

**SRI LANKAN**

# **JOURNAL OF SERVICE MANAGEMENT**

**A Publication of the Sri Lanka Institute of Service  
Management**

**VOLUME 2, ISSUE 1  
June 2021**

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## Editorial

It is indeed delighted to present the second issue of the Sri Lankan Journal of Service Management (*SLJSM*) of the Sri Lanka Institute of service Management (SLISM) for year 2021. Two years ago, we initiated the Journal to discuss the research-based knowledge for identified issues in the service industry in Sri Lanka.

There is a common myth among the practitioners that, academic publications are too technical in nature and hence has a less practical value. To overcome such barrier, the *SLJSM* has articulated through a very pragmatic approach which captures the attention of a large audience. SLISM believes that, the knowledge created through research is not just for reporting purposes but also for the application at a great deal. With these endeavors, the primary aim of the Journal is to bring a diverse range of warranted knowledge that can be translated in to practice in the service industry. Towards this end, the second volume consists with four research articles and one book review in Services Management.

In the first article, *Mihiranga U.K.P, Samarasinghe G.D. AND Kuruppu G.N.* conducted a case study from telecommunication industry in Sri Lanka to investigate the impact of dimensions of service contract management on their service quality and thereby found that, management of the customer relationship and technology transfer aspects of service contracts are the key factors on service quality. Hence the article recommends, employees including top management must build up better relationships with the vendors to obtain a better-quality service.

The second article brings a discussion on Servitization and its influence on Business Performance by Maheepala, S. This is a systematic literature review which laid a base for future research to open their research discussion on most emerging area of service management research which breaks the line between the knowledge of manufacturing versus services. The pertinent knowledge of this paper is interdisciplinary and realistic and provide insights to practicing managers on the relevance of servitization, supply chain collaboration,

customer relationship orientation, and market orientation in enhancing business performance.

Dissanayake, D.M.R. presents the third article on, Sensory Marketing: A Review on Services Marketing Applications. Sensory marketing is a novel field of study where, consumers engage with brands based on feelings, mental images and emotions attributed within. The article discusses the multi-sensory marketing could create such emotional values to consumers engaging with brand.

Service quality in aviation industry is crucial but less research is done in Sri Lankan context. The fourth article in this volume by Abeywardena, J. A. M. D. S. S and Rathnayake, S have bridge the gap by investigating the service quality driven growth at Airport and Aviation Services in Sri Lanka. This is a very comprehensive analysis explaining the theoretical and practical aspects in one platform. This study also offers a preliminary framework and thereby giving a foundation for further research within the Sri Lankan context.

Finally, Udunwara, M presents a book review of '*Service Management: Concepts principles and applications for Sri Lanka*' authored by Gunawardane, G. in 2017. This is the very first book in Services management written in Sri Lanka. As Udunuwara claims, the most remarkable feature of the book is the substantial customization of theoretical knowledge with the Sri Lankan based pragmatic approaches that enriches the value of the book as a knowledge base for both academics and practitioners.

SLISM Editorial board appreciation also goes out to all the contributors for their thought-provoking research and findings. It is hoped that their efforts will provide further inspiration for the progress of the research to address real-life business issues. We would also like to extend our gratitude to the reviewers, language editorial team and the printer, for their diligent and voluntary support in assisting to bring this issue to realization.

Nilakshi Galahitiyawe (PhD)

Chief Editor

## **Managing service contract and service quality; A case from telecommunication industry.**

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### **Executive Summary**

Outsourcing plays a major role in Sri Lankan telecommunication industry by targeting cost reduction and task specialization to get the competitive advantage over rivalries. Managed Services is one of the most important type of outsourcing which can be predominantly seen in telecommunication industry in the Sri Lankan context. Operation and maintenance cost of the network elements takes a huge portion of the total OPEX and there is a trend of outsourcing them to vendor companies for the benefit of the operator. On the other hand the quality of service is utmost important while looking for cost reduction as it is the attractive part of customer engagement within the business environment. But there is trade-off between cost reduction and service quality of the operation. It seems to appear some issues associated with the overall service quality of a Managed Service Contract although the cost of operations is reduced to a certain level. Therefore, it is vital to identify the critical factors which affect the service quality of Managed Service Contract in the Sri Lankan context. The authors have chosen the quantitative deductive approach and the data was gathered from 83 top and middle level managers in the telecommunication sector who are

directly engaged with Managed Service Contracts through a questionnaire survey. Both SPSS and Smart PLS software packages were used to carry out the exploratory and confirmatory factors analysis for the initial data refinement and evaluating the overall model respectively. Quantitative data collected via questionnaires were analysed by using inferential techniques such as descriptive statistics and linear regression. The customer relationship and technology transfer of Managed Service Provider have been found as key factors on service quality of Managed Service Contract. Further, it was found that the relationship with the customer was the most critical factor and that there was no reward of technology transfer mechanisms. Hence, the findings of the research can be used by the stakeholders in telecommunication sector to increase the service quality of the Managed Service Contracts.

**Keywords:** Service Contract, Service Quality, Customer relationship, Telecommunication Industry

## **1. Background of the study**

As of today, the competition among operators has become more competitive with the entrance of new mobile operators during the past decade within Sri Lanka with the advancement of the telecommunication industry. Currently, there are five mobile operators namely Mobitel, Dialog, Hutch, Etisalat and Airtel functioning in the Sri Lankan telecommunication industry (Telecommunication Regulatory Commission of Sri Lanka [TRCSL], 2017). Now the mobile telecommunication industry has reached its maturity stage due to the small size of the market and comparatively large number of operators compared with neighbouring Asian countries. As a result, existing five players in the market are contesting with each other for survival. This competition led to a price war and every operator had to reduce the tariffs to retain their market share which seriously affects their bottom line operation (Somaweera, 2010). TRCSL had to impose a price floor to end this price war in 2011. Therefore, today the cellular phone has become a commodity product and tariff rate is no longer a competitive tool. As a result, acquisition and retention of subscribers has become a huge challenge for every operator (UKessays, 2018).

Primarily, the operators should attempt to reduce the customer churn, enhance customer satisfaction and loyalty and try to attract subscribers from other operators to gain a competitive advantage (Somaweera, 2010). It is necessary to go for two main strategies namely cost leadership and differentiation to achieve a sustainable competitive advantage (Porter, 1985). Reduction of the tariff would be the only option to get the cost leadership over other operators and the differentiation of services can be fulfilled by introducing innovative aspects such as Value Added Services (VAS) to attract new and retain



existing customers in the market place (BuddeComm, 2018). It would be a great opportunity to create prestige attachment between the service provider and end user and huge investment will be required for innovations and research and development activities. Hence, the increase in the sales volume and a reduction in the cost of operational activities would be more preferred to achieve this challenge (Somaweera, 2010).

UKessays (2018) stated that the telecommunication industry has been reached to its maturity stage and it cannot expect profit from the initial selling of services but from the customer existence in long run with high loyalty. As per the current chairman of SLT and Mobitel (Sirisena, 2016), Sri Lankan telecommunication industry has been overcrowded and highly competitive during the past few years alerting medium scale risk to all the telecom operators in the country. In contrast, BuddeComm (2018) states that the Sri Lankan telecommunication market is experiencing strong growth and it will grow slowly over the next five years. Lanka Business Online (2016) on the other hand states that three out of five mobile operators are still experiencing losses due to the heavy competition among each other and their initiative towards expanding mobile services will be further affected due to this matter.

Most of the industries including telecommunication all around the world tend to look for strategies to decrease the cost of their business processes and outsourcing some of them to third party organizations which have core competencies on that area (Cairns & Sliwa, 2008). Out of well-known strategies of outsourcing, Management Contract or Managed Services Contract is dominant in the telecommunication industry to reduce the operational expenses of field operations (Taga, Virag, Faggiano & Russel, 2015).

As per the interview the first author had with the Operation Manager of Bharathi Airtel, all five mobile operators are dealing with Managed Service Contracts in order to outsource some of their key functions such as their call centre, network operating centre, operation and maintenance of active and passive equipment, marketing, network implementation, transportation and logistics, infrastructure handling, Human Resource Management, etc. Mainly the Bharathi Airtel outsourced all their maintenance related to the active and passive operations through Managed Service Contract to several kinds of vendor companies in different geographical areas in 2009. As per the interview with the head of operation and maintenance, Etisalat Lanka (pvt) Ltd had awarded Managed Service Contract to Mobiserve Lanka (pvt) Ltd for their maintenance related to the both passive and active operations at the latter part of the year 2016. Dialog Business Services (Pvt) Ltd has formed a fully owned subsidiary to promote Business Process Outsourcing services like call centre operations in Sri Lanka in 2016 (Lanka Business Online, 2016).

Service quality is one of the main criteria for evaluating better Managed Service Contract and cost reduction is also to be taken in to consideration at the same time. Maintaining better quality of services at a low cost is one of the major challenges that the companies have to face nowadays (Somaweera, 2010). However, it seems that there are some issues associated with the overall service quality of Managed Service Contract – although the cost of operations is reduced up to a certain level – as there is a trade-off between two factors. Ultimately, they may not be able to get the cost advantage due to the degradation of service quality of network operation which is directly affected to a life time of network infrastructure, warranty of network elements and finally the

satisfaction of end user (Interviewed Operation Manager Bharati Airtel, 2018). Therefore, it is vital to identify the critical factors which affect the service quality of Managed Service Contract in the Sri Lankan context.

Based on the problem statement, the author has developed two sub questions as below.

1. What is the current situation of the implementation of the Managed Service Contracts and its challenges in the telecommunication industry of Sri Lanka?
2. What are the possible factors that affect the service quality of a Managed Service Contract in the Sri Lankan telecommunication industry?

The authors have focussed on the objectives initially to carry out the situational analysis which describes the current trends, applications, advantages and disadvantage of implementing this concept. Then the focus was to identify the possible factors affecting the service quality of the Managed Service Contract and the impact of each factor on service quality of Managed Service Contract.

## **2. Literature review**

There are nearly 975 fixed and 7750 mobile or cellular telephone subscriptions all around the world and most of the operators have expanded their operations globally to acquire the international market (International Telecommunication Union [ITU], 2017). Voice and Data are the two dominant categories in which all the mobile operators are focussed on and nowadays major revenue component of all the operators are based on the data services. S&P global (2017) has reported that revenue growth of global telecommunication vendors is being decreased throughout the last 6 years. Under this condition, it is necessary to minimize the operational cost to maintain a considerable profit margin while keeping the quality of service. Hence all the telecommunication companies are looking to cost effective methods of reducing operational expenses and they have selected Business Process Outsourcing (BPO) as the solution to overcome this issue (Ochola, 2013).

There are three fixed and five cellular mobile operators in Sri Lanka (TRCSL, 2017). These operators have seen a continuous growth in cellular users throughout the last three decades over fixed telephone users with increasing number of mobile operators (TRCSL, 2017). There is huge competition among mobile operators to attract new customers while keeping existing customers to increase their customer base under the condition of exponentially growing mobile customers. The entrance of a new mobile operator, diminishing investment and uncertainty associated with the industry are some reasons which enable mobile operators to reduce tariff and increase their customer base (Jayawikramarathna, 2014). Outsourcing is the practice of delegating some of their activities usually performed within the organization to an

outside firm which has much more capabilities to do the same task in a cost effective manner (Cairns & Sliwa, 2008). Increasing number of competitors and expenditures associated with the telecommunication industry make the profit margin very low and create big challenge among service providers for the sustainability of the business (Economist Intelligent Unit, 2017). All the service providers have to provide better services to the customers at low cost by acquiring sufficient profit margin for the company. The largest cost component of the service providers is the operation and maintenance expenses. It includes the salary of the field operation team, transportation cost, rental of regional offices, etc. (Jethro & Gustav, 2009). The cost associated with the maintenance of the network element covers 65% to 70% of the total operational expenses. Nowadays all the operators around the world are looking for cost effective and economical way of doing business.

The company can save a huge amount of money by cutting down the cost through outsourcing human resources and pay more attention to their core competencies to get a competitive advantage (Ochola, 2013). There can be different kind of BPO models namely: staff augmentation, out-tasking, project based outsourcing and Managed Service (Subramanian & Williams, 2007). In Managed Service model, the vendor company is responsible for taking full ownership to deliver the assigned service on behalf of the client and their responsibilities include designing, executing, monitoring, controlling, formulating processes and signing off service deliveries (Galahitiyawe, 2020). Managed Service is a kind of service that particular organization hires a external party firm to deliver service on its behalf (Esonwune, 2010; Galahitiyawe, 2020). Prasher (2015) states that the main factor of a

Managed Service Contract is the quality of the services related to preventive, routing and corrective maintenance carried out by the contractor. Allen (2012) suggests some indicators such as procurement budget, stakeholder commitment, internal relationship, customer relationship can be considered as critical success factors for achieving better service quality of Managed Service Contract. Malhotra and Vashistha (2016) identifies some critical success factors which should be closely managed to ensure the successful engagement with service quality. Technology transfer, effective communication, productivity improvement, pricing and invoicing, acceptance criteria, governance and reporting and clear boundaries of scope can be expressed as key factors for better service quality (Ambrose, Marshall, Fynes, & Lynch, 2008; Lin, 1997; Galahitiyawee, 2020; Giannakis, 2007; Böhme, Childerhouse, Deakins, E., & Corner, 2008). By considering the key factors identified in the literature, the authors identified customer relationship and technology transfer to have a significant impact on Service quality of Managed Service Contract (Grover, Cheon, & Teng, 1996; Harryani, 2017).

### **3. Conceptual framework**

Service quality of Managed Service Contract can be considered as the dependent variable of the study (Wallin & Leijon, 2009) and independent constructs are customer relationship (Allen, 2012) and technology transfer (Malhotra & Vashistha, 2016). Figure 1 shows the conceptual framework of the study. Five independent variables are included under customer relationship construct such as trust, bargaining power, commitment, transparency and communication (Damlin et al., 2012).

#### *3.1 Hypotheses*

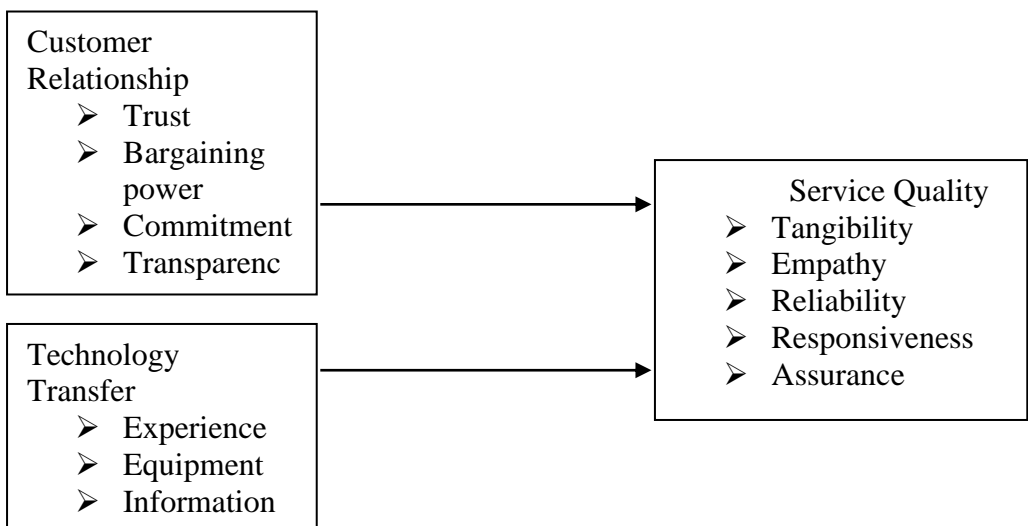
Allen (2012) stated that there is a significant impact of supplier/customer relationship on quality of service. It would be a necessary factor to maintain successful customer supplier relationship, especially for service-oriented organizations to deliver better service quality. Customer relationship will lead to a sustainable competitive advantage (Butte, 2004). According to Harryani (2017), service quality is influenced by the relationship between customer and supplier. Hence, the author developed first hypothesis as below. Butte (2004) stated that the relationship between customer and supplier is utmost important for the quality of the service offered by the service-oriented organization. According to Grover et al. (1996), service quality of vendor and partnership between vendor and client are so much important for outsourcing success.

Hypothesis 1: There is a positive significant impact of Customer Relationship on Service Quality of Managed Service Contract.

Bolatan, Gozlu, Alpkhan, and Zaim (2016) highlighted that there is a positive relationship between effective technology transfer and quality of service. In addition according to Brah and Lim (2006) & Verbano and Venturini (2012) found that there is a strong significant impact of effective technology transfer on service quality. Similarly, Nguyen and Aoyama (2015) evidenced that there is a significant impact of effective technology transfer on quality of service in service oriented organization. Hence, the author developed the second hypothesis as follows:

Hypothesis 2: There is a positive significant impact of Effective Technology Transfer on Service Quality of Managed Service Contract

Figure 1. Conceptual framework





#### **4. Methodology**

The findings of the study are based on observable and quantifiable data as the authors have followed the positivistic research methodology. The authors have validated a set of formulated hypotheses to see whether they can be confirmed or rejected during the research process. Hence it is more related to a deductive approach. Here the authors have analysed structured data collection instruments and examined the relationships between numerically measured variables with the application of statistical techniques where the quantitative strategy is employed. Experience, Equipment, Information and Management capabilities can be mentioned as the independent variables under the construct of technology transfer (Lin, 1997). These were incorporated into the questionnaire of the study. The questionnaire consisted of 48 questions for evaluating the independent and dependent constructs. 5.0 Likert scale was used for selecting the answers for the questions.

The entire population of the study for data collection was 105 people from the top and middle level management in aforementioned companies. When the population is small, the entire population can be considered as the sample. Therefore, this study considered the entire population as the sample and the questionnaire was distributed among 100 people as the remaining 05 people were un-reachable. From the 100 questionnaires sent, 83 responded to the online questionnaire and all the responses were taken into consideration for the data analysis. Considering the past data collection methods related to outsourcing in telecommunication industry, the authors also adopted a questionnaire survey for the primary data collection.

Quantitative data collected via questionnaires can be analysed by using inferential and descriptive techniques (Hsu, 2014). Hence, the authors

used multiple linear regression analysis and descriptive statistic as methods for the data analysis. IBM SPSS statistic 23 was used at the beginning of the data analysis especially for the data refinement using EFA (Exploratory Factor Analysis) and later Smart PLS version 3.2.7 for evaluating the model by using CFA (Confirmatory Factor Analysis) was used as tools for the data analysis. Smart PLS software package is recommended when it contains low number of samples as well as when the data gathered is not normally distributed (Puteh & Ong, 2017). The possible factors affecting the service quality of a Managed Service Contract were identified and the impact of each factor on the service quality of a Managed Service Contract was also evaluated.

## 5. Data analysis and presentation

If it considers about the descriptive statistics of constructs affecting to the service quality of Managed Services, Mean and Standard deviation of each variable is listed in Table 1.

Table 1. Descriptive analysis of construct

Construct	Mean	Std. Deviation	Argument
Customer Relationship	3.881	.49388	Towards agree
Technology Transfer	3.628	.61045	Towards agree

Table 2. Descriptive analysis of variables

Variable	Mean	Std. Deviation	Argument
CRPower	3.667	.71880	Towards Agree
CRTrust	3.802	.65038	Towards Agree
CRCommitment	4.062	.59887	Towards Agree
CRTransparency	3.844	.62824	Towards Agree
CRCommunication	4.029	.71336	Towards Agree
TTEperience	3.642	1.02845	Towards Agree
TTEquipment	3.451	.85734	Towards Neutral
TTInformation	3.531	.90948	Towards Agree
TTManagement	3.889	.73739	Towards Agree

measured using Likert measurement scale, customer relationship has the highest mean (3.881) and standard deviation of 0.49388 implying that most of the responses are within  $3.881 \pm 0.49388$  (3.387 - 4.375 on Likert scale). Technology transfer has less mean (3.628) with standard deviation of 0.610 and within the range of 3.018 – 4.238.

According to the Table 2, commitment under customer relationship has the highest mean of 4.062 with the standard deviation of 0.59887 within the range  $4.062 \pm 0.59887$  (3.463 – 4.66). Equipment under technology transfer owns the lowest mean of 3.451 with the standard deviation of 0.85734 within the range of  $3.451 \pm 0.85734$  (2.594-4.308). Equipment has the largest standard deviation of 1.0284 over all the variables. All the variables are towards to the “Agree” on Likert scale except Equipment which is focused towards to “Neutral”.

Structural Equation Modelling (SEM) technic is considered as most suitable for investigating causal relationship among independent and dependent constructs. It is more preferred to use smart PLS for analysis such as confirmatory factor, correlation and multi variant regression.

Table 3. Composite and convergent validity

Variables	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Assurance	0.724	0.724	0.845	0.644
Bargaining power	0.698	0.699	0.832	0.624
Commitment	0.450	0.478	0.780	0.642
Communication	0.748	0.765	0.855	0.664
Empathy	0.763	0.768	0.894	0.808
Equipment	0.741	0.748	0.885	0.794
Experience	1.000	1.000	1.000	1.000
Information	0.657	0.658	0.854	0.745
Management	0.689	0.689	0.865	0.763
Reliability	0.704	0.713	0.871	0.771
Responsiveness	0.596	0.615	0.830	0.710
Tangibility	0.750	0.753	0.857	0.667
Transparency	0.611	0.611	0.794	0.562
Trust	0.725	0.729	0.879	0.784

In smart PLS, different measurement “Composite reliability” is used to evaluate the internal consistency. Composite reliability values should be 0.7 or higher. According to Table 3, All the variables have the composite reliability values which are greater than 0.7. Convergent validity of the variables can be measured by using AVE (Average Variance Extracted) figures and it should be equal or higher than 0.5 (Bagozzi & Yi, 1988).

According to the Table 3, all the AVE values are higher than 0.5. Hence it fulfils the requirement of convergent validity.

Bootstrapping option is used to check whether the path coefficients of the inner model are significant or not. In this method, a huge number of subsamples are formulated by extracting the original sample to minimize the standard error while bootstrapping. The advantage of this method is that it approximates the normality of the data set. Two-tailed *t-test* under the T statistics is referred to evaluate the inner model of the study which is equivalent to the p value. “P value” at a significance level of 5% is equal to the T value of 1.96 and it can be said that T value of the path coefficient is significant if it is higher than 1.96 (Wong, 2013).

Table 4. Significant values of hypotheses

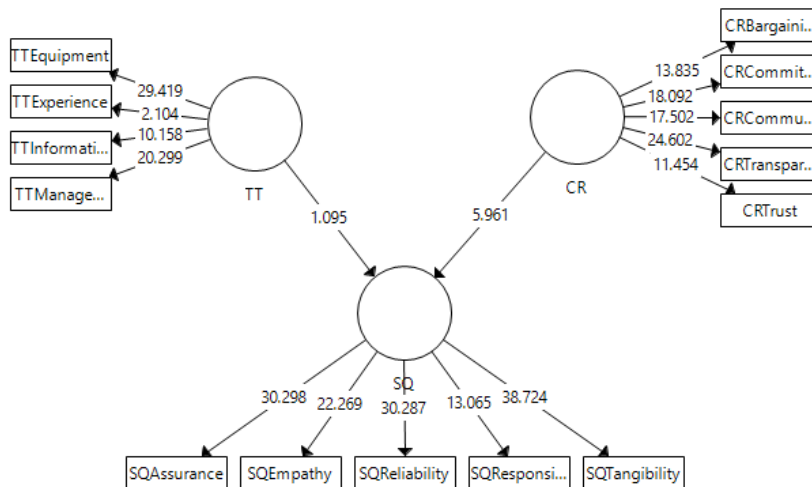
Hypotheses	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
CR → SQ	0.244	0.285	0.117	5.961	0.037
TT → SQ	-0.169	-0.185	0.099	1.095	0.087

According to Table 4, it is obvious that the P statistic of “CR→SQ” is less than 0.05 (0.037). Then the null hypothesis can be rejected and alternative hypothesis can be accepted within 95% confidence interval. Hence the path coefficient is significant for the relationship between CR

and SQ and it can be said that there is a significant impact of Customer Relationship on Service Quality of Managed Service Contract.

P statistic of “TT→SQ” is greater than 0.05 (0.087). Then the null hypothesis can be accepted and the alternative hypothesis can be rejected within 95% confidence interval. Therefore, the path coefficient is not significant for the relationship between TT and SQ and it can be confirmed that there is no any significant impact of Effective technology transfer on Service quality of Managed Service Contract.

Figure 2 shows the path coefficients, inner model and outer model for the structural model developed in smart PLS. Relevant T and P values are also mentioned. Figure 2 shows the structural model used to



evaluate the hypotheses by using smart PLS. As mentioned in Figure 2, the coefficient of determination, R<sup>2</sup>, is 0.582 for the endogenous latent construct SQ-Service Quality. It implies that the two latent variables; CR-customer relationship management and TT-effective technology transfer substantially explain 58.2% of the variance in SQ.

## **6. Discussion of findings**

Through literature from the global context and Sri Lanka found that the telecommunication industry has reached its saturated stage due to the heavy competition among telecom operators within the oligopoly market structure. Cost reduction rather than increasing the sales volume seemed to have been chosen by almost all the operators with a focus of reducing operational expenses. Managed Service Contracts are being encouraged among operators as a strategy to achieve this goal.

According to the literature, “Relationship between the customer and supplier” (Allen, 2012) and “Effective technology transfer” (Bolatan et al., 2016), are some of the possible factors which can affect the service quality of a Managed Service Contract in the Sri Lankan telecommunication industry.

It was found that the relationship between customer and supplier has a significant impact on Service Quality of Managed Service Contract. Similarly, Butte (2004) stated that it would be a necessary factor to maintain successful customer supplier relationship, especially for service-oriented organizations to deliver better service quality. Confirming the argument of Butte (2004) expressed that the relationship between customer and supplier is utmost important for the quality of the service offered by the service-oriented organization. Allen (2012) also stated that there is a significant impact of supplier/customer relationship on the quality of service. Further, it has found that technology transfer does not have a significant impact on service quality of Managed Service Contract. Contrast to the findings, Bolatan et al., (2016) highlighted that there is a positive relationship between effective technology transfer and quality of service. In the same manner, according to Brah and Lim (2006), Verbano and Venturini



(2012) found that there is a strong significant impact of effective technology transfer on service quality.

Technology transfer does not seem to significantly affect the service quality of Managed Service Contract in telecommunication industry in the Sri Lankan context because of the attitude and awareness of the persons who are working under Managed Serviced Contracts in Sri Lankan companies. Organization culture and leadership style of top management in MSP may be the other near possible reason for the failure of this factor.

Most possible reasons for rejecting the second hypothesis may be due to the way of managing culture and communication, morale of employees and innovations at work in Sri Lankan context. In a country like Sri Lanka, it is really difficult to address the management of cross cultural issues, communication styles of stakeholders, understanding each other's contexts for decision making. Morale management of employees who work in telecommunication industry is very poor when it is compared with a western country because there are no proper processes for teams to gain energy or any other mechanisms of restoration during high-stress periods (Wasalathanthri, 2016). According to Wasalathanthri (2016), the above factors can be considered as reasons for the second hypothesis to be rejected in the Sri Lankan context.

## **7. Conclusion**

This study was mainly carried out to identify the factors which can affect the service quality of Managed Service Contracts in Sri Lanka. The authors have explored the literature and found two factors viz. customer relationship and effective technology transfer which are suited for the study. Two hypotheses were built and it was found that there is a significant impact of customer and supplier relationship on service quality of Managed Service Contract, thus maintaining a good relationship between these two parties is utmost important for better service quality. On the other hand, the relationship between technology transfer and service quality was not significant according to the results found from the data analysis. Hence, from the Managed Service provider point of view, it is not necessary to put much effort on technology transfer mechanisms to deliver better service quality.

As a MSP (Managed Service Provider, it is a mandatory requirement to pay attention to the quality of services as it is one of the critical factors for getting a successful Managed Service Contract. Customer relationship plays a major role rather than technology transfer in the Sri Lankan context. Hence all the staff including top management must build up better relationships with the vendor party while dealing with official matters. Based on the outcomes of the study, it is obvious that the customer relationship is utmost important for better service quality of Managed Services Contract in the Sri Lankan context. Therefore, it is vital for managers within Managed Services firms to maintain a good rapport with customers building their trust, reducing the power difference between these two parties, enforcing higher levels of commitment, ensuring transparency of the processes and keeping effective communication among stakeholders. These factors

have been analysed as key variables under customer relationship in the study.

If the staff recruitment for MSP is considered, it is not necessary to recruit persons with significant experience in the telecommunication industry. It does not seem to be necessary to allocate more funds to purchase modern tools and equipment for field operational staff and it seems to be sufficient to manage with the current infrastructure with a moderate value. Sharing and claiming of installation and operation manuals of telecommunication equipment installed in the network does not seem to be important as there does not seem to be any planning and configuration part inbuilt in the service agreement. Usually, it can be fulfilled by using the assistance of NOC (Network Operating Centre) peoples and doing trial and error methods up to a certain extent. MSP does not need to worry about organizational structure and practices maintained by the mobile operators as the MSP has to cover up entirely different area in the management contract. All these implications were brought to deliver better service quality because effective technology transfer is not a critical success factor for a better service quality.

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# **Conceptualizing servitization and business performance relationships through a systematic review.**

Sameera Maheepala

## **Executive Summary**

The manufacturing business is entering a new era, whereby the pattern of production standards will make a significant impact on business performance globally. As such, traditional business models may no longer be valid, making it important to study new models. Therefore, the purpose of this paper is to identify the conceptual relationships among such constructs as servitization, customer relationship, supply chain collaboration, market orientation, and business performance. To this end, a systematic literature review has been carried out and a conceptual framework derived from the reviewed literature. Servitization acts as a mediating variable and has extended the relationships amidst customer relationship, supply chain collaboration, market orientation, and business performance. Consequently, the proposed conceptual framework adds to servitization literature. This study affords pertinent knowledge to practicing managers on the relevance of servitization, supply chain collaboration, customer relationship orientation, and market orientation in enhancing business performance.

**Keywords** : Servitization, customer relationship, supply chain collaboration, market orientation, business performance.

## **1. Introduction**

Over the past decade, there have been significant advancements in manufacturing strategy and evolution that have an effect on the production pattern globally (Brennan et al., 2015). Therefore, manufacturers operate closer to customer needs than ever before. Traditional capabilities have been expanded by manufacturers through servitized offerings. Further, there has been growing interest in the research and practices of service infusion in manufacturing as a competitive strategy to enhance business performance. Due to the evolving nature of the customer, service infusion has become a key strategy of manufacturing firms to lock-in the customer. In this context, servitization has been the most common typology used to explain this transition. Concepts such as service infusion (Kowalkowski, Kindström, Alejandro, Brege, & Biggemann, 2012), manufacturer service strategy (Raddats & Kowalkowski, 2014), integrated solutions (Davies, 2004), and servitization (Vandermerwe & Rada, 1988) have elucidated the systematic trend in service additions by manufacturing companies to prevail on competitive markets and improve business performance. Numerous authors have examined the immediate effect of servitization on business performance (Brax, 2005; Gebauer, Ren, Valtakoski, & Reynoso, 2012; Kastalli & Van Looy, 2013; Kohtamäki, Partanen, Parida, & Wincent, 2013; Maheepala, Warnakulasooriya, & Weerakoon Banda, 2015, Maheepala, Warnakulasooriya, & Weerakoon Banda, 2016; Maheepala, Warnakulasooriya, & Weerakoon Banda, 2017; Neely, 2008; Visnjic, Neely, & Wiengarten, 2012). There has been a significant conceptual connection between customer relationships and servitization in literature (Brady, Davies, & Gann, 2005; Brax, 2005; Tukker, 2004). Other authors discussed that supply chain collaboration

and networking are important to enhance servitization (Bikfalvi, Lay, Maloca, & Waser, 2012; Lockett, Johnson, Evans, & Bastl, 2011; Mathieu, 2001; Neely, Benedetinni, & Visnjic, 2011; Saccani, Visintin, & Rapaccini, 2014). The requirement of vertical integration for servitized firms is mitigated by strong relationships and collaborative work with suppliers (Baines, Lightfoot, & Smart, 2011). The differentiated product/service offerings, inclusive of special services to customers, are visible in market-oriented firms due to the enhancement of service orientation (Pelham, 1997). A positive relationship between customer-service-driven market orientation and superior performance in manufacturing can be identified in the literature (Wright, Pearce, & Busbin, 1997).

Some extant empirical studies conclude on the positive impact from market orientation, supply chain collaboration, and customer relationship on business performance (Narver & Slater, 1990; Cao & Zhang, 2011; Sin, Tse, Yau, Chow, & Lee, 2005; Vereecke & Muylle, 2006). The literature has independently established relationships among servitization and business performance, as well as customer relationship orientation and business performance, customer relationship orientation and servitization. Due to the fact that the literature has not provided evidence of the influence servitization has or could have on the relationship between customer relationship orientation and business performance. Therefore, the posited research questions are stated below.

RQ1: What is the effect servitization has on the relationship between customer relationship orientation and business performance?

In the literature, there exists a void in research on both industrial services and supply chain management (Lay, Copani, Jäger, & Biege, 2010). As such, this paper focuses on this knowledge gap by studying

the effect of servitization on supply chain collaboration and business performance.

RQ2: What impact does servitization have on to the relationship between supply chain collaboration and business performance?

Several authors elucidated the relationship between market orientation and business performance is indirect (Day & Nedungadi, 1994; Kajalo & Lindblom, 2015; Pelham, 1997). Further, how market-oriented firms deliver superior value and improve performance is unclear in the literature. Only Guo and Wang (2015) posed the question whether this happens owing to the industrial service strategy and identifies the effect of servitization on the relationship between market orientation and business performance. As a result, the subsequent research question addresses this gap.

RQ3: What relationship does servitization pose on the relationship between market orientation and business performance?

Having reviewed the above-mentioned link and literature gaps, it is thus imperative to conduct a systematic literature review on relationship servitization apropos of customer relationship orientation, supply chain collaboration, market orientation, and business performance with the provision that market orientation, supply chain collaboration, customer relationship, and servitization are key variables linked to business performance. Hence, it is sine qua non to study this conceptual link based on a systematic literature review. Therefore, the research problem in this paper is developing a conceptual relationship among the above constructs in accordance with the research questions above. The existing relationships are underpinned by several management theories. This research is mainly founded on the resource-based view, which encourages the development of resources and competencies to enhance

competitive advantage (Penrose, 1959; Wernerfelt, 1984). Accordingly, the dynamic capability view identifies the unpredictable external factors and importance of dynamic resources and competences (Teece, Pisano, & Shuen, 1997; Zollo & Winter, 2002) and the relational view delineates the importance of interfirm linkages for superior performance (Dyer & Singh, 1998; Lavie, 2006). This study accepts the importance of servitization as a competitive resource bundle proffered by the organization in a dynamic environment to enhance business performance. The relationships within the organization and between suppliers and customers are considered main factors to improve the servitization offering to the customer to achieve superior performance. Hence, the relational view is considered an underpinning theory in our research.

Therefore, the main objective of this study is to understand the existing links and develop a conceptual model between customer relationship orientation, market orientation, supply chain collaboration, business performance, and servitization. Ergo, a systematic review of related literature is deemed the most appropriate method. Further, a research methodology is adopted to conduct it and the findings are discussed in the next sections, whilst future research avenues are also possible based on the developed conceptual framework, as explained in the concluding section. Specifically, the research establishes a conceptual model, which can be used to conduct further research, and provides insights into improving business performance with servitized offerings in hyper-competitive markets in the second decade of the 21<sup>st</sup> century and beyond.

## **2. Methodology**

As previously mentioned, a systematic literature review is conducted to develop a conceptual relationship between the customer relationship, supply chain collaboration, market orientation, and business performance as per the following definition:

“A systematic review is a review of a clearly formulated question that uses systematic and explicit methods to identify, select, and critically appraise relevant research, and to collect and analyze data from the studies that are included in the review.” (Moher, Liberati, Tetzlaff, Altman, & PRISMA Group, 2009, p. 874)

Systematic reviews differ from traditional narrative reviews by adopting a repeatable, scientific and transparent process, which is relatively a new technique in management research (Lightfoot, Baines, & Smart, 2013; Tranfield, Denyer, & Smart, 2003). To this end, the literature was systematically scanned with selected search terms and the summary is depicted in Table 1. All relevant databases—Emerald, Taylor & Francis, Wiley Online, ScienceDirect, JSTOR, ProQuest, Sage, and Springer—are used to find the relevant articles. As servitization was introduced in 1988, peer reviewed journals published in English during 1988–2015 are used in this study.

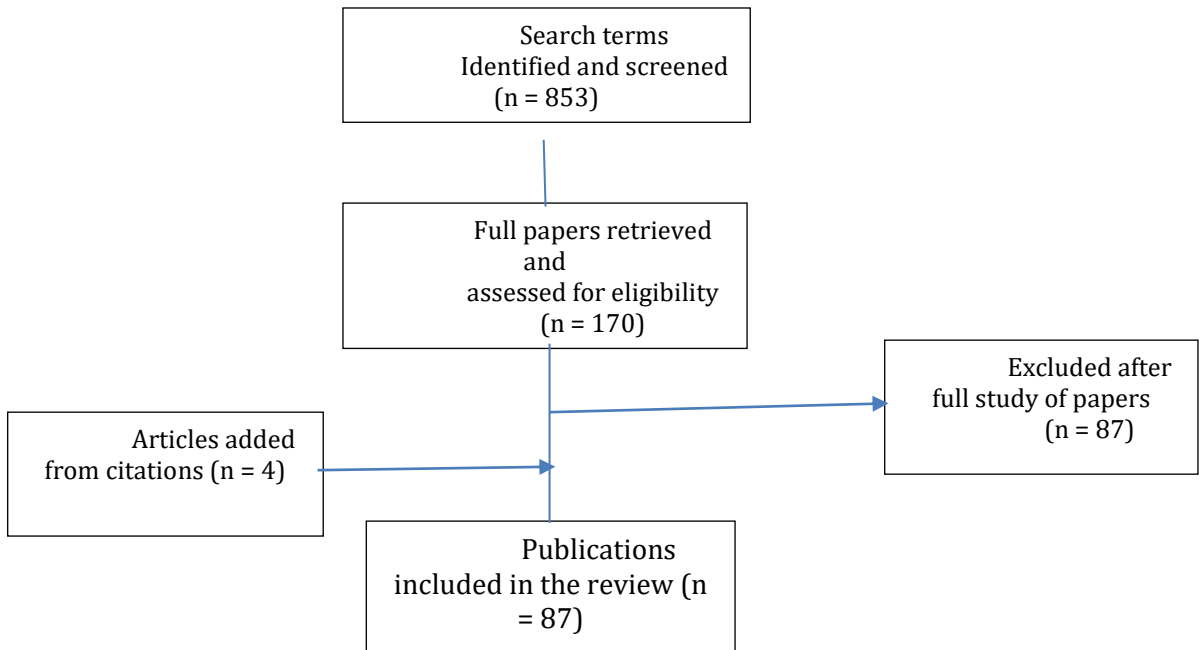
The systematic selection process shown in Figure 1 was followed to avoid publication bias. For example, to identify publications focusing on servitization and business performance, we search for articles containing the words “servitization” and “business performance.” Additionally, publications containing the terms “servitization and “profit,” “servitization” and “growth” were also screened from the above-mentioned publishers. Search criteria and relevant articles found

in each area are shown in Table 1. In total, 853 articles were identified and their titles and abstracts reviewed. As a result, 170 papers were found as directly relevant to our research objective and were further analyzed. After the selected 170 papers were screened in full, 87 papers were removed owing to the fact that their focus was outside the scope of this paper. The main reasons for their removal was that the search terms were only found in the literature review sections of those papers, hence their relevance to the scope of this study not being adequate. Four papers were subsequently added from the reference lists of the selected articles. These four papers were not included in the original list, as they were published in Harvard Review and Oxford Journals, which were not screened in the initial stage.

Table 1: Summary of search criteria

<b>Search Criteria</b>	<b>No. of Articles</b>
“Servitization” and “Business performance, profit, growth”	166
“Servitization” and “Supply chain”	282
“Servitization” and “Customer relationship”	286
“Servitization” and “Market orientation” or “Servitization” and “Customer orientation”	119
Total	853

Figure 1: Systematic review flow diagram



Source: adopted from (CRD, 2009, p. 26)

### 3. Discussion

The articles carefully selected for review based on the relationships between the variables presented in Table 1 are illustrated in Table 2. This is a common method of presenting systematically identified literature (Baines, Lightfoot, Benedettini, & Kay, 2009). The conceptual framework is developed based on the articles in Table 2 and the findings discussed in the following sections. While developing the conceptual framework, the research objectives were kept in mind to avoid deviations from the selected constructs



Table 2: Servitization literature on the selected constructs

Author(s)	Year	Research Method	Relationship	Orientation	Supply chain	Performance
Vandermerwe & Rada		C				
Wise & Baumgartner		C				
Homburg, Hoyer, &		Q				
Homburg, Fassnacht, &		Q				
Davies		Ca				
Johansson & Olhager		C				
Sawhney,		C				
Gebauer, Fleisch, &		Ca				
Hobday, Davies, &		C				
Brax		Ca				
Neu & Brown		Ca				
Davies, Brady, & Hobday		Ca				
Gebauer, Friedli, &		Ca				
Malleret		Ca				
Windahl & Lakemond		Ca				
Lusch & Vargo		C				
Gronroos		C				
Davies, Brady, & Hobday		Ca				
Tuli, Kohli, & Bharadwaj		Ca				
Lusch, Vargo, & O'Brien		C				
Fang, Palmatier, &		Q				
Gebauer		Q				
Jacob & Ulaga		C				
Matthyssens &		Q				
Nordin		Ca				
Vargo & Lusch		C				
Neely		Q				
Gebauer		Q				
Johnstone, Dainty, &		Ca				
Pawar, Beltagui, &		Ca				
Schmenner		D				
Shelton		C				
Baines et al.		Li				
Gebauer, Edvardsson, &		Q				
Gebauer, Fischer, &		M				
Gebauer, Paiola, &		Ca				

Gremyr, Löfberg, &		Ca			
Kapletia & Probert		Ca			
Kindström		Ca			
Lay et al.		Q			
Raddats & Easingwood		Ca			
Grönroos & Helle		C			
Priya Datta & Roy		Ca			
Eggert, Hogreve, Ulaga,		Q			
Gebauer, Gustafsson, &		Q			
Kowalkowski		C			
Kowalkowski,		Ca			
Li		Q			
Salonen		Ca			
Ulaga & Reinartz		Ca			
Lockett et al.		Ca			
Baines et al.		Ca			
Gebauer et al.		Li			
Hakanen & Jaakkola		Ca			
Bikfalvi et al.		Q			
Lertsakthanakun,		M			
Thawesaengskulthai & 01 ived					
Kastalli & Van Looy		Q			
Eggert et al.		Q			
Ferreira, Proença,		Ca			
Finne, Brax, &		Ca			
Finne & Holmström		Ca			
Bustinza, Parry, &		Q			
Gebauer, Paiola, &		Ca			
Jaakkola & Hakanen		Ca			
Kindström,		Ca			
Kohtamäki, Partanen,		Q			
Suarez, Cusumano, &		Q			
Kohtamäki, Partanen, &		Q			
Kowalkowski, Witell, &		Ca			
Paiola, Saccani, Perona,		Ca			
Spring & Araujo		Ca			
Storbacka, Windahl,		Ca			
Witell & Löfgren		Ca			
Baines, Lightfoot, Smart,		Ca			
Barnett, Parry, Saad,		Ca			
Lightfoot et al.		Li			
Eggert, Hogreve, Ulaga,		Q			
Jacob, Kleipaf & Pohl		M			
Lindahl, Sundin, & Sakao		Ca			

Parida, Sjödin, Wincent,		Q				
Saccani et al.		Ca				
Dachs et al.		Q				
Kindström,		Ca				
Kohtamäki, Hakala,		Q				
Dantanon, Parida, & Wincent	01	quantitati				*
Löfberg, Witell, &		Ca				
Raddats, Burton, &		Q				
Salonen & Jaakkola		Ca				
Li, Lin, Chen, & Ma		Q				
<p>Note: coding according to relevant constructs in the publication:  * = refers to, ** = detailed discussion of</p>						

### 3.2 Servitization and business performance

Scholars have delineated that manufacturers' services are more profitable than product sales. As such, organizations that provide additional services with the product are less sensitive to unfavorable economic cycles (Brax, 2005; Li et al., 2015). Servitization increases customer loyalty and locks-out competition (Vandermerwe & Rada, 1988). Wise and Baumgartner (1999) asserted that manufacturers should develop profitable service businesses to avoid the risk of thinner margins from product sales. Cohen, Agrawal, and Agrawal (2006) opined that every company must transform itself into a service business to survive and prosper. Manufacturing companies offer industrial product services to secure financial, strategic, and marketing benefits (Parida et al., 2014). However, Brax (2005) predicted a service paradox and Neely (2008) found servitized firms generate lower profit than pure manufacturing firms. Visnjic et al. (2012) elaborated that service breadth negatively affects profitability, while service depth has a positive impact on profitability. They proposed not to widen the service, but focus on selected service offerings that are rich in knowledge-

intensive service components. Visnjic et al. (2012) explained a curvy-linear profit relationship between interaction of service completeness and product R&D investment. Furthermore, they explained that combining knowledge intensive services with product innovation may result in an increase in profitability in the long term. Kastalli and Van Looy (2013) reported an overall positive effect of servitization on profitability. Moreover, they summarized that low levels of servicing results in steep profitability increases, while the scaling up of service activities results in a temporary decrease in profitability. Nevertheless, it re-emerges as a positive relationship once economies of scale and learning effects are achieved. Li et al. (2015), having conducted a survey on service paradox in China, reported that a significant positive relationship exists between servitization and business performance. The extant research on service offerings by manufacturing organizations provided overall positive results, whereas a few studies have revealed some negative effects (Neely, 2008). Although it was appropriate, there were few limitations inherent in Neely (2008), whereas the study compares profitability across multiple industries. The industry in which the company operates usually plays a key role in firm profitability. As per Li et al. (2015) companies in different industries servitize at different levels and, therefore, an industry-wise comparison between the profitability of servitized manufacturers and pure manufacturers would have been more appropriate. Furthermore, multi-industry studies can introduce a variety of uncontrollable environmental factors, which may suppress the actual relationships (Slater & Narver, 1999). Subsequent empirical studies, such as Gebauer (2009) and Gebauer et al. (2010), confirmed positive relationships between service orientation in business strategy and overall profitability. Moreover, Eggert et al.

(2014) confirmed industrial services can help manufacturing companies enhance their long-term profitability. However, Eggert et al. (2011) revealed that industrial service offerings do not automatically improve company profits and highlighted the importance of fit between service offerings and companies' product innovation activities for long-term profitability. A positive but non-linear relationship between the scale of service activities and profitability is another finding (Kastalli & Van Looy, 2013) that augment the findings of Neely (2008) . More recently, Li et al. (2015) contributed with a finding on the positive correlation between service quantity and a firm's return on equity in China.

Business growth opportunities become motivating factors for manufacturing firms to servitize (Visnjic et al., 2012; Parida et al., 2014). Further, manufacturing companies add services to achieve financial growth (Brax, 2005; Gebauer et al., 2012; Kohtamäki et al., 2013). The higher growth rate of the service sector compared with that of the manufacturing sector creates an opportunity for larger market size for servitized manufacturers (Wise & Baumgartner, 1999). In recent years, industrial manufacturers worldwide have deployed growing efforts in developing services in addition to their traditional core product business to secure long-term growth (Jacob & Ulaga, 2008). Kohtamäki et al. (2013) revealed a positive non-linear correlation between service offerings and sales growth. Furthermore, Kohtamäki et al. (2015) empirically suggested that a mediating role of service orientation exists in the relationships between service offerings, sales performance, and profit performance. Dachs et al. (2014) indicated that indirect turnover from services is higher than direct service turnover, due to the fact that the sales processes of manufactured products are mostly focused on attributes embedded in the physical products. Eggert et al. (2014)

revealed that services supporting clients' actions and those supporting supplier's products affect performance outcomes disparately. They also emphasized the importance of services supporting the clients to enhance the performance of the organization. Services supporting clients are customer-process-related services, such as research and development, consulting, training, and financing services.

Current studies related to the performance of industrial services consider the impact of servitization on firm profitability (Neely, 2008; Gebauer et al., 2012), market value (Fang et al., 2008), and sales growth (Kohtamäki et al., 2013). According to the reviewed literature, servitization has a strong link with business performance.

### **3.3 Customer relationship and servitization**

When introducing servitization, Vandermerwe and Rada (1988) clarified servitization is driven by customers and, hence, there is no difference from any other market-driven approach for the corporate strategy. The relationship between the customer and manufacturer plays a key role in designing an effective service strategy (Gebauer et al., 2006). Manufacturers providing services are thus benefitting through better customer relationships, where effective communication with the customers is needed throughout the service relationship (Brax, 2005; Tukker, 2004). Servitization requires transformation from transactional to relational marketing as it changes the nature and length of the relationship between supplier and customer (Neely, 2008). Moreover, it is necessary to co-produce value with the customer during servitization, where an effective relationship is imperative (Brax, 2005). Together with services, a customer can provide significant inputs and intensified insights into the production process (Reim, Parida, & Örtqvist, 2015). As

such, firms can gain service-based advantages and the strongest relationships with the most profitable customers (Wise & Baumgartner, 1999). Organizations can further extend customer satisfaction and loyalty by offering unique and unparalleled services to their customers (Brady et al., 2005; Li et al., 2015). Servitized organizations engage with customers to develop conceptual solutions to address potential problems (Brady et al., 2005). According to Tukker (2004), in the context of products, long-term customer relationships have a significant effect on customer loyalty, which positively contributes to organizational performances and, according to Visnjic et al. (2012), deepening relationships with customers may create attractive servitization avenues for knowledge-intensive service components such as consulting or training. When delivering advanced services apropos of human skills such as flexibility, relationship building, service-centricity, resilience, technically adept, and authenticity are required to enhance the customer relationship (Baines et al., 2013).

Based on the reviewed literature, it is discernible that a strong relationship exists between servitization and customer relationships. Customer relationships will positively contribute to the servitization process, whilst servitization can improve the relationship between the firm and its customers.

### **3.4 Supply chain collaboration and servitization**

Interdependence between partners and the ability to function as one business entity is important when services are integrated into products (Barnett et al., 2013). Further, strategic relationships with suppliers are important when providing solutions to customers (Davis et al., 2006). As reported by Sacconi et al. (2014), manufacturers undergoing servitization resort to securing an increased number of suppliers, where managing upstream relationships is considered particularly critical. According to Neely et al. (2011), servitization needs to deliver solutions instead of products. Hence, transactions need to be converted into long-term relationships. As a result, it is important to network with different suppliers when manufacturers offer services (Reim et al., 2015; Bikfalvi et al., 2012). Different levels of integration when implementing a service strategy are discussed in the literature, such as on internalizing, partnering, and outsourcing (Mathieu, 2001). Moreover, Mathieu (2001) asserted that internalizing and outsourcing are extreme collaborative approaches. Potential partners in the collaborative efforts can be distributors of products, service providers, clients, and traditional competitors of the manufacturer (Bikfalvi et al., 2012)

In accordance with the findings of Bikfalvi et al. (2012), an export-oriented business and product complexity seem to have a significant and positive impact on service networking. Suppliers thus need to be transformed into a network of partners and industrial ecosystems developed to deliver advanced services. During the servitization process, both the firm and suppliers need to become more output-oriented (Baines et al., 2009) and share and mitigate risks rather than handing over risks to one another (Barnett et al., 2013). In conformity with Lockett et al. (2011), supply chain relationship in product service



strategy can be summarized under five themes: 1) supplier engagement in PSS strategy and delivery, 2) alignment of incentives, 3) planned business developments, 4) information sharing, and 5) overall life cycle considerations. Dynamic service enterprises, inclusive of the customer, provider, and suppliers, are based on close internal relationships that will potentially overcome many of the problems in the servitization process (Barnett et al., 2013). In conclusion, servitization and supplier collaboration are strongly connected when supply chain collaboration contributes to the success of servitization.

### **3.5 Market orientation and servitization**

The literature is replete and cogent with research streams focused on the impact of market orientation on business performance. For instance, Narver and Slater (1990) explained that market orientation is the business culture that most effectively and efficiently creates the behaviors necessary for the creation of superior value for customers. A market-oriented firm feels compelled to understand both the expressed and latent needs of its customers (Slater & Narver, 1999). Although market-orientation is related to superior value, the question of how market-oriented firms deliver superior value is unclear (Guo & Wang, 2015). Market-oriented firms are also customer-oriented and, thus, focus on satisfying customer needs comprehensively, to which they strategically add services to enhance value. Increasing service revenue in manufacturing companies requires a market-oriented service development initiative (Gebauer et al., 2006) since market-oriented companies proactively work to eliminate competition and are more inclined to servitize than non-market-oriented firms. Companies such as GM and IBM are market-oriented organizations that could minimize

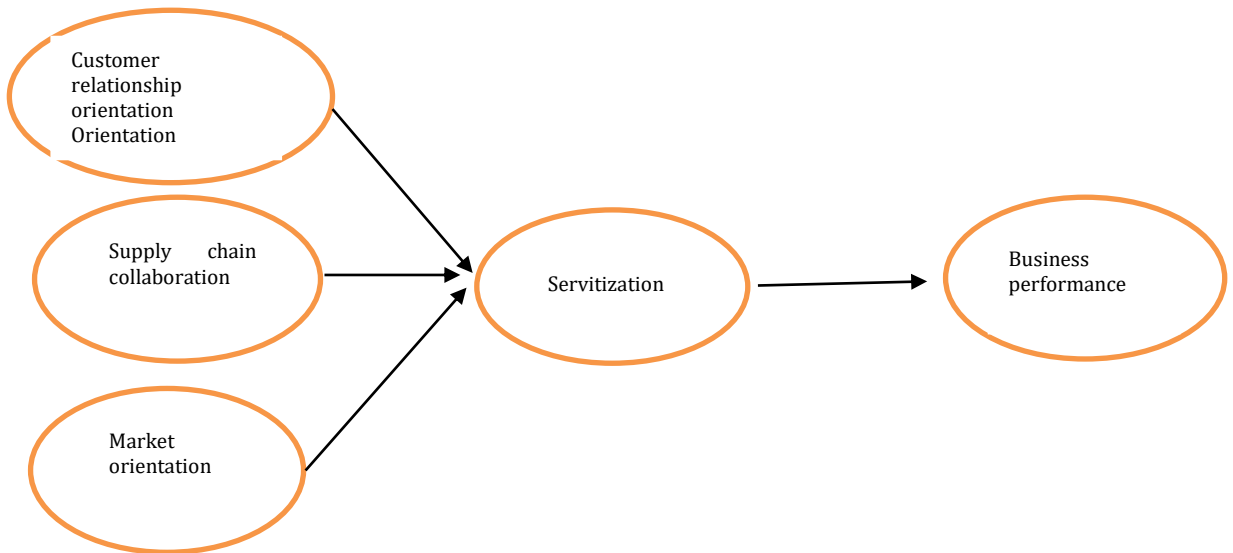
competition through servitization. Moreover, market-oriented firms coordinate their internal functions to create superior value for their customers. As stated by Gebauer et al. (2011), customer centricity and innovation embedded in market-orientation help ideas that more accurately satisfy the increasing complexity of customer needs. In the servitization literature, customer-orientation is commonly used, and many authors explained the different reasons why customer-orientation is required to execute servitization strategy. To overcome volatility and ambiguity in service delivery, organizations need to develop a proactive customer orientation, where the organization perceives value through the eyes of the customer (Brady et al., 2005; Johnstone et al., 2009). Bustinza et al. (2013) explained the importance of the market-oriented demand chain management when adding services to product offerings. Pawar et al. (2009) elaborated the operational implications of taking a proactive customer orientation for product service organizations. Grönroos (2006) clarified customer-oriented companies can generate benefit bundles that comprise products and value-added services. Homburg et al. (2002) empirically confirmed the customer orientation in an organization leads to a more service-oriented business strategy. Consistent with the reviewed literature, it is evident that the market orientation of the organization has a positive effect on the its servitization process.

#### **4. Conceptual framework**

Based on the reviewed literature, it is possible to formulate a conceptual framework beyond the currently established relationships among the selected constructs. Organizations select a servitization strategy to enhance their capabilities and remain competitive in business, as to achieve competitive advantage over rival companies and increase performance by delivering a product-service bundle to customers, which satisfies their needs better. It is evident that effective customer relationships are a key determinant for the servitization strategy of an organization. This is more evident in the delivery of advanced services (Baines & Lightfoot, 2013). The simple relationship between effective customer relationships and business performance (Sin et al., 2005) can be extended with the mediation of servitization. This is highly relevant in industrial manufacturing companies, which work with a selected number of customers and co-create value through combination of products and services. Moreover, on one hand, it is evident the organization needs to be supported by the supply chain to implement a servitization strategy and, on the other hand, the literature elaborated the achievement of higher performance through supply chain collaborations (Cao & Zhang, 2011). This simple relationship established in the literature is extended in the conceptual framework in Figure 2, indicating the collaborative supply chain enhances performance through servitization by providing better value proposition to customers. To determine how market-oriented organizations achieve higher performance, it is hypothesized that market-oriented manufacturers understand customer requirements proactively and serve them before to their competitors through internally coordinated activities. As

explained in the literature, the market orientation of a manufacturer will be a positive contributor to servitization.

Figure 2: Conceptual framework with servitization as mediating variable



By means of underpinning the resource-based, dynamic capability, and relational views, it is intended that the above conceptual relationship would hypothesize a more explanatory framework to improve business performance in the current decade. The framework emphasizes the importance of customer relationship orientation of the organization, supply chain collaboration, and market orientation to improve business performance through servitization. Therefore, the framework is suitable to be tested under a positivist paradigm by adopting a quantitative approach. Further, business performance can be measured multi-dimensionally by using profitability, business growth, and firm value, as explained in the literature section. The framework explains the ability of a manufacturing company to use it in relationship with customers, to enter into value co-creation with its customers

through the process of servitization. It also emphasizes that market-oriented firms are more likely to be servitized, since they foster a customer-oriented culture, bring into focus competition and excel at inter-functional coordination. Additionally, organizations cannot servitize on their own, and supply chain collaboration positively contributes to such moves of the manufacture. These thinking patterns will immensely help managers who develop their organization strategy to leverage organizational relationships and foster a collaborative culture to co-create value for customers through servitization. Therefore, it augments organizational performance.

This framework is also suitable to consider together with the findings of other authors. For example Laine, Paranko, and Suomala (2012) and Lindholm, Laine, and Suomala (2017) explained the importance of using management accounting practices and controls when companies embark in servitization. This helps answer some profitability concerns stemming from the investments needed to enhance the level of servitization and higher operational cost of servitized manufacturers compared to other manufacturers. Some approaches, such as activity-based costing and customer information systems, would help monitor costs and maintain profitability for activities such as new service development.

## **5. Conclusion**

By means of enhanced competition and advancements in the marketplace, organizational offerings have become complicated and, in the current decade, they operate closer to the customer needs than ever before. Traditional manufacturing capabilities have been widened by organizations through servitized offerings, organizations that closely work with the customers to co-create value in the supply chain. Due to overstated competition and advancements in the marketplace in the current decade, customers would like to work with servitized manufacturers, which enables them to delegate some of their existing processes and explore new avenues to secure and grow their business. As such, the importance of servitization in manufacturing, supplier collaboration, and customer relationships is emphasized by scholars (Brennan et al., 2015). Therefore, objective of this study is to conceptualize the relationship servitization enforces upon customer relationships, supply chain collaboration, and market orientation to enhance business performance. By systematically reviewing the literature, the simple relationships existing amidst supply chain collaboration, market orientation, and customer relationships on business performance are conceptually augmented through the mediating nature of servitization. This concept thus academically contributes to new insights and knowledge in servitization, strategic management, and marketing. It is also useful for senior management in organizations to understand these conceptual relationships as to enhance value co-creation for the customers and suppliers. It would be of interest to researchers in different countries to analyze the key manufacturing industries using the proposed conceptual framework.

There are readily developed scales available to test the framework. As such, widely used scales to measure market orientation (Narver & Slater, 1990), relationship orientation (Sin et al., 2005), supply chain collaboration (Cao & Zhang, 2011) can be used. The servitization scale is also delineated in the literature (Maheepala, Warnakulasooriya, & Weerakoon Banda, 2017a) and it is possible to empirically study selected settings. It is thus better to study servitization and business performance in each industry or consider the industry as a controlling variable, since the performance impact on servitization seems to be highly contingent on the industry (Li et al., 2015; Maheepala, Warnakulasooriya, & Weerakoon Banda, 2017b). From the literature review and framework, manufacturing organizations need to foster a market-oriented culture so that they focus on competitors and customers and strengthen inter-functional activities to provide servitized offerings to customers. Moreover, customer relationships and supply chain collaborations are used to create more complex product service offerings to enhance organizational performance in highly competitive environments.

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## **Sensory marketing: A review on services marketing applications**

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### **Executive Summary**

Sensory marketing has been examined with theoretical and empirical perspectives with reference to different product forms and market contexts across the world. The integration of the sensory marketing concept with brand relationships and brand evaluation perspectives is a notable research scope as claimed in recently held studies. There are studies investigated the sensory marketing with brand experience and experiential marketing perspectives. Meanwhile, empirical gaps are yet found claiming to investigate the sensory marketing with brand experiences and relationship behaviours. Scholars argue the application of sensory marketing within services has to be uniquely investigated due to the salient nature it carries. Alongside, this paper also attempted to examine the scope of sensory marketing with a theoretical and empirical explanation whilst special focus was made to review on services context. Researcher applied a literature review as the main research tool and articles, books and periodicals were sourced for the content presented. Paper was structured mainly discussing the sensory marketing in line with the empirical contributions cited. The main attention of the discussion was to explain the application directions of sensory marketing into services sector whilst Sri Lankan context was highlighted within. Paper concludes the content emphasizing the role of

sensory marketing for services and proposed future research areas in relation to associated concepts and variables.

**Keywords:** Brand Experience, Sensory Marketing, Services Sector, Sri Lanka

## **1. Introduction**

Sensory marketing connects the human brain with five senses, and brands can have a positive impact via those five sensory connections such as colour, smell, music, taste and texture (Shabgou & Daryani, 2014,p.579). Sensory branding has been applied and reviewed in the notion of multi-sensory appeals as brands employ interrelated sensory values and features to motivate consumers (Lindstrom, 2005), and such sensory appeals result favourable brand experiences ( Sarkar,2011). The notion of brand experience is highlighted as the subjective and internal response of a person for a brand that stimulates affective behaviours. Those brand experiences link to developing strong emotions towards the brand (Brakus, Schmitt & Zarantonello,2009). Particularly, Services should be shaped to accelerate positive emotions eliminating any possible the negative perceptions (Munshi & Hanji, 2013 ). Supportively, five senses of a human found namely sight, hearing, smell, touch and taste result sensory experiences that ultimately provide multi-sensory brand experience(Hulte,2011;Dissabandara&Dissanayake,2019;Lindsrome,2005). However, arguments are still found claiming to investigate the effectiveness of multi-sensory branding with reference to different

product scopes like services (Brakus, et.al.2009; Hulte, 2011; Krishna,2012).

Alongside, human senses, experiences and emotions of consumers had been found as significant marketing implication whilst services are much highlighted as a research gap (Hulte,2011;Sarkar,2011)). In practise, marketers create sensory related appeals to consumer experiences all around the world based on human emotion (Lindsrome,2005). As per some empirical insights found within store or outlet behaviour, feelings of consumers towards brands and atmosphere generate outcomes like selection of retail marketing, time spent in the store, level of satisfaction on shopping behaviour, service satisfaction and experiential pleasure (Krishna,2010). Usually, consumers engage with brands based on feelings, mental images and emotions attributed within. Multi-sensory marketing could create such emotional values to consumers engaging with brand (Hulte, 2011; Krishna,2012;Lindstorme, 2005). As per some studies, consumers respond to brands via scattered senses (Krishna & Schwarz, 2014). When sensory elements or values are embedded with the brand or the brand experience, it motivates perception, judgment and behaviour towards the particular brand (Krishna & Morrin 2008). Thus, marketers purposely apply sensory stimulus to brands or the service atmosphere to generate consumer senses, and finally creating a bond between customer and brand motivating purchasing behaviour (Costa, Patricia, Natasha,Jessica & Maria, 2012). Alongside, sensory marketing strategies have been recognized as an effective way to engage consumers and their behaviour towards brands to create positive perceptions. More the integration of five senses, it results high stimulating power generating effect on the audience and customer (Hulten et al. 2012). However,

arguments are found claiming the best combination of sensory appeals since product types demand different templates of sensory connections whilst product forms like services and physical products need to deal with separate sensory format (Krishna and Schwarz, 2014). Likewise, sensory marketing remains as a widely practicing notion whereas empirical studies are claimed to investigate the effectiveness of it towards brand relationship behaviours (Dissabanadra & Dissanayake,2019; Lindstrome,2005;Krishna,2012;Shabgou1 & Daryani,2014).

## **2. Purpose and methodology of the study**

Sensory marketing has been examined and critically discussed on different product forms including services, fashion products, consumer goods, consumer durables and luxury products addressing to empirical gaps claimed referring to different markets and cultures (Krishna,2012; Krishna and Schwarz, 2014;Shabgou1 & Daryani,2014). However, the sensory marketing and its application within the services had been found as a worthy research gap due to involvement nature and the instability (Costa,et.al.2012; Kotler 1974; Bitner,1992;Smilansy,2010). Even recent studies had specifically mentioned the managerial significance of sensory marketing applications within services sector brands like restaurants, shopping centers, fast food chains and hotels (Bandaranayke & Wickramasinghe, 2020;Dissabandra & Dissanayake,2019; Shabgou1 & Daryani,2014). Sri Lanka is also a significant context for service sector marketing opportunities and challenges (Kuamara, 2016; Hennayake, 2016), and sensory marketing is a notable notion for managerial implications for services and empirical use in Sri Lanka (Bandaranayake &

Wickramasinghe,2020;Dissabandra & Dissanayake,2019). Thus, researcher intends to investigate how sensory marketing is empirically reviewed and examined with theoretical associations as a contribution to identify the integral components and how it links with related concepts in services marketing. In addition, this paper attempts to generate a discussion explaining how services could adopt key empirical evidences as managerial implications for Sri Lanka as a service sector driven economy (Central Bank Report of Sri Lanka, 2018;Kumara,2016). Alongside, paper was developed as a concept paper and literature review was employed as the main research tool. It has referred research journals and related publications to execute the empirical review and industry specific discussions with special references to services. Paper made discussions with managerial explanations to adopt the empirical evidences into practical use of Sri Lankan services sector firms highlighting some key sectors.

### **3. Theoretical overview on sensory marketing**

Sensory marketing is a widely used phenomenon and some may argue it is all about applying nice colors, smell, sounds, shapes and taste according to the product form is being concentrated ( Krishna, 2012). However, sensory marketing connects to deep rooted theories. One of the initial theories relates with sensory marketing or applications is Arousal Theory explained by Yerkes & Dodson, (1908). It was said that humans' behavior is connected with the environment factors that determine the level of intensity of the brain. Alongside, humans tend to act as per the accepted level of arousal generated via environmental factors that act as stimulation to brain. In brief, when human receives sensory signals like colors and sounds via brain, their level of

participation for an action is processed based on the level of acceptance towards such signals (Dissabandara & Dissanayake, 2019). Sensory marketing applications are also the same since it uses different visuals, shapes and music to get customer attention and act favorably towards their brands.

Additionally, the Mehrabian- Russel Model (M-R Model) explains how individual responses to the stimuli's occurring from the surrounded environment. Authors use this model to explain the notion of atmospherics consumer behaviour (Chang, 2000). This model has been used to examine different service experiences and atmospheric responses made by consumers. The M-R Model has been employed to discuss the influence made by -store atmosphere on the shopping behaviour of consumers (Donovan & Rossiter, 1982). This model has two environmental components namely positive environment that creates positive feelings and the negative environment makes avoidance behaviour (Chang, 2000; Donnvan & Rosiister, 1982; Vincent & Gu, 2012). The emotional status of pleasure, arousal and dominance resulted by the surround environmental influences favourable or avoidance response. Even, modern trade channels, fashion outlets and fast food chains are attributed with such atmospheres to create positive circumstances resulting favourable responses. This is what Lindsome (2005) stated as multisensory applications to stimulate consumer behaviour via product related and atmosphere related stimulations (Dissabandara and Dissanayake, 2019).

Meanwhile, scholars reveal that emerging era of marketing is a consumption approach in which consumer satisfaction is intensively important. The five human senses are used for this consumption process. The senses are the tools that enable consumers to experience

the world, and it is the primary domain within consumer behavior theory and research (Hulten, 2011). Multi-sensory brand experience is further identified as a three-layer process, which includes sensorial strategies expressed through sensors, sensations, and sensory expressions. The model expresses that implementing sensorial strategies are a process executed through the five human senses of scent, sound, sight, taste and touch. Sensations are sensory expressions occurred as a result of arousing human senses. This process results in a multi-sensory brand experience (Hulten 2011; Lindsrome, 2005).

In addition, the theory of grounded cognition is also being considered as one of the logical theories that explains how sensory elements and marketing application connect each other (Hung & Labroo, 2011; Labroo & Nielsen, 2010; Williams & Bargh, 2008). The theory of grounded cognition (Cacioppo, Priester and Berntson 1993) has been appreciated by claiming sensory marketing is driven by this theory highlighting the cognitive process explained by it (Tavassoli and Fitzsimons, 2006). The notion of grounded cognition mostly being connected as a role of simulation in cognition within consumer behavioral studies (Barsalou, 1999; Barsalou, 2008; Decety & Grezes, 2006; Goldman, 2006). Briefly, it says human behavior is processed or directed by the cognitive stimulation as how it takes place when someone receives a sensory stimulation like music and then cognitive process evaluates it and commands certain behavior. Accordingly, consumer responses have been explained as an outcome of cognitive stimulation whereas sensory devices of people act as receivers of environmental factors come as stimulations (Decety & Grezes, 2006; Goldman, 2006).



Alongside, there are many theories and models that explain how sensory applications connect with human behavior whilst studies are found using those theories to explain the process of marketing stimulations and how those result consumer cognitive process leading to behavioral actions or brand evaluations.

#### **4. Empirical discussion of sensory marketing: A specific attention for services**

Sensory marketing has a direct impact with brand experiences (Krishana,2012), and managerial implications are found within different sectors where services are highlighted as a special context (Dissabandara & Dissanayake,2020). Usually brands provide both emotional and functional values resulting brand experiences (Aaker,1996;Keller,2013). As per Khan & Rahman (2015), brand experience is said as purchasing and consumption experiences. Sensory stimulations can be in both emotional and tangible in practice. As Lindstrom (2005), sensory applications have been referred as five dimensions (5-D) branding meaning taste,touch,smell,sight and sound act as the five sensory marketing applications. Out of those, some act as emotional whilst some dimensions act as functional (Jayakrishnan,2013). Similarly, services like fast food chains could apply almost all the five dimensions (Dissabandara & Dissanayake,2019; Jayakrishnan, 2013). Thus, it could notice that services like fast food chains, restaurants and coffee shops could integrate the sensory marketing applications to obtain multisensory motivations that eventually create favourable brand relationship behaviours.

Supportively, brand experience is explained as a subjective and internal consumer response that can be experienced via sensory, affective, intellectual, behavioral and social terms ( Brakus, Schmitt & Zarantonello, 2009). This opens an insight to say sensory marketing could create emotional responses as brand experiences like brand love since it refers as emotional attachment held by a customer towards a brand (Carroll and Ahuvia, 2006). Brand love is so powerful since consumers intensively connect with the brand as emotional bond that finally results customer brand relationships ( Carrol & Ahuvia,2006; Dissanayake & Ismail.2015). Brand love influences consumers to become brand loyal confirming a favorable brand relationship behavior with a particular brand (Dissabandara & Dissanayake, 2020; Kaufmann, Loureiro & Manarioti, 2016). As per the main focus of this paper, it can prove how sensory marketing results brand love as the initial emotional outcome of a customer towards a brand (Albert & Merunka ,2013;Carrol & Ahuvia,2006; Haung 2017). This denotes a managerial note for service sector organizations to implement sensory marketing as a synergized model to earn emotional evaluations like brand love for the first instance and then it will generate the brand relationship behaviours. Fast food chains, modern trade channels and restaurants are prominent in Sri Lanka to apply many or sometimes all most all the five dimensions of the sensory marketing applications. The logic is the consistency and how the sensory marketing template is linked with brand identity to recognize the brand including emotional links with it. For instance, sensory marketing dimension like colour is more related to brand identity, but the rest of sensory brand attributes should be established and promoted to get a synergy effect for the brand identity (Lindstrom, 2005). This is said to be the effect of multisensory context

whereas it applies connective set of sensory developments for a brand. This practical challenge is very critical for multinational brands like fast food chains operate in different countries and cultures since maintaining global brand identity and local adaptation should be properly balanced. Supportively, brand equity is the ultimate strength of a brand which is attributed by product contents and the way how consumers perceive it (Keller, 2013). Moreover, Brand resonance model of Keller (2013) highlights feelings and imageries of consumers connected to sensory experiences play a significant emotional brand equity for overall brand equity. It further highlights that emotional path of a brand equity requires strong sensory connections to feel the brand and make imageries on it. The ultimate point of a brand equity is confirming the brand loyalty or brand attachment (Kaufmann et.al.2016;Keller, 2013). Thus, sensory stimulations and the supported tangible and intangible features and perceptions are important to get a consumer to feel and act as a brand-bonded consumer. Thus, sensory marketing is critically important in managerial implications to establish brand equity. Modern trade channels largely consider store atmosphere as to create such sensory satisfaction. For instance, it is advised modern trade channels to make the premise psychologically comfortable for a customer for service experience and motivation. The sounds, colours, welcome aroma, sight of the interior and the ambiance look make consumers emotionally satisfied. This will create store loyalty behaviour ,and studies found within modern trade channels, fashion outlets and lifestyle service centres have justified ambient environment embedded with music, graphics, colours and space as an effective sensory marketing application (Cameron & Caza, 2004;Driver & Noesselt, 2008;Kahn & Deng, 2010). Therefore, this paper also highlights the managerial

implications of applying sensorial service environment for services sector outlets to result meaningful consumer engagements and impulsive buying behaviours. The psychological convenience is a crucial matter for consumers to employ their effective time for services that ultimately benefits to service marketers for more sales and brand relationships.

In addition, Keller (2013) mentions that how sensory connection of consumers towards a brand contributes to create a significant brand equity. Usually brand equity is derived from both emotional and rational brand values and how consumers engage with those value propositions. The imageries and feelings of customers for a brand are almost connected to sensory marketing. Specially, services need to connect the brand identity via physical and relationship dimensions to motivate sensorial connection for brand associations. As per Huang (2017), sensory experiences of a brand-related attributes and brand loyalty are well linked. Thus, services sector marketers need to focus on managerial implications to connect the brand experiencing touch points to establish a significant sensory motivation resulting positive brand association. Brand association is the way how consumers perceive favourable connections with the brand (Keller,2013). Thus, services like modern trade channels, restaurants, fast food chain outlets and coffee shops need to invest more on sensory motivations by creating such service environment so that consumers feel love with the service brand (Carrol & Ahuvia, 2006; Dissabandara & Dissanayake, 2020). Brand love is an enabler of brand relationship behaviour and serious attention should be made by services sector marketers to invest on sensory appeals and service touch points to make brand love which is a favourable and emotional attachment towards a brand. Such emotional connections

could result long term brand relationships (Dissanayake & Ismail, 2015). Usually, service marketing tools should have more adaptability as per the consumer profiles and cultures i.e. franchised fast food chains need such attention for local markets (Jayakrishnan, 2013). Thus, it requires services sector managers to apply service experiences connected to sensory stimulations of target markets to establish service brand identity and differentiation. The brand mantra of a service should define its brand essence by focusing more attention on sensory experiences and human touch. Some fast food chains position their unique selling propositions (USPs) with more concern on human touch perspectives linking to sensory values. This is a hands-on lesson for many services to articulate the service brand positioning and differentiation with sensory connections to result more favourable brand evaluations.

Meanwhile, tourism and hospitality sectors are recognized as critical sectors in Sri Lanka as its overall economy is more service centric ( Central Bank Report,2018). Sri Lankan hospitality sector needs effective marketing approaches to augment the product experiences to consumers. The service touch points of hotels and restaurants should be seriously managed by industry practitioners to minimize the consumer avoidance behaviour. As per Peck & Shabgou1 & Daryani (2014), restaurants and hotels need to have a serious focus on touch and feel perspectives to create attractive sensorial experiences to customers. The augmentation of services products like hotels and restaurants need intense attention for the psychological motivation of consumers which can be resulted via sensory experiences like place designs and atmospheric values around it. Hotels and restaurants may further think about the food cushion practises to support for the sensory imaginations

and feelings of consumers that eventually create brand attachment (Keller, 2013). The presentation of foods and cutleries of a hotel or restaurant could impact on consumer emotions and service satisfaction that last for favourable brand perception and equity (Erenkoll, 2015; Keller, 2013). The attention given for sensory marketing within the services is always a significant notion as consumers and the service cannot be separated and service providing atmosphere also a significant proposition for customer experiences (Bitner 1990). Therefore, service marketing practitioners have to be alert on service environment and the sensory stimulations to motivate consumers committing on brand relationship behaviors with favorable emotional connections (Carrol & Ahuvia, 2006). Alongside, author highlights the empirical contributions and discussions found within the services sector mentioning how sensory marketing could be properly employed to result strategic outcomes related to brand relationship behaviors in the services sector.

## **5. Conclusion**

This paper mainly contributed to explain the notion of sensory marketing as a concept being researched and applied for different sectors. A theoretical overview on sensory marketing was presented to direct the content based on underpinning theories that explain the mechanism of how sensory marketing occurs and impacts on behavioral perspectives. Paper presented a discussion based on empirical thoughts and explanations found in studies carried out for different markets and product forms. It mainly discussed the empirical insights with reference to the possible applications for services sector brands and organizations. A special attention was made to note the Sri Lankan service sector mentioning how to apply the empirical insights into different service sectors in Sri Lanka. Finally, paper highlights the future research propositions to investigate the influence of sensory marketing on brand evaluation and brand relationship behaviors within the different service sectors. Additionally, author proposes to investigate the effectiveness of sensory marketing applications within the services domain addressing to managerial issues and critical challenges caused by consumer dynamics and intense competition of service differentiation.

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## **Service quality driven growth at airport and aviation services (Sri Lanka) Ltd**

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### **Executive Summary**

Airport and Aviation Services (Sri Lanka) Ltd (AASL), incorporated in 1982 under the Companies Act and empowered by the Civil Aviation Act is continuously increasing its' revenue year by year and profitability hitting almost Rs.10 Bn profits for the year 2017. Therefore, it is worthwhile to unearth as to what makes AASL into such standing out case in Sri Lanka while having diverse administrative, statutory, structural governmental backgrounds in which typical state companies operate.

Based on the outcome, continuous performance, while having many driving factors, implementation of service quality were highlighted and literary established adequately. Continuous performance momentum was also supported by leadership execution and strategic human resources management practices. In order to support that ground reality, 40 in-depth interviews were conducted, Both primary and secondary data gathered thoroughly lay the foundation to unearth this reality in a cohesive and structured manner. All key theoretic

underpinnings are in agreement with the primary and secondary data findings. Accordingly, it is intellectually stimulating to see key emerging case insight, which tries to derive outcome of continuous growth of Airport and Aviation Services via meaningfully linking leadership execution styles, SHRM and service quality drivers.

**Keywords:** Continuous performance; Airport service quality; Service quality attributes; Service triangle

## 1. Introduction

Airport and Aviation Services (Sri Lanka) Ltd (AASL) is a limited liability company incorporated under the Companies Act No. 7 of 2007 on 23<sup>rd</sup> February 1982. AASL has been appointed as the agent of the Government of Sri Lanka (GOSL) to discharge duties in the capacity as a member of the International Civil Aviation Organisation (ICAO). AASL has been formed under the Air Navigation Act as amended by the Air Navigational (Special Provisions) Act No. 2 of 1982 and the Act No. 11 of 1983. Subsequently, the Civil Aviation Act No. 14 of 2010, which repealed the Air Navigational (Special Provisions) Act, has empowered AASL to act as the “*Statutory Service Provider (SSP)*” to GOSL in respect of all civil airports in Sri Lanka. Backed by Rs.10 Bn solid profits, Rs.90 Bn worth of assets, Rs.30 Bn investments base with well-qualified staff numbering 4,000 numbers f, AASL today is undoubtedly a major contributor to the pillars of the development drive of the country’s aviation industry as well as to the macro economy.

Accordingly, the purpose of this study is to explain how AASL was able to achieve continuous performance during 2009- 2018 period while to explore the extent of the implementation of service quality as the



leading driver in this case context. This study also aim to explore whether continuous performance is influenced by the implementation of Service Quality (SQ) that is supported by execution of Leadership Styles (LS) and Strategic Human Resources Management (SHRM).

## **2. Litreatuer review**

### **2.1 Service atmosphere.**

Quality of the service often depends on the serving platform. Doganis (1992) explains the broad array of facilitations offered in an airport across triple disciplines: fundamental operations, transfers and business operations. The airports are places where passengers meet a package of touchable and ethereal products in what Bitner (1992) described as a “*Complicated Servicescape*”. Scholars and general sagacity show that the key factors of passenger’s selection of an airdrome are the airlines and neighborhood (Graham, 2003; RSA, 2008). The airline, route, schedules, terminal services and prices are principal products or services presented by the airport. De-regulation of the aviation business forced aerodromes to fight for airlines routes. Airports are not destinations for air-passengers, slightly a transferring place and due to challenging passengers’ claims, aerodromes thought they can pressure air navigation decision making via providing improved service or assuring outstanding consumer happiness (Fodness & Murray, 2007). Therefore, aviation business has to apply “*Passenger Satisfaction*” as an approach for gaining competitive advantage.

Airports are income generators in two ways. The most popular categorization is aeronautical and non-aeronautical (Doganis, 1992; Freathy & O'Connell, 2000; Graham, 2003). The first origins from charging an airline for all services rendered including landing/ parking and overflying charges in the airside. The latter come from retails-concession, vehicle parks and rentals, property leasing, promotion, consultancies, duty free shops and other value adding services (Francis, Humphreys & Ison, 2004). Kim and Shin (2001) explain non-aeronautical income as all types of rent for workplace and non-aeronautical trading floor including charges for utility and catering services. Zhang and Zhang (2003) add operation of common related workplaces, maintenance and freight services too. As per Graham (2008) reliance on non-aeronautical income recently has been amplified owing to two reasons. Primary, the commercialization and occasionally, privatisation of airstrips from SOBEs have granted them the liberty, financial autonomy, capability and incentive to utilise the prevailing business prospects. Following, pressure from airlines to keep billings fixed or lessening owing to the severe rivalry. De-regulation and the opening of low-cost air travel worldwide are the key causes of increased airside rivalry resulting "*Winning Passengers*" become the heart of aviation business for any airport.

Aeronautical and non-aeronautical income carries a solid proportional relationship. As a norm, non-aeronautical income report for 50 or more percentage of all airdrome proceedings, and it differs across worldwide regions (Appold & Kasarda, 2006; Graham, 2008). Numerous scholars have strained the growing significance of non-aeronautical or business income (Francis et al., 2004; Freathy & O'Connell, 2000; Graham, 2003;

Papagiorcopulo, 1994). As per Freathy (2004), the purpose for various airfield establishments has been to reposition airports, forming it into business magnetism, than simply providing limited ranging value-centric, well-known traditional products. This can be reached only by feeling the customers and enlightening them via a targeted variety of shopping amenities, which bring reliable revenue for the retailers and the airdrome. By assigning extra room to service package and retailing, an airport can make added revenue.

## **2.2 Significance of customer satisfaction in service quality.**

Customers are said to be the kings for service delivery. For an airport, customers mean both airlines and air passengers. However, as per Freathy and O'Connell (2000) the customers of an airport yet are to be further defined. Airport service quality ensures customer satisfaction, which leads to soaring revenues and finally improved profitability. Therefore, both airlines and passengers represent key aspect of any airport. Thus, any airport has arrived to rally the novel claims of airlines and customers. One superior case is "*Copenhagen Airport*" with above 20Mn travellers (Copenhagen Airport, 2009). Its' departing terminal seems exactly as a fabulous shopping complex rather terminal. It has been transforming radically during the past two decades aiming to satisfy the customers and airlines demands. For instance, all the kids' garments, toy-shops and whichever supplies aim passenger with kids are situated close to the kids play region. In addition, airline offices are located close to check in gates. Since customers are said to be the kings for service delivery, their needs should be satisfied. Airport related studies emphasise need of aviation executives to appreciate the significance of customers' satisfaction (Aeroporti di Roma S.p.A., 2004;

Bomenblit, 2002; Gooding, 1999). Aviation marketing assesses customer satisfaction with the aim of improving income from cafe, shopping, leisure and trade outlets (Danyliw & Cohen, 1997; Harrison, 1996). Academic circles frequently determine customer thinking of airport service excellence to measure growth indicators straight from the “*Tone*” of the consumer (Chen, 2002), to spot ways and means for services enhancement (Yeh & Kuo, 2002) and to evade declining precious air travel (Rhoades et al., 2000). Currently, almost all airports are swiftly shifting towards assessing customer satisfaction in “*Five Senses*” via offering them enlightened guest experience during their stay in the airport.

Service delivery or service related balanced scorecard KPIs play a vital role in ascertaining passenger satisfaction. Existing academia is more probable to gauge customer satisfaction by ascertaining and reviewing services related KPIs those might or might not be originated by immediate passenger participation (Yeh & Kuo, 2002). Frequently, they are in-house KPIs such as complaints, waiting or servicing timing on luggage release or check-in. Marketing sections were initially formed at airports in order to expand or defend air passengers through enlightening them. As air-traffic turned into further complicated and challenging, airfields tend to think that they can pressure air route decisions via a “*Drag*” tactic of heavy advertising focusing passengers to offer improved customer contentment. For such passenger enlightenment process, airports need to strategically collaborate with airlines in order to give a memorable guest experience in terms of service quality.

Measuring guest experience is a benchmark practice in service delivery. As per AETRA, the data collected is very useful to know the level of airport performance and ways of improvements while continuing to implement marketing focus corporate strategy (AETRA, 2005). That studies are centered on questionnaires circulated among passengers at exit gates and ascertain vivid angles of guest's "Daily" airfield experience counting navigation, aviation facilities, safety and immigration, airport atmosphere and airline service. Therefore, it is evident that customer satisfaction in an airport is not merely limited to the passengers' experience in the terminal, but constitutes number of tangible and intangible factors that turn in or turn out their mind-set. Therefore, any airport in order to ensure customer satisfaction via service quality needs to make all stakeholders that creates "Touch Points" are happier on overall service delivery. A better service delivery connotes Passengers' satisfaction within the aviation pipeline.

Jarach (2001) declared an airport as multiple servicing atmospheres, which bags diverse servicing packages to the end users. Key categories of such service providers within an airport are identified and branded into "Aviation Pipeline" as denoted in the Figure 1 below. This thinking led to the ideologies of Business-to-Business (B2B) and Business to Consumer (B2C) concepts that ultimately generate aeronautical and non-aeronautical revenue for the airport. They are the sources of profitability. Further, this view agrees with the Doganis (1992) early interpretation of airport as a commercial hub that offers packages of offers to identified customer groups.

### **2.3 Application of SERVQUAL model in airports.**

Service excellence is the only guaranteed strategy for business survival today. The supremacy of services, as explained by Parasuraman, Zeithaml, and Berry (1985) has frequently been the Centre feature that famed winning companies from failed ones. The key rationale of the above SERVQUAL was to determine the extent of service quality package towards customer satisfaction. However, various trading entities have customised and adopted the replica into related businesses, aviation sector yet short of such applications. In the epoch of soaring rivalry and enormous big data, any business run on service excellence need to be distinguished them from their rivals. Nevertheless, the intrinsic features of services – intangibility, inseparability, and heterogeneity turned it tricky for services providers to classify and gauge services superiority.

SERVQUAL model has many unique attributes to measure service excellence. As per the model services superiority can be ideally calculated as an apparent services quality defining as a “*Universal ruling, or stance, connecting to dominance of the service*” (Parasuraman et al., 1991, p.42). The framework uses numerous scales alongside five magnitudes: “*Tangibility, Dependability, Receptiveness, Assurance and Empathy*”. These all pillars are closely connected and interrelated when come to service delivery atmosphere. Therefore, all factors must be equally rich to provide a better service delivery. For example, even if tangibility is very high, lower dependability will not give any positive sign towards service excellence. Therefore, all must be in good books to ensure service excellence.

SERVQUAL model carries many merits. As Parasuraman et al. (1991), the rationale of the model is to act as an indicative method for revealing

wide aspects of an entity's services including weaknesses and merits. In agreement with that vision, SERVQUAL as a mechanism for ascertaining services superiority has been used many fields counting the human wellbeing (Carman, 1990; Headley & Miller, 1993; Lam, 1997), supermarkets (Parasuraman, Zeithaml, & Berry, 1994), banks (Mels, Boshoff, & Nell, 1997; Zhou, Zhang, & Xu, 2002), snack foods (Lee & Ulgado, 1997), and libraries (Cook & Thompson, 2000). In the model to assure trustworthiness of the apparatus, academia applies Cronbach's alpha coefficient (Espinoza, 1999; Gournaris, 2005; Kang, James, & Alexanderis, 2002; Landrum, Prybutok, & Zhang, 2007).

SERVQUAL model is said to be applied as pilot model in the aviation sector. Nevertheless, during previous decades, several scholars have argued using SERVQUAL model to determine the psychological value (Finn & Kayande, 1997; Rossiter, 2002). The aviation business, whilst conventionally restricted to state infrastructure, has been mounting in significance owing to the enhanced air traffic and tourists (Samadi, 2012). Solitary approach for an airport to win rivalry is delineation in aviation services. Whilst services had constantly been the spotlight amid aviation academia, the research on measuring is yet restricted to spatial and worldly range dimensions (Correia & Wirasinghe, 2004). When time passes all models are tend to be changed and challenged.

Airport service quality is required to be measured using unique aviation specific model. The majority stressed on sequential and spatial possessions of aviation service on customer thinking and perception. Fodness and Murray addressing all such concerns (2007) declared a special aviation services quality dimension via integrating passenger's personal stance in assessing variations in the whole airport services

superiority with triple key services proportions: Servicescape, Service, and Service staff together with secondary elements under each. The blend of the passenger's insight of those all service proportions influence the aggregate view of airport service excellence.

## **2.4 Airport service quality.**

An airport is the place where, the first impression of service delivery is created. When consider international passengers, airports make last impression too just before departing. It is a centre that aviation services staff cooperates with passengers to offer required facilities (Bitner, 1990, 1992; Brown & Swartz, 1989; Dabholkar et al., 1995; Elliott, 1995; Gronroos, 1982; Saleh & Ryan, 1991; Suprenant & Solomon, 1987). They are connected with aviation processors like arrivals, connections, passing, departing and transfer (Martel & Seneviratne, 1990). The whole guest experience might be categorised into passenger and cargo handling, waiting time, movable arrangement inside airfield, supplementary facilities including shopping experience (Ndoh & Ashford, 1994). The dominant variables in aviation terminal servicing were divided into airdrome facilities and systems. Brady and Cronin (2001) viewed the significance of exit gates and handiness of such facilities. In addition, Flight Information Display Systems (FIDS) have to be accurate and aviation signboards as emblematic logos must mirror the next proceedings to be taken by the passengers (Callan & Kyndt, 2001).

Servicing benchmarks are vital in service delivery. Such benchmarks developed by IATA few decades ago supported making vital aviation service quality decisions. Additionally, Transport Canada's "*Degree of*



*Services necessities for Passenger Handling Arena in Airfield Terminals*” manuscript extended the initiatives further. Seneviratne and Martel (1991) did a study on the diverse factors that pressure the feelings of air-passengers and established data, seating arrangement and queuing timing were the triple key considerations touching service quality in air terminals. Caves and Pickard (2001) performed a related research to examine drivers that influence passengers’ thinking of aviation service quality and declared high security, good timing and exclusion of the strange are the key desires that a passenger required to experience at terminals. In assessing the drivers that influence services quality, Jung et al. (2015) revealed terminal related 26 features affecting airport service quality, which was endorsed previously by Heatington and Jones (1975).

Lesser the gap between expected and actual service delivery, higher the service quality is. Brink and Maddison (1975) established service quality, as a personal intuition of the service superiority of the transferral between the airport entrance and the airplane associated aspects such as processing time, ticketing, charges and aviation service in terms of anticipated vs actual ambiance and expediency. Muyamiz and Ashford (1986) presented sensitivity-reaction framework to show the connection among the fraction of customers disclosing the extent of happiness with services experienced. As extent of servicing is treated as a vague measure, several aviation scholars apply the fuzzy-set hypothesis to determine the same. For instance, Park (as cited in Correia & Wirasinghe, 2004, p.4) employed that model using triple considerations namely timing, convenience and sensible servicing. The expansion of a frame or hypothetical proposal on aviation servicing

superiority emerged via academia in Servitization mainly focusing trading atmosphere.

Aviation service delivery has rapidly emerged as a new frontier in service quality. This presents two types of feelings to consumers: waiting familiarity and perception with the products (Dabholkar, Thorpe, & Rentz 1995). Alternatively, the air passengers are open to exposure with the aviation amenities and the staff service and other facilitations within the terminal. Seeing the shortage of research on aviation service quality, Fodness and Murray (2007) presented a comprehensive model that covered the whole kit and caboodle on guest exposure once entered into the terminal as revealed in Figure 1 below. This was a turning point as prior academia of aviation service was not capable to connect the qualitative dimensions to a valid benchmark and judge travellers' exact insight of aviation services standards (Brink & Maddison, 1975; Correia & Wirashinghe, 2004; Heatington & Jones, 1975).

Figure 1: Preliminary Conceptual Model of Airport Service



Source: Adopted from Fodness & Murray (2007)

## **2.5 Service scape.**

Servicescape covers entire physical infrastructure atmosphere of an airport. Initially, it acts as a wrap up, as a good's packing, communicating the possible consumption and implicit superiority of the services rendered. Afterward, service scape can presume a catalyst job by either aid/ hinder the aptitude of consumers /staff to perform own behaviour. Lastly, the airport terminal, building, runway and other infrastructure might operate as an inimitable driver, within the anticipated passenger base, branding the airport and passing on uniqueness from rivalries. Service scape included completely set of physical ambiance mainly with triple key areas managed by the airport that satisfy passengers throughout the servicing (Fodness & Murray, 2007, p. 498). This is also customers' first impression.

Ambiance emphasises passengers' emotional touch points linked to Servicescape .Spatial arrangement and functional aspects connect to the airport physical atmosphere including all infrastructures. Cleanliness and natural lightning inside terminals also are vital in this respect. Signboards and cryptogram deal with both open signage and implied décors that guides to parking, boarding gates, washrooms, restaurants medical centre, etc. Dedy (2017, p.146) identified Servicescape elements as shown in the Figure 6 below. Accordingly, the key three areas namely arrival, departure, transit and nature of facilities offered in terms of main and value adding are paramount important in determining airport service quality.

## 2.6 Services.

Services package offers the core of service delivery. That includes entire service wrap up that facilitating passenger's preference of how to use his staying duration in the airfield (Fodness & Murray, 2007, p. 496). Duration is a limited factor in airports, since the aviation exposure stress a noteworthy forgo of timing. The degree to which airport atmosphere support or trouble passenger's use of time might have a major consequence on passenger's thinking of the overall aviation service superiority. Subsequently the model was modified branding the triple aspects as function, interaction and diversion as given in the Figure 7 below. In the context of service delivery, services are the core element that bonds customers and service staff or more specifically frontline staff in the service triangle. More the services offered by the friendly staff in a pleasant service scape, then the airport service quality is said to be higher. In particularly, if there are more terminal services providing passengers opportunities to engage in shopping, leisure and other waiting time activities that enable enhanced airport service quality.

Any passenger is willing to minimise their waiting time. Darko (1999), in his studies established the fact that passenger's standard waiting duration at terminals above an hour. Extra outside matters like safety checks, unforeseen climate or airplane breakdown might also extend the overall timing in airdrome. As per the literature, the moments enjoyed during the said waiting durations are separated into four key behaviours namely; career or profession connected tasks, continuation actions like consumption, sleeping, grooming, shopping and lastly relaxation and entertainment. When airports can keep their passengers enlighten

throughout these four phases, airport service quality is assured and passengers are satisfied. In that line of thinking, various schools of thoughts have distinguished available infrastructure as one of the key determinants that enables all servicecape, service staff and services and therefore merits further academic discussion.

## **2.7 Leadership styles**

Leaders make or break companies. Understanding the effects of leadership on performance is important because leadership is viewed by some researchers as one of the key driving forces for improving a firm's continuous performance. True leading will be replicated in the HRM applications too (Evans, Hood & Perera, 2000). Zhu et al. (2005), suggest that visionary leadership will result in high levels of cohesion, commitment, trust, motivation and hence enhanced performance in organisational environments. Mehra, Smith, Dixon and Robertson (2006) argue that when some organisations seek efficient ways to enable them outperform others, a longstanding approach is to focus on the effects of leadership. Therefore, leadership while being a key driver also operates as a facet of the definition of continuous performance as illustrated above.

Leadership and company performance go hand in hand. Leadership is observed by academia as crucial energetic vigour for maintaining continuous performance. Leading is the guiding power in a company into the preferred transformation (Alawattage, 1998). Leadership execution is perceived as a compelling basis of continuous performance (Avolio, 1999; Lado, Boyd & Wright, 1992; Rowe, 2001). This leadership execution aligned outlook has moreover delivered valued intuitions

towards performance (Judge, Bono, Ilies & Gerhardt, 2002; Judge & Piccolo, 2004; Keller, 2006; McGrath & MacMillon, 2000; Meyer & Heppard, 2000; Purcell, Kinnie, Hutchinson & Dickson, 2004; Yukl, 2002). Therefore, under whatever circumstances, leadership is a vital in even interpreting continuous performance momentum of a company.

## **2.8 Strategic human resources management**

Everything surrounds human capabilities and without human touch, nothing will exist in the world. Thus, there is no exception to performance. Human resources fuel performance while connoting the same by means of enhanced profits and revenues (Delery & Dorty, 2000; Wan-Jing and Tung, 2005). That is also recognised as an association between SHRM and financial performance via confirming an optimistic influence of SHRM over performance. The work of Wright and McMahan (2005) revealed that, SHRM, straight effects continuous performance remarkably in the revenue, profits and expenditure savings. As per another two studies (Burke, 2005; Dessler, 2005) company performance mostly depend on leadership execution and SHRM, both are connected to human capital. Therefore, overall, better leadership execution creates an ideal SHRM atmosphere and in return, that working set-up inspires the continuous performance drive of a company.

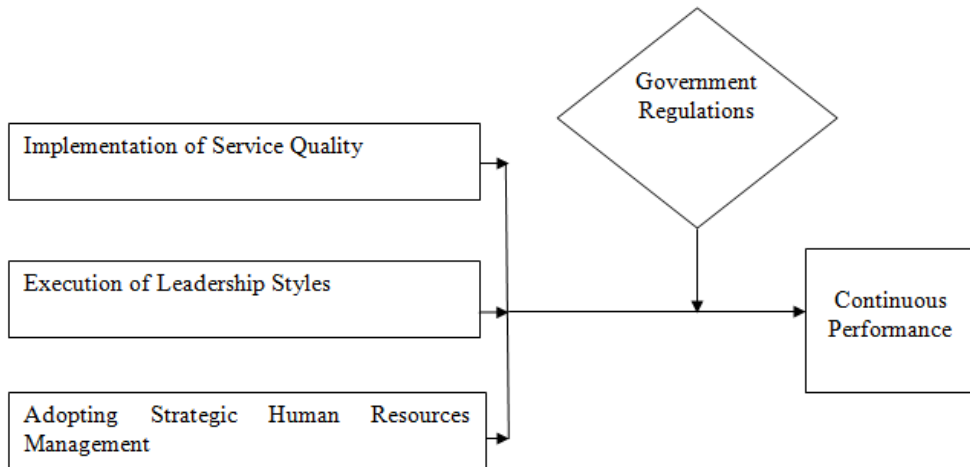
Human resources create the vibrancy of organisational success. In a research on Brazilian plants, the scholars analysed the concept of company performance in the eyes of SHRM and appreciated its' ability of formation of enduring competitive reward (Barney, 1991) ensuring continuous performance drive (Barney & Wright, 1998; Helfat & Peteraf, 2003). There are extensive connections among SHRM, operating and

monetary performance (Huselid, 1995; Wright et al., 2005). Several scholastic findings supported the same defining performance as realising company goals using SHRM practices (Combs et al., 2006; Ferguson & Reio Jr., 2010; Jackson & Schuler, 1995; Oliveira & Oliveira, 2011; Wright & McMahan, 1992).

### **3. Methodology and case frame work**

This adopts case study method with the qualitative research approach. The Unit of analysis is AASL. As supported by Cooper and Schindler (2013), the key aim of data scrutiny was to condense the gathered records down to a fitting doable magnitude by arriving synopses with the aim of finding out tendencies. This will be carried out using both qualitative and quantitative techniques. For the quantitative details, all the company records such as 27 annual reports, newsletters, award applications, board minutes, web site and social media posts were analysed thoroughly. In case of qualitative approach, in order to unearth the ground reality, it has been conducted 40 in-depth interviews including two cabinet ministers, six focus group discussions that includes 6 to 12 people, five short passenger discussions and five direct observations of key events. All interviews were done using the carefully designed comprehensive interview guide approved by the PIM Research Centre. The qualitative data gathered would thoroughly lay the foundation to unearth this reality in a cohesive manner, as they are collected within a structured framework putting into the written transcripts and subsequently comprehensively analysing and coding and sub coding via identifying key statements made in order to support the study. The Case Framework is given in the Figure 2 underneath.

Figure 2: Case Framework



Source: Author (2018)

## 4. Discussion of findings

### 4.1 Achieving continuous performance

Predominantly, continuous performance of companies is defined in terms of persistent growth of monetary KPIs such as profits, revenue, and shareholders' funds (Barney, 1986; Hermalin & Weisbach, 1991). Roland and Sarnin (1991) also confirmed the same through their extensive researches on ROI, ROE as noteworthy dimensions to define performance of any company. Remarkably, almost all the academia supporting performance by means of financial achievements (Bagozzi, Verbeke, & Gavino, 2003; Fisher & Alford, 2000; Ji Li, Kevin, & Qian, 2001) explained the significance of continuous growth of revenue, profit and shareholders' funds. They also adequately support leadership



execution as a key contributor to the continuous performance of any entity.

All primary data, secondary data as well as other observations solidly endorsed continuous performance drive of AASL. Almost all financial KPIs such as revenue, profits and shareholders' funds have been continuously increased by average 30%, 72% and 35% respectively during the period 2009 to 2017. On the other hand, operational KPIs such as aircraft movements, passenger movements and cargo movements also have been amplified in average by 13%, 15% and 11% correspondingly during the same period. Therefore, the continuous performance drive of AASL predominantly through execution of leadership styles is very clearly visible and in agreement with the theoretical underpinnings. Moreover, scholastic definitions on the continuous performance in terms of monetary achievements as discussed in the paragraph one above are perfectly evident.

#### **4.2 Implementation of service quality and continuous performance**

Parasuraman et al. (1985) presented SERVQUAL model and defined services excellence in terms of five key pillars namely tangibility, reliability, assurance responsiveness and empathy. If those five key variables are visible then service quality implementation exists. Moreover, passengers require noticeable, precise and handily positioned symbols guiding into different amenities and places within airfield (Bitner, 1990; Caves & Gosling, 1999; Fewings, 2012). Kumar and Meenakshi (2006) view responsiveness as service staff's attitude towards promptly attending passengers' needs. As per Arlen (2008),

empathy is all about caring and daring of the passengers. Front staff plays a vital task in building assurance (Bollen & Emes, 2008). To assure reliability, passengers are to be informed accurately and timely on alterations of flights (Peppers & Rogers, 2011). Tangibles act a key part in influencing consumer prospect into the aviation services quality (Chao et al., 2013). Primary data collected reveals that almost all these features are very well evidence at BIA and variables as empathy, assurance and responsiveness are visible in outstanding manner with compared to other regional airports.

Ndoh and Ashford (1994) declared shopping experience as a vital aspect inside the terminal. Darko (1999) identified four key factors namely opportunities for professional work, consumption, relaxation and shopping where service quality can be measured. It has been endorsed that in all these aspects BIA is leading. There are four lounges namely Silk Route, Araliya, Lotus and Executive Lounge where passengers can satisfy their first triple needs including relaxation and more than 100 shops including world-renowned brands within the terminal to get fantastic shopping experience. According to airport service quality model of Fodness and Murray (2007) servicescape, service providers and services offered are considered, as key constitutes of aviation service quality. In that aspect, also BIA has been identified as an airport rich with "*Human Touch and Empathy*". Ongoing novel initiatives such as guest experience movement, BIA Tagline of "*Make Happy Journeys*" and new logo campaign, BIA Five sense concept can be treated as ambassadors of creating passenger centric service delivery. Expanded Wi-Fi facilities, 24\*7 web based complaint management system, newly refurbished washrooms further enhance service delivery

credentials in the above areas. All these service quality enhancements have strengthened continuous performance drive of AASL.

#### **4.3 Execution of leadership styles and continuous performance**

It is said that creating a visionary entity needs one percent vision and ninety-nine percent executions (Collins & Porras, 1994). Any company, leadership execution matters a lot, as there are no great strategies, but execution (Lynda, 2011). In case of AASL leadership execution is concerned, the above is well aligned with. Being a state entity, though three leaders led the company during the previous decade, all of them are good executors rather strategists. Only difference is their execution styles. One (2009-2015) followed a very transactional approach; other (2015-2016) adopted participative kind of execution and the third chairman (2016-2018) was adopting rules based approach. Due to this reason as firmly endorsed by the timeline, always AASL is a place with many things are happening.

Behavioural view suggests that the successful leadership is both job or tasks and relationship or people-centric (Blake & Mouton, 1964; cited in Bass & Bass, 2008). The team management is considered as the ideal mix in this respect. This has been well evidenced throughout all leadership regimes at AASL since 2009. All leaders whether transactional, democratic or bureaucratic, have given priority for the teamwork. That was one of the common factors of AASL leadership regime since 2009. Construction Mattala Airport and Runway Overlay projects are classic examples to endorse how teamwork centric

leadership drives Rs. billions worth of mega projects to the dot of the contract plans and schedules achieving timely completion.

The transactional leaders stress the identifying talents, execution of goals, achieving targets, and disciplines (Bass, 1997). The same is in agreement with the Chairman1, who was identified as a task centric achieving leader by the majority of the interviewees. Further, it was evidenced that he, who was an ex-military officer was good in talent hunting as well as maintaining disciplines at the workplace. Massive number of projects carried out during his leadership and formation of new divisions including IT are evidences. It is said transactional leaders devote time on strategy execution and rewarded for staff achievements (Bass & Avolio, 2000). They are real risk takers (Meyer & Botha, 2000). This point of view has well been evidenced in case of Chairman1 throughout his leadership regime. He offered a lot of training opportunities as well as promotions for the staff and rewarded high performers. Chairman1's risk taking appetite is clearly visible. He was a good decision maker. Though, the same rules exist at present were also there during his regime, he cut short all those red tapes, took the risk and expedited work. Transactional leaders are valued on decision-making efficiency in several grounds (Bass, 1985; Bass, Avolio, Jung, & Berson, 2003; Bass & Riggio, 2006; Hater & Bass, 1988; 1999; 2000; Zhu, Sosik, Riggio, & Yang, 2012). The majority of the interviewees graded the Chairman1 as the number one in terms of decision-making. To make decisions, essentially he did not want to see the matter on the papers or documents. As a results during that period though tender board meetings were delayed, approvals were given to proceed with due to his decision making power.

On the other hand, democratic leaders handle a decisive task with participative impartial decision-making (Adorno, 1965; Gastil, 1994; Kunter, 1965). The same was 100 percent proofed in case of Chairman2 who always took deliberate decisions closely liaised with the board of directors and other HODs and who encouraged “*Open Door Culture*” at his office even. Research findings by White and Lippitt (1960) on delegation of responsibility, empowering team and aiding conversation towards team decision making is solidly and vividly endorsed by Chairman2. Tender Boards, Vice Chairman, Executive Director and other HODs were empowered to make decisions during his regime rather than centralised decision-making by him. Similarly, Luthar’s view on collective involvement as the centre role of democratic leadership (1996) was well evidenced during the regime of Chairman2.

As per Max Weber, bureaucratic leadership is equipped with work expertise, delegated authorities, rules and regulations, technical competency procedures, impartiality and formalised documented approving mechanism (1978). Chairman3 being an experienced engineer has delegated all his financial powers into four tender boards. He only approves up to Rs.250,000 as per the procurement guidelines. In addition, almost all procurements are done as per procurement guidelines and all tenders are offered within a very transparent framework. Technical Evaluation Committees (TECs) are appointed, whenever needed concurrent approvals of the ministry are sought, Audit and Management Committees (AMCs), tender board and board meetings are held on timely basis. To grant approvals everything must be in the paper in accordance with respective rules, regulations and guidelines.

#### **4.4 Adopting SHRM practices and continuous performance**

Both Delery and Doty (1996) and Pfeffer (1998) classified SHRM into seven pillars that are likely to boost company growth and allow gaining a cutthroat lead (1998). In Sri Lankan context, SHRM is viewed as HR ecology for competitive advantage by Dharmasiri (2015) with adaptation of 7G framework namely get, give, grow, glue, glow, goal and guard. In summary as per academia, SHRM covers mainly the seven aspects of recruitment, remuneration, training and development, staff engagement, performance management, strategic alignment, and HR policies and procedures. In case of AASL, it is perfectly endorsed almost all these areas are adequately covered and currently they are in the transition into SHRM from HRM. Both head of HR and deputy head of HR in their comprehensive illustrations validated the same. Statements made by Chairman<sup>3</sup>, assistant HR manager, marketing manager, terminal superintendents and focus group discussion had with the marketing division adequately supported the stance.

As acknowledged by Miles and Snow (1984), SHRM rises where HR divisions attempt to match their tactics, process and policies with corporate game plan. According to Dessler (2005), SHRM is often linked with corporate strategy with the aim of getting competitive advantage towards enhanced corporate performances. Primary data gathered, secondary evidences and the writer's observations via attending a board meeting and strategic corporate plan preparation brainstorming session, it has been clearly evidenced that HR strategies are well fitting with the corporate strategy. The head of HR plays a vital role in the board meetings being the secretary to the board as well as serving as a member of almost all key committees in AASL including training

committee, guest experience committee, and logo development committee. She also acts as pioneering HOD in organising corporate strategic planning brainstorming workshops. Overall, the results of the case acknowledge the conclusions from previous findings that the better the degree of harmonisation of HR with corporate strategies, the superior the company performs.

## **5. Conclusions**

The case study was based on the success story of AASL, which was reaping beyond Rs.10Bn profits being a high performing public company for the year ended 31<sup>st</sup> December 2017. The key findings of the study are elaborated comprehensively. They are perfectly meeting the triple objectives set out in the chapter one. Successfully achieving the first objective, the case study has clearly demonstrated how continuous performance of AASL achieved since 2009 to date. Throughout the case narrative, the case study comprehensively described the existence of continuous performance drive of AASL with clear evidences from both primary and secondary data.

It is evident, execution of diverse leadership styles mainly, transactional, democratic and bureaucratic throughout the period from 2009 to date, predominantly contributed towards above continuous performance drive of AASL. It has also been revealed though there are diverse styles of leadership execution, a particular unique element inherited in each style enormously fuelled revenue and profitability growth of AASL. For instances, in case of transactional leadership, "*Task Orientation and Decision Making*", in case of democratic leadership "*People Concern*" and

lastly, in case of bureaucratic leadership, “*Transparency*” and “*Financial Discipline*”.

Implementation of service quality is emerging as one of the very decisive factors of the financial growth of AASL from the recent past. Being a public sector service provider, AASL’s concerns, aptitudes and attitudes are being gradually shifted into more passenger centric service delivery atmosphere. Many initiatives and campaigns to win passengers as well as airlines are in operation in an impressive gear with the custodianship of the marketing unit. As a result, numbers of airlines as well as passengers have been drastically increased fuelling the continuous performance of AASL. The unearthed results of the case analysis acknowledged the findings of Heatington and Jones (1975), Seneviratne and Mattle (1991), Bitner (1992), Fodness and Murray (2007) too. The author at the end of the intellectual journey of learning, re-learning and unearthing the expedition of AASL since 2009, got an interesting emerging insight that summarise all findings into unique model. Barbara and Theresa (2001) came up with a model called “Service Triad” that emphasises external, internal and interactive marketing towards better service delivery. It has well been observed throughout the period via forming a unique relationship among the key driver, service quality and the rest of the drivers, leadership and SHRM towards continuous growth momentum of AASL. The way the entire case framework is reflected and reinforced through the concept of “Service Triangle”.

SHRM orientation is also another emerging powerful pillar of the continuous performance of AASL. AASL workforce is being shifted into innovations driven strategic set-up from salaries driven personnel management ambience. These findings are also agreed with the efforts



of Komnenic and Pokrajcic (2012) where they studied and established that strategic human resources have a greater impact on company performance. The most recent researchers done by Ridha, Samuel and Sara (2017) using the Case Study at Soekarno-Hatta International airport and Sarocha and Korrakot using three regional airports in Thailand (2018) also validates the conclusions of this study.

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## **Description of the book**

Author	Gunawardane, Gamini
Year of publication	2017
Title of the book	Service Management: Concepts principles and applications for Sri Lanka
Place of publication	Sri Lanka
Publisher	Dayawansa Jayakody and company
Number of pages	378
ISBN	978-955-686-380-2
Price of the book	2000

## **Introduction**

The significance of the service sector to the global economy, countries, industries, organizations, and employees is apparent to us due to its increasing contribution to the national income and employment opportunities. While you can observe a phenomenological growth in the services sector, it can be considered an economic megatrend. Sri Lanka's DGP is contributed by the industrial, agricultural, and services sectors. Among them on par with the developed nations, Sri Lanka's services sector is also growing. To date, it remains around 60 percent. In this context, the knowledge of services, service marketing, and management is essential to all. Each one of us is in the *services business* as we belong to one of the two groups— either we may be *marketing a service*, or we may be *marketing through a service*.

Even though all may not be directly be managing a business in the services sector, we require service components such as customer service, customer relationships, and research and development to operate our business and differentiate ourselves from the competitors. A sound understanding of service characteristics provides you a to proactively identify the unique challenges and various ways and means to overcome them. The solutions you bring would beautifully differentiate you from the rest. Despite this importance, many organizations, small to large and profit-making to nonprofit oriented, appear to have difficulties understanding and embedding the key services elements to deliver value to the customer or manage their services businesses.

In an epoch that local knowledge is somewhat scarce, particularly in the services domain, I found that this book on services management: concepts, principles, and applications for Sri Lanka by Gamini Gunawardane a vital resource to Sri Lanka and the service management sector in particular. Being a professor in Management (California State Universities at Fullerton and Los Angeles, USA) and having strong relationship ties with the industry both locally and globally ( He is also the Associate Vice President, Care 1st Health Plan, USA ) Gunawardane has utilised his extensive research and academic experience to enrich the content of this book. His close links with Sri Lanka specifically the academics and the private and public sector, is apparent as he was the driving force behind establishing the service management institute in Sri Lanka. As evident from the book, Gunawardane has done a good analysis of the services management knowledge available and what is required, and the gaps in the public and private institutional level and scholarly contributions. His extensive experience in the services sector is a result of the book.

Despite the number of research conducted in service management, there is a scarcity of local knowledge on service management and less clarity about how the available knowledge in the western world can be tailored into managing local services organizations. As an academic acquainted with the services management domain, I observed that this book is unique in its approach, flow, and content. Gunawardane has ensured rich content by captivating findings from both local and foreign research. The content is easy to understand as it does not attempt to explain too much on the theory and discusses research findings concerning the local services context. The

article composition is a good showcase of the number of Sri Lankan authors who contributed to the domain through their research work. Actual case studies and discussion questions support the content and, as I already mentioned, research findings.

### **Content**

As apparent from the book Gunawardane has analyzed the existing service management knowledge of the private and public sector in Sri Lanka and around the globe and the gaps the industry and the research community to elevate service management in Sri Lanka. Gunawardane discuss these by starting from the micro-level topics by taking us through a step by step journey with 20 chapters and provides a good eye-opener for the reader on the urgent requirement to elevate the service management.

### **Chapter 1 - Introduction**

This chapter provides an overview of services with a brief introduction to the services industry and the characteristics. It also discusses the evolution of the services economy from agrarian to industrial to services. The role of services in the Sri Lankan economy and its importance to Sri Lanka has been emphasized, which in turn comes to the highlight of the requirement for service management training. Gunawardane gives a detailed introduction to 8 services characteristics that distinguish services and provides a comprehensive introduction to services by drawing examples close to the Sri Lankan context and showing a particular concern on uplifting the services culture even in the nonprofit oriented sectors such as government services.

## **Chapter 2-Service management**

This chapter begins with an explanation of service management in general. It highlights its uniqueness with a discussion on essential concepts, particularly the inherent characteristics of services and, therefore, the unique challenges in services management. Importantly the evolution of services management is also discussed. It also includes a discussion on services management in developing countries and Sri Lanka. The roles and responsibilities in service management and the modern trends are discussed to provide an excellent service management background.

## **Chapter 3 - Classifying services to gain strategic and marketing insights**

This chapter discusses service strategy. It first highlights the importance of identifying the generic characteristics of services and how they make services unique. Then it moves onto classify services in numerous ways to enhance the understanding of services and advocates the selection of successful service strategy depending on the nature of your service based on the service classification.

## **Chapter 4 - Service strategy design**

After proving an overall understanding of service strategy this chapter helps in strategy formulation and introduces the key components of a service strategy by elaborating Dialog Axiata PLC. The strategy formulation process is elaborated through 7 stages. It also elaborates on developing the service concept, which is the central pillar of a service that involves how the service is designed, delivered, and marketed and how to design it based on the concept and strategy.

## **Chapter 5 - The service encounter**

With a focus on delivering the service you designed, this chapter is allocated to explain the fundamental point in a service encounter, where the services provider and the receiver of the service meets, or the exchange occurs. In this section, Gunawardane brings the importance of the service encounter components— the customer, service personnel, and the service organization. Essential elements in designing (essential requirements) for each; each component's role for a successful service encounter is discussed. Most importantly, Gunawardane highlights the internal serve environment with the message for looking after the service employees (internal customers) in addition to the external customer. This chapter beautifully delivers the message that happy employees lead to satisfied customers.

## **Chapter 6-Service quality-what customers look for in a service**

Service quality can be considered as the most popular in the domain of services. This chapter begins with an introduction to critical factors customers consider in evaluating a service. To further enhance the understanding of service dimensions of products and service are outlined. Even though it may sound obvious, this provides a clear understanding as to why the service strategy is unique. Moreover, in this section, Gunawardana explains how service quality dimensions vary based on the industry, types of services, culture, country, customer demographics, and the number of visits to the service. Most importantly, numerous service quality dimensions are listed in relation to different services based on past research in general, in Asia and Sri Lanka. However, highlight the requirement for more research in this area.

## **Chapter 7 Service quality - Measurement and improvement**

While customer satisfaction should be the critical success factor, this chapter provides a few models to determine customer satisfaction and how customers determine satisfaction and dissatisfaction and manage customer satisfaction in services. It concludes with the emphasis on upgrading your service component that will be an advantage and a key differentiator.

## **Chapter 8 - Customer experience and customer relationship management**

Managing customer relationships and experience is essential to influence customer satisfaction, and it is no option to service organizations. In this chapter, Gunawardane questions several advantages of customer experience management (CXM) and customer relationship management (CRM), and related concepts. Highlighting on modern trends in CXM and CRM he acknowledges the support of the digital transformation in managing these concepts. Even though Gunawardane does not involve in explaining CRM in detail the interdependence of CRM and CEM is emphasized. He provides a detailed overview on implementing good CXM. One of the key highlights in this chapter is the '*moment of truth.*' He further explains the importance of the employees' emotional intelligence to achieve this and the importance of customer-focused service organization. Most importantly, he highlights easy to follow management actions for a customer-focused service organization.



## **Chapter 9 - Service quality management in special sectors**

Gunawardane elaborates this section with a few selected sectors such as the hospitality and tourism industry. Special attention has been given to hotel service management, restaurant management, and tour operations management. Most importantly, he brings numerous learnings from Singapore, Taiwan, the USA, Sweden, China, Australia, Bangladesh, and many more and numerous hotel properties such as Ritz Carlton. Another sector that has been included in retail sales and related services with more focused on the technological aspect such as self-checkouts, SSTs, and websites. The health care sector is also given prominence with several examples. Banking and finance, and manufacturing organizations are also quoted due to their significant role in the services sector.

## **Chapter 10 - Managing public services**

Gunawardane begins this chapter by raising three important questions that bring numerous problems associated with uplifting service quality in the public sector. He also cited many efforts of other countries in addition to examples from the Sri Lankan context itself, which provides a learning opportunity to Sri Lanka. He has shown greater concern on factors limiting public services quality and points the importance of public sector services irrespective of these obstacles. In this chapter, Gunawardane also provides a guide to be customer orientated by summarizing the customer service standards of numerous countries. In this chapter, Gunawardane gives a strong message for the essential requirement to creating a customer-oriented public sector in Sri Lanka despite the challenges.

## **Chapter 11 - Use of technology for services**

The continuous digital transformation and its impact on all individuals and businesses are much aware to us. This chapter elaborates on the importance of technology for services management, such as product/service technology, process technology, and information technology. To provide a clear understanding of the technologies, we could exploit Gunawardane has listed much information so you will be able to absorb in a glimpse and highlight the advantages of adopting them. *Technology implementation will only be successful only when the employees and the customer are ready to adopt it.* This is elaborated in detail concerning the *technology acceptance model* and *technology readiness index*. A number of benefits are pointed and supported with the service sector research conducted in numerous contexts.

## **Chapter 12 - Service marketing**

This chapter begins with an introduction to services marketing and rationalizes why a different marketing strategy is required for services. In this chapter, Gunawardane takes the opportunity to discuss the inherent characteristic of services and the services marketing mix. Then he moves on to the discussion of developing services marketing strategies using the services marketing mix. He has given special emphasis on branding the service. He defines its importance as “*it is the customer’s experience with the service that is ultimately remembered and associated with the brand*” (pp. 209). The chapter also contains a discussion on tangibilising the services, one of the fundamental requirements to connect with the customers. This chapter concludes with a dialogue on services marketing in Asia.

### **Chapter 13 - Human resource management in services**

People are the most important pillar in the services marketing mix. This chapter begins with the highlight —the importance of human resources and the requirement for human resource management. Even though technology substitution has become the trend and appears to be taking place in a rapid phase, this chapter provides evidence for managing technology and the people's touch for a memorable services experience. This is elaborated through several examples from the research studies. Have provided advice on the number of ways customer-oriented behavior can be incorporated. Gunawardane also highlights the required characteristics of service employees and how to upgrade them in employees. The essential HRM practices which would determine the customer-oriented behavior of employees are emphasized.

### **Chapter 14 and 15 - Management of service operations I and II**

The significance of the service operations is implied by the devotion of two chapters for its discussion. Gunawardane allocated Part I to discuss customer operations such as operations planning and forecasting, services capacity planning, scheduling operations, inventory control, and demand forecasting methods. The discussion is enriched with examples from the hospitality sector. In part II, managing physical location is detailed, and the importance of location decision is discussed. While the physical location has three key components, Gunawardane first elaborates *layout* as a key concern. Several pointers are provided to design an effective layout and to enhance its effectiveness. After that servicescape is discussed in detail and explains how to improve it, services, and flow planning. This chapter concludes by emphasizing one

of the key challenges the services sector faces to date—the customer waits, the difficulties in managing, and how to overcome it.

### **Chapter 16 - Supply chain management in services**

This chapter begins with an overview of supply chain management and alternative supply chains in services and provides a detailed understanding of the service supply chain. In addition to the inherent characteristics of services, Gunawardane emphasizes the number of other factors such as complexity associated with acquiring service and challenges in determining the cost and complexities in designing the service. These challenges are discussed in managing offshore services when purchasing and outsourcing. To overcome these challenges, offshore a detailed guideline is provided. The chapter concludes with a detailed discussion of inventory management in services.

### **Chapter 17 - Legal and ethical issues in services management**

This chapter can be considered an essential component, particularly in Sri Lanka, due to our bad experiences but our little understanding or the negligence in this area. This section points to the importance of economic, legal, ethical and social and discretionary responsibilities for any manager. Moreover, this chapter contains key legal and ethical issues in service management in detail. Many examples, cases, and elaborations are provided from various contexts on these elements and provide service management guidelines by complying with law and ethics.

## **Chapter 18 - Globalization of services**

In this chapter, Gunawardane shows the rapid growth in globalization in services and the growth of Sri Lanka's global services industry. While he engages in a discussion on trends in the international services landscape and a number of opportunities are highlighted. He explains the key requirements for global service outsourcing and offshoring and how to survive and thrive in these businesses. Several lessons are brought from the neighboring counterpart India and highlight the importance and opportunities to reach medical tourism and higher education potential.

## **Chapter 19 - Service management education and research**

This chapter is dedicated to discussing the importance of service management education and research due to its unique characteristics and management. In this chapter, Gunawardana makes an effort to point the requirement of service management education and the enormous contribution of such an endeavor. It also highlights several areas where research can be engaged.

## **Chapter 20 - Adapting modern service management concepts and principles to Sri Lanka**

This chapter, the concluding chapter, is dedicated to discussing adapting modern service management concepts and principles to Sri Lanka. It highlights the important areas in service management as adopting cultural differences, drawing attention to numerous customer differences in various countries, and adapting to private and public sector differences and political realities. This chapter provides vital suggestions to improve services management in Sri Lanka.

## **Evaluation**

This effort of Gunawardane is significant due to several reasons. He provides the fundamental understanding of services management concepts with examples close to Sri Lankans, and the book is compiled with local and foreign authors' research articles. What captured my attention was his compilation of many Sri Lankan scholarly articles written in the area of service management and his enthusiasm to communicate it to the public by incorporating their findings into the chapters. While we often express our concern on the lack of research in the local context, this attempt of Gunawardane provides a research agenda for future research. Gunawardana's genuine need to uplift the public sector's service quality is evident from the availability of a separate chapter on the public services sector. To further enhance Gunawardane's contribution incorporating the latest research findings can be suggested.

## **Conclusion**

You may be someone who has felt the apparent need to get to know the nature of services, uniqueness in managing services, or an experienced services customer facing dissatisfaction with services. As a marketer, if you have realized the need to do things better by getting to know the services field and the best practices to provide a memorable experience to your customers, this book will suit you. This can be considered a must-read book by policymakers, services leaders, employees, and all students as they will be in the services sector or managed through services. Simply it is a book that provides a benchmark for all of us as customers! This book is an outcome of a vast experience in the service management area, passion for service

management and education, and the vital observations made on the existing nature of service management and its education. This book points to the need for better service management in Sri Lanka and the importance of rapid engagement with the services as its importance is felt even more with the new normal.

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