

and 3% were following the HACCP programme. Items which were mentioned singularly were:

- 'Institute of Accounting standards'

- 'Balanced scorecard'

- 'Continuous upgrading'

- 'Experience'

- 'Institute of Chartered Accountants' audit exams'

- '[Interviewer Quality Control System] IQCS'

- '[Irish Standard Mark] ISM'

- 'Personal performance agreements'

- 'Self designed project review'

- '[Société Générale de Surveillance] SGS'

- 'Texaco mystery shopping'

Intention to Implement a Quality Model

Less than one third of all respondents (30.8%) intended to implement a quality model in the future. A proportion of these respondents gave reasons including:

- To ensure service quality (13%)

- To structure the business and processes (9%)

- For customer retention (5%)

- Good management tool (5%)

- It is necessary (5%)

- Intend to in the future (3%)

- To improve company image (3%)

- As the company grows this will become more important (3%)

Items which were individually mentioned included:

- 'All businesses must aim for quality'

- 'It enables comparisons'

- 'Maintenance'

- 'Very important to business'

- 'Good practice'

- 'Reflects company's commitment to quality'

- 'To maintain market leadership'

- 'As the business grows and I become more removed from the coalface it will be useful to apply independent systems for maintaining standards'

57.9% of respondents reported that they would not implement a quality management system in the future. 10% of these respondents explained that they were satisfied at present and that there was no need, 7% felt they were too small to do so, 4% felt quality models were not applicable for them and 2% cited the associated time constraint.

Reasons which were mentioned twice were:

- 'Experience prevails'

- 'Cost and time'

- 'Paperwork'

Cost was again mentioned singularly and two individual comments were 'don't even know if one exists for haulage company' and 'unsure how to proceed'.

Responsibility for Quality

As this was not a suitable question for sole traders, the findings are reported based on 220 respondents. 96.8% of respondents described where responsibility for quality lay within their company. As Figure 5.5 displays, the most frequent response was that everyone was responsible for quality (40%) while the second most frequent response was that responsibility lay with the owner/manager only (39.5%).

Figure 5.5: Responsibility for quality within the company
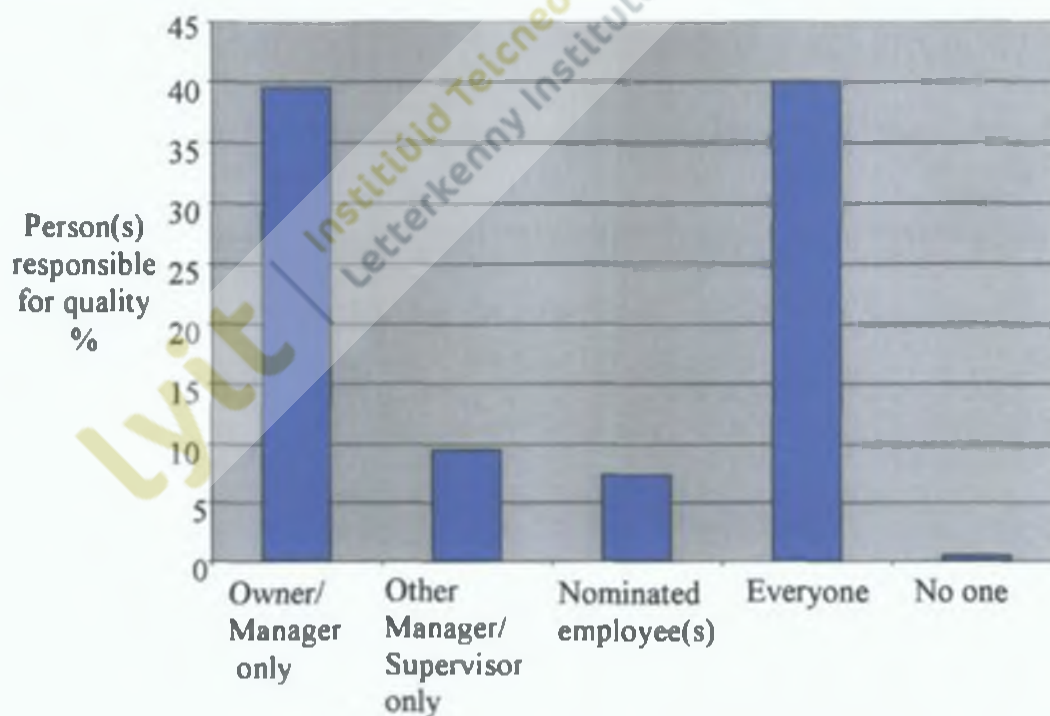
Disincentives and Benefits of Implementation

Respondents considered factors which could encourage and discourage them from pursuing a quality model. Table 5.14 details the responses for those issues which would discourage owner/managers. Time was the factor which would discourage most while, conversely, expertise was highlighted as the factor which would least discourage.

Table 5.14: Perceived disincentives to quality model implementation

Disincentives	%
Time	55
Manpower	46.3
Money	38.8
Customer demands	26.7
Expertise	20

Additional factors which respondents felt would discourage them from pursuing a quality model can be summarised as follows:

Preconceptions of the implications of quality model implementation (4)

- '[The] system might not be flexible enough'

- 'The creation of paperwork is a waste of time'

- 'Not specific enough'

- 'Scepticism of employees towards implementation'

Company size (3)

- 'Disruption in a small office'

- 'Company size'

- 'Relevance for a sole practitioner'

Additional comments:

- '[The] benefits would need to be clearly identifiable prior to implementation'

- 'Not interested'

- 'Not a driver in our industry'

Figure 5.6: Expected benefits of quality model implementation
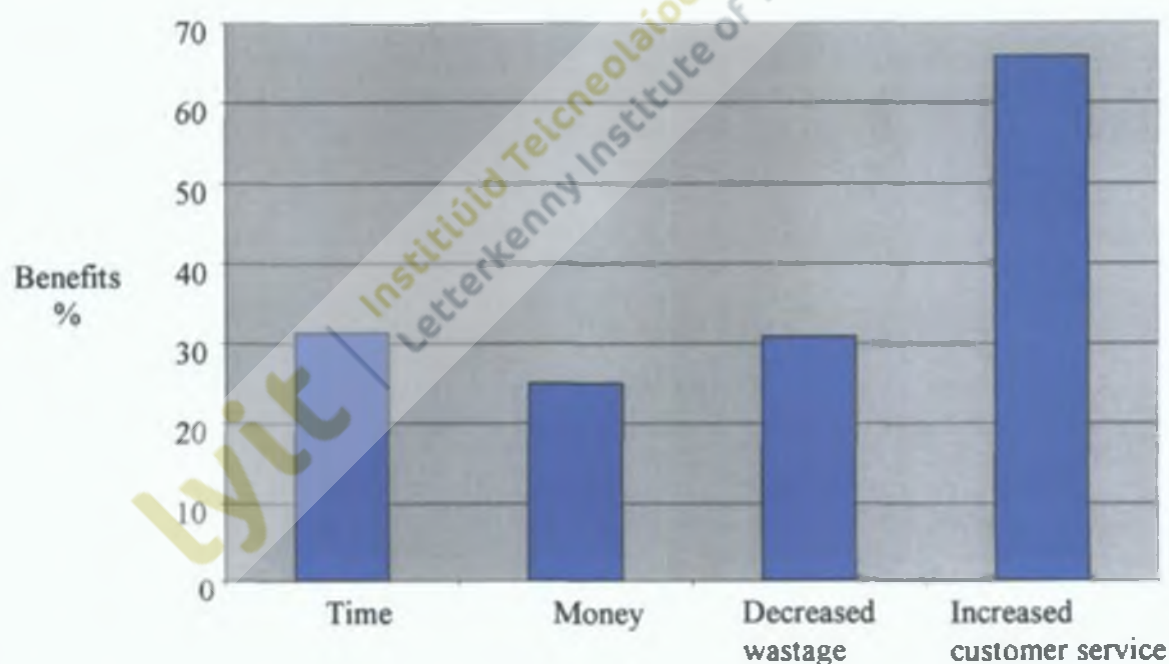
Owner/managers then described the benefits they would expect to see upon implementation of a quality model (see figure 5.6). Increased customer service was reported as the most expected benefit by almost two thirds of all respondents (65.8%). Money savings was reported as the least expected benefit of implementation - one quarter of all respondents would expect to see money savings upon implementation.

Other benefits mentioned may be categorised under the following headings:

Internal business benefits (16 respondents)

- Business expansion   8

- Higher profit margin   3

- More effective operations   2

- Money and time saving   2

- Safety   1

Human resource benefits (14 respondents):

- Employee motivation/morale   8

- Enhanced work ethos   2

- Role clarity   1

- Personal improvement   1

- More time available away from office   1

- Up to date management style   1.

External business benefits: (4 respondents)

- Improved company image   2

- More targeted marketing   1

- Increased quality and delivery of service 1

One owner/manager commented that they would not expect to see any benefits as a result of implementing a quality model 'no time, cost, decreased wastage or customer service ... not necessary'.

5.7 Conclusion

The findings reported here indicate that owner/managers choose to adhere to those quality practices which they intuitively feel are suitable for their business.

Just over two thirds of respondents had formally identified customer requirements while less than two thirds had a service statement. A lower proportion (43.8%) did not have written service standards.

Nonetheless, respondents saw the merit of some quality practices such as providing training and setting targets for employees as these were felt to be motivating factors for employees.

There is a propensity to rely on informal communication tools within small business. Face-to-face communication was the preferred communication method for communicating with customers for over two thirds of respondents. Similarly observation was the most popular tool used to identify customer needs and monitor customer satisfaction.

The quality model that respondents were most aware of was the ISO 9000 series. Prompted awareness yielded a response rate of 70.4%. While this figure is, to some extent, low it is much higher than that yielded by other quality models listed.

Significantly, the perceived relevance of these same quality models for SMEs was much lower than prompted awareness indicating that respondents do not place much

importance on widely accepted quality models. This was supported by just over half of all respondents who felt that quality models were beneficial for SMEs and, fewer again, feeling they were applicable to small business.

Quality model implementation levels are very low: 66.3% of owner/managers had never implemented a quality model and 57.9% felt they would not implement one in the future. However, as the largest perceived disincentive, time, was only rated by just over half of all respondents, it indicates that the issue of the validity of quality models is more of a concern for owner/managers than any perceived impediments to implementation.

These findings are subject to further analysis in Chapter Six and provide the basis for recommendations made and conclusions drawn in Chapter Seven.

Chapter Six: Interpretation of Quantitative Research Findings

6.1 Introduction

This chapter represents a detailed analysis of the findings reported in Chapter Five. The analysis takes a similar structure to Chapter Five, that is, it contains the four sections derived from the Gaps model and a fifth section, quality management. A selection of fundamental summary statistics were performed on the data as were a series of cross tabulations. Tests including chi square were then used to assist in determining 'statistical significance of the observed cross tabulation' (Malhotra, 1996, p. 251) and ascertain whether valid associations existed between variables.

Section 6.2 details customer expectations and considers the effect of company size on a number of activities pertinent to customer requirements. Analysis is carried out to determine the frequency with which customer requirements are reviewed.

Section 6.3 takes an in-depth look at service standards. Findings indicate that there are a large number of respondents who do not document what they do, and while there is a tendency to base service standards on customer requirements, this does not happen consistently. Analysis is conducted to discover if organisation size has an affect on the practice of having a written service statement and standards. The survey findings concur with earlier qualitative findings regarding the use of intuition amongst owner/managers and with the suggestion that over-use of intuition may lead to quality problems. Analysis is conducted to uncover whether company size or previous implementation of a quality model affected the usage of tools for monitoring the achievement of service standards. Similar analysis is carried out to determine if

company size affected the perceived suitability of more formal tools for monitoring customer satisfaction.

Section 6.4 addresses service performance issues. Factors which respondents felt were motivators for employees were identified, yet some of these factors were not afforded the level of importance they deserve. As the level of training provided seemed low, it was decided to explore respondents' satisfaction with the training they provide. Setting performance targets is important because it ensures employee direction and motivation - yet only one third of all respondents regularly set performance targets. Analysis was conducted to discover if previous implementation of a quality model affected the frequency of this practice.

Section 6.5 examines whether causes of negative customer perceptions were related to the use of informal or formal communication methods with a view to identifying appropriate communication methods for reducing the causes of negative customer perceptions.

The final section (6.6), quality management, examines attitudes toward quality models including their perceived benefits. Analysis of the effect of previous implementation of a quality model on a number of issues was then conducted to determine whether it had positive implications for owner/managers. Areas covered included attitudes towards the applicability of quality models for small business, responsibility for quality within the company as well as the perceived benefits of implementation.

The outcome of this analysis is to propose a conceptual quality model which is sensitive to small business needs.

6.2 Customer Expectations

In order to keep up with new trends or changes in the marketplace, companies need to identify and review customer requirements in order to ensure that their service standards are set correctly and reviewed appropriately (Mickaliger, 2003, p. 6). Given the ad hoc nature of small business it is understood that all of these may not be formal activities. However, it was pertinent to uncover if owner/managers were thinking strategically about their customer base. If proven to be the case, then the process of formalising these activities in the form of a step-by-step process should be an achievable move toward quality management for SMEs.

The Formal Identification of Customer Requirements

Owner/managers need to ensure that they have formally identified the elements of their business which customers perceive to be important (Parasuraman *et al.*, 1985, pp. 41-50). The qualitative findings reported in Chapter Four indicate that an insufficient level of importance is placed on customer requirements and that there is a tendency for owner/managers to feel that they intuitively know what customers want.

Worryingly, over a quarter of all respondents had never formally identified what customers perceive to be the important elements of their service, while just over two thirds had. The number of those who had not formally identified customer requirements appears to complement the literature, which suggests that

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owner/managers have close relationships with customers and often feel that customers are able to dictate to them (Stokes, 1992, pp. 30-31).

Cross tabulations (see Table 6.1) initially indicated patterns of answering; small companies seemed less likely to have identified customer requirements. The chi square statistic was used to determine if there was a statistically significant association between these two variables (Field, 2000, p. 62). However, as the significance value of 0.465 was larger than 0.005, the association recorded was not deemed to be significant (Field, 2000, p. 65).

Frequency of Review of Customer Requirements

The TQM philosophy stresses the need for continuous improvement (Crosby, 1979, pp. 132-139; Deming, 1986, pp. 23-24; Oakland, 1995, p. 444-445) and it was decided to explore whether owner/managers ever reviewed the elements of their service which customers perceive to be important. Of the 70% who had formally identified what customers perceive to be the important elements of their service, 57% regularly (often and always) reviewed these elements and 40% did so infrequently (sometimes and occasionally). In addition, of the 28% who had not formally identified the elements of their business which customers perceive to be important, 42% regularly reviewed these elements and 43% did so irregularly (sometimes and occasionally). These finding indicate that irrespective of whether or not respondents have formally identified customer requirements, for the most part, they are aware of the need for reviewing requirements. This is a positive finding as customer requirements do not remain static (Collard, 1993, p. 70).

Cross tabulations of company size by the frequency of review of customer requirements were conducted and they indicated that there may be an association between these two variables; the practice of reviewing customer requirements appeared to be more frequent among larger companies. A chi square test was carried out to determine if there was a significant association between the practice of reviewing customer requirements and company size. However as 6 cells (40%) had an expected count of less than 5, the test on this data did not satisfy the mathematical assumptions underlying chi square as no more than one fifth of the expected values should be less than 5 (Field, 2000, p. 63).

Tools Regularly Used to Identify Customer Requirements

Figure 6.1: Tools regularly used to identify customer requirements
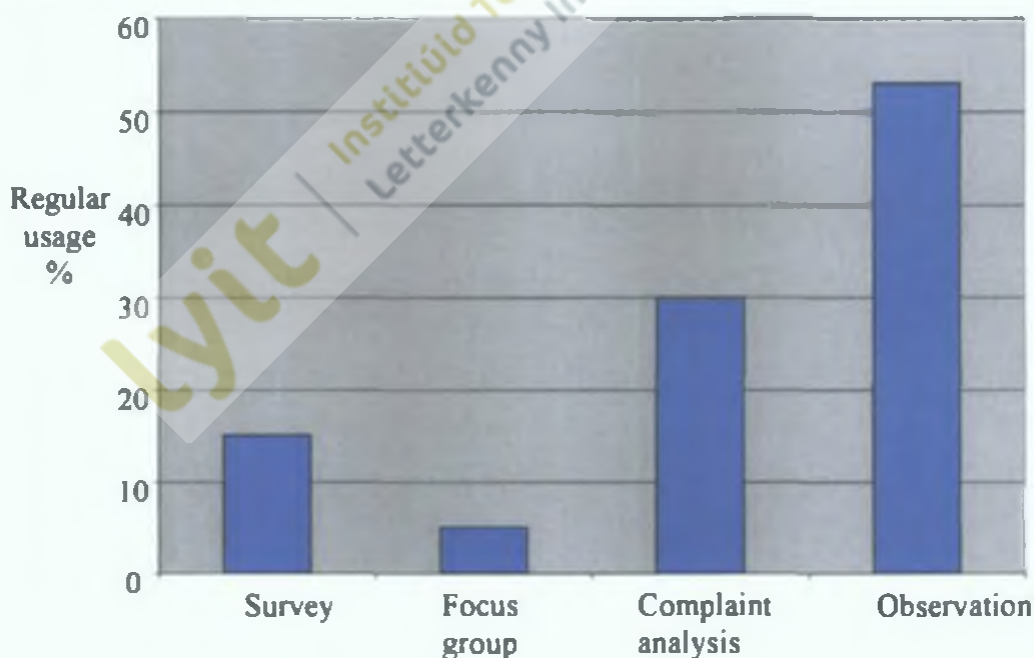
As figure 6.1 illustrates, the most regularly (always and often) used tools for identifying customer needs were observation and complaint analysis (53% and 30% of owner/managers respectively). This is somewhat in contrast to Zeithaml *et al. 's*

(1985, pp. 56-60) recommendations for the use of surveys, focus groups and complaint analysis for this purpose. Complaint analysis was the most commonly used of the three while usage of focus groups and surveys was significantly lower (15% and 5% respectively). Conversely, the use of observation complement Stokes' (1992, pp. 30-31) description of owner/managers often learning from their customers.

Although it is reassuring to find that there is no association between company size and the formal identification of customer needs, the fact that 28% of SMEs had never carried out this activity is surprising. Interestingly, the findings indicate that owner/managers are aware of the requirement for reviewing customer needs. Moreover, as observation is the most commonly used tool for identifying customer needs, it would indicate that there is a need for owner/managers to follow a structured approach to help them identify and review customer requirements so that changing customer requirements are always accurately identified.

6.3 Service Quality Standards

As informal management is a characteristic of small business (Mc Adam, 2000b, p. 308; Gilmore *et al.*, 2001, p. 6; Husband and Mandal, 1999, p. 701; Carson *et al.* 1995, p. 67) it was felt pertinent to explore the management of service standards within SMEs. Analysis was conducted to determine if an association existed between company size or previous implementation of a quality model and the activities of employing a written service statement and written service standards. In addition the methods employed to monitor achievement of service standards and customer satisfaction were analysed.

Service Statement and Standards

60% of respondents had a written document (service statement) describing the service they provide for customers. This low figure does not strongly support Badiru (1995, p. 21) and Asher's (1996, p. 25) findings on the merit of businesses documenting what they do. Significantly, 10% of owner/managers (unprompted) felt they did not need to; this provides an insight into the attitudes of owner/managers. This attitude is most likely due to the fact that their customers are able to dictate to them (Stokes, 1992, pp. 30-31); however, it indicates the need to formalise business practices. Cross tabulations indicated that a pattern existed in the data, that (smaller) company size adversely affected the practice of having a written service statement and written service standards (see Table 6.1 and Table 6.3). In addition it appeared that previous implementation of a quality model positively affected these activities (see Table 6.2 and Table 6.4). Chi square tests were used to detect if there were statistically significant associations between these cross tabulations.

Table 6.1: Cross tabulation of the existence of a written service statement by company size

Written service statement	Number of employees within the company			
	Less than 10	**11-50**	**51-250**	**Total**
Have	90 55.9%	36 67.9%	15 83.3%	141 60.8%
Have not	71 44.1%	17 32.1%	3 16.7%	91 39.2%
Total	161 100%	53 100%	18 100%	232 100%

HO: There is no association between company size and the existence of a written service statement

H1: There is an association between company size and the existence of a written service statement

A significance value (p value) of 0.037 was generated along with a chi square value of 6.583 at two degrees of freedom, which is more than the 5% level of significance minimum value (5.991). This indicated that the two variables were not independent and that there was an association between company size and the practice of having a written service statement.

Table 6.2: Cross tabulation of the existence of a written service statement by previous implementation of a quality model

Written service statement	Had previously implemented a quality model	Had not previously implemented a quality model	Total
Have	47 82.5%	85 53.8%	132 61.4%
Have not	10 17.5%	73 46.2%	83 38.6%
Total	57 100%	158 100%	215 100%

HO: There is no association between previous implementation of a quality model and the existence of a written service statement

H2: There is an association between previous implementation of a quality model and the existence of a written service statement

The continuity correction factor is a modification of the chi square for 2 x 2 tables, however 'most statisticians agree that the modification is unnecessary' and can be

ignored (Norusis, 1999, p. 315). A significance value (p value) of 0.000 was generated along with a chi square value of 14.515 at one degree of freedom, which is more than the 5% level of significance minimum value (3.841). This indicated that the two variables were not independent and that there was an association between previous implementation and the practice of having a written service statement.

Table 6.3: Cross tabulation of the existence of written service standards by company size

| Written service standards | Number of employees within the company | | | |
	Less than 10	11-50	51-250	Total
Have	58 37.2%	31 58.5%	12 70.6%	101 44.7%
Have not	98 62.8%	22 41.5%	5 29.4%	125 55.3%
Total	156 100%	53 100%	17 100%	226 100%

H0: There is no association between company size and the existence of written service standards

H3: There is an association between company size and the existence of written service standards

In this case, a significance level of 0.02 and a chi square value of 12.257 at two degrees of freedom was generated which is more than the 5% level of significance minimum value (5.991). This again indicated that the two variables were not independent and that there was an association between company size and the practice of having written service standards.

Table 6.4: Cross tabulation of the existence of written service standards by previous implementation of a quality model

Written service standards	Had previously implemented a quality model	Had not previously implemented a quality model	Total
Have	41 74.5%	53 34.4%	94 45%
Have not	14 25.5%	101 65.6%	115 55%
Total	55 100%	154 100%	209 100%

H0: There is no association between previous implementation of a quality model and the existence of service standards

H4: There is an association between previous implementation of a quality model and the existence of service standards

A significance value (p value) of 0.000 was generated along with a chi square value of 26.372 at one degree of freedom, which is more than the 5% level of significance minimum value (3.841). This indicated that the two variables were not independent and that there was an association between previous implementation and the practice of having written service standards.

Carson et al. (1995, pp. 87-88) describe how small businesses are more personalised and Stokes (1992, pp. 30-31) believes that customers are able to dictate to small businesses. Both of these would seem to be supported by this research as it indicated that smaller companies were less likely than larger companies to have written service statements or written service standards.

Interestingly, when asked how often they felt the service conforms to the written service statement, just 55% felt the service was always carried out as described. This seems to be a low percentage given that the level of service the customer receives should always consistent.

The familiarity of respondents with customers may lead to the belief that they do not need to have a service statement. Nevertheless, it is impossible to judge the quality of service without having a benchmark to compare a service experience against; a service statement provides this benchmark for customers. Quality is conformance to customer expectations (Parasuraman *et al*, 1985, pp. 41-50), therefore, the provision of this benchmark is crucial and, in addition, this benchmark should form the basis of all service standards.

Just over half (53%) of the respondents always used customer requirements as a basis for their service standards. An additional 32% regularly (often and always) used customer requirements for this purpose. These figures are a source of concern, in particular the fact that only 53% always use customer requirements. These findings do not indicate the importance of setting service standards centred on the customer (as reported by Zeithaml *et al.*, 1990, p. 74).

Monitoring the Achievement of Standards and Customer Satisfaction

As the qualitative research reported earlier indicates that inadequate importance was placed on customer satisfaction, it was decided to explore the suitability of a number of tools for this purpose with a view to identifying a selection of useful tools for owner/managers. Analysis was also conducted to determine if previous

implementation of a quality model affected the usage of these tools and to determine if company size affected their perceived suitability.

Table 6.5: Usage of tools for monitoring the achievement of service standards

Tools	Mode	Mean (1-5)
Intuition	5	3.96
Check lists	4	3.17
Customer complaints	5	3.89

As evidenced in Table 6.5, the most frequently occurring value (mode) for intuition and complaint analysis was 5 (always use) while the mode for check lists was 4, showing that all three tools were used very frequently.

Upon analysis the results seem to be in contrast with Husband and Mandal's (1999, p. 701) description that quality tools and techniques are not effortlessly understood, or suitable for small businesses; 57.1% had to some extent used check lists as a means of monitoring the achievement of standards. Findings largely concur with Zeithaml *et al.*'s (1985, pp. 52-56) perspective on the suitability of complaint analysis for feedback purposes and continuous improvement, as it was used to some extent by 75.8% of respondents. Intuition was rated similarly, used to some extent by 75% of respondents.

A one way ANOVA test was conducted to determine if company size affected the usage of tools, in particular check lists, for monitoring the achievement of service standards (see Table 6.6).

Table 6.6: One way ANOVA test on the usage of tools for monitoring the achievement of service standards and company size

Tools	F	Sig.
Intuition	0.913	0.403
Check lists	5.090	0.007
Complaints	1.702	0.185

H0: The usage of tools for monitoring the achievement of service standards is not affected by company size

H5: The usage of tools for monitoring the achievement of service standards is affected by company size

The only value which was found to be of significance was that for check lists (0.007) indicating that there was an difference between company size and the usage of check lists as the 'F' ratio was large enough to reject the null hypothesis.

Throughout the qualitative research it became clear that owner/managers tend to rely on their intuition to ensure standards across the business are being met and the quantitative research appears to confirm this - 47% of respondents always relied and 24% often relied on intuition to ensure service standards were being met.

A one way ANOVA test was conducted in order to determine if previous implementation of a quality model affected the usage of tools for monitoring the achievement of service standards (see Table 6.7).

Table 6.7: One way ANOVA test on the usage of tools for monitoring the achievement of service standards and previous implementation of a quality model

Tools	F	Sig.
Intuition	1.392	0.240
Check lists	17.836	0.000
Focus groups	8.39	0.004

H0: The usage of tools for monitoring the achievement of service standards is not affected by previous implementation of a quality model

H6: The usage of tools for monitoring the achievement of service standards is affected by previous implementation of a quality model

As the level of significance for the usage of intuition was 0.240, the F ratio is not significant. However, usage of check lists and customer complaints differed as they generated significance levels of 0.000 and 0.004 respectively. The observed F ratio in both of the latter tools was large enough to reject the null hypothesis, 'as the sample means varied more than expected if the null hypothesis was true' (Norusis, 1999, p. 267). This indicated that there was a difference in the usage of these two tools as previous implementation of a quality model caused a pattern of variation in the mean usage of check lists and customer complaints for monitoring achievement of service standards.

Respondents described the suitability of tools for monitoring customer satisfaction irrespective of their actual usage. In total 83% of respondents rated observation

positively and similarly 68% rated complaint analysis positively; the mode for each

tool was 7 (on a 1-7 scale) however the means varied more (see Table 6.8). The tools

which were felt least suitable were focus groups and surveys in that order, with 53%

and 44% in total rating these as unsuitable. It would seem that Zeithaml *et al.*'s (1985,

pp. 56-60) advocacy for the usage of surveys and focus groups for monitoring

customer satisfaction is not supported among SMEs. These findings are in agreement

with Stokes (1992, pp. 30-31) as observation was again rated highly. Table 6.8

confirms this, as the tool felt most suitable for monitoring customer satisfaction was

observation, with a mean of 6.11.

Table 6.8: Suitability of tools for monitoring customer satisfaction irrespective of usage

Tools	Mode	Mean (1-7)
Survey	1	3.62
Focus Group	1	2.88
Customer complaints	7	5.59
Observation	7	6.11

As such large differences existed in the modes reported (see Table 6.8) it was decided

to investigate the perceived suitability of these tools further to determine if differences

in perceptions existed among micro, small and medium sized companies. Stokes

(1992, p. 2) previously described how small firms have limited resources and

Wilkinson *et al.*, (1998, p. 165) found that they have limited formal controls.

Therefore it could be speculated that smaller firms would not perceive tools such as

surveys and focus groups to be suitable. A one way ANOVA test was carried out to

determine if there was a difference in the perceived suitability of these tools for monitoring customer satisfaction based on company size (see Table 6.9).

H0: There is no difference in the perceived suitability of tools for monitoring customer satisfaction based on company size

H7: There is a difference in the perceived suitability of tools for monitoring customer satisfaction based on company size

Table 6.9: One way ANOVA test on the perceived suitability of tools for monitoring customer satisfaction (irrespective of usage) and company size

Tools	F	Sig.
Survey	16.346	0.000
Focus group	6.536	0.000
Customer complaints	0.027	0.961
Observation	0.522	0.495

The significance levels generated for surveys and focus groups were less than 0.005 (both were 0.000) and the 'F' ratios for both were large enough for the null hypothesis to be rejected. Thus it can be surmised that, for these two more formal tools, company size influences their perceived suitability. As the observed significance level for customer complaints and observation are larger than 0.005 (.961 and .495 respectively) the null hypothesis cannot be rejected.

Throughout the research it is clear that intuition and complaints are the most utilised tools by owner/managers for a multitude of purposes. This complements small

business characteristics as described by Stokes (1992, pp. 30-31) and SMEs' attitude to unnecessary paperwork (Brown *et al.*, 1998, pp. 276-280).

While intuition plays an important role in small business and can generate strategic advantages, there are areas of the business for which the use of intuition is not appropriate. Two fifths of all respondents always rely on intuition to ensure service standards are being met. Of those who do not have written service standards, 78% regularly (often and always) use their intuition to monitor achievement of standards. This has implications for quality as experienced by the customer and for employees as it is much more difficult for employees to know what is expected of them.

Communications with Employees

The findings suggest that formal communications are not utilised enough in small business. Parasuraman *et al.* (1985, p. 65) and Ghobadain and Gaellar (1997, pp. 143-144) stress the importance of an effective communications system; however, Husband and Mandal (1999, p. 701) recognise that communication is generally informal in small business. The most utilised communication tool was formal meetings which 58% of owner/managers used. E-mail and memos were also used to some extent, by 38% and 30% respectively. These figures seem to complement Husband and Mandal's (1999, p. 701) description of low usage of formal communications. Nonetheless, as over half of all respondents use formal meetings as a communication tool, it is possible that all owner/managers could find this tool suitable for their business.

Smaller companies are less likely to have a written service statement or have written service standards. In addition, they perceive complaint analysis and observation as the most suitable tools for monitoring customer satisfaction. All of this corroborates the tendency for informal management within smaller businesses.

6.4 Service Performance

While performance targets are a motivator, over one fifth of all respondents were not in the practice of providing performance targets for their employees. It was decided to investigate if previous implementation of a quality model affected the frequency of the number of respondents who set performance targets. In addition, as some respondents did not set performance targets, it was pertinent to understand how they monitored achievement of standards and employee performance. As feedback is another powerful motivator for employees it was decided to discover if owner/managers were more likely to provide feedback once performance targets were set.

Training and Motivation

From Table 6.10 it is clear that the statement which elicited the most agreement was 'the reward package motivates employees' while other areas which respondents agreed strongly with were 'the setting of targets motivates employees' and 'the provision of training motivates employees'. In addition, the statement which generated the least agreement was 'the costs of training are too expensive', with a mean of 2.81. These are positive findings as they indicate that owner/managers would

be willing to take on board any recommendation to provide training and set performance targets.

Table 6.10: Agreement with attitudinal statements on motivating factors and the impact of training

Statements	Mean (1-5)
'I am satisfied with the training provided for employees'	2.25
'The setting of targets motivates employees'	1.89
'The costs of training are too expensive'	2.81
'Loss of man hours is a major difficulty with employee training'	2.70
'Employees are happy with training provided'	2.26
'The provision of training motivates employees'	1.90
'The reward package motivates employees'	1.69

A point worth noting from the findings is that almost a quarter (23%) of respondents had not offered training for their employees within the previous year. Carson (1990, p. 8) recognises that costs of training can be cumbersome for small businesses. However, employee training is central to successful delivery of a quality service (Ghobadain and Gaellar, 1997, pp. 143-144; Zeithaml *et al.*, 1985, p. 90). On further examination of this figure it emerged that 41% of these respondents were satisfied with the training provided to their employees and 45% felt employees were happy with the training provided. Despite this 67% of those respondents who had not offered training in the past year felt that the provision of training motivated employees. In can be inferred that for these respondents training is not given due recognition within their organisations; such attitudes are in contradiction with quality management recommendations.

Satisfaction with training was not widespread, as only 63% of respondents were satisfied with the training provided. In total, 57% felt that employees were happy with the training provided. Of the 63% of respondents who were happy with the training provided, 83% felt employees were also satisfied with the training provided.

It can be inferred that training is not afforded the level of importance it deserves within small business. In many cases training is not offered at all and many owner/managers are satisfied with this. In addition, they feel that employees are happy with this. Qualitative research indicated that the training costs and the loss of man hours were two major difficulties associated with training. This was not resoundingly confirmed in the quantitative research where only 45% felt the loss of man hours was a difficulty and 38% felt the costs of training were too expensive.

Performance Management

Employees can not operate effectively if they do not know what is expected of them, however, just over one fifth (22%) of all respondents had not set performance targets while 33% had regularly (often and always) set performance targets for employees. As there appears to be a positive connection between previous implementation of a quality model and the setting of performance targets (see Table 6.11), a chi square test was conducted to determine if the connection between these two variables was statistically significant (the remaining respondents were either in the process of implementing a quality model or did not respond to this question).

Table 6.11: Cross tabulation of the frequency of setting performance targets for employee tasks by previous implementation of a quality model

Frequency of setting performance targets for employee tasks	Had previously implemented a quality model	Had not previously implemented a quality model	Total
Never	6 11.3%	40 28.6%	46 23.8%
Occasionally	8 15.1%	32 22.9%	40 20.7%
Sometimes	9 17%	28 20%	37 19.2%
Often	16 30.2%	25 17.9%	41 21.2%
Always	14 26.4%	15 10.7%	29 15%
Total	53 100%	140 100%	193 100%

H0: The frequency of setting performance targets is the same among those who had and had not previously implemented a quality model

H8: The frequency of setting performance targets is different among those who had and had not previously implemented a quality model

A significance level of 0.004 indicates that there is an association between the frequency of setting performance targets and previous implementation of a quality model. As the chi square value, 15.160, is greater that the minimum accepted value at 4 degrees of freedom at a 5% level of significance (9.488) the null hypothesis can be rejected.

While attitudes toward performance targets are somewhat positive owner/managers did not ensure that they were utilised; of the 69% of respondents who agreed that

performance targets were motivating, only 45% had regularly (often or always) set targets and 13% had never set performance targets for employees. Many authors stress the importance of setting clear goals for employees as it provides the direction and motivation that ensures completion of tasks to the correct standard (Juran and Gryna, 1993, p. 119; Zeithaml et al., 1985, pp. 83-86; Ghobadain and Gaellar, 1997, pp. 143-144). Therefore, there is an apparent need for owner/managers to place more emphasis on setting performance targets within their business.

Revision of Performance Targets

Revision of performance targets was not found to be consistent. There was a tendency to overlook the reviewing of targets once they were set. Of those who regularly (often or always) set performance targets, just over half (55%) regularly reviewed those targets. Of those who regularly reviewed customer requirements, 38% regularly reviewed performance targets.

Ideally, owner/managers should review the elements of their business which customers perceive to be important. Then they should review performance targets for employees. Their goals should be driven by customer requirements and expectations (Zeithaml et al., 1985, pp. 83-86). This would ensure that those changes or improvements identified by the customer would filter down through the company and implementation of changes would become a motivating factor for employees.

Monitoring Achievement of Performance Targets

Of the 22.7% who did not set performance targets for employee tasks 16.7% used intuition most often to monitor employee performance. This is a feature unique to small business and reinforces the preferred usage of intuition among respondents. However, this can lead to another quality gap as employees do not explicitly know what is expected of them nor do they explicitly know their performance indicators. This in turn can lead to role ambiguity, decreased motivation and a lack of ownership.

Of the 23% of respondents who never set performance targets for employees, 37% did not monitor the achievement of employee goals. It can be inferred that the remainder who had never set performance targets yet do monitor the achievement of goals are not clearly communicating what is required of employees. A reason for this may be as Carson *et al.* (1995, p. 67) explain that how a job is carried out is often left to employees' discretion. However, this in itself may cause a quality gap. As Zeithaml *et al.* (1985, pp. 83-86) advise, goals must be agreed upon and communicated to employees, so that employees are enabled to achieve goals and are stimulated rather than frustrated.

Tools to Monitor Employee Performance

The use of intuition differs from earlier usage. It was heavily used to monitor the achievement of service standards but is not the most frequently used tool for monitoring employee performance. In this case respondents were more likely to use spot checks or supervisors first (used most often by 35% and 35% of respondents, respectively) whereas 22% used intuition most often. While spot checks are the tool

used most often, this behaviour may need to change, as many authors including Deming (1986, pp. 23-24), Sneddon (1997, pp. 162-168), Oakland (1995, p. 446) and Collard (1993, p. 59) advocate ending the reliance on spot checks and inspection when trying to instil a quality culture. In addition, as intuition is not the most frequently used tool, it indicates that owner/managers rely less on this tool, and that this practice could possibly be transferred to other elements of the business when ensuring quality.

Provision of Feedback

The provision of feedback on both employee performance and business results is motivating for employees and provides invaluable information on what results their efforts are achieving.

Less than one half (46.7%) of owner/managers regularly (often or always) provided feedback to employees on their performance. When compared with Soltani *et al.*'s (2004, p. 407) study of TQM driven organisations, which found that 64% of respondents regularly provided employee feedback, this figure seems low. It is important that the provision of feedback is utilised correctly by owner/managers as correct usage motivates employees and allows them to learn from previous performance.

The findings indicate that the provision of feedback amongst those who regularly set performance targets needs to be increased. The literature suggests that feedback on performance in achieving targets should always be provided (Seth *et al.*, 2005 pp. 924-925; Rees, 1999, p. 456), yet only 59% of those who had always set performance

targets had always provided feedback. However, just 3% of those who had always set performance targets had never provided feedback suggesting that once the structure is in place and performance targets are set, respondents find it easier to provide feedback.

RATER Factors

Table 6.12: Perceived customer satisfaction with service based on RATER factors

| RATER factors	Mean (1-5)
The physical facilities	4.13
The appearance of employees	4.12
Employees' ability to perform the promised service	4.29
Employees' accuracy of performance of the promised service	4.23
Employees' dependability of performance of the promised service	4.20
Employees' willingness to help customers	4.50
Employees' willingness to provide prompt service	4.40
Employees' knowledge	4.30
Courtesy of employees	4.46
Employees' ability to inspire confidence	4.13
The caring attention employees provide to customers	4.28
The individualised attention employees provide to customers	4.31

When asked to indicate their perception of customer satisfaction with features of their service, for the most part respondents felt their customers were satisfied. On average 78% of owner/managers felt their customers were satisfied with the service on offer across the RATER factors. A comparison of the means show that there was little variation in respondents' perceptions of customers' satisfaction with their service (see Table 6.12). All features elicited strong agreement; however 'employees' willingness to help customers' attracted the most satisfaction with a mean of 4.50 (86%); the 'courtesy of employees' also attracted a very high level of satisfaction with a mean of 4.46.

Overall, there is an apparent need to increase awareness of the importance of training amongst owner/managers as almost a quarter had not offered training in the previous year. More promisingly, qualitative findings were not well substantiated as the loss of man hours and the expense of training were not extensively highlighted as major difficulties associated with training. In order to ensure that a quality gap does not arise it is important that appropriate emphasis is placed on the setting and revising of performance targets. Encouragingly, previous implementation of a quality model is related to the frequency with which performance targets were set and there is evidence to suggest that once a structure for providing feedback is in place it is effectively used.

6.5 Communication

Similar to the tools for communicating business results, face-to-face was the most regularly used (by 65% of respondents) form of communication with customers. The findings concur with the fact that formal communications are not extensively used in small business (Husband and Mandal 1999, p. 701). Zeithaml *et al.* (1985, pp. 117-120) recommend the use of tools such as advertising to assist in shaping customer expectations, however, advertising was regularly (often or always) used by just 30% of respondents.

Figure 6.2: Causes of negative customer perceptions
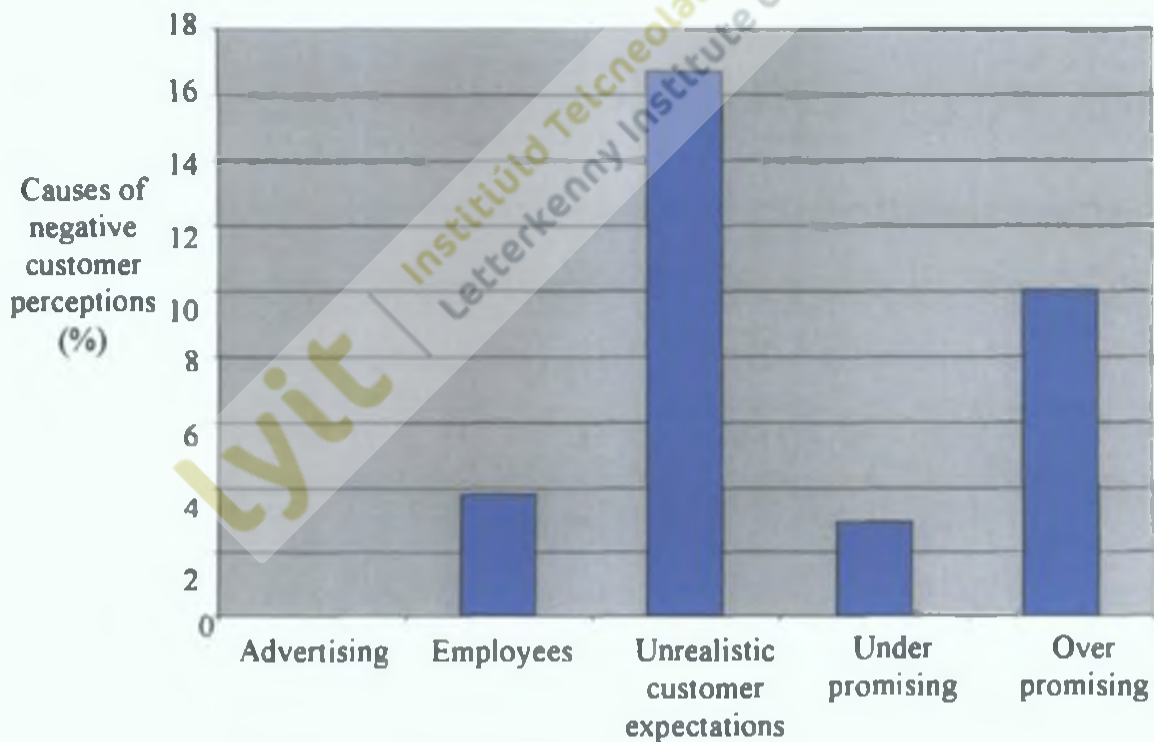
No respondent felt advertising was a cause of negative customer perceptions (see Figure 6.2). 17% of respondents felt unrealistic customer expectations were the main cause of negative customer perceptions. This indicates the need for owner/managers

to become more involved in managing customer perceptions, possibly through formal tools such as advertising. The other most frequent cause highlighted was over promising (10%) which suggests that respondents may need to place more effort on controlling the message of service level they are sending out to customers.

The use of formal communication is recommended in order to assist in setting customer expectations at the correct level. The findings suggest that those who had used formal communication methods did not experience negative customer perceptions. Formal communications also tend to remove the propensity to over-promise.

6.6 Quality Management

Awareness and Perceived Relevance of Quality Models

Prompted awareness of established quality models seemed low, with an average awareness of 40%. The models which respondents were most aware of were the ISO 9000 series and benchmarking, identified by 70% and 55% of respondents respectively. In addition, the two models which respondents felt were most relevant for small business were the ISO 9000 series and benchmarking (47% and 21% respectively). As figure 6.3 shows the perceived relevance of quality models was approximately 20% lower than awareness.

Figure 6.3: Awareness and perceived relevance of quality models
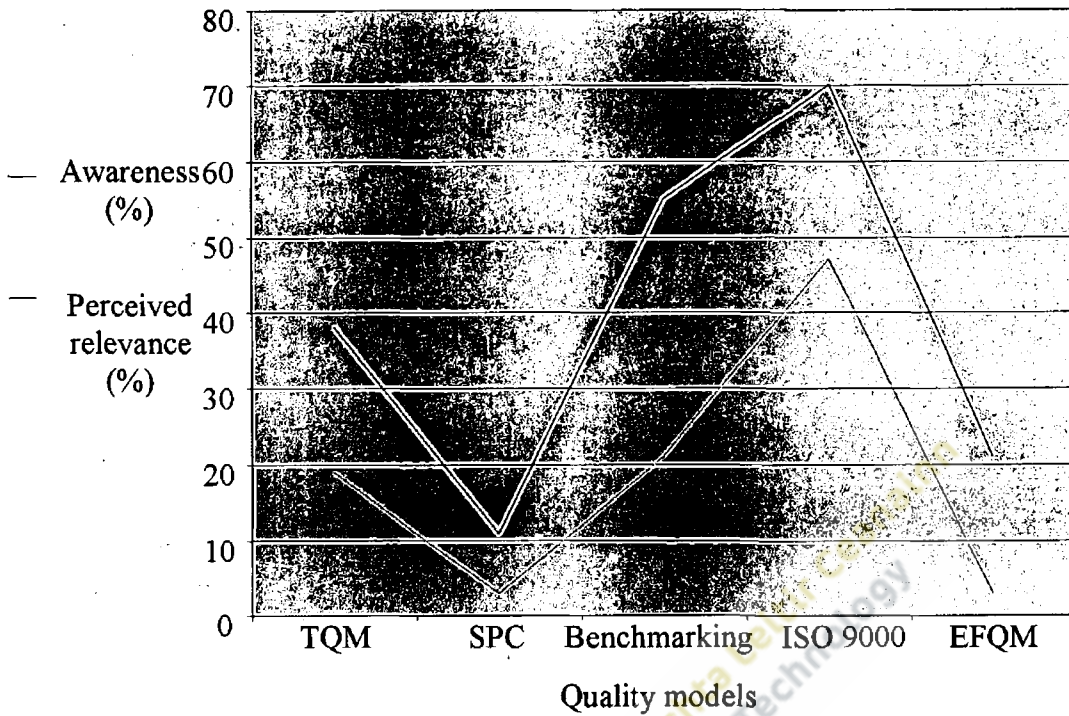
Perceived Benefits and Applicability of Quality Models

Similar to the qualitative research, where a large number of respondents (12 out of 17) felt that quality models were not suitable for small business, respondents were not convinced of the validity of quality models. Just over half (53%) of all respondents felt quality models were beneficial for small business while 45% felt that they were applicable for small business.

Attitudes towards quality models differed somewhat between those who had previously implemented a quality model and those who had not. Findings indicated that those who had previously implemented a quality model had experienced positive benefits (see Table 6.13).

Table 6.13: Impact of previous implementation of a quality model on perceived benefits and applicability of quality models

Statements	Have not implemented a quality model %	Have implemented a quality model %
'Quality models are beneficial'	58	84
'Quality models are applicable'	47	88

It was decided to explore this issue by use of a one way ANOVA test to determine if the differences in responses were statistically significant (see Table 6.14).

HO: Previous implementation of a quality model does not affect the perception of the benefit of quality models for small business

H8: Previous implementation of a quality model affects the perception of the benefit of quality models for small business

HO: Previous implementation of a quality model does not affect the perception of the applicability of quality models for small business

H9: Previous implementation of a quality model affects the perception of the applicability of quality models for small business

Table 6.14: One way ANOVA test on the perceived benefits and applicability of quality models and previous implementation of a quality model

| Statement	F	Sig.
'Quality models are beneficial'	13.454	0.000
'Quality models are applicable'	32.771	0.000

As both values are much greater than one it can be accepted that previous implementation of a quality model has had an effect on the degree of agreement with these two statements, concurring with earlier cross tabulations (see Table 6.13).

Implementation Levels

In Anderson and Sohal's (1999, p. 873) study of quality management and small business, 43% of respondents had previously implemented a third party quality model and 32% had indicated an intention to do so. In this research, implementation levels were lower: just under one quarter (24%) had previously implemented a quality model and 30% of respondents intended on doing so in the future. This somewhat lower figure is to some extent ameliorated by the fact that a further 23% of respondents were currently in the process of implementing a quality model.

88% of those who had previously implemented a quality model were satisfied with customer perceptions of their business while 71% of those who had never implemented a quality model were satisfied with customer perceptions of their business. There was a slight increase (of 17%) in perceived satisfaction once a quality management system was implemented; however, it is not significant. This may contribute to low implementation levels.

Responsibility for Quality
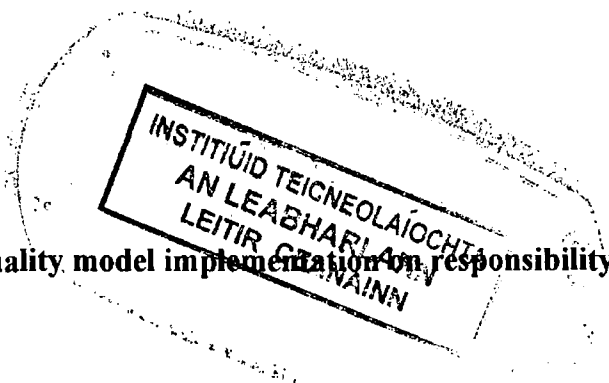
Figure 6.4: Impact of previous quality model implementation on responsibility for quality

Responsibility for quality
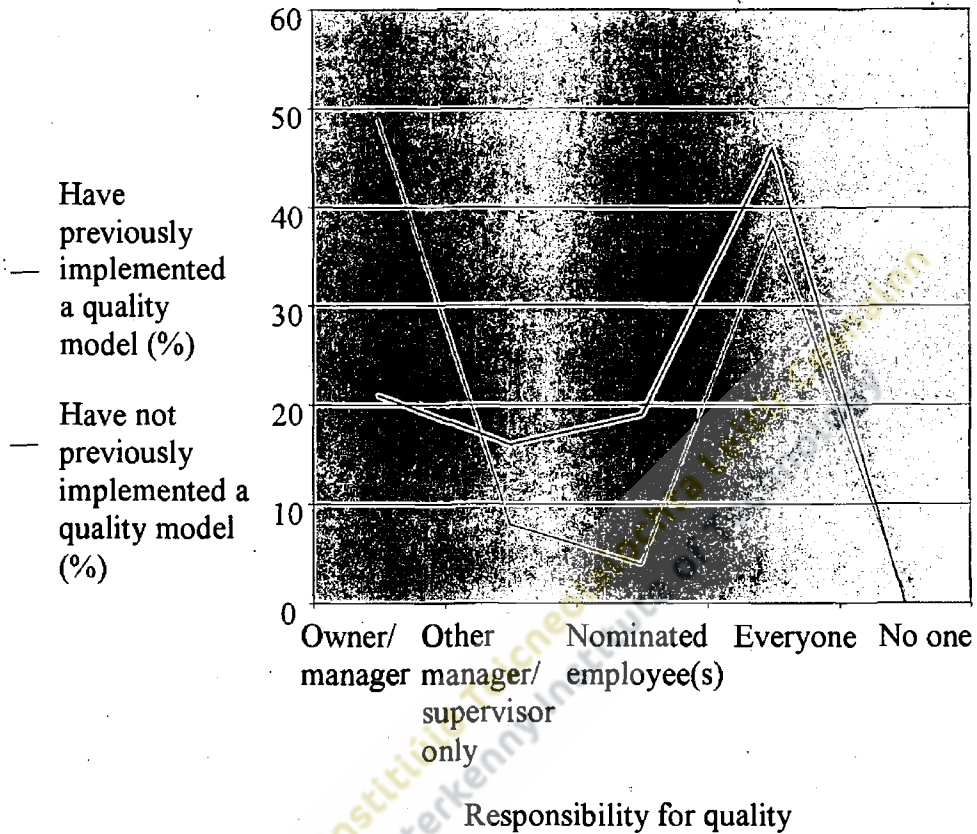
Employees and managers alike are responsible for quality (Oakland, 1995, p. 40-42). The findings in this study show that this was not always the case for SMEs. Of those who had previously implemented a quality model 47.3% found that everyone within their company was responsible for quality, while of those who had not implemented a quality model 40.4% felt everyone was responsible for quality. Ideally both figures should be higher, as was the case in a previous study of TQM-driven organisations where it was found that 72% of respondents felt that both managers and employees were responsible for quality (Soltani, 2004, p. 407). Notably the number of respondents who stated that they themselves were solely responsible for quality within the company was much lower (at 18.2%) in the category of those who had

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implemented a quality model compared to the 46.8% of owner/managers who were solely responsible for quality in companies who had not previously implemented a quality model. This implies that after embarking on a quality accreditation process, awareness of the responsibility for quality throughout the company was raised (see Figure 6.4).

Impediments to and Expected Benefits of Implementation

In this research, the two factors which act as large disincentives to implementation were time and loss of manpower, highlighted by 55% and 46% of respondents respectively. The time constraint concurs with Wilkes and Dale's (1998, p. 731) findings and many authors' descriptions of small business limitations (Stokes, 1992, p. 86; Husband and Mandal, 1999, p. 702). These findings are slightly different to findings from other research including Brown *et al.* (1998, pp. 276-280) and Mo and Chan (1997, pp. 138-141) whose studies of ISO 9000 implementation found that the high cost of accreditation and the amount of paperwork were the two main impediments. This research shows that time was rated as the main impediment; manpower was the second largest difficulty while cost was rated third.

Figure 6.5 displays how perceived impediments decreased upon implementation of a quality model, indicating that these perceived impediments may not be completely substantiated. In this study perceptions of impediments were approximately 15% lower among those who had previously implemented a quality model.

Figure 6.5: Impact of previous quality model implementation on perceived impediments to quality model implementation

Perceived impediments to implementation
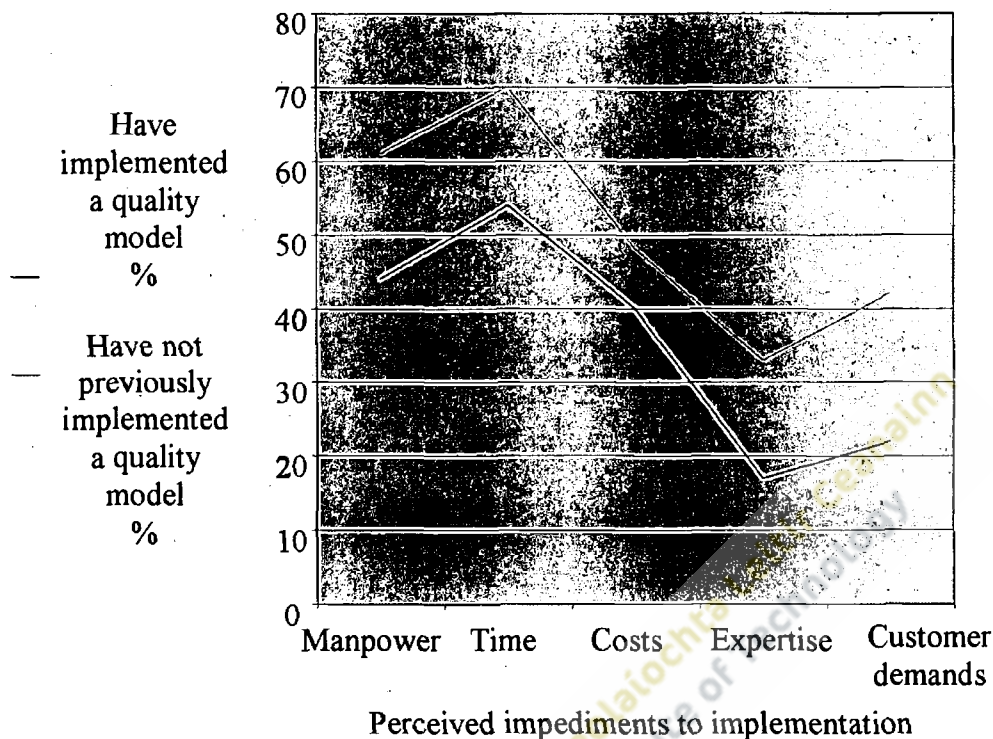
A previous study of the benefits of ISO implementation for small business (Brown *et al.*, 1998, p. 280) ranked increased customer service as the third most experienced benefit. In this study respondents were asked what benefits they would expect to see upon implementation of a quality model; increased customer service was the benefit which received the highest rating of 66%. Additionally, 31% of respondents rated time savings as an expected benefit, while decreased wastage was the third most expected benefit. These findings also differ slightly from other research such as that by Mo and Chan (1997, p. 135) who found that benefits included a reduction of waste, downtime and labour inefficiencies. In Chittenden *et al.*'s (1998, p. 81) research the most highly rated benefits of ISO related to 'marketing and competitive issues rather than internal operating efficiency'; this complements the primary expected benefit of increased customer service reported in this study.

Figure 6.6: Impact of previous quality model implementation on expected benefits of implementation
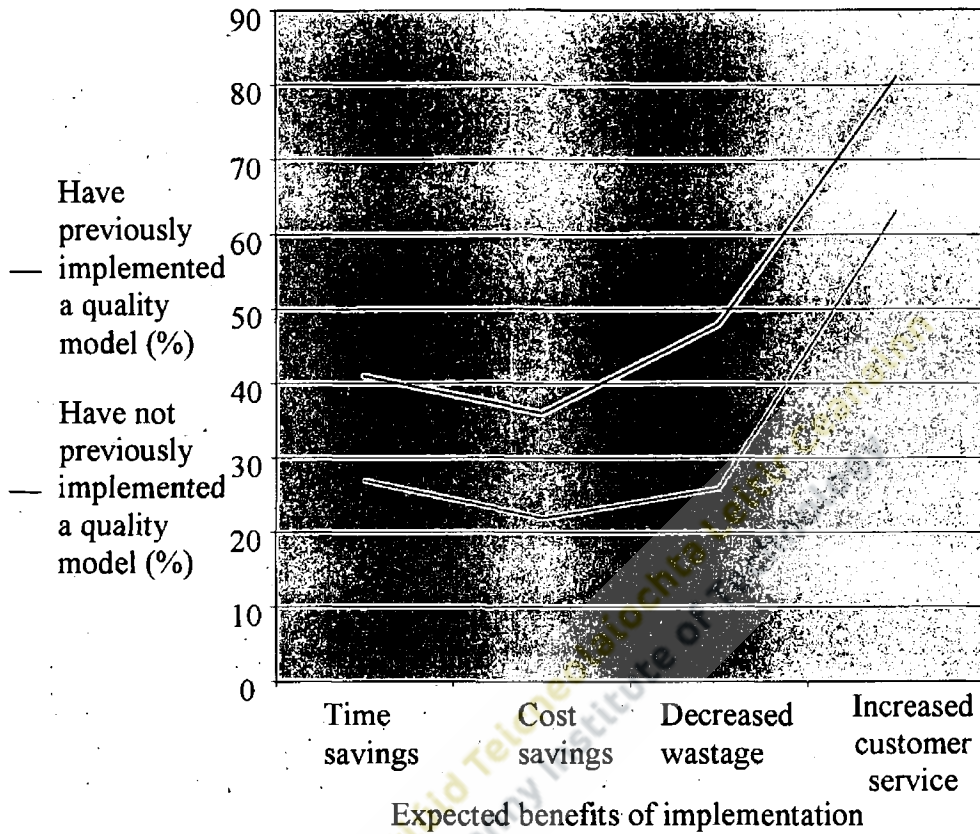
On average, expectations of the benefits of implementation were 18% higher among owner/managers who had previously implemented a quality model (see Figure 6.6), which would seem to indicate that those who have implemented a quality model have had a positive experience. Expectations of benefits were particularly evident in the areas of decreased wastage and increased customer service. This concurs with Escrig-Tena's (2004, p. 612) research on TQM leading to improvements in performance and competitiveness and Longenecker and Scazzero's (1996, p. 60) study, which found that 'quality had improved since implementing TQM' for 84% of respondents.

6.7 Conclusion

The findings of this study are positive in that they indicate that owner/managers do carry out some quality practices on a regular basis.

This research complements Stokes' (1992, pp. 30-31) characterisation of small business, which suggests that owner/managers have close relationships with customers. In this study 28% of owner/managers did not formally identify customer requirements. In addition, a large percentage (38.3%) of owner/managers did not have a service statement. This confirms Carson *et al.*'s (1995, pp. 87-88) findings that owner/managers tend to offer a tailored product or service. However, a written service statement provides an invaluable benchmark for businesses.

In some cases Zeithaml *et al.*'s (1985, pp. 56-60) recommendations on the usage of tools for monitoring customer satisfaction were not supported by owner/managers. The use of intuition and observation complements Stokes' (1992, pp. 30-31) conclusions.

There is evidence to suggest that there was somewhat of a training gap - 71% of respondents felt that the provision of training motivated employees while 63% of respondents were satisfied with the training provided.

More focus needs to be placed on setting targets - there was a gap between those who felt the setting of targets was a motivating factor for employees (68.6%) and those had regularly set targets (45%). In addition, the frequency of revision of targets was low.

This research suggests that there is a positive association between previous implementation of a quality model across some factors including the activities of setting performance targets for employees and the spread of responsibility for quality throughout the company. In addition, previous implementation positively affected attitudes toward quality models. Overall, however implementation levels of quality models were somewhat low.

Chapter Seven: Conclusions and Reflections

7.1 Introduction

7.2 Key Insights and Implications

7.3 Towards the Development of a Conceptual Quality Model for Service SMEs

    7.3.1 Ancillary Guidelines for the Proposed Conceptual Service Quality Model for SMEs

7.4 Research Limitations

7.5 Research Reflections

7.6 Suggestions for further Research

7.1 Introduction

The value of this study lies in the substantial body of information and the invaluable insights gained into quality management attitudes and practices in Irish service SMEs. It is clear that while much value is placed on the importance of quality practices and procedures, it is difficult for owner/managers to consistently implement these in their organisations.

7.2 Key Insights and Implications

This research has shown that owner/managers sporadically involve themselves with quality practices; however, a structure to ensure continuous commitment to quality would be much more beneficial for ensuring service quality.

From the two phases of research carried out it is clear that the following quality practices are not carried out frequently enough within Irish service SMEs:

- Scanning the external environment
- Identification of customer requirements
- Writing a service statement
- Formal communication (internal and external)
- Setting of employee performance targets
- Revision of employee performance targets

The qualitative research suggests some owner/managers feel that they know their business and customers so well that they do not need to scan their external

environment, identify customer requirements, or write a service statement. There is evidence to suggest that there is an over reliance on observation as a tool for identifying customer requirements and monitoring achievement of service standards. Owner/managers need to address usage of other tools and methods such as surveys, complaint analysis, and check lists.

Motivators for employees include the reward package, the provision of training and the setting of performance targets (Ghobadain and Gaellar, 1997, pp. 143-144; Mc Adam, 2000b, pp. 314-315; Zeithaml *et al.*, 1985, pp. 90-99). However, the percentage of respondents who do not perform these activities is relatively high. A small number of respondents neither set performance targets nor monitor achievement of goals which results in respondents having little control over employee performance. In addition, a number of respondents do not set performance targets yet they monitor achievement of employee goals. It can be inferred that employees in this scenario are unsure of what is expected of them and, therefore, do not experience positive motivators. Owner/managers need to be more aware of the benefits of such quality practices.

Previous implementation of a quality model had a positive effect on a number of items including:

- The degree of agreement with positive attitudinal statements about quality models
- The spread of responsibility for quality throughout the company

In addition this research indicated that the presence of statistically significant associations between observed cross tabulations of previous implementation of a quality model and a number of activities including:

- The existence of a written service statement

- The existence of written service standards

- The activity of setting employee performance targets

These findings are very encouraging and appear to indicate that the completion of a quality programme improves quality practices within businesses.

Familiarity with and perceived usefulness of formal quality models was somewhat low. On average, only 40% of respondents were aware of the quality models listed in the questionnaire. Findings indicate that attitudes differed somewhat between those who have implemented a quality model previously and those who have not: those who have previously implemented a quality model displayed more positive attitudes. Nonetheless, implementation levels remain low.

All of the findings indicate that while respondents intermittently follow some quality practices, these practices are often ad hoc in nature and need to be formalised. However, reluctance to adopt a formal quality model arises from the lack of flexibility, time management implications and the cost of implementation.

Small businesses are generally organic structures with personalised management and close relationships with employees, customers, and suppliers. This can lead to

complacency on the part of owner/managers who often assume that they know what their customers want and that employees know what is expected of them.

Owner/managers, due to the limited time they have available, shy away from many activities which could be beneficial to their business because they perceive such activities to be a drain on resources. By following a small number of clear steps to ensure that both customers and employees are managed correctly, SME managers could become proactive in the management of their organisation and have increased control over its success in the marketplace.

SMEs need to formalise many procedures which they already carry out on an infrequent basis and become confident in the merit of such activities, such as, the determination of customer requirements, the setting of service standards and the definition of employee development paths. It appears that owner/managers devote a large proportion of their time to 'fire-fighting' involving themselves in daily activities and pressures instead of focusing on ensuring quality practices are implemented in the organisation.

It can be inferred that owner/managers are self-reliant, they avoid paperwork and rely on the information they store in their heads for many management tasks. This is an accepted characteristic of small business owner/managers; however, this can lead to complacency and an over-reliance on personal observation, which may not be the most effective way to manage business. Observation is subjective and the owner/manager may be biased toward the completion or non completion of certain activities.

Owner/managers of SMEs can not spend as much time on quality management practices as owner/managers of larger businesses. This may well be the reason why owner/managers place little importance on formal practices and procedures. However, owner/managers need to recognise the merit of structures and use them to their advantage, albeit in a more limited fashion. Research indicates that those who had previously implemented a quality model had a positive experience, a fact that supports the benefits of introducing quality structures in small business.

7.3 Towards the development of a Conceptual Quality Model for Service SMEs

A review of the literature and an interpretation of the findings of this research has resulted in gaining useful insights into the reality of quality management for service SMEs. Based on this in-depth study a conceptual model for service quality is proposed (see Figure 7.1).

Owner/managers highlighted a number of items which would positively influence the adoption of quality programmes including increased validity of the quality model, increased flexibility, decreased cost and decreased paperwork.

The proposed model draws widely from the quality literature, particularly Parasuraman *et al.*'s (1985, pp. 41-50) Gaps model and Zeithaml *et al.*'s, (1990, pp. 23-178) recommendations for closing those Gaps. Its focus, direction and detail are, however, primarily driven by the findings from the two phases of this research.

The main body of the model is concerned with service quality standards; the left-hand side of the model concentrates on monitoring and reviewing service quality standards; the right-hand side provides structure for the successful motivation and management of employees in order to ensure the delivery of service quality.

Figure 7.1: A conceptual quality model for service SMEs
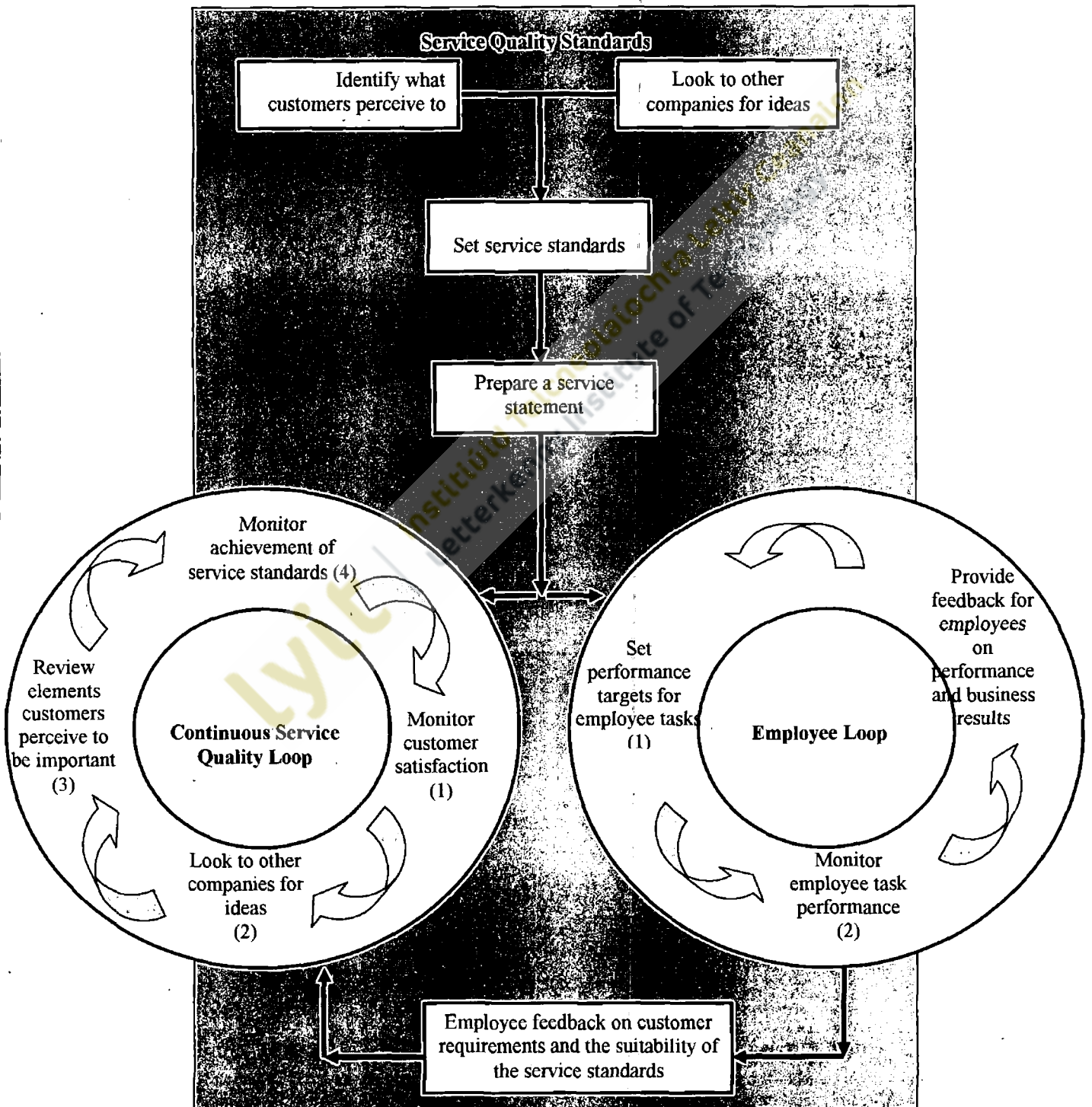
Service Standards

This model draws on Parasuraman *et al.*'s (1985, pp. 41-50) Gaps model by asking owner/managers to identify customer requirements. Subsequently, owner/managers are advised to use these requirements as the basis for setting service standards as suggested by Zeithaml *et al.*, (1985, pp. 83-86) and Juran and Gryna (1993, p. 89) advise. Incorporating the fundamentals of benchmarking the model suggests that companies should follow the best quality examples in an effort to improve (Badiru, 1995, p. 8). Owner/managers are advised to look to other companies for service ideas. The data collated from these two steps then forms the basis for setting service standards in the company (Juran and Gryna, 1993, p. 89; Zeithaml *et al.*, 1985, pp. 71-73). These standards are communicated to customers and employees alike through the service statement (Zeithaml *et al.*, 1985, pp. 72-6; Whiteley and Hessan, 1996, p. 47-52; Zeithaml *et al.*, 1985, pp. 115-117).

Employees

From the service standards (which have been) identified, owner/managers are advised to set performance targets for employee tasks as this provides employees with direction and ownership (Zeithaml *et al.*, 1985, pp. 83-86; Juran and Gryna, 1993, p. 119; Dotchin and Oakland, 1994b, p. 27) and ensures that customer requirements are filtered down throughout the company (Whiteley and Hessan, 1996, p. 47-52; Husband and Mandal, 1999, p. 701). This research indicates that there is inconsistency in the monitoring of employees' performance; however, monitoring employee performance ensures that employees feel involved in the business and responsible for the quality of service being delivered (Kruger, 2001, p. 54; Haksever

et al., 2000, p. 335; Deming, 1986, p. 248). The second step in the employee loop

directs owner/managers to monitor task performance. In order to ensure that this

activity is beneficial, the provision of feedback for employees on their performance is

the next logical step (Muller, 1995, pp. 36-37; Townsend, 1995, p. 19; Badiru, 1995,

p. 54; Talha, 2004, p. 18). Owner/managers are also encouraged to provide feedback

on businesses results (Juran and Gryna, 1993, p. 164) in order to reinforce the

importance of employees (Dotchin and Oakland, 1994b, p. 27).

Additionally, it is important to facilitate employee feedback on customer requirements

and the suitability of the businesses service standards as this completes the feedback

loop.

Continuous Service Quality

The left-hand side of the model concentrates on continuous improvement, a

fundamental facet of TQM culture (Evans and Lindsay, 1999, p. 102).

Owner/managers are encouraged to monitor customer satisfaction as customer

satisfaction is parallel to service quality (Johnston, 2005, p. 1300). However,

respondents in this study were sometimes unsure of the need to monitor customer

satisfaction. Upon determination of customer satisfaction, respondents are encouraged

to benchmark their service against competitors in order to identify areas for

improvement and to review customer requirements as necessary. Owner/managers are

then advised to feed this information back into their analysis of the achievement of

service standards with a view to assessing the need to review such standards.

While this model draws heavily from the service quality literature, the need for continuous improvement is also imbedded in it. Furthermore, the proposed model addresses strategic and practical issues identified in the primary research conducted among Irish service SMEs. The model provides practical direction for each step and these directions are generated from the findings of this research on the suitability of tools and techniques for managing business. What follows (Section 7.3.1) is ancillary guidelines for the proposed model; these recommendations and explanations should prove beneficial in optimising the use of the proposed model.

7.2.1 Ancillary Guidelines for the Proposed Conceptual Quality Model for Service SMEs

Service Quality Standards

1. Identify what customers perceive to be important (customer requirements).

   - Increase the usage of complaint analysis

   - Other tools which can be useful: surveys and focus groups

2. Look to other companies for service ideas that will help you to improve. Discover what the competition is doing.

3. Set service standards to provide a benchmark for service performance and provide a basis for employee performance tasks. Use customer requirements as the basis for service standards in order to ensure that the service provided is customer centred.

4. Prepare a service statement and communicate it to customers.

- Increase the usage of internal advertising

- Other tools which may be useful: telephone

Employees

1. Set performance targets based on service standards. Provide training to ensure that employees understand what is expected of them.

2. Monitor employee performance.

- Increase usage of supervisors

- Other tools which may be useful: intuition

3. Provide feedback to employees on their performance and business results (this is a motivating factor for employees).

- Increase usage of formal meetings

- Other tools which may be useful: memos, E-mail

Continuous Service Quality

1. Monitor customer satisfaction.

- Increase usage of complaint analysis

- Other tools which may be useful: surveys and focus groups

2. Look to other companies for service ideas in order to continuously improve and keep up to date with what competition is doing.

3. Review the elements which customers perceive to be important (customer requirements). Incorporate information discovered during the monitoring of customer satisfaction.

4. Monitor achievement of service standards.

- Increase usage of check lists

- Other tools which may be useful: customer complaints

7.3 Research Limitations

The use of postal surveys was deemed necessary in order to reach a representative population and apply a detailed measurement instrument. The use of postal surveys may, however, have limited the quality of responses to certain questions. Furthermore it may have contributed to the frequency of internal non-response.

The length of the survey may have had a negative impact on the overall and internal response rates. While the response rate of 29% was commendable and above industry average, it is possible that it could have been improved upon had the survey been more condensed.

The layout of the survey could have been improved upon: instructions to skip those questions concerning employees would have made completion of the survey easier for respondents who were sole traders.
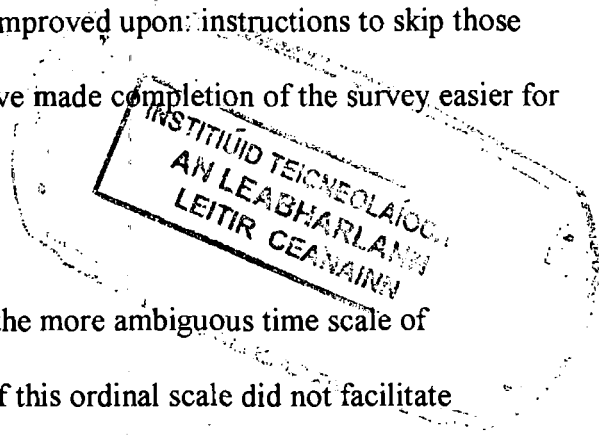
While deemed appropriate at times to use the more ambiguous time scale of 'never/always' for measurement, the use of this ordinal scale did not facilitate advanced statistical manipulations.

An extra answer option for the question concerning company size would have eased analysis. While respondents who explicitly stated that they had no employees were omitted from analysis of questions concerning employees, an extra category asking respondents to communicate whether or not they had any employees would have removed the need to make inference in this instance.

While the sample size and response rate was large in comparison to other studies, it was not large enough to facilitate a greater degree of cross tabulations, for example analysis of any variations which may have existed either by industry or by region. In addition, the sample size inhibited further statistical analysis.

The conceptual model proposed here has not been tested. Testing of this model could result in further refinements.

Treating all services as one and not distinguishing between those lying on differing ends of the process choice continuum (professional type as opposed to mass service) may have missed an opportunity to examine if differences exist in the quality

management tools and techniques suitable for service SMEs on differing ends of that continuum.

7.4 Research Reflections

This research makes a worthwhile contribution to the development of thinking about quality within service SMEs. The proposed model reflects the literature from the field of service SMEs and significant qualitative and quantitative primary research.

The process of conducting research of this magnitude represented an iterative and enriching process. The process of critically reviewing published articles, designing a research methodology of this scale, conducting depth interviews, managing the successful achievement of a substantial response rate and interpreting the findings culminated in the composition of a conceptual service quality model for SMEs. This conceptual service quality model is timely and reflective of the unique set of characteristics which exist for SMEs.

As the concept of quality has very far-reaching implications, the decision to structure the research on the four gaps of the Gaps model gave direction and made analysis much more focused.

Overall, this was an important stage in the author's personal development. The development of a lengthy instrument, the activity of ensuring the achievement of a significant response rate and the process of analysing the vast amount of information collated were challenging tasks. Completion has resulted in the gaining of a body of

knowledge of not only quality service marketing and SME management issues but of the marketing research process itself.

7.5 Suggestions for Further Research

There is scope to test and further refine the conceptual model proposed herein. This model has potential to be of benefit for small business owners and further testing would generate feedback on a number of issues including the following: ascertaining whether this model satisfied owner/managers' need for flexibility, if this model expends scarce resources, whether attitudes toward quality management are positively affected by its implementation, whether employees become more motivated and, ultimately, if customer satisfaction is improved.

A further issue worth exploring is whether or not owner/managers' objectives change over time. The qualitative research undertaken here indicated that objectives had grown, while other respondents found that their objectives had not. It would be interesting to investigate the effect of changing objectives on the implementation of quality programmes. The TQM philosophy needs to be strategically linked to constant business goals. Research into the reality of this for small business would be worthwhile as it could confirm that small businesses are equally capable of following a TQM programme or uncover issues which negatively affect the fundamental suitability of TQM for small business.

There are many quality models in existence not all of which were the subject of this research. The emphasis in this study was on widely accepted quality models. It was

reassuring to find that no clear trends of additional models were evident from respondents' comments. However, in the future, research into the established industry-specific quality models for small business could uncover a plethora of quality practices which may be transferable across all industry sectors for small businesses.

As it was discovered that there is a link between awareness and the perceived suitability of quality models and a link between the perceived suitability and usage of communication tools, it can be inferred that increasing awareness and amending attitudes could result in increased adoption levels. A research opportunity exists in relation to how to increase awareness and positive attitudes toward quality practices among small business owners.

Intensive in-depth research into the reasons why adoption levels of quality programmes are low amongst small businesses may be valuable. This research focused on quality practices and the frequency with which such activities were carried out; additional research into the reasons why quality practices are not implemented could uncover additional impediments which were not unearthed in this research.

Other areas which could be explored in future research include the determination of the culture or types of cultures that exist in small business and whether or not they are conducive to quality improvement. Research could also determine the type of leadership in small firms as successful leadership is an important factor for the successful implementation of quality programmes. In addition, it could be beneficial to determine owner/managers' perceptions of the costs of quality and the importance

of same - if owner/managers place a low level of importance on the costs of quality it may be an underlying factor which impedes adoption levels.

A further research opportunity is to replicate this study with a larger sample in order to facilitate more extensive statistical manipulations.

Previous research has tended to centre on manufacturing organisations and this study goes some way toward addressing the need for current research in the area of quality management and service SMEs. It highlights the informal nature of small business and how this impacts on quality management, while integrating marketing, human resource and control issues in a manner appropriate to the small firm.

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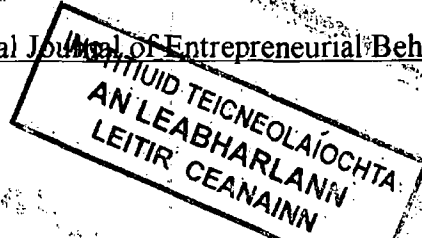
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Appendix A - Management Maturity Grid

Measurement	uncertainty	awakening	enlightenment	wisdom	certainty
Management understanding and attitude					
Quality organisational status					
Problem handling					
Cost of quality as a percentage of sales					
Quality improvement actions					
Summation of company quality posture					

Appendix B - SERVQUAL Model

Directions: Based on your experiences as a consumer of _____ services, please think about the kind of _____ company that would deliver excellent quality of service. Think about the kind of _____ company with which you would be pleased to do business. Please show to the extent to which you think such a _____ company would possess the feature described by each statement. If you feel a feature is *absolutely essential* for excellent _____ companies, circle 7. If your feelings are less strong, circle one of the numbers in the middle. There are no right or wrong answers – all we are interested in is a number that truly reflects your feelings regarding companies that would deliver excellent quality of service.

	Strongly disagree						Strongly Agree
1. Excellent_____ companies will have modern-looking equipment.	1	2	3	4	5	6	7
2.The physical facilities at excellent_____ companies will be visually appealing.	1	2	3	4	5	6	7
3.Employees at excellent_____ companies will be neat-appearing	1	2	3	4	5	6	7

	1	2	3	4	5	6	7
4. Materials associated with the service (such as pamphlets or statements) will be visually appealing in an excellent_____ company.	1	2	3	4	5	6	7
5. When excellent _____ companies promise to do something by a certain time they normally do.	1	2	3	4	5	6	7
6. When a customer has a problem, excellent _____ companies will show a sincere interest in solving it.	1	2	3	4	5	6	7
7. Excellent_____ companies will perform the service right the first time.	1	2	3	4	5	6	7
8. Excellent _____ companies will perform their services at the time they promise to.	1	2	3	4	5	6	7
9. Excellent _____ companies will insist on error free records	1	2	3	4	5	6	7
10. Employees in Excellent _____ companies will tell customers when exactly services will be performed.	1	2	3	4	5	6	7

	1	2	3	4	5	6	7
11. Employees in excellent _____ companies will give prompt services to customers.	1	2	3	4	5	6	7
12. Employs in excellent _____ companies will always be willing to help customers.	1	2	3	4	5	6	7
13. Employees in excellent_____ companies will never be too busy to respond to customers' requests.	1	2	3	4	5	6	7
14. The behaviour of employees in excellent _____ companies will instil confidence in customers.	1	2	3	4	5	6	7
15. Customers of excellent_____ companies will feel safe in their transactions.	1	2	3	4	5	6	7
16. Excellent _____ companies will be consistently courteous with customers.	1	2	3	4	5	6	7
17. Employees in excellent _____ companies will have the knowledge to answers customers questions.	1	2	3	4	5	6	7
18. Excellent _____ companies will give customers individual attention.	1	2	3	4	5	6	7

19. Excellent _____ companies will have operating hours convenient to all their customers.	1	2	3	4	5	6	7
20. Excellent _____ companies will have employees who give customers personal attention.	1	2	3	4	5	6	7
21. Excellent _____ companies will have the customers' best interests at heart.	1	2	3	4	5	6	7
22. The employees of excellent _____ companies will understand the specific needs of their customers.	1	2	3	4	5	6	7

Directions: Listed below are five features pertaining to _____ companies and the services they offer. We would like to know how important each of these features is to *your customers* when they evaluate a _____ company's quality of service. Please allocate a total of 100 points among the five features according to how important each feature is to your customers – the more important a feature is likely to be to your customers, the more points you should allocate to it. Please ensure that the points you allocate to the five features add up to 100.

1. The appearance of the _____ company's physical facilities, equipment, personnel and communication materials. _____ **Points**

2. The _____ company's ability to perform the promised service dependably and accurately. _____

Points

3. The_____ company's willingness to help customers and provide prompt service. _____ **Points**

4. The knowledge and courtesy of the company's employees and their ability to convey trust and confidence. _____ **Points**

5. The caring, individualized attention the _____ company provides its customers. _____ **Points**

Total points allocated 100 **Points**

Which one feature among the above five is likely to be *most important* to you? (please enter the feature's number) _____

Which feature is likely to be the *second* most important to you? _____

Which feature is likely to be the *least* important to you?

_____

5

Directions: The following set of statements relate to your feelings about XYZ Company. For each statement, please show the extent to which you believe XYZ Company has the feature described by the statement. Once again, circling a 1 means that you strongly disagree that XYZ Company has that feature, and circling a 7 means that you strongly agree. You may circle any of the numbers in the middle that show how strong your feelings are. There are no right or wrong answers – all we are interested in is a number that best shows your perceptions about XYZ Company.

	Strongly Disagree						Strongly Agree
1. XYZ Co. Has modern looking equipment.	1	2	3	4	5	6	7
2 .XYZ Co.'s physical facilities are visually appealing.	1	2	3	4	5	6	7
3. XYZ Co.'s employees are neat appearing.	1	2	3	4	5	6	7
4. Materials associated with the services (such as pamphlets or statements) are visually appealing at XYZ Co.	1	2	3	4	5	6	7
5. When XYZ Co. promises to do something by a	1	2	3	4	5	6	7

certain time, it does
so.

6. When you have a problem, XYZ Co. shows a sincere interest in solving it.	1	2	3	4	5	6	7
7. XYZ Co. performs the service right the first time.	1	2	3	4	5	6	7
8. XYZ Co. provides its services at the time it promises to do so.	1	2	3	4	5	6	7
9. XYZ Co. insists on error free records.	1	2	3	4	5	6	7
10. Employees in XYZ Co. tell you exactly when services will be performed.	1	2	3	4	5	6	7
11. Employees in XYZ Co. give you prompt service.	1	2	3	4	5	6	7
12. Employees in XYZ Co. are always willing to help you.	1	2	3	4	5	6	7
13. Employees in XYZ Co. are never too busy to respond to your requests.	1	2	3	4	5	6	7

14. The behaviour of employees in XYZ Co. instils confidence in you.	1	2	3	4	5	6	7
15. You feel safe in your transactions with XYZ Co.	1	2	3	4	5	6	7
16. Employees in v are consistently courteous with you.	1	2	3	4	5	6	7
17. Employees in XYZ Co. have the knowledge to answer your questions.	1	2	3	4	5	6	7
18. XYZ Co. gives you individual attention.	1	2	3	4	5	6	7
19. XYZ Co. has operating hours convenient to all its customers.	1	2	3	4	5	6	7
20. XYZ Co. has employees who give you personal attention.	1	2	3	4	5	6	7
21. XYZ Co. has your best interest at heart.	1	2	3	4	5	6	7
22. Employees of XYZ Co. understand your specific needs.	1	2	3	4	5	6	7

Appendix C - Model for Exploratory Research

General quality models

SME Characteristics

Suppliers

The pursuit of quality

Specific SME Quality Model

Customers

Company objectives

Employees

Marketing communications
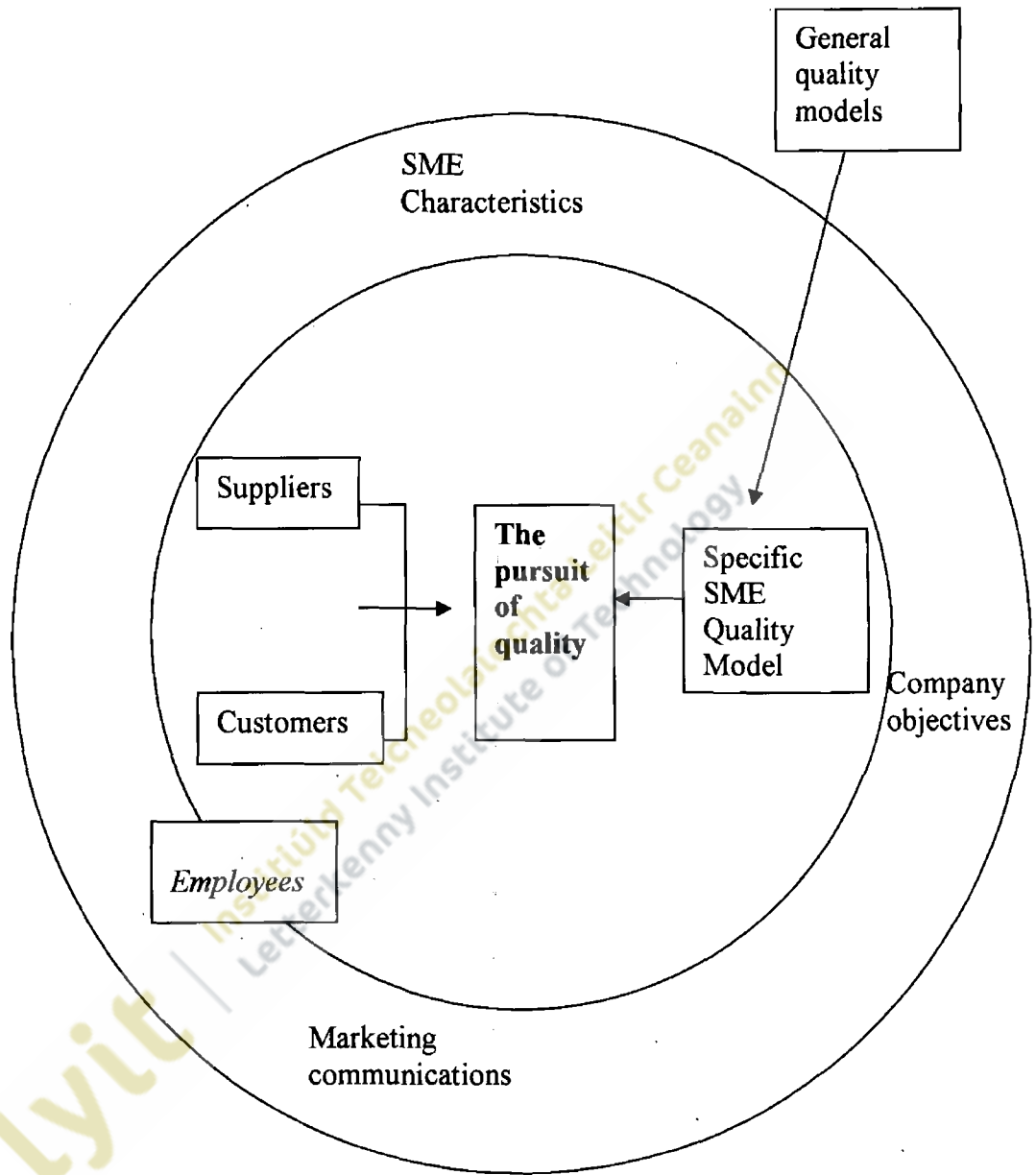
Appendix D - Interview Log

Company: McMenamin Engineering

Interviewee: Seamus McMenamin

Time: 17.05-17.50

Date: 20 November, 2003

Venue: Letterkenny I.T

Company: Riverview Meats

Interviewee: Willie Houston

Time: 16.00-16.40

Date: 21 November, 2003

Venue: On site, St. Johnston

Company: Alba Fab Teo

Interviewee: Jim Doherty

Time: 16.00-16.45

Date: 22 November, 2003

Venue: Interviewee House, Bunbeg

Company: Macs Mace

Interviewee: Eunan MacIntyre

Time: 10.20-11.15

Date: 24 November, 2003

Venue: Letterkenny I.T.

Company: MH Associates

Interviewee: Greg Smeaton

Time: 16.05-16.05

Date: 24 November, 2003

Venue: On site, Letterkenny

Company: Impacto Print

Interviewee: SammyWattson

Time: 17.20-18:40

Date: 24 November, 2003

Venue: On site, Letterkenny

Company: FM Cleaning

Interviewee: Annette Houston

Time: 15.30-16.05

Date: 25 November, 2003

Venue: On site, Letterkenny

Company: Mc Eleney Construction

Interviewee: Donal McEleney

Time: 15.15-16.05

Date: 27 November, 2003

Venue: His house, Leterkenny

Company: J Motorhomes

Interviewee: John Fenton

Time: 14.35-15.35

Date: 1 December, 2003

Venue: On site, Ballyshannon

Company: Fluid control

Interviewee: Leslie Bert

Time: 16.35-17.05

Date: 1 December, 2003

Venue: On site, Killybegs

Company: Heidis Cakes

Interviewee: Heidi Mullan

Time: 18.35-19.20

Date: 1 December, 2003

Venue: Letterkenny I.T.

Company: Inishowen Country Kitchen

Interviewee: Helen Steward

Time: 16.30-17.10

Date: 4 December, 2003

Venue: On site, Inishowen

Company: McDaid Minerals

Interviewee: Edward McDaid

Time: 12.25-12.50

Date: 8 December, 2003

Venue: On site, Letterkenny

Company: Inishowen Engineering

Interviewee: Michael McKinney

Time: 16.30-17.15

Date: 8 December, 2003

Venue: On site

Company: McGinley & Sons

Interviewee: Nicola Friel

Time: 15.50-16.30

Date: 11 December, 2003

Venue: On site

Company: Callaghan Kitchens

Interviewee: Fidelma Callaghan

Time: 14.00-14.40

Date: 12 December, 2003

Venue: On site

Company: Lough Derg

Interviewee: Deborah Maxwell

Time: 11.55-12.20

Date: 19 January, 2004

Venue: On site

Appendix E – Theme Sheet

A. Management Characteristics

SME characteristics and objectives

Describe your reasons for running this business?

What satisfies you with respect to the success of your business?

Do you find that your original objectives and standards needed to change during the course of your business, why?

Describe the business constraints you encounter

What is the main goal of each department within your company?

Marketing

Do you use any marketing communications?

How many people are involved in marketing and quality?

Which is the better course for SMEs to oversell or under sell?

B. People

Suppliers

What contact do you have with your suppliers?

What dimensions of your supplier relationships would you like to improve?

Customers

What contact do you have with your customers?

What do you think equals a satisfied customer?

Are customer requirements achievable?

What dimensions of your customer relationships would you like to improve?

Employees

What do you feel is the main purpose of employees within your company?

What do you feel are the most important qualities when recruiting employees?

Describe the training, if any, that employees receive

What is the most suitable way to reward excellent employees?

How do your employees know what your main business aim is?

How do your employees know when you are not achieving this?

How are employees made aware of what is expected of them

How are employees supervised?

How is employee performance measured?

C. The pursuit of quality

What does quality mean to your company?

How do you guarantee quality?

What quality methods/models are you aware of?

Do you think quality models are relevant for small business and why

What quality tools are suitable for SMEs

Is there any quality methods used in other industries that you think would be useful

for small business if the support were there?

Appendix F – Quantitative Research Covering Letter

Institiúid **Teicneolaíochta** **Leitir Ceanainn**	**Letterkenny** **Institute of Technology**

14 June 2005

Re: Masters of Business Studies by Research

Dear Company Director,

My name is Vicky O'Rourke and I am presently undertaking a Masters of Business Studies by Research at Letterkenny Institute of Technology, Letterkenny, Co. Donegal.

My research involves conducting a survey of service businesses to look at quality issues. This survey is being sent out to a sample of small service businesses over Ireland. All responses will be treated in the strictest confidence.

My research depends on a high response and I would be very grateful if you could take the time to complete the enclosed survey and return same in the prepaid envelope provided.

I will be happy to send you a summary of the research findings once completed.

Should you have any queries, please do not hesitate to contact me on the below details.

Thanking you in advance for your time,

Vicky O'Rourke, BBS (Mkt), MMII (Grad)
074 918 6823 / 086 1702984
vicky.o'rourke@lyit.ie

Appendix G – Questionnaire

QUESTIONNAIRE FOR OWNER/MANAGERS

This survey is for a Masters of Business Studies (Research) being undertaken by Vicky O'Rourke at Letterkenny Institute of Technology. It is designed to discover the nature of quality and services marketing in small businesses.
All responses will be treated in the strictest confidence.

Section 1: Customer Expectations

1. Do you ever look to other companies for service ideas? *(Please tick)*

Never ☐   Occasionally ☐   Sometimes ☐   Often ☐   Always ☐

Please give the reason for your answer

2. Have you ever formally identified what customers perceive to be the important elements of your service? *(Please tick)*

Yes ☐   No ☐

If you have answered 'No', please give the reason for your answer

If you have answered 'No', please go to question 5

3. How often, if ever, do you review what customers perceive to be the important elements of your service? *(Please tick)*

Never ☐   Occasionally ☐   Sometimes ☐   Often ☐   Always ☐

4. How often, if ever, do you use any of the following tools to help identify customer needs? *(Please rate the frequency of usage for each tool from 1-5, where 1= never use to 5= always use)*

	Never use 1	2	3	4	5 Always use
Survey	☐	☐	☐	☐	☐
Focus group	☐	☐	☐	☐	☐
Complaint analysis	☐	☐	☐	☐	☐
Observation	☐	☐	☐	☐	☐

Other (please specify)

5. How often, if ever, do the following forms of upward communications (from employees to management) take place within your business? *(Please rate each form of communication from 1-5, where 1= never used and 5= always used)*

	Never used	1	2	3	4	5	Always used
E-mail		☐	☐	☐	☐	☐	
Face to face		☐	☐	☐	☐	☐	
Formal meetings		☐	☐	☐	☐	☐	
The grapevine		☐	☐	☐	☐	☐	
Telephone		☐	☐	☐	☐	☐	

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6. Overall, how satisfied/ dissatisfied are you with the timeliness of upward communications (from employees to management) within your business? *(Please tick)*

Very satisfied	Somewhat satisfied	Neither satisfied nor dissatisfied	Somewhat dissatisfied	Very dissatisfied
☐	☐	☐	☐	☐

7. What, if anything, regarding upward communications would you like to see improved?

Section 2: Service Quality Standards

1. Do you have a written document describing the service you provide for customers? *(Please tick)*

Yes ☐   No ☐

If you have answered 'No', please go to question 3

2. To what extent is your service carried out as described in the written document? *(Please tick)*

Never ☐   Occasionally ☐   Sometimes ☐   Often ☐   Always ☐

3. Do you have written service standards?

Yes ☐   No ☐

4. To what extent are customer needs used as the basis for setting service standards? *(Please tick)*

Never ☐   Occasionally ☐   Sometimes ☐   Often ☐   Always ☐

If you have answered 'Never', please go to question 6

5. Please rate the frequency with which you use any of the following to monitor achievement of these service standards (please rate each from 1-5, where 1= never use and 5= always use)

	Never use	1	2	3	4	5	Always use
Intuition		☐	☐	☐	☐	☐	Other (please
specify)		☐	☐	☐			
Check lists					☐	☐	
Customer complaints		☐	☐	☐	☐	☐	

6. Using the scale below, please rate the suitability of the following tools for monitoring customer satisfaction in your business irrespective of whether you use them or not *(Please tick the relevant box on each scale)*

Survey	*Not at all suitable*	☐	☐	☐	☐	☐	☐	☐	*Very suitable*
Focus group	*Not at all suitable*	☐	☐	☐	☐	☐	☐	☐	*Very suitable*
Customer complaints	*Not at all suitable*	☐	☐	☐	☐	☐	☐	☐	*Very suitable*
Observation	*Not at all suitable*	☐	☐	☐	☐	☐	☐	☐	*Very suitable*

If you use any other tools for monitoring customer satisfaction not mentioned above, please describe

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7. Which of the following methods of communications are used to communicate with employees in your business? *(Please tick all that apply)*

Formal meetings ☐	Reports ☐	E-mail ☐	Newsletters ☐	Other (please specify)
Memos ☐	The grapevine ☐	Telephone ☐	Notice boards ☐	☐

8. What, if anything, about communications with employees would you like to see improved?

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Section 3: Service Performance

1. Please indicate the number of employees within your company *(Please tick)*

Less than 10 ☐   11-50 ☐   51- 250 ☐

2. In the last year, how often, if at all, were individual employees given training on service delivery? *(Please tick)*

Not at all ☐   One or two times ☐   Three or four times ☐   More than four times ☐

3. **Please indicate your degree of agreement/ disagreement with the following statements** *(Please tick the relevant box on each scale)*

	Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree
'I am satisfied with the training provided for employees'	☐	☐	☐	☐	☐
'The setting of targets motivates employees'	☐	☐	☐	☐	☐
'The costs of training are too expensive'	☐	☐	☐	☐	☐
'Loss of man hours is a major difficulty with employee training'	☐	☐	☐	☐	☐
'Employees are happy with training provided'	☐	☐	☐	☐	☐
'The provision of training motivates employees'	☐	☐	☐	☐	☐
'The reward package motivates employees'	☐	☐	☐	☐	☐

4. How often, if ever, do you set performance targets for employee tasks? *(Please tick)*

Never ☐   Occasionally ☐   Sometimes ☐   Often ☐   Always ☐

If you have answered 'Never' please give your reasons

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5. How often, if ever, are performance targets for employees revised? *(Please tick)*

Never ☐   Occasionally ☐   Sometimes ☐   Often ☐

6. How often, if ever, do you monitor employee task performance? *(Please tick)*

Never ☐   Occasionally ☐   Sometimes ☐   Often ☐   Always ☐

If you have answered 'Never' please go to question 8

7. Please rank the following methods for monitoring employee performance from1-3, where 1= use most often and 3= use least often

Spot checks ☐   Intuition ☐   Supervisors ☐   Other _____

8. What difficulties, if any, do you experience with monitoring employee performance?

9. How often, if ever, do you provide feedback for employees on their performance? *(Please tick)*

Never ☐   Occasionally ☐   Sometimes ☐   Often ☐   Always ☐

If you have answered 'Never' please go to question 11

10. What difficulties, if any, do you experience when providing feedback for employees on their performance?

11. How often, if ever, do you communicate business results to employees? *(Please tick)*

Never ☐   Occasionally ☐   Sometimes ☐   Often ☐   Always ☐

If you have answered 'Never', please go to question 13

12. Please rank the following methods of communication of business results according to how often you use them *(Please rank 1-4, where 1= use most often and 4= use least often)*

Memo ☐   Formal meeting ☐   Face to face ☐   The grapevine ☐   Other _____

13. How satisfied/ dissatisfied do you feel customers are with each of the following areas of your service? *(please rate each area from 1-5, where 1= not at all satisfied, 5= very satisfied)*

	Not at all satisfied 1	2	3	4	5 Very satisfied
The physical facilities (e.g. premises)	☐	☐	☐	☐	☐
The appearance of employees	☐	☐	☐	☐	☐
Employees' ability to perform the promised service	☐	☐	☐	☐	☐
Employees' accuracy of performance of the promised service	☐	☐	☐	☐	☐
Employees' dependability of performance of the promised service	☐	☐	☐	☐	☐
Employees' willingness to help customers	☐	☐	☐	☐	☐
Employees' willingness to provide prompt service	☐	☐	☐	☐	☐
Employees' knowledge	☐	☐	☐	☐	☐
Courtesy of employees	☐	☐	☐	☐	☐
Employees' ability to inspire confidence	☐	☐	☐	☐	☐
The caring attention employees provide to customers	☐	☐	☐	☐	☐
The individualised attention employees provide to customers	☐	☐	☐	☐	☐

Section 4: Communications

1. **How often, if ever, do you use the following methods to inform customers about your service?** *(Please tick the relevant box on each scale)*

	Never	Occasionally	Sometimes	Often	Always
Face to face	☐	☐	☐	☐	☐
Telephone	☐	☐	☐	☐	☐
Personal selling	☐	☐	☐	☐	☐
E-mail	☐	☐	☐	☐	☐
Advertising	☐	☐	☐	☐	☐
Promotions	☐	☐	☐	☐	☐
Publicity	☐	☐	☐	☐	☐

If you use other methods, please list them

_____

2. How satisfied are you with the perceptions customers have of your service? *(Please tick)*

Very satisfied	Somewhat satisfied	Neither satisfied nor dissatisfied	Somewhat dissatisfied	Very dissatisfied
☐	☐	☐	☐	☐

If you find you are somewhat / very satisfied, please go to Section 5

3. What do you think causes customers to have negative perceptions of your service? *(Please tick all that apply)*

Employees ☐   Advertising ☐   Unrealistic customer expectations ☐

Under promising ☐   Over promising ☐   Other (please specify) _____

Section 5: Quality Management and Small business

1. Have you ever heard of any of the following quality programmes/ models? *(Please tick those you have heard of)*

Total Quality Management (TQM) ☐   Statistical Process Control (SPC) ☐   Benchmarking ☐

ISO9000 ☐   European Foundation for Quality Management (EFQM) ☐

2. Which, if any, of the following quality models/ programmes are relevant for small business *(Please tick all that apply)*

TQM ☐   SPC ☐   Benchmarking ☐   ISO9000 ☐   EFQM ☐

3. Please indicate your degree of agreement /disagreement with the following statements *(Please place a tick on each scale)*

	Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree
Quality programmes/ models are beneficial for small business	☐	☐	☐	☐	☐
Quality programmes/ models are applicable for your business	☐	☐	☐	☐	☐

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4. Have you ever implemented a quality programme/ model within your business? *(Please tick)*

Yes ☐   No ☐

If you have answered yes, what model/ programme and when?

Programme/ Model   Year of implementation

_____   _____

_____   _____

5. Are you following a quality programme/ model presently? *(Please tick)*

Yes ☐   No ☐

*If you have answered 'Yes', please state which one(s)*_____

6. Do you intend to pursue a quality programme/ model in the future? *(Please tick)*

Yes ☐   No ☐

Please give reasons for your answer

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7. Who is responsible for quality in your company? *(Please tick one)*

Owner/manager only   Other manager/ supervisor only   Nominated employee(s)   Everyone   No one
        ☐   ☐   ☐   ☐   ☐

8. To what extent would the following factors discourage you from pursuing a quality programme/ model? *(Please rate the following factors from 1-5, where 1 = discourage to a little extent and 5= discourage to a large extent)*

	A little extent				A large extent
Manpower	1	2	3	4	5
Time	1	2	3	4	5
Money	1	2	3	4	5
Expertise	1	2	3	4	5
Customer demands	1	2	3	4	5

Other (please specify)
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│   │
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9. Would you expect to see any of the following benefits as a result of implementing a quality model? *(Please tick all that apply)*

Time savings ☐   Money savings ☐   Decreased wastage ☐   Increased customer service ☐

Are there any other benefits you would expect to see as a result of implementing a quality model?

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│   │
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Thank you for taking the time to complete this survey

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Appendix H – Kompass Letter

Vicky O'Rourke
Letterkenny Institute of Technology
Port Road
Letterkenny
Co Donegal

June 3, 2005

RE: Kompass Database Sample

Dear Vicky,

This is to confirm that we hold approximately 90% of all actively trading businesses in the state on our files.

These would cover all business sectors and we have provided you with a representative sample of 800 of the <u>service</u> businesses in an electronic format

This sample would be based in proportion to the percentages of companies from the 4 provinces on the Kompass database

It would also be in proportion to the company size, based on employee numbers from the E.U. classification. That is:

    smes = lees than 250 employees
    small enterprise = less than 50 employees
    micro enterprises = less than 10 employees

Yours sincerely,

Donal Anthony
Direct Marketing Department,
KOMPASS IRELAND.

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