

**Investigating the factors that influence client satisfaction :
Case study : Barat Carbide**

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ABSTRACT

Throughout the world companies are restructuring their processes. Companies are trying to provide a better service to the customers with the same cost or alternatively at a lower cost.

The service-profit chain is an equation that establishes the relationship between corporate policies, employee satisfaction, value creation, customer loyalty and profitability. This paper examines the direct relationship between employee satisfaction and customer satisfaction. It concentrates on the elements that influence employee and customer satisfaction in line with “Heskett’s Service Profit Chain” model.



1 Chapter 1 - Introduction

The service profit chain is a powerful phenomenon that stresses the importance of people – both employees and customers – and how linking them can leverage corporate performance. The service profit chain thinking maintains that there are direct and strong relationships between profit, growth, customer loyalty, customer satisfaction, the value of good and services delivered to customers, and employee capability, satisfaction, loyalty, and productivity. This paper examines the direct relationship between employee satisfaction and customer satisfaction. It concentrates on the elements that influence employee and customer satisfaction in line with “Heskett’s Service Profit Chain”.

The chapter will begin with the background of the company that will be examined. It will give a little history of the company in terms of where it has come from and the uncertainty that has arose over the last three years. With pressure mounting, changes have to be made to adapt to the market conditions. The research problem will then be outlined. Thereafter the most important issues relating to the problem will be discussed, namely the sub problems. Leading on from this, the aim and objectives of the research will be sketched. Research methodology and sampling will be covered. It is thus important that the scope of the research be defined in terms of application; duration; financial constraints; area within the organisation; and literature applied. A number of key assumptions have been made, and are important from the point of view of adding credibility and substance to the outcomes and recommendations. Finally, the importance of the study to the organisation will be discussed.

1.1 Background to Company

Boart Longyear was owned by Anglo American. In August 2005 it was sold to an American equity firm called Advent International. In April 2006 Advent International sold the Hardmaterials and Softrock division of Boart Longyear to Equita. This entity has now changed its name to Barat Carbide. In June 2007 Barat Carbide was sold to Element 6. Barat Carbide group consist of 3 manufacturing plants and one sales office around the world, the first manufacturing plant based in Burghaun, Germany. The second in Wuxi, China and the third in Springs, South Africa. The sales office is based in York, Pensilvania, USA. At this stage the company has been in existence for over eighty years, providing a service to the mining industry as well as to the stone and construction industry. Barat Carbide is the leading competitor in its sector of the industry and is

currently in the process of restructuring. The restructuring began before the first sale of Boart Longyear from Anglo American to Advent International. The idea behind the restructuring is to reduce labour cost as well as provide a fast and more efficient service to the customers. People are feeling disillusioned and the current problem solving paradigm is adding to the complexity. This research is about the Service Profit Chain that has been implemented to provide a fast and efficient service to the customers. Due to the change of ownership the company is moved from a large organisation to a small, self-standing organisation and back to a large organisation. This research will concentrate on just the Barat Carbide division as a self-standing organization.

1.1.1 Structure \ centralization – Change

According to Porter (1998) the second central question (after industry attractiveness) in competitive strategy is a firm's relative position within the industry. Though a firm can have a myriad of strengths and weaknesses vis-à-vis its competitors, there are two basic types of competitive advantage that a firm can possess: low cost or differentiation. Pearce and Robinson (2000), argue that there are forces that blur this distinction over the long term, such as: competitors imitating the product or service; and/or the bases for differentiation becoming less important to buyers; and cost proximity being lost. The observations of Pearce *et al.* (2000) are proving valid in Barat Carbide's case.

Barat Carbide has always been a focused differentiator, producing quality products. It is more expensive than competitors on an equivalent as it offers high quality and good service. Unfortunately for Barat Carbide, over the past decade or so there has been a slow, but major, shift in the industry. Robert (1999) refers to these unobservable changes as “stealth predators” that creep up on the business and then suddenly one day, take over. For a number of reasons Barat Carbide's customers no longer perceive the quality and service differences that Barat Carbide offers over its competitors, significant enough to pay more for. Spencer (2000, p36) states, “the more important the cheese is to one, the more one wants to hold onto it”. Change is about realising that sometimes one must let go of old ways and beliefs that no longer apply. Barat Carbide needs to assess the validity of its differentiator strategy, and change if necessary. Spencer (2000, p46) stated that “if you don't change you become extinct”

1.1.2 Implications of process change

Throughout the world companies are restructuring their processes. Companies are trying to provide a better service to the customer with the same cost or alternatively at a lower cost. The competition runs on three principles, namely price, quality and service. Barat Carbide provides the price and quality, but what we intend to improve is service. According to Grulke (2001), in times of change one needs to threaten your own business before someone else does, and become radically innovative. The implications of the process change would have many advantages, to the company, employee and the customer. The company will benefit in terms of servicing customers at a lower cost. The customer will benefit as he will have a closer relationship with the employee/company. The employee and customer will build a better working relationship. This will lead to a win-win situation.

1.1.3 The People aspect

From the Human resource perspective people are not used to change. Change has to be implemented with the buy in by the employees. From the first sale, employees have become unsure and unstable. To date, the company has had three new owners in three years. They are concerned about their future and the future of the company. The company was stable under the Boart Longyear umbrella, but from the first sale, changes have been occurring and the company as well as the people have had to adjust. Service profit chain was introduced to the company in August 2006. Since then, no formal data was collected to monitor the progress and perceptions of the employees with regards to the service profit chain. The company has a lot of experienced people and the number of years of service goes as high as 46 for some employees, who then retire. This provides evidence of loyalty. But does this make implementation of the service profit chain more difficult? What are the current satisfaction levels of employees? This paper will only cover the employees who deal directly with customers. They are the company's front line to the outside world. They are the Internal sales and technical sales representatives of the company.

1.1.4 Shifting alliances

The technology gap between Barat Carbide and its competitors has closed as a result of new technology entering the market. In the mean time this is creating havoc in the industry, with an

emphasis on price rather than quality. With more competitors in the market, the customers are demanding both a quality and price advantage. This forced shift, by Barat Carbide, from a focused differentiator to a cost focus in a narrow market is shown in figure 1.1 below.



Figure 1.1: Generic Competitive Strategies

(Source: Porter M.E. (1998): *Competitive Advantage: creating and sustaining superior performance*, Free Press: New York).

1.1.5 Mature life-cycle

The industry that Barat Carbide serves has reached a mature stage in its life cycle. Being in this type of business for approximately eighty years this life cycle is very mature. According to Kaplan & Norton (1996), these kinds of companies will be in a *sustain* stage, where they still attract investment and reinvestment, but are required to earn excellent returns on invested capital. Investment projects will be directed more to relieving bottlenecks, expanding capacity, and enhancing continuous improvement.

1.1.6 Cultural developments at Barat Carbide

Over the years a very embedded “repair” culture has developed. According to Lawrenson (2002) a “repair” culture is defined as one in which planning is done on a crisis basis; customer’s needs are handled on an as and when basis, with little thought to their future needs. This culture has served the company well, maintaining steady growth and satisfactory profits through better than average

crisis management. However, the culture also brought along with it a strong resistance to change due to an entrenched crisis management philosophy. According to Augustine (1997), all too often the concept of culture thwarts instead of nurtures change. It is used as an excuse for not getting a difficult job done.

Managers within the business have, typically, come up through the ranks. Starting from the rank of Apprentice and building their way up to Senior Manager and sometimes Managing Director. It is not being implied that this is a bad thing. In many ways this fact has served the company well. On the negative side however, few managers within this culture have attached value to working differently. The majority of people stick resolutely to what they know, and this applies across the full spectrum of the hierarchy. As mentioned, there are shifts in the industry that cannot be dealt with effectively under the current mindset paradigm. Senge (1990) refers to mindset paradigms as 'mental models', which influence the way we think and take action. The discipline of working with mental models starts with turning the mirror inward.

1.1.7 More deliberate plans to change the way things are done at Barat Carbide

The newly appointed Managing Director of Barat Carbide set as an objective from 2006, the mobilisation of the company to become more customer and service orientated. Heskett's "Service Profit Chain states that there are strong relationships between profit,; growth,; customer loyalty,; customer satisfaction,; the value of goods and services delivered to customers,; and employee capability, satisfaction, loyalty and productivity. As a result, more and more organisations will be pushed to reduce costs, improve the quality of products and services, locate new opportunities for growth, and increase productivity and employee job satisfaction. To date, major change efforts have helped some organisations adapt significantly to shifting conditions, have improved the competitive standing of others, and have positioned a few for a far better future. In some situations the improvements have been disappointing and the carnage has been appalling, with wasted resources and burned-out, scared, or frustrated employees.

1.2 The Research Problem

The most obvious symptom to describe the problem at Barat Carbide, is that the company has existed for so many years with employees that were part of a bigger organisation. Obviously now with the sale of the company, the business changes, the people have to change and so does the market. This process has started in 2005 and is still far from complete. In fact, due to the long time delay without any progress there is now less momentum behind the process than at the outset. There has not been sufficient small change early on to help adapt to the bigger changes required later on (Spencer, 2000). From the beginning the focus has been on the technical aspects of the process. Very little effort or thought was given to the fact that a fundamental paradigm shift in the minds of the people was necessary. As Kotter (1996, p15) stated “none of these change errors would be that costly in a slow moving and less competitive world. Handling new initiatives quickly is not an essential component of success in relatively stable or cartel-like environments.” The problem for Barat Carbide is that stability is no longer the norm and, in fact, the industry is likely to become even more volatile than before.

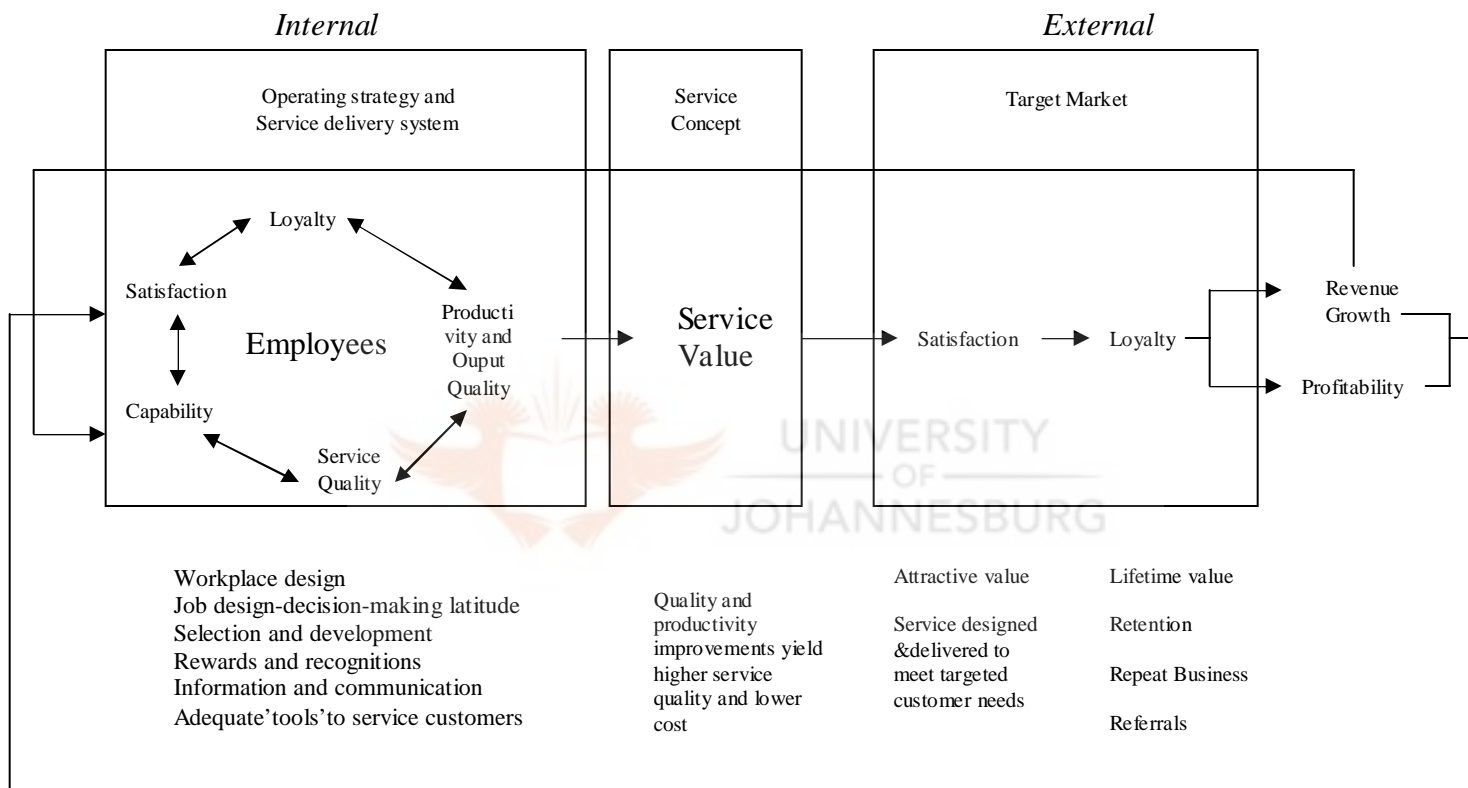
Interestingly enough, at the outset of the process, the need for change in the way that people in the organisation think and act was recognised. The Service Profit Chain shows the links between profit and growth: customer satisfaction and loyalty,; the value of goods and services delivered to customers,; employee satisfaction, loyalty, and productivity,; and what we term “capability” that employees have to deliver results to customers in every outstanding service organisation. While the strengths of several of these links in the chain may differ from one organisation to the next, the pattern is undeniably significant. The research problem is that the company has taken the initiative to implement the Service Profit Chain and there is no indication or tangible evidence to monitor and describe the current situation with regards to the employees or customers. Is the company reaping any benefits? Is there progressive, positive satisfaction from the employees? Are the customers provided with added service value? Since there are so many questions, the author would like to concentrate on the elements influencing employee satisfaction and customer satisfaction using “Heskett’s” Service profit chain as the model.

Figure 1.2 below shows a diagrammatic representation of the “Service profit chain.”

The figure is broken up into 3 categories. The internal part being the employee. It tabulates the elements that will be required to have a satisfied, pro active employee. The second part would be the service value offered. That would be the value that is generated form the employee to the customer.. The third part is the satisfaction and loyalty by the customer.

Figure 1.2: Shows the Service Profit Chain

(Source Heskett, Sasser and Schlesinger, (1997): The Service Profit Chain, *The Free Press*).



The service profit chain thinking maintains that there are direct and strong relationships between profit, growth, customer loyalty, customer satisfaction, the value of good and services delivered to customers, and employee capability, satisfaction, loyalty, and productivity.

The relationship is shown in Figure 1.3 below.

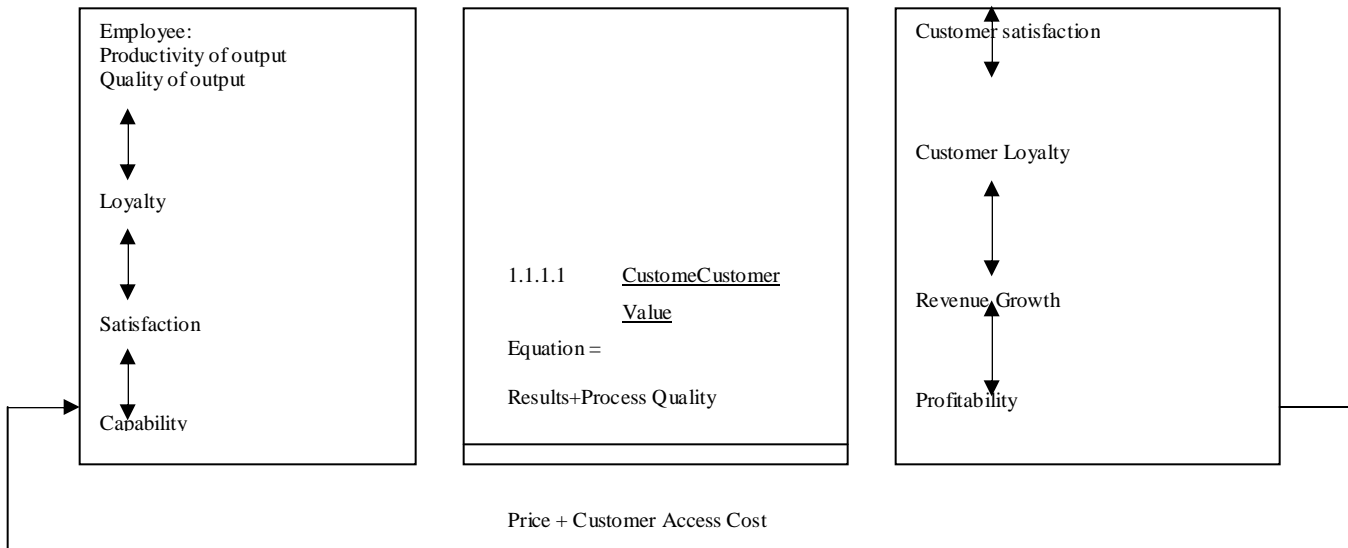


Figure 1.3 ; Elements of the Service Profit Chain

(Source Heskett, Sasser and Schlesinger, (1997): The Service Profit Chain, The Free Press).

Fig 1.3 describes the elements that would affect the employee. If these elements are satisfied we would have a energetic, loyal, capable and satisfied employee. With this type of employee you will get increased customer service value. This would lead to customer satisfaction, customer loyalty, revenue growth, profitability. The customer will than give you repeat business as well as referrals. The three phases provide the basis for the sub-problems. The first part would be to test the perception of the employees. Secondly, whether there is any service value i.e. the quality and productivity improvements yield higher service quality and lower cost. Thirdly, what is the perception of the employees on satisfaction and loyalty by the customers?. The next section will elaborate on these points.

1.3 Sub-Problems

This section deals with the sub-problems in more detail.

1.3.1 Sub-problem 1:

What are the employee's perception on

- Operating strategies of the company

- Service Delivery Systems – Has there been an improvement from August 2006.
- Workplace Design – Are the employees satisfied with their workplace design and environment?
- Job design-decision making latitude – Do they have sufficient latitude to make decisions?
- Selection and development – Are they the right people for the right job.
- Rewards and recognitions – do they receive reward and recognition on a job well done
- Information and communication – Is there sufficient communication amongst the different levels within the company
- Adequate tools to service customers – Do the employees have adequate tools at their disposal to offer the customers the best possible service.

The methods used in successful transformations are all based on one fundamental insight: that major change will not happen for a number of reasons. From figure 1.2 we can see the elements of the service profit chain. We can see that the productivity of the employee is affected by the quality of the output, the loyalty of the employee, the satisfaction that the employee has with regards to his job, and the capability of doing the job. The strongest relationships suggest by the data collected in early tests of the service profit chain were those between: (1) profit and customer loyalty, (2) employee loyalty and customer loyalty, and (3) employee satisfaction and customer satisfaction. Suggestions were made that in a service environment, the relationship was self – reinforcing. That is, satisfied customers contributed to employee satisfaction, and vice versa. Even if an objective observer can see that the costs are too high, or not good enough, or shifting customer requirements are not being adequately addressed, needed change can still stall because of inwardly focused cultures, paralysing bureaucracy, parochial politics, a low level of trust, lack of teamwork, arrogant attitudes, a lack of leadership in middle management, and the general human fear of the unknown.

To be effective, a plan designed to alter strategies, reengineer process, or improve quality must address these barriers and address them well (Kotter, 1996).

Leading on from this, successful change starts with well thought out plans to address these issues. According to Kotter (1996), increasing urgency demands that one removes sources of complacency or minimise their impact: for example, eliminating signs of excess and setting higher standards both formally in the planning process and informally in day to day interaction. To achieve this strong guiding coalition is needed – one with the right composition, level of trust, and shared objective. Building such a team is always an essential part of the planning stages of any effort to restructure, reengineer, or retool a set of strategies. The coalition must plan the vision and the strategies to achieve that vision. Vision refers to a picture of the future with some implicit or explicit commentary on why people should strive to create that future. By planning the general direction for change, hundreds or thousands of more detailed decisions are simplified. Good planning motivates people to take action in the right direction and helps coordinate the actions of different people, in a fast and efficient manner.

1.3.2 Sub-problem 2:

Is there any service value i.e. the quality and productivity improvements by the employees yielded higher service quality and lower cost?

A great vision can serve a useful purpose even if just a few key people understand it. But the real power of a vision is unleashed only when most of those involved in the company or project have a common understanding of its goal or direction. That shared sense for that desirable future can help motivate and co-ordinate the kinds of actions that will create transformation. Gaining understanding and commitment to a new direction is never an easy task, especially in large enterprises. Smart people make mistakes all the time, and outright failure is not uncommon. Managers tend to lack in communication, and often not by a small amount. Or they inadvertently send inconsistent messages. In either case, the net result is the same; a stalled transformation (Kotter, 1996).

Leading on from this, we will have to investigate the criteria for the service value and whether this has born any fruitful results

According to Weinstein (1999) experts don't provide the answers. Someone will always know more. People need to be encouraged to say, "Let's try it", and have confidence in their abilities and insights. Becoming empowered – refers to individuals gaining in confidence, feeling they have something to offer, knowing how to put across their ideas, how to take responsibility and to become active and involved. For managers, empowering may mean removing the blocks that prevent their staff from carrying out their jobs effectively. Empowered individuals usually achieve small successes at an early stage. These successes must be recognised and rewarded, to build on the momentum created. Employees that are given the opportunity, tools, motivation, capability, the aims and objectives will succeed in forging ahead to provide this service value at a lower cost. To provide the employee with this opportunity, the criteria from sub problem 1 have to be fulfilled.



1.3.3 Sub-problem 3:

What is the perception of the employees on customers?

With regards to

- Is there an attractive value or service strategy
- Is the service designed and delivered to meet targeted customer needs and lifetime value
- Is there retention of customers
- Is there repeat business
- Is there any referrals by existing customers.

Service strategies — like the seasons — come and go. Ultimately, the success of your enterprise has more to do with your core values (and a commitment to delivering them) than it does with the latest and greatest business trends.

Amid the hubbub caused by new and better technology, businesses that differentiate themselves as customer centric are the ones that will see online service as an exciting opportunity for delivering their *existing* values of service, quality, and excellence to a wider group of customers. The root of these values is a genuine customer-care attitude that compels companies to create a feeling of closeness with their customers and use technology to design systems with their customers' concerns and convenience in mind. Even in this fast-paced, technology-driven world, the timeless aspects of human relations still apply.

A customer saved is a customer earned -- actually a saved customer can be worth up to five new customers!

Researchers, analysts and consultants have developed a vast array of theories, programmes, and practices for customer retention. Businesses today readily share their experience in improving customer retention. Most solutions point to business culture, staff training, and sales methodology, along with tracking and responding to customer demographics. In simple terms, customer retention is all about the customer - and the customer's experience. Winning new customers is important... but retaining them is critical to the financial health of your business. And as it costs considerably less to retain a customer than it does to win a new one, focusing on your retention strategy makes perfect business sense. One of the simplest ways of increasing customer profitability is to simply increase customer retention. Increasing customer retention by just one or two percent can have a dramatic impact on the overall profitability of your customers base.

According to Kotter (1996) successful change can be stalled if victory is declared too soon. It can also fall short if new ways are not embedded in the way things are regularly done.

The right measurement systems are imperative in guiding these issues. According to Kaplan (1996), measurement matters: If you can't measure it, you can't manage it. You need to know what percentage of customers is retained and how many new ones they are. An organisation's measurement system strongly affects the behaviour of people both inside and outside the organisation. If companies are to survive and prosper in information age competition, they must use measurement and management systems derived from their strategies and capabilities. Unfortunately, many organisations espouse strategies about customer relationships, core

competencies, and organisational capabilities while motivating and measuring performance only with financial measures.

Not all strategies lead to immediate financial benefits for the company, although all strategies should ultimately end up in financial gains for the business. Sometimes the *cause to effect* time delay between the initiation of an action and the benefits thereof are far apart. In other cases the causal relationship is not that clear at all. Nevertheless, it is important that both kinds of performance objectives be set for all employees involved in the transformation process. The individual or team performance should be measured against these objectives on a regular basis, to keep the process visible and on track, and more importantly to sustain the process into an indeterminable future.

1.4 Aim and Objectives of the research

The Managing Director's request to implement the "Service Profit Chain" modules in August 2006. Three top level goals were set at this meeting; to analyse where the business is with regards to the "Service Profit Chain" and; to roll out a program so that the company can improve with regards to the "Service Profit Chain." The main aim of the research is to investigate the process within the ambit of the three objectives, namely:

- To present a literature review on the elements of the Service Profit Chain.
- To investigate the sub problems mentioned above
- To put forward recommendations that could improve the elements of the "Service Profit Chain" in the organisation.

1.5 Literature and scope

The implementation started off in August 2006. As the implementation process progressed it was found that additional literature was required to supplement, clarify, customise and enhance the original process. Unfortunately, these additional literature sources were only discovered late in the implementation process. It is believed that by taking the best from all the additional literature

sources and supplementing the “Service Profit Chain” with these, a customised and meaningful recommendation will be made.

The applied literature can be summarised, broadly, into three major categories, listed below. The research has been limited in scope, very broadly, to these three areas. And within these three an emphasis has been placed on the practical applications of the theories. It is understood that these literature sources are by no means exhaustive, but for practical reasons are deemed adequate grounding for this research problem.

1. “Service Profit Chain”: shows the direct link that have been measured and documented between profit and growth: customer satisfaction and loyalty: the value of service and goods delivered to customers: employee satisfaction, loyalty, and productivity, and what we term “capability” that employees have to deliver results to customers in every outstanding service organisation. Organisations that manage according to the Service Profit Chain, whether intuitively or by fact, achieve remarkable result. Too often service quality is defined solely in terms of those things that contribute to process quality: dependability, timeliness, the authority and empathy with which a service is delivered, and the extent to which tangible evidence is created that a service has been delivered.
2. “Employee productivity and quality of output is linked to Loyalty, Satisfaction and capability” Traditional measures of the losses incurred by employee turnover concentrate only on the cost of recruiting, hiring and training replacements. But in most service jobs, an even greater cost of turnover is loss of productivity and decreased customer satisfaction. There are many factors that would influence employee productivity and quality of output. These are covered in the literature review.
3. “Customer value equation”. The value of goods and services delivered to customers is equivalent to the results created for them as well as the quality of the processes used to deliver the results, all in relation to the price of a service to the customer and other cost incurred by the customer in acquiring the service. There is a further effect in terms of retention of the customer, repeat business from the customer and referrals by the customer.

1.6 Research methodology

The topic of Service Profit Chain is fairly new, challenging and exciting. The benefit of qualitative and quantitative research, applied to an actual case study, is that a ‘fine-grain’ understanding of theory can be gained and the findings used to benefit a case-specific application (Saunders, Lewis & Thornhill, 2000).

1.6.1 Research design

This study uses an emergent, exploratory, inductive qualitative and quantitative approach. This case study is specific to Barat Carbide. This is discussed further in Chapter 3.

1.6.2 Collection of data / Measurement Instruments

A questionnaire will be designed to capture the relevant data with regards to the sub problems. Interviews will be carried out as well. A more comprehensive insight follows in chapter 3.

1.6.3 Sampling

1.6.3.1 Sample size

The sample and population size will be 10

1.6.3.2 Sample type

This would consist of employees that have interaction with customers. This would be the internal sales department and the technical sales representatives.

According to Saunders *et al.* (2000) purposive, non-probability sampling is ideally suited to case studies. This is particularly so where the intention is to collect qualitative data. The validity and understanding that one will gain from the data will have more to do with data collection and analytical skills than the size of the sample (Patton, 1990). Although in this case study the entire population of those involved (even those more remotely) in the implementation will be used. The sample is made up of 4 men and 6 women.

1.6.4 Time constraints

According to da Silva (1999), an in-company case study is the most appropriate choice as it allows the writer access to information from key personnel and other vital resources within the company. The writer is employed by Barat Carbide and has been granted a limited time and access to conduct the research process. This process will, however, have to fit into an already busy schedule and as such will need to be executed with careful planning and vigour. The management of Barat Carbide are expecting a full appraisal, with recommendations at the end of October 2007.

1.7 Resources

Resource requirements have been categorised under the headings; data access and equipment.

1.7.1 Data access

The Managing Director has given his full support to the process. The implementation is also taking place on one site thus greatly minimising any data access constraints.

1.7.2 Equipment

Due to the relatively small sample, Excel spreadsheets are the chosen data analysis tool. The company is up to date with computer processing power. The resources are readily available.

1.8 Assumptions

The research process could go on indefinitely unless certain assumptions are made. A few logical assumptions have been made and carefully considered so that they may not influence the credibility of the research proposal. It was assumed that:

- The information supplied will be done within a constrained time period. Therefore the data will be calculated and analysed for this specific period.
- All interviews were conducted in a fair, unbiased manner and that all relevant questions were understood and answered in such a way as to truly reflect the attitudes and opinions of all respondents.
- The respondents had sufficient information, regarding the implementation, to provide meaningful responses.
- The literature used in the study is precise and reflects true representation of the evaluation philosophy, but is not exhaustive.
- The sub-problems gleaned out of the process are meaningful in relation to this specific implementation, but are not necessarily exhaustive.
- That this is the first measurement after the implementation of the “Service profit chain.” No other data is available prior to this.
- To analyse the results all responses that is collected under “neither agree or disagree” will be discarded. These responses add no value. There is no definite or clear cut answer. They are the people that we would classify as “sitting on the fence”. We will only concentrate on the positive, which would be “agree”, or the negative, which would be “disagree”.
- To generate a clear view of the results the following assumption will be made. Any of the results that are over 50% would be classified as heading in the right direction. (positive).

1.9 The importance of the study

Barat Carbide is in a real dilemma. The sale of the company has affected the organisation as a whole, the people and the customers. The reality is that implementation of the service profit chain would be a challenge. On a daily basis the business is being faced with new competitive dilemmas. The sheer diversity and complexity of all these changing needs is too much to consider in the minds of a group of individuals or in systems that only hold islands of information. An interesting observation is that it is not technical aspects of the process that pose the main problem. Rather it is

the change process that must occur in the hearts and minds of all involved that stands in the way of a successful process. It is believed that this study will get to the heart of the needed change. Opening up the minds of those involved through logical analysis and reference to proven case studies and theories. The final recommendation will not only offer an effective process for this specific implementation, but also for subsequent implementations. Thus, on the one hand solving a current business dilemma and at the same time offering a new way of thinking with respect to other business issues. This will add to the 'body of knowledge' inherent, and documented, within the company. By presenting, to management and staff, different views and ways to approach problems, and instilling an understanding of the importance of change, the group knowledge quotient will increase. If management accepts the recommendations and agrees to the process as recommended, the experiential learning gained, as the process is followed, will lead to an even deeper level of understanding than can possibly be discussed in this study.

1.10 Summary of chapter 1

Market conditions are changing rapidly for Barat Carbide and steps need to be taken to counter the negative impact thereof. The company will have to change the way it operates and implement the Service Profit Change. Despite having intelligent and experienced people driving the implementation the process has been stalled. The reasons for this have been attributed to: The sale of the company every few months. The company has been sold three times in three years. This generates instability amongst employees. It generates a renewed interest from suppliers and customers. It adds additional pressure on the sales people to go into the market and explain the new ownership. It leads to competitors generating rumours which could be catastrophic for the company.

The objective set out in this chapter is to research the problem and determine whether the three sub-problems are valid. This will be achieved through observation, a questioning process and interviews. Based on the outcome of the research process, the aim is to attach *causality* between applicable theories, the outcome of the research. This will provide the basis for meaningful recommendations to be made. Due to time and pressure constraints certain assumptions have been made, but should not detract from the validity of the findings and/or recommendations.

1.11 Conclusion

In this chapter the context of the research problem has been outlined and the background of the organisation sketched. The problem and associated issues have been discussed resulting in three research objectives being put forward. The objectives arose out of relevant theory and actual strategic needs. A qualitative and quantitative research methodology has been proposed to test the implementation process against the relevant theory. Certain assumptions and constraints were qualified in advance to ensure that credibility is not lost through perceived oversights.

Following on from the introductory chapter an outline of the remainder of this dissertation is as follows:

A Literature review will be generated to gather information on the sub problems, discuss and analyse. Some tentative guidelines and solutions to the research problem must be found. Thereafter qualitative and quantitative research methodology outlined will be described in detail. This will include population, sample size, sampling method and sampling instruments. The questions of trustworthiness and method of analysis will also be described. After considering and explaining all the necessary facts, the results arising out of the questioning process will be presented and interpreted. Recommendations will be made based on an interpretation of the results, and within the context of the literature review. Finally the discussion will be raised to a broader strategic level and highlight the impact that this research could have on managers, Barat Carbide, with specific reference to the climate for change.

Having briefly discussed the remainder of the study, follows with a detailed, but not exhaustive, discussion of the service profit chain and other relevant literature.

2 Chapter 2 - Literature review

The objective of this literature review will be to take the sub problems, list them, gather information about them and analyze them.

2.1 Sub problem 1

2.1.1 Company Operating Model / Strategy

The word Strategy derives from the Greek word *stratēgos* (which derives from two words: "stratos" - army & "ago" - is the ancient Greek for leading/guiding/moving to), it referred to a 'military commander' during the age of Athenian Democracy.

A strategy is typically an idea, a style of thinking that distinguishes a course of action by its promise that a certain future position offers an advantage for acquiring some desired gain.

In other words a strategy is a plan of action designed to achieve a particular goal, most often "winning".

Strategy, therefore, "narrowly" defined is "the art of the general". In its military aspect, the term had to do with stratagems by which a general sought to conquer an enemy, with plans he made for a campaign, and with the way he moved and disposed his forces in war.

Often defined as the art of analysing, projecting and directing campaigns, military strategy came to preempt almost the whole field of generalship, short of the battlefield itself.

The strategy definition has expanded far beyond its original military meaning. As society and warfare have steadily grown more complex, military factors have become more and more inseparable from the nonmilitary in the conduct of war and in programs designed to secure peace. In addition and gradually, the knowledge of strategy spread through the military world and then to the business and political world.

So how do we define "Operating model / strategy"? Let's be clear what it doesn't mean. It does not translate as just another one-off "transformation" or "realignment." Nor is it a

proxy for “organizational design”- the way the function “boxes” stack up next to each other on the organizational chart. (The organization’s structure enables the operating model combines the leadership’s competencies with those of the workforce and with the organization’s architecture and its core processes. It ties a company’s strategy to its organization and establishes the structural principles and operational processes required for business alignment (see Figure 1.4)

Figure 1.4 Organization Strategy Framework



The operating model starts with an understanding of the company’s core processes, functions and activities, given the positioning selected for the organization’s target market segments. It implies decisions such as level of centralization, standardization and specialization across all levels in the organization. From there, the organization design is born, and the required culture, leadership, competencies and skills are defined.

Last but not least, key enablers such as technology, metrics, talent strategy and incentives and reward systems are identified and put in place.

Essentially, matching a distinctive but flexible strategy with the optimal operating model for that strategy- and keeping them continually in alignment achieve business

performance. Throughout, both strategy and operating model and the alignment between them must be guided by the right success metrics. There is no denying that a well-designed operating model is complex: each element must be robust in its own right and properly aligned with the other elements.

Many businesses are no longer properly equipped for the markets they expect to compete. In effect, they are using the wrong operating models. This is especially true of companies that aspire to be true global players, even when they already have international operations. Increasingly, they lack the right focus on critical work processes, levels of centralization, performance metrics, and organization structure required to support their growth strategies.

Despite years of media coverage and countless conference sessions about alignment, agility and execution, many organizations are misfits when it comes to the cohesive operating model approaches that yield the greatest shareholder value. Their managers may stick with centralized controls and processes when it would be best to decentralize in some areas.

They may be unaware of the cultural cues that are key to the success overseas.

Performance metrics may measure activities that no longer align with the company's strategic direction. The company's mix of skills, talent and leadership may not be the right one for it to compete effectively in the medium or long term. Or the organization structure may be inappropriate for the company's international reach.

The gap between existing and optimal operating models is wide indeed. Yet at most companies the "transformation" programs that pass for deliberate operating model design are usually little more than collections of disconnected initiatives.

The gap becomes a looming problem now that leaders are again focusing on top-line growth as the most effective path to increased shareholder value. The challenges are big enough when dealing with domestic or regional markets: Products may flop when there is a poor understanding of the customer or if there are inadequate mechanisms for translating customer needs into product designs. Operating model shortfalls can hurt just as much on the cost side – as when highly paid staff are given "commodity" tasks or when a decentralizes organization generates inconsistent, duplicate and overlapping processes and functions.

The challenges are downright painful when a company tries to adapt to the realities of becoming a global business. They are particularly acute as cross-border merger and acquisition activity ramps up. And they take on new importance, as factors such as service-orientated architecture loom larger. In summary, shortfalls in operating model design prevent companies from attaining high-performance status.

What is needed now is a rethink of the whole approach to operating model design. Managers have to learn to think like osteopaths- to think of their organizations as integrated organisms where, for example, decisions about performance metrics or talent development affect corporate culture – and vice versa.

Strategy is actually a dynamic and interactive process. Some of the earliest challenges to the planned strategy approach came from Linblom in the 1960s and Quinn in the 1980s.

Charles Lindblom (1959) claimed that strategy is a fragmented process of serial and incremental decisions. He viewed strategy as an informal process of mutual adjustment with little apparent coordination.

James Brian Quinn (1980) developed an approach that he called "logical incrementalism". He claimed that strategic management involves guiding actions and events towards a conscious strategy in a step-by-step process. Managers nurture and promote strategies that are themselves changing. In regard to the nature of strategic management he says: *"Constantly integrating the simultaneous incremental process of strategy formulation and implementation is the central art of effective strategic management."* Whereas Lindblom saw strategy as a disjointed process without conscious direction, Quinn saw the process as fluid but controllable.

Joseph Bower (1970) and Robert Burgelman (1980) took this one step further. Not only are strategic decisions made incrementally rather than as part of a grand unified vision, but according to them, this multitude of small decisions are made by numerous people in all sections and levels of the organization.

Henry Mintzberg (1978) made a distinction between deliberate strategy and emergent strategy. Emergent strategy originates not in the mind of the strategist, but in the interaction of the organization with its environment. He claims that emergent strategies tend to exhibit a type of convergence in which ideas and actions from multiple sources integrate into a pattern. This is a form of organizational learning.

Constantinos Markides (1999) describes strategy formation and implementation as an on-going, never-ending, integrated process requiring continuous reassessment and reformation.

A particularly insightful model of strategy dynamics comes from J. Moncrieff (1999). He recognized that strategy is partially deliberate and partially unplanned. The unplanned element comes from two sources: “emergent strategies” result from the emergence of opportunities and threats in the environment and “Strategies in action” are ad hoc actions by many people from all parts of the organization. These multitudes of small actions are typically not intentional, not teleological, not formal, and not even recognized as strategic. They are emergent from within the organization, in much the same way as “emergent strategies” are emergent from the environment.

From the sample that was chosen we will try and ascertain whether the employees of Barat Carbide feel that this company has an operating strategy. Due to the nature of the business and the risk of this document falling into the wrong hands, Barat Carbide’s operating model or strategy cannot be discussed. The only think we will cover, is to confirm via the employees if they are aware that the company has an operational model / strategy. From the qualitative perspective we will try and ascertain which model of strategy Barat Carbide falls within. It has to be noted that the author will not be going into details of the strategy. The aim will not be the critically analyse the strategy and find out if this strategy is the correct one for the company but just to confirm that the company has a strategy and the employees are aware of it and secondly, within which of the above operating strategies would the company fall into.

2.1.2 Service Delivery Systems

Emphasizes has been placed that customizing the delivery of service on the frontline is a key to customer satisfaction. Service delivery is defined as “the shared perceptions of employees concerning the practices, procedures, and kinds of behaviours that get rewarded and supported with respect to customer service and service quality” (Schneider *et al.*, 1998). That is, service is built on foundations of caring for both customers and employees (Burke *et al.*, 1992; Schneider *et al.*, 1992). The importance of the elements of

service to customers and employees has been demonstrated in various studies. For example, Rogg *et al.* (2001) found that service delivery facilitates the delivery of customer satisfaction, while Schneider *et al.* (1998) demonstrated a positive link between the way employees perceive service delivery and customers' perceptions of service quality. More recently, Schneider *et al.* (2002) showed that the strength of service delivery has a moderating effect on the link between employees and customers. Additionally, service delivery has been found to be related to employee commitment (Lux *et al.*, 1996) and to increase the empowering leadership behaviours of a service worker's supervisor, with flow on effects to the worker (Yagil and Gal, 2002). With its potential implications for both customers and employees, service delivery is therefore of considerable interest.

According to Turban *et al.*, 2002 “Customer service is a series of activities designed to enhance the level of customer satisfaction – that is, the feeling that a product or service has met the customer expectation”

There has been a growing body of empirical research over the last 15 years investigating performance linkages between employee perceptions and performance, customer perceptions and behaviour, and financial performance (FP). Heskett *et al.*'s (1997) service profit chain comprehensively models many of the supposed performance relationships postulated and, to some extent tested, in the service management literature.

In this research we would like to confirm with the employee's if there has been a change in the service delivery system since the implementation of the “Service Profit Chain.”

This would be the first time that data is collected since the implementation of the process.

This can be used as a baseline for any further measurements and improvements.

2.1.3 Workplace Design

Office design may be holding workers back from optimal job performance, as well as inhibiting companies' competitive advantage, according to a new study released by Gensler, a leading architecture and design firm. The study is the most wide-ranging and in-depth exploration of the link between workplace design and employee performance.

These survey findings suggest businesses that ignore the design and layout of their workplaces are failing to optimize the full value of their human capital. According to the survey, office workers believe they would be 21 percent more productive if given a better working environment. Almost half say they would log an extra hour per day under such improved circumstances.

According to the survey, nine in 10 workers believe that better office design leads to better overall employee performance, and also makes a company more competitive.

An employee's workplace environment is a key determinant of their level of productivity. How well the workplace engages an employee impacts their level of motivation to perform.

This then influences employee's:

- error rate
- level of innovation
- collaboration with other employees
- absenteeism

and, ultimately, how long they stay in the job.

Designing a workplace that provides opportunities for the broadest potential workforce makes good business sense. This allows employers to select the most qualified people from the largest possible applicant pool. It may also improve work efficiency, employee productivity, workplace safety and the quality of work.

The workforce will likely represent a wide range of demographics and abilities. Most workers spend much of their time at the workplace. Therefore, many design considerations for workplace facilities may be different than other types of built environments that are used by fewer people over shorter time periods.

Job performance is best when the environment neither under-stimulates nor over-stimulates the employee. Lighting, the thermal environment and noise are the key environmental variables to consider. The most desirable levels of each will not only vary across work environments and people, but also will vary for different job requirements. It

is therefore important to have a good understanding of the work requirements so that we may design effective environments.

These are some of the hints given in the survey:-

Appropriate lighting is critical to effective task performance. The amount of light necessary for good work performance will depend on the requirements of the task and the abilities of the employee. When possible, use a combination of natural and artificial light sources that can be adjusted through the use of blinds, overhead lights and direct light sources. This will allow employees to adjust the lighting to fit the requirements of their tasks and individual abilities.

Use adjustable blinds so that employees can control the amount of natural light that enters their workspaces.

Place direct lighting at workstations to enable employees to adjust the level of lighting for their specific task requirements and individual abilities.

Excessive glare may cause discomfort and reduce work performance. Because those with reduced visual ability may require greater illumination levels, it is very important to avoid glossy work surfaces.

Temperature, humidity and ventilation affect more than employee comfort. They also impact work performance and employee health.

Individuals should be able to adjust the ventilation, heat and humidity associated with their work areas. This can be accomplished by giving employees control over the temperature and ventilation at their workstations through the use of local thermostats, windows, fans and adjustable window blinds.

Temperature and humidity extremes should be avoided, particularly cooler environments that may be uncomfortable for the elderly or others with circulatory impairments.

Ventilation must be effective but minimally distracting. Use low speed ceiling fans, so that air velocities can be changed depending on the environment temperature and humidity, tasks performed and preferences of individual employees.

Workplace noise can negatively affect both task performance and personal safety. Background (ambient) noise can interfere with communication among employees. To allow efficient communication, keep ambient noise levels low and avoid short,

unpredictable noise. Uninvited noise is distracting and should be minimized, but there are large differences between individuals in the types and intensity levels of noise that are distracting. Individuals should be allowed to control the noise levels in the environment without interfering with the noise in another employee's environment. Offices or cubicles with high sound resistant walls, rather than large open areas with desks, can be used.

Alarms or communications having auditory frequencies above 4000 Hz are difficult for many individuals to detect and should be avoided. Auditory alarms should be supplemented with visual signals (e.g., flashing lights).

Environments that promote efficient materials flow, minimize manual materials handling and facilitate social communication and social interaction will provide an accommodating work environment.

Opportunity for social interaction between all employees contributes to higher morale and satisfaction. Workstations should be situated so employees can communicate information effectively with visual and/or verbal modes of communication. Visual obstacles except for intentional obstructions such as cubical or office walls should be avoided. Background noise should be minimized. Employees should have designated areas to recover from work demands and communicate with others. Break rooms or areas should be located near workstations and have a clear path to minimize travel time, and should be quiet, well lighted and equipped with chairs and tables to facilitate recreational social interaction between all employees.

Workstations can be categorized into those that allow standing or sitting postures or a combination of both (i.e., sit-stand stations). In addition, workstations that contain computers and their accessories require special design consideration. The appropriate workstation design will allow the broadest set of employees possible to perform specific sets of job tasks. While the physical characteristics of a workstation will depend largely on the tasks that are to be performed, some general guidelines can be provided.

Several types of employees (e.g., retail checkers, ticket takers, fabricators, architects, and graphic designers) use standing workstations. Standing for long periods of time can be particularly straining to the back and legs; as a result, standing workstations often contain a sitting or resting option to reduce fatigue.

Use standing workstations instead of sitting workstations when larger physical work effort is required or the employee must cover a larger work area. Employees should not be required to stand in place for long periods.

Counter or table heights should be adjustable to allow the employees to maximize their strength capabilities and minimize physical effort associated with maintaining stooped working postures.

Working heights of standing workstations for employees performing inspection tasks should be adjustable for those who want to bring the task closer and should be designed to minimize efforts that would result in awkward neck postures.

Provide adequate knee and toe clearance beneath workstations and counters so that employees can be as close to the workstation as possible.

Avoid the use of elevated platforms, but consider the use of durable rubber floor matting to reduce muscle fatigue of the legs and backs for those who stand.

Sitting is generally less strenuous than standing, and allows easier control over hand and body movements. It is not surprising that the sitting workstation is the most common.

Use sitting workstations to facilitate hand movement accuracy when smaller hand manipulation forces are required and when less area needs to be covered by the employee.

Seated workstation table heights should be approximately the elbow height of the seated individual and therefore should be adjustable. Seated workstations should allow enough clearance for users of wheeled mobility devices.

The study by the Commission for Architecture & the Built Environment and the British Council for Offices has found even simple things such as good lighting and having adequate daylight can reduce absenteeism by 15 per cent and increase productivity by between 2.8 per cent and 20 per cent.

The two organisations are urging business leaders to take more account of the links between good workplace design and improved business performance when planning and designing new buildings, and overhauling old ones.

The way workplaces are design is going to become more important in the future as more and more workers work remotely or outside a formal workplace.

By next year, it has estimated, some 30 per cent of the world's top companies will have adopted a highly mobile work style model, with 35 per cent having a workforce located outside the boundaries of the conventional workplace.

Good workplace design can make a big difference in staff satisfaction, attraction, motivation and retention.

It can also affect the level of knowledge and skills of workers, how innovative and creating they are, how they respond to business and technological change and how effective the organisation is at attracting and retaining customers.

Poor workplace design, by contrast, is linked to lower business performance and higher level of stress experienced by employees.

An employee's workplace is responsible for 24 per cent of their job satisfaction level and this can affect staff performance by five per cent for individuals and 11 per cent for teams.

In one major UK Company, staff turnover at a call centre reduced by 11per cent after a move to new well-designed offices and output doubled during the same period.

Paul Morrell, CABE commissioner and president of the BCO, said: "As the pressures of competition place new demands on differentiation through quality of knowledge management and creative thought, new environments are needed to encourage interaction and teamwork.

"Those employers who ignore the evidence of office design as an enabler of staff satisfaction and performance risk the loss of key staff and ultimately business success," he added.

Richard Kauntze, chief executive of the British Council for Offices, said: "No part of the BCO's work is more important than developing a greater understanding of the relationship between an office building and the effectiveness of the people who work in it.

"The workforce is by far the most valuable asset of any business, and almost always the biggest cost. A business that gives serious attention to the physical environment of the office is far more likely to increase staff productivity than one which ignores the building," he added.

One of the biggest preludes to the study of job satisfaction was the Hawthorne studies. These studies (1924-1933), primarily credited to Elton Mayo of the Harvard Business School, sought to find the effects of various conditions (most notably illumination) on workers' productivity. These studies ultimately showed that novel changes in work conditions temporarily increase productivity (called the Hawthorne Effect). It was later found that this increase resulted, not from the new conditions, but from the knowledge of being observed. This finding provided strong evidence that people work for purposes other than pay, which paved the way for researchers to investigate other factors in job satisfaction.

Scientific management (aka Taylorism) also had a significant impact on the study of job satisfaction. Frederick Winslow Taylor's 1911 book, *Principles of Scientific Management*, argued that there was a single best way to perform any given work task. This book contributed to a change in industrial production philosophies, causing a shift from skilled labor and piecework towards the more modern approach of assembly lines and hourly wages. The initial use of scientific management by industries greatly increased productivity because workers were forced to work at a faster pace. However, workers became exhausted and dissatisfied, thus leaving researchers with new questions to answer regarding job satisfaction. It should also be noted that the work of W.L. Bryan, Walter Dill Scott, and Hugo Munsterberg set the tone for Taylor's work.

Some argue that Maslow's hierarchy of needs theory, a motivation theory, laid the foundation for job satisfaction theory. This theory explains that people seek to satisfy five specific needs in life – physiological needs, safety needs, social needs, self-esteem needs, and self-actualization. This model served as a good basis from which early researchers could develop job satisfaction theories.

Edwin A. Locke's Range of Affect Theory (1976) is arguably the most famous job satisfaction model. The main premise of this theory is that satisfaction is determined by a discrepancy between what one wants in a job and what one has in a job. Further, the theory states that how much one values a given facet of work (e.g. the degree of autonomy in a position) moderates how satisfied/dissatisfied one becomes when expectations are/aren't met. When a person values a particular facet of a job, his satisfaction is more greatly impacted both positively (when expectations are met) and

negatively (when expectations are not met), compared to one who doesn't value that facet. To illustrate, if Employee A values autonomy in the workplace and Employee B is indifferent about autonomy, then Employee A would be more satisfied in a position that offers a high degree of autonomy and less satisfied in a position with little or no autonomy compared to Employee B. This theory also states that too much of a particular facet will produce stronger feelings of dissatisfaction the more a worker values that facet.

Another well-known job satisfaction theory is the Dispositional Theory. It is a very general theory that suggests that people have innate dispositions that cause them to have tendencies toward a certain level of satisfaction, regardless of one's job. This approach became a notable explanation of job satisfaction in light of evidence that job satisfaction tends to be stable over time and across careers and jobs. Research also indicates that identical twins have similar levels of job satisfaction.

A significant model that narrowed the scope of the Dispositional Theory was the Core Self-evaluations Model, proposed by Timothy A. Judge in 1998. Judge argued that there are four Core Self-evaluations that determine one's disposition towards job satisfaction: self-esteem, general self-efficacy, locus of control, and neuroticism. This model states that higher levels of self-esteem (the value one places on his self) and general self-efficacy (the belief in one's own competence) lead to higher work satisfaction. Having an internal locus of control (believing one has control over her\his own life, as opposed to outside forces having control) leads to higher job satisfaction. Finally, lower levels of neuroticism lead to higher job satisfaction.

Frederick Herzberg's Two factor theory (also known as Motivator Hygiene Theory) attempts to explain satisfaction and motivation in the workplace. This theory states that satisfaction and dissatisfaction are driven by different factors – motivation and hygiene factors, respectively. Motivating factors are those aspects of the job that make people want to perform, and provide people with satisfaction. These motivating factors are considered to be intrinsic to the job, or the work carried out. Motivating factors include aspects of the working environment such as pay, company policies, supervisory practices, and other working conditions.

While Herzberg's model has stimulated much research, researchers have been unable to reliably empirically prove the model, with Hackman & Oldham suggesting that Herzberg's original formulation of the model may have been a methodological artifact. Furthermore, the theory does not consider individual differences, conversely predicting all employees will react in an identical manner to changes in motivating/hygiene factors. Finally, the model has been criticized in that it does not specify how motivating/hygiene factors are to be measured.

The Internal sales and the technical sales representatives have moved into existing (new) offices in the last year. They have moved into an existing building that was used by one of Boart Longyear's divisions. Thus it would be interesting to acknowledge the replies from the employees.

2.1.4 Job design and decision – making latitude

Employee control over work can reduce stress and enhance motivation and growth. Several key findings have prompted employers to search for ways to give workers a greater sense of control, to improve health, productivity and morale.

Industrial psychologists discovered that how much latitude employees have at work – their control over job-related decisions – affects their health, their morale and their ability to handle their workload. Richard Hackman et al reported, in 1976, that control (in terms of job-provided autonomy) enhanced motivation and growth – in blue collar, white collar and professional positions. Then, in 1979, Robert Karasek (1990) found that workers whose jobs rated high in job demands yet low in employee control (as measured by latitude over decisions) reported significantly more exhaustion after work, trouble awakening in the morning, depression, nervousness, anxiety, and insomnia or disturbed sleep than other workers. When workers facing high demands had more control, their stress was lower. This major insight into how occupational stressors affect health and well-being has led to ongoing improvements in the workplace. For example, many organizations have implemented programs designed to enhance employee control.

Karasek's (1990) findings revealed to employers that they could improve job-related mental health without sacrificing productivity. That is, organizations could reduce job

strain by increasing employee control or decision latitude, without reducing actual workload. Employers could fine-tune their administrative structure in order to reduce employee stress and protect workers' mental health – without cutting productivity. What's more, the Hackman et al (1976) research showed how control influences feelings about work more broadly. And in fact, a 2002 survey of 604 employees by the Society for Human Resource Management and *USA Today* revealed that some 94 percent of those polled consider autonomy and independence "very important" or "important" to job satisfaction.

Many organizations have increased employee control to make jobs better for employees, often redesigning their processes or flipping around the chain of command. For example, Ford Motor Company has shifted virtually all of its manufacturing operations to a team-based approach in which employees have far greater control over their work. Rather than simply follow directions from supervisors, employees can, for example, talk directly to suppliers about parts quality, research better ways to run equipment, and take independent action to eliminate product defects. The pilot program, which began at Ford's Romeo, Mich. engine plant in the early 1990s, raised productivity and quality along with job satisfaction so successfully that Ford expanded the approach, giving virtually all employees targets and allowing them to find ways to reach them.

March and Olsen (1975) attempt to link up individual and organizational learning. In their model, individual beliefs lead to individual action, this in turn may lead to an organizational action and a response from the environment which may induce improved individual beliefs and the cycle then repeats over and over. Learning occurs as better beliefs produce better actions.

Frederick Edmund Emery, nick Fred, (1981) was an Australian psychologist. He was one of the pioneers in the field of Organizational development (OD), particularly in the development of theory around participative work design structures such as self-managing teams. He was widely regarded as one of the finest social scientists of his generation.

According to behaviorist Isabel Briggs Myers, a person's decision making process depends to a significant degree on their cognitive style. Myers developed a set of four bi-

polar dimensions, called the Myers-Briggs Type Indicator (MBTI). The terminal points on these dimensions are: thinking and feeling; extroversion and introversion; judgment and perception; and sensing and intuition. She claimed that a person's decision making style is based largely on how they score on these four dimensions. For example, someone who scored near the thinking, extroversion, sensing, and judgment ends of the dimensions would tend to have a logical, analytical, objective, critical, and empirical decision making style.

The questionnaires will get a better understanding of the Barat Carbide employees.

What do they feel?. How can we improve this?.

2.1.5 Selection and development

Better recruitment and selection strategies result in improved organizational outcomes. The more effectively organizations recruit and select candidates, the more likely they are to hire and retain satisfied employees.

Once candidates are identified, the process of selecting appropriate employees for employment can begin. This means collecting, measuring, and evaluating information about candidates' qualifications for specified positions. Organizations use these practices to increase the likelihood of hiring individuals who have the right skills and abilities to be successful in the target job. Employees will only reach their maximum potential through successful employee coaching, employee mentoring, and employee developmental experiences. Research has shown that employee development and employee coaching are the most productive and sustainable strategy for both organizational growth and long term success.

Employee development is a joint, on-going effort on the part of an employee and the organization for which he or she works to upgrade the employee's knowledge, skills, and abilities. Successful employee development requires a balance between an individual's career needs and goals and the organization's need to get work done. A review of research literature in 2003 supported the commonly held belief that employee development programs make positive contributions to organizational performance. A more highly

skilled workforce can accomplish more as the individuals gain in experience and knowledge.

In addition, retaining an employee saves the organization a great deal of money. One method of retention is to provide opportunities to develop new skills. In research conducted to assess what retained employees, development was one of the top three retention items. Employee Development makes available to employees planned programs or courses of instruction for the following purposes:

- Provides employees with additional skills, knowledge, abilities and attitudes necessary to accommodate to changing policies, technology, equipment or assignment.
- Keeps employees abreast of the "state of the art" and maintains specialized proficiencies.
- Helps meet the future personnel requirements through systematic development of high potential employees.



The goal of personnel selection, as all business processes, is to ensure an adequate return on investment. In the case of selection, this entails assurances that the productivity of the new hires produces more value than the costs of recruiting, selecting, and training them.

Today's employees are more career conscious than ever. They are demanding more in terms of personal growth and development. Organizations that fail to allow employees to meet their individual needs will be losing valued employees.

Career development has evolved from an isolated tool for individual growth to a key strategic asset for many far-sighted organizations. Once left exclusively to the individual employee's own initiative, organizations have taken a more active role in their employees' careers through Career Development Programs.

Traditionally, it has been assumed that every employee wants, or should want, the same thing in a career, usually a direct path up the organizational ladder (Fink, 1992). However, career development is not about "getting ahead", but rather about getting to be the best an individual can be and finding a place in an organization where

they can express excellence and contribute to the goals of the organization. Career development encompasses "vertical" issues such as promotions and upward mobility, but also "horizontal" movement (lateral job transfers) within the organization. Career development deals with the fundamental nature of the relationship of individuals to their work and employees to their organizations. A clearly defined plan of action prepares employees for the future and preserves an organization's ability to meet both existing and future needs.

Rarely is enough attention given to alternative paths that reflect more personal aspirations, especially when those desires do not fit the familiar pattern of traditional organizational life. Today's employees are demanding more from their work in terms of fulfillment and personal satisfaction. They use words such as "empowerment" and "self-development" in expressing demands. This tells us much about the changing face of the workplace as we prepare to enter the 21st century.

In today's competitive environment, it is imperative that all organizations create a work environment which fosters growth and development. It is apparent this can be accomplished by implementing a Career Development Program in the workplace. This will enhance organizational loyalty among employees; result in higher levels of job satisfaction, lower employee turnover, and fewer employee complaints (Werther & Davis, 1992).

The terms "flattening and downsizing" crept into the vocabulary of many administrators" (Grossman & Doherty, 1994). This resulted in fewer and fewer opportunities for promotions, and this trend will most likely continue into the 21st century. As a result, organizations must emphasize the strong value of growing and learning one's current job, as well as, exploring other areas within the organization.

2.1.6 Rewards and recognition

Prioritize employee recognition and you can ensure a positive, productive, innovative organizational climate. Provide employee recognition to say "thank you" and to encourage more of the actions and thinking you believe will make your organization successful. People who feel appreciated are more positive about themselves and their

ability to contribute. People with positive self-esteem are potentially your best employees. These beliefs about employee recognition are common among employers even if not commonly carried out. Why then is employee recognition so closely guarded in many organizations?

Time is an often-stated reason and admittedly, employee recognition does take time. Employers also start out with all of the best intentions when they seek to recognize employee performance.

They often find their efforts turn into an opportunity for employee complaining, jealousy, and dissatisfaction. With these experiences, many employers are hesitant to provide employee recognition.

Employee recognition is scarce because of a combination of several factors. People don't know how to provide it effectively, so they have bad experiences when they do. They assume "one size fits all" when they provide employee recognition. Finally, employers think too narrowly about what people will find rewarding and recognizing. These guidelines and ideas will help you effectively walk the slippery path of employee recognition and avoid potential problems when you recognize people in your work place. Decide what you want to achieve through your employee recognition efforts. Many organizations use a scatter approach to employee recognition. They put a lot of employee recognition out there and hope that some efforts will stick and create the results they want. Or, they recognize so infrequently that employee recognition becomes a downer for the many when the infrequent few are recognized.

Instead, create goals and action plans that recognize the actions, behaviours, approaches, and accomplishments you want to foster and reward in your organization. Establish employee recognition opportunities that emphasize and reinforce these sought-after qualities and behaviours. If you need to increase attendance in your organization, hand out a three-part form, during your Monday morning staff meeting. The written note thanks employees who have perfect attendance that week. The employee keeps one part; save the second in the personnel file; place the third in a monthly drawing for gift certificates.

Fairness, clarity, and consistency are important. People need to see that each person who makes the same or a similar contribution has an equal likelihood of receiving recognition

for her efforts. It is recommended that for regularly provided employee recognition; organizations establish criteria for what makes a person eligible for the employee recognition. Anyone who meets the criteria is then recognized.

As an example, if people are recognized for exceeding a production or sales expectation, anyone who goes over the goal gets the glory. Recognizing only the highest performer will defeat or dissatisfy all of your other contributors, especially if the criteria are unclear or based on opinion.

For day-to-day employee recognition, you'll want to set guidelines so leaders acknowledge equivalent and similar contributions. Each employee who stays after work to contribute ideas in a departmental improvement brainstorming session gets to have lunch with the department head.

This guideline is why an "employee of the month-type program" is most often unsuccessful. The criteria for results and the fairness of these criteria are not clear to people. So, people complain about "brown-nosing points" and the boss's "pet." These programs cause discontent and dissension when the organization's intentions were positive.

The Five Most Important Tips for Effective Recognition

- You need to establish criteria for what performance or contribution constitutes rewardable behaviour or actions.
- All employees must be eligible for the recognition. The recognition must supply the employer and employee with specific information about what behaviours or actions are being rewarded and recognized.
- Anyone who then performs at the level or standard stated in the criteria receives the reward. The recognition should occur as close to the performance of the actions as possible, so the recognition reinforces behaviour the employer wants to encourage.
- You don't want to design a process in which managers "select" the people to receive recognition.

The Expectancy Theory states that an individual's performance is a multiplicative function of that individual's ability and effort. And because of the belief that a person's

ability is immutable with improvements limited to processes such as technical and developmental training, many scholars have begun to turn their attention to the more controllable aspect of this performance function such as the effort that can be elicited out of an employee. The theory also states that effort is a function of how much an individual values the reward associated with performance (the valence of the reward) and the extent to which the individual believes that a high level of effort will lead to that reward (effort-reward probability). A summary of the theory can be seen below.

Performance = (Ability x Effort)

Ability = (Inherent Intelligence + Developmental Training)

Effort = (Valence of Rewards x Effort-Reward Probability)

It should be clear by now that any attempt to increase either the valence of rewards or the effort-reward probability will subsequently lead to an increase in the amount of effort and will ultimately lead to a performance increase in an individual according to the Expectancy Theory.

Lawler (1971) cites six separate studies of the relationship between pay and performance, and finds that “their evidence indicates that pay is not very closely related to performance in many organizations that claim to have merit increase salary systems. The studies suggest that many business organizations do not do a very good job of tying pay to performance. This conclusion is rather surprising in light of many companies’ very frequent claims that their pay systems are based on merit. It is particularly surprising that pay does not seem to be related to performance at the managerial level.”

Deci (1972) argues that money actually lowers employee motivation, by reducing the “intrinsic rewards” that an employee receives from the job. Similarly, Slater (1980) concludes that “Getting people to chase money . . . produces nothing but people chasing money. Using money as a motivator leads to a progressive degradation in the quality of everything produced.”

Kohn (1988) in his article “Incentives Can Be Bad for Business,” offers three reasons why merit-pay systems are counterproductive. “First, rewards encourage people to focus narrowly on a task, to do it as quickly as possible, and to take few risks . . . Second,

extrinsic rewards can erode intrinsic interest . . . [Finally], people come to see themselves as being controlled by a reward.”

A second group of merit-pay critics argue that, while financial incentive schemes improve productivity in principle, in practice they induce significant adverse side effects that are costly to employee morale and productivity. The costs of dealing with many of the problems induced by merit systems simply outweigh the limited organizational benefits they offer. Among the side effects often mentioned are horizontal equity concerns, and problems associated with imperfect performance measurement. Hamner (1975) in his article “How to Ruin Motivation with Pay” argues that merit systems decrease motivation because managers systematically mismanage pay-for-performance programs.

2.1.7 Information and communication

Communication, through both formal and informal channels, is the lifeblood of any Organization. In reading about communication environments, channels, processes, systems, and hierarchies, we sometimes lose sight of the essence of the communication act: it is profoundly human. At the center of every organization are people held together by slender threads of cooperation. These threads are maintained by people sharing information with each other. The result is a delicate network of human relationships linked through communication.

In these networks, information is a commodity. It has value, can be exchanged, and is crucial to the success of launching a project, selling a product, or marketing a service.

Unfortunately, people sometimes refuse to exchange this crucial information. They often erect *barriers* to shut out others in situations they consider hostile. Most communication mishaps in organizations can be traced to these barriers. They impede information exchange and thereby disrupt the orderly flow of activity. Because of barriers, people fail to inform others of a meeting, a project deadline or a client need; they neglect to compliment co-workers on a job well-done; they even lash out at others for little or no reason.

Often these barriers, resulting in a *closed communication climate*, cause lost business, damaged reputations, endangered goodwill, and general unhappiness. Research shows that an *open communication climate* is desirable because it enhances human relationships, which occasion increased morale and productivity.

Communication climate can be defined as the internal environment of information exchange among people through an organization's formal and informal networks.

Communication climate is *open* when information flows freely; *closed* when information is blocked.

In an *open climate*, employees feel free to express opinions, voice complaints, and offer suggestions to their superiors. Employees talk freely among themselves about important policy decisions and their production, personnel, or marketing concerns.

Information passes without distortion upward, downward, and horizontally throughout the organization. Research shows that this *open communication climate* has at least three distinct characteristics: it is *supportive*, *participative*, and *trusting*.

Open communication puts both sides at risk, however, because in the process of recognizing employees as participants, supervisors must open themselves up to criticism, must explain their actions, and must actually correct difficult situations. And as participants, supervised employees must be willing to articulate difficulties for which they share responsibility with management. Ultimately, employees and supervisors must work collaboratively to ensure successful implementation of communicated intentions.

Open communication climates encourage employees through supporting them, through allowing them to participate in decision-making, and, through trusting them, which assures the integrity of information channels. Ultimately, the openness of any communication climate depends upon the character of the participants. Openness often demands courage because the communicator operates with lowered or eliminated defensive barriers, even when standing up to verbal assault. Because open communicators have to articulate their positions in meetings, public arenas, and in print, they must be secure individuals, confident in their own positions, ability, and authority. Yet, while open communication climate may make formidable personal demands, such openness ultimately rewards both the individual and the organization in providing an environment where people thrive and enterprise flourishes.

Faxes, teleconferences, the World Wide Web, and other technological advancements guarantee that we can communicate with virtually anyone, anywhere. However, it's up to us to ensure that the messages we send are clearly understood by the recipient.

Whether it's a face-to-face meeting or an overseas transmission, communication is a complex process that requires constant attention so that intended messages are sent and received. Inadequate communication is the source of conflict and misunderstanding. It interferes with productivity and profitability. Virtually everyone in business has experienced times when they were frustrated because they just couldn't "get through" to someone. They felt as if they were speaking an unknown language or were on a different "wave length." Communicating effectively is much more than just saying or writing the correct words. How we communicate is affected by frame of reference, emotional states, the situation, and preferred styles of communication.

In these times of doing more with less and increased use of technology, it's imperative to remember to do whatever we can to foster effective communication. By looking at the world from another's point of view, your employees, co-workers, customers, and vendors will feel that you're really listening to them. Listening and responding in a way that makes sense to them will improve relationships, enhance performance, increase productivity, and positively impact the bottom line.

Views of organizational communication can be categorized as those that view organizational communication as one aspect of an organization versus those that see it as the underlying basis of the organization itself. An example of the former is exemplified by Drenth et al. (1998), who define communication as the sending and receiving of messages by means of symbols and see organizational communication as a key element of organizational climate. The latter viewpoint is reflected by Myers and Myers (1982) who define organizational communication as "the central binding force that permits coordination among people and thus allows for organized behavior," and Rogers and Rogers (1976:3) who argue that "the behavior of individuals in organizations is best understood from a communication point of view."

Communication is not only an essential aspect of these recent organizational changes, but effective communication can be seen as the foundation of modern organizations (Grenier and Metes 1992; D'Aprix 1996; Witherspoon 1997; von Krogh et al. 2000).

2.1.8 Adequate tools to service customers

The importance of customer service to organisations of all kinds, whether in the public or private sector, is now acknowledged. But the definition is frequently too narrow. Good service starts before a transaction takes place and goes on after its completion, including the market research pre-ordering climate; the buying/ordering process; the period from order to delivery, packaging or presentation; transport and logistics; delivery, complaint handling; payment and debt collection and after sales support service. Poor service may be contributed to by organisational culture, social attitudes, monopolies and market dominance and management failings. Improvement depends on a comprehensive programme, tackling causes as well as symptoms, involving a customer service survey; organisation review; standard setting; improved communications; training; and a process for continuous monitoring.

Customers are the life-blood of any business so providing great customer service is critically important. Customers expect the same quality that they would expect to receive. Keeping the customer satisfied needs to be the goal of everyone in the organization.

Employees should learn to:

- Learn and practice handling difficult objections
- Shorten the sales cycle for first time callers
- Gain valuable insights into client concerns
- Handle incoming call complaints
- Learn to be proactive rather than reactive
- Learn to show empathy
- Gain agreement from unhappy clients
- Work as a team when dealing with customer concerns

Technology has made available a wide range of customer service tools. They range from support websites and the ability to have live chats with technical staff to databases tracking individual customers' preferences, pattern of buying, payment methods etc., and tailoring products and service responses based on this advanced data. Specialist software that is designed for the tracking of service levels and for helping recognize areas for improvement are often integrated into other enterprise operational software tools such as ERP software.

Many companies have started to use new channels to capture customer feedback. With record number of people now communicating through mobile phone and sending texts, many argue that the next wave of customer feedback will primarily be captured through channels familiar to most consumers, such as mobile email and SMS. This will enable companies to track the opinions of their customers much more easily and gain valuable insight into how to improve service quality and enhance the customer experience.

There are a variety of tools that employees would need to provide good customer service. This could be from stationery to computers and E mail. Most companies supply employees with all the necessary gizmos and gadgets so that you may successfully stay in touch as well as service the customers. This is also within reason and cost.

2.2 Sub problem 2

2.2.1 Service Value – Improvement of service quality at a reduced cost


The most successful organizations understand that the purpose of any business is to create value for customers, employees, and investors, and that the interests of these three groups are inextricably linked. Therefore, sustainable value cannot be created for one group unless it is created for all of them. The first focus should be on creating value for the customer, but this cannot be achieved unless the right employees are selected, developed, and rewarded, and unless investors receive consistently attractive returns.

What do we mean by value creation? For the *customer*, it entails making products and providing services that customers find consistently useful. In today's economy, such value creation is based typically on product and process innovation and on understanding

unique customer needs with ever-increasing speed and precision. But companies can innovate and deliver outstanding service only if they tap the commitment, energy, and imagination of their employees. Value must therefore be created for those employees in order to motivate and enable them. Value for employees includes being treated respectfully and being involved in decision-making. Employees also value meaningful work; excellent compensation opportunities; and continued training and development. Real value creation—and long-term growth and profitability—occurs when companies develop a continuous stream of products and services that offer unique and compelling benefits to a chosen set of customers. This means that to maintain industry leadership, a company must establish a sustainable process of value creation.

There are no "silver bullets" when it comes to service quality improvement. It is hard work with a lot of attention to detail, and it requires passion, consistency in intent and quality at all levels of the organization.

Some of the major themes that underlie successful value creation strategies in the information economy are:

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- The logo of the University of Johannesburg is centered in the background. It features a stylized orange bird-like figure with its wings spread, holding a white book. To the right of the bird, the text "UNIVERSITY OF JOHANNESBURG" is written in a light grey, sans-serif font, with "OF" on a separate line between two horizontal lines.
- Product and process innovation
 - Detailed, real-time understanding of changing needs of well-defined customer segments (frequently database enabled)
 - Leveraging emerging technologies in existing markets (particularly information technology)
 - Leveraging technology or regulatory changes to create new markets
 - Reconfiguring company and industry value chains
 - Creating win/win partnerships with customers, employees, and suppliers.

By its very nature, the traditional win/lose approach to business contains a fragmented view of the interests of customers, employees, and investors. For managers who hold that fragmented view, efforts to create more value for customers or to improve employees' transferable skills and compensation seem idealistic at best, and at worst, a naive policy that is doomed to failure. But as we have seen, the exact opposite is true. If value-focused behaviour is idealistic, then the most pragmatic way to manage a company is with

idealism. Such pragmatic idealism rejects the fragmented conception of "us versus them," and embraces an integrated, systems view of business that recognizes the interdependence of all players in the value-creation process. From the literature that we have gone through, here are a few principles for managing with this systems view of business:

- Think first about creating the most value, then think about capturing part of that value as profit.
- Think of the value of a product or service as being what the customer would pay for that product or service if he had perfect information, such as knowledge of the total life-cycle costs and benefits associated with the purchase.

In an environment of accelerating change—in which long-term partnerships and joint ventures must be built on mutual trust, in which employees must be committed to provide superior service and drive ongoing innovation, in which customers have access to more and more information—a course of pragmatic idealism and value creation is not only possible, it is increasingly the only viable approach.

A model by Kay Storbacka, Tore Strandvik, and Christian Gronroos (1994), the service quality model, is more detailed than the basic loyalty business model but arrives at the same conclusion. In it, customer satisfaction is first based on a recent experience of the product or service. This assessment depends on prior expectations of overall quality compared to the actual performance received. If the recent experience exceeds prior expectations, customer satisfaction is likely to be high. Customer satisfaction can also be high even with mediocre performance quality if the customer's expectations are low, or if the performance provides value (that is, it is priced low to reflect the mediocre quality). Likewise, a customer can be dissatisfied with the service encounter and still perceive the overall quality to be good. This occurs when a quality service is priced very high and the transaction provides little value.

This model then looks at the strength of the business relationship; it proposes that this strength is determined by the level of satisfaction with recent experience, overall perceptions of quality, customer commitment to the relationship, and bonds between the

parties. Customers are said to have a "zone of tolerance" corresponding to a range of service quality between "barely adequate" and "exceptional." A single disappointing experience may not significantly reduce the strength of the business relationship if the customer's overall perception of quality remains high, if switching costs are high, if there are few satisfactory alternatives, if they are committed to the relationship, and if there are bonds keeping them in the relationship. The existence of these bonds acts as an exit barrier. There are several types of bonds, including: legal bonds (contracts), technological bonds (shared technology), economic bonds (dependence), knowledge bonds, social bonds, cultural or ethnic bonds, ideological bonds, psychological bonds, geographical bonds, time bonds, and planning bonds.

2.3 Sub problem 3

2.3.1 Perception of employees on customers, retention of customers, repeat business from customers and referrals by customers

It is estimated that two-thirds of customers who defect do so because of poor service. In order for customer service to drive profits, every link in your service profit chain – employee capability, job satisfaction, productivity, employee loyalty and customer satisfaction – must be strong.

Delivering top quality service must be brought to the top of the company's needs hierarchy as one can draw a straight line between superior service and your sustainable profit growth. To achieve success, you must make superior service second nature of your organization.

The service profit chain is a powerful phenomenon that stresses the importance of people – both employees and customers – and how linking them can leverage corporate performance. The service-profit chain is an equation that establishes the relationship between corporate policies, employee satisfaction, value creation, customer loyalty and profitability.

There is a lot of information available saying much the same thing: "customer retention focus is imperative to the business' existence". That's absolutely correct. Profits and growth are reliant on both customer and employee retention within an organisation. But how can today's

small business compete with the sophistication of the corporate world? Large and powerful companies have the ability to hire teams of retention and relationship experts, installing sophisticated CRM programmes, and providing employee training and coaching programs, while at the same time offering lower prices. It's time small businesses allow big businesses to keep those customers who are only shopping for the lowest price. There are plenty more customers looking for service before price. The focus for small businesses should be value - not necessarily offering the lowest price.

A seamless integration of all components in the service-profit chain – employee satisfaction, value creation, customer satisfaction, customer loyalty, and profit and growth – links all the critical dynamics of top customer service. ”The company guides, nurtures, and empowers its employees, and the employees play a vital role in securing customer satisfaction and the benefits that accrue from it.

Customer partnership is a shared journey to create a future for both parties that is better than either could have developing alone. The customer is the foundation of your organization’s success. In today’s turbulent times of rapid and chaotic change, “no force is more grounding and stabilizing than a partnership with customers”. Creating a partnership with customers will help your organization maintain the focus you need to make good decisions and harness the power and commitment you need to weather volatile times. Customer partnership is more than “putting customers first”, or finding mutually satisfactory solutions to shared problems, or a dedication to excellence in every sale or service encounter. It also requires commitment to forging long-term relationships that create synergies of knowledge, security, and adaptability for both parties.

Old- fashioned command-and-control companies were merely trying to manage the “white space” in their organizational charts. Today’s companies must manage the white space in entire value chains.

A critical pre-requisite for success in digital economy is the implementation of an integrated value chain that extends across- and beyond – the enterprise.

Transition to knowledge-based economies made establishment of effective employee empowerment their competitiveness.

Good customer retention is vital to any organization because a slight reduction (5%) in the customer defection rate has a disproportionately positive effect on profitability (depending on the cost of acquisition, ranging between 25 and 80%!). Companies with high retention also grow faster. However, customers can only be retained if they are loyal and motivated to resist competition. When customers are merely satisfied with the service they receive they may still "walk". Your customer retention management relies on the combination of the following:

- High satisfaction with product performance and customer service.
- High intention to continue to do business with you.
- High willingness to recommend you to others.

For customer satisfaction to be high, promises and expectations must be met. This involves the organization's ability to understand customer expectations and to *do it right the first time (DIRTF)*. The ability to deal with problems as they arise is a key ingredient to success. Also, the organization needs to consider complaints as a gift! Why?

- Customers who have an issue dealt with to their satisfaction have a 95% likelihood of repurchasing and telling 5 people about their experience; if they don't complain (as 96% of people do) they will tell at least 10 other people about their problem.
- The occurrence of problems can cause a 15-to-30-point drop in high-satisfaction responses and in loyalty indicators. This puts revenue at risk to the average tune of 11%.

Generating repeat business and keeping customers happy go hand in hand. Satisfied customers will come back to you repeatedly for the goods and services you provide. They'll also recommend you to their friends and business associates, which help you, expand your reach.

Keeping your customers happy depends on a variety of circumstances; luckily, most of them are within your control. Secure repeat business from your customers by following these guidelines

- **Do it right from the beginning.** If a customer is unhappy with your product or service, they'll consider your company unreliable, and probably won't buy from you again. Make sure your first interaction is a positive one.
- **Learn from your mistakes.** You're going to lose customers from time to time. When you do, try to get to the root of the problem so you can prevent it from happening again. Check out Top 10 Customer Service Mistakes, and make sure you avoid them.
- **Stay ahead of your competition.** In a world with so many choices, consumers will gravitate to the best products and services. It's your job to provide them before your competitors do.
- **Focus on service.** It's easy to get so caught up in your products and services that you forget about the people who buy them. If you can't afford a customer service department, then every employee - from the CEO to the temps - needs to take an active role in solving customer problems.
- **Put the customer first.** Don't be afraid to make exceptions and bend your policies from time to time, to accommodate special requests or to pacify dissatisfied customers. Put your customers' needs ahead of everything else.

Schlesinger and Heskett (1991) added employee loyalty to the basic customer loyalty model. They developed the concepts of "cycle of success" and "cycle of failure". In the cycle of success, an investment in your employees' ability to provide superior service to customers can be seen as a virtuous circle. Effort spent in selecting and training employees and creating a corporate culture in which they are empowered can lead to increased employee satisfaction and employee competence. This will likely result in superior service delivery and customer satisfaction. This in turn will create customer loyalty, improved sales levels, and higher profit margins. Some of these profits can be reinvested in employee development thereby initiating another iteration of a virtuous cycle.

Fredrick Reichheld (1996) expanded the loyalty business model beyond customers and employees. He looked at the benefits of obtaining the loyalty of suppliers, employees, bankers, customers, distributors, shareholders, and the board of directors.

Repeat business also has a lot to do with building customer trust. You want customers to view your company as the ultimate source for your set of products or service. That means having the best presentation, product, cost/value relationship, and customer service in your niche. It also means reaching out to customers with special offers, targeted mailings, continuity programs, and appreciation letters that instill loyalty. Loyalty means repeat business.

When should you ask for referrals? Is it better to ask clients for referrals during the sales closing or during the client follow-up? According to Robert Jolles (1998), client follow-up is the best time to ask for referrals. Lori Bochner (2002) agrees. She states that you should wait until you know that the customer is pleased with your service.

Peter Drucker in his management by objectives (MBO) concept calls for achieving the balance between management and employee empowerment. A manager should view members of his or her team much as a conductor regards the players in the orchestra, as individuals whose particular skills contribute to the success of the enterprise. While people are still subordinates, the superior is increasingly dependent on the subordinates for getting results in their area of responsibility, where they have the requisite knowledge. In turn, these subordinates depend on their superior for direction and “above all, to define what the ‘score’ is for the entire organization, that is, what are standards and values, performance and results”.

In Japan, following the Kaizen strategy, companies practice employee empowerment through such mechanisms as the suggestion system and quality control (QC) circles.

As we’ve seen, employees warrant careful attention and recognition in service profit chain management. Nowhere is this articulated more explicitly than at Rosenbluth International. Hal Rosenbluth, CEO, is fond of saying, “The customer comes second”. This doesn’t mean that Rosenbluth International ignores customers. To the contrary, the assumption here is that the employee is the pathway to the customer’s heart, something that Rosenbluth’s customers experience over and over, putting employees first requires that managers spend unusually large amounts of time on the service front lines with employees, personally lead developmental efforts not only to redesign frontline jobs to

provide greater latitude but also to introduce technologies and other supporting mechanisms to make front liners more successful at what they do, and actually support higher wages as a means of lowering overall labour costs in relation to revenues.

Heskett et al.'s (1997) service profit chain postulates a chain of performance relationships commencing with a virtuous circle of internal service quality, service capability, employee satisfaction (ES) and loyalty, productivity and output quality; which in turn drive service value (SV), customer satisfaction (CS) and loyalty, leading to enhanced revenue growth and/or profitability. It is underpinned by the growing service management literature which advocates the "satisfaction mirror" effect, i.e. the assumption that ES and loyalty translate into CS and loyalty, which in turn generate improved business performance. A number of papers have emerged in recent years providing some empirical, albeit in many cases anecdotal, support for those links, including Schlesinger and Heskett (1991), Schneider and Bowen (1993) and Schneider et al. (1998). Reichheld's (1996, 2001) work on customer loyalty (CL) is also founded on the premise that ES and loyalty drive CS and loyalty and hence business results. Moreover, the satisfaction mirror effect underpinned the turnaround strategy implemented by Sears (Rucci et al., 1998). By contrast, Wiley's (1991) study of the satisfaction mirror effect in a retail store chain presented evidence to the contrary: despite positive correlations between measures of employee perceptions and CS, each of these measures were negatively correlated with FP.

The links between CS, loyalty and FP have been explored by Reichheld (1993, 1996), Grant and Schlesinger (1995), Rust et al. (1995), Vandermerwe (2000) and Fredericks et al. (2001). These empirical studies have been far from conclusive in generating unequivocal support for the various performance linkages between the employee, customer and financial measures. Bernhardt et al. (2000) comment on this rather "mixed" picture, arguing that the conflicting results could be due to the latitudinal nature of the data, which fail to take into account, for example, the lags between service improvements and FP. All these studies provide valuable insights into the relationship between different aspects of service performance. However, they all represent only partial testing of the service profit chain model, since none of them test all the linkages in any single

organization. Yet the essence of Heskett et al.'s conceptualization is that business performance in any single service organization can be modeled in this way; moreover, this is surely what gives the model credence and value to practising managers. Kamakura et al. (2002) recognized this gap in the literature, and addressed it with an extensive empirical study of the service profit chain in a Brazilian national bank, using structural-equation modeling and data envelopment analysis. However, their model only partially represents Heskett et al.'s model, since it is (quite explicitly) an adaptation of it, and does not embrace internal quality, employee capability, satisfaction and loyalty, SV or business revenues.

Loveman (1998) tested many, but not all, of the links in the service profit chain in a retail US bank, and found positive correlations between internal service quality, ES and loyalty, CS and loyalty and revenue growth. Silvestro and Cross (2000) applied the model to a UK chain of superstores and were able to confirm positive links between productivity and output quality, through the customer measures of SV, satisfaction Applying the service profit chain and loyalty, to store profitability. However, neither of these studies generated data which confirmed every link in the service profit chain, and notably absent was any confirmation of the "satisfaction mirror" effect. Furthermore, in the second study a negative correlation was identified between ES and both profit and productivity (Silvestro, 2002).

Both these studies were characterized by methodological limitations: the Loveman study being based on only a subset of the measures captured in the service profit chain model (measures of employee capability, output quality, productivity, SV and profit were excluded from the study), whilst the study by Silvestro and Cross was based on a particularly small sample size. Both led to the conclusion that there was limited empirical evidence to support many of the links in the chain, but Silvestro and Cross argued that "it is also clear that Heskett et al.'s service profit chain is too simplistic a model to fully understand the drivers of business success, regardless of environmental and operational context" (p. 266).

The contribution of this paper will be to explore the performance linkages between the elements conceptualized in Heskett et al.'s model in a single organization. This is an opportunity to academically test and develop the conceptualization of the service profit

chain; however, the study will not be confined to the performance links between variables aligned in Heskett et al.'s model, for it may be that there are important performance relationships between other pairs of variables within the model. Conclusions may then be drawn about future implications for both researchers and managers of applying the service profit chain to the organization.

General

People Power

People as your most important asset. Your technologies, products and structures can be copied by competitors. No one, however, can match your highly charged, motivated people who care. People are your firm's repository of knowledge and they are central to your company's competitive advantage. Well educated, coached, and highly motivated people are critical to the development and execution of strategies, especially in today's faster-paced, more perplexing world, where top management alone can no longer assure your firm's competitiveness.



Why Employee Empowerment?

People are your firm's most underutilized resource. In the new knowledge economy, independent entrepreneurship and initiative is needed throughout the ranks of your organization. Involvement in an organization is no longer a one-way street. In today's corporate environment a manager must work towards engaging organization forcefully enough to achieve its objectives. New knowledge-based enterprises are characterized by flat hierarchical structures and multi-skilled workforce. Managers assume more leadership and coaching tasks and work hard to provide employees with resources and working conditions they need to accomplish the goals they've agreed to. In brief, managers work for their staff, and not the reverse.

Empowerment is the oil that lubricates the exercise of learning. Talented and empowered human capital is becoming the prime ingredient of organizational success. A critical feature of successful teams, especially in knowledge-based enterprises, is that they are invested with a significant degree of empowerment, or decision-making authority.

Equally important, employee empowerment changes the managers' mind-set and leaves them with more time to engage in broad-based thinking, visioning, and nurturing. This intelligent and productive division of duties between visionary leaders, focusing on emerging opportunities, and empowered employees, running the business unit day to day (with oversight on the leader's part) provides for a well-managed enterprise with strong growth potential.

Keep People In The Know

"Transformational leaders empower others by keeping them "in the know," by keeping them fully informed on everything that affects their jobs," says Brian Tracy. "People want and need to feel that they are "insiders," that they are aware of everything that is going on. There is nothing so demoralizing to a staff member than to be kept in the dark about their work and what is going on in the company."



Empowerment through Coaching

The new breed of leaders recognizes that in today's complex business environment autocracy no longer works, yet the empowerment alone is not enough. Coaching aims to enhance the learning ability and performance of others. "It involves providing feedback, but also uses other techniques such as motivation, effective questioning and consciously matching your management style to the employee's readiness to undertake a particular task. It is based on helping the employee to help her/himself through interacting dynamically with her/him - it does not rely on a one-way flow of telling and instructing."

Three General Rules for Empowering the People Around You

The three general rules for empowering the people around you, which apply to everyone you meet, are appreciation, approval, and attention. Voice your thanks and gratitude to others on every occasion. Praise them for every accomplishment. And pay close attention

to them when they talk and want to interact with you. These three behaviours alone will make you a master of human interaction and will greatly empower the people around you.

Employees- The most important asset in organizations.

Empowered personnel have "responsibility, a sense of ownership, satisfaction in accomplishments, power over what and how things are done, recognition for their ideas, and the knowledge that they are important to the organization" (Turney 1993: 30).

Without productive employees, the organization is nothing and can do nothing.

Empowerment works the best when employees need their organization as much as the organization needs them, "and the need is much more than a pay check and benefit package" (Johnson, 1993: 47).

Johnson (1993: 47) is aware that there is a belief that employees only work to get monetarily compensated. However he argues that it is only true when employees are not able to play an integral part of the organization. Likewise, Mahoney, McMillan (1994) proposes that the empowerment process is only successful when there is room for feedback and autonomy in the organizational culture. Only in such a scenario, it is possible to fully utilize the capabilities of your employees. The golden rule is that "leaders have to treat their employees the way they want the bosses to treat them" (Johnson, 1993: 47).

Treat your employees the way you want your customers to be treated.

The most crucial critical success factor in TQM is to recognize the importance of living up to customer's expectations (Johnson, 1993: 47). It is important to understand that there is a positive correlation between satisfying internal customers and meeting external customer's needs. "Employees who are not treated correctly cannot be expected to treat external customers differently" (Johnson, 1993: 47). Internal satisfaction can be achieved in the following ways: establish a high degree of participative management, decentralization of hierarchy power structures, create a large degree of autonomy throughout the organization and finally the development of effective work groups. All these ways are based on the concept of employee empowerment.

It's All about the Employees

This is perhaps the most important lesson of all. Look again at the foundation of the service-profit chain: internal quality drives employee satisfaction. All goodness derives there from. Attention to internal quality means a commitment to employee selection and development, world-class training, employee rewards and recognition, tools for serving customers, intelligent job design based on a real understanding of the work to be performed, creative workplace design, internal communications, an information democracy...and on and on. It is fundamentally about building a corporate culture that celebrates the employee as the privileged access path to customer loyalty. It proves time and time again to be about a leadership style that places the welfare and empowerment of employees above the neurosis of micromanagement and the delusion of self-aggrandizement.

In the past, many workplaces were being designed (and unfortunately still are) using stale formulas rather than a process involving the study of strategic needs and cost-effective solutions that are appropriate for an individual company.

Worse yet, many offices are not really designed at all, but simply “laid out” based on window mullions, workstation modules, and the idea of squeezing “x” number of bodies into a space, using leftover spaces for meeting rooms and back office functions.

In the rapidly growing/changing business model of the past few years, the focus has been on the ability to rapidly move into a space and start work instantly, also stressing the ability to expand quickly — immediate fulfillment of needs.

Using large open spaces and a “work anywhere” concept, the workplace was designed to be a dramatic, sensory experience with total flexibility and an emphasis on teaming.

Today's workplace design is being affected by the changing economy. There is more value placed on the philosophy that there is a direct relationship between the success of a business and the design of the work environment.

Our technology-driven business world and workforce demands design that is tailored to the culture and vision of the individual company. Many companies are realizing the

connection between the quality of the workplace and employee productivity and how the work environment can directly affect financial gains.

There are quite a few benefits that a company should expect from a well-designed office environment. Good design in the workplace can elevate morale and improve productivity, promote the image and help reinforce a corporate identity. It can help to attract and retain a higher quality workforce.

Office design that is based on evaluating the critical programming elements and implementing them based on the unique organizational structure and the culture within a company will improve profitability by enhancing efficiency and employee satisfaction.

Building a valuable team of design professionals — including interior designers, architects, consultants, furniture dealers and general contractors — is essential in creating a successful workplace. When designing a new work environment, these five critical programming elements must be evaluated in order to achieve the most successful, creative and cost effective solution.

3 Research methodology



This chapter will outline the research methodology, essentially providing the framework or plan for investigating the sub problems and to obtain answers. The chapter will highlight the techniques, measurements and analysis of data.

3.1 Introduction

This study uses an emergent, exploratory, inductive qualitative and quantitative approach.

Quantitative research is the systematic scientific investigation of properties and phenomena and their relationships. Quantitative research is widely used in both the natural sciences and social sciences, from physics and biology to sociology and journalism. It is also used as a way to research different aspects of education.

The objective of quantitative research is to develop and employ mathematical models, theories and hypotheses pertaining to natural phenomena. The process of measurement is

central to quantitative research because it provides the fundamental connection between empirical observation and mathematical expression of quantitative relationships.

Qualitative research is one of the two major approaches to research methodology in social sciences. Qualitative research involves an in-depth understanding of human behavior and the reasons that govern human behavior. Unlike quantitative research, qualitative research relies on reasons behind various aspects of behavior. Simply put, it investigates the why and how of decision making, as compared to what, where, and when of quantitative research. Hence, the need is for smaller but focused samples rather than large random samples, which qualitative research categorizes data into patterns as the primary basis for organizing and reporting results. Unlike quantitative research, which relies exclusively on the analysis of numerical or quantifiable data, data for qualitative research comes in many media - including text, sound, still and moving images.

The logo of the University of Johannesburg features two stylized human figures in orange, facing each other with their arms raised, holding a glowing sun-like symbol between them. To the right of this graphic, the text 'UNIVERSITY OF JOHANNESBURG' is displayed in a light grey, sans-serif font, with 'OF' centered between two horizontal lines.

3.2 Research design

This study uses an emergent, exploratory, inductive qualitative and quantitative approach. This case study is specific to Barat Carbide. The basis of such an approach is that one does not predetermine or delimit the directions the investigation might take (Trochim, 2002).

3.3 Collection of data / Measurement Instruments

A questionnaire will be designed to capture the relevant data. This data will then be quantitatively analysed and recommendations will be made from these results. Interviews will be set up with 50% of the respondents to get a deeper insight into their answers. Since there are 4 men and 6 women, we will interview 2 men and 3 woman. This will be analysed in a qualitative method. The questions will be analysed by using frequency distribution.

The questionnaires will be designed using the Likert scale reference and gives 5 statements. The respondent is asked to indicate his or her degree of agreement with the statement or any kind of subjective or objective evaluation of the statement.

An example of this would be:-

Strongly disagree

Disagree

Neither agree nor disagree

Agree

Strongly agree

Likert scaling is a bipolar scaling method, measuring either positive or negative response to a statement. Likert scales may be subject to distortion from several causes. Respondents may avoid using extreme response categories (*central tendency bias*); agree with statements as presented (*acquiescence bias*); or try to portray themselves or their organization in a more favorable light (*social desirability bias*).

Scoring and analysis

After the questionnaire is completed, each item may be analyzed separately or item responses may be summed to create a score for a group of items. Hence, Likert scales are often called summative scales.

Responses to a single Likert item are normally treated as ordinal data, because, especially when using only five levels, one cannot assume that respondents perceive the difference between adjacent levels as equidistant. Data from Likert scales are sometimes reduced to the nominal level by combining all agree and disagree responses into two categories of "accept" and "reject". The results we obtain will be analyzed separately. Some might be grouped to analyze the bigger picture.

3.4 Sampling

3.4.1 Sample size

The population size is ten people, and the sample size will be the same. The composition of the population is mainly people from the operational and administrative side of the business who have been with the company from August 2006. The choice of ten people is not random, the main criteria for choice is those people who will ultimately involved in either the decision making

processes or those who will be directly involved in the day to day operation of the in implementation of the Service profit chain. The size of the adequate sample depends on how homogeneous or heterogeneous the population is- how alike or different its members are with respect to the characteristics of the research interest.

3.4.2 Sample type

According to Saunders *et al.* (2000) purposive, non-probability sampling is ideally suited to case studies. This is particularly so where the intention is to collect qualitative data. The validity and understanding that one will gain from the data will have more to do with data collection and analytical skills than the size of the sample (Patton, 1990). Although in this case study the entire population of those involved (even those more remotely) in the implementation will be used. The sample is made up of 4 men and 6 woman.



4 Findings and Analysis

This chapter will summarize the key findings of both the quantitative and qualitative results

All responses that are collected under “neither agree or disagree” will be discarded. These responses add no value. These answers do not provide enough information which could lead to recommendations. The researcher will only concentrate on the positive, which would be “agree”, or the negative, which would be “disagree”. Data from Likert scales are sometimes reduced to the nominal level by combining all agree and disagree responses into two categories of "accept" and "reject". This is the route that has been followed in analysis of the results.

After removing the data that the researcher we will not be using, table 4.1 has been generated. This table describes the questions (as per the questionnaire) and gives the positive and negative responses as a percentage. That is the percentage “Agree” and percentage “Disagree”. Only question 14 has been excluded in the results as this was used to gain further insight into the loyalty of the employees. This question dealt with the number of years service that employees had with the company.

Graphs of the results that are available on table 4.1 follow. These graphs are used as a graphical representation of the data collected. It has the answers, agree and disagree on the X-Axis and the percentage of these answers on the Y-Axis.

Table 4.1 Data generated based on assumption

Questionnaire	Agree	Diagree
SUB PROBLEM 1		
Question 1 - Barat Carbide has an operating strategy	100%	
Question 2 - There has been an improvement since August 2006 with regards to the service delivery system. (service improvement to customer)	63%	37%
Question 3 – The new layout that has been employed when the offices were moved seems to be working for us	56%	44%
Question 4 - I have Sufficient latitude with regards to decision making	75%	25%
Question 5 - I have sufficient room for development in your role / job.	100%	0%
Question 6 - Barat carbide provides rewards and recognition on a job well done	67%	33%
Question 7 - There is sufficient information sharing between the different levels within the company.	78%	22%
Question 8 - Sufficient training and tools are at my disposal to adequately service customers	78%	22%
Question 9 - I get great satisfaction with regards to the job I do	100%	0%
Question 10 - I have the capability in carrying out the current my current position	100%	0%
Question 11 - I provide an efficient and effective level of service to the customers	100%	0%
Question 12 - The deparments productivity and output quality is optimised	100%	0%
Question 13 - I am a loyal employee	100%	0%
Total Average of Sub problem 1	87%	13%
SUB PROBLEM 2		
Question 15 - With the drive to customer satisfaction, the department has strived to provide a better service at lower cost	71%	29%
Total Average of Sub problem 2	71%	29%
SUB PROBLEM 3		
Question 16 - Customer perception of Barat Carbide has changed positively in the last year	100%	0%
Question 17 - Barat Carbide offers more in terms of value to our customers	89%	11%
Question 18 - Barat Carbide has retained most of our customer base	80%	20%
Question 19 - We get a refferals from our current customers	100%	0%
Question 20 - We are succesful with regards to repeat bussiness	100%	0%
Total Average of Sub problem 3	93%	7%

Question 1 - Barat Carbide has an operating strategy

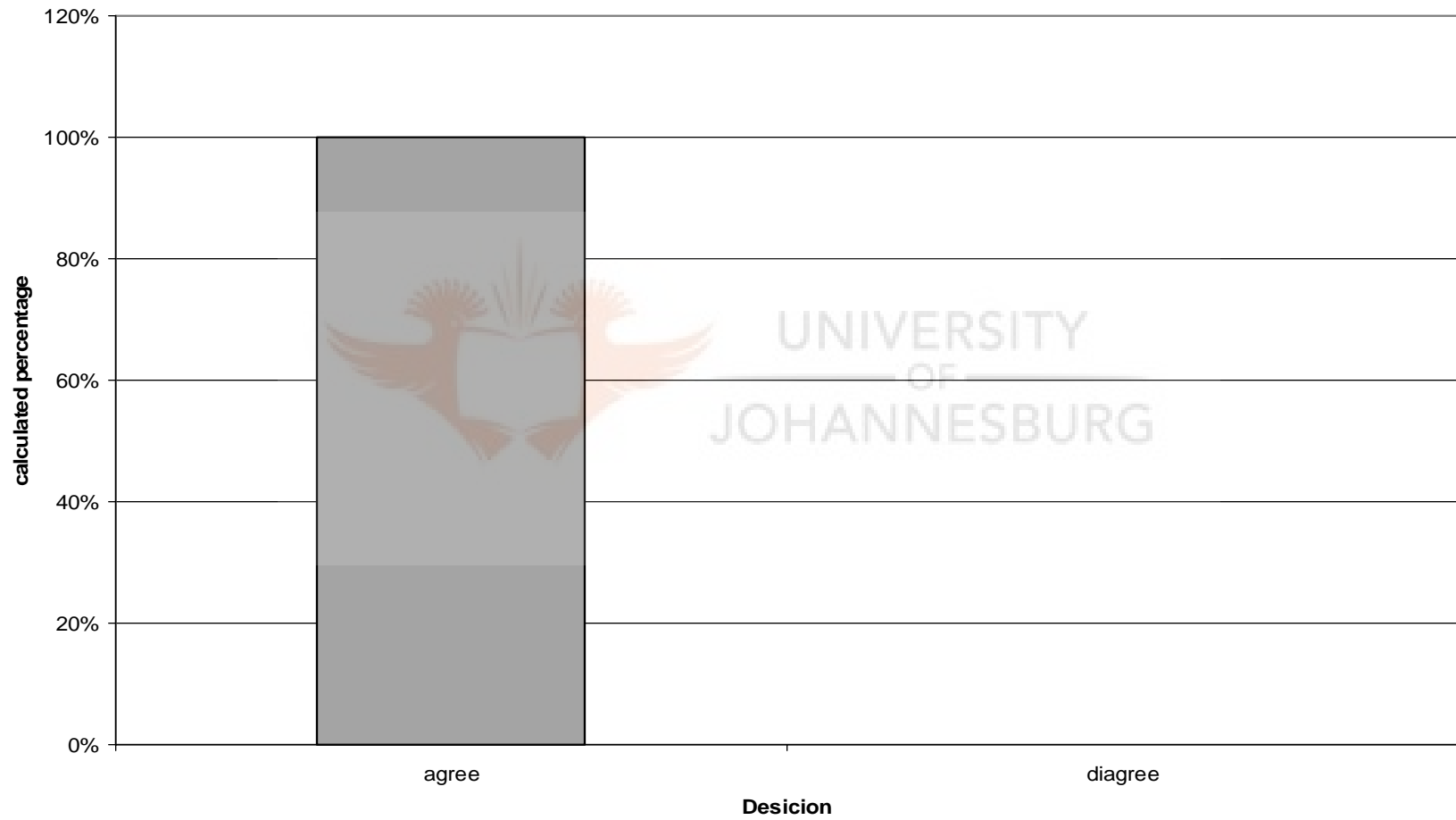


Figure 4.2 – Graphical representation of question 1

Question 2 - There has been an improvement since August 2006 with regards to the service delivery system. (service improvement to customer)

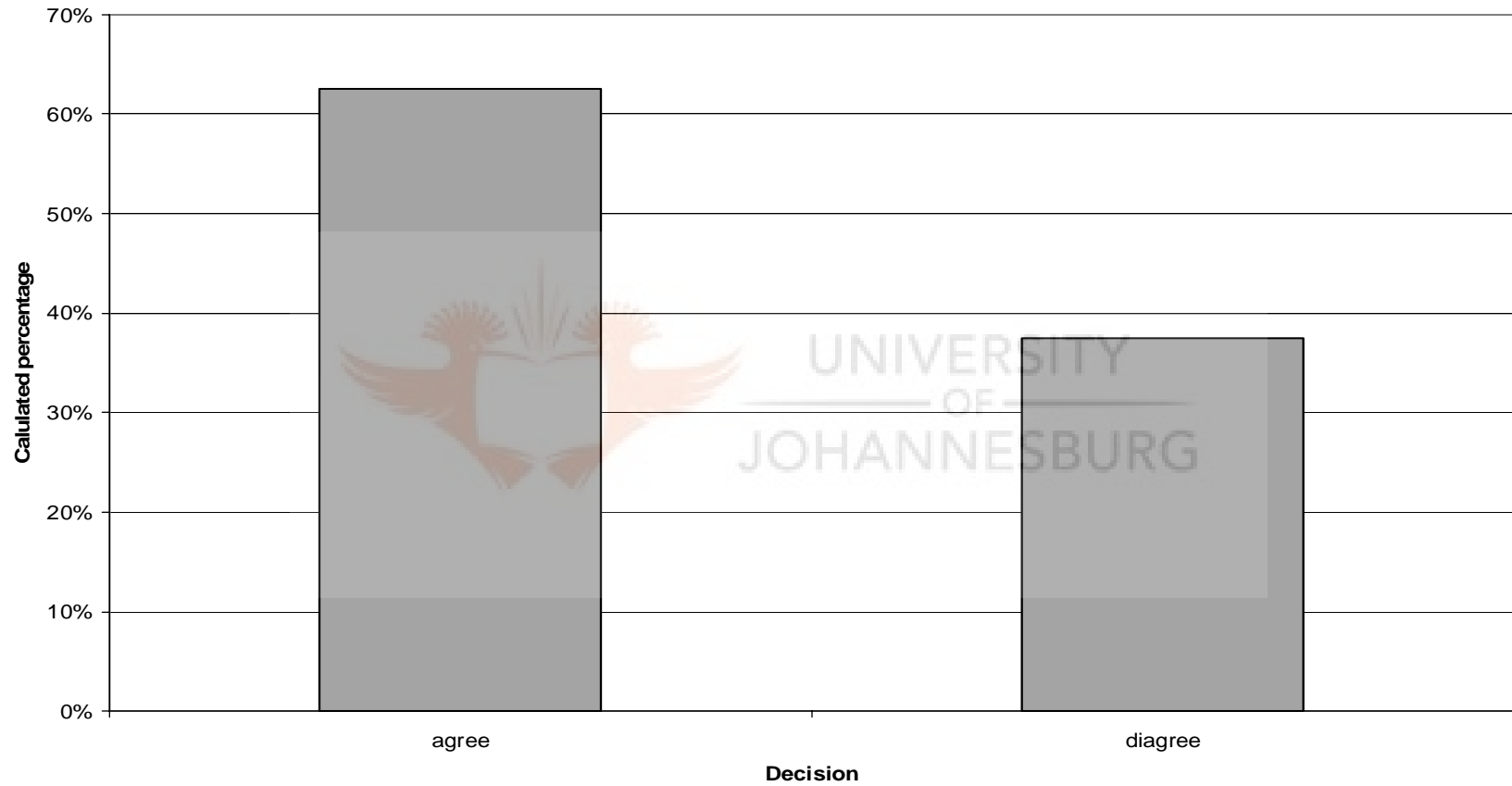


Figure 4.3 – Graphical representation of question 2

Question 3 - The new layout that has been employed when the offices were moved seems to be working for us

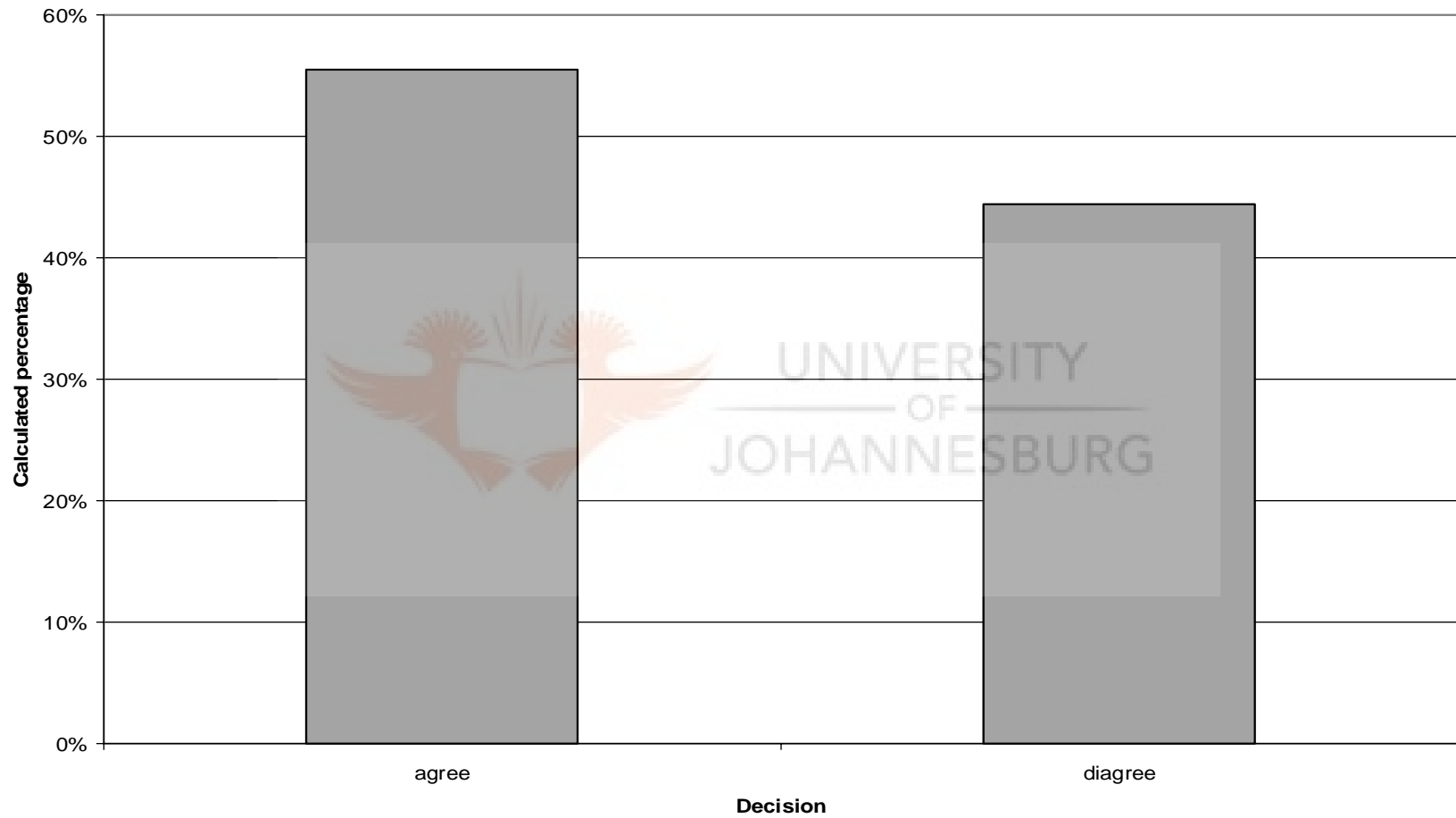


Figure 4.4 – Graphical representation of question3

Question 4 - I have Sufficient latitude with regards to decision making

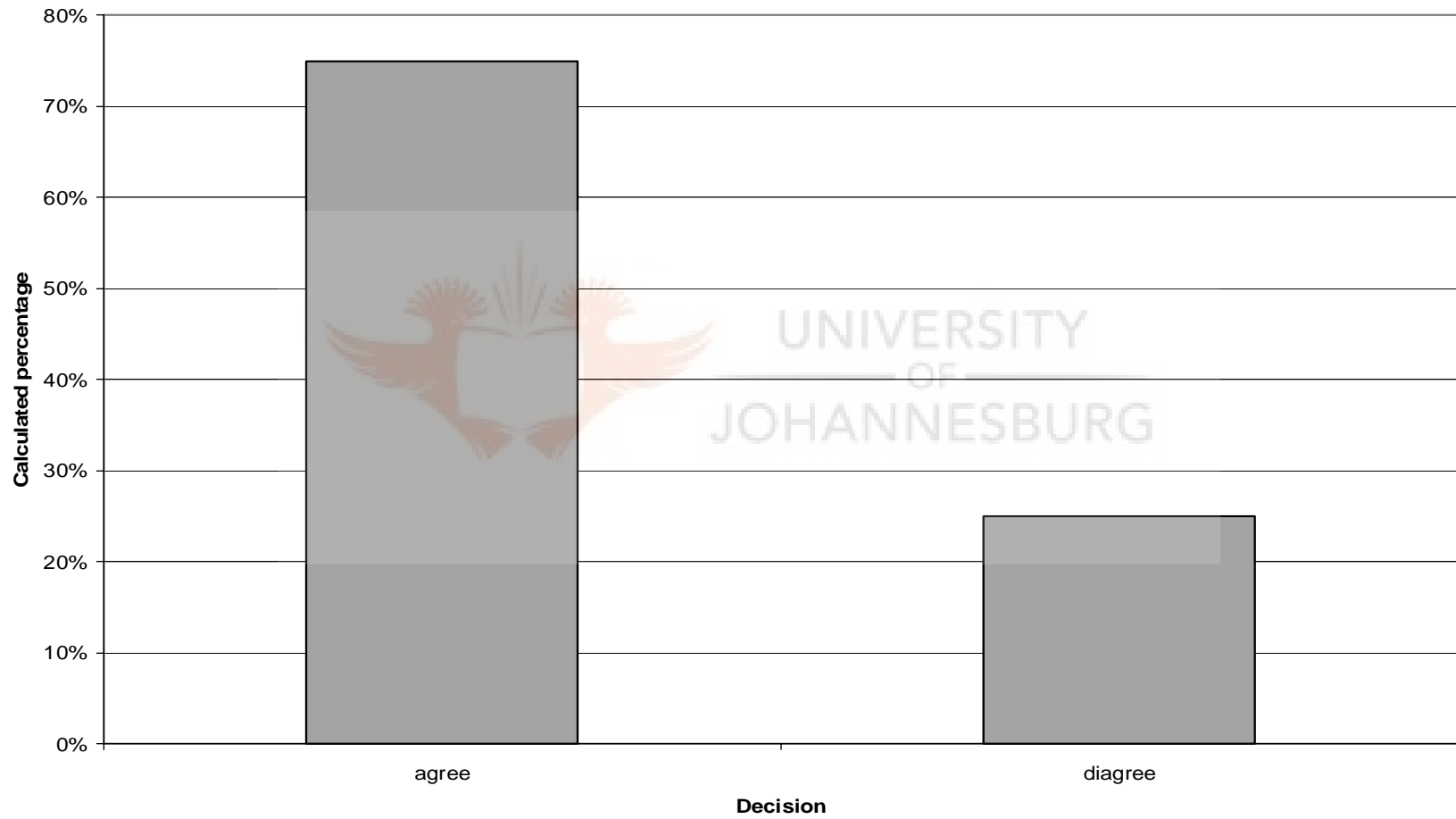


Figure 4.5 – Graphical representation of question 4

Question 5 - I have sufficient room for development in your role / job.

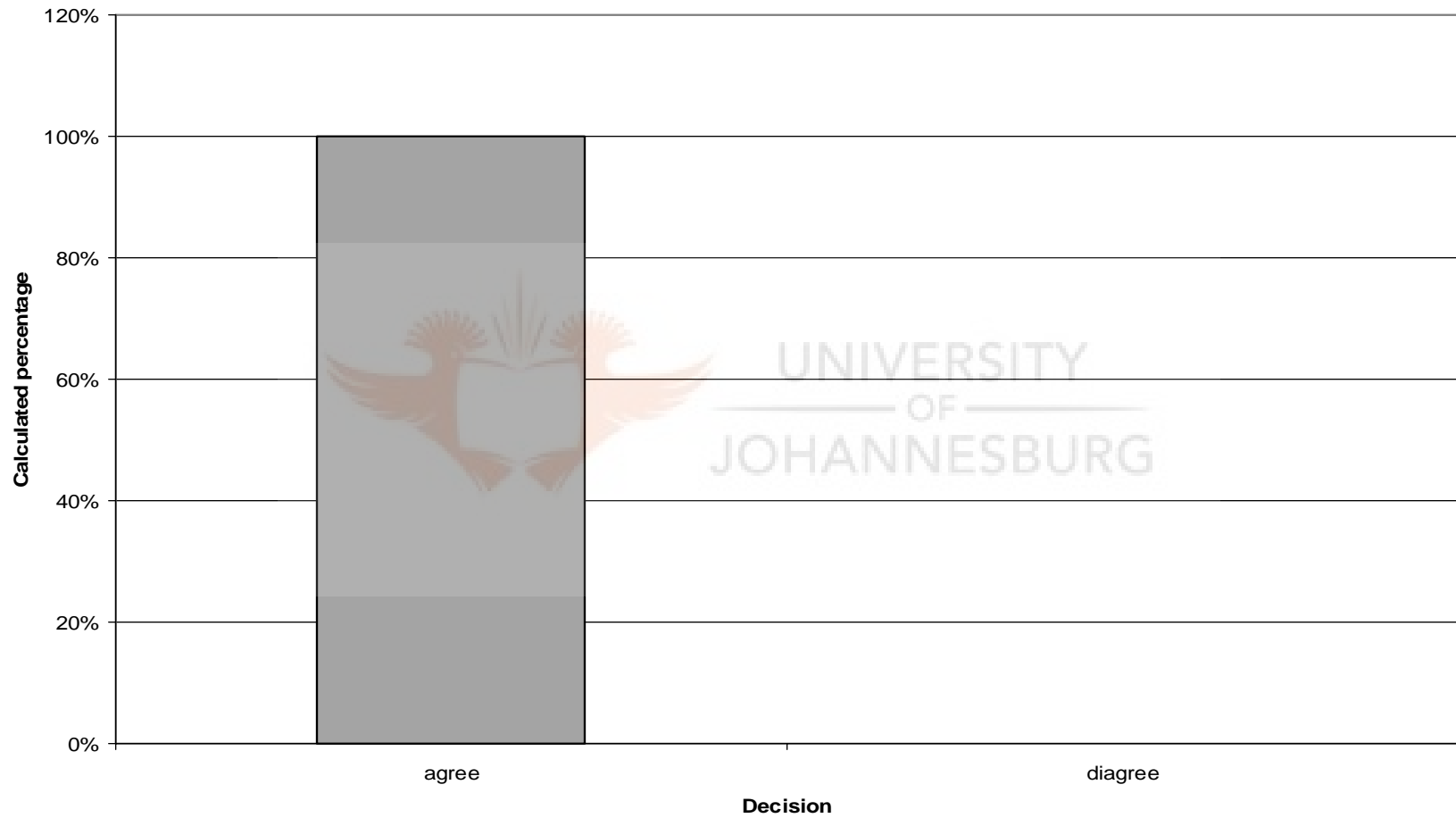


Figure 4.6 – Graphical representation of question 5

Question 6 - Barat carbide provides rewards and recognition on a job well done

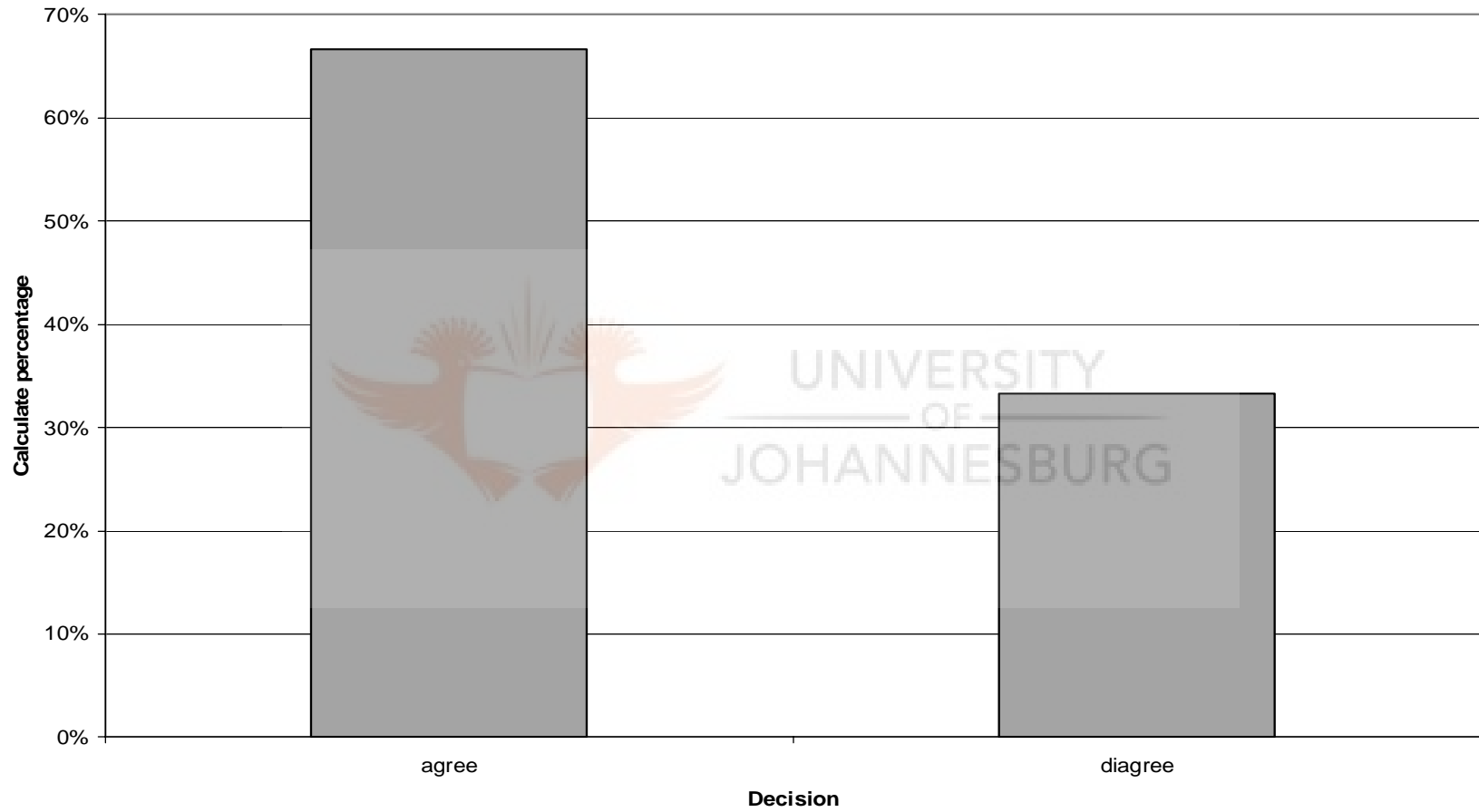


Figure 4.7 – Graphical representation of question 6

Question 7 - There is sufficient information sharing between the different levels within the company.

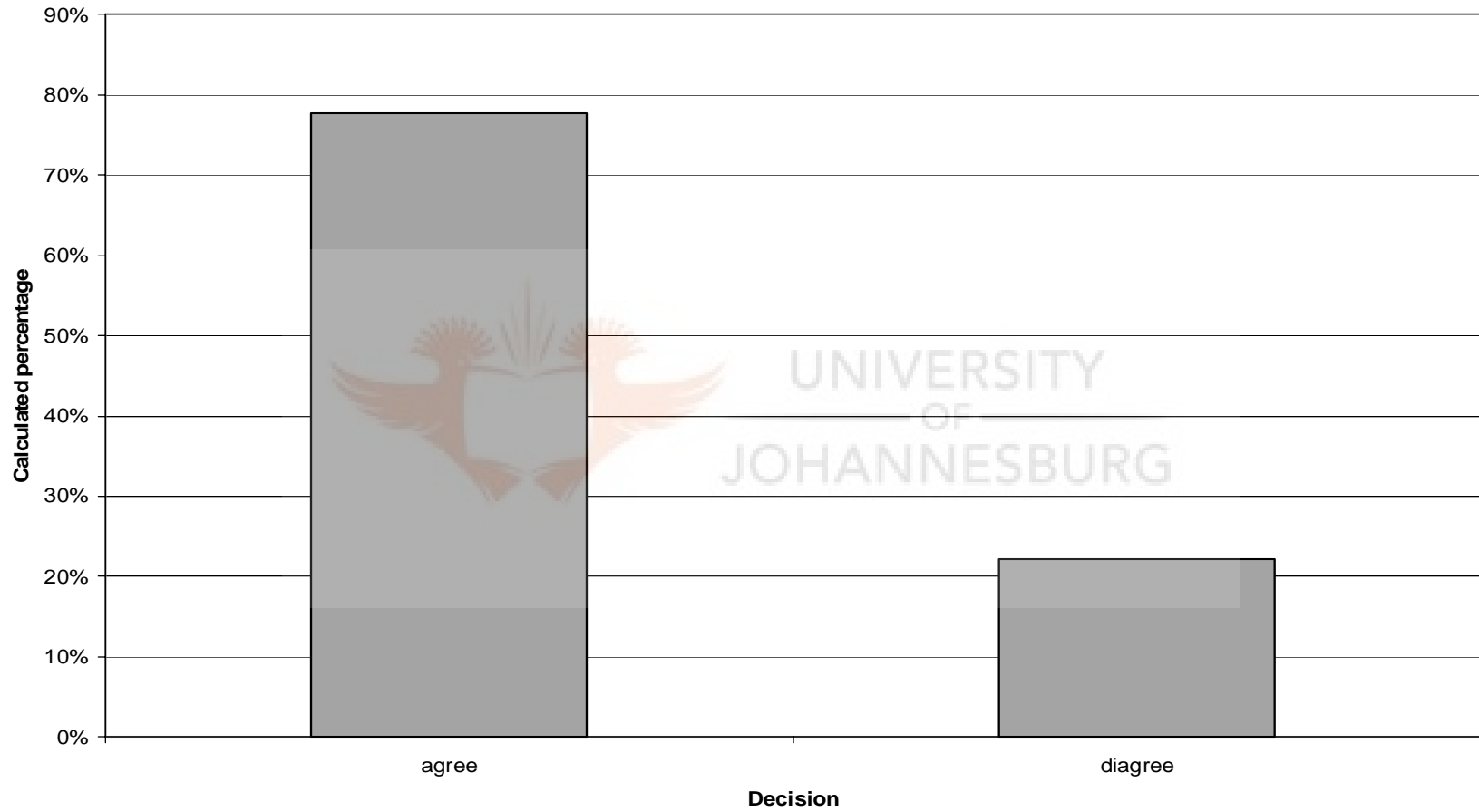


Figure 4.8 – Graphical representation of question 7

Question 8 - Sufficient training and tools are at my disposal to adequately service customers

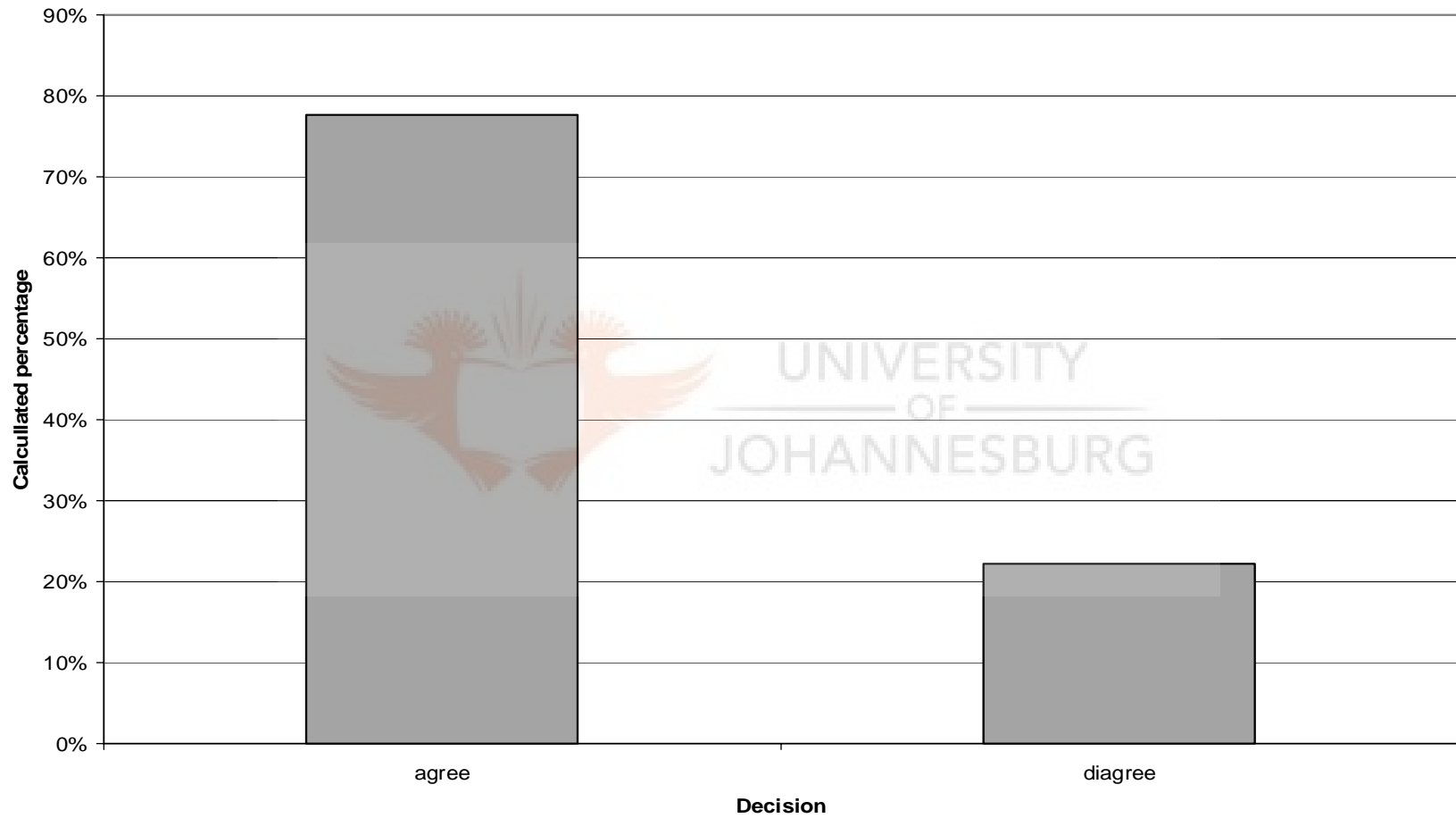


Figure 4.9 – Graphical representation of question 8

Question 9 - I get great satisfaction with regards to the job I do

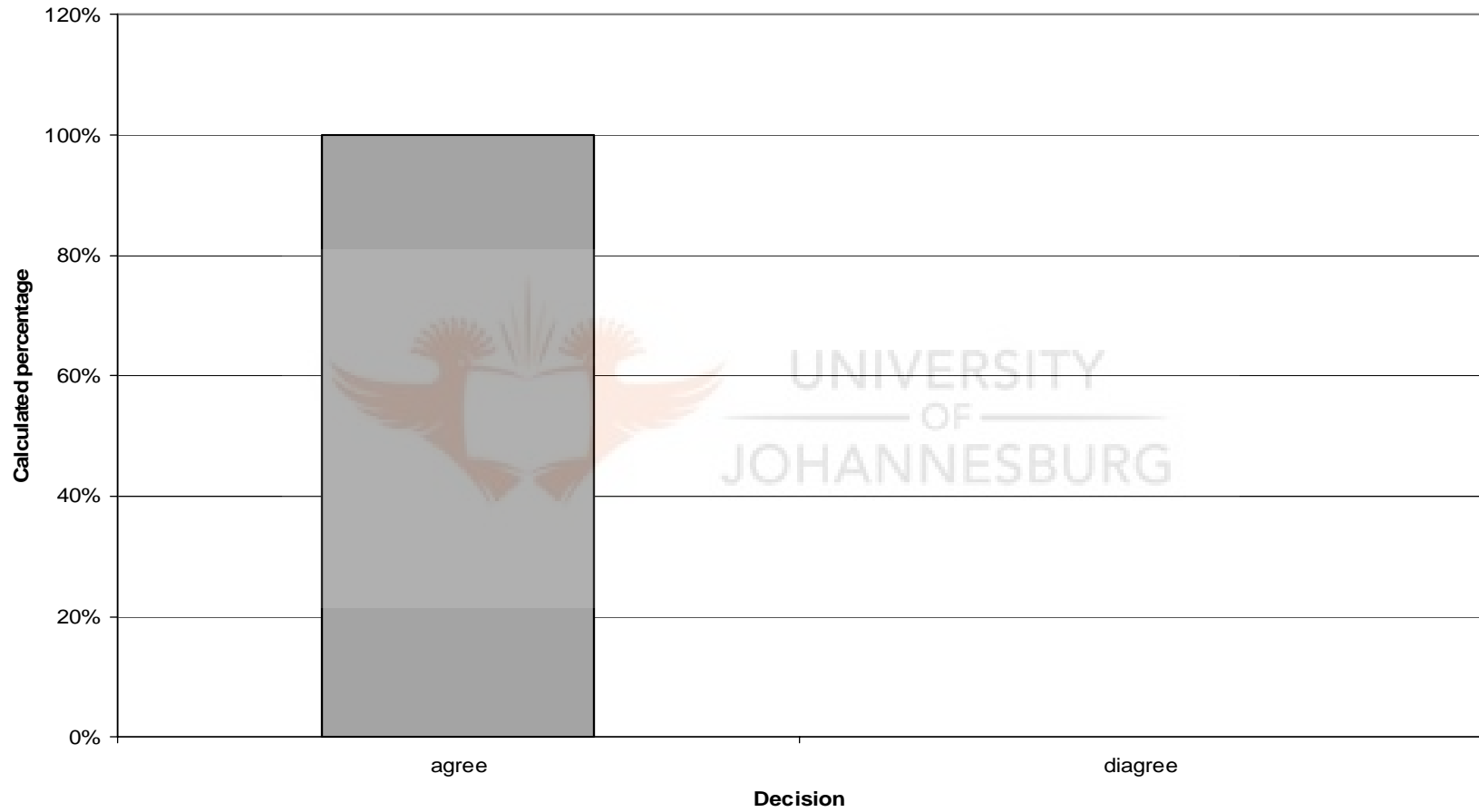


Figure 4.10 – Graphical representation of question 9

Question 10 - I have the capability in carrying out the current my current position

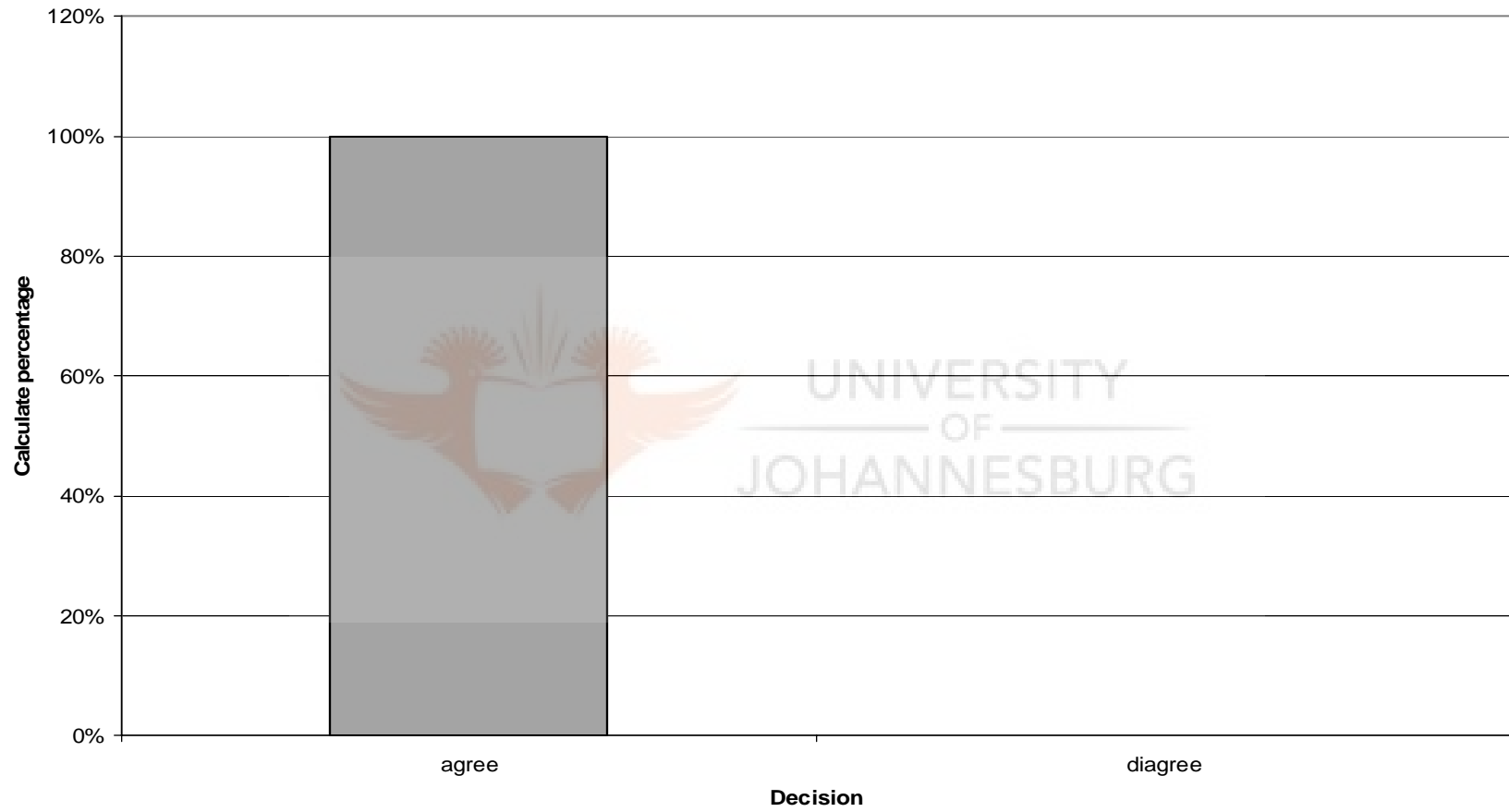


Figure 4.11 – Graphical representation of question 10

Question 11 - I provide an efficient and effective level of service to the customers

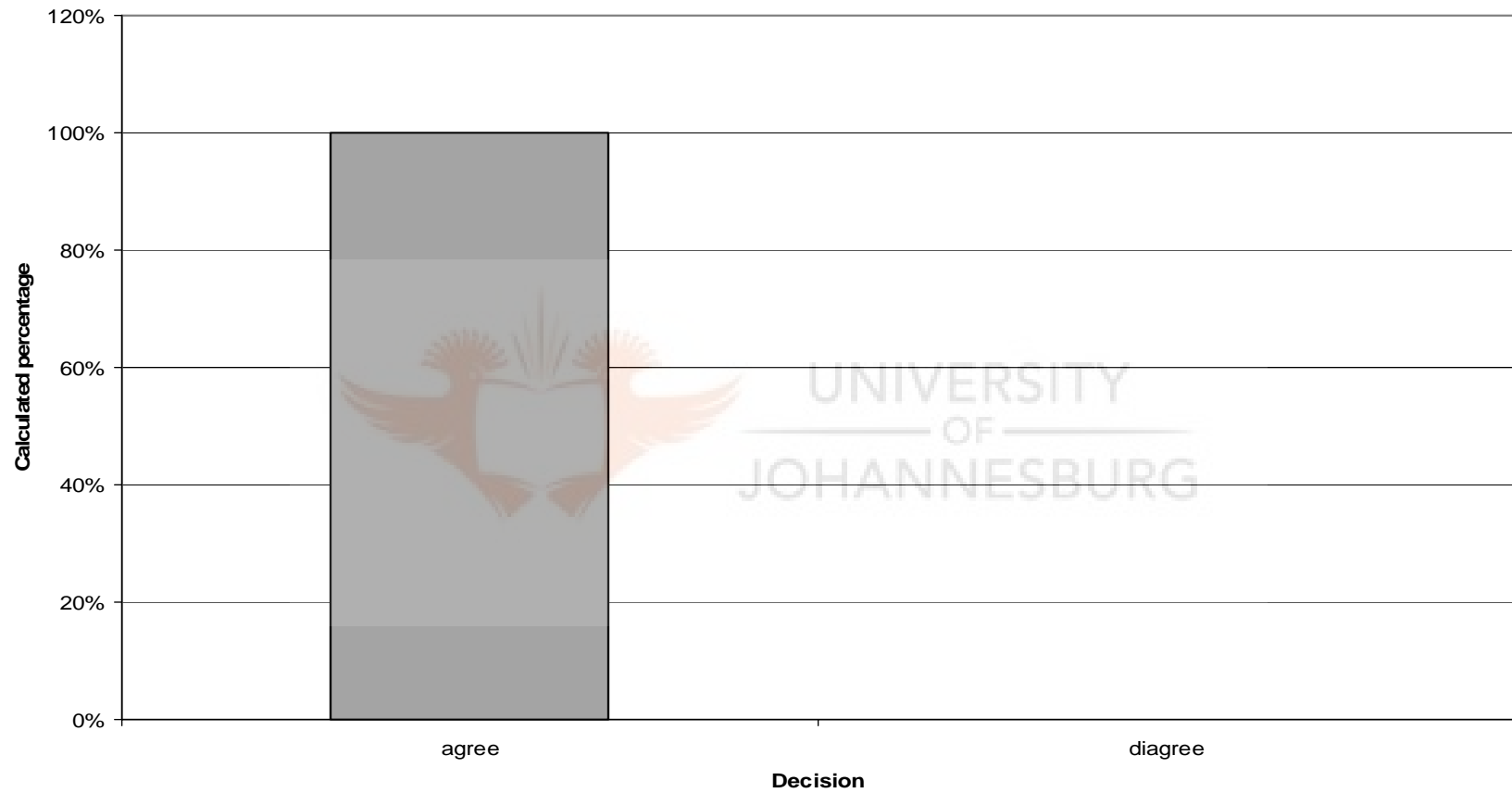


Figure 4.12 – Graphical representation of question 11

Question 12 - The departments productivity and output quality is optimised

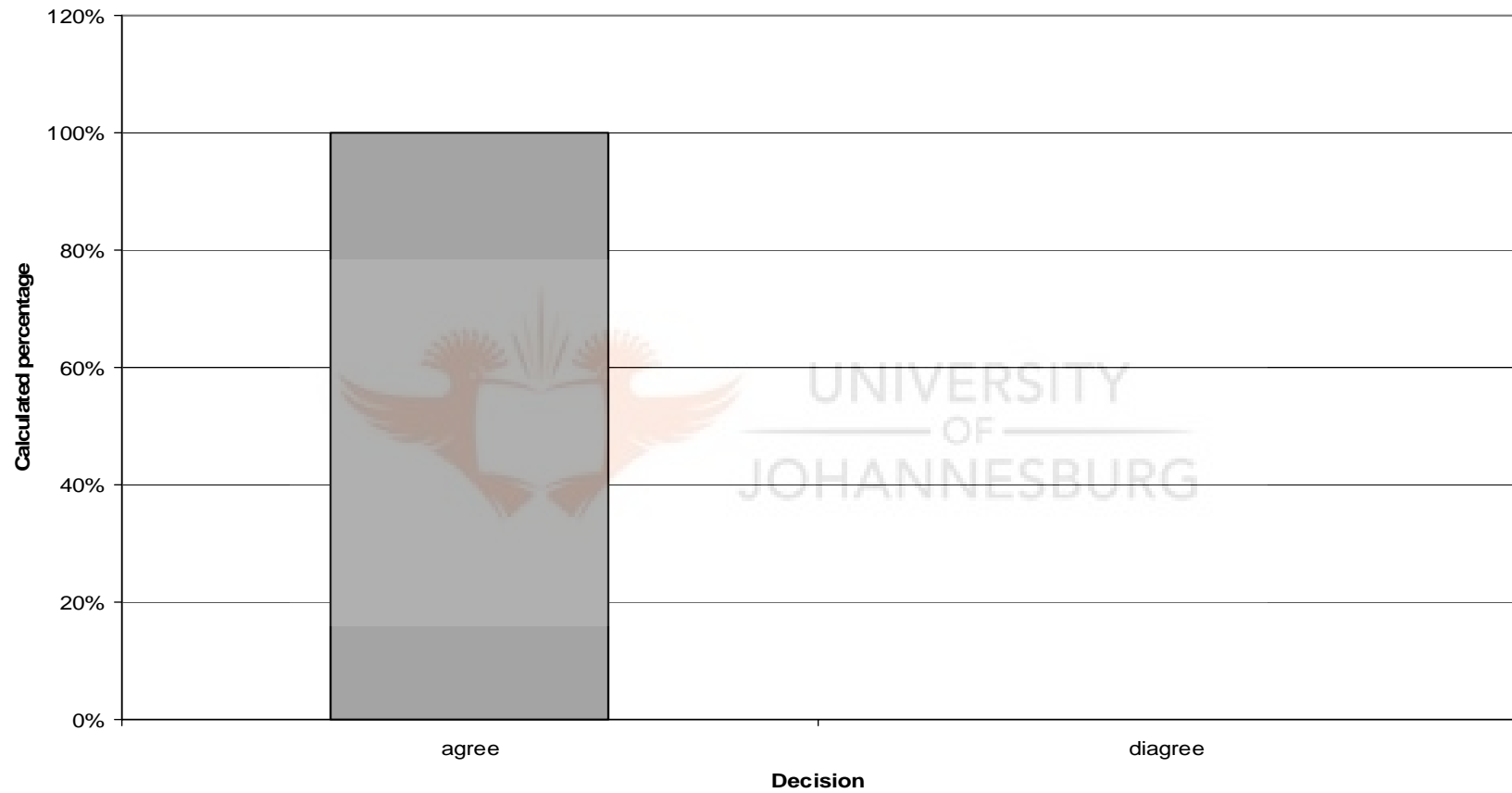


Figure 4.13 – Graphical representation of question 12

Question 13 - I am a loyal employee

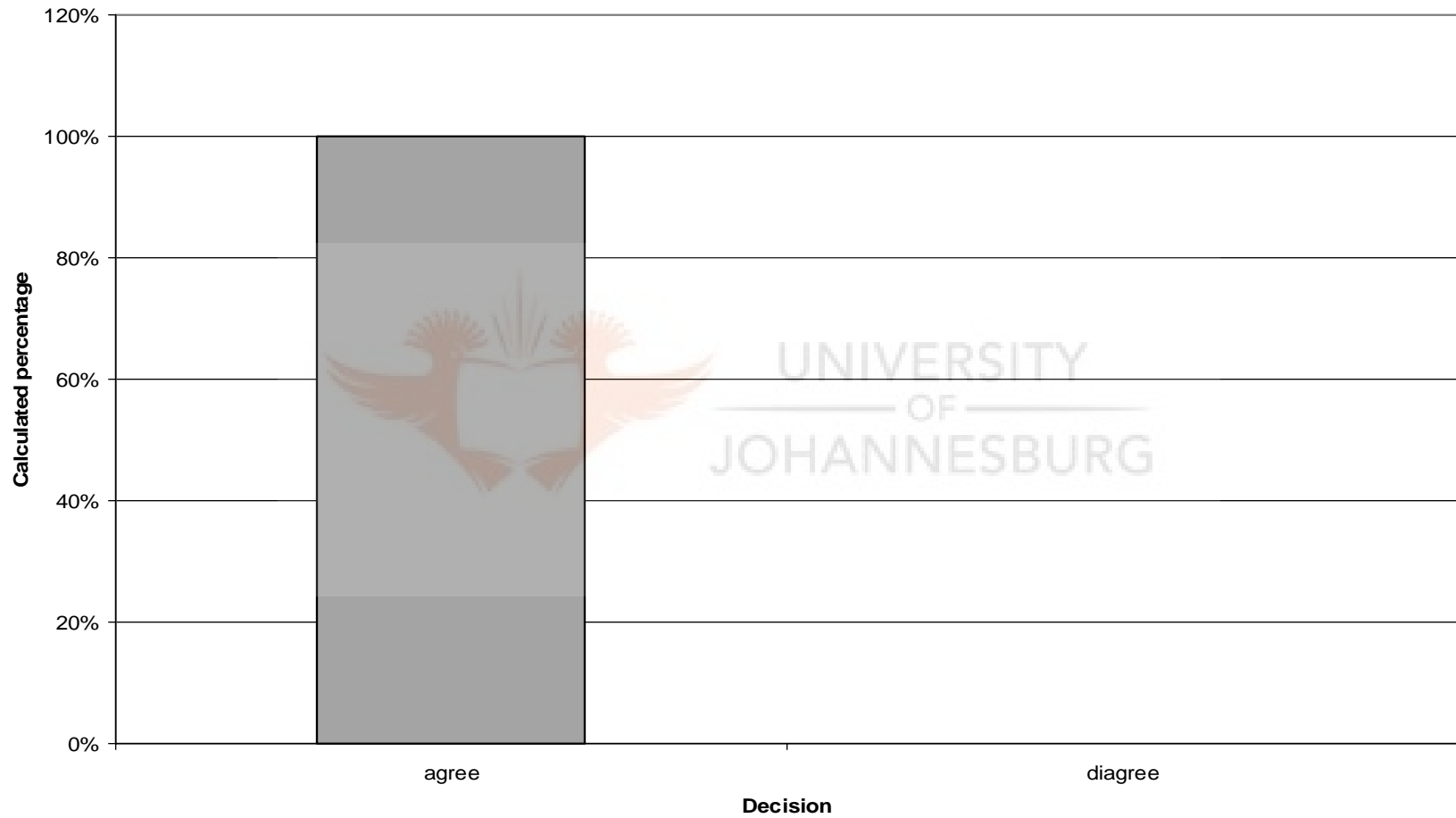


Figure 4.14 – Graphical representation of question 13

Question 14 - How many years have you been with the company?

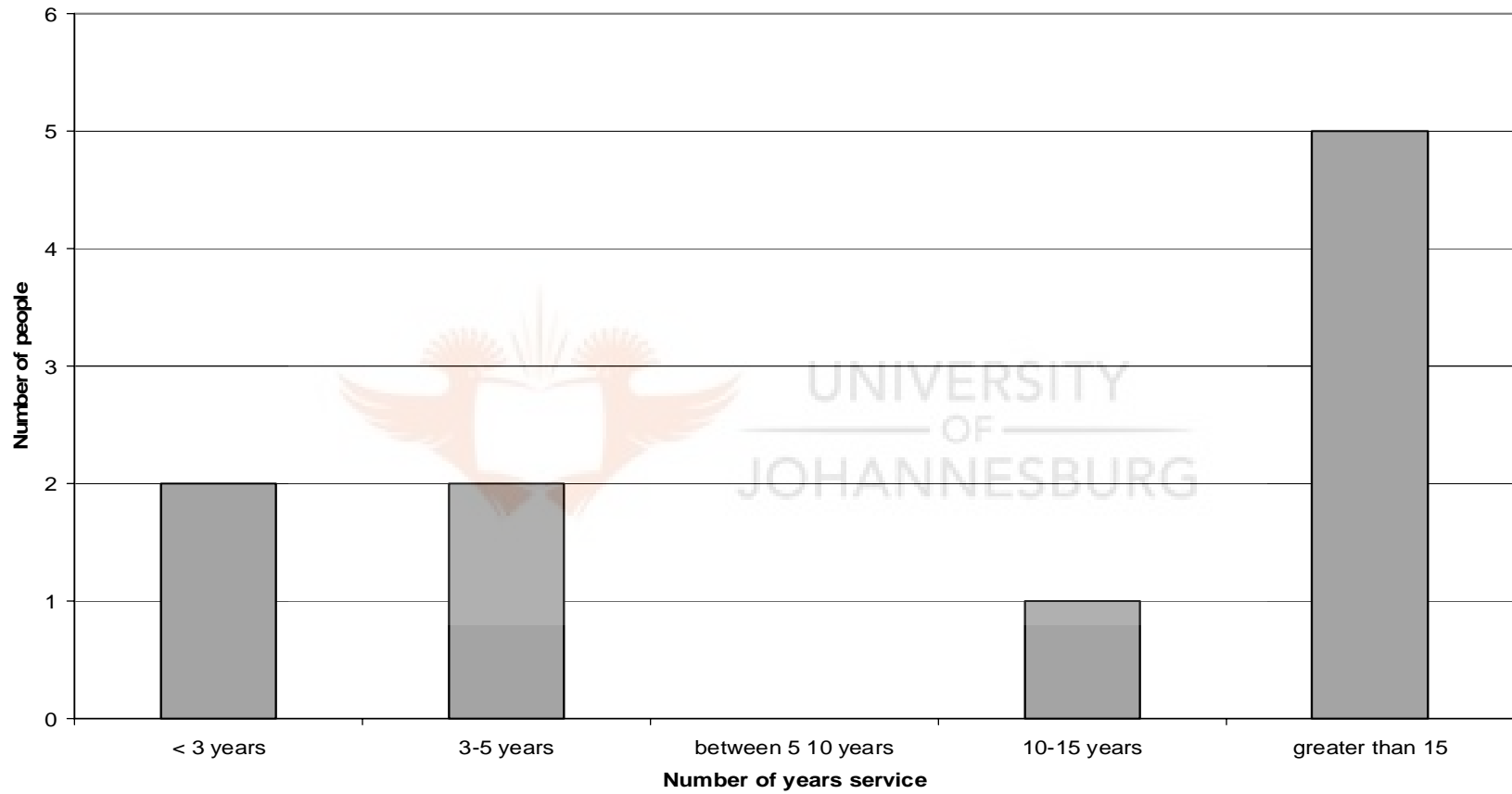


Figure 4.15 – Graphical representation of question 14

Question 15 - With the drive to customer satisfaction, the department has strived to provide a better service at lower cost

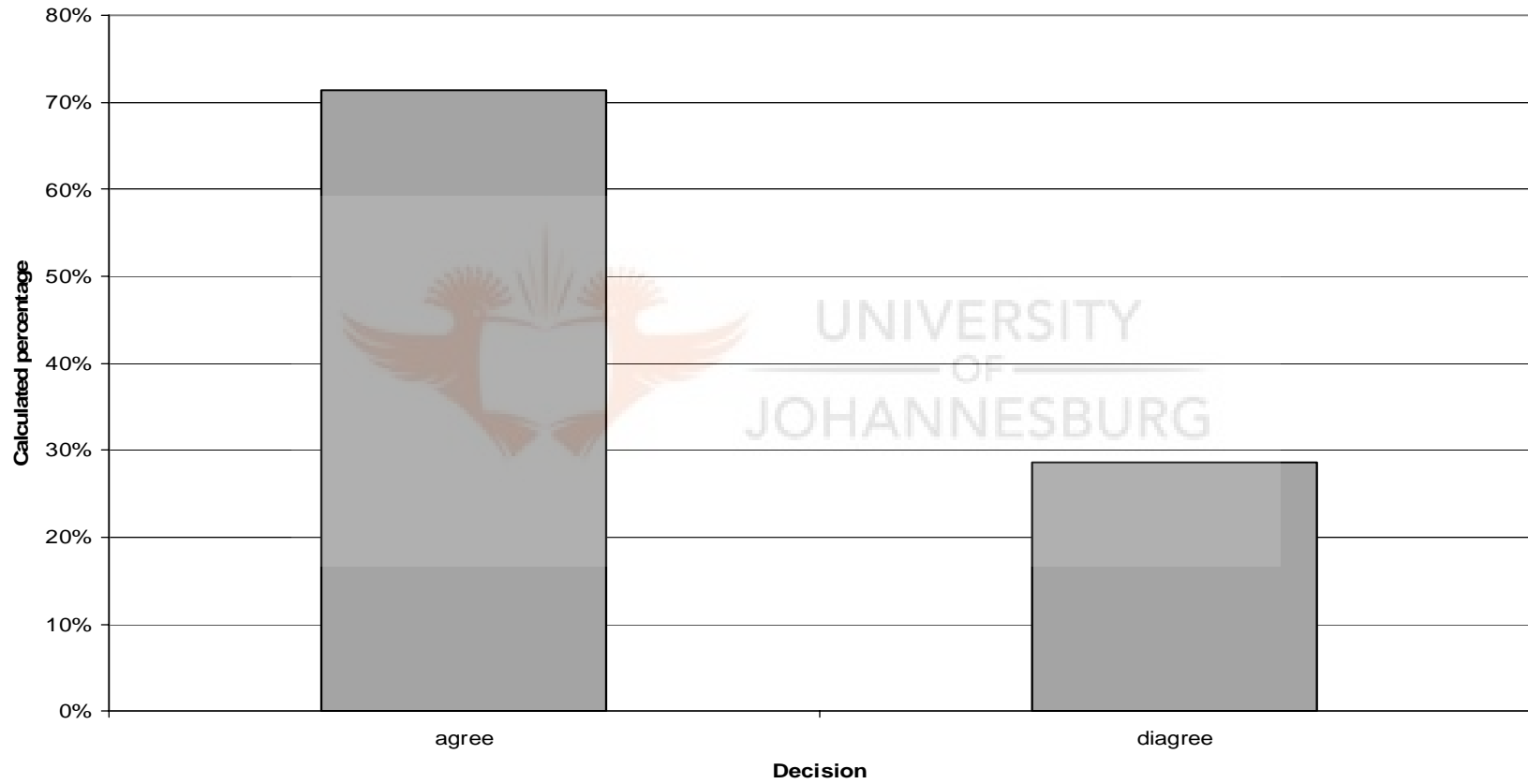


Figure 4.16 – Graphical representation of question 15

Question 16 - Customer perception of Barat Carbide has changed positively in the last year

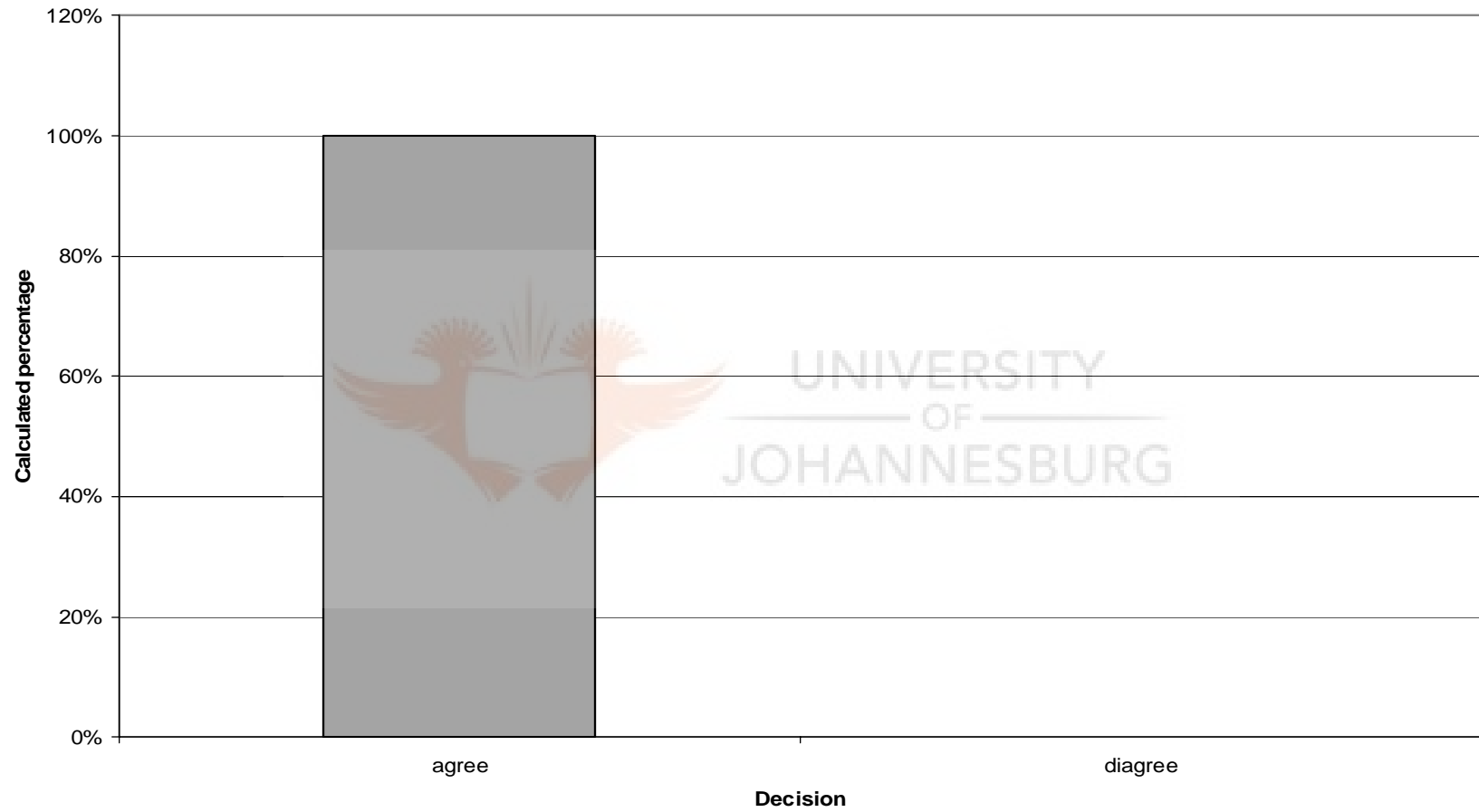


Figure 4.17 – Graphical representation of question 16

Question 17 - Barat Carbide offers more in terms of value to our customers

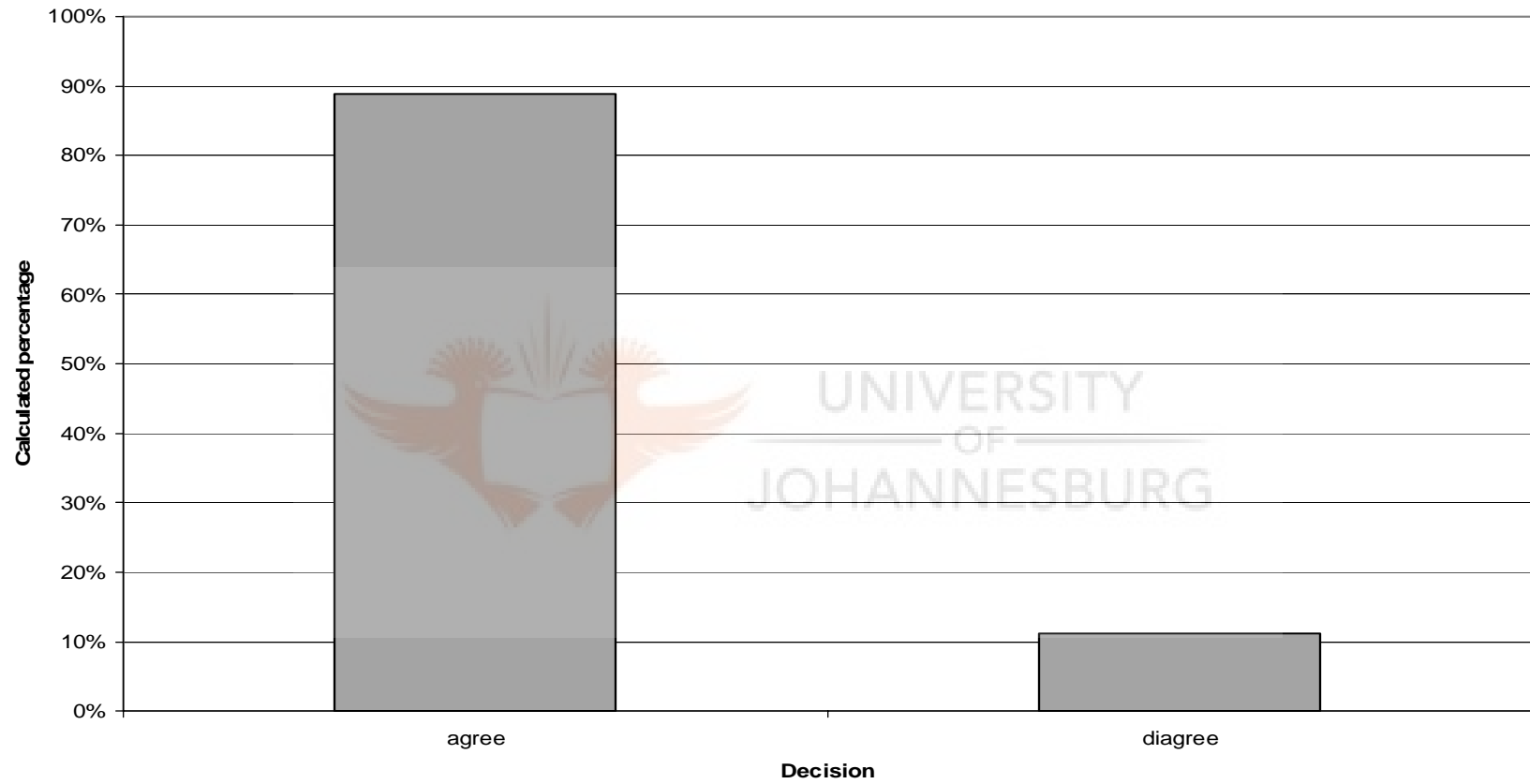


Figure 4.18 – Graphical representation of question 17

Question 18 - Barat Carbide has retained most of our customer base

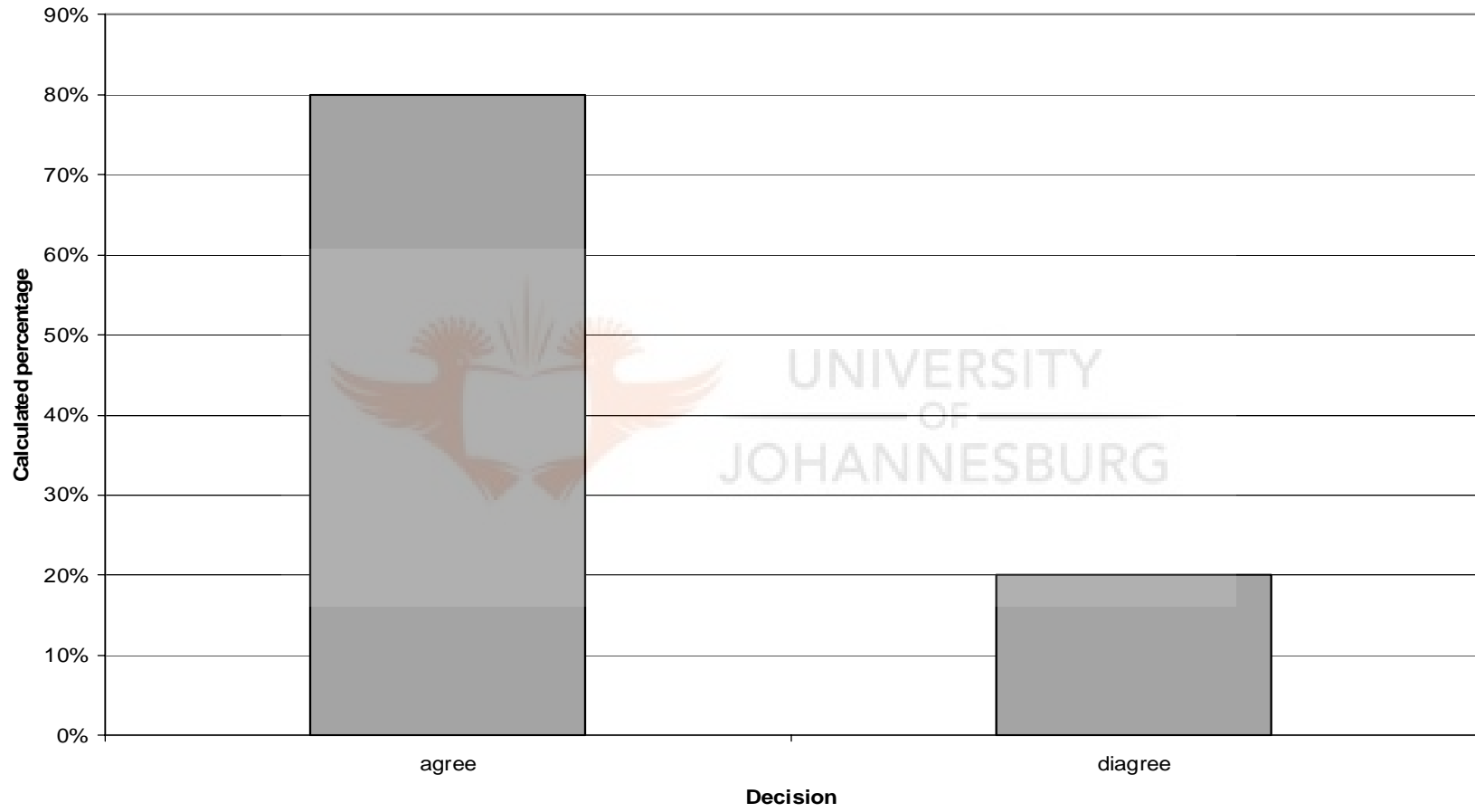


Figure 4.19 – Graphical representation of question 18

Question 19 - We get a referrals from our current customers

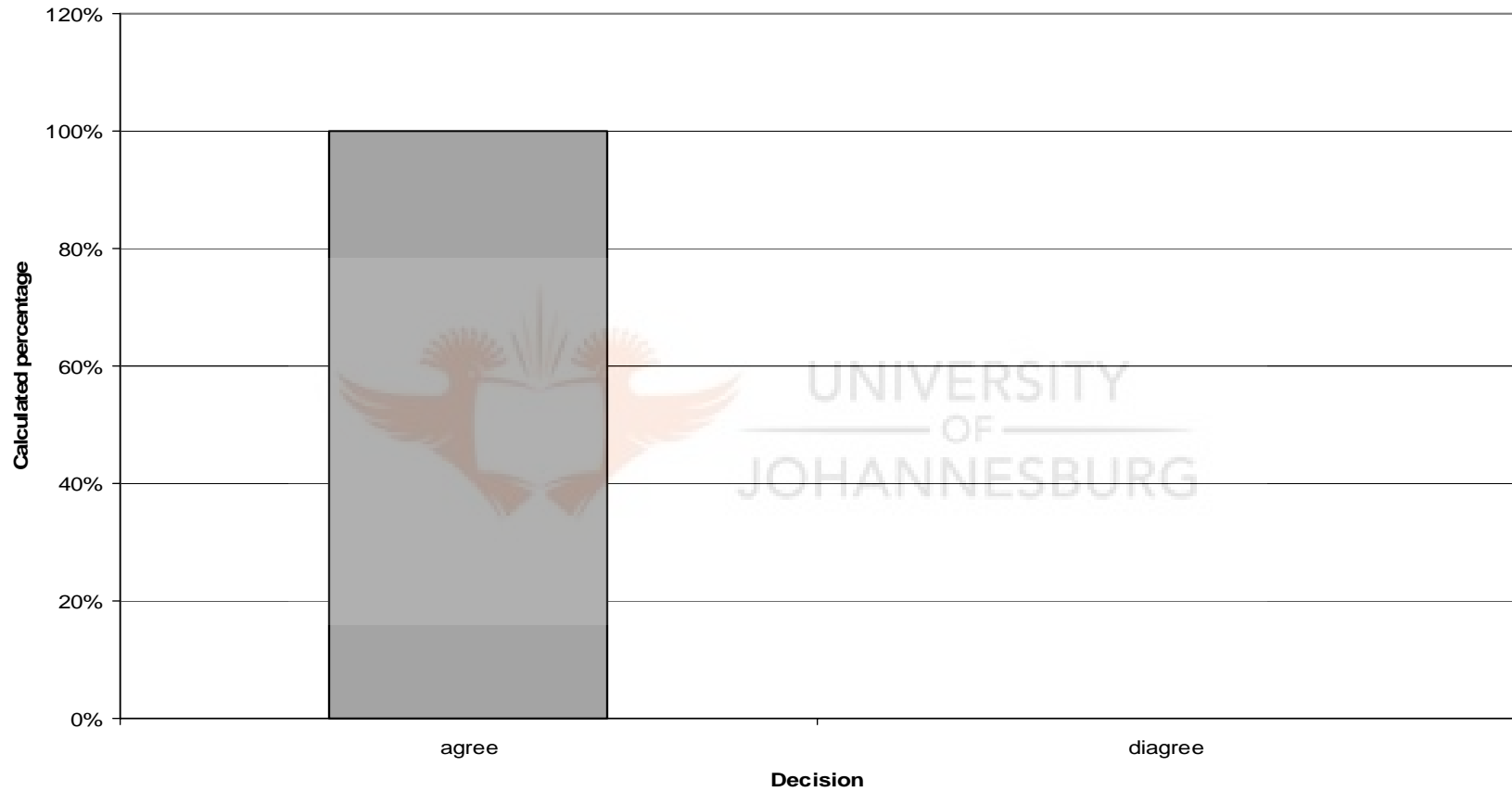


Figure 4.20 – Graphical representation of question 19

Question 20 - We are succesful with regards to repeat bussiness

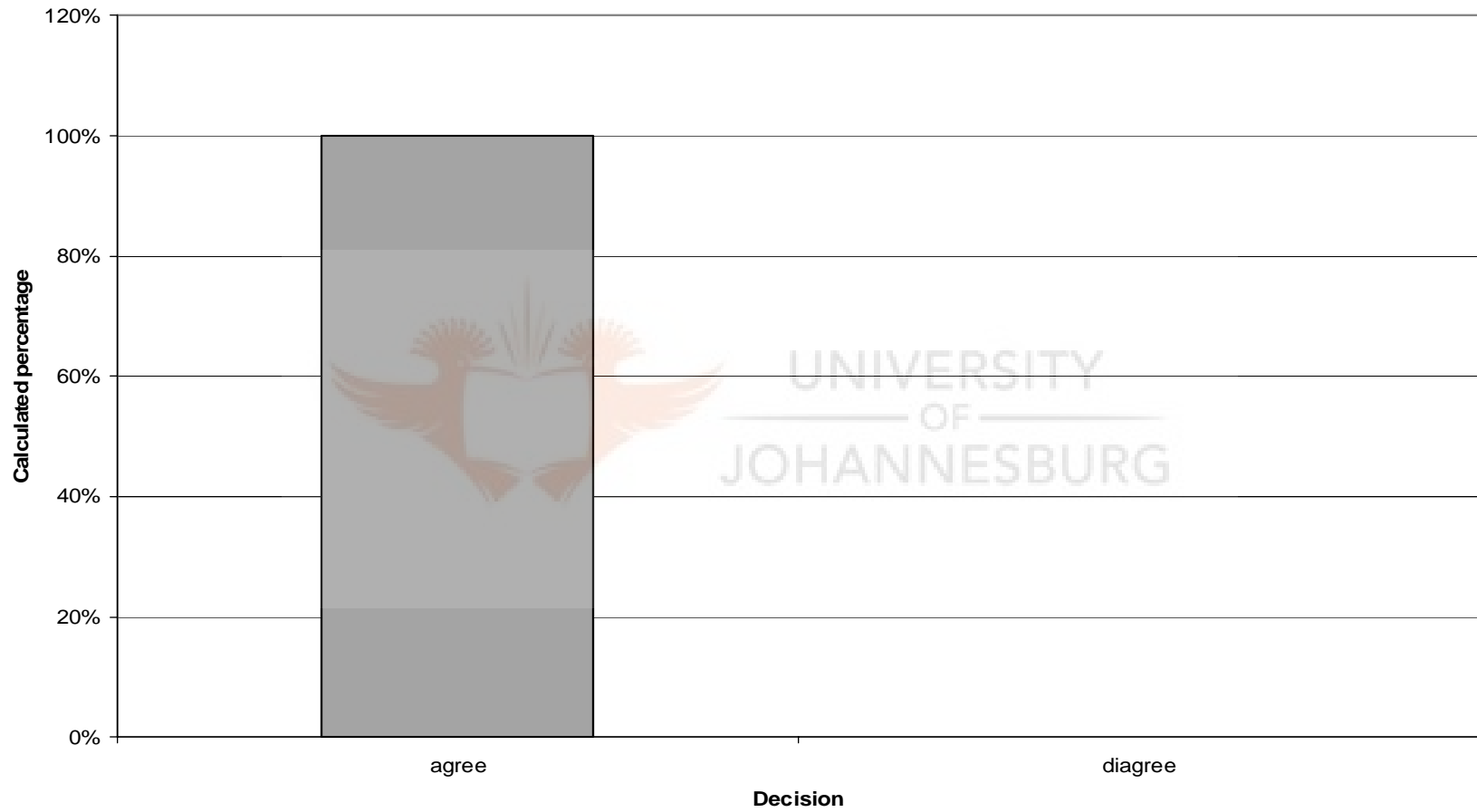


Figure 4.21 – Graphical representation of question 20

Analysis

4.1 Sub problem 1

Sub problem 1 deals with the employee and his surroundings.

Questions number 1 to 13 from the questionnaire deal with sub problem 1.

The analysis that we can gather from the employees is:-

Company Operating strategy/Model

100% of the respondents agree that company has an operating strategy.

After holding interviews with the respondents the following information was gathered.

The respondents agreed with these definitions of strategy. This was by Constantinos Markides (1999) describing strategy formation and implementation as an on-going, never-ending, integrated process requiring continuous reassessment and reformation. The other definition that they agreed with was by J. Moncrieff (1999). He recognized that strategy is partially deliberate and partially unplanned. The unplanned element comes from two sources : “emergent strategies” result from the emergence of opportunities and threats in the environment and “Strategies in action” are ad hoc actions by many people from all parts of the organization. These multitudes of small actions are typically not intentional, not teleological, not formal, and not even recognized as strategic. They are emergent from within the organization, in much the same way as “emergent strategies” are emergent from the environment. Joseph Bower (1970) and Robert Burgelman (1980) took this one step further. Not only are strategic decisions made incrementally rather than as part of a grand unified vision, but according to them, this multitude of small decisions are made by numerous people in all sections and levels of the organization.

Charles Lindblom (1959) claimed that strategy is a fragmented process of serial and incremental decisions. He viewed strategy as an informal process of mutual adjustment with little apparent coordination. The respondents did not agree with Charles Lindblom as they felt that strategy is not fragmented. It is continuous and controllable as per James Brian Quinn (1980). It is a very formal process in modern times where companies hire

venues and take their top team out for a few days and build their strategies for the coming years.

Service delivery system

63% feel that there has been an improvement in service delivery while 37% disagree.

The respondents agree with most of the theory that service is built on the foundations of caring for both the customer and employee. (Burke *et al.*, 1992; Schneider *et al.*, 1992).

There has been a growing body of empirical research over the last 15 years investigating performance linkages between employee perceptions and performance, customer perceptions and behaviour, and financial performance (FP). Heskett *et al.*'s (1997) service profit chain comprehensively models many of the supposed performance relationships postulated and, to some extent tested, in the service management literature.

It has been found that service delivery is related to employee commitment. These sentiments were echoed by Lux *et al.* in 1996. Happy employees generate a positive environment, that generates better service value to the customers.

Workplace design

56% of the respondents feel that the new office layout is positive while 44% disagree.

From the interviews, the respondents that agreed were satisfied that the move from offices had made things more positive. It was found that the new open plan design provided more space and had more features when compared to the old office. There was more natural light, which could be controlled by the blinds, a central air conditioning system that could control the whole open area. There was also a comment with regards to better (newer) furniture that the employees have received.

This would be in line with Hawthorne studies which said that he sought to find the effects of various conditions (most notably illumination) on workers' productivity. These studies ultimately showed that novel changes in work conditions temporarily increase productivity (called the Hawthorne Effect). This finding provided strong evidence that

people work for purposes other than pay, which paved the way for researchers to investigate other factors in job satisfaction.

Maslow's hierarchy of needs theory, a motivation theory, laid the foundation for job satisfaction theory. This theory explains that people seek to satisfy five specific needs in life – physiological needs, safety needs, social needs, self-esteem needs, and self-actualization. This model served as a good basis from which early researchers could develop job satisfaction theories.

Edwin A. Locke's Range of Affect Theory (1976) is arguably the most famous job satisfaction model. The main premise of this theory is that satisfaction is determined by a discrepancy between what one wants in a job and what one has in a job. Further, the theory states that how much one values a given facet of work (e.g. the degree of autonomy in a position) moderates how satisfied/dissatisfied one becomes when expectations are/aren't met. When a person values a particular facet of a job, his satisfaction is more greatly impacted both positively (when expectations are met) and negatively (when expectations are not met), compared to one who doesn't value that facet.

A significant model that narrowed the scope of the Dispositional Theory was the Core Self-evaluations Model, proposed by Timothy A. Judge in 1998. Judge argued that there are four Core Self-evaluations that determine one's disposition towards job satisfaction: self-esteem, general self-efficacy, locus of control, and neuroticism. This model states that higher levels of self-esteem (the value one places on his self) and general self-efficacy (the belief in one's own competence) lead to higher work satisfaction. Having an internal locus of control (believing one has control over her/his own life, as opposed to outside forces having control) leads to higher job satisfaction. Finally, lower levels of neuroticism lead to higher job satisfaction.

Frederick Herzberg's two factor theory (also known as Motivator Hygiene Theory) attempts to explain satisfaction and motivation in the workplace. This theory states that satisfaction and dissatisfaction are driven by different factors – motivation and hygiene factors, respectively. Motivating factors are those aspects of the job that make people want to perform, and provide people with satisfaction. These motivating factors are

considered to be intrinsic to the job, or the work carried out. Motivating factors include aspects of the working environment such as pay, company policies, supervisory practices, and other working conditions.

Another well-known job satisfaction theory is the Dispositional Theory. It is a very general theory that suggests that people have innate dispositions that cause them to have tendencies toward a certain level of satisfaction, regardless of one's job. This approach became a notable explanation of job satisfaction in light of evidence that job satisfaction tends to be stable over time and across careers and jobs.

From the theory above we can see that there has been a lot of discussion with regards to elements that have to be fulfilled to have a satisfied employee. Each theory had a different view on what would have employees satisfied. Obviously this research is not complete, and new theories will continue to come out.

The respondents that disagreed had the following to say. They found that the central air conditioning system made the office too cold or too hot at times. They also found that when there is a few more visitors to the open plan, the noise levels increased significantly. When you are trying to concentrate and load orders or do planning it made it difficult.

Poor workplace design, by contrast, is linked to lower business performance and higher level of stress experienced by employees.

Job design and decision making latitude

75% of the respondents feel that they have sufficient decision-making latitude while 25% disagree.

Employee control over work can reduce stress and enhance motivation and growth. Several key findings have prompted employers to search for ways to give workers a greater sense of control, to improve health, productivity and morale.

Industrial psychologists discovered that how much latitude employees have at work – their control over job-related decisions – affects their health, their morale and their ability to handle their workload.

According to the theory, Hackman et al(1976) reported that control enhanced motivation and growth. This is true with the respondents as it gave them more capability to take decisions with regards to their jobs, they felt more responsible and became more motivated at carrying out their duties. When workers facing high demands had more control, their stress was lower.

Karasek's (1990) findings revealed to employers that they could improve job-related mental health without sacrificing productivity. That is, organizations could reduce job strain by increasing employee control or decision latitude, without reducing actual workload.

Many organizations have increased employee control to make jobs better for employees, often redesigning their processes or flipping around the chain of command.

Frederick Edmund Emery, nick Fred, (1981) developed of theory around participative work design structures such as self-managing teams. This has been done by many companies with successful results.

The 25% that disagreed had problems with not able to get consumables from the stores. It had to be explained to them that the company had policies and procedures in place. These have to be followed. Example:- If you required some stationery from the store, you have to write out a requisition and have it signed by your manager. You could not sign it yourself and get the goods from the store. This is part of the procedure within the company.

Selection and Development

100% of the respondents feel that they have room for development in their roles.

Employees will only reach their maximum potential through successful employee coaching, employee mentoring, and employee developmental experiences. Research has shown that employee development and employee coaching are the most productive and sustainable strategy for both organizational growth and long term success.

Employee development is a joint, on-going effort on the part of an employee and the organization for which he or she works to upgrade the employee's knowledge, skills, and abilities. Successful employee development requires a balance between an individual's career needs and goals and the organization's need to get work done.

From the research we can see that development programs make positive contributions to organizational performance. A more highly skilled workforce can accomplish more as the individuals gain in experience and knowledge.

It has been assumed that every employee wants, or should want, the same thing in a career, usually a direct path up the organizational ladder (Fink,1992). This was the dream of all employees, but unfortunately this would not be so easy to accomplish.

In today's competitive environment, it is imperative that all organizations create a work environment which fosters growth and development. It is apparent this can be accomplished by implementing a Career Development Program in the workplace. This will enhance organizational loyalty among employees; result in higher levels of job satisfaction, lower employee turnover, and fewer employee complaints (Werther & Davis, 1992).

The terms "flattening and downsizing crept into the vocabulary of many administrators" (Grossman & Doherty, 1994). This resulted in fewer and fewer opportunities for promotions, and this trend will most likely continue. As a result, organizations must emphasize the strong value of growing and learning one's current job, as well as, exploring other areas within the organization.

Rewards and Recognition

67% of the respondents feel that the company provides sufficient rewards and recognition, while 33 % disagree.

Employee recognition is scarce because of a combination of several factors. People don't know how to provide it effectively, so they have bad experiences when they do.

Deci (1972) argues that money actually lowers employee motivation, by reducing the "intrinsic rewards" that an employee receives from the job. Similarly, Slater (1980) concludes that "Getting people to chase money . . . produces nothing but people chasing

money. Using money as a motivator leads to a progressive degradation in the quality of everything produced.”

Kohn (1988) in his article “Incentives Can Be Bad for Business,” offers three reasons why merit-pay systems are counterproductive. “First, rewards encourage people to focus narrowly on a task, to do it as quickly as possible, and to take few risks . . . Second, extrinsic rewards can erode intrinsic interest . . . [Finally], people come to see themselves as being controlled by a reward.”

A second group of merit-pay critics argue that, while financial incentive schemes improve productivity in principle, in practice they induce significant adverse side effects that are costly to employee morale and productivity. The costs of dealing with many of the problems induced by merit systems simply outweigh the limited organizational benefits they offer. Among the side effects often mentioned are horizontal equity concerns, and problems associated with imperfect performance measurement. Hamner (1975) in his article “How to Ruin Motivation with Pay” argues that merit systems decrease motivation because managers systematically mismanage pay-for-performance programs.

The 33 % that disagreed were of the opinion that since the company had been sold there is less rewards and recognition than before. As we can see from the literature that people don't know how to provide it effectively, so they have bad experiences when they do.

This could be the reason for the negative responses.

Information and communication

78% of the respondents feel that there is sufficient communication between the different level within the company, while 22% disagree

Communication, through both formal and informal channels, is the lifeblood of any Organization.

Drenth et al. (1998), defined communication as the sending and receiving of messages by means of symbols and see organizational communication as a key element of organizational climate. The latter viewpoint is reflected by Myers and Myers (1982) who define organizational communication as “the central binding force that permits

coordination among people and thus allows for organized behavior,” and Rogers and Rogers (1976) who argue that “the behavior of individuals in organizations is best understood from a communication point of view.”

Communication is not only an essential aspect of these recent organizational changes, but effective communication can be seen as the foundation of modern organizations (Grenier and Metes 1992; D’Aprix 1996; Witherspoon 1997; von Krogh et al. 2000).

Communication plays a vital role both internally and externally.

The 22% that disagreed were of the opinion that internal communication between management and staff had diminished in the last three months. In the prior months there use to be information sharing on a monthly basis. This unfortunately did not happen.

Adequate tools to service customers

78% of the respondents feel that they have sufficient tools at their disposal to adequately service the customers while 22% disagree.

Good service starts before a transaction takes place and goes on after its completion, including the market research pre-ordering climate; the buying/ordering process; the period from order to delivery, packaging or presentation; transport and logistics; delivery, complaint handling; payment and debt collection and after sales support service.

Technology has made available a wide range of customer service tools. There are a variety of tools that employees would need to provide good customer service. This could be from stationery to computers and E mail. Most companies supply employees with all the necessary gismos and gadgets so that you may successfully stay in touch as well as service the customers.

The 22% that disagreed are of the opinion that they require more training on the Microsoft office packages. They would be more proficient in these packages and would be more efficient to the customers.

100% of the respondents feel that they have the capability to continue their current jobs. The employees are confident in continuing their current jobs. This is a good positive sign that shows that they are satisfied with the work that they are carrying out.

100% of the respondents feel that they provide an efficient and effective service to there customers.

The employees have the perception that the are running a efficient and effective office environment.

100% of the respondents feel that the department’s productivity and output quality is optimised.

The employees show confidence in there productivity and output.

100% of the respondents feel that they are loyal employees.

Question 14 was added to gauge how loyal the employees really are.

The graph below shows the graphical representation of the data collected.

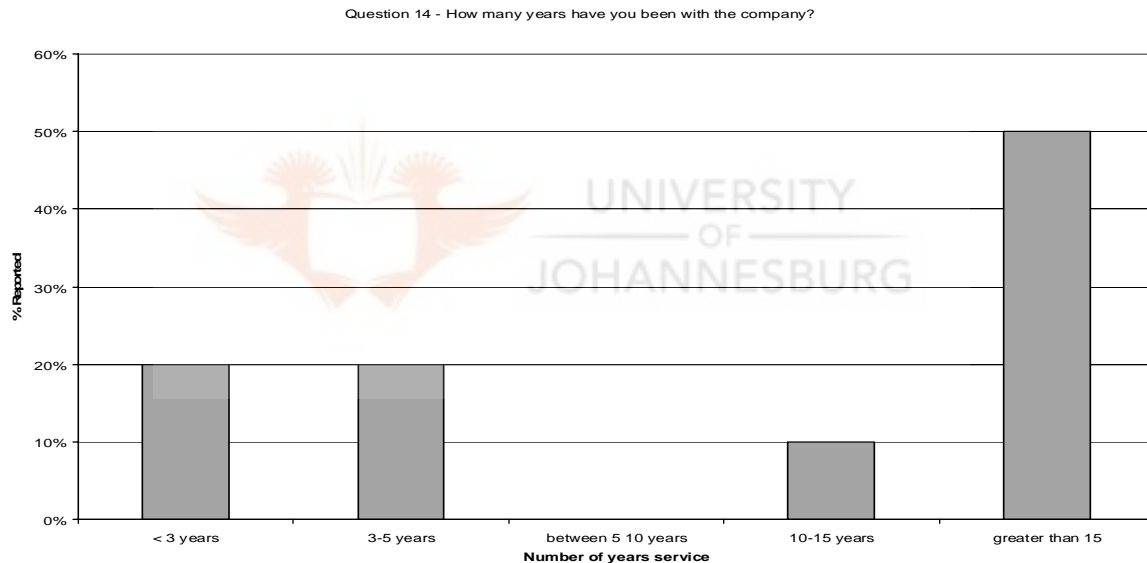


Figure 4.22 – Graphical representation of number of year’s service.

From the graph we can see that there is 50 % of the sample that have over 15 years of service with the company. This would be a sign of loyalty towards the company.

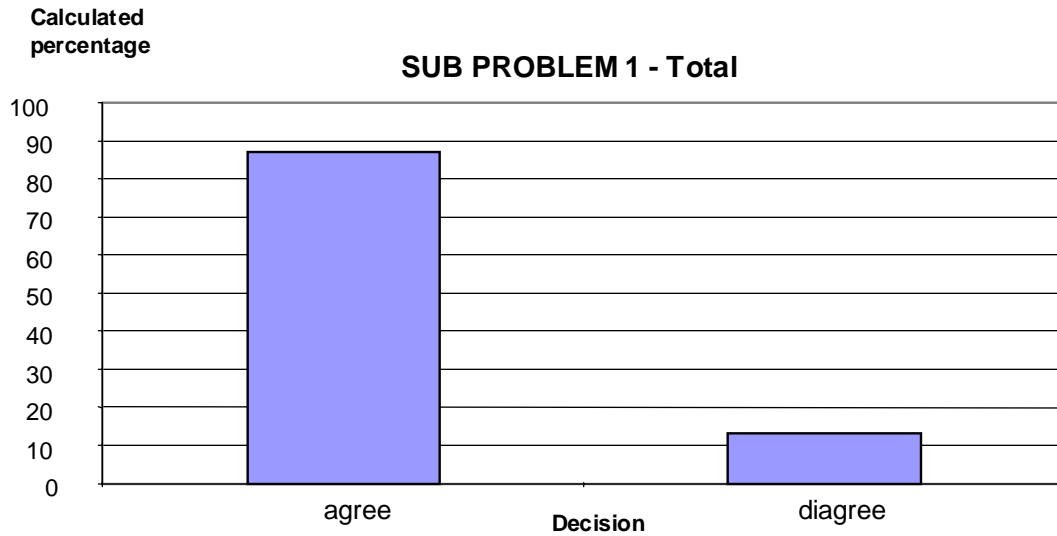


Figure 4.23 – Graphical representation of Total average for sub problem 1

From figure 4.23 we can see that the general consensus on sub problem 1 is 87% agree and 13% disagree. There is a great positive relation with regards to the employee's satisfaction and well being. This gives us a good indication on the internal elements of the service profit chain.

87% of the sample agreed with the statements on the questionnaire while 13% disagreed.

This shows that the employees are 87% satisfied with regards to:-

- Operating strategy
- Service delivery system
- Workplace design
- Job design-decision making latitude
- Selection and development
- Rewards and recognition
- Information and communication
- Tools to service customers.

Further analysis on the 13% that disagreed led to the following conclusion. All these answers were received from woman. Some of the respondents went as far as saying that

hormonal problems could be leading to them feeling hot and cold within the same environment. It also came out that men and woman can work together, while woman and woman always encounter problems.

4.2 Sub problem 2

Service Value – Improvement of service quality at a reduced cost.

71% of the employees feel that they are generating service value to the customer at a lower cost, while 29% disagree.

The most successful organizations understand that the purpose of any business is to create value for customers, employees, and investors, and that the interests of these three groups are inextricably linked. Therefore, sustainable value cannot be created for one group unless it is created for all of them.

Real value creation—and long-term growth and profitability—occurs when companies develop a continuous stream of products and services that offer unique and compelling benefits to a chosen set of customers.

A model by Kay Storbacka, Tore Strandvik, and Christian Gronroos (1994), the service quality model shows that customer satisfaction is first based on a recent experience of the product or service. This assessment depends on prior expectations of overall quality compared to the actual performance received. If the recent experience exceeds prior expectations, customer satisfaction is likely to be high. Customer satisfaction can also be high even with mediocre performance quality if the customer's expectations are low, or if the performance provides value. Likewise, a customer can be dissatisfied with the service encounter and still perceive the overall quality to be good. This occurs when a quality service is priced very high and the transaction provides little value.

This model then looks at the strength of the business relationship; it proposes that this strength is determined by the level of satisfaction with recent experience, overall perceptions of quality, customer commitment to the relationship, and bonds between the parties. Customers are said to have a "zone of tolerance" corresponding to a range of service quality between "barely adequate" and "exceptional." A single disappointing

experience may not significantly reduce the strength of the business relationship if the customer's overall perception of quality remains high, if switching costs are high, if there are few satisfactory alternatives, if they are committed to the relationship, and if there are bonds keeping them in the relationship.

For a number of years company's have taken advantage of technology to provide information to customers. ERP systems, E mail and internet are just a few examples.

Using this technology has generated value for customers while employers have out laid very little or nothing to achieve this service.

From the interviews it was gathered that the employees are generating schedules to the top 10 customers on a weekly basis. These schedules give updated information on all that specific customers deliveries. This enables the customer to do his planning. If the product is going to be late through production, the customer will know well in advance.

It was also noted that these schedules are readily available from the ERP system which would mean that no additional resources were required. This would imply that no money was spent to provide this service to the customer. It was also noted that in the last year some of the internal sales employees have visited the local customers. This has helped in building relationships with the customers. It helped in putting a face to the name. It provides a more personal touch when doing business.

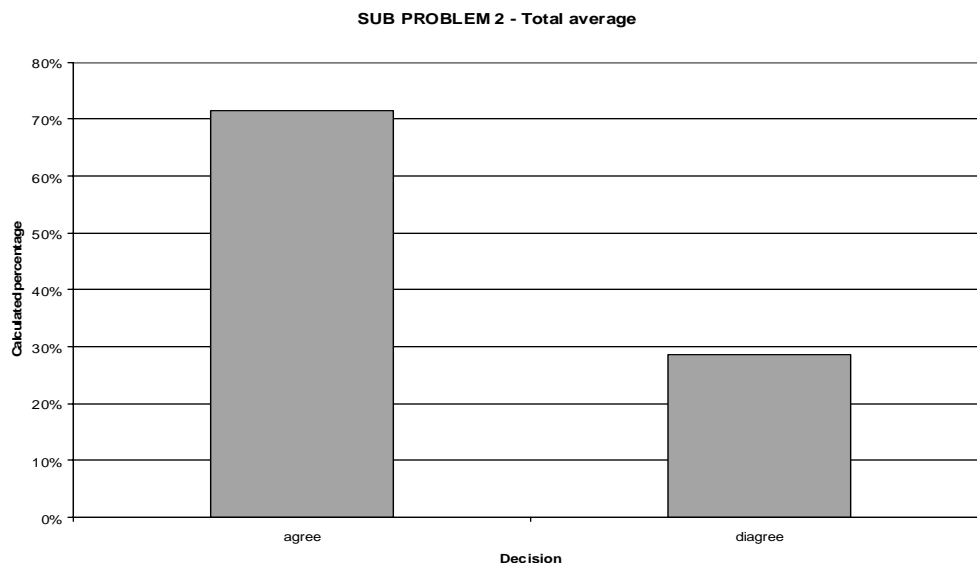


Figure 4.24 – Graphical representation of Total average for sub problem 2

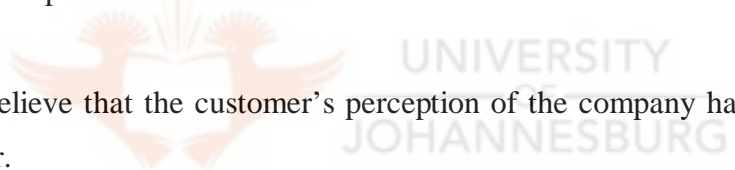
In general the results are given in figure 4.24. Doing a summary of sub problem 2, we can see that 71% of the sample has a positive response while 29 % of the sample has a negative response.

After further investigation it was noted that respondents did not consider the schedules sent to the customers as being value added. This has lead to negative responses

4.3 Sub problem 3

Perception of employees on customers, retention of customers, repeat business from customers and referrals by customers

The results for sub problem 3 are as follows:-

- 
- 100% believe that the customer's perception of the company has changed in the last year.
 - 89% of the sample believes that we offer more value to the customers while 11% disagree.
 - 80% of the employees believe that the company has retained its customer base while 20% disagree.
 - 100% of the employees believe that we get referrals from our current customers.
 - 100% of the employees believe that we are successful with regards to repeat business.

It is estimated that two-thirds of customers who defect do so because of poor service. In order for customer service to drive profits, every link in your service profit chain – employee capability, job satisfaction, productivity, employee loyalty and customer satisfaction – must be strong.

The service profit chain is a powerful phenomenon that stresses the importance of people – both employees and customers – and how linking them can leverage corporate performance.

The service-profit chain is an equation that establishes the relationship between corporate policies, employee satisfaction, value creation, customer loyalty and profitability.

A seamless integration of all components in the service-profit chain – employee satisfaction, value creation, customer satisfaction, customer loyalty, and profit and growth – links all the critical dynamics of top customer service. "The company guides, nurtures, and empowers its employees, and the employees play a vital role in securing customer satisfaction and the benefits that accrue from it.

Schlesinger and Heskett (1991) added employee loyalty to the basic customer loyalty model. They developed the concepts of "cycle of success" and "cycle of failure".

Effort spent in selecting and training employees and creating a corporate culture in which they are empowered can lead to increased employee satisfaction and employee competence. This will likely result in superior service delivery and customer satisfaction.

With customer satisfaction you will achieve repeat business, retention of customer and referrals by customers.

Fredrick Reichheld (1996) looked at the loyalty business model beyond customers and employees. He looked at the benefits of obtaining the loyalty of suppliers, employees, bankers, customers, distributors, shareholders, and the board of directors. This was a much bigger picture that integrates backwards as well as forwards.

From the interviews we have learnt that the employees had started to visit a few of the local customers. This has changed the perception of employees towards the customers. It gave an opportunity to the employees to put the name to the face. It generated a more personal relation between the employees and customers.

Employees believed that the company has lost a few customers but did not take into account that the company had gained a few during the year. This has also led to negative responses. Although all effort may be put into retaining a customer, but at the end of the day, the customer can still walk.

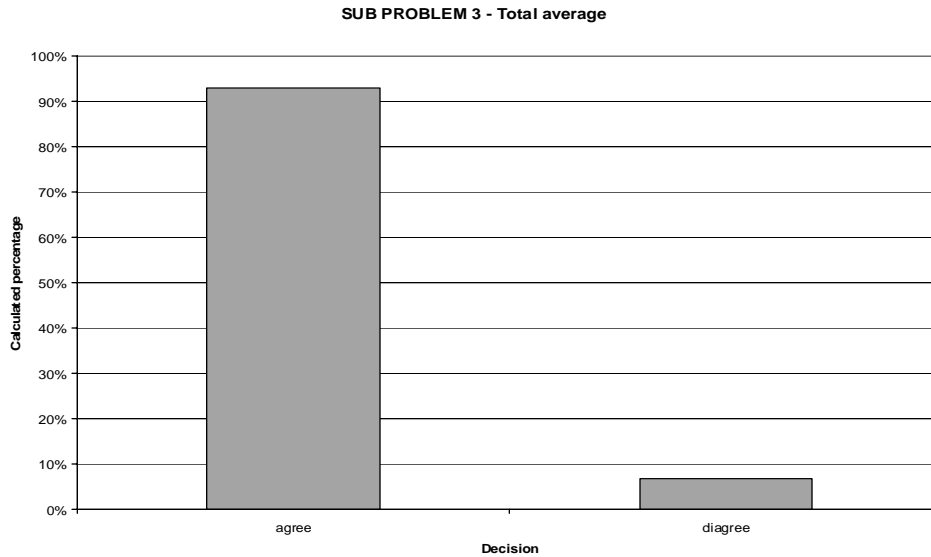


Figure 4.25 – Graphical representation of Total average for sub problem 3

Figure 4.25 shows the total result of sub problem 3. It shows that 93 % of the sample are very positive about the customer outlook while there was a 7 % negative response.

5 Recommendations and conclusions

5.1 Sub problem 1

The following recommendations could be made with regards to sub problem 1.

- Service delivery to customers could be improved by increasing labour force. Additional resources (1 person required) would help in to ensure that the employees can better service there customers. This person would only deal with customer queries. At the moment the employees have to deal with queries, that takes a fair amount of time during the day. This leads to lack of concentration on the loading of orders and Invoicing.
- The new layout, which is an open plan office, generates too much noise for some employees, while other has problems with climate control. Providing a few fans and a few foot heaters for the ladies could alleviate this. Based on the theory we

must try and ensure that we keep our employee happy. This is as per Genslers survey and the Hawthorne effect.

- Decision making latitude was limited within the department and thus leading to negative responses. This seemed to be more a confusion within the department. Going through the company procedure when ordering material from the store would solve this. Base on the theory there is definite evidence that as there is more responsibility on the employees, more latitude should be given to make decisions. Hackman et al(1976) reported that control enhanced motivation and growth. This would assist the employee as well as the company and not forgetting the customer.
- Rewards and recognition was not carried out as previously done. With the sale of the company this has fallen by the way side. This has lead to negative responses. A new rewards and recognition system will have to be set up taking into account the information that we have learnt from the literature review. Deci (1972) argues that money actually lowers employee motivation. From the viewpoint of the employees, there was no agreement with Deci. The employees did not agree with Slater (1980) who concludes that “Getting people to chase money . . . produces nothing but people chasing money. At the end of the day, if you have no money, you cannot do anything in life.
- Information sharing over the last 3 years has diminished. This has created a negative response. This can be rectified by having a monthly information sharing meeting with employees to discuss the financial and other important information. This should be structured and not a platform for raising attacks against each other. (Management and employees). Communication is important irrespective of which theory (Grenier and Metes 1992; D’Aprix 1996; Witherspoon 1997; von Krogh et al. 2000) you follow. At the end of the day you could make or break the company.
- There was some negative response to the tools available for servicing customers. Training was a big factor that was discussed. The employees lacked training on certain computer programs. Example, Excel and word. This can be resolved easily by setting up a training course for these. Before attempting to increase your competitive advantage the company must be geared to achieve this. This would

mean that the relevant training and tools should be provided before attempting the task. Example, If we are to attempt to climb Kilimanjaro. We have to be physically fit as well as have the necessary tools and equipment to attempt this task. Without this we would end up in a disastrous situation.

5.2 Sub problem 2

The following recommendations could be made with regards to sub problem 2.

Employees must continue to visit customers as this would build or improve relations between the customer and the company. Real value creation—and long-term growth and profitability—occurs when companies develop a continuous stream of products and services that offer unique and compelling benefits to a chosen set of customers.

- Based on the literature review. Customer complaints must be handled effectively and efficiently. This would add value to the customer, if he receives a quick response from the company. On the other hand it could lead to repeat business and referrals.

The first focus should be on creating value for the customer, but this cannot be achieved unless the right employees are selected, developed, and rewarded. There must be a plan put in place to achieve this. The service quality model looks at the strength of the business relationship; it proposes that this strength is determined by the level of satisfaction with recent experience, overall perceptions of quality, customer commitment to the relationship, and bonds between the parties. Customers are said to have a "zone of tolerance" corresponding to a range of service quality between "barely adequate" and "exceptional." A single disappointing experience may not significantly reduce the strength of the business relationship if the customer's overall perception of quality remains high, if switching costs are high, if there are few satisfactory alternatives, if they are committed to the relationship, and if there are bonds keeping them in the relationship.

5.3 Sub problem 3

The following recommendations could be made with regards to sub problem 3.

Three surveys need to be carried out:

1. Retention of customer survey
2. Survey on repeat business
3. Survey on customer referrals.

These surveys must be carried out to gather accurate data with regards to what is happening in the market. The employees play a vital role to keep customers, but at the end of the day, the customer can still walk.

With customer satisfaction you will achieve repeat business, retention of customer and referrals by customers.

Schlesinger and Heskett (1991) added employee loyalty to the basic customer loyalty model. They developed the concepts of "cycle of success" and "cycle of failure".

We have to build loyal and satisfied employees that would provide a quality service to the customer, Thus creating a satisfied customer. With this in mind , the customer would generate repeat business, or referrals. This could also mean that you retain the customer from the service you have provided.

From the research we have found valuable information with regards to the implementation of the service profit chain. We have a benchmark from the implementation to the current point. With the continuation in applying the service profit chain, we can measure in which direction we are progressing and where we need to optimize our efforts.

There has been significant headway made in the implementation, and to continue this we need to :-

- Optimise the company strategy
- Provide the resources
- Change or modify the design of the workplace

- Allow some latitude on decision making
- Select and develop employees
- Restructure rewards and recognition strategies
- Improve information and communication.
- Provide training

These are a few points that need to be addressed in order to move forward. No time constraints can be set on this at the moment as this will first have to be discussed with the management of the company.

Further research

Further research could be conducted to calculate the percentage of customer retention. A second proposal would be on repeat business received from customers. The third proposal would be to concentrate on referrals by customers. The fourth proposal would be to redo the current topic after implementation of the recommendations and check if there have been improvements.

Value of research

The case study was generated out of interest for the company to create a base line after the implementation of the service profit chain. At the beginning we have set out the background of the company and some of the problem. (Structure, implications of change, People aspect, mature life cycle and cultural developments).

During this exercise we have picked up what different authors had to say on the relevant subjects. This was then used to compare to our results. There was a few points that the company would not have considered, but with the theory would be more practical to implement. The research will provide important value in terms of the customers at the front line to the customers. After implementation of the recommendations, there should be a significant improvement and effort by the employees on customer satisfaction.

There are some limitations in this case study, but with some ingenuity , it can be reduced. The literature review provided the huge amount of information that can assist during implementation. This case study can be expanded to include the customer research.

Conclusion and Summary

The case study has been a fruitful exercise. It has provided some knowledge and findings that can assist the implementation of the service profit chain.

This case study has lead to conclusions and recommendations that can be practically implemented. These recommendations would be the first within the company and would definitely not be the last. Further case studies will be carried out to monitor the satisfaction levels, either in employees or customers.

In summary the case study has been a successful attempt at generating results that can be used in further development of employees and towards customer satisfaction

The questions that were asked have been successfully answered.



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