

SERVICE QUALITY PRACTICES TOWARDS ORGANISATIONAL PERFORMANCE THROUGH VALUE CREATION AND THE MODERATING EFFECTS OF ORGANISATIONAL STRUCTURE

Khairul Anuar Mohd Ali*

Ahmad Nafiz Abd Halim

ABSTRACT

The objective of this paper is to conceptualise how service quality practices influence the organisational performance within the perspective of the internal customer of the organisation. Relevant literature has been reviewed and related propositions have been developed in relations with service quality practices, value creation, organisational performance and organisation structure. The paper emphasises on the value creation process underlies in the theory of social exchange and consider value creation as a mediator in linking the service quality practices and the performance of the organisation. Organisational structure has been considered as a moderator as it is believed to have effects on the relationship between service quality practices and value creation. Research proposition and a conceptual model have been offered for further consideration, and this paper incorporated the concept of reciprocation and spiralling effects of value co-creation with an emphasises on the perspective of the internal customer of the organisation.

Keywords: Service quality practices; Organisational performance; Value creation; Organisation structure; Internal customer

Introduction

The performance of public sector organisation has been a great concern among the public and the stakeholder of the country. In fact, a common aim for any organisation is to increase its performance and activities so that it will remain relevant in a competitive environment (Aivazian, Ge, and Qiu, 2005; Evans, 2002; Idris and Ali, 2008; Said et al., 2016). As intermediaries between the country and the people (Mintzberg, 1996), public sector organisation represent the government in delivering their services. This service delivery chains (i.e. Government – public sector organisation – the people) put the performance of public sector organisation in the eyes of many stakes, from the political masters, public sector's managements, the employees, taxpayers, businesses, the people and many others. As the performance of services is normally measured by the quality of the services delivered (Agus, Barker, and Kandampully, 2007), then services should be delivered with quality, or otherwise, it would be questionable and issues among the receiver (Ilhaamie, 2010). Unfortunately, service performance of the public sector's organisation have been considered as relatively low (Krishnan, 2016), and relatively slow in practices (Agus et al., 2007; Ramseook-Munhurrun et al., 2010). This is a contrast with the private sectors, which has been considered as partners to the government by many developing countries (Ismail and Haris, 2014; Andrews et al., 2015), where the quality of their services always seems to be greater than the one performed by the public sector organisation.

One of the critical success factors in organisational performance is the values uphold by the organisation and perceived by the customer, be it the external customer (i.e. any related parties outside from the organisation that received the services, such as, the publics) or the internal customer (i.e. any related parties within the organisation, such as, the employee) (Gilbert, 2000). The values uphold should be aligned with the aim of the organisation (Ito, 2016) and able to meet customer's satisfaction (Lai, 2004). Value creation will contribute to the positive values needed by the organisation for better performance. As for public sector organisation, the pressure for efficiency in service delivery and value for money drives the public sector management to pay more attention to service quality and strategies to create values that should be able to meet the expectation of the internal customer and the publics. The need for better performance has led many public sector management to look after on the quality of the services offered and strategized for values in the organisation so that public expectations are fulfilled (Chatzoglou et al., 2013).

As part of the improvements' strategies, previous literature has widely regarded service quality as an influential strategy to improve organisational performance (Gronroos, 1988; Parasuraman, Zeithaml and Berry, 1988; Ali et al., 2007; Idris and Ali, 2008; Alolayyan et al., 2011). The quality of the organisation's services is manifested through the practices of service quality and stimulate the value creation process that contributes to better organisational performance. Meanwhile, in term of the academe, despite of the relevancies and the important of the fulfilment of the internal customer's satisfaction and their expectation, it is observed that previous literature are dominantly related in the perspective of external customer (e.g. Ajmal et al. 2016; Ilhaamie 2010; O'Reilly 2013; Parasuraman et al. 1988; Ramseook-Munhurrun et al. 2010; Sangiorgi 2015), leaving a space for clarifications in the internal customer's perspective. Internal customers of the organisations are not less important as the external consumer as the chain of works within the organisation create its own dimension of the customer, i.e. an internal customer.

This paper view a customer in two perspectives: an internal and the external (Alolayyan et al, 2011; Grace and Iacono, 2015). In this view, we opted to focus on the perspective of the internal customer of the organisation. It is often that a "customer" referred to the external customer, which relate to the clients outside from the organisation. However, as mentioned earlier, a concept of "customer" is also applicable to the organisation itself (Grace and Lo Iacono, 2015). The aim of the government agencies to fulfil

public expectation should link with the fulfilment of their internal customer's expectation and value. In order to gain public satisfaction (i.e. the external customer), the organisation firstly need to satisfy their internal customer (i.e. the employees, the management, executives, managers, and other internal stakeholders) (Grace and Iacono, 2015). Based on the Social Exchange Theory (Homans, 1958), it is expected that the value perceived by the internal customer in the value creation process, initiated by the service quality practices may create a reciprocation effect in motivating them to perform an excellent service performance. These internal customers may engage with the publics, or influence the delivery of the services to the external customer, and extended the value created within the organisation to the external parties, resulting the desired excellence performance of the organisation (Gilbert, 2000; Ismail et al., 2009; Ito, 2016; Lai, 2004; Walker, Johnson, and Leonard, 2006).

As for Malaysia, the performance of government agencies in service delivery will be one of the focus for the people in assessing government's efficiency. Public service delivery has been given more attention to be a more people-oriented organisation, involving a leaner, facilitative, efficiency, productivity, skills, openness, innovation, and less bureaucratic organisation (Economic Planning Unit, 2015). The structure of federal administrative consist of 24 ministries (Malaysia's Prime Minister Office, 2015) and various agencies under each ministry. Each ministry is responsible for particular portfolios and plays an important role in setting up the policies and key decisions and approvals inspired by the decisions and plans made by the government. The decisions and policies made at the ministry level are then conveying to the various agencies to be implemented. These particular ministries also involve inter-relationally with others related to its portfolios determined. Major decisions involving policies and government interest usually made through these particular ministries, indicating critical functions of the ministries in providing services to the people. Looking into the angle of service delivery, it is assumed that the ministries could be regarded as a service provider, while the others, including its agencies, are the customer of the services. In the complexity of the administrative and organisational structure, interdependency and service quality among the ministries and the agencies are very important. Extending on this notion, the issue would go deeply into the organisation itself. The insights of the service climates within the organisation is the key to a better performance. This is when the value creation within the organisations becomes crucial as the values in the chain of workflow in delivering the services may affect the quality of the final outcome, reflect the organisational performance. The issues here is how the value being created and how is the value being perceived, as previous literature suggest that there are four dimensions of value, namely: economic value, functional value, emotional value, and social value (Grace and Iacono, 2015; Sweeney and Soutar, 2001; Sweeney, Soutar, and Johnson, 1997). Furthermore, value perceptions are varied by a different person or group of persons (Pinho et al., 2014; Shehadeh et al., 2016).

Relating to the organisational structure, a general structure of the Malaysian public organisations are basically mechanistic in nature, although many of the organisations, such as the government ministries, tend to incline themselves towards an organic structure. The nature of the mechanistic organisational structure is clearer for the organisations that are regimental in nature (e.g. enforcement agencies). Still, within the insights of many public organisations, it is believed that some parts of the organisations are in the organic structure. The issues that we try to highlights here is that the value perceptions of the internal customer on the service quality practices in the organisation may be conditions by the organisational structure of the organisation. In our case, the structure of the organisations is likely to have an influence toward the strength of the relationship between the service quality practices and value creations. The nature of the organisational structure, whether it is organic or mechanistic, may influence the strengths of the relationship, should it be stronger, or weaker. We believed that the relationship between service quality practices and value creation is stronger within the organisation with an organic structure, compared to the one with mechanistic structure. Our readings on the service quality literature and value literature found few issues that need to be highlighted. First, previous literature on service quality and performance are dominantly focusing on the perspective of the external customer. Second, the literature on service quality and value creation in the context of public services are still under-focus. Third, the role of value creation and the four dimensions in the relationships between service quality practices and organisational performance are still under research, and Four, there is still an ambiguity on the effects of the organisational structure in service quality practices and value creation. Therefore, in our views, it is worth to look on service quality practices in a perspective of the internal customer as this is one of the critical element in understanding more on the aspects of customer's values in the public service organisation. As for the time being, there is also a study yet to be found, to incorporate the moderation effects of organisational structure in respects of service quality practices and value creation. The abovementioned gaps have created an interest to look further into the aspects of mediation factor of value creation and the moderation effects of organisational structure. We opined that value creation could be functioning as a bridge in linking the service quality practices towards organisational performance. Other than that, we also proposed to incorporate organisational structure as a moderator which seem to absent in the previously reviewed literature. Organisational structure (i.e. organic or mechanistic), may influence on the strengths of the relationships of service quality practices and value creation.

Based in the context of public services, the issues stated in the abovementioned have led us to few questions, such as does service quality practices have significant relationships with value creation? is value creations mediates the relationships of service quality practices and firm's performance, and does organisational structure moderate the relationships of service quality practices and value creations? Therefore, it is the aim of this paper is to look into the matters with a focus on the perspective of internal consumers. In doing so, we aim to provide a conceptual proposition on the role of value creations as a mediator in the relationships of service quality practices towards organisation's performance, and a conceptual proposition of the influence of organisational structure on the relationship of service quality practices with value creation in achieving organisation's performance.

This paper focuses on how service quality practices influence the organisation's performance with the contribution of value creations as a mediator in satisfying the customer's satisfactions and expectations. The paper also looks in how the organisational structure moderates the relationships of service quality practices and value creations which then contributed to organisational performance. As a contribution, this paper will provide an overview of the service quality practices adopted by the public sector

organisation to create values in order to achieve greater organisational performance. The view takes into consideration of the organisation structure (i.e. organic or mechanistic structure) as a moderator. As an outcome, we proposed a conceptual framework on how service quality practices will affect the organisation performance, with the anticipations of value creation as a mediator and organisational structure as a moderator. The conceptual proposed will further enhance the literature in the fields of service quality and values as it will give better understandings on service quality practices and the impact of value creations towards organisational performance. Therefore, this paper contributes to theoretical elements of service quality and give some clues for the practitioners in managing qualities in the organisations. Least but not least, the conceptual framework presented in this paper will give an idea and propositions for future studies to look further.

LITERATURE REVIEW

The literature reviews will look on the service quality practices, value creation and organisational structure as these are the domain of this paper.

Service Quality Practices

Quality is about perceptions of whether the service is able to meet expectations, perceptions, and satisfactions of the consumers (Andersson et al., 2006). Common aim for the firm is to fulfil and meet customer expectations, especially in term of the production's and service quality because the perceptions of quality may lead to customer satisfactions and to remain relevant in a competitive environment (Aivazian et al., 2005; Said et al., 2016). As part of strategy for the improvements, the aspects of services has become one of the dominant factor (Gronroos, 1988; Kumasey, 2014) and service quality has been regarded as an influential strategy to improve the performance of the organisation (e.g. Alolayyan et al., 2011; Gronroos, 1988; Mohd Ali et al., 2007; Parasuraman et al., 1988). Service quality have been widely studied for years, however, there are still no solid concept of service quality (Cronin & Taylor, 1992) The most common view of service quality is based on Parasuraman, Zeithaml and Berry (1985), that quality are assessed by the customer, measure in five dimensions of service quality, referred as SERVQUAL (Parasuraman et al., 1988), which consist the dimension of reliability, responsiveness, assurance, empathy, and tangibles. However, this is not obsolete as the measurements depend on the focus of the research and it is also argued that the literature are yet to come with a general, worldwide and comprehensive means of quality (Reeves and Bednar, 1994; Stanley and Wisner, 2002) as different researchers may look in a difference aspects of service quality.

As for our case, service quality practices referred to the practices adopted by the individual and the organisation in order to uphold and enhance the quality of the services given to the customer. As for this paper, the characteristics of service quality practices referred to management support, focus on the customer, speed, effective communication, friendliness, reliability, teamwork, sincerity, and desire for perfection. These character of practices should become part of the organisation culture and proposed to have a positive impact in term of service quality which contributes to the creation of value in the organisation. The characteristics are:

- a) Management support: referred to the management's practices and behaviour in supporting quality management activities such as information system, process management, design, human resource management, and supplier – customer relationship (Flynn, Schroeder, and Sakakibara, 1994). The management support could also be view as the management's efforts in providing the necessary tools and equipment, infrastructure and environments for the convenience of employees and other stakeholders. The management could also play their role in integrating and encourage quality practices in the organisation which contribute to the quality performance of the organisation as a whole (Flynn, B. B., Schroeder, R. G. and Sakakibara, 1995).
- b) Customer focus: referred to the awareness of customer's needs and channels the activities of the organisations towards customer orientation and fulfilling customer's expectation (Luangsakdapich, Jhundra-indra, and Muenthaisong, 2015). As one of the major dimension in the most quality management system, customer focus is always considered as a starter for quality initiative (Mady, 2009; Sousa, 2003).
- c) Speed: referred to the time taken in response to the need of the customer (Chen and MacMillan, 1992; Luangsakdapich et al., 2015). In fact, speed is part of responsiveness, one of the SERVQUAL dimension (Kim-soon, Rahman, and Visvalingam, 2014; Parasuraman et al., 1988), however, in stressing out the importance of speed in delivering process, we opted to regarded the elements of speed as important element in service quality practices. This includes a faster decision making and providing the necessary information and tools when needed. In the context of this paper, speed is more on the sense of urgency adapted in the organisation and should be honour by every related party. A quick response to customer needs will put an organisation at an upper level in meeting the stakeholders need (Black, Briggs, and Keogh, 2001; Kerin, Varadarajan, and Peterson, 1992; Luangsakdapich et al., 2015).
- d) Communication: referred to the effective communication in the organisation. Ziethalm and Berry (1985) as cited in Parasuraman et al. (1988) highlighted communication as one dimension of service quality. The service provider should communicate well with the customer (Appannan, Doraisamy, and Hui, 2013). Therefore, the management should communicate well with the employee and all the information relating to the needs and expectation should be clarified so that the task could be delivered with efficient. Effective communication practices among peers and co-worker so that each one will understand the task and expectations.
- e) Friendliness: referred to friendly treatments of the organisation towards its stakeholders, especially to the employees. A definition of friendliness lies beneath the statement in Johnston (1995) that friendliness is "the

- warmth and personal approachability (rather than physical approachability) of the service providers, particularly of contact staff, including cheerful attitude and the ability to make the customer feel welcome”.*
- f) Reliability: referred to the reliable activities and practices that are acceptable by the employees as a customer and convincing as “excellence” in their perspectives. It emphasised on the capability of the organisation in delivering the services without failed and errors (Kim-soon et al., 2014). As one of the five service quality dimension in the model of SERVQUAL by Parasuraman et al. (1988), reliability has been one of the important characters for service quality practices.
- g) Teamwork: referred to the practice of helping each other and collaborative responsibilities adopted in the organisation. The values of teamwork will benefit the organisation, made some views that it was accounted to reduce errors, while at the same time counted in term of monitoring the productivity and fault (Parumasur and Govender, 2013). The practice of teamwork in the organisation would also enhance the motivation of the workforce and the behavioural factors of the employee, therefore, a continuous improvement could be gained and provide an effective work entity compared to the individual (Parumasur and Govender, 2013). Based on this scenario, it means that the management and the employee should be able to work together as part of service quality practices.
- h) Sincerity: referred to attitude reflecting the genuineness of the service provider in providing the services, demonstrated their willingness, enthusiasm and respects of service provider towards the customers (Imrie, Cadogan, and McNaughton, 2002) while delivering their services. Perceived sincerity of the provider by the customer will gain customer’s confidence and trust and open the customer’s willingness to accept what is offered by the service provider (Owens and Hekman, 2011). Therefore, in the context of internal customer, the presence of sincerity demonstrate by the management and the other stakeholder’s surroundings will gain employee’s confidence in the organisation.
- i) The desire for perfections: referred to strong intentions and efforts for high achievements and results. Based on the service quality literature views that desire is the “want” of the customers, or the expectations on how the services should be provided (Parasuraman et al., 1988), we would like to borrow the context and defined desire as the “want” of the provider to give the best and excellence services to its customer. Desire is also considered as a driver to motivate public sector employee to serve in the interest of the public (Andrews et al., 2015).

Value Creation

Value is about perception. Value creation referred to the added value as likely to what have been defined by the customer, including customer satisfaction and perceived quality (Shamah, 2013). In relation to internal customer perspective, and related to public sector organisation, we are interested in the concept of internal customer perceived value as proposed by (Sweeney and Soutar, 2001) and adapted by (Grace and Iacono, 2015) with the dimensions of monetary value (compensation), functional value (task-related), emotional value (intrinsic), and social value (relational). The definition of these values are explained by Grace, & Lo Iacono (2015) as follows:

- Monetary value (compensation) as *“the internal customer’s perception of value derived from the salary package elements offered as compensation for participation in the value co-creation process”*;
- Functional value (task-related) as *“the internal customer’s perception of value derived from the firm’s support/ opportunity associated with effective task performance in the value co-creation process”*;
- Emotional value (intrinsic reward) as *“the internal customer’s perception of value derived from the feelings or affective states aroused in the value co-creation process”*; and
- Social value (relationship) as *“the internal customer’s perception of the value derived from the social and relational benefits generated in the value co-creation process”*.

In a summation of all the four values, Grace, & Lo Iacono (2015) defined the internal customer perceived value (ICPV) as *“the total utility derived from the assessment of monetary value (compensation), functional value (task-related), emotional value (intrinsic reward) and social value (relational)”*.

Organisation Structure

Organisation structure could be considered as a framework for the organisation (Dalton et al., 1980). In the review by Dalton et al. (1980), the dimension of the structure are divided into structural (size, sub-unit size, span of control, flat/ tall hierarchy, administrative intensity) and structuring (specialisation, formalisation and centralization). Meanwhile, few organisational structures that being introduced by scholars, such as process network, mechanistic structure, classic structure, formalisation, risk aversion, organic structure and complexity (Jabnoun, 2005), however, in our opinion, these organisational structures could be divided into two main categories that is organic structure and mechanistic structure.

The characteristics of organic structures are informal, authority decentralisation, openness in communication and flexibility, while the characteristics of mechanistic structures are hierarchical, non-participative, high-in formality, tightly controlled and inflexible (Tavitiyaman, Qiu Zhang, and Qu, 2012). The organic organisational structure also contributes to the satisfaction of employees and permit them for innovation and creativity (Verle et al., 2014). The organisation involved in hospitality services have been reported to adopt decentralisation structure and it helps them in term of the quick process in decision making and assisting in staff training and minimising their costs (Enz, 2008). Opposing from that, a formalisation and centralization decision making in the nature of mechanistic organisational structure are applicable for a large organisation with a consistent environment and good for efficiency and cost (Verle et al., 2014). It is also found that mechanistic structure has a negative relationship with financial performance (Dalton et al., 1980).

Despite the importance of organizational structure in the organisation, a study of this aspects is relatively low. Organisational structure have been used as a moderator in a study of relationship of competitive strategies and hotel performance (Tavitiyaman et al., 2012) however, as for the reviewed literature in concerned, there are still no study been done regarding moderating effects of organisational structure in the relationship of service quality practices and organisation's performance.

Organisation's Performance

Performance is part of the indicators of successful planning and strategy applied by organisations. Performance has been measured in a various way (Dalton et al., 1980), while the measurement of organisation performance may vary from the perspective of a customer or a stakeholder (Tse, 1991: cited in Tavitiyaman et al. 2012). The performance of businesses could be measured by looking at the financial indicators or non-financial indicators (operational indicators) or by both measures (Venkatranam and Ramanujam, 1986). However, these measurements are unsuitable in the context of a public sector organisation, where the most common measure for these organisation are non-financial, with the most applicable are the efficiency and the effectiveness of the organisation (Ahmad Fadzli and Syed Zamberi, 2014). In a view of internal customer as a focus of this paper, we opted to define organisation performance as in value gain, satisfaction and efficiency.

Implications from the past studies

The literature reviewed have come out with a definition of service quality and also the critical aspects of the success of service quality practices. It showed that service quality concepts are humanistic and focus more on supplier and customer orientation and stressed more on employee participation in the practice. It is also found that service quality literature is dominated by the perspective of the external customers, leaving a space for clarifications in the internal customer's perspective. Therefore, this paper look in the perspective of an internal customer of the organisation. Meanwhile, there is also a study yet to be found, to incorporate the moderation effects of organisational structure. The literature reviewed has created an interest to look further into the aspects of mediation factor of value creation and the moderation effects of organisational structure. Hence, this paper proposed that service quality practices will have an influence towards organisation's performance and this influence is mediated by value creation, with the role of the organisational structure as a moderator in moderating the relationship of service quality practices and value creation.

THEORETICAL FRAMEWORK

The theory is a formal and logical explanation of some events that includes predictions or how things relate to one another (Zikmund et al., 2013). The underpinning theory of this paper lies in the framework of social exchange theory.

Social Exchange Theory

Social exchange theory (SET) viewed exchange as a social behaviour that may result in both economic and social outcomes (Homans, 1958; Lambe, Wittmann, and Spekman, 2001). According to Blau (1964), as cited in Blau (1989), SET is a social psychological perspective that explains the social change as a process of exchanges between parties. When two parties yield reciprocal activities from each party through a series of mutual exchanges, social exchange relationships are developed. The theory proposes that interpersonal interactions are guided by an underlying norm of reciprocity (Gouldner, 1960). Within work setting, this norm would include returning favourable treatment by superiors and co-workers in kind.

Social exchange theory provides the guidelines and idea of the necessary practice in order to create value. In the perspective of the service provider and a customer, every individual or parties who ask for the services is a customer and the one that gives the services are the provider (Farner, Luthans, and Sommer, 2001). Employees have been regarded as an internal customer (Zemke, 2002). As the same as external customers, they also gaining services from other organisation's members in performing their duties (Zemke, 2002). Related to this notion, we are viewing an employee as an internal customer and the organisation as a service provider.

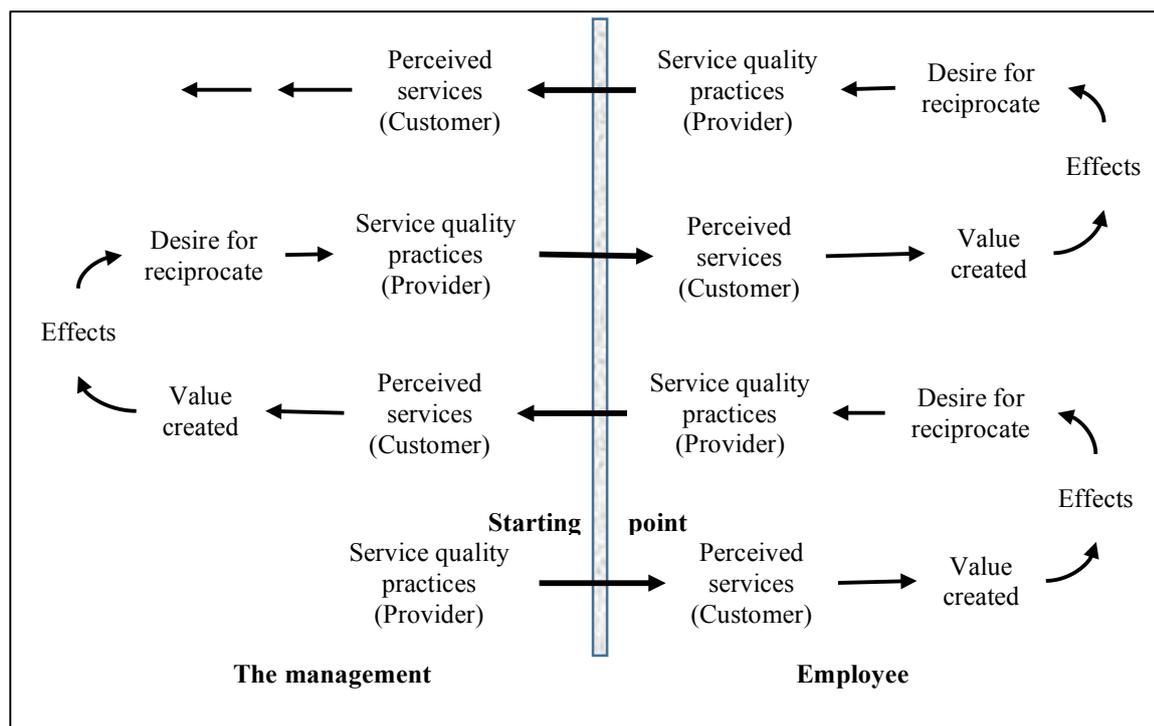
The practices in the organisation, such as management support, customer focus, speed, communication, friendliness, reliability, teamwork, sincerity and desire for perfection will stimulate the value creation process and the reciprocate effects of the practices will create value for both side. As an outcome, this internal organisational performance will resulting in a value creation on a bigger scale, manifested the organisational performance at large. An example of the scenario is when the employee's overall beliefs regarding the extent of how the organisations appreciate their efforts and assistance, and how the organisation upkeep their well-being are the basis of the employees' perceived to the organisational support, i.e. the management support (Shore and Wayne, 1993). A highly perceived of management support may create a sense of commitment to the employees and more likely to "repay" the organisation through an affective commitment (Eisenberger et al., 1986) and work-related behaviour (Blau 1964: cited in Blau 1989; Eisenberger et al. 1986). Thus they will give a better quality of services as a repayment to the management and the organisation.

Social Exchange Theory and the Framework of Value Creation

Value creation involves an exchange and interactions that create values when the service delivered to meet or exceeds the expectation of the receiver. According to Bowman and Ambrosini (2000), value at the organisational level could be categorised into two types. First is the use value, refers to specific quality as perceived by the user on the job, task, or services received. Second is the exchange value, involve with the realisation of the monetary amount at a certain point, in exchange for the task or service, for the use value of the task or services. Based on this view, Lepak, Smith and Taylor (2007) opined that value creation is contingent to the relative amount of value subjectively realised by the customer, who is the focus of value creation. They further argue that the subjectivity of realisation of value should at least demonstrated in term of customer's willingness to exchange monetary amount for the value received.

The work underlies by Bowman and Ambrosini (2000) and Lepak, Smith and Taylor (2007) is a kind of support for us to work on the ground of social exchange theory. We believed that theory of social exchange would be able to explain value creation and the reciprocating effects of value creation in the organisation. Vargo and Lusch (2008) in their view of service-dominant logic proposed that the value co-creation is reciprocal where “each party bringing their own resource accessibility and integrability into the process” (Vargo, & Lusch 2008, p. 257) as cited in Grace, & Lo Iacono (2015). Looking within the internal context, value creation is the results from the dyadic interaction of value co-creation of the customer (employee) and the provider. Inspired and borrowing the concepts of incivility spirals introduced by Andersson, & Pearson (1999), a sample on the reciprocation and spirally of value co-creation which portray possible dyadic interaction between the internal customer and internal service provider is shown in Figure 1.

Figure 1: Reciprocation and spiralling effects of value co-creation



(Source: Adapted from Andersson, L.M. and Pearson, C.M. (1999) “Tit for Tat? The Spiraling Effect of Incivility in the Workplace”, *The Academy of Management Review*, 24(3), p. 452)

Figure 1 shows what is possibly happening in the value creation process within the organisation. As for simplification, the illustration provided are in the context of the management and the employee. In the initial stage, the practice of service quality practices by the management (the provider) is perceived by the employee (the customer). The perceptions of the employees on the services perceived over their expectations will determine the value created. Should their perceptions are higher than their expectation, then the value is created. The positive effects of the value created will stimulate employee’s desire to reciprocate and as a repayment for a good quality of services perceived by them. Now, the employee becomes the service provider and adapt the service quality practices in providing their services to the management (the customer). The assessments process is repeated and the perceptions of the management of the services perceived will create value that again stimulates management’s intentions for reciprocating. This value co-creation process will spiral and expanded widely in the organisation by the interactions and exchange of services with the other stakeholder in the organisation. The spiralling value co-creation will result in the value creation at large in the organisation and contribute to the performance of the organisation.

Organisational Structure within the Theoretical Framework

Organisational structures are designed to suit the nature and the objectives of the organisation (Verle et al., 2014). Theoretically, the organisational structure may have some effects in the way of how a particular strategy works in achieving the objective. As for example, the practices of service quality practice are emphasised on the quality relationships with all the necessary elements and uphold the humanistic approaches in the practice. Now, consider the organisation structure of the organisation, say the organic structure, which is informal and more humanistic in nature. It is believed that service quality practice will run more smoothly in the organic structure environment, compared to mechanistic structure environment, which is more hierarchical, non-participative and high in formality.

CONCEPTUAL FRAMEWORK

This section is about the conceptual framework of the study and we will explain the conceptual relationship between the variables and present the conceptual model of the frameworks.

Propositions Developments

In order to give a proper picture of the suggested relationships of the variables involved, a few propositions have been developed to suggest the linkages between variables and their relation to each other. The propositions suggested in this paper are as follows:

Service Quality Practice and Value Creation

Service quality practices will stimulate the value creation process in the organisation, which later lead to the organisational performance of the organisation (Prebensen and Xie, 2017; Yoshida, James, and Cronin, 2013). The characteristics of service quality practices, such as management support, customer focus, speed, communication, friendliness, reliability, teamwork, sincerity, and desire for perfection will influence the process and could be considered as an input for value creation process. Therefore, the proposition of the relationships of service quality practice and value creation are:

Proposition 1: Service quality practices have a significant relationship with value creation.

Value Creation and Organisational Performance

Value creation is a process and another perceptions that influence the performance of the organisation (Andreassen et al., 2016). The reciprocation and spiralling value co-created in the organisation will result in value creation at large, and contribute to excellent organisational performance. As the illustration in Figure 1, the value perceived by the internal customer may trigger the sense to reciprocate and as a reaction will put more efforts to provide the best quality of services as a “repayment”. The consequences of this reciprocation are that the internal service provider, which is now become the internal customer, will gain the value as perceived by them. Therefore, the value is created for both sides (i.e. the internal customer and the internal service provider). The value gain in term of monetary value, functional value, emotional value, and social value, which are identified as the internal customer perceived value (Grace and Iacono, 2015) will result in a value creation in a collective way and lead to the internal performance of the organisation.

The concept of reciprocation and spiral could be further applied to the interaction between the organisation and the external customers (i.e. the public's and other external stakeholders). The expansion of this concept will highlight the value creation of the organisation and lead to a better organisational performance. It is most likely that the value creation will lead to organisation's performance. Therefore, the proposition for the relationship of value creation and organisational performance are:

Proposition 2: Value creation has significant relationships with organisational performance.

Value Creation as a Mediator

Value creation is a process (Prebensen and Xie, 2017) and we are viewing value creation as a bridge in linking service quality practices towards organisational performance. Practices are the performance of a particular activity, method, or customs regularly, or habitually. Service quality practices is an application of what is considered as “good practice” in delivering an excellent service to the customer. The objective is to gain an excellent organisational performance, measured by customer's satisfaction and efficiency. However, a practice is just a practice without something that could be perceived as “valuable”. In gaining the satisfaction and the feel of “excellence”, the sense of “valuable” should be created upon the services perceived (Ruiz et al., 2008; Vera, 2015). Here, the process of value creation will play the role in bridging service quality practices with the organisational performance. It is likely that value creation will mediate the relationships between service quality practices and organisational performance. Therefore, the proposition of the relationships are:

Proposition 3: Value creation mediates the relationships of service quality practices with organisational performance

The Moderating effect of Organisational Structure

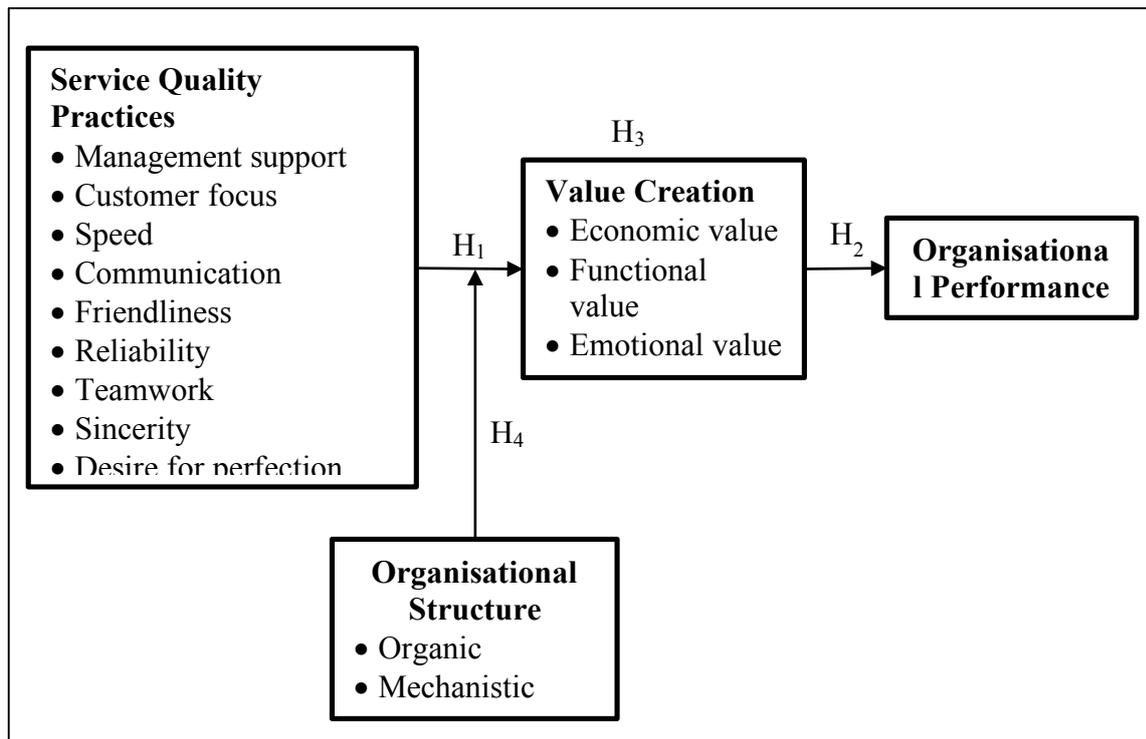
Organisational structure is suggested to moderate the relationship of service quality practice and value creation. As the organic organisational structure are more linear and more human's friendly, while the mechanistic organisational structure is more strict and relies on procedures and formality (Jabnoun, 2005; Tavitiyaman et al., 2012), it is proposed that the relationship is stronger with the organic organisational structure compared to the mechanistic organisational structure. Therefore, the proposition for the moderating effects of organisational structure on the relationships of service quality practices and value creation are:

Proposition 4: Organisational structure moderate the relationships of service quality practices and value creation, where the relationship is stronger in organic organisational structure compared to the mechanistic organisational structure

Conceptual Model

The relationships between service quality practice towards organisational performance through the value creations as mediators, and the moderating effects of organisational structure on the relationships of between service quality practices and value creation are presented in Figure 2.

Figure 2: Conceptual model of the relationship between Service Quality Practice toward Organisational Performance through Value Creation with moderating effects of Organisational Structure.



CONCLUSION

This paper highlighted the basic concepts and theoretical propositions of the relationships between service quality practice and value creation in achieving an excellent organisational performance. The focus of our work is in understanding those relationships within the internal perspective of the organisation, i.e. the stakeholder, which in this paper represented by the management and the employees. We have explained on the reciprocation and spiralling effects of the value creation in the organisation the mediating factors of value creations in the relationships of service quality practices and organisational performance. Furthermore, the paper touch on the role organisational structure as a moderator. We believe that this conceptual work will enhance our views on what is happening in the organisation, especially the public service organisation, in relation to services quality, value creation, organisational structure and the performance of the organisation.

Research implications

As for research implications, this paper conceptualised the study of service quality practices and value creation in the perspective of the internal customer. Besides, the role of proposed moderators, i.e. the organisational structure have not been studied in the past literature relating to the relationships of service quality practices and organisational performance.

Practical implications

Understanding the service quality practices and the related impacts on firm's performance would be a great advantage to the organisation's management especially the organisation involves with service orientation, which upholds the emphasises on quality, values and satisfactions of the customer. The management could tailor their practices towards the needs of their stakeholders with more details, and help them to improve service quality and value management in the organisation which later enhancing their organisational performance.

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Khairul Anuar Mohd Ali*
Graduate School of Business,
University Kebangsaan Malaysia
**Email: kabma@ukm.edu.my*

Ahmad Nafiz Abd Halim
Graduate School of Business,
University Kebangsaan Malaysia
Email: admadnafiz@gmail.com