SERVICE QUALITY AND OPERATIONAL PERFORMANCE OF TOUR OPERATORS IN KENYA

BY

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DECLARATION

I hereby declare that this research project is my own work and effort, and that it has not been submitted anywhere for any award.

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This research project has been submitted for examination with my approval as University of Nairobi supervisor.

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DEDICATION

To my father Mr. Michael Inyo

Thank you for taking me to school

To my mother Mrs. Regina Inyo

Thank you for your love and prayers

To my loving husband Mr. Chris Were

Thank you for sponsoring me for my Masters Education

To my son Elvis Were

Thank you for your love and understanding

To my Almighty God

Everything is possible through Him

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ABSTRACT

Service quality is one of the key elements that enable tourism enterprises to gain competitive advantage over others in the industry. The aim of this was to explore the relative significance of service quality components and how these affect operational performance of firms in tourism industry. Empirical data for this study was drawn from 86 service operations managers of tourism enterprises in Kenya, giving a response rate of 88 per cent. Several analytical techniques were used to assess the relationships among the variables under investigation and these included the mean scores, standard deviations, and correlations. The findings of this study prove that there are significant relationships among the variables under study. The results suggest that both technical quality and functional quality need to be enhanced, with functional quality demanding high priority. Corporate image falls into areas that require more improvement. Furthermore, this study analyzes the views of service quality among micro, small and medium-size firms and their affiliations. The findings show that although both micro-and-small enterprises managed independently generally place a similar level of importance on service quality components as medium-internationally affiliated firms, these firms are still unsuccessful in attaining high operational performance. This study contribute useful information needed for service quality improvement in tourism sector and offers a practical help to service operations managers, tourism planners, and experts to understand the concept of service quality and its effectiveness in improving operational performance of firms. The findings could help firms identify the particular service quality components that are effectively-resourced, under-resourced or over-resourced and provide guidance on where to improve. This paper also contributes to knowledge by identifying the crucial service quality components important in tourism enterprises and their effectiveness in improving business operational performance in Kenya.

CHAPTER ONE: INTRODUCTION

1.1. Background of the Study

Organization's operations function is concerned with manufacturing or delivering goods and services desired by consumers while managing resources as efficiently as possible (Stevenson, 2011). The activities such as forecasting, capacity planning, scheduling, managing inventories, assuring quality, among others are strategically essential since they comprise of the day-to-day activities within operations functions (Stevenson, 2011). Operations management deals with managing systems, processes and resources which produce and/or deliver products/services (Slack, et al., 2010). Therefore, the relationship between an organization's overall strategy and its operations remain the key determinant of its capability to attain its long-term purpose. This organizational goal is only possible if short-term operation activities are coherent with long-term strategic intentions and are contributing to its competitive advantage (Stevenson, 2011).

Competitive priorities in a service setting comprise of a strategic emphasis on developing certain service capabilities that may enhance an organization's position in the marketplace (Prajogo and McDermott, 2011). In today's competitive world, success in business is often influenced by the appropriateness with which organizations select their competitive strategies. However, because of scarceness of resources, firms cannot pursue all competitive bases which include: cost, delivery, speed, flexibility and quality, simultaneously (Hayes & Wheelwright, 1984). Therefore, an organization would have to be above average in the industry for the chosen competitive strategy.

In most service operations, a high degree of customer contact is involved, which influences the consumers' perception of the service quality. Since service quality is usually evaluated by

the process in which it is delivered as well as the quality of any solid product involved (Gronroos, 1988), it is more complex to determine the quality of service delivery than that of manufactured goods. Hence, measuring for quality assurance, productivity, and overall operational competitiveness is more challenging for service operations given that services are delivered and consumed simultaneously and there is a high degree of inputs variability. In manufacturing, errors in product quality can easily be traced and rectified before reaching the customers unlike in service operations where the customer is part of the process (Stevenson, 2011). Quality generally changes as one shift to service operations.

1.1.1. Services Quality

Service quality is a measure of how well the service level delivered matches customer expectations (Parasuraman, et al., 1988). It is regarded as a critical determinant of operational competitiveness and facilitates an organization to distinguish itself from others (Parasuraman et al. 1991). Several conceptual models have been developed to assist organizations detect quality problems and plan for quality improvement strategies. A model developed by Gronroos, (1982) suggests that consumers usually compare the service they expect with perceptions of the service they receive when evaluating service quality. Also, when consumers evaluate service quality they not only measure the outcome of the service but also the process of delivering it. The model identifies three components of service quality; 'technical quality' is concerned with what is delivered (outcome), 'functional quality' looks at the process of service delivery (how it is delivered), and 'image quality' is the corporate image of the company that derives from both technical and functional qualities of service quality components.

SERVQUAL model (Parasuraman, et al. 1988) describes service quality as a function of differences between the expected and perceived performance combined with the quality

dimensions. The model shows the quality gaps between; consumers' expectations and management's perception of those expectations; the management's perceptions of consumer's expectations and service quality specifications; service quality specifications and actual service delivered; service delivery and the external communications to consumers about service delivery; and consumer's expectations and perceived service.

The implications of these quality gaps have a great impact on consumer's perceptions about the service quality which according to Parasuraman, et al. (1988) include: the management's failure to understand what consumer's expect in a service; inappropriate service quality standards which are caused by various factors such as resource constraints, business environment, and management indifferences; the uncertain service performance caused by variability in employee performance; and whether the promises made by the firm match the service delivery as communicated through media advertising and other external communication channels. The discrepancy between consumer's expectations and perceived service indicates that perceived service quality is the result of the consumer's comparison of the expected and perceived service. This gap depends on the size and direction of the other gaps associated with the design, marketing and delivery of service and is linked to the consumer.

According to SERVQUAL model by Parasuraman, et al. (1991), service quality can be evaluated in five dimensions: tangibles, that is, physical facilities, equipment, and appearance of employees and other customers; reliability which include, consistency, dependability, and accuracy of the service performance; responsiveness, that is, employees' willingness to help customers and provide prompt service; assurance that include, competence, courtesy, credibility and security, trustworthiness, confidence, and knowledge of employees; and

empathy which include, caring and individualized attention given to customers, easy access, good communication and customer understanding.

1.1.2. Service Quality in Tourism Industry

Most of the previously developed service quality models tend to focus entirely on customer expectations of service, evaluating how customers perceive the actual service performance and how they feel about the current service delivery systems. In tourism, customers use service dimensions or types to evaluate the quality of services. However, each service dimension or type does not have equal significance in terms of how they affect tourist satisfaction. For instance, one consumer may choose a reliable service, while another consumer prefers the responsiveness and individualized attention given by the service provider. Also, the value of each service attribute or type is measured differently from one service industry to another depending on what are the most critical aspects in the sector.

Tourism industry serves consumers from all cultural backgrounds worldwide and each consumer has personal preferences on how they want their services delivered. Attempting to satisfy each consumer's demands may stretch the firm's limited resources and this could lead to incompetency and ultimate closure of the business firm. Therefore, managers and other decision makers ought to find out which specific attributes or types of service quality are more important to consumers when selecting tourism products/services and destinations.

1.1.3. Operational Performance

Operational performance in this context is applied to describe how efficiently an organization meets the needs and wants of consumers relative to others that offer similar goods or services (Stevenson, 2011). Service operations impact on operational performance of an organization through various decision areas such as service quality, service design, response time, cost,

and flexibility (Stevenson, 2011). A firm gains operational competitiveness when its services exceed the minimum level of customer expectations (Parasuraman, et al., 1991). This increases gradually if the firm guarantees higher level of service.

Operational performance of a firm can be measured in many different ways. The most common approaches include financial ratios such as return on investment, return on sales, and return on equity (Barney, 1997; Richard 2000). Some firms especially the small firms with no profit history, use actual amount of revenues or the number of employees to measure their operational performance (Davidson, 1991). In tourism industry, the common measures of operational performance include use of bedroom occupancy rates, annual revenue, break-even point, and tourist satisfaction (Morrison and Teixera, 2004). In addition, the fact that the firm's output is value; efficiency is also considered the criteria of measuring operational performance.

In tourism operational performance is influenced by the ability of firms to provide high quality services (Fuller, et al., 2006). The capacity to offer a superior quality of service is one of the most effective means of ensuring that a firm distinguishes its offerings from its competitors in the industry (Parasuraman, et al., 1991). Operational competitiveness is thus viewed as an ongoing potential of an organization or the current achievement of a firm in the marketplace when determined by its market shares or its profit. The key to successfully compete in the market is to determine what customers want and then directing efforts towards meeting and/or exceeding customer expectations (Stevenson, 2011).

1.1.4. Tourism Sector in Kenya

Tourism industry in Kenya is the second largest source of foreign exchange earnings contributing over 10% to GDP (Ikiara et al., 2006). The industry comprises of both small and large tourism firms that form the engine of tourism movement of a tourist destination. The services offered by these firms are unlimited and include organizing tours and visits, arranging for both sightseeing and packaged tours, providing relevant travel information about the destination, serving as intermediaries for transportation and accommodation bookings, issuing air tickets, and organizing for car rental services and other services on behalf of the consumers.

Tourism provides many economic and social benefits for the country. In 2005, more than 176,000 people were directly employed in the industry (hotels, tour operation firms, transport sector, and tour guides) and more than 360,000 jobs in the informal sector. This constituted 10% of jobs in the formal sector in Kenya (CBS, 2006). At the same time, tourism indirectly stimulates other sectors of the economy such as agriculture, construction, banking as well as arts, crafts and music industries. The number of international tourist arrivals decreases during low seasons (April-June) and drastically increases during high seasons (July-March).

Porter (1980), argues that competition within an industry including tourism sector, is determined by five competitive forces which include; rivalry among the firms in the destination, entry barriers, the threats of substitutes that renders some services obsolete, the bargaining power of suppliers in this case, the power of tourist generating countries such as countries in Europe, America, and Asia, and the bargaining power of consumers that is usually influenced by their perceptions of the quality of services offered at a destination.

Porter suggests that the ability of a firm to gain operational competitiveness depends on its capability to influence the five competitive forces in the industry.

For a long time, the sector of tourism in Kenya has continued to record drawbacks of poor performance and a reduction in the number of international tourist arrivals (Akama, 1997). On average, the sector attracts about one million international tourist arrivals annually compared to other tourist destinations in the region, such as Egypt, Morocco, and South Africa that hosts more than eight million tourists each year (Wadawi, et al., 2011). One most important aspect that confronts many tourism managers and other key players in the industry is how to achieve operational competitiveness using service quality by establishing the key service attributes that are most important to many tourists and other visitors that choose Kenya as their preferred tourist destination.

1.2. Research Problem

Gronroos (1988) model suggested that a firm can achieve operational performance by focusing on one of the three components of quality. The understanding of the model is that operational performance can be achieved either by improving the technical quality or functional quality. Another approach to achieve this is by enhancing the corporate image of a firm. Alternatively, the interpretation of the model also entails that for a firm to achieve and sustain operational performance, it must improve on all the three components of quality. The gap model developed by Parasuraman (1985) proposed that service quality is basically the difference between the expected and perceived performance which in turn is expected to affect competitiveness of the firm.

Managers make the most important decisions that determine the success of the industry. Achieving operational performance is one important aspect that confronts many tourism

firms in Kenya. To improve on operational competitive position of a firm requires tourism managers to understand which components of quality are more significant to consumers and how they influence the perceived service performance. Also, firms operate within a framework of constraints such as skills, knowledge, experience, people, and technology, which can impede tourism managers to attain operational performance. Hence tourism firms ought to establish the service quality components that most impact on their operational performance.

There are few studies in tourism industry that have attempted to relate specific service attributes or types to the way consumers perceive service quality. A study in Spain found out that reliability, tangibles, and assurance dimensions of service quality are considered most important in customer satisfaction in tourism sector (Milan and Esteban, 2004). Another study in Egypt found that corporate image has a great impact on the quality of services as perceived by the customer (Abd-El-Salam, et al., 2013). In Kenya, a study by Ragui, et al., (2013) found that reliability is one of the most essential aspects that affect tourist satisfaction. Another study by Wadawi, et al., (2011) confirmed that tourism product/service quality and hospitality play a vital role in motivating tourists to choose Kenya as their preferred destination.

Few research studies in Kenya have investigated on how to achieve operational performance using service quality components as suggested by Gronroos model. The aim of this study was to review and investigate service quality and operational performance based on service quality components in Kenyan context as described in the model. The study focused on the relative importance of technical quality, functional quality, and corporate image and how these affect operational performance of firms in tourism industry. The study sought to answer

two research questions: should tourism enterprises improve on all the three service quality components in order to achieve operational competitiveness? Which service quality components significantly affect operational performance in Kenya's tourism industry?

1.3. Research Objectives

The main purpose of this study was to examine how operational performance can be achieved using service quality in tourism enterprises in Kenya. The specific objectives were:

1. To establish the determinants of corporate image of firms in Kenya's tourism industry
2. To determine the relationship between technical quality and operational performance of firms in tourism industry
3. To determine the relationship between functional quality and operational performance of firms in tourism industry
4. To determine the relationship between corporate image and operational performance of firms in tourism industry.

1.4. Significance of the Study

The findings of this study provide the guidelines that can help operations managers in tourism industry and other decision makers to outline a service improvement plan for their organizations. The study offer useful information needed for service quality improvement in tourism sector and propose a practical help to service operations managers, tourism planners and experts to understand the concept of service quality and its effectiveness in improving operational performance of the firms. Tourism operations managers make the most important decisions that determine the success of the industry. The findings of this study were meant to help tourism managers especially those in tour operations enterprises to understand which

components of quality are more significant to consumers and how they influence the consumers' perceived service performance.

Operations managers in other service industries also benefit from the findings of this study since they gain more knowledge on service quality improvement concept which is applicable to any service industry and is a successful strategy that drives any company's success. Service managers can acquire more knowledge on which components of service quality most impact on operational performance of their firms. The findings also help managers to realize the potential areas that require service improvement. By establishing the relationships among the service quality components and operational performance, manager gain knowledge on what determines the competitive position of firms in the industry.

Scholars and other researchers can make use of the study to identify further areas of research based on the fundamental findings of this study. The study act as a reference point for academicians and other researchers who would like to carry out their research studies in the same topic or other related topics. The findings and recommendations are useful for other researchers undertaking their studies in this area. The findings also highlight other important relationships within the service quality aspect in tourism industry that may require further research.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

This chapter reviews the literature on relevant topics under the study. The chapter was structured as follows: first, general service quality aspects in tourism industry were examined; then the concepts on corporate image and perceived service quality and how these affect operational competitiveness of business firms were explored; operational performance indicators of service firms was then discussed; and finally, the summary of findings was drawn and the conceptual framework that supports the variables under study were illustrated.

2.2. Quality in Tourism Operations

Quality improvement in tourism is one aspect that has received much attention from both public and private tourism organizations. According to Wille, (1992), poor quality in tourism industry results either from lack of quality awareness/interest or from employing the wrong systems for quality improvement. Various initiatives have been undertaken at both international and national levels to build quality awareness among the providers of tourism products and services (WTO, 1995). Both public and private tourism enterprises have also widely accepted that quality is one of the most important factors of their operational performance in the global tourism market (WTO, 1993).

A study by Augustyn (1998) suggests that despite all efforts to improve quality in tourism, there seem to be an increasing number of tourist dissatisfaction and many tourism enterprises especially tour operators have to deal with their customers' complaints on a daily basis. This implies that quality problems in tourism do not result from lack of quality awareness or interest but from improper systems of quality improvement being implemented. The findings also suggest that partial information about customer needs constitutes one major source of

increased customer dissatisfaction with the products offered by tour operators. While many tourists perceive quality as satisfaction with complete tourism experience from the time they leave home to the time they return (Medlik and Middleman, 1979), it is found that the popular tour operator's approach to quality in tourism limits tourists' satisfaction to those components of tourism product that are provided by the firm.

For instance, a tour operating firm offers a quality package composed of a seat in an aeroplane, a hotel room, and meals in a restaurant, and is interested only in the quality of those components as well as the quality of their services (Handszuh, 1996). Tourist satisfaction is influenced by many other factors such as quality of destination facilities, infrastructure, public transport, hospitality behaviour (Augustyn, 1998). This means that to enhance tourist satisfaction, the information needed for identification of quality improvement areas should relate to all components of total tourism product and not only to those offered by tourism firms. However, many firms may not have sufficient resources to develop and monitor complex information systems involved in provision of a quality service to that satisfies their customers.

Furthermore, each tourism firm provides only one or several components of total tourism product that is consumed by its customers during the entire course of complete tourist experience. Therefore, in order to enhance customer satisfaction, tour operators need to establish effective relationships with their stakeholders and especially the suppliers in the industry (Aguayo, 1990). However, achieving this may not be possible for tour operation firms due to the nature of tourism product which requires the input of more than one supplier. Lack of quality control in tourism industry contributes to the increasing number of tourist dissatisfaction with their total tourism experience (Augustyn, 1998). For example, with large

number of tourist destinations that tour operators deal with, and offer to the customers, an individual tour operating firm is not in any position to control the quality of all elements of total tourism product offered by providers operating in the host area. This lack of control plays a role in tourist dissatisfaction since standards promised or implied in advertisements are not matched by the reality of visitor's experience during their stay.

Therefore, for tourism firms to achieve operational performance, Augustyn (1998) points out that a new tourism system has to be developed which considers the following aspects; the system should be established within a tourist destination area so as the benefits that a destination offers to various markets can be identified accurately, and the providers of various tourism product components in the destination should cooperate and interact by creating links such as cartels or consortiums in order to become more productive than they would be if they operate in isolation. However, the success of this concept depends on the circumstances of the external environment in which a tourist destination areas attempts to survive and grow.

2.2. Corporate Image and Perceived Service Quality

In tourism context, service quality is viewed in terms of tourist opportunities available at a destination and tourist's overall experience (Crompton and Love, 1995). Also, multiple dimensions of perceived service quality such as functional, emotional, technical, and overall service value explains tourist satisfaction better than a singular concept of perceived service value (Lee and Chen, 2006). This implies that the value of service quality cannot be measured equally by all tourists. Perceived service quality is defined as the customer's judgement about overall service excellence or superiority (Zeithaml, 1988). In most service industries and tourism in particular, customers are not able to judge service quality before the service is performed. In such situations, the image of a firm influences norm development as

well as customer expectations (Oliver, 1997). This means that image influences a firm's ability to satisfy customer desires and overall customer perception of service quality.

Image is defined as the 'overall impression' created in the minds of customers about an organization (Nguyen, 2006). According to Kandampully and Suhartanto (2000), an organization's image is an important variable that positively or negatively influences the customers' perception of service quality and thus determines customer satisfaction. They conducted a survey from chain hotels in New Zealand with an aim to identify the factors of image and customer satisfaction that are positively related to customer loyalty in the hospitality industry. They established that corporate image impact on customer's perception of the goods and services offered by the firm. This implies that a customer's experience with products and services of a firm is one factor that influences their mind in regard to image.

Furthermore, the findings indicate that developing customer loyalty depends not only on the firm's ability to increase customer satisfaction in terms of service performance, but also on its ability to establish a favourable image in the minds of its customers. The image of the location, employee attitudes, facilities and services of the firm constitute important factors in determining customer loyalty. This means that customers tend to repurchase and recommend a business with a favourable image with the belief that it provides an assurance of high quality products and services. However, the results indicate that all aspects of service quality dimensions are not equally important to the customers. For instance, they found that hotel rooms and the ability and willingness of housekeeping staff to offer superior service were the most important factors in determining customer loyalty than other sections of a hotel.

These conclusions are consistent and in harmony with the findings of Hanzaee and Mirvaisi, (2011), who concluded that image and customer perception of service quality are primary

drivers of growth and value creation in the industry. In their study, they examined the role of image and service quality perception on customer satisfaction with the aim of understanding how customer satisfaction can be achieved based on service quality and image in tourism industry. They carried out a descriptive study in Iranians hospitality industry and concluded that the image of a firm influences the perception of service quality which directly determines customer satisfaction and experience. The customer's past experience with the firm's services is considered to be the most influential factor in determining corporate image. This means that, service managers should integrate service quality variables in their firms to increase their ability to achieve operational competitiveness. This can be performed by developing a culture and internal structure that encourages creativity and innovation of employees to offer excellent service.

2.3. Service Quality and Operational Performance

The fact that service quality is of fundamental importance and offers numerous benefits to service organizations is well established in the literature. Gronroos (1988) proposed a model that describes technical quality and functional quality components used by consumers to measure the quality of services. He later defined six criteria of evaluating service quality which include; professionalism and skills, reputation and credibility, and behaviour and attitudes, accessibility and flexibility, reliability and trustworthiness, and service recovery (Gronroos, 1988). Parasuraman et al. (1991) proposed SERVQUAL model and suggested that service quality can be measured through five functional dimensions which include; tangibles, reliability, responsiveness, assurance, and empathy. The model identifies service quality gaps between: customers' expectations and management perceptions of customers' expectations; management's perceptions of customers' expectations and service quality specifications; service quality specifications and service delivery; service delivery and external

communications to customers; and customers' expectations and perceived service. A firm can achieve operational performance in the industry if consumers regard its service offerings to be of higher value basing on various service quality elements.

Although there is no generally accepted conceptual definition of what 'service quality' means, nor operational definition of how to measure service quality, there is a consensus among several researchers that consumers evaluate quality of services by comparing their expectations of service quality with perceptions of service quality they have experienced from the firm (Gronroos, 1988; Parasuraman, 1991). When perceived service quality meets (or exceeds) service quality expectations, customer satisfaction occurs, however, when perceived service quality falls short of expectations, a service quality gap or customer dissatisfaction occurs. A study by Brogowicz, et al., (1990) presents a synthesized model of service quality describing the managerial activities of firms that improves the quality of services. They conducted analytical research based on earlier service quality model of Gronroos. The purpose of the study was to identify the service dimensions associated with service quality in a managerial framework of planning, implementation, and control. The findings from the study reveal that managers can achieve operational performance for their firms when they establish what their customers expect (technical quality) and how they expect to receive the service offering (functional quality).

Basing on Gronroos model, they defined technical quality in terms of what customers receive during the moment of interaction with the firm, which describes features such as; knowledge and skills, employees technical ability, technical solutions of products, and company reputation and credibility. Functional quality is how the customer receives the service, which constitute; employee attitudes and behaviour, consumer contacts, service mindedness,

accessibility and flexibility, reliability and trustworthiness, and service recovery. The key important factor is that for a firm to meet customer service expectations, managers must plan, implement and control both technical and functional service dimensions (Brogowicz, et al. 1990).

It is also established in the study that a service quality gap occurs when technical service expectations of customers exceed perceived technical service quality offered or received. Also, this happens when functional service quality expectations of customers exceed perceived functional service quality offered or received. This has a great impact on both productivity and operational performance of the firm. Operational performance consists of activities performed by service providers that contribute to productivity, efficiency and consistent quality (Kumar, et al., 2010). Hence service managers need to establish how to prevent or reduce service quality gaps among the consumers in order to meet and exceed service quality expectations of consumers to achieve operational competitiveness.

These findings were supported and reinforced by Sedlacek, et al., (2011) who established that service quality is the key factor in operational performance of firms in the industry. Their aim was to examine the perception of quality and emphasis on quality management of tourism firms in Czech Republic. They said that performance of an organization can be measured using various approaches. The most commonly adopted approach evaluate performance using financial ratios such as return on investment, return on sales, or return on equity. In tourism sector measuring firm performance uses a combination of measures such as bedroom occupancy rate, annual revenue, break-even point, and guest satisfaction.

The findings from the study indicate that though tourism firms perceive quality as the key success factor in operational performance, the level of its actual implementation is very low in tourism industry than other sectors. They revealed that many tourism firms regard service quality as their main competitive advantage and at the same time they have problems with its technical realization and even more with its subjective evaluation by the customer. This implies that most tourism companies do not attempt to fully satisfy the desires of their customers because they do not see any connection between customer satisfaction and their own operational competitiveness.

Considering the fact that tourism firms operates in the service industry, these findings are very surprising and reveal great shortcomings in the overall service quality, and operational competitiveness within the sector. Furthermore, the study discovered that though it is necessary that firms acquire and implement various certificates of quality, in most tourism companies, it is very normal to have these quality standards formally but not use them in their daily business operations. This however, is different for many companies from other sectors.

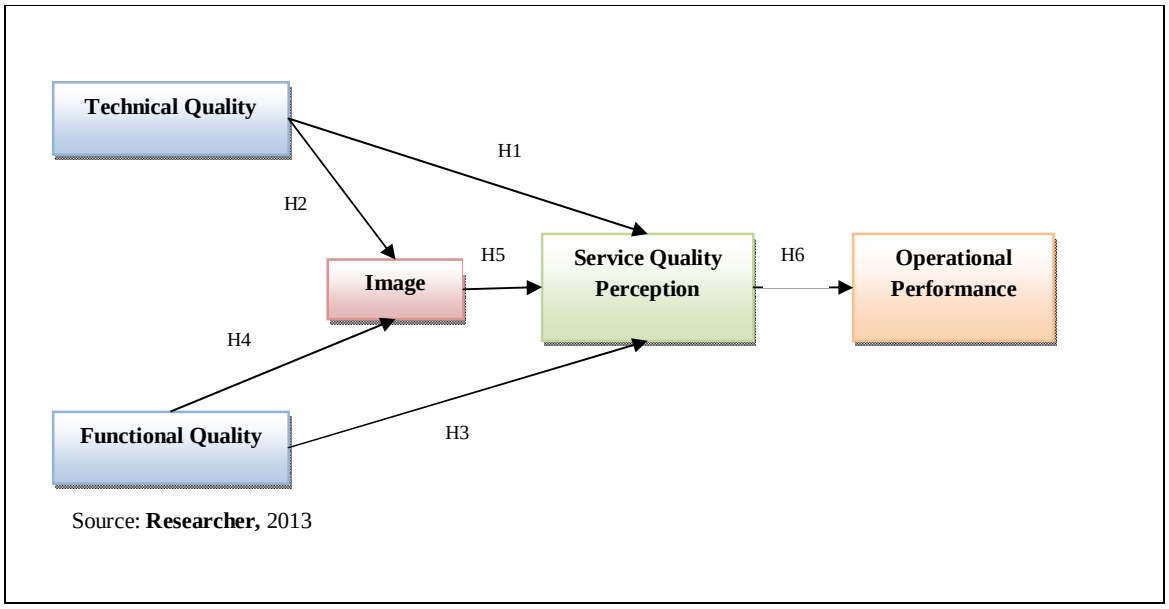
2.4. Summary of the Literature Review

It was well established in the literature that firms are capable of achieving operational performance in their industry if they determined what their customers expect (technical quality) and how they expect to receive the service offering (functional quality). It was also said that when services are difficult to evaluate, corporate image act as an important factor in influencing the customers' perception of service quality. When customers are satisfied with the services rendered, their attitudes towards the company improve. These significantly enable a firm to attain a competitive advantage over others in the industry.

2.5. Conceptual Framework

The study investigated technical quality, functional quality, and corporate image service quality dimensions, and how these affect operational performance of firms in Kenya's tourism industry. Figure 1 below showed the relationships among the key variables used in the study.

Figure 2.1: Service Quality Model



Source: **Researcher,** 2013

Based on the model in figure 2.1, the researcher empirically tested the following hypotheses:

H1: There is a positive relationship between technical quality and service quality perception

H2: There is a positive relationship between technical quality and image

H3: There is a positive relationship between functional quality and service quality perception

H4: There is a positive relationship between functional quality and image

H5: There is a positive relationship between image and service quality perception

H6: There is a positive relationship between service quality perception and operational performance

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Introduction

This chapter discusses the research methodology used in this study. Various elements used in acquiring the data for the study were described. These comprised of research design employed in carrying out the study; target population from which the sample size was selected and procedures used; the type of data collected and the instruments used; as well as the techniques employed in analysing the data collected.

3.2. Research Design

The study adopted descriptive research design. A descriptive research is designed to provide the picture of a situation as it exists at present moment (Cooper and Schindler, 2006). Descriptive study was preferred for this study since it helps the researcher to obtain complete and accurate information on the existing aspects of service quality and how these can help tour operators achieve operational competitiveness in the industry. The study established three components of service quality; technical quality, functional quality, and corporate image. These were achieved by systematic collection of primary data that was used to test hypotheses in the study and to discover the existing relationships among the variables under the study.

3.3. Population and Sampling

Target population for the study comprised of tour operators companies. Kenya Association of Tour Operators (KATO) indicated that there are approximately 342 tour operators in Nairobi and its environs (KATO, 2013). This implied that the population of this study was 342 tour operators firms that are based in Nairobi region. Companies in Nairobi were preferred for the study because most tourism firms have established their offices in Nairobi in addition to other tourist regions in the country.

Stratified random sampling was used to select the sample elements. In selecting the sample size, the researcher employed Godden, (2004) and Cooper and Schindler, (2006) formulas respectively, to identify a sample size from KATO list of member companies in Nairobi as shown in the table 3.1. KATO classifies its members in seven categories i.e. A, B, C, E, D, AF, and AS depending on the company size, financial position, and the number of employees. The sample size (SS) was attained as follows:

$$SS = \frac{Z^2 * p * (1-p)}{C^2} = \frac{3.8416 * 0.2 * 0.8}{0.0025} = 245.86 = 246$$

$Where\ Z = z - values\ (1.96\ for\ 95\ per\ cent\ confidence\ level)$
$P = percentage\ of\ population\ given\ as\ a\ decimal\ (0.1)$
$C = confidence\ interval\ of\ .05.$
Therefore, the new sample size $= \frac{138}{(1+\frac{138-1}{342})} = 98$

Table 3.1: Tour Operators Membership Categories

KATO Membership Categories	***No. of Firms***	***Respondents***
A	25	**7**
B	8	**2**
C	18	**5**
E	156	**45**
D	47	**13**
AF	10	**3**
AS	78	**22**
Total	**342**	**98**

Source: KATO list (2013)

Taking a nonzero probability of 0.100 the sample size was:

$$Probability\ of\ selection\ (0.100) = \frac{Sample\ size}{Population\ (342)} = 98\ Respondents$$

Therefore, a sample of 98 tour operators companies was selected randomly from a list of members of KATO operating within Nairobi region as shown in table 3.1.

3.4. Data Collection

The study used the primary data that was obtained through a structured questionnaire which was divided into two sections. The first section focussed on general background information

of the respondents, while section two concentrated on the company's perception of service quality and their efforts in achieving service quality. The questionnaire used closed-ended questions to test the ratings of various components of service quality. The researcher hand delivered the questionnaires to the respondents together with the help of two research assistants. The respondents comprised of operations managers in the service operations departments.

The instruments used to measure constructs involved in the study were constructed by the researcher. Likert rating scale was used to measure the variables in the study. Likert scale was adopted in this study since it is more reliable and provides a greater volume of data and ensures that each item meets an empirical test to allow for discrimination ability between favourable and unfavourable attitudes among the respondents. The company's general efforts in improving service quality were assessed on a scale ranging from 'always' (1) to 'never' (4). Operational competitive position of tourism companies was measured on a scale ranging from 'to a great extent' (1) up to 'not at all' (4). Perceptions of technical quality was also measured on a scale ranging from 'very satisfied' (1) to 'very dissatisfied (4) and functional quality dimensions on a scale ranging from 'true' (1) 'somewhat true' (2) and 'not true' (3) while corporate image was measured on a scale ranging from 'absolutely characterises' (1) 'somewhat characterises' (2) and 'does not characterise at all' (3).

3.5. Data Analysis

The data collected for the study was coded using SPSS software. The response rate was established at 88%. The data was presented using pie charts and tables. Several analytical techniques were used to assess the relationships among the variables under investigation and this involved use of the mean scores, standard deviations, and correlations. Correlation analysis was applied to determine any connections between the variables pairs.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1. Introduction

The findings were presented and analysed based on specific objectives and hypotheses of the research study. The results were presented in form of pie-charts and tables. The findings were discussed in comparison to what other scholars have said as noted under literature review. The study concentrated on three service components that firms maintain in order to achieve operational performance as suggested by Gronroos model (1988). These include: technical quality in terms of what is delivered, functional quality which looks at how the service is delivered and corporate image which is derived from both technical and functional qualities of service quality components.

4.2. Response Rate

The study targeted company managers as respondents from 98 tour operators companies in Nairobi region. Stratified random sampling was used to select a sample size from KATO list of member companies. From the 106 hand-delivered questionnaires, 86 were successfully collected from the respondents who filled them out. Total response rate as shown in table 4.1 was thus 88%.

Table 4.1: Response Rate

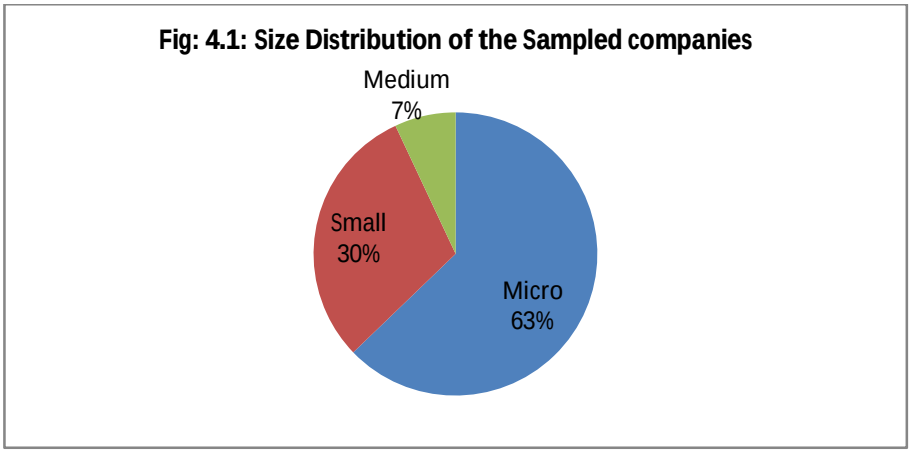
Questionnaires	**Frequency**	**Percent (%)**
Respondents	86	88
None Respondents	12	12
Distributed	**98**	**100.0**

4.3. Organization Characteristics

To determine the companies' level of establishment, the researcher captured the information on the size and the affiliation/management of the firms as shown in figures 4.1 and 4.2

respectively. The size of the firm and its affiliation has an influence on how service quality is perceived and the overall operational performance of firms in the industry. From the data collected, about 63% of the companies are micro enterprises, while 30% of the firms are small enterprises. Only 7% of the sampled firms were medium-sized firms with over 50 employees.

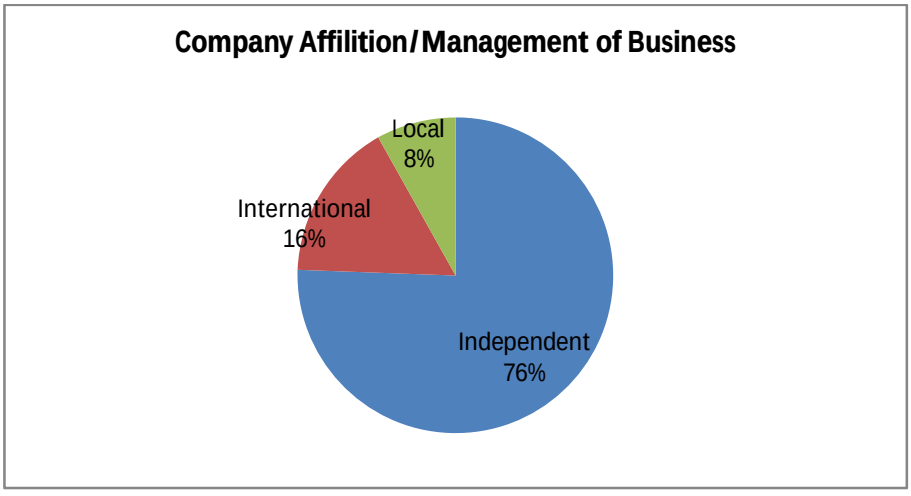
Figure 4.1: Size Distribution of the Sampled Companies



Survey Data 2013

Nonetheless, majority of the sampled firms are independent entities (76%) with only 16% of the firms internationally affiliated while the rest of the firms are locally (8%) affiliated.

Figure 4.2: Company Affiliation/Management of Business



Survey Data 2013

4.4.Results

The Mean scores for each variable in the study are given in a summarized form as shown in appendix 2. The total Mean score of the respondents for technical and functional qualities are given as 2.7884 and 1.9535 respectively. Corporate image scored a total Mean of 2.7302, while service quality perception scored and operational performance scored 2.7422 and 2.1860 correspondingly. Technical quality, service quality perception, and operational performance scores ranged between 1 and 4, while both functional quality and corporate image scores ranged between 1 and 3.

Table 4.1: Technical Quality Scores

		Technical Quality Score	
		Mean	Std. Deviation
Size of the firm	Micro Enterprise	2.8704	0.63858
	Small Enterprise	2.6462	0.73388
	Medium	2.6667	0.43205
Affiliation/management of the business	Independent	2.7754	0.68785
	International	2.7286	0.53555
	Local	3.0286	0.64734

Survey Data, 2013

Technical quality scores ranged between 1 and 4 scores. Micro enterprises have the highest Mean of 2.8704 on technical quality scores compared to other firms of different sizes as shown in table 4.1. This means that most respondents from micro enterprises were more satisfied with most technical quality items in their firms. There seems to be no significant difference between Mean technical quality score for small enterprises and medium enterprises. On the other hand, the standard deviation for small enterprises technical quality score is the highest with 0.7338, indicating that there is a high variability in technical quality score of small enterprises. Technical quality score for locally affiliated enterprises is the highest with a Mean score of 3.0286 than among internationally affiliated and independently managed enterprises which signify that majority of respondents from locally affiliated

enterprises are more satisfied with technical quality aspects than respondents from other business affiliations.

Table 4.2: Functional Quality Scores

		Functional Quality Score	
		Mean	Std. Deviation
Affiliation/management of the business	Independent	1.9446	0.49813
	International	1.8571	0.41826
	Local	2.2286	0.50897
Size of the firm	Micro Enterprise	1.9926	0.48364
	Small Enterprise	1.9385	0.50839
	Medium	1.6667	0.43205

Survey Data, 2013

Functional quality score is highest in locally affiliated/managed businesses showing a Mean of about 2.2286 followed by independently managed businesses with almost 1.9446 and lowest on international affiliations with 1.8571 as shown in table 4.2. The Mean score range was between 1 and 3 with values close to 3 signifying that the firm has truly adopted functional quality aspects. Values close to 1 indicates that the firm has no functional quality aspects or the firm has lowly adopted functional quality aspects. According to the Mean functional quality scores in table 4.2, it can be assumed that different sizes of firms have to some extend adopted functional quality aspects. Medium sized firms have the lowest functional quality score with a mean of 1.6667.

Table 4.3: Corporate Image Scores

		Corporate Image Scores	
		Mean	Std. Deviation
Affiliation/management of the business	Independent	2.1262	0.55517
	International	2.3000	0.78740
	Local	2.5143	0.47409
Size of the firm	Micro Enterprise	2.2148	0.54371
	Small Enterprise	2.0385	0.66937
	Medium	2.5667	0.62503

Survey Data, 2013

Corporate image scores ranged between 1 and 3 scores, with the highest score indicating that the firm has good corporate image. Local firms have the highest corporate image Mean of

2.5143 as shown in table 4.3 indicating that these firms have almost absolute characteristics of good corporate image. Independent firms on the other hand have the lowest corporate image score but above 2 indicating that they are yet to achieve most of the aspects of a good corporate image. Medium sized firms have the highest corporate image of about 2.5667 when compared to other firms of different sizes while small enterprises have the lowest corporate image scores of 2.0385.

Table 4.4: Service Quality Perception Scores

		Service Quality Perception	
		Mean	Std. Deviation
Affiliation/management of the business	Independent	2.6769	0.78158
	International	2.7714	0.66959
	Local	3.1429	0.58554
Size of the firm	Micro Enterprise	2.7519	0.76719
	Small Enterprise	2.7308	0.77963
	Medium	2.5333	0.58878

Survey Data, 2013

Local company affiliations and micro-sized enterprises have the highest service quality perception Mean scores of 3.1429 and 2.7519 respectively as illustrated in table 4.4. The Mean service quality perception scores for micro enterprises and small enterprises do not differ significantly while for the medium sized firm has the lowest with 2.5333. The variability of service quality perception scores among various types of firms is very high indicating that there is a high variation among various aspects of service quality perception items.

Table 4.5: Operational Performance Score

		Operational Performance	
		Mean	**Std. Deviation**
Affiliation/management of the business	Independent	2.7051	0.73584
	International	2.7262	0.65244
	Local	3.119	0.58305
Size of the firm	Micro Enterprise	2.7963	0.70538
	Small Enterprise	2.6795	0.77161
	Medium	2.5278	0.55193

Survey Data, 2013

The operational performance scores ranged between 1 and 4 with low scores indicating minimal gains in operational performance. Local firms seem to have gained the highest operational performance among the three business affiliations as revealed in table 4.5. Local firms have the highest operational performance Mean score of 3.119; however, the operational performance scores for independent and international affiliations do not differ significantly. Micro enterprises on the other hand have the highest operational performance Mean score of 2.7963 when compared to other sizes of firms while medium sized firms have the lowest Mean of 2.5278. The operational performance score decreases with an increase in the size of the firm.

4.5.Findings and Discussion

The main aim of this study was to investigate service quality and operational performance in tour operations in Kenya. The specific objectives included; to establish the relationships between the three service quality components as proposed by Gronroos Model which are technical quality, functional quality, and image; and operational performance of firms in tourism industry. The hypotheses tested for this study were six and they stated as follows: there is a positive relationship between technical quality and image (H1), there is a positive relationship between technical quality and image (H2), there is a positive relationship between functional quality and service quality perception (H3), there is a positive relationship between functional quality and image (H4), there is a positive relationship between image and service quality perception (H5), and there is a positive relationship between service quality perception and operational performance.

Correlation analysis was carried out to examine the nature and strength of associations that exist among the variables in the study. The independent variables in this case were technical quality and functional quality, while the dependent variables were corporate image, service

quality perception, and operational performance. Preliminary steps were involved in calculating scores for each variable. The scores for each variable were calculated by adding up the ratings of each aspect that used to measure that variable. Table 4.6 illustrate the correlation coefficients matrix. All the five variables correlate significantly. However, the strength of relationship differs between different pairs of variables. Some pairs of variables have very strong relationships while others have weak correlations.

Table 4.6: Correlation Coefficient Matrix

		Technical Quality	Functional Quality	Corporate Image	Service Quality Perception	Operational Performance
Technical Quality	Pearson Correlation	1	.794**	.466**	.882**	.935**
	Sig. (2-tailed)		.000	.000	.000	.000
Functional Quality	Pearson Correlation	.794**	1	.233*	.810**	.805**
	Sig. (2-tailed)	.000		.031	.000	.000
Corporate Image	Pearson Correlation	.466**	.233*	1	.262*	.342**
	Sig. (2-tailed)	.000	.031		.015	.001
Service Quality Perception	Pearson Correlation	.882**	.810**	.262*	1	.964**
	Sig. (2-tailed)	.000	.000	.015		.000
Operational Performance	Pearson Correlation	.935**	.805**	.342**	.964**	1
	Sig. (2-tailed)	.000	.000	.001	.000	

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).
Survey Data, 2013

Operational performance and service quality perception have the strongest bivariate correlations while the correlation between corporate image and functional quality was the moderate. Strong positive correlations existed between the following pairs of variables; functional quality and technical quality, functional quality and operational performance, functional quality and service quality perception, operational performance and technical

quality as well as technical quality and service quality perception. Finally the correlation between corporate image and other variables were slightly lower than other pairs. Therefore, the bivariate correlation coefficients confirm that all the five variables of the study correlate significantly. This means that all the six hypotheses were statistically relevant and acceptable. As a result, several interesting findings that emerged from the study were discussed.

4.5.1. Corporate Image of Firms in Tourism Industry

According to the responses on corporate image items, majority of the respondents scored averagely, which shows that many of these firms have attempted to attain at least some aspects of a good corporate image. However, most firms are yet to achieve the highest corporate image characteristics. Again, the correlations between corporate image and other pairs of the variables in the study showed positive relationships though fairly lower than other variable correlations. This means that although the image of an organization has a direct impact on the way consumers perceive service quality; many firms particularly the independently managed firms in tourism are yet to realize this importance. According to the literature, image is derived from both technical and functional qualities (Gronroos, 1988). This denotes that most of the firms in tourism industry still need to work on both technical and functional quality characteristics in order for them to attain a good reputation and image from their consumers.

In tourism industry, customers are not able to judge service quality before the service is completely performed. In such cases, the image of a firm influences the firm's ability to satisfy customer's desires and overall customer perception of service quality. Previous studies confirm that the image of location, employee attitudes, facilities, and services offered by the firm constitute important factors in determining the perceived service quality (Kandampully and Suhartanto, 2000). The current study findings also support Addreassen and Lindestad's

(1998) contention that image is an important factor in influencing the perception of service quality because services are generally difficult to evaluate. These results provide an empirical support for the importance of image on resolving an individual's perception of overall service quality.

4.5.2. Service Quality Perception in Tourism Industry

From the findings, majority of respondents had high scores on service quality perceptions items. These findings confirm that many top managers of tourism firms are extensively aware of the importance of service quality and majority of them are committed towards bringing coordinated efforts in improving the quality of services offered by their organizations. Service quality perception also indicated very high correlations with technical quality and functional quality. Furthermore, service quality perceptions correlate highly with operational performance. This signifies that many tourism managers recognize the fact that service quality is a crucial element that determines their operational performance.

These findings corroborate those of Wille (1992) and Augustyn (1998) on their researches in United Kingdom where they found that poor service quality road-signs in tourism industry were ordinarily as a result of employing the wrong systems for quality improvement and not due to lack of quality awareness/interest among the service providers as it is always perceived. This means that companies perceive service quality as one essential factor that influences operational performance. If companies really attach such weight to the aspects of service quality, it is reasonable to expect that they systematically manage the quality of their offerings and thus strengthen their operational performance; however, this is usually not the case especially in tourism sector.

4.5.3. Operational Performance and Service Quality in Tourism Industry

The correlation findings showed high correlations between operational performance and service quality perception, technical quality and functional quality, and corporate image. These findings imply that operational performance can be achieved by improving on both technical and functional quality. These findings support those of Brogowicz, et al., (1990) on their study in USA where they concluded that service managers must determine what their customers expect and how they expect to receive that quality service. Firms that focus their managerial tasks of planning, implementing, and controlling on both technical quality systems and functional quality operations perfect their service offerings which eventually improve overall operational performance of their firms.

Although both functional and technical qualities influence the overall perception of service quality and operational performance as indicated in correlation analysis tests, the current study denoted that many tourism companies put more emphasis on improving technical quality aspects than functional quality which has more influence on the way consumers perceive service quality. From the literature, while technical and functional quality are interrelated, Gronroos (1982) concluded that functional quality features such as employees attitudes and behaviour, service mindedness, consumer contacts, appearance, accessibility, and internal relations were more important in influencing service quality as perceived by consumers than other variables. The interaction between service providers and consumers during the purchasing moment was more important than what is being delivered to the customer.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter summarizes the findings of the research and draws conclusions and recommendations based on the objectives of the study. The areas for further research and the limitations of the study are also presented.

5.2. Summary of the Findings

The study was carried out to investigate service quality components and operational performance in tourism enterprises in Kenya. Primary data was collected using a structured questionnaire which was administered to service operations managers of tour firms. The assumption was that service operations managers make the most important decisions that determine the success of the industry and achieving operational performance is one important aspect that confronts many tourism firms in Kenya. Hence it was necessary to analyze what firms consider to be the key service quality components that help them achieve competitive advantage in the industry. The response rate of the study was 88% that is, 86 out 98 questionnaires were completed and collected.

The results indicate that, about 63% of the sampled firms were micro enterprises with less than ten employees, while 30% were small enterprises. Only 7% were medium firms that is, they have over fifty employees. Again, about 76% of sampled firms operate independently while 16% were internationally affiliated and 8% were affiliated to other local firms. Technical quality scores showed micro enterprises with highest Mean of 2.8704 than in both small and medium-sized enterprises which had no significant difference between them. Furthermore, technical quality score for locally affiliated enterprises was higher with a Mean of 3.0286 than those that are independent and internationally affiliated. Functional quality

score was high in locally affiliated enterprises with a Mean of 2.2286 followed by independent enterprises with a Mean of 1.9445 and internationally affiliated with a mean of 1.8671. The medium enterprise recorded the lowest Mean of 1.6667 followed by small firms and then micro enterprise which scored a Mean of 1.9926.

Corporate image score was highest in locally affiliated firms with a Mean of 2.5143. Independent firms scored lowest on the corporate image with a Mean of 2.1262. Medium firms scored highly on corporate with a Mean of 2.5667 while small firms had the lowest mean score of 2.0385. Locally affiliated and micro firms had the highest service quality scores showing a Mean of 3.1429 and 2.7519 respectively. The Mean service quality perception score for micro and small firms did not have significant differences between them, while those of medium firms had the lowest score of 2.5333. Local firms had the highest operational performance with a Mean of 3.119. Micro firms had the highest operational performance score of Mean of 2.7963 compared to other firms.

The bivariate correlation coefficients confirmed that all the five variables undertaken for the study correlate significantly. Therefore, all the six hypotheses were statistically relevant and acceptable. Operational performance and service quality perceptions had strong correlations while the correlations between corporate image and other pairs of the variables in the study showed positive relationships though fairly lower than other variable correlations. Since corporate image derive from both technical and functional qualities, firms in tourism industry still need to work on both technical and functional quality characteristics in order for them to attain a good reputation and image from their consumers. Service quality perception also indicated very high correlations with technical quality and functional quality. Also, service quality perceptions correlate strongly with operational performance. This signifies that many

tourism managers recognize the fact that service quality is a crucial element that determines their operational performance.

The correlation findings showed high positive correlations between operational performance and service quality perception, technical quality and functional quality, and corporate image. These findings imply that operational performance can be achieved by improving on both technical and functional quality. Also, it was found that many tourism companies put more emphasis on improving technical quality aspects than functional quality which has more influence on the way consumers perceive service quality. Finally, this study analyzed the views on service quality among micro, small and medium firms and their affiliations. The findings show that although both micro and small enterprises managed independently generally place a similar level of importance on service quality components as medium, internationally affiliated firms, they are yet unsuccessful in attaining high operational performance.

5.3. Conclusion

Previous studies on service quality have led to the building up of several service quality components and have generated different service quality models. This study presented information based on the results about how companies in tourism firms can achieve operational performance through improving on technical and functional qualities and the overall image of the firm.

Tourism industry is one of the fastest growing sectors of the economy of Kenya. To remain competitive, the industry should focus on improving service quality components that enables firms to achieve high operational performance. It is necessary to improve on both technical and functional quality which would continually improve corporate image. However, although

technical and functional qualities are interrelated, functional quality has more influence on the performance of a firm than technical quality. This is due to the fact that services are more difficult to evaluate hence consumers employ functional quality clues such as employees' attitudes and behaviours, reliability and trustworthiness, professionalism and skills, and service recovery to measure the quality of service they receive during the moment of interaction with service providers.

5.4. Recommendations

Service managers in tourism enterprises should make service quality a top priority in measuring operational performance. This can be achieved by employing several factors: focusing on improving the quality of service offerings and customer satisfaction; retaining customers by meeting and exceeding their needs and expectations; continuous quality improvement; continuous training and empowerment of service-oriented staff; searching for the best practices through benchmarking; and pursuit of quality accreditation through various schemes such as ISO and eco-labels.

Service operation managers should also provide a framework by improving on service quality components that would enhance their ability to satisfy their consumers so as to remain competitive in the market. It is also important to note that relationships among the variables are dynamic in nature. Therefore, operations managers should continuously monitor new developments in the market so as to improve the quality of their offerings. Furthermore, it is essential to mention that technical quality or functional quality or even corporate image alone may not lead to significant impact on how service quality is perceived by consumers and overall operational performance of firms. These variables have strong relationships among themselves. In addition, firms should identify the specific service quality components that are

effectively-resourced, under-resourced or over-resourced and find concrete approaches on allocating more resources on those service quality components that require improvement.

5.5. Limitations of the Study and Suggestions for Further Research

This study was successfully undertaken but not without a few limitations. First, this study focused on assessing the service quality components among the tour operators' enterprises in Kenyan tourism industry. Therefore, generalizations may not be adequately extended to other business enterprises in tourism industry. Second, the study based its analysis on the primary data which were a collection of views of the respondents from sampled companies. Despite the fact that respondents were credibly selected, the study noted some inaccuracies due to unavoidable favouritism of some respondents in answering the questions. Although the questionnaire was structured in a way that it would be easier to detect if the data of respondents were misrepresented by firms, it was not possible to correct the discovered distortion whatsoever.

Arising from this study, the following directions for future research in operations management are recommended: first, the study focused its findings on tour operators' enterprises hence, it is recommended that a broad-based study covering all tourism enterprises in Kenya should be undertaken to realize which service quality components are crucial for firms to achieve operational performance. Similar studies can be replicated in a few years to come to assess whether these aspects have changed given that consumers' demands, preferences, needs and wants, expectations, and other variables are dynamic. Second, future researchers should enrich this study by examining service quality components from the consumers' point of view. This would lead to a more detailed evaluation of service quality in Kenya's tourism enterprises.

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APPENDICES

Appendix I: Questionnaire

This questionnaire is for the purpose of collecting data on how improving service quality can help tour operators to achieve operational performance in the industry. The data collected will be treated confidentially, and will be used specifically for academic purposes only.

Section A: General Information

1. Number of employees – tick one

Under 10 ☐ 10 - 50 ☐ 51 – 100 ☐ 101 – 200 ☐ 201 – 300 ☐ Above 300 ☐

2. Affiliation/management of the business

Independent ☐ Chain: International ☐ Local ☐

Section B:

3. Kindly indicate the extent to which you agree with the following statements about your organization. Write the answer using the numbers coded

Item I	Always (1)	Most of the time (2)	Sometimes (3)	Never (4)
The company managers are involved in bringing coordinated efforts towards meeting and exceeding customer needs				
Top management is committed to service quality management as a strategy to achieve organizational goals				
The company is involved in building awareness of service quality and the need to exceed customer requirements				
The business culture of the company is based on service quality concept				
The company employees are empowered to do what is required to meet the changing customer needs				

4. For each of the following statements, assess the extent to which you feel your organization has gained operational performance position over others in the industry.

Item II	To a great extent (1)	To a moderate extent (2)	Slightly (3)	Not at all (4)
Customer retention abilities				
Competence and experience in the market				
Flexibility in offering services				
Company technological design				
Location of the business				
Fair and effective system to measure employee performance				

5. Do you think the values listed below characterise the corporate image of your organization?

Item III	Absolutely characterises (1)	Somewhat characterises (2)	Does not characterise at all (3)
The firm is reliable and successful in the market			
The company is familiar to its customers			
The company has a good reputation			
The company provide excellent tourist services to customers			
The company makes a lot of contribution to the society			

6. To what extent are you satisfied with the following situations in your organization?

Item IV	Very satisfied (1)	Satisfied (2)	Dissatisfied (3)	Very dissatisfied (4)
The company has sufficient resources to offer good service				
The firm does the best for the interest of their customers				
The company has adequate capacity to satisfy customer needs				
The company working hours are flexible and convenient for the customer				
The company has modern looking equipment and new technologies				

7. Here is a list of qualities that organizations expect from their employees. Specify how true or not true the statements describe the qualities of employees in your department?

Item V	True (1)	Somewhat true (2)	Not true (3)
Employees are well behaved and consistently courteous with customers			
Employees have sufficient knowledge about the company products			
Employees provide services right the first time			
Employees habitually perform good service			
Employees have neat professional appearance			

Appendix 2: Mean Score Summary

Case Summaries

Respondents	Technical Quality (Scale 1-4)	Functional Quality (Scale 1-3)	Service Quality Perception (Scale 1-4)	Operation Performance (Scale 1-4)	Corporate Image (Scale 1-3)
1	3.80	2.80	3.80	3.83	3.00
2	3.80	2.80	3.80	3.83	3.00
3	3.80	2.80	3.80	3.83	3.00
4	3.80	2.80	3.80	3.67	2.40
5	3.80	2.80	3.80	3.67	2.20
6	3.80	2.80	3.80	3.67	2.00
7	3.80	2.80	3.80	3.67	2.00
8	3.80	2.60	3.60	3.83	3.00
9	3.60	2.60	3.60	3.67	3.00
10	3.20	2.60	3.60	3.33	2.80
11	3.20	2.20	3.60	3.33	1.40
12	3.80	2.80	3.40	3.50	2.80
13	3.20	2.40	3.40	3.50	2.00
14	3.40	2.40	3.40	3.33	3.00
15	3.40	2.40	3.40	3.33	2.20
16	2.80	2.40	3.40	3.33	1.40
17	3.20	2.40	3.40	3.17	1.40
18	2.80	2.00	3.40	3.00	1.80
19	2.80	2.40	3.40	3.00	1.00
20	3.60	2.20	3.20	3.50	3.00
21	3.40	2.20	3.20	3.33	2.60
22	3.40	2.20	3.20	3.33	2.40
23	3.40	2.20	3.20	3.33	2.40
24	3.20	2.20	3.20	3.33	2.00
25	3.00	2.20	3.20	3.33	2.00
26	3.20	2.20	3.20	3.17	3.00
27	3.20	2.20	3.20	3.17	3.00
28	3.20	2.20	3.20	3.17	2.80
29	3.20	2.20	3.20	3.17	2.40
30	3.00	2.20	3.20	3.17	2.20
31	3.20	2.20	3.20	3.17	2.00
32	3.00	2.20	3.20	3.17	1.40
33	3.00	2.20	3.20	3.00	3.00
34	2.80	1.80	3.20	3.00	1.80
35	2.80	1.80	3.20	2.83	3.00
36	2.80	2.20	3.20	2.83	2.20
37	3.20	2.20	3.00	3.17	2.60
38	3.00	2.00	3.00	3.00	2.60
39	3.40	2.20	3.00	3.00	2.00
40	2.80	2.00	3.00	2.83	3.00
41	2.80	2.00	3.00	2.83	1.40
42	2.40	1.60	3.00	2.67	1.00
43	3.00	1.80	2.80	3.17	2.60
44	3.00	1.80	2.80	3.17	1.40
45	2.80	1.80	2.80	3.00	3.00
46	3.00	2.00	2.80	3.00	2.40
47	2.80	1.80	2.80	2.83	3.00
48	2.80	1.80	2.80	2.83	2.20
49	2.80	1.80	2.80	2.83	1.80

50	2.40	1.40	2.80	2.67	2.40
51	2.80	1.80	2.80	2.67	2.00
52	2.40	1.80	2.80	2.50	2.00
53	2.40	1.80	2.80	2.50	1.80
54	2.40	1.80	2.80	2.50	1.20
55	3.20	1.80	2.60	3.00	2.00
56	2.80	1.60	2.60	2.83	2.60
57	2.60	2.00	2.60	2.67	2.40
58	2.80	1.60	2.40	3.00	2.20
59	2.60	1.40	2.40	2.33	3.00
60	2.20	1.60	2.40	2.33	2.00
61	2.00	1.20	2.40	2.33	1.40
62	3.40	2.00	2.20	2.50	2.40
63	2.40	2.20	2.20	2.50	2.00
64	2.60	2.40	2.20	2.33	2.00
65	2.40	1.20	2.20	2.33	2.00
66	3.00	1.60	2.20	2.17	2.40
67	1.80	2.00	2.20	2.00	1.20
68	2.40	1.20	2.00	2.33	2.00
69	2.60	1.20	2.00	2.33	1.60
70	2.60	1.60	2.00	2.00	2.40
71	2.00	1.40	2.00	2.00	1.40
72	2.20	1.60	2.00	1.83	1.80
73	2.60	1.80	1.80	2.17	2.80
74	2.40	1.20	1.80	1.83	3.00
75	2.40	1.20	1.80	1.83	2.40
76	1.80	1.00	1.60	1.67	3.00
77	1.80	2.40	1.60	1.67	1.20
78	2.00	1.40	1.40	1.67	2.00
79	1.40	1.80	1.40	1.50	2.00
80	1.40	1.40	1.40	1.50	1.40
81	1.40	1.00	1.40	1.50	1.40
82	1.40	1.00	1.40	1.33	1.00
83	2.00	1.60	1.20	1.33	2.40
84	1.40	1.60	1.20	1.17	1.40
85	1.60	1.00	1.00	1.17	2.60
86	1.20	1.20	1.00	1.00	1.60
Mean	**2.7884**	**1.9535**	**2.7302**	**2.7422**	**2.1860**
Std. Error of Mean	**.07113**	**.05279**	**.08135**	**.07698**	**.06439**
Std. Deviation	**.65966**	**.48959**	**.75445**	**.71385**	**.59708**