

Super-Measure Management (SMM) and Customer Satisfaction: Investigating the Relationship

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ABSTRACT

This study aimed at exploring various determinants of Super-Measure Management (SMM) namely, service guarantee, customer relationship, managing customers, strategic alignment and leadership on customer satisfaction and performance of the firm. Data were collected by using well-defined closed ended questionnaire. The study used reliability test and Pearson's correlation to analyze data. The result indicated that customer satisfaction and organizational performance are significantly positively related with service guarantee, customer relationship, way to manage customers, strategic alignment, and leadership style and practices of the employees. The findings suggest that incorporating these dimensions may provide service organization with the potential to improve performance and satisfy customers significantly.

Keywords: Super-measure Management, Customer Satisfaction, Performance, & Leadership

Introduction

“Super Measure” (SM) are of great relevance in modern management as it is a single measure that has great relevance up, down and across an organization (Morgan and Rao, 2002). It can be applied to align the behaviors and actions of the organization and its value proposition and customer needs. Companies like EMC, Nordstrom and Fairfield Inn have reaped over the years the benefits of usage of SM that provides a powerful thrust to a firm's direction. Most managers shun performance reviews due to its complicated nature, failure to see evidence of its affect on performance and fear of legal challenges if employees tie negative review to missed promotion or denied pay raise (Grensing-Pophal, 2001). A

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“Super-Measure” (SM) is a single measure that has great relevance up, down, and across the organization and to its customer base. This can be used to align the behaviors and actions of the various parts of a firm with the firm’s value proposition or customers’ needs. An SM is one on which all eyes within the firm are firmly fixed and which can be used to propel the firm in a unified fashion in its chosen direction (Morgan and Rao, 2002).

The onset of the 21st century has not diminished the challenges facing business enterprises. They are like ships navigating in uncharted seas, with major obstacles lurking below tranquil water, and storms sometimes come unexpectedly with great ferocity (Floyd and Wooldridge, 1992). Consequently, all connected to enterprise—from frontline workers through to presidents, shareholders, customers and suppliers—must align themselves continuously to the firm’s strategy and execute it.

Yet, despite the theoretical significance and potentially considerable impact of SMM, to date few studies, if any, have focused on understanding the role of the top management in enhancing the aforementioned processes and outcomes. The goal of the present study was to address this important yet relatively unstudied issue. The model proposed here focused on antecedents of key factors exercising an intervening impact on employee performance and satisfaction of customers.

Literature Review

Though an SM may be easily understood, its connection to the overall strategy of the firm or the connection of any one person to the SM may be far from simple. It may not be obvious to personnel in airline food preparation or baggage handling how their efforts can affect an airline’s on-time performance. And it may not be clear to “back-room” service personnel in a hotel such as cleaners that their performance can significantly affect a guest’s satisfaction. The eyes of the firm are on the SM. Though the improvement in the SM may benefit everybody, all employees must understand how they can affect the SM in order to release its full power. And they must understand the connection between the SM and strategy. Creating these connections requires a system for educating company members and communications links between members to identify opportunities from which they can benefit.

The ultimate goal of any organization is to maximize the value created and captured by human resources. To do so, the organization must engage in means by which superior performance and self-satisfaction can be obtained. Super-Measure

(SM) is one such means by which this can be attained. Morgan and Rao (2002) describe SM as a single measure that is relevant up, down and across an organization and to its customer base. They further stated that SM propels the firm in a unified fashion in its chosen direction. Determining the right aspect in order to gauge SM is a very crucial step because it leads to satisfaction and performance of the company.

Many experts believe that one means for a firm to achieve superior service quality is to offer a service guarantee (Wirtz, 1996). A service guarantee can communicate to employees the level of management commitment to customer satisfaction (Wirtz, 1998) and can provide a difficult goal for employees to strive toward. A service guarantee can empower employees to satisfy customers and, therefore, eliminate some of the constraints on achieving that goal. Better service guarantee leads to positive and higher performance and satisfaction for the company. Cahill and Warshawky (1995) reported that service guarantee could provide vision and value-congruence by communicating to employees the level of service that the firm intends to offer to its customers. A service guarantee provides tangible evidence to all employees of the importance of service quality to the firm by 'pushing' the firm for service quality lapses. The recovery side of the service guarantees can empower employees to satisfy customers.

The climate of concern for customers refers to employees' shared perception of the policies, practices, and procedures regarding service quality provided to the customers in the focal unit (Schneider, White and Paul 1998). Improved customer relationship has positive impact on performance and satisfaction of the company.

Bowen and Ostroff (2004) view HR practices as communication from the management to the employees that directly shapes how the employees interpret the strategic focus of the organization. Strategic alignment has a positive impact on performance and satisfaction for the company. Luo and Park (2001) suggested that the environment-strategy co-alignment leads to superior competitive advantage and financial performance. Financial performance is a determinant of success and hence, satisfaction. Strong and effective leadership leads to high performance and satisfaction levels in the company. Huang, Liu and Gong (2009) stated that the cause of citizenship behaviors is the motivational model, which is implemented by effective leadership. Huang et al. (2009) also argued that it is plausible that participative leadership behaviors may induce feelings of meaningfulness, as well as the sense of ownership and responsibility for work

outcomes; as a result, employees will be willing to do whatever it takes to make the organization successful.

For a service guarantee to be effective, it is important that there be a visible cost to the firm to recover from a service failure, the thinking being that these failure costs will encourage alignment of the firm's internal behaviors with its external market demands. In a time of increasing competition and more demanding consumers, superior service quality is becoming a key determinant of a firm's success (Jochen & Prem, 1994). Furthermore, the firm has an opportunity to recover the service and/or pay out the guaranteed compensation when dissatisfied customers complain. Satisfaction and customer retention are further increased when the complaints are resolved through service recovery or guarantee payouts (Hart, 1988).

A dynamic environment requires considerable work to ensure the strategic alignment of any measurement system. The difficulty in constructing effective SMs may make changes difficult, though benefits from the ease of communication, monitoring, and understanding should offset this difficulty considerably. In short, like many other ideas, the SM approach needs to be managed (Morgan & Rao, 2002). Customer relationship enhances the satisfaction of the customers substantially. One of the notable examples is Nordstrom, which is an upscale department store known for its unparalleled focus on customer service. Nordstrom viewed its floor staff as "individual entrepreneurs" and encouraged them to nurture long-term personal relationships with shoppers (Morgan & Rao, 2002). So based on above discussion following hypothesis can be deducted.

Hypothesis 1: Customer satisfaction is positively related with service guarantee, customer relations, managing customers, strategic alignment, and leadership

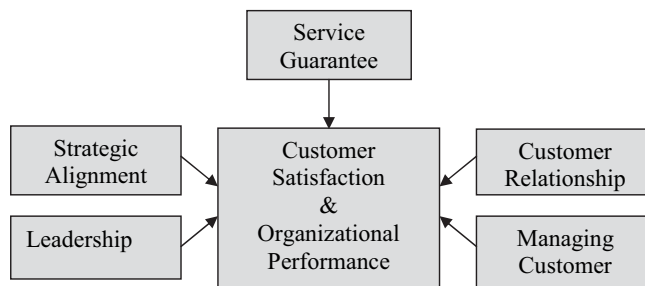
Hypothesis 2: Organizational performance is positively related with service guarantee, customer relations, managing customers, strategic alignment, and leadership

Conceptual Model

Most research studies have an explicit or implicit theory, which describes, explains, predicts or controls the phenomenon under study. Theories are linked to conceptual models and frameworks; whereas a conceptual model is more abstract

than a theory and a theory may be derived from a model, the framework is derived deductively from the theory (Burns & Groves 2001). A model is tested that derived from a review of the literature by integrating theory and research relating to antecedents of super measure management (SMM) such as service guarantee, customer relationship, strategic alignment, leadership and managing customer and their relationship with organizational performance and customer satisfaction (Figure 1).

Figure 1: Research Framework



Method

The study prosecuted convenience sampling approach to collect data from a large bank. The name however, was promised not to be disclosed due to ethical obligations. Some days were spared randomly to get a whole picture of the organization. Both front and mid managers were approached and sample size was 100. Super Measure Management (SMM) concept was spelled out before getting started with data collection. Fixed alternative with Likert 5 scale (e.g., 1=highly disagree, 2=moderately disagree, 3=neutral, 4=moderately agree, and 5= highly agree) was deployed, which otherwise falls under the itemized rating scale. The questionnaire was administered by a group of three members with physical presence in the organization. The study took a number of variables into account like customer satisfaction, service guarantee, customer relations, managing customers, strategic alignment, and leadership, customer satisfaction and company performance.

Results and Discussion

Table 1 below represents reliability coefficient (alpha) that ranges from 0.5 to 0.8. This was essential to know internal consistency of items among the variables

considered in the study. Since the sample size is smaller so is the coefficient value. Hypothesis 1 predicted that customer satisfaction is positively related with service guarantee, customer relations, managing customers, strategic alignment, and leadership. As shown in Table 1, customer satisfaction is significantly positively related with service guarantee, customer relations, managing customers, strategic alignment, and leadership. Morgan and Rao (2002) also reported that customer evaluates the firm's performance against this guarantee.

Table 1: Mean Standard Deviation, Reliabilities and Correlations of Variables

Variables	Mean	SD	1	2	3	4	5	6	
1. Customer Satisfaction	3.61	.82	.8						
2. Organizational Performance	3.58	.74	.86**	.7					
3. Service Guarantee	3.47	.71	.65**	.78**	.6				
4. Customer Relationship	3.49	.59	.72**	.53**	.66**	.5			
5. Managing Customers	3.65	.62	.51**	.45**	.64**	.85**	.65		
6. Strategic Alignment	3.68	.64	.53**	.34**	.62**	.61**	.82**	.7	
7. Leadership	3.67	.71	.54**	.34**	.42**	.6**	.62**	.66**	.7

*N=100, **p<.01, all items measured in 5 point scale; Reliability values alpha in diagonal & bolded*

Several authors have found a positive correlation between customer satisfaction and managing customers. Numerous studies in the service sector have also empirically validated the link between satisfaction and behavioral intentions such as customer retention and word of mouth (Anderson & Sullivan, 1993; Bolton & Drew, 1991). The research has found out that there is a very significant relationship between customer satisfaction and strategic alignment. Thus strategic alignment of business processes enhances the satisfaction of the customers. Global competition has forced firms to rethink their approach to providing products and services to their customer base. Business process reengineering has been adopted by many firms in an effort to improve their competitive position and enhance their ability to provide customer satisfaction and delight (Archie & Wilburn, 1997).

In Hypothesis 2, we predicted that company performance is positively related with service guarantee, customer relations, managing customers, strategic alignment, and leadership. As displays in Table 1, organizational performance is significantly positively related with customer relationship. Morgan and Rao (2002) reported that leadership abilities enhance the satisfaction of the customers. Choosing the strategy and developing the SM and its reward system is the first phase of SM management that falls to a firm's leadership. The research has found out that there is a very significant relationship between company performance and managing customers. Business people intuitively know that managing customers well leads to improved business performance. Even Analysts, Economists and Stockbrokers are starting to take customer management seriously, believing it to be a very important "intangible that determines sustainable long-term company performance."

The study has found out that there is a very significant relationship between company performance and leadership. A particular challenge for leadership may be the need for firms to have the flexibility to communicate easily across levels and departments, and take actions accordingly. A rigid organization is unlikely to be able to align the forces necessary for the impact we look for here. We recognize the difficulties associated with changing such an organization and culture. This challenge may deter some leaders from SM use (Morgan & Rao, 2002).

Conclusion

Finally, it may be possible to keep modifying and replacing SMs to create a longer-term management system. A dynamic environment requires considerable work to ensure the strategic alignment of any measurement system. The difficulty in constructing effective SMs may make changes difficult, though benefits from the ease of communication, monitoring, and understanding should offset this difficulty considerably. In short, like many ideas, the SM approach needs to be managed. For the given organization, the study found a very significant relationship in certain areas while others not. In order to sustain customer satisfaction and performance of the employees, the organizations should underscore internal variables like leadership, strategic alignment, service guarantee, customer relationship and management of customers. Super measure management should be a very effective tool by linking up all these variables in all directions in the given organization.

Limitations and Directions for Future Research

Our sample size was not large. There are two concerns with a small sample size. First, small sample sizes generate low statistical power, meaning that one is more likely to conclude (falsely) that no relationship exists when, in fact, one truly does. This issue is of no particular concern here because nearly all of the statistical tests were based on within-individual relationships, where the number of observations ($N=100$) was not more than adequate. The other concern with a small sample size is generalizability. Results from small samples are less likely to replicate because of second-order sample error (Hunter & Schmidt, 2004). Given that we focused on work-related variables associated with super measure management, we are unable to rule out the possibility that home-related factors influenced our results. We do not imagine it is feasible to increase the temporal length of the study, particularly in field settings where gaining access to an organization for extended periods of time is difficult. However, if it were feasible, it might be interesting to study impact of super measure management over a prolonged time in the work place.

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