THE IDENTIFICATION OF SERVICE QUALITY ROLEIN ENHANCING SERVICE FIRMS PERFORMANCE: A CONCEPTUAL FRAMEWORK

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Abstract - The growth of certain country in global level could be indicated by seeing the service sector of that country. One important thing is service sector is the service quality that they have in order to answer the customer need. This service quality is one component that will determine firms performance. In general, firms performance could be improved by implementing innovation within the firms. To create this innovation, many parties and aspect is involved, two of them are interpersonnal skill of human resource and customer orientation which is also become the main aspect in service quality. Based on this situation, this study has an aim explore the role of service in creating better firms performance and to know the relationship between service innovation, service quality, and firms performance.To gain the information regarding this problem, literature review of previous research which talked about service innovation, service quality, and firms performance was reviewed. Based on the literature review there are several finding. First, to create better service performance, the firms should considered about the service innovation and service quality. Second, the service quality could be concluded as mediator between service innovation and firms performance. Third, interpersonal skill of human resource and customer orientation has a big role in creating service quality and service innovation.All of this information is only based on literature review, because of that, further research is needed in order to test the framework in the real situation and get better understanding about the link between service quality, service innovation, and firms performance which later could give the insight to make a better performance of service firm especially in Indonesia.

Index Terms - Service sector, service firms, service quality, service innovation, firmsperformance

I. INTRODUCTION

The existance of service sector not only could enhance each national market competition, but also indicate the growth of certain country in gobal level (Lee, et al., 2007).Service sector is covering many organizations, such as local and national government, and non-profit & for-profit private services (Ghobadian, et al., 1994). The perception of service quality is resulted from the comparison between consumer expectation with actual performance of services (Parasuraman, et al., 1985).This statement show that for service sector, the quality of services has a big role in determining their performance in the eye of consumer.

In same time, the improvement of performance also could be done by creating aninnovation. This inovative strategies can help the business organizations improve their competitivenes to stay ahead among competitors (Chapman, et al. 2003). That fact, indirectly show that there is a link between sevice innovation, service quality, and firm performance. Because of that, this paper has a purpose to explore the factor that probably will affect the enhancement of service firms performance thorugh innovation strategies, and link it with service quality, later all this relationship will be described into conceptual framework.

II.LITERATURE REVIEW

Interpersonal Skill of Human Resource

Human resource has an important role to create innovation within the firm. Strategic human resources management is the global success factors regardless of their degree of newness (Ottenbacher and Harrington, 2010).

The productivity and effectiveness of the workspace, which covers co-located and team distribution, contributed to the adoption of innovation strategies (Moultrie, et al, 2007). The successful of incremental new service development could be achieved by giving a priority toward employees' training, which could help the employee to improve their general and interpersonal skills (Ottenbacher and Harrington, 2010).

According to Lin (2007), human resource who has high quality, in this case the one who has capability in technology's innovation, could strengthen the better support for organizational innovation's encouragement. Panesar, et al. (2008) also stated that the firm should not only have multi-disciplinary expertise or multifunctional team, but also should create interaction between those multifuctional team, customer, and employee in order to create approriate condition of industry services that mostly are based on the combination of technology and knowledge. This interaction is needed, in order to generate new idea. In interaction between employee and customer case, several service companies is prefer to put their employees with the customers for helping them in defining the requirements of services, customizing the services, and communicating effectively and efficiently (Panesar, et al., 2008). Based on this situation, employees counted as the most important resource to generate idea for service innovation. It is because they frequently have an interaction with the

customers, undertand aboutthe content of service and the delivery procedure, and know the best need for their customer.

H1. Interpersonal skill of human resource positively related with service innovation

Customer Orientation

Han, et al. (1998) found that there is a positive relationship between customer orientation and organizational innovation (technical innovation and administrative innovation). In 2008, Panesar et al also found that feedback from customer are the most important drivers for creation of new services. Along with this finding, the study that conducted by Grawe, et al (2009) showed that that service innovation capability positively affected by customer orientation.

H2. Customer orientation positively related with service innovation

Service Quality

The characteristics of services in general are intangible, heterogene, and inseparable. The intangibility of production and consumption in services refer to the performances of its services which could not measure directly, heterogeneity talked about the variation of perfomance that caused by the labour input, inseparability refer to the interaction between buyer and seller (Lewis, 1989).

The quality of service is determined by the fitness between the offered service with customer need. According to Gonroos (1982, 1984) cited in Lewis (1989), the dimension of service quality could be divided into three types, there are technical quality (service outcome that customer obtained), functional quality (the ways of providing services, interaction between buyer and seller), and corporate image (the quality that derived from the ways of customer seeing the firm, as the result of technical quality and functional quality of the service). The service quality affected the intention of customer to repurchase and later will affect firms competitivenes (Ghobadian, et al., 1994). From the explanation above, it can be seen that service quality is mostly affected by the relationship betwen buyer and supplier, or customer and employee. Which is means that the quality of employee or human resource in the company has a big role in created the service quality itself.

H3. Interpersonal skill of human resource positively related with service quality

H4. Customer Orientation positively related with service quality

Service Innovation

Sok and O'Cass (2015) found that perceived service quality is significantly related to combined service innovation, which emphasized that both service exploitation and exploration are key aspect in delivering service quality.

H5. Service innovation positively related with service quality

Service Innovation and Firms Performance

Firms performance is positively related with the firms capability to create service innovation (Grawe et al, 2009; Daugherty, et al., 2011). In another case, Zailani et al.'s (2015) study showed the positive effect of green innovation initiatives on the three categories of sustainable performance (such as environmental, social, and economic).

H6. Service innovation positively related with firms performance

Service Quality and Firms Performance

Caruana and Pitt (1997) found that the firms performance positively related with service quality. Their result practically suggest that the managers and organizations should find the way to enhance their service quality in order to improve their profitability.

H7. Service Quality positively related with firms performance

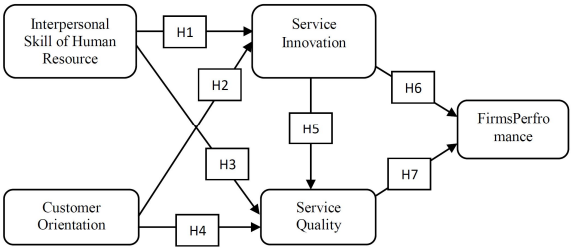


Fig 1. ProposedFramework

III. METHODOLOGY

In this paper, a review of several paper is conducted to get comprehensive understanding about service qualityand service innovation. The review began with a search of each paper in several database with the keyword "service innovation", "servicequality", and/or "firmperfomance".

IV. PROPOSED FRAMEWORK

Based on expalanation above, interpersonal skill of human resource and customer orientation could affect sevice innovation and service quality. Later, both of service innovation and service quality is related to firms performance. But there is also possibility that service innovation relate with service quality. This possibility make service quality can be act as the mediator between service innovation and firms performance.

The service quality is a result of interaction between interpersonnal skill of human resource and customer orientation, which is mean that the capability of

human resource to know the need of customer will determine the quality of its services.

DISCUSSION

This studytry to find the role of service quality toward creating better firms performance. Overall, the framework show three improtant things. First, to create better service performance, the firms should considered about the service innovation and service quality. Second, the service quality could be concluded as mediator between service innovation and firms performance. Third, interpersonal skill of human resource and customer orientation has a big role in creating service quality and service innovation. This framework is based on the literature review, because of that further research is needed in order to test the framework in the real situation and to get better understanding about the link between service quality, firms innovation, and firms performance which later could give the insight to make a better performance of service firm especially in Indonesia.

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