Implications for total quality management practices of critical service intangibles

İbrahim Hakan Yilmaz

University of Wollongong

Recommended Citation


Research Online is the open access institutional repository for the University of Wollongong. For further information contact the UOW Library: research-pubs@uow.edu.au
Implications for
Total Quality Management
Practices of
Critical Service Intangibles

A thesis submitted in fulfilment of the
requirements for the award of the degree
Master of Science, Total Quality Management (Hons)

İbrahim Hakan YILMAZ, BSc.

UNIVERSITY OF WOLLONGONG
Faculty of Commerce and Faculty of Engineering

July 1996
UNIVERSITY OF WOLLONGONG

Declaration Relating to Disposition of Thesis

This is to certify that I, I. Hakan Yilmaz being a candidate for the degree of Master of Total Quality Management (Hons), am fully aware of the policy of the University relating to the retention and use of higher degree theses, namely that the University retains the copies of any thesis submitted for examination and that the University holds that no thesis submitted for a higher degree should be retained in the Library for record purposes only but, within copyright privileges of the author, should be public property and accessible for consultation at the discretion of the Librarian.

In the light of these provisions, I declare that I grant the University Librarian permission to publish or to authorise publication of my thesis on whole or in part, or grant access to it, as he deems fit.

I further declare that due to the confidentiality agreement with the company under research, the Analysis Chapter of this Thesis will not be available for public access until the 1st of July, 1998 unless it shall previously have been extended or revoked in writing over my hand.

Signature of Author........................................................................................................................................................

Witness...............................................................................................................................................................................

Date.....................................................................;...............................................................

Disclaimer

I hereby declare that I am the sole author of this thesis. I also declare that the material presented within is my own work, except where duly acknowledged, and has not been submitted for a degree or qualification of this university or any other institutions. I am not aware of any similar work either prior to this thesis or currently being pursued.

I. Hakan YILMAZ

July 1996

1 For further inquiries, please contact Prof. Günter Arndt from the Engineering Faculty of University of Wollongong: Tel: +61 42 21 3354 and Fax: +61 42 21 3101

Copyright ©1996 by I. Hakan YILMAZ
Abstract

This study addresses the critical service intangibles of a long-term relationship between Company A and a major Australian bank. It employs service quality, organisational buying behaviour and organisational culture perspective in approaching issues of total quality. The results of this explorative study reveal that an appropriate diagnosis of intangibles can contribute to the understandings of the relationship and consequently enhance the credibility of organisational decisions.

The research comprised over 2 months of fieldwork. The data were collected through in-depth interviews with organisational members from all levels of hierarchy, surveys and company documents. During the analysis of data, three distinct perspectives in interaction with each other have been adopted: ethnographic, behavioural and quality management.

The following insights arise: The service intangibles of a captivity relationship (1) could be a major burden for continuous improvement and total involvement within the organisation and (2) risk a successful organisational transformation and cultural change for TQM. On the other hand, service intangibles of a partnership relationship could be (1) a catalyst for continuous improvement and total involvement of the client organisation and (2) the organisation may identify and benefit significant opportunities for a successful transformation to TQM.

The study incorporates the concepts of various theories, such as modified rebuy situation (Robinson, Faris, and Wind, 1967), decision-making unit (Webster and Wind, 1972), roles of decision-making (Webster and Wind, 1972), service intangibles (Bateson, 1977; Shostack, 1977) and service quality (Grönroos, 1984; Zeithaml, Parasuraman and Berry, 1985).

Keywords: Total Quality Management, Customer Focus, Continuous Improvement, Total Involvement, Organisational Buying Behaviour, Barriers to Organisational Change, Organisational Decision Making, Client-Supplier Relationship, Service Quality, Service Intangibles, Intangibility
Dedication

I dedicate this thesis to my parents, who gave me the first lessons of my life with affection and love, and taught me the existence of values more precious than merely myself.

Bu çalışmaya bana hayatın ilk derslerini ilgi ve sevgiyle veren ve hayatın kendisinden daha kıymetli değerler de olduğunu ögrenen biricik aileme adıyorum: Ertun' a, Gökhan' a, Annem ve Babama...
Acknowledgments

I would like to take this opportunity to express my gratitude to people without whom these words would have never been written, and from whom I learnt a lot, not merely about the profession, but also about the life itself.

First, I am indebted to my supervisors Prof. Günter Arndt [Engineering Faculty] and Prof. Michael Hough [Commerce Faculty] for their contributions to this study with their invaluable skills of disciplined supervision, organised thinking and constructive criticisms. I deeply experienced again that, learning is a process that embodies confusion, pain and frustration, as well as joy, renewal and temporary contentment, throughout the entire research. Throughout the relationship within one year, I had the feeling of being treated as a colleague rather than the teacher and the student.

To Phillip J. Scott for his supervision on behalf of the Commerce Faculty, for his comments regarding service quality and services marketing aspects of this research and his documentary support on literatures of the research.

To William D. Rifkin [Commerce Faculty] for listening carefully and patiently as well as sharing his knowledge and experiences. His constructive criticisms and encouraging vision has been invaluable for this research.

Last, but not least, my deep expression of appreciation for tolerance and mutual understanding during this study goes to my housemates, H. Murat Polat and Robert Ott. Especially my long time colleague and Co-author of our books on TQM, H. Murat Polat warrants special thanks for his many contributions to the Co-formation of invaluable ideas that come out during many of our hours of dialogues.
Table of Contents

Declaration and Disclaimer.......................................................................................................................... ii

Abstract.......................................................................................................................................................... iii

Dedication...................................................................................................................................................... iv

Acknowledgments........................................................................................................................................... v

Table of Contents........................................................................................................................................... vi

Table of Figures............................................................................................................................................. ix

1. Introduction.......................................................................................................................................1
   1.1 Background to the Study....................................................................................................................... 1
   1.2 Rationale for the Study ........................................................................................................................... 1
   1.3 The Purpose of the Study ....................................................................................................................... 2
   1.4 Summary of Chapters ............................................................................................................................. 3

2. TQM, Services Marketing and Organisational Behaviour: A Literature Review .................. 4
   2.1 Introduction....................................................................................................................................................... 4
   2.2 The Definitions of Service ............................................................................................................................. 5
      2.2.1 The Concepts of Core and Peripheral Service ............................................................................... 6
      2.2.2 The Characteristics of Services ............................................................................................................ 7
         2.2.2.1 Intangibility of Services ........................................................................................................... 8
         2.2.2.2 Heterogeneity of Services ...................................................................................................... 9
         2.2.2.3 Inseparability of Services .................................................................................................... 10
         2.2.2.4 The Perishability of Services ............................................................................................ 11
         2.2.2.5 Fiduciary Responsibility ................................................................................................. 11
         2.2.2.6 Two-Way Information Flows ............................................................................................ 12
      2.2.3 The Classification of Services ............................................................................................................ 12
      2.2.4 The Differences between Goods and Services ........................................................................... 15
      2.2.5 Do Services Deserve Separate Treatment? ................................................................................. 19
      2.2.6 Search, Experience and Credence Qualities .............................................................................. 20
   2.3 Service Quality............................................................................................................................................... 21
      2.3.1 The Metamorphosis of the Understanding of Quality ................................................................ 22
      2.3.2 A Gap Approach to Service Quality ............................................................................................. 23
   2.4 Organisational Buyer Behaviour .............................................................................................................. 26
      2.4.1 Models for the Classification of Buying Decisions ........................................................................ 27
Implications for TQM Practices of CSI

2.4.2 The Buy Grid Model ................................................................. 27
2.4.3 Organisational Decision Making ...................................................... 29
2.4.4 Factors Influencing Organisational Purchase Decisions ......................... 34
2.5 Summary and Conclusions .............................................................. 35

3. Intangibility and Service Intangibles .................................................. 37
3.1 Introduction .................................................................................. 37
3.2 “Intangibility”: A Fundamental and Enigmatic Concept for Services .......................................................... 37
3.2.1 Intangibility as the Fundamental Characteristic of Services ................. 37
3.2.2 Definition of Intangibility .......................................................... 39
3.2.3 A Framework for the Definition of Intangibility ................................. 39
3.2.4 Proposed Intangibles of Services .................................................. 41
3.3 Consequences of Intangibility ........................................................ 43
3.3.1 Relative Difficulty in Perception and Evaluation ............................... 43
3.3.2 Higher Perceived Uncertainty and Risk ............................................. 44
3.4 A Search for the Surrogates of “Intangibility” ....................................... 44
3.4.1 Physical Environment .................................................................... 45
3.4.2 Communications ............................................................................ 46
3.4.3 Prices ........................................................................................ 46
3.5 The Effects of Tangible Cues on Customers ......................................... 47
3.6 Summary ...................................................................................... 48

4. Methodology .................................................................................. 50
4.1 Introduction .................................................................................. 50
4.2 The Characteristics of the Research ................................................... 51
4.3 Research Approach and Orientation of the Methodology ....................... 51
4.4 Qualitative Research ....................................................................... 52
4.5 Qualitative Research Design ............................................................ 53
4.5.1 Triangulations of the Research ......................................................... 53
4.5.2 Rationale for the Research Design ................................................... 55
4.5.3 Accessing the Social Setting .......................................................... 57
4.5.4 A Need for a Cultural Approach to Data Collection ......................... 59
4.6 The Ethnographic Interview ............................................................ 61
4.6.1 Purposeful Sampling ..................................................................... 62
4.6.2 Locating an Informant .................................................................... 63
4.6.3 Strategies for the Informant + Researcher Relationship ............... 64
4.7 The Phases of Iterative Process of Research Design ............................. 66
4.7.1 Question Formation (PLAN) .......................................................... 66
4.7.2 The Process and Strategies of Interview (DO) ................................. 68
4.7.3 Full Transcription of Data (CHECK) ............................................... 70
4.7.4 Domain and Taxonomic Analysis of Data (ACT)......................................................... 71
4.8 Summary.......................................................................................................................... 74

5. Analysis and Results......................................................................................................... 75
5.1 Introduction...................................................................................................................... 75
5.2 Southern Pathology......................................................................................................... 77
  5.2.1 Southern Pathology: The Chronology of Transformation............................................. 77
  5.2.2 Southern Pathology: The Environment and Informants............................................... 81
  5.2.3 Southern Pathology: The Relationship with ANZ Bank............................................... 85
5.3 Analysis of Conflicting Evidence.................................................................................... 88
  5.3.1 A Significant Discrepancy between the Perceived Service Quality of Regional Office and Local Branch.............................................................. 89
  5.3.2 A Critical Conflict among the Aspects of Perceived Service Quality of Regional Office ........................................................................................................... 97
5.4 A Juxtaposition of the “Captivity” and “Partnership” Relationship................................. 101
  5.4.1 CAPTIVITY Relationship........................................................................................... 102
  5.4.2 PARTNERSHIP Relationship .................................................................................... 105
  5.4.3 One-way Communication........................................................................................... 106
  5.4.4 Exploitation of Client................................................................................................ 109
  5.4.5 Good Relationship with Account Manager................................................................ 112
  5.4.6 Lack of Customer Focus........................................................................................... 113
5.5 A Holistic View on the Analysis: The Role of TQM....................................................... 115
5.6 Appendices: Descriptions of Criteria in Selecting A Bank ............................................... 125
  5.6.1 Appendix A: Descriptions of Finance-Administration Manager................................. 125
  5.6.2 Appendix B: Descriptions of Managing Director......................................................... 127

6. Conclusions and Implications.......................................................................................... 129
6.1 Conclusions, Implications and Further Research............................................................ 130

List of References and Bibliography.................................................................................... 137
Appendix A: Preliminary Investigation: Telstra Australia....................................................... 155
Appendix B: Preliminary Investigation: Service Quality in MBNQAW................................. 158
Appendix C: Examples of Explanations for Field Inquiries.................................................. 159
Appendix D: Examples of Questions for Field Inquiries....................................................... 160
Appendix E: Confidentiality Agreement................................................................................. 163
Appendix F: Tacit Knowledge............................................................................................... 164
# Table of Figures

| Figure 1.1: Summary of the Chapters and Structure of the Thesis | 3 |
| Figure 2.1: The Threefold Concepts of the Second Chapter | 4 |
| Figure 2.2: The Definitions of Services | 5 |
| Figure 2.3: Customer Needs and Service Offerings | 7 |
| Figure 2.4: Understanding the Nature of Service Act | 13 |
| Figure 2.5: Summary of Proposed Schemes for Classifying Services | 14 |
| Figure 2.6: Differences between Physical Goods and Services | 16 |
| Figure 2.7: Continuum of Evaluation for Different Types of Products | 21 |
| Figure 2.8: The Definitions of Service Quality Dimensions | 23 |
| Figure 2.9: The Definitions of Five Service Quality GAPS | 24 |
| Figure 2.10: A Gap Approach to Service Quality | 25 |
| Figure 2.11: Five Distinct Dimensions of SERVQUAL | 26 |
| Figure 2.12: The BUYGRID Model | 30 |
| Figure 2.13: The Five Roles of Purchase Decision Making | 34 |
| Figure 3.1: The Development of Key Problems or Issues | 40 |
| Figure 3.2: Proposed Intangibles of Services (In chronological order) | 41 |
| Figure 3.3: Types of Evidence | 45 |
| Figure 3.4: An Example for Significant Importance of Service Intangibles | 49 |
| Figure 4.1: Similarities between Lewinian Experiential Learning Model and Problem Solving Process | 60 |
| Figure 4.2: The Iterative and Ongoing Process of the Research | 61 |
| Figure 4.3: The Four Phases of the Research | 63 |
| Figure 4.4: The Elements and Structure of a Domain | 72 |
| Figure 5.1: The Milestones for Southern Pathology through a “Quality Journey” | 78 |
| Figure 5.2: The Structure of Influence in Southern Pathology | 84 |
| Figure 5.3: The Relationship between Southern Pathology and ANZ Bank | 85 |
| Figure 5.4: A Taxonomy of the Perceived Hierarchical Structure within the ANZ Bank | 88 |
| Figure 5.5: The System of Organisational Interaction | 91 |
| Figure 5.6: A Taxonomic and Domain Analysis of the Characteristics of the Relationship | 102 |
| Figure 5.7: The Industrial Role of Organisation as both the Customer and Supplier | 124 |
| Figure 6.1: The Role of the Supplier and the Client for TQM | 133 |
| Figure 6.2: A List of Semantic Relationships for Domain Analysis | 160 |

Copyright ©1996 by I. Hakan YILMAZ
Chapter One

1. Introduction

"Companies do not make purchases, they establish relationships."

—Charles S. Goodman

1.1 Background to the Study

For the degree of Bachelor of Science (Management Engineering), the researcher completed a quantitative research entitled “a comparison of consumer satisfaction on high and low involvement products” (Yilmaz, 1994).

Committing himself to TQM Research Committee (him and five colleagues) for three years, he engaged in a nationwide three years of research on TQM (Yilmaz et al., 1994; Yilmaz and Polat, 1995). Data were collected through surveys, company documents, site visits and interviews with professionals from all levels of hierarchy. The research encompassed more than 100 (inter)national organisations pertaining to the issues of unique TQM implementation, understanding of TQM, problems / opportunities of implementations and milestones of “quality journey” as well as organisational transformation and change.

One of the findings of this research revealed that client perceived quality of supplier services (perceived quality of inputs) has a significant impact on the client’s organisational transformation to TQM.

1.2 Rationale for the Study

In addition, the literature points several issues of service quality where further research is needed. Consider the followings points addressed as a need for further research or a lack of research in: identification of cues of service intangibles (Day, Ellen. Barksdale,
Hiram C Jr., 1994), organisational purchasing (Laing, 1995) and identification and clarification of service intangibles (Rushton and Carson, 1989).

As Johnston and Morris (1995, p. 32-8) put it: “Service organisations tend to measure only what is easy to measure and quantify, and shy away from the use of soft, qualitative measures. [Emphasis added]”

In sum, the issues of service quality suggest a need for further research on the identification and exploration of service intangibles. Service intangibles are recognised as qualitative aspects of services (Morgan, 1991). The literature holds that intangibility, the most commonly cited property of services, has been described as the fundamental distinguishing characteristic of services from which all other differences of services emerge (Bateson, 1977; Berry and Parasuraman, 1991; Dotchin and Oakland, 1994).

1.3 The Purpose of the Study

Therefore, this study aims to generate implications for Total Quality Management Practices by focusing on three central and specific research questions:

1. What are the critical service intangibles for decisions of selecting a bank?

2. Why are intangibles important in evaluating and selecting a bank?

3. What are the implications for Total Quality Management practices of those critical service intangibles?

The elements and perspective of these questions are provided under the literatures of Total Quality Management, Services Marketing and Organisational Behaviour (Chapter 2 and 3). They compose a conceptual framework for this thesis.

Throughout the thesis, the terms below are used for the following purposes:

1. The term Product encompasses both services and goods.

2. The terms He and any other male indicating term cover both genders. For instance, the term “his” would cover both “his” and “her”.

3. The term Customer encircles organisations and their members.
1.4 Summary of Chapters

The following figure (Figure 1.1) illustrates the structure of thesis and presents a summary of the chapters.
Chapter Two

2. TQM, Services Marketing and Organisational Behaviour: A Literature Review

2.1 Introduction

This chapter introduces the nature and characteristics of services to help understand the organisational decision-making involved in selecting a supplier for its services. More importantly, this chapter builds a conceptual background for the third chapter pertaining to the concepts of "service intangibles" and "intangibility". Therefore, the purpose of this chapter is threefold:

1. To explain the nature and characteristics of services in comparison to goods;
2. To introduce certain concepts of "service quality" as a first step to lead the reader to the concepts of "service intangibles".
3. To provide a perspective of organisational buying behaviour and integrate the concepts of "intangibility" with the organisational decision making processes.

Figure 2.1: The Threelfold Concepts of the Second Chapter
2.2 The Definitions of Service

A service is a complicated phenomenon (Grönroos, 1990). The concept has various meanings such as being part of a product in the sense that satisfies the needs of customers. Even in a broader scope, if a physical object or any good satisfies a particular need of customers, it can be converted into a tangible that provides service. According to Levitt (1983), services are promises of satisfaction.

<table>
<thead>
<tr>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Service: Activities, benefits, or satisfactions which are offered for sale, or provided in connection with the sale of goods&quot; (American Marketing Association; 1960, p.21)</td>
</tr>
<tr>
<td>&quot;Services represent either intangibles yielding satisfactions directly (transportation, housing), or intangibles yielding satisfactions jointly when purchased either with commodities or other services&quot; (Regan; 1963, p.57)</td>
</tr>
<tr>
<td>&quot;Marketed Services - A market transaction by an enterprise or entrepreneur where the object of market transaction is other than the transfer of ownership (or title, if any) of a tangible commodity&quot; (Judd; 1964, p.59)</td>
</tr>
<tr>
<td>&quot;For the consumer, services are any activities offered for sale that provide valuable benefits of satisfactions; activities that he cannot perform for himself or that he chooses not to perform for himself&quot; (Bessom; 1973, p.9)</td>
</tr>
<tr>
<td>&quot;A service is an activity offered for sale which yields benefits and satisfactions without leading to a physical change in the form of a good&quot; (Blois; 1974, p.157)</td>
</tr>
<tr>
<td>&quot;Services (are) separately identifiable, intangible activities which provide want satisfaction when marketed to consumers and/or industrial users and which are not necessarily tied to the sale of a product or another service&quot; (Stanton; 1974, p.545)</td>
</tr>
<tr>
<td>&quot;A Service is an activity or series of activities which take place in interactions with a contact person or a physical machine and which provides consumer satisfaction&quot; (Lehtinen; 1983, p.21)</td>
</tr>
<tr>
<td>&quot;Services are any intangible benefit, which is paid for directly or indirectly, and which often includes a larger or smaller physical or technical component&quot; (Andresen et al.; 1983, p.6)</td>
</tr>
<tr>
<td>&quot;A service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product&quot; (Kotler &amp; Bloom; 1984, p.147) (Kotler; 1988, p.477)</td>
</tr>
<tr>
<td>&quot;The meeting of customer expectations in the course of selling and post sales activity through providing a series of functions which match or better the competition in a way which provides an incremental profit for the supplier&quot; (Free; 1987, p.75)</td>
</tr>
<tr>
<td>&quot;Service [Sic] is something which can be bought and sold but which you cannot drop on your foot&quot; (Gummesson; 1987, p.22)</td>
</tr>
</tbody>
</table>

The definitions of these scholars seem to cover a rich diversity of concepts. A closer inspection reveals the pattern of these definitions and suggest that a service is an activity or series of activities of a provider or its systems that delivers essentially...
intangible benefits for customer(s) or their possession(s) and results in customer (dis) satisfaction.

Grönroos (1990) argues that on the surface, the scholars seem to catch a common pattern of the services in their definitions. However, at a deeper level, it is worth considering that unfortunately there is not still a common definition of service agreed upon in the literature. He further argues that these scholars and practitioners look very narrowly upon the service phenomenon, and only include the services rendered by service firms.

As an alternative, Grönroos (1990, p.27) suggests a definition that reads “A service is an activity or series of activities of more or less intangible nature that normally, but not necessarily, take place in interactions between the customer and service employees and/or physical resources of goods and/or systems of the service provider, which are provided as solutions to customer problems”.

After examining all definitions, my synthesis and understanding of the relevant literatures suggest that a service may have the following components: [1] Transaction of values which are essentially intangible [1.1] sacrifices and [1.2] benefits that are [2] delivered in a process by [3] parties of [3.1] provider(s) and/or their system(s) to [3.2] customer(s) or their possessions among which a [4] relationship is established and [4] results in [4.1] satisfaction or [4.2] dissatisfaction of these [3] parties. In this definition, the term “values” represents both benefits and costs to be transferred.

2.2.1 The Concepts of Core and Peripheral Service

In a holistic manner, service offers solutions for various needs of customers. Of concern here is to recognise the primary and secondary needs of the customers. In this context, Edvardsson (1986) made a distinction between core and peripheral services. The hypothetical model he offered states that the core and peripheral service components match primary and secondary needs of customers respectively. The peripheral service would meet the secondary needs that arise when the primary need is being satisfied. For example, in an eight hours flight from Sydney to Singapore, the flight (core service component) is offered for transportation (the primary need). During the flight, the meal and drinks (the peripheral service component) are offered for hunger and thirst (the secondary need).
The core and peripheral parts of a service have been termed differently in the literature such as “outcome-process” (Berry, Zeithaml and Parasuraman, 1985), “intrinsic-extrinsic” (Zeithaml, 1988), “motivation-hygiene” (Lawson, 1986), “rational-trigger” (White and Johnson, 1992), and “what-how” (Swartz and Brown, 1989).

2.2.2 The Characteristics of Services

Many authors contributed to the development of the academic literature on services marketing (Bateson, 1977; Eiglier and Langeard, 1977; Gummesson, 1979; Lovelock, 1981; Shostack, 1977; Zeithaml et al., 1985b). Among them, Zeithaml et al. (1985b) described three assumptions on services marketing:

1. Factors exist which distinguish services from goods
2. These factors pose special problems for service marketers that are not faced by goods marketers
3. Services marketing requires services marketing solutions.

These assumptions helped services be distinguished from goods on several grounds such as intangibility, heterogeneity, inseparability and perishability (Zeithaml et al., 1985a & 1990; McKechnie, 1992; Kotler, 1994; Bharadwaj et al., 1993; Edgett and Parkinson, 1993; Lovelock, 1981; Tauber, 1986).

The following sections pursue to render a background for the comparison of goods and services for total quality management theories and practices [Section 2.2.4 The Differences between Goods and Services]. Thus, the significance of the four
common characteristics of services, the reasons of their existence and the interconnected relationships are orchestrated.

2.2.2.1 Intangibility of Services

Most of the explanations about the intangibility of the services are described in the third chapter. In the next paragraph, a brief explanation introduces the intangibility concept for services.

The intangibility of services has been accepted by an astonishing amount of authors (please refer to Chapter 3 for references). Since 1970's, continuous discussions took place in the services marketing and service quality literatures about the intangible nature of services. From these discussions, the majority of the scholars concur that intangibility is the fundamental characteristic of services from which all other characteristics emerge (Bateson, 1979; Zeithaml et al., 1985b; Klein and Lewis, 1985). Services are doubly intangible: services are (1) impalpable and (2) difficult to grasp mentally (Bateson, 1977).

Among many scholars, Theodore Levitt (1981, p.94) was one of the exceptions to recognise the intangibility of both goods and services. He states that “Services are less able to be tested in advance than goods, the intangible factors in both types of products [services and goods] are important for convincing prospective customers to buy.” and further adds that:

"Distinguishing between companies according to whether they market services or goods has only limited utility. A more useful way to make the same distinction is to change the words we use. Instead of speaking of SERVICES and GOODS, we should speak of INTANGIBLES and TANGIBLES. Everybody sells intangibles in the marketplace, no matter what is produced in the factory [emphasise added]."

It is apparent that he offers to use the term “intangibles” rather than services. The term intangibility indicates that services are impalpable. That is, they can not be seen, touched or smelt in the same manner as goods (Bateson, 1977 & 1995; Kotler, 1994; Edgett and Parkinson, 1993; Turner, 1994; Zeithaml, 1990). Bateson (1995) and Zeithaml et al. (1990) suggests that services are performances and are therefore experienced by customers. This point leads to three critical points:

1. Physical ownership of services can not occur (Shostack, 1977; Edgett and Parkinson, 1993)
2. Customers form subjective judgements rather than objective ones [Idiosyncrasy] (Bateson, 1995).

3. In most cases, customers are unable to evaluate the outcomes of services before purchasing it (Thomas, 1978; Zeithaml et al., 1990; Kotler, 1994).

These points have two implications. Firstly, the criteria employed for the evaluation of services may be complex and difficult to capture completely (Zeithaml et al., 1990). Secondly, compared to goods, services are harder to grasp mentally (Bateson, 1977; Shostack, 1977)

2.2.2.2 Heterogeneity of Services

One of the consequences of intangibility is the heterogeneity of services. Unlike tangible goods, it is considerably difficult for services to function similar to a machine with precise quality specifications (Levitt, 1981). In contrast, services are acts, performances or deeds (Please refer to Figure 2.2 for the definitions of “service”). On the service providers side, service is rendered as performance while customers as partners experience this rendered service simultaneously and subsequently retain it as stories (Stauss, 1993).

Edgett and Parkinson (1993, p. 19-39) have provided a definition of heterogeneity that reflects the interpretations put forth by most of the writers on the subject: “Heterogeneity concerns the potential for high variability in the performance of services. The quality and essence of a service can vary from producer to producer, from customer to customer, and from day to day. Heterogeneity in service output is a particular problem for labour intensive services.” This definition clarifies the reason for the difficulties in standardising services by their variable nature.

As quality management and control practices are of concern, heterogeneity leads to a series of difficulties:

1. It is hard to control the outputs (what) and processes (how) of service delivery.
3. Throughout the entire product development process, including the design, production and delivery phases (Nicoulaud, 1989).
Therefore, a considerable amount of scholars recognised the difficulty in the standardisation of services because of “heterogeneity” (Regan, 1963; Rathmell, 1966; Johnson, 1970; Bateson, 1977 & 1979; Booms and Bitner, 1981; Levitt, 1981; Lovelock 1983a&b; Kotler and Bloom, 1984; McAlexander and Schouten, 1987; Zeithaml et al. 1985b). Finally, Guseman & Gillett (1981) and Zeithaml (1981) represent the perception of a greater level of risk in purchasing services compared to purchasing goods as another consequence of the absence of standards in the delivery and quality of services.

2.2.2.3 Inseparability of Services

Another distinctive characteristic of services is the inseparability of service production from its consumption (Rathmell, 1974; Lovelock, Langeard, Bateson and Eiglier, 1981).

Kotler (1982, p.478) defines *inseparability* as: “A service is inseparable from the source that provides it. Its very act of being created requires the source, whether person or machine, to be present. In other words, production and consumption occur simultaneously with services. This is in contrast to a product which exists whether or not its source is present.” The issue of simultaneous production and consumption of services is a widely compelling aspect of services (Regan, 1963; Johnson, 1970; Donnelly, 1976; Bateson, 1977; Carman and Langeard, 1980; Levitt, 1981; Lovelock, 1983b; Shostack, 1985; Berry, 1986a; Schmenner, 1986; Parasuraman and Varadarajan, 1988).

Orsini (1987) notes that simultaneous production and consumption of services requires the integration of the customer’s presence into the process of service performance. As a result of this integration, services depend on input from both service employees and customers for their production. Hence, the quality of the service output depends extremely on the nature of the personal interactions of these parties, since the process requires a link of continuous communication between the two parties (Middleton, 1983).

All these formerly explained points emerge the vitality of customer-contact personnel for the organisation (Davidson, 1978). Accordingly, Bowen and Schneider (1988a) state the importance of “boundary spanning role” of customer-contact personnel in the production of services where customers themselves simultaneously play the role
of "partial employees" in their capacities. This makes the potential for variability in the service performance high (McKechnie, 1992).

2.2.2.4 The Perishability of Services

The fact that services are performed in processes and experienced by the customers means that essentially they must be produced and consumed concurrently. This leads to a fourth distinctive characteristic, namely perishability. Perishability means that services can not be stored for use in the future (Bateson, 1977; Judd, 1968; Johnson, 1970; Rathmell, 1974; Bessom and Jackson, 1975; Thomas, 1978; Kotler, 1982; Kotler and Bloom, 1984; Kotler, 1994).

For example, a psychotherapist can not store an hour of time, if no patient requires his service for that duration. In addition, the revenue from the rent of a safety deposit box depends on time. A bank can not store the benefit of an empty safety deposit box; unless it is rented for a particular period. Consequently, the revenue is lost forever.

Rushton and Carson (1985, p. 19-40) have clearly summed up the concept of perishability as: "Services cannot be produced before required and then stored to meet demand. If a service is not used when available, then that service capacity is wasted."

McKechnie (1992) observed the existence of two more distinctive characteristics of services that are present in financial services, namely "fiduciary responsibility" and "two-way information flows" between buyer and seller.

2.2.2.5 Fiduciary Responsibility

McKechnie (1992) reveals that the management of customers' funds and the nature of the financial advice supplied to these customers are the implicit responsibilities of financial service organisations. These implicit responsibilities of financial service organisations are referred as "fiduciary responsibility" (McKechnie, 1992).

In financial services transactions, buyers and sellers exchange a set of essential promises. From the buyers' point of view, most of the exchanges depend on what exactly is being promised and to the extent of such promises being delivered (Lewis and Chiplin, 1986). For example in the absence of full information, it is often difficult for customers to evaluate the stated promises given for long-term savings plans. For such
services, purchase decisions are more likely to be based on experience and credence qualities, as there are fewer search qualities (Zeithaml, 1981).

McKechnie (1992, p.6) clarifies why implicit responsibilities of financial service organisations are vital for their relationships with their customers:

1. “Before any financial resources change hands, consumers must have confidence and trust not only in the financial institution concerned but also in its personnel. Apart from relying more on information from personal sources, consumers are likely to consider factors such as the size, longevity and image of the financial services organization as indicators of whether any promises made are sound and likely to be fulfilled. The establishment of trust can also bring about a degree of inertia in buyer-seller relationships. Since an irreversible amount of time and effort is required by an individual in order to acquire the necessary experience and information on which to assess an institution’s reliability, it is usually the case that once satisfied, a consumer is more likely to remain with that institution than incur the costs of searching for and vetting alternative suppliers [emphasis added regarding the intangibles].”

She emphasises the critical role of intangible service elements [1-6; 9] (such as trust, confidence, reliability and image of the financial institution and its personnel) in creating customer satisfaction [9], thus retaining the relationship with the person [10] and generating repurchases with the help of trust and confidence [1-2].

2.2.2.6 Two-Way Information Flows

By their very nature, financial services are required to be purchased on a recurring basis rather than being purchased just once (Turnbull and Gibbs, 1987; McKechnie, 1992). Therefore, there is a clear need for suppliers of financial services to simultaneously establish initial relationships with their prospects and maintain and develop long-term relationships with existing customers (McKechnie, 1992).

Financial services are referred to be unique in that they involve a series of regular two-way transactions between buyer and seller, usually over an extended period. Resulting from this is the two-way information flow between the service supplier and the customer (McKechnie, 1992).

2.2.3 The Classification of Services

There is, to some extent, a diversity of services (Grönroos, 1990). For example, technology intensive services (for instance, Automatic Teller Machines) and labour-intensive services (for instance, hair cutting and styling) are very different in terms of service delivery processes, distribution channels and the level of heterogeneity. For the
manifestation of these differences, various classifications of services have been proposed (Lovelock, 1983a) in marketing and service quality literatures. The proposed classifications of services are summarised in chronological order in Figure 2.5 titled "Summary of Proposed Schemes for Classifying Services". These classifications demonstrate the diversity, purpose, source intensity and target of the services.

Lovelock (1991) offered a new classification of services that illuminates the nature of the service act. He proposed that the core act of most services confines to one of the four categories illustrated in Figure 2.4.
## Summary of Proposed Schemes for Classifying Services (Part 1)

<table>
<thead>
<tr>
<th>Author</th>
<th>Proposed Classification Schemes</th>
<th>Comment</th>
</tr>
</thead>
</table>
| Grönroos (1979a) | 1. Type of Service  
a. Professional services  
b. Other services  
2. Type of customers  
a. Individual  
b. Organisations | Notices that the same services, e.g., insurance and financial, may be rendered to both individuals and organisations. |
| Kotler (1980) | 1. People-based vs. Equipment based  
2. Extent to which client’s presence is necessary  
3. Meets personal needs vs. Business needs  
4. Public vs. Private, for profit vs. Nonprofit | Synthesises previous work, recognises differences in purpose of service organisation. |
| Lovelock (1980) | 1. Basic demand characteristics  
a. Object served (person vs. Property)  
b. Extent of demand/supply imbalances  
c. Discrete vs. Continuous relationships between customers and providers  
2. Served content and benefits  
a. Extent of physical goods content  
b. Extent of personal service content  
c. Single service vs. bundle of services  
d. Timing and duration of benefits  
3. Service delivery procedures  
a. Multi-site vs. Single site delivery  
b. Allocation of capacity (reservations vs. first come, first served)  
c. Independent vs. collective consumption  
d. Time vs. task defined transactions  
e. Extent to which customers must be present during service delivery | Synthesises previous classifications and adds several new schemes. Proposes several categories within each classification. Concludes that defining object served is most fundamental classification scheme. Suggest that valuable marketing insights would come from combining two or more classification schemes in a matrix. |
| Lovelock (1983a) | 1. The nature of service act  
a. Tangible actions to people or things  
b. Intangible actions to people or things  
2. Relationships with customers  
a. Continuous delivery  
b. Discrete transactions  
c. "Membership" relationships  
d. No formal relationships  
3. Customisation and judgement in service delivery  
a. Judgement exercised by customer contact persons  
b. Customisation of services  
4. Nature of demand in relation to supply  
a. Extent to which supply is constrained  
b. Extent of demand fluctuations  
5. Methods of service delivery  
a. Single or multi-site delivery  
b. Service delivered on provider’s or customer’s premises | Provides a series of classifications that together illustrate the complex nature of services and provide useful background information for managerial purposes. |

Figure 2.5: Summary of Proposed Schemes for Classifying Services
Summary of Proposed Schemes for Classifying Services (Part 2)

<table>
<thead>
<tr>
<th>Author</th>
<th>Proposed Classification Schemes</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schmeisser (1986)</td>
<td>1. Degree of interaction and customisation</td>
<td>Recognises that some services may be more customised and involve a higher degree of labour intensity, and may help the reader to understand the strategic and tactical options available.</td>
</tr>
<tr>
<td></td>
<td>a. Low</td>
<td></td>
</tr>
<tr>
<td></td>
<td>b. High</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Degree of labour intensity</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. Low</td>
<td></td>
</tr>
<tr>
<td></td>
<td>b. High</td>
<td></td>
</tr>
<tr>
<td>Vandermerwe &amp; Chadwick</td>
<td>1. Degree of consumer/producer interaction</td>
<td>Recognises the importance and role of goods components in service businesses.</td>
</tr>
<tr>
<td></td>
<td>a. Lower</td>
<td></td>
</tr>
<tr>
<td></td>
<td>b. Higher</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Relative involvement of goods</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. “Pure” services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>b. Services with some goods or delivered through goods</td>
<td></td>
</tr>
<tr>
<td></td>
<td>c. Services embodied in goods</td>
<td></td>
</tr>
</tbody>
</table>

Source: Compiled from Grönroos, (1990, p.33-34)

2.2.4 The Differences between Goods and Services

A comparison of goods and services is a contribution to our understanding of the nature and characteristics of services hence, the differences in the operations of services and goods become clearer. Considering this point, the first debate regarding the differences between goods and services began with an attempt to classify services (Regan, 1963) and a question of how to define the term “service”. The surrounding discussion led to the identification of four common characteristics: “intangibility”, “inseparability”, “heterogeneity” and “perishability”. Each of these characteristics and their nature have been reviewed under the headline of The Characteristics of Services in Section 2.2.2.

The comparison of characteristics of goods and services are summarised in Figure 2.6 to reflect fundamental differences inherent in their nature. These fundamental differences seem to require to a certain extent, different methods, tools, philosophies, processes and paradigms for their design, quality assurance, manufacturing vs servuction\(^2\), distribution-delivery, perception and consumption. Moreover, systems and processes designed and initiated for goods and service that serve for the creation of value to customers have, to some extent, different inputs and outputs.

\(^2\) The term Servuction is borrowed from Service Marketing literature and it stands for SERvice produUCTION.
A typical system and process in use for goods and services would be:

- **Goods have a linear and sequential chain:** (1) Measurement of Customer Requirements and Market Research (2) Design (3) Manufacturing (4) Distribution (5) Inventory (6) Selling (7) Taking Away (8) Utilisation through Consumption (9) Technical Service for particular goods and (10) Disposal (11) Return to Step 1 with Feedback from Human Resources. *The chain provides customer with the ownership of a physical object.*

- **Services have a non-linear and non-sequential chain:** (1) Measurement of Customer Requirements and Needs (2) Design and Selling, (3) Simultaneous [(3.1) Various services require the measurement of customer needs during delivery] (3.2) Performance (3.3) Delivery (3.4) Consumption and (3.5) can not be Taken Away (4) Return to Step 1 or 2 with Feedback from Human Resources. *The chain provides customer with experience, feelings, impressions and image to be retained in memory.*

![Figure 2.6: Differences between Physical Goods and Services](source: Compiled and adopted from Grönroos (1990, p.28) and Lovelock (1991, pp.39-46) Copyright ©1996 by I. Hakan YILMAZ)
Executions during the Pre-Purchase Stage of Goods:

1. Methods and tools like Benchmarking and Quality Function Deployment can be employed for design quality and goods quality.

2. Quality of goods and their designs can be planned, monitored, controlled and managed by implementing Lean Production systems, Total Productive Maintenance, Poka-Yoke, 6 Sigma Tools, Total Quality Control Tools and Suggestion Systems of Human Resources.

3. With the contributions of these tools, it can be assured that a uniform quality level with continuously reduced defects or zero defects can be sustained.

4. Processes can be redefined and improved with concurrent engineering practices.

5. Utilising Benchmarking practices may help improve the quality of goods relative to competition.

6. Variation in manufactured goods that occur in forms of defects, delays, poor performance, reduced reliability, unpredictable delivery, lack of availability and lack of uniformity (Bounds et al., 1994) can be detected and recovered.

7. Such variations and defects could be recovered after manufacturing and before the customer becomes aware of such defects. Awareness of defects, delays, poor performance, unreliability, lack of availability may undermine customer satisfaction and company image.

Executions during the Pre-Performance Stage of Services:

1. The human resources can be trained to learn the customers' requirements, how to communicate with customers, their responsibilities and degree of empowerment to take action for the requests of customers.

2. The quality of the tangible cues such as physical surroundings can be improved for non-verbal communication with customers.

Executions during the Performance of Services:

1. During simultaneous performance, delivery and consumption, the service provider can continuously communicate with the customer to learn his needs and requirements.
2. Therefore, the service provider and its systems can flexibly tailor the service specifications according to each customer.

3. Receive feedback from the customer during the service delivery and hence communicate to and assure the customer that necessary changes are considered and done [responding to customer].

4. Variation in performed services that occur in forms of delay, defected information, mistreatment, lack of communication, lack of understanding (Bounds et al., 1994) can be recovered and compensated during and after the performance of the service.

5. Customer is mostly aware and may become upset by such defects and errors that are recovered.

**Significantly Harder Executions before Services are Performed:**

1. The quality of services can be hardly controlled (heterogeneity, inseparability)

2. It is significantly harder to assure a standard performance and a standard degree of quality regardless of the customer [especially in human intensive services].

3. It is significantly harder to identify possible defects in advance of service performance and delivery [especially in human intensive services].

4. Due to 3, it is significantly harder to eliminate defects and assure a zero defect performance before the service is rendered.

5. The intangibility of services means that the methodological and conceptual transfer of quality management practices developed in manufacturing is fraught with difficulty (Flipo, 1988). Therefore, methods or tools such as Lean Production systems, Total Productive Maintenance, Poka-Yoke, 6 Sigma Tools and Total Quality Control Tools may have significantly less and limited use for planning, monitoring, controlling and managing quality of services and improving design quality of services.

After evaluating the distinct characteristics of services as opposed to goods, it would be reasonable to generate conclusions pertaining to the relative difficulty of
customers' evaluations. Unlike test-driving a car, services are significantly less available for experience before purchase. This point reveals that:

(a) Purchase intentions of customers for services are undermined by a higher level of risk perception,

(b) Mostly, customers face difficulties in anticipating the outcomes,

(c) Customers depend on promises of outcomes and tangibles cues to evaluate the possible outcomes,

(d) Therefore, it is harder for customers to evaluate services and

(e) The recognition and evaluation of the value of a service is even harder at both pre and post-purchase stages due to experience and credence qualities of services.

2.2.5 Do Services Deserve Separate Treatment?

The majority of marketing literature argues for the need to market services differently than goods by supporting the four distinguishing properties (intangibility, heterogeneity, inseparability and perishability) of services. On the other hand, a minority of scholars opposed the suggestion that a distinct approach is required.

The arguments put forth by these academics are controversial to those held by most marketing academics and present the entire case against accepting that services are different from goods. These arguments centre on the following themes:

1. Services are just another type of product class; thus, any unique characteristics that exist are similar to those found among other product classes. The principal thrust of the opposers argues that any differences between goods and services are a matter of degree (Wyckham, Fitzroy and Mandry, 1975).

2. The intangibility of a product is irrelevant. Benefits of a product are marketed rather than its features (Enis and Roering, 1981).

3. The four differences of services do not, by themselves, present a strong enough argument for developing a separate approach to the marketing of services (Middleton, 1983).
The subsequent authors have found strong support for the first argument (Bateson, 1977; Uhl and Upah, 1983; Zeithaml, Parasuraman and Berry, 1985).

Most scholars whose thinking has been summarised by Rushton and Carson (1985) in the argument that the property of intangibility actually does matter for three principal reasons have discounted the line of second argument. Those reasons are:

1. It has a direct influence on customers;
2. It affects the marketing of product benefits; and
3. It has a direct impact on marketing techniques and practices.

The third argument is that consumers purchase services, which may or may not include physical entities. This assertion, however, has been well encountered in the service literature (Shostack, 1977; 1981; 1982; Lovelock, 1984a), where the issue has been addressed as degrees of difference between tangible goods and intangible services and is illustrated on a continuum (Shostack, 1981) [Please refer to Figure 2.7]. The model suggests that as entities approach the middle of the scale, indeed there is an overlap of tangibility and intangibility in some goods and services. However, this overlap disappears as each entity returns to its respective end of the continuum. Thus, the issue results in matter of the degree of intangibility. The continuum demonstrates that not all services are entirely intangible. On the contrary, the continuum shows that all services are to some extent intangible.

In conclusion, services deserve separate treatment, because all of these three arguments have failed to provide any form of empirical support for their respective claims (Edgett and Parkinson, 1993).

2.2.6 Search, Experience and Credence Qualities

Philip Nelson (1970) and Darbi and Karni (1973) proposed a unique framework to isolate the differences in evaluation processes of goods and services. Nelson offered two categories of qualities of consumer goods:

- **Search Qualities** are related to the attributes that a customer can search and determine before purchasing a product. Examples for search qualities would be colour, size, smell, hardness, thickness, fit, style and price. Products high in search qualities are clothing, jewellery, furniture, houses and automobiles.
• **Experience Qualities** are attributes, which customers can assess after purchase or during consumption of a product. Examples for experience qualities would be wearability, taste and purchase satisfaction. Products high in experience quality are restaurant meals, vacations, haircuts and childcare.

Darbi and Karni (1973) added a new category to the existing two-way classification system of Philip Nelson (1970), the credence qualities.

• **Credence Qualities** are characteristics that may be impossible for customers to evaluate even after purchase or the product is consumed. Examples for such products would be financial services, medical diagnosis and mechanical repairs of automobiles, legal services and root canal dentistry.

![Figure 2.7: Continuum of Evaluation for Different Types of Products](image)

A better illustration of the classification system would be to array goods and services from search, experience to credence qualities along a continuum of evaluation ranging from “easy to evaluate → tangibles” to “difficult to evaluate → intangibles”. Zeithaml (1981) represented this continuum of evaluation (Figure 2.7) arguing that most goods fall on the left while most services fall on the right side of the continuum.

### 2.3 Service Quality

In the next section, the milestones of quality vision are displayed and a link to the service quality is established. According to Feigenbaum (1982, p.22), quality is “the single most important force leading to the economic growth of companies in international markets”.

---

Copyright ©1996 by I. Hakan YILMAZ
2.3.1 The Metamorphosis of the Understanding of Quality

Through the decades, scholars and practitioners from diverse backgrounds attempted to define the term “quality” which led to inconsistent results. Quality was once seen as “conformance” to an organisation’s “specifications” regardless of the input from customers. It has long been questioned whether these “specifications” would exactly and explicitly match unique needs and expectations of a target customer. In case of a mismatch, this definition would yield to customer dissatisfaction and lower level of perceived quality (Berry et al., 1989, p.26).

It is worth noting that a list of quality definitions would help us see the path from the incongruent quality definition to the final definition. Quality has been variously defined as excellence (Plato and Aristotles), value (Abbott, 1955; Feigenbaum, 1951), conformance to specifications (Gilmore, 1974; Levitt, 1972), conformance to requirements (Crosby, 1979, p17), fitness for use (Juran et al., 1974 & 1988), uniformity and dependability (Deming, 1982), conformance to customer expectations (Lewis et al., 1983), loss avoidance (Taguchi, cites in Ross, 1989), and meeting and/or exceeding customers’ expectations (Feigenbaum, 1961; Grönroos, 1983; Zeithaml et al., 1985a; Buzzell & Gale, 1987; Oakland, 1989). However, this still may not be enough.

2.3.2 A Gap Approach to Service Quality

Through the last two decades, several scholars attempted to model and define service quality. Among them are Shostack Model (Shostack, 1977), Total Service Quality Model (Grönroos, 1984), The Gap Approach to Service Quality Model (Zeithaml, 1985a), Grönroos-Gummesson Quality Model (Gummesson and Grönroos, 1988) and O'Connor' Service Quality Model (O'Connor et al., 1992).

Zeithaml et al.’s (1985) Gap Approach to Service Quality comprises mostly intangible dimensions of Service Quality. Therefore, in the following paragraphs, this approach to service quality will be presented with detailed explanations.

Parasuraman, Zeithaml and Berry (PZB) started a comprehensive research that would make substantial contributions to the understanding of service quality. The purpose of the research was to establish a model of service quality that mirrors service quality perceptions of customers. An understanding of the nature and dimensions of
service quality would provide invaluable insights with organisations to articulate strategies for target markets.

Until 1984, service quality has been discussed in only a handful of writings (Grönroos, 1982; Lehtinen and Lehtinen, 1982; Lewis and Booms 1983) and the quality concept was rather an ambiguous concept. In order to enrich these themes and provide a sound conceptual foundation for investigating and improving service quality, PZB conducted a series of focus group interviews with consumers and in-depth interviews with executives (Zeithaml et al., 1990).

<table>
<thead>
<tr>
<th>Reliability</th>
<th>Ability to perform the promised service dependably and accurately. It means that the firm performs the service right the first time. It also means that the firm honours its promises.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsiveness</td>
<td>Concerns the willingness or readiness of employees to provide service to customers. It involves timeliness of service</td>
</tr>
<tr>
<td>Competence</td>
<td>Means having the required skills and knowledge to perform the service</td>
</tr>
<tr>
<td>Access</td>
<td>Involves approachability and ease of contact</td>
</tr>
<tr>
<td>Courtesy</td>
<td>Involves politeness, respect, consideration and friendliness of contact personnel</td>
</tr>
<tr>
<td>Communication</td>
<td>Means keeping customers informed in language they can understand and listening to them. It may mean that the company has to adjust the communication language for different consumers- increasing the level of sophistication with a well-educated customer and speaking simply and plainly with a novice.</td>
</tr>
<tr>
<td>Credibility</td>
<td>Involves trustworthiness, believability and honesty of the service provider. It involves having the customers' best interest at heart.</td>
</tr>
<tr>
<td>Security</td>
<td>Customer's freedom from danger, risk or doubt.</td>
</tr>
<tr>
<td>Understanding -</td>
<td>Involves making the efforts to understand the customers' needs and know them better</td>
</tr>
<tr>
<td>Customer -</td>
<td>Includes the physical evidence of the service such as physical facilities, appearance of personnel, tools or equipment used to provide the service, physical representations of the service (Plastic credit card or bank statement) and other customers in the service facility.</td>
</tr>
</tbody>
</table>

Figure 2.8. The Definitions of Service Quality Dimensions
Source: Adapted from Parasuraman, Zeithaml and Berry (1985 and 1990)
The results of the consumer interviews revealed that consumers used similar criteria in evaluating service quality regardless of service category. Zeithaml et al. (1990) concluded 10 key dimensions of service quality several of which may be interrelated. These dimensions are listed in Figure 2.8. A closer inspection of these ten dimensions of service quality suggests that service quality consists of intangible dimensions except the last dimension namely “tangible” itself.

Meanwhile, PZB conducted in-depth interviews with senior executives of four nationally recognised service intensive companies. These interviews served for gaining insight about what constitutes service quality from the marketers' viewpoint. The evaluation and distillation of these interviews urged four key discrepancies or gaps that lead to a fifth gap. (Please refer to Figure 2.9)

**Figure 2.9: The Definitions of Five Service Quality GAPS**

<table>
<thead>
<tr>
<th>GAP 1</th>
<th>Consumer Expectations - Management Perceptions:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The first gap measures the discrepancy between consumers' service quality expectations and managers' perceptions of these expectations. <em>This gap means that management perceives the quality expectations inaccurately.</em></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GAP 2</th>
<th>Management Perceptions - Service Quality Specifications:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Examines to which extent the present service quality specifications match managers' perceptions of consumer expectations. <em>Means that service quality specifications are not consistent with managers' perceptions of quality expectations.</em></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GAP 3</th>
<th>Service Quality Specifications - Service Delivery:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Measures the operational differences between the present service quality specifications and the actual delivered service. <em>Means that quality specifications are not met by performance in the service production and delivery processes.</em></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GAP 4</th>
<th>Service Delivery - External Communications:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Measures the discrepancy between delivered service and service promised in external communications. <em>Means that promises by market communication activities are not consistent with the service delivery.</em></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GAP 5</th>
<th>The Ultimate:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The discrepancy between consumers' service quality expectations and their perceptions. The gaps through Gap 1 to 4 yield to this Ultimate GAP. <em>Means that consumers perceive service quality shortfalls and hence be dissatisfied due to the existence of one or more of Gaps through 1 to 4.</em></td>
</tr>
</tbody>
</table>

Sources: Adapted from Parasuraman, Zeithaml and Berry (1985 and 1990) (Grönroos, 1990, p.60-62; Parasuraman et al., 1991, p.256-257)
In the next step, the establishment of Gap Analysis Model was an attempt to analyse the sources of quality problems and quality improvement points. The model brings the formation of customers' service expectations and perceptions to daylight. It categories the variables influencing expected and perceived service as customer effect and provider effect. The structure of the model explains the distortion of the information that originates from and reflects back to customers as gaps. Moreover, the sequence of this distortion is illustrated in a certain order of the formation of discrepancies through gap 1 to 4 (Figure 2.10). Therefore, the steps to follow in diagnosing problems of service quality and identifying quality improvement points are demonstrated. However, the model is reorganised in order to show the formation of the Ultimate Gap 5.

In constructing SERVQUAL, various statistical analyses identified significant correlations among several of the original ten dimensions of quality, thus suggesting a
consolidation of the several dimensions listed in Figure 2.8. Therefore, the remaining content of the final dimensions constructed the SERVQUAL dimensions. The distinct five dimensions that capture the facets of all ten originally conceptualised dimensions are listed in Figure 2.11. The study concluded that reliability is the most critical dimension of service quality, regardless of the service category (Zeithaml et al., 1990).

<table>
<thead>
<tr>
<th>DEFINITION</th>
<th>CORRESPONDING DIMENSIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangibles</td>
<td>Appearance of physical facilities, equipment, personnel and communication materials.</td>
</tr>
<tr>
<td>Reliability</td>
<td>Ability to perform the promised service dependably and accurately</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>Willingness to help customers and provide prompt service</td>
</tr>
<tr>
<td>Assurance</td>
<td>Knowledge and courtesy of employees and their ability to convey trust and confidence</td>
</tr>
<tr>
<td>Empathy</td>
<td>Caring, individualised attention the firm provides its customers</td>
</tr>
</tbody>
</table>

Figure 2.11: Five Distinct Dimensions of SERVQUAL
Source: Zeithaml et al. (1990, p.25 & p.26)

2.4 Organisational Buyer Behaviour

All organisations need inputs for their production processes regardless of whether they are good or service intensive. In buying these inputs, the organisation in context becomes a customer of the input supplier. Therefore, relative customers render the chain of value (Porter, 1985) that finally ends with the “end-customer”. The concept of customer chains is seen as one of the main concepts of Total Quality Management (Yılmaz et. al., 1994; Yılmaz and Polat, 1995).

One of the determinants of quality level of the end product is buying inputs such as raw materials, energy sources, manufactured parts, human resources, installations, accessory and electronic equipment, supplies and business services (Kotler, 1994).
Hence, deployment and revision of buying policies and procedures are vital in sustaining the adequate quality level.

Having considered the significance of organisational buying, Webster and Wind (1972b, p.2) define the term as “the decision-making process by which formal organisations establish the need for purchased products and services and identify, evaluate, and choose among alternative brands and suppliers”. The following paragraphs will elucidate the process and activities of organisational buying.

The process of organisational buying is dynamic and complicated. Buyers of the organisation encounter a complex set of questions and problems indexed to various situational factors. To cope with these questions and problems, the buyer continually assesses the buying situation and performs certain buying tasks that seem to fit certain situations (Bunn, 1993). Several scholars (Robinson, Faris, and Wind 1967; Ozanne and Churchill 1971; Webster and Wind, 1972a&b; Sheth, 1973; Wind 1978) proposed buying decision models to classify certain situations that affect buying tasks.

2.4.1 Models for the Classification of Buying Decisions

Robinson et al. (1967) proposed the buyclasses to resolve the level of uncertainty in accomplishing certain buying tasks. Other approaches such as the “buy flow” (Vyas and Woodside 1984) and “script theory” (Leigh and Rethans 1984) explore the specific activities involved in the purchase of particular products. It is beyond the scope of this thesis to demonstrate, compare and criticise the proposed models, however the buygrid model is more appropriate for the purpose of this research.

2.4.2 The Buy Grid Model

Robinson et al. (1967) formulated a typology of decision-making situations and identified three distinct buying situations faced by organisational buyers. These buying situations are new task, modified rebuy and straight rebuy.

New Task Purchase: In new task buycase, a need is perceived to be entirely different from previous needs (Liang, 1995; Clark and McCleary, 1995). Mostly, the organisation has limited expertise, experience and resources to fully understand the problem and the proper need, consequently, a substantial quantity of information is
necessary to investigate alternative ways of satisfying the need (Lillie and Sparks, 1993).

In a new task situation, the lack of experiences such as the quality of the prospective suppliers' services yield to a serious difficulty in evaluating the services in advance of making purchase decisions (Robinson, Faris and Wind, 1967). Thus, this phenomenon generates a burden to the deciders in determining the supplier.

At this stage, the organisation follows all the eight steps of Webster and Wind's (1972b) buygrid model that embodies the stages of organisational decision-making process. (The Buygrid approach is in Section 2.4.3). These stages start from a position where no relationship with the supplier exists and the organisation has very little experience with the solution3; and ends at the last step where the organisation evaluates and assesses the suppliers and their solutions continuously (Figure 2.12).

The characteristics of a new task purchase phase are: very high degree of buyer uncertainty, relatively high level of risk perception, usually more complex and unfamiliar buying situations, very high level of information need and higher amount of alternative solutions to evaluate (Webster and Wind, 1972b; Morgan, 1991; Lillie and Sparks, 1993; Kotler, 1994).

**Modified Rebuy:** Despite having precise specifications and criteria to satisfy their needs, organisations would still receive information from internal and/or external resources and consequently continue to re-evaluate alternatives (Webster and Wind, 1972b; Kotler, 1994). Thus, the buyer pursues to modify product specifications, prices, delivery requirements, technical specifications or other terms (Kotler, 1994). This modification involves additional decision making on both the buyer's and supplier's sides.

In a modified rebuy situation, the organisation has already been experiencing and evaluating the suppliers and their solutions (Morgan, 1991). The organisational buyer has a certain level of experience in:

- Purchasing a particular product needed to solve their problems,
- Alternative suppliers providing that type of product,

3 In this chapter, the term “SOLUTION” will be referred as a set of benefits derived from a good, service, material, accessories or equipment.
• Relationship with the current supplier providing the product.

The degree of uncertainty of the organisational buyer is obviously less than the new task situation. Hence, requiring less information in their purchase decisions, buyers will therefore consider fewer alternative suppliers for a particular solution.

**Straight Rebuy:** This type of purchase can be characterised as a “repeat purchase” scenario. The decision process within a straight rebuy situation could be described as “routinized response behaviour” (Clark and McCleary, 1995). The organisational buyer buys the necessary solution from the current supplier mostly on a regular basis. These purchase decisions are easiest to make in that it does not require a complex assessment and evaluation of the offers of various suppliers to select the best. The least uncertainty, evaluations of experienced service, the supplier and the problem influence the purchase decisions involved.

Unlike the new task or modified rebuy situations, organisational buyers within a straight rebuy may have both advanced selection criteria to apply to purchase decisions, and have a strong predisposition towards a supplier’s offerings (Clark and McCleary, 1995).

### 2.4.3 Organisational Decision Making

With the dramatic increase in the interest in studying and understanding organisational buying processes and decision making, several scholars (Robinson et al, 1967; Webster and Wind, 1972a; Sheth, 1973) laid the conceptual foundation for the further study of organisational buying behaviour (Wesley and Jeffrey, 1996). The central point to the three models proposed by Robinson et al. (1967), Webster and Wind (1972a) and Sheth (1973) is the conclusion that organisational buying behaviour is a process.

Robinson et al. (1967) introduced “buypahes” within their “buygrid framework” to resolve the stages of activities often performed in an organisational buying situation. These activities are briefly illustrated in Figure 2.12. Similarly, Webster and Wind (1972a) and Sheth (1973) interpreted and refined the activities performed in an organisational buying situation in their models. They propose fewer amount of stages (five and four, respectively) in which the nature and sequence of performed events remained quite similar.
In the following paragraphs, a general explanation of the first four stages of organisational decision making takes place while the proposal solicitation stage is enriched with the concept of “intangibility”.

<table>
<thead>
<tr>
<th>BUYPHASES</th>
<th>BUYCLASSES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Anticipation or Recognition of a Problem (Need) and a General Solution</td>
<td>Yes</td>
<td>Maybe</td>
<td>No</td>
</tr>
<tr>
<td>2. Determination of Characteristics and Quantity of Needed Item</td>
<td>Yes</td>
<td>Maybe</td>
<td>No</td>
</tr>
<tr>
<td>3. Description of Characteristics and Quantity of Needed Item</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>4. Search for and Qualification of Potential Sources</td>
<td>Yes</td>
<td>Maybe</td>
<td>No</td>
</tr>
<tr>
<td>5. Acquisition and Analysis of Proposals</td>
<td>Yes</td>
<td>Maybe</td>
<td>No</td>
</tr>
<tr>
<td>6. Evaluation of Proposals and Selection of Supplier(s)</td>
<td>Yes</td>
<td>Maybe</td>
<td>No</td>
</tr>
<tr>
<td>7. Selection of an Order Routine</td>
<td>Yes</td>
<td>Maybe</td>
<td>No</td>
</tr>
<tr>
<td>8. Performance Feedback and Evaluation</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**Figure 2.12: The BUYGRID Model**

*Source: Robinson, Paris and Wind (1967, p.14)*

**Problem Awareness:** The organisation initiates the buying and decision making processes when a problem or a need is recognised. The organisation expects the fulfilment of the need or the resolution of the problem by acquiring a solution.

Problem recognition occurs as a response to a stimulus that arises from an external and/or internal source as information (Kotler, 1994). Some examples for internal stimuli would be:

- The company needs new equipment or material for the production of a new developed product.
- A broken down machine requires the replacement of new parts.
- Purchased materials or equipments perform unsatisfactorily, therefore the organisation searches for new suppliers.
- A purchasing manager senses an opportunity to obtain higher quality and/or lower prices.

Externally, the organisation may obtain new ideas from a benchmarking research, a trade show, an article, an ad or a proposal of a supplier who offers superior conditions.
**General Need Description:** Once an organisation generates internal awareness of the problem or need, it moves towards the next phase of decision-making process. At this phase, articulation of the problem for the organisation is far more difficult than simply recognising it and its symptoms due to the lack of experience, expertise, time and resources to fully analyse and diagnose the problem (Robinson et al., 1967). Therefore, the organisation perceives risk and faces uncertainty. Therefore, the organisation is only able to determine the problem and need on general terms.

**Product Specifications:** Having defined the need and problem on general terms, the organisation proceeds to utilise internal and external assistance in order to develop the product specifications. A group of engineers from a product development or research and design team could assist as an internal source while professional service firms could assist by consulting as external sources for the development of product specifications.

**Supplier Search:** The organisation will search for potential suppliers to purchase the product that conforms to the determined specifications. The supplier’s image and its perceived competitive position are likely to be the most important factors in new task and modified rebuy situations (Morgan, 1991). At this stage, the buyer will decide to further interact with suppliers that build an attractive reputation and a strong advertising and promotion campaign (Kotler, 1994).

**Proposal Solicitation:** In the earlier stages, the organisational buyer has faced uncertainty and perceived risk in diagnosing the problem and need due to the lack of expertise, experience and resources. At the proposal solicitation stage, the buyer likewise still suffers from inability to evaluate the offered solutions of the suppliers due to both the lack of expertise and experience and in most cases and the inability to experience the solution in advance of making the purchase decision.

To consider a vital point, prospective buyers use surrogates to assess what they are likely to gain (Levitt, 1981). In the proposal solicitation stage, the gain is the solution of the buyer while the surrogates are the information presented in the proposal as promises of the reality.

Furthermore, Levitt (1981) clarifies one of the reasons why organisations invite suppliers for proposal submission as “Common sense tells us and research confirms, that people use appearances to make judgements about realities”. Consequently, is
seems that the "appearances" refer to detailed catalogues and proposals while the realities refer to the promised performance and specifications of the solution. Hence, it is worth considering that the supplier tangibilises the promised solutions as thick descriptions of product specification with colourful animated pictures and a smiling sales representative presenting the solution to the members of the Decision Making Unit of the buyer organisation. Levitt (1981, p.97) brings the concept of intangibility at this stage under the light as:

"The product will be judged in part by who offers it-not just the vendor [supplier] corporation is but also who the corporation’s representative is. The vendor and the vendor’s representative are both inextricably and inevitably part of the ‘product’ that prospects [buyers] must judge before they buy. The less tangible the generic product, the more powerfully and persistently the judgement about it gets shaped by the packaging- how it’s presented, who presents it, and what’s implied by metaphor, simile, symbol, and other surrogates of the reality.

So, too, with tangible products. The sales engineers assigned to work with an electric utility company asking for competitive bids on a $100 million steam boiler system for its new plant are as powerfully a part of the offered product (the promise) as is the investment banking firm’s partner.

The reason is easy to see. In neither case is there a product until it’s delivered. And you won’t know how well it performs until it’s put to work. [emphasis added]"

His last paragraph clearly elucidates the reasons for the risk perception of the buyer and their dependence on evaluating the surrogates of the reality; that is the offered product as a promise. A closer analysis of the first paragraph suggests that the “packaging” refers to the surrogates of the promised reality. Inevitably, it is impossible for the organisational buyer to assess and evaluate a solution, which in this case is the $100 million steam boiler system. Consequently, the buyer bases his detailed decision making criteria on the surrogates of the reality and hence influences the purchase decision process and its outcomes.

Levitt’s (1981) “surrogates” approach also explains the reason why the buyer still perceives risk and attempts to further negotiate for warrants and compensation policies in that a solution can not be assessed and seen to be operating properly in advance of its installation, placement or foundation. Therefore, the buyer faces a risk of making a wrong decision at this stage of the decision-making process.

**Supplier Selection:** The organisation will evaluate the submitted proposals and presentations of alternative suppliers, their willingness and desire to take the business. The alternative suppliers will also be assessed with their competency of responses, their
understanding of the buyer’s business, their willingness to help and care for the buyer. These criteria are used as surrogates of the real solution to be delivered by the selected supplier(s).

Lehmann and O’Shaughnessy (1974) suggest that the relative importance of various attributes depend on the buying situation. They identified three different buying situations:

- Routine order products: Reliability of delivery, price and reputation of supplier are highly important.

- Political problem products: Price, supplier reputation, product reliability, service reliability and supplier flexibility are most important.

- Procedural problem products: Technical service, supplier flexibility and product reliability are found to be most important.

Finally, the organisational buyers may attempt to negotiate with the qualified suppliers for better conditions and terms in advance of making the final decision.

**Order-Routine Specifications:** After the selection of supplier(s), the buyer negotiates for the final order by listing the technical specifications, the quantity needed, the expected times of delivery, policies of return and warranties (Kotler, 1994). The buyer will break down the proposal into a more detailed product delivery plan and the way service is to be performed (Morgan, 1991, p.39)

**Performance Review:** In this final phase, the organisational decision making process, the buyer will utilise the solution delivered by the supplier(s) to satisfy his needs. Wieters and Ostrom (1979) state that three methods could be used to review the performance of supplier(s):

1. The buyer contacts the end users for their evaluations.
2. The buyer rates the supplier on several criteria using the weighted score method
3. The buyer aggregates the cost of poor performance to come up with adjusted costs of purchase, including price.

The continuous evaluation and assessment of the supplier render a pool of experience as a feedback for the next organisational decision making situation. The buyer
increases its expertise particularly in defining the problem, rendering the specifications of the product and selecting the supplier.

2.4.4 Factors Influencing Organisational Purchase Decisions

It is vital for organisations to understand the factors that can influence organisational buying decisions.

<table>
<thead>
<tr>
<th>ROLES OF PURCHASE DECISION MAKING</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Users</strong></td>
</tr>
<tr>
<td><strong>Buyers</strong></td>
</tr>
<tr>
<td><strong>Influencers</strong></td>
</tr>
<tr>
<td><strong>Gatekeepers</strong></td>
</tr>
<tr>
<td><strong>Deciders</strong></td>
</tr>
</tbody>
</table>

In organisations, a group of people forming the Decision Making Unit (DMU) is responsible for organisational decision-making rather than a single person. Webster and Wind (1972b) call this DMU “Buying Center” and define it as “all those individuals and groups who participate in the purchasing decision-making process, who share some common goals and the risks arising from the decisions” (Webster and Wind, 1972b, p.6). The buying center includes all members of the organisation who play any of five roles in the purchase decision-making (Webster & Wind, 1972b, p.78-80). These roles are defined in Figure 2.13.

Although Webster and Wind (1972b) identified these roles as discrete roles, they state that in many organisations:
• One member of DMU may perform a single role.

• One member of DMU may perform multiple roles.

• All members of DMU can be seen as influencers.

Within an organisation, the size of the buying center will vary in the number and type of members for different classes of goods, services, raw materials and equipment. For instance, more members will involve in the purchase decision-making process for Computer Aided Inventory Management Network than in buying paper clips.

2.5 Summary and Conclusions

This chapter has outlined the definitions of services in a chronological order, the nature and characteristics of services. The literature holds that services have significant differences in comparison to goods in the respect that services are intangible performances rather than tangible objects. In this distinction, the intangibility of services from which all other characteristics derive is seen and accepted by a broad range of scholars to be the fundamental characteristic of services. Other characteristics of services that stem from “intangibility” are “heterogeneity”, “inseparability” and “ perishability”. Moreover, McKechnie (1992) suggests two unique characteristics of financial services, namely “fiduciary responsibility” and “two-way information flows”. By building a conceptual layout for the two inherently interlaced concepts of services and intangibility, this section of the chapter aims to prepare the reader for the next chapter.

This chapter also presented a selected framework for its readers to summarise the intangible nature of service quality dimensions. In their groundbreaking research, Zeithaml et al. (1990) identified ten dimensions of service quality. Their further synthesis and distillation of these ten dimensions produced the universal five dimensions of service quality. Among these five dimensions, four of them (reliability, assurance, empathy and responsiveness) are intangible dimensions while the last dimension, namely “tangibles” pertains to the tangible aspects of service quality. In the light of Zeithaml et al. ’s (1990) definitions of service quality dimensions, it seems reasonable to conclude that the dimensions of service quality mostly originate from mostly the intangible characteristics of services.
Finally, this chapter attempts to integrate the decision making process of organisational buyers with concepts of "intangibility" in order to provide a scope of organisational buying behaviour. In the context of Robinson et al.'s (1967) eight stages of organisational decision making process, the concepts of "intangibility" have been basically outlined, thus preparing the reader for the next chapter by constituting a layout for the two interrelated concepts of organisational buying and "intangibility".

In conclusion, this chapter established a conceptual background for the third chapter pertaining to the concepts of "service intangibles".
Chapter Three

3. Intangibility and Service Intangibles

"Instead of speaking of services and goods, we should speak of intangibles and tangibles. Everybody sells intangibles in the marketplace, no matter what is produced in the factory."

Theodore Levitt

3.1 Introduction

This chapter is devoted to encompass essential issues and concepts of “Intangibility” regarded as the fundamental difference between services and goods. In this chapter, concepts pertaining to intangibility, the definitions of intangibility, proposed intangibles and consequences of intangibility are represented.

3.2 “Intangibility”: A Fundamental and Enigmatic Concept for Services

The following paragraphs demonstrate (1) literature’s view in terms of the definition and assigned importance of intangibility, (2) “intangibility” as the widely accepted single fundamental characteristic, (3) proposed service intangibles, (4) tangible cues as the indicators of service intangibles.

3.2.1 Intangibility as the Fundamental Characteristic of Services

The literature holds that intangibility, the most commonly cited property of services, has been described as the fundamental distinguishing characteristic of services, from which all other differences emerge (Amirani, Shahrzad and Baker, 1995; Bateson, 1977 & 1979 & 1989; Berry, 1980; Berry and Parasuraman, 1991; Chase and Erikson, 1988; Dotchin and Oakland, 1994; Edgett and Parkinson, 1993; George and Barksdale, 1974; Grönroos, 1978 & 1979b; Gummesson, 1978, Harte and Dale, 1995; Hostage, 1975;
Implications for TQM Practices of CSI

Intangibility and Service Intangibles


All of these scholars agree that services are intangibles-dominant market entities, and further state that services are highly intangible both physically and mentally. Furthermore, since the main discussion that originated around the differences between goods and services started in the early 70s, these scholars made substantial contributions to both theory and practice of strategic marketing management and services marketing (Please refer to section 2.2.5 Do Services Deserve Separate Treatment? in page 19).

In his book, Grönroos (1990, p.29) highlights the essence of a service and hence, emphasises the importance of intangibility as follows:

1. “A service is normally perceived in a subjective manner. When services are
2. described by customers, expressions such as experience, trust, feeling, and security
3. are used. These are highly abstract ways of formulating what a service is. The reason
4. for this, of course, lies in the intangible nature of services. However, many services
5. include highly tangible elements as well: for example the food in a restaurant, the
6. documents used by a forwarding company, and the spare parts used by a repair shop.
7. The essence of a service, however, is the intangibility phenomenon itself. As a matter
8. of fact, the intangibility characteristic is probably the most often cited criterion of
9. services. Because of the high degree of intangibility, it is frequently difficult for the
10. customer to evaluate a service. How do you give a distinct value to ‘trust’, or to a
11. ‘feeling’ for example? Therefore, it is often suggested in the literature that one
12. should tangibilize a service for the customer by using concrete, physical evidence,
13. such as plastic cards and various kinds of documents [emphasis added].”

(Numbers in brackets indicate line numbers of the quotation) Grönroos’ interpretation implicitly illuminates a vital point by outlining the implications that derive from intangibility. According to Grönroos, although services embody tangible elements [5-6], the essence of a service is the intangibility phenomenon itself [7], which makes it difficult for customers to evaluate, services [10]. This raises the question: “What is the root of the problem that makes it difficult for customers to evaluate services?” A careful examination and analysis of Grönroos’ quotation may provide cues for the answer of this question.

Grönroos and others (Dornstein, 1977; Gummesson, 1978&1979) argue that the perception of services are highly subjective (1), hence services have idiosyncratic perceptions. That is, the interpretations that derive from the perception of service
experiences may vary from customer to customer. Moreover, it is difficult for customers to produce these highly abstract interpretations (2-3) due to the intangible (4) nature of services. At this point, Grönroos suggests the provision of tangible clues (12) by means of providing evidences for customer and hence easing the evaluation of services.

Difficulty in evaluating the process and outcomes of a service is surely one of the consequences of “intangibility”. The next section helps comprehend the concepts of “intangibility”, “service intangibles” and their various consequences.

### 3.2.2 Definition of Intangibility


In 1977, Bateson offered the idea that intangibility is the driving force behind all structural differences between the marketing of goods and services. He claimed that services are “doubly intangible”. That is, services are both impalpable and difficult to grasp mentally. He and his colleagues suggested a framework (please refer to Figure 3.1) for the double intangibility of services.

### 3.2.3 A Framework for the Definition of Intangibility

In their framework, Bateson and his colleagues’ suggest that impalpability leads to the simultaneous production and consumption of services (Inseparability). This leads to a series of problems such as (a) differentiating offerings from competitors (b) managing how employees interact with clients and (c) maintaining quality control. In addition to these three problems displayed in the Figure 3.1, inseparability is seen to create (a) no inventories, (b) short or non-existent distribution channels and (c) the need for convenient and widespread service operation facilities (Bloom, 1987).
The problems that emerge from Bateson’s conceptual framework seem to be pertaining to service providers. In addition, other scholars recognised consequences of intangibility of services for the service providers:

1. It is difficult for the provider to explain and difficult for the customer to assess services before buying (Kotler, 1973).

2. The intangibility of services produces specific problems when identifying customer requirements. Therefore, setting of quality standards or norms in professional service organisations is also particularly problematic (Harte and Dale, 1995).

3. Intangible aspect makes measurement of the customer's perceptions of quality difficult at best (Hutton and Richardson, 1995)

On the other dimension of intangibility, that is the difficulty to grasp services mentally, Bateson stated that this phenomenon makes it harder to research the clients' definition of the quality and what clients are seeking. Intangibility, on the other hand, also creates certain consequences for customers. This issue is presented in Section 3.3, p. 43.

After revealing certain consequences of service intangibles, the next section lists the suggested intangibles of the literature and examines whether the literature holds a common understanding of the concept intangibility.
3.2.4 Proposed Intangibles of Services

The definitions of “intangibility” lead us toward a particular direction in order to identify various service intangibles. At this point, the compatibility of the suggested definition of intangibility with the proposed service intangibles from literature is an important issue. Although a majority of scholars agree with Bateson’s (1977) definition of intangibility, it is also important to compare whether the proposed service intangibles are compatible with Bateson’s definition. This comparison will reveal the extent to which scholars of marketing agree on the concept of “intangibility” and whether these scholars have been able to capture other aspects of intangibility. The proposed intangibles are summarised in Figure 3.2.

De Toni et al. (1994) state that services of a transaction cover both tangible and intangible elements “The buyer-supplier exchange regards not only an object, but the complex of activities and informative/operative interactions needed for its completion and delivery. Thus the supply transaction sets in motion a series of services distinguished by tangible and intangible elements.

<table>
<thead>
<tr>
<th>PROPOSED INTANGIBLES OF SERVICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery, Service, Confidence in Vendor</td>
</tr>
<tr>
<td>Reliability, Responsiveness, Assurance and Empathy</td>
</tr>
<tr>
<td>Personnel Attitudes</td>
</tr>
<tr>
<td>Trust, Feelings, Experience and Security</td>
</tr>
<tr>
<td>The Attitude, Facial Expressions and Body Language of the Salesperson</td>
</tr>
<tr>
<td>Word of Mouth and Reputation</td>
</tr>
<tr>
<td>Confidence in the Vendor, Reputation and Goodwill</td>
</tr>
<tr>
<td>Helpfulness and Friendliness of Staff</td>
</tr>
<tr>
<td>Empathy</td>
</tr>
<tr>
<td>Dynamism, Stability/Credibility, Client-Customer Service</td>
</tr>
<tr>
<td>Empathy / Understanding, Relationship between Patients and Health Care Staff, Communications, Reliability, Courtesy, Dignity</td>
</tr>
</tbody>
</table>

Figure 3.2: Proposed Intangibles of Services (In chronological order)
The common property to most of the proposed intangibles in Figure 3.2 is that they are mostly mental concepts (such as goodwill and trust) rather than physical entities (such as cars and computers). Unlike durability, strengths, resistance and perpetuality, the cited intangibles such as confidence in vendor, helpfulness, empathy and dignity seem to be unmeasurable and unquantifiable aspects of service. From a total quality control perspective, one wonders how such unmeasurable and unquantifiable aspects could be managed and controlled. This point reminds us of the quality expert and guru's approach: Deming's “the elements of the transformation that must take place. There must be an awakening to the crisis, followed by action, management's job” (Deming, 1986, p. 18) remind us of the salience of transformation and change towards a TQM culture.

In order to accomplish this transformation supported by everyone's involvement in the firm to take action (Point 14), Deming suggests 14 points, two of which include unquantifiable aspects. They are point 8: “Drive out Fear” and point 12: “Create Pride”. “Drive out Fear” which supports and stimulates joy in work, enjoyment, prevention of fear, security, cooperation and innovation. In addition, Point 12 encourages and nourishes job satisfaction and the attachment of prestige to jobs. Moreover, “Create Pride” is a point that fosters and supports point eight. Dahlgaard et al. (1994, p.75) argues, “... a large number of firms are still run on fear. The result is inefficiency and poor quality, since employees spend too much time worrying about the consequences of this and that instead of working for the common good. A central task of management, therefore, is to create the sort of environment which can eliminate fear in an organisation, so that everyone can experience the joy in work crucial to efficient operations” and concludes that Deming's point 8 is the most important point. Hence, it can be seen that Point 8 and 12 encourage and motivate people by supporting positive feelings and affection.

To come back to the main issue, job satisfaction, pride in work, work enjoyment and feeling of security are identified “intangibles of the organisation” similar to service intangibles listed in Figure 3.2. The common point to all is that both services marketing and total quality literature emphasises the salience and fundamentality of these intangibles. These intangibles are service intangibles and “organisational intangibles”. At this point, the research of this thesis aims to identify such fundamental service
intangibles during the decision-making processes and generate implications for TQM practices.

To shift the direction of flow back to service intangibles, “facial expressions” and “body language of the salesperson” (in Figure 3.2) do not seem to conform to Bateson’s definition. It is not the facial expressions and the body language of a salesperson that is intangible, rather what other people perceive from these cues of communication such as helpfulness, friendliness (Cowling and Newman, 1995) and personal attitudes (Steenkamp and B. M., 1990) are intangible. This appears to be the common property of the service intangibles.

3.3 Consequences of Intangibility

The following sections explain the two main consequences of intangibility from the customer’s point of view, and thus give rise to a salient implication: “Tangibilising the Intangibles” or “Managing the Evidence”.

3.3.1 Relative Difficulty in Perception and Evaluation

There are particular reasons that contribute to the resulting relative difficulty in the perception and hence, evaluation of services. Firstly, a good in essence is an object while a service in essence is a performance [provider] and experience [customer]. Shostack (1990) affirms this basic difference as “A physical object is self-defining; a service is not”. Thus, the difficulty derived from the lack of visible cues that help customers perceive the rendered services are widely recognised by scholars and thus attributed to the non-physical nature of services (Kotler, 1973; Holmstrom, 1985; Mills, 1986; Shostack, 1977; Bateson, 1977; Scheuing and Edvardsson, 1994).

Additionally, experience qualities (Philip, 1970), and credence qualities (Darby and Karni, 1973; Holmstrom, 1985) are embodied only in services and are qualities derived from the non-physical, intangible nature of services. Consequently, the perceiving and evaluating the quality of services also become harder for customers due to experience and credence qualities (Berry and Parasuraman, 1991; Edgett and Parkinson, 1993; Parasuraman, Zeithaml and Berry, 1985).
3.3.2 Higher Perceived Uncertainty and Risk

In addition, another consequence of intangibility is the relatively higher perceived uncertainty and risk in purchase decisions. Bowen and Schneider (1988b) reveal that the intangible nature of services causes customers to face greater ambiguity when assessing the quality of service. Consequently, it is the difficulty in predicting reactions, exacerbated with intangible outputs of services (Reeves and David, 1994). Similarly, the complex and intangible nature of services causes both buyer uncertainty in professional service organisations and specific problems in identifying customer requirements (Harte and Dale, 1995). Therefore, customers perceive services to be riskier than goods due to pre-purchase uncertainty (Murray, 1991; Levitt, 1976; Thomas, 1978). Ultimately, we can realise that uncertainty and ambiguity created by intangibility seems to be an important burden for customers such as decision-makers in organisations.

3.4 A Search for the Surrogates of “Intangibility”

As mentioned above, customers are almost unable to see or test services as goods. This situation causes a certain amount of uncertainty and risk, which customers will intentionally try to reduce. Consequently, customers will try to

1. Understand the invisible and intangible service in concern, in advance of making a purchase decision. Bitner (1990, p.72) suggests “customers look for tangible evidence of what they are about to experience in a given service encounter.”

2. They will try to draw inferences about service quality, the process and expected outcomes of the service (Kotler, 1994; Brown and Swartz, 1989; Peattie and Peattie, 1995; Tieperman, Inman and Pick, 1994).

Therefore, customers will intentionally search for information about services and cues of service quality (Berry and Parasuraman, 1991). Consequently, physical evidence sends strong messages to customers and hence affects their expectations. Supporting this point with evidences from research, Ward, Bitner and Barnes (1992, p. 220) moves one step further and implicates that the communicative power of physical cues should be understood and organised from the customer’s point of view.
“In general, the findings suggest that, whenever a firm's product is intangible, customers are likely to rely on environmental cues to help categorize and form expectations regarding the service they will receive... [and conclude as:] Although the study was applied in the fast food industry, the appropriateness of the measurement approach, the findings and conclusions extend beyond that industry in suggesting implications for industries where the customer is present in the service "factory." Whenever the firm's product is intangible (healthcare, education, transportation, professional services), customers are likely to rely on environmental cues to help them categorize and form expectations regarding the service they will receive. *A clear implication is that managers need to understand the communicative power of environmental cues from the customer's point of view, rather than from the architect's or the manager's point of view.* [emphasis added]”

Similarly another research suggests that intangibility and technical complexity of the services offered may lead clients to identify and base their assessments on such surrogate indicators of quality as corporate image, office ambience, internal decor and support staff performance (Scott and van der Walt 1995; Brown and Swartz, 1989)

Therefore, the service provider's task is to “manage the evidence” to “tangibilize the intangibles” (Levitt, 1981; Shostack, 1977; Berry, 1980; Kotler, 1973). Berry and Parasuraman (1991) propose three categories of evidence as illustrated in Figure 3.3: the physical environment, communications and prices.

![Figure 3.3: Types of Evidence](source: Berry and Parasuraman (1991, p. 95))

### 3.4.1 Physical Environment

The physical environment is the place where the services are delivered. Julia (1987) suggests that physical environment embodies three categories: ambient factors, design factors and social factors.

**Ambient factors** are background conditions, existing below the level of immediate awareness and thus, they typically draw attention only when they are absent
or unpleasant [noise, temperature, humidity, scent or cleanliness]. The influence of ambient factors is neutral or negative.

**Design factors** are visual stimuli. They are comparably far more likely to be apparent to customers than ambient factors. Therefore, design factors have a higher potential for producing positive customer perceptions and encouraging approach behaviour. Examples for design factors would be aesthetics (Architecture, colour, scale, materials, texture, accessories) and functional (layout, comfort and signage).

**Social factors** are related to the human component such as customers and service personnel. Depending on the service expectations of a customer, the behaviour, appearance and number of people in service environment can persuade either approach or avoidance behaviour.

### 3.4.2 Communications

From the customer's point of view, communications are evidences of services. These evidences help them infer quality of service and as well may influence their expectations. Customers receive a diverse range of communications from the company, other interested parties, word-of-mouth communications and through media. Examples of communications would be membership cards, advertising, billing statements and company signage. All these communications send right or wrong clues about the service.

### 3.4.3 Prices

The influence of price on the expectations of customers such as quality [price-quality relationship], is a widely known and broadly researched area. Research shows that customers use price as one of the indicators of quality and may well modify their expectations about the quality of product. Accordingly, price can raise customer expectations (This is expensive, so it has to be better) or lower them ("So cheap, I can not get what I want from this"). The invisibility [intangibility] of services makes the visible cues [such as price] even more important to customers' purchasing decisions (Berry L. and Parasuraman A., 1991).

On the other hand, determination of prices is more problematic for services. The intangible nature of services makes it hard for customers to evaluate the expected or
received value (Bounds et al., 1994). This point reveals that customers face more difficulty in evaluating their benefits and sacrifices from which they intend to infer the price.

3.5 The Effects of Tangible Cues on Customers

After considering that tangible cues are important indicators for customer to infer service quality, it would be reasonable to draw important implications from Berry and Parasuraman's (1991) suggestions to marketing managers: "Marketers can use evidence for some or all of these subroles as conditions dictate. Not mutually exclusive, these subroles for evidence include (1) shaping first impressions (2) managing trust (3) facilitating quality service (4) changing an image (5) providing sensory stimulation (6) socialising employees". Although Berry L. and Parasuraman's suggestions are for marketing managers, they include salient implications for TQM practices:

1. It is the tangible cues, from which customers form their first impressions of service, personnel or company.
2. Customers use tangible cues to assess the trustworthiness of the company or the personnel.
3. Customers make use of tangible cues to infer the level of service quality.
4. Customers employ tangible cues to form an image of the company
5. The social behaviours of customers may result in positive customer impressions.
6. Tangible cues contribute to detract from customers impressions of the anticipated or delivered service.

After evaluating these implications, it seems reasonable to conclude that: Tangible cues have an incredible influence on the customers, their impressions, perceptions of the quality of service, and the level of trustworthiness customers assign to company or their personnel. In other words, tangible cues may increase or decrease customers. Therefore, the management of evidence and management by facts from the customers' point of view as a part of the TQM philosophy, have critical importance in order to retain all customers satisfied.
3.6 Summary

The purpose of this chapter is to establish a critical part of the conceptual background by connecting the interrelated concepts of intangibility and total quality. The topics that are covered address the nature of intangibility and hold that intangibility is the fundamental characteristic of services that differentiate service from goods. Moreover, this chapter provides the reader with certain proposed intangibles and whether their common properties conform to the commonly accepted definitions of scholars. Finally, the consequences of intangibility are covered from the service providing organisations' and customers' points of view.

Figure 3.4 has been prepared by combining both practical and theoretical aspects of intangibility, and hence it summarises the main points and their conclusions.
Implications for TQM Practices of CSI

Intangibility and Service Intangibles

The Participants: For instance, let's focus on a banking service related to leasing. The people involved are (1) an “expert” (Exp) on financial markets from Bank A and (2) a finance manager (FinMan) from company B who needs information about financial markets and has minor knowledge about it. They will meet in the bank.

The Need: The FinMan is concerned with certain financial rates and directs a question to the Exp. He wants an [empathetic and trustable] Exp who offers the best deal available in a [good will] friendly manner. Therefore, he will direct his attention related to these aspects of the relationship.

First Impressions: As the FinMan arrives at the bank, he starts forming his first impression by employing the tangible cues he observes. The symbol of the bank, architecture of the building, its location, internal accessories, internal decors, levels of temperature-humidity-noise, the dressing of personnel, other customers, the appearance of the Exp. and how he welcomes FinMan. Even how he treats other personnel in the bank gives a certain direction to the shaping of FinMan's inferences about the trustworthiness, image of the bank and its anticipated quality of service.

The Communication: As the FinMan starts asking a question, a communication begins between the two people. Beside verbal communication, tone and speed of voice, breathing, posture, facial expressions, eye contact, eye movement, pupil size, mimics and gestures, dress and the movement of hands, feet or head are the elements of non-verbal communication (Denburg and Kleiner, 1994; Ruesch and Weldon, 1974) which are used as tangible cues for service intangibles. During this communication, both people listen and observe these tangible cues and produce interpretation, which at a certain level help them infer intangibles.

D'Egidio (1990) reveals that in many transactions, verbal language accounts for only 7% of the communication while the remaining 93% is nonverbal communication. Berry and Parasuraman (1991) call as “tangibles cues” while Levitt (1981) calls as “surrogates of reality”.

The Exp 's Evaluations: Hence, the Exp perceives this communications and produces various interpretations that may affect his behaviours and the information he provides for the FinMan. In other words, the observations of the Exp may affect how (the process) he delivers which information (the outcomes) for the FinMan.

The FinMan 's Evaluations: From the FinMan 's point of view, the interpretations of the Exp may affect [intangibles] his friendliness, credibility and his goodwill. So, the FinMan is interested in the Exp 's interpretations. However, he can not read the Exp 's mind and see the Exp 's interpretations. Therefore, the FinMan is dependent on his perceptions of the tangible cues. He will infer service intangibles by using these tangible cues.

The FinMan 's Inferences: He may intend to infer whether or not the Exp is knowledgeable in his area (courtesy) and hence his offer is reliable (reliability), respects him as an individual (dignity), cares and considers him as a customer (responsiveness) and hence he is willing to understand his business (understanding). From all these inferences, the FinMan may infer whether the Exp is a trustable person or not.

Conclusion: The perceived quality of the delivered service may be significantly influenced by the customer’s inferences of the intangibles of the service by merely judging the tangibles cues.
Chapter Four

4. Methodology

"For the most part we do not see first and then define. We define first and then see."

Lippmann

4.1 Introduction

In the second and third chapters, a multi-disciplined conceptual background has been developed in order to (1) lay the concepts, (2) establish the interrelated relationships among these concepts and (3) enhance the effectiveness of the study. These three reasons and the synergy among them have an indispensable role for the determination of an appropriate methodology and techniques of analysis.

The following sections present the principles, elements and reasons for the identification of appropriate research methodology for the research question “What are the implications of critical service intangibles for Total Quality Management practices?”. In other words, this chapter provides a methodology to be employed during and after the fieldwork. The methodology embodies the means and approach for data collection, analysis and presentation of the findings.

A good qualitative research requires theoretical sensitivity that refers to “a personal quality of the researcher. It indicates an awareness of the subtleties of meaning of data” (Strauss and Corbin, 1990: 41). Theoretical sensitivity is the sensitive thinking and being sensitive to theoretical issues when scrutinising data (Strauss, 1987; Glasser, 1978). The attribute of having the ability to gain insight, the ability to ascribe meaning to data, to possess the capacity to understand and capability to separate the pertinent from non-pertinent, all refer to various aspects of theoretical sensitivity (Glazer, 1978).

The conducted preliminary investigations as a support for enhancing theoretical sensitivity are in Appendices A and B. The list of references considered for the
literature review of the preliminary investigations is in the Bibliography. The following sections outline an appropriate research methodology for the research topic.

4.2 The Characteristics of the Research

The main purpose of research can be characterised as exploration and understanding of experiences at a deeper level under context specific settings. Unlike other research, this research aims to employ a holistic approach considering that “virtually all studies which we have identified take a static ‘snapshot’ of selection and performance evaluation; that is, these studies do not have a process orientation and, hence, fall far short of capturing the dynamics of the purchase process” (Day and Hiram, 1994, p. 44-51)

Under certain conditions such as decision making for repurchase decisions, the decision-makers of an organisation espouse certain experiences that are accumulated and retained over a long time. Such experiences and stories pertaining to service intangibles are derived from a relationship between a client and a supplier. Therefore, the research aims to explore experiences and stories regarding the service intangibles that are critical in decisions of selecting a supplier.

4.3 Research Approach and Orientation of the Methodology

Because the main purpose of the research can be characterised as exploration and understanding of experiences at a deep level, to a certain extent, it has never been a matter of debating the relative value of the inquiry paradigm of research chosen for this study. In other words, a naturalistic research paradigm that advocates more “qualitative and naturalistic approaches to inductively and holistically understand human experience in content-specific settings” is considered to have more practical value than “a logical-positivism, which uses quantitative and experimental methods to test hypothetical-deductive generalisations” (Patton, 1990: 37).

Patton argues, “a paradigm of choices rejects methodological orthodoxy in favour of methodological appropriateness as the primary criterion for judging methodological quality” (Patton, 1990: 39). Thus, the main issue matured to consider “whether one has made sensible method decisions given the purpose of the inquiry, the questions being
investigated, and the resources available” (Patton, 1990: 39). Thus, the following paragraphs and sections represent the rationales of decisions regarding the methods of the research.

From the services marketing perspective, Morgan (1991, p. 39) clearly reveals the nature of evaluation criteria of the client and places the center of emphasis on the qualitative (7) and non-technical (3, 7) criteria:

1. “While using the services of the Professional Service Firms (PSF) the client will
2. continuously be evaluating the firm. This evaluation process will usually entail the
3. use of evaluation criteria that are non-technical and often unrelated to the specific
4. need and service being provided. The staff and management of the client firm will
5. continuously be making implicit and explicit judgements about the personalities of
6. the service providers, the way they interact with the staff of the client, the quality of
7. their communications, etc. These qualitative, non-technical, unsystematic
8. evaluations are critical in building a picture of how the client will perceive the
9. experience of using the PSF and hence will be important in decisions relating to
10. retaining the PSF and appointing and considering the PSF for future assignments
    [emphasis added]”

A deeper examination of his words also reveal that the judgements employed (5) during the client’s continuous evaluation (2) of suppliers (PSF) seem to embody intangible aspects of the relationship such as the personalities of the service providers, the way service providers interact with the staff of the client and the quality of the communications of service providers. He also stresses the significant influence (8) of such qualitative evaluations and judgements (7) on the client’s perceptions of the experience of using the PSF (9).

At this point, it is important to keep in mind that this research aims to deeply understand the experiences of people working for a specific client. In this respect, therefore, it is reasonable to consider Morgan ’s arguments that suggest a qualitative research paradigm.

4.4 Qualitative Research

Qualitative methods, which are inherently multi-method in focus (Brewer and Hunter, 1989) support the purpose of inquiring the experiences in a deep level by “permit[ing] the evaluator to study selected issues in depth and detail” (Patton, 1990, p. 13). Furthermore, “in qualitative inquiry the researcher is the instrument. Validity in qualitative methods, therefore, hinges to a great extent on the skill, competence and rigor of the person doing fieldwork” (Patton, 1990, p. 14; Guba and Lincoln, 1981).
Therefore, the skills, training, tacit\textsuperscript{4} and explicit knowledge and experience of the researcher have a significant role in making use of the instrument (Guba and Lincoln, 1981).

Major strengths of qualitative methods can be summarised as flexibility (times and methods for data collection and analysis vary as a study proceeds), specific case orientation, focus on natural occurrence (ordinary events in natural settings), richness and holism through "thick descriptions" and bouncing beyond snapshots through a sustained period approach for data collection (Miles and Huberman, 1994; Patton, 1990; Denzin 1989; Sarantakos, 1993). As it will be mentioned later, these advantages match and conform to the needs and purposes of the research inquiry.

A qualitative researcher begins with the question "What do I want to know in this study?" (Janesick, 1994, p. 210). To a certain extent, this question is answered in the first chapter; however, an answer to this question here would be a contribution to the understanding of the methodology. The objective of this study is to produce implications for Total Quality Management practices of critical service intangibles by means of utilising holistic analysis of context specific stories and experiences of informants. To reach the objective, the researcher needs to know and learn service intangibles that are critical\textsuperscript{5} in client-supplier relationships. Thus, it is crucial to collect "thick descriptions" of experiences and stories about intangibles that are from the customer's\textsuperscript{6} point of view. This is where the qualitative research design begins. A "qualitative research design begins with a question" (Janesick, 1994, p.210).

4.5 Qualitative Research Design

4.5.1 Triangulations of the Research

During and after the field inquiry, diverse sets of methods of data collection and analysis have been employed in order to strengthen the research design. As Denzin (1978b, 28) puts "each method reveals different aspects of empirical reality". He

\textsuperscript{4} For the concept of Tacit Knowledge, please refer to Appendix F

\textsuperscript{5} A service intangible becomes critical when a client considers it in (1) decisions regarding the retention or not retention of the relationship with a supplier and (2) decisions regarding the purchase of the supplier's product.

\textsuperscript{6} The word "customer" refers to an organisation that is the client. The stories are collected from the members of the client.
further adds, "No single method ever adequately solves the problem of rival cause factors". Therefore, Patton (1990) argues that combining methodologies is an important way of strengthening the research design. He refers to this combination of methodologies as "triangulation".

Triangulation is seen as an alternative to validation (Denzin, 1989a, 1989b, p.244; Fielding and Fielding, 1986, p.33; Flick, 1992, p. 194) rather than a tool or strategy of validation. The combination of multiple methods, empirical materials and perspectives in a single study is best understood, then, "as a strategy that adds rigour, breadth, and depth to any investigation" (Denzin and Lincoln, 1994, p. 2; Flick, 1992, p.194). There are five types of triangulations identified by various scholars:

1. **Data triangulation** is the use of a variety of data sources in a study (Denzin, 1978b). Data triangulation supports this study that uses data from structural and semi-structural interviews, informal observations and documents of company and prospective banks.

2. **Theory triangulation** pertains to the use of multiple perspectives to interpret a single set of data (Denzin, 1978b). Theory triangulation supports this study that utilises theories of total quality management, services marketing, service quality, psychology, organisational buying behaviour and organisational decision-making.

3. **Methodological triangulation** is the use of multiple methods to study a single problem (Denzin, 1978b). Methodological triangulation supports this research that uses ethnographical interview techniques, domain analysis, taxonomic analysis and analysis of contradictory evidence.

4. **Interdisciplinary triangulation** pertains to the use of multiple disciplines in order to escape from the dominance of a single discipline (Janesick, 1994). Interdisciplinary triangulation supports this study that embodies engineering, commerce and informatics as the main disciplines of Total Quality Management.

5. **Investigator triangulation** refers to the use of several different researchers or evaluators (Denzin, 1978b). This study uses a single researcher.
In the light of the explanations above, it seems to be reasonable to conclude that triangulation has a significant contribution to rigour of this methodology, the reliability of the fieldwork and the quality and validity of the findings.

During the course of inquiry, the approach to data collection has been from cultural, procedural and managerial perspectives as a holistic paradigm. At this point, it is important to note that such diverse methods and perspectives have been considered in order to enrich the depth of the theoretical meaning of the phenomena under study. Hence, the purpose of the research was neither describing a culture with its all complex meaning systems and underlying aspects as in the pure ethnographic research (Spradley, 1979), nor focussing on the process of transformation to become a Total Quality Management organisation (Deming, 1986). Consequently, this study has no significant relationship with “thick ethnographic descriptions” or “evaluations and analyses of transformation”.

Alternatively, this study pursues to employ all the former disciplines and incorporates a methodology that responds to the purpose of the study and the underlying question in a most appropriate way.

### 4.5.2 Rationale for the Research Design

As explained earlier in the literature review (page 28), the organisational context and circumstances build a global buying situation. When an organisation shifts its buying situation to modified rebuy situation for instance, this influences how the processes for organisational repurchase decision making change. Given the buying situation, the repurchase decisions directly influence the experiences regarding the service intangibles derived from the supplier-company relationship. Therefore, this research determined an organisational buying situation that enables the implementation of the determined appropriate research methodology. In other words, the field inquiry should be legitimate under the buying situation of the company.

Among the three types of buying situations7 (Robinson, Faris and Wind, 1967), a careful evaluation led to the determination of modified rebuy situation8 to be the most

---

7 The buy classes are 1) New Task, 2) Modified rebuy and 3) Straight rebuy. Please refer to The Buy Grid Model in page 27.

8 The researcher is grateful to Mr. Phillip J. Scott for his evaluations of alternative situations.
Implications for TQM Practices of CSI

Methodology

appropriate for the needs of the research design, the research question and legitimacy. The three key points to the selection of the most appropriate buying situation are:

1. **Availability of experiences:** In a modified rebuy situation, the deciders and influencers already have been experiencing the service performance of a certain supplier (Robinson, Faris and Wind, 1967). Consequently, the members of the organisation can render a cumulative and common pool of experience and hence are internally able to communicate the critical intangibles of services pertaining to decisions of purchase and determination of supplier. Therefore, the availability of such experiences and stories for the field inquiry certainly seems to be a bottleneck for fulfilling the research purpose in page 53.

2. **The employment of experiences:** A modified rebuy situation embodies a fluctuation in the needs or problems of the organisation (Robinson, Faris and Wind, 1967). Consequently, the members of the organisation are alert to and more sensitive to company-supplier relationship. During this evaluation stage, the members evaluate the offers of alternative suppliers and compare with offers of the current supplier. In other words from a systems approach, the organisation is in a fire-fighting situation where the operation of organisational system is being adjusted. Therefore, the members of the company are committed to and engaged in a decision making process regarding the determination of the new supplier. A vital connection to this point is that during such evaluations of suppliers, the experiences of evaluators have a significant influence on deciding whether the supplier in concern will be selected or whether the relationship with the current supplier will be retained. (Please refer to page 52 for implications of Morgan’s quotation)

3. **Experiences as the theories-in-use:** Argyris and Schön (1974, 1978) make a distinction between two different theories of action: “theories-in-use”, *what people do*, as opposed to “espoused theories”, *what people think they do*. Argyris, Putnam and Smith (1985, p. 82) suggest, “as many approaches to social inquiry emphasise, human beings can be understood to act according to rules that they can not state [theories-in-use]”. Therefore, the aim of this study is to understand the informants’ theories-in-use which are more likely to be used during a modified rebuy situation.
Therefore, the research design requires a company that is in a modified rebuy situation. However, when the industries of suppliers are examined, two vital points emerge. After evaluating most industries, suppliers of banking services are selected:

1. **The intangibility of banking services**: In order to generate implications for critical service intangibles, also the supplier(s) should be in service intensive business: Several scholars and practitioners pointed out the high intangibility of the banking services (Laing, 1995; Levitt, 1981; Schlesinger and Heskett, 1991; Chaston, 1991; Greenland, 1994).

2. **The ease of recalling banking services**: During the field inquiry, the informants should be able to both recall stories and experiences of services of the supplier(s) and the relationship between their company and the supplier(s). Several scholars of psychology reveal a vital point. People tend to distort and forget their experiences in time (Coon, 1994; Huffman et al., 1991; Wayne, 1992). Hence, it is critical to pick a continuous service that is purchased and consumed on a regular basis. For such services, experiences remain fresh and are continuously reinforced over time. Thus, they are easily recalled by the informant. Therefore, banking services are selected.

### 4.5.3 Accessing the Social Setting

It is necessary to inform that due to the confidentiality agreement between the company under research and the University of Wollongong (Please refer to Appendix E), particular explanation regarding the confidentiality agreement and the rationale regarding the social setting takes place in Chapter 5. In this manner, consequently, certain information pertaining to the social setting, the company under research, the fieldwork and course of inquiry can not be published in this thesis.

This research is designed for the researcher to interact with informants face-to-face and with the intent of “living in that social setting to understand the meaning of participants’ lives in the participants’ own terms” (Janesick, 1994, p. 210) which, as will be mentioned later, is in harmony with methods of ethnographic interview.

Because the researcher (1) looks for meanings and perspectives of the informants given a social setting, (2) looks for relationships pertaining to the occurrence, structure and distribution of events over time and (3) looks for points of tension whether...
conflicting points exist in evidence, a qualitative research design focuses on understanding the social setting (Janesick V. J., 1994).

For the social setting, a company that is highly involved in total quality management is selected. The company is in health-care industry, thus operating in a service intensive business and highly committed to improving the quality of its services. The branches of the company are located in various regions of NSW Australia. The company has been benefiting from a long-term relationship with a bank. However, due to the change of circumstances, the company started searching out prospective banks several months before the commencement of the research. During the fieldwork inquiry, the company has been progressing in searching out and evaluating prospective banks. Therefore, the company is in a modified rebuy situation, where the deciders and the influencers of the company have been evaluating and assessing prospective banks.

In this modified rebuy situation, the responsible members of the company are actively involved in the process of gathering information about, establishing contacts, evaluating and assessing prospective banks. Kohli (1989) and others remark that purchase decisions are usually made by committees or buying centers (Robinson, Faris and Wind, 1967; Sheth, 1973). Therefore, this research focuses on the deciders of the committee and their influencers regardless of being a member of the decision-making committee of the company.

The decision-makers of the company suggested four influencers for the field inquiry. The research located all the three members of the decision-making unit and four influencers. These informants are the customers of the research and provide the researcher with the information such as experiences, stories, documents and the company environment. They have been engaging in processes of decision-making and problem solving together for more than 5 years. Therefore, it seems reasonable to infer that they have a common shared experience regarding the relationship between the current bank and the company. Furthermore, this inference is evidenced by data from the fieldwork inquiry.

The field inquiry took place over two months, and 20 hours of interview is performed. During the field inquiry, data collection-transcription, data analysis and feedback to question formation has been an ongoing iterative process (Please refer to
Figure 4.2 in page 61). Therefore, the analysis and collection of data proceeded simultaneously. Moreover, data analysis continued after field inquiry.

4.5.4 A Need for a Cultural Approach to Data Collection

Before the modified rebuy situation, the people in the company encounter and communicate certain incidents regarding two interrelated phenomena, namely (1) the company-bank relationship and (2) the evaluation of the quality of bank’s services. When the company alters into a modified rebuy situation, some of these people become the deciders and the rest influencers. During the process of selecting a bank,

1. The accumulated and reinforced experiences of the relationship are engaged in evaluations and decisions of selecting a bank (Please refer to Morgan’s quotation in page 52 regarding this point).

2. The deciders and influencers as a group are solving a problem and hence, sharing certain common experiences inherent from the pre-modified rebuy situation. These experiences direct the way people in the company interpret the world (Please refer to Lewin’s Experiential Learning Cycle in Figure 4.1) and these common experiences with shared meanings are dashed into the culture of these people (Schein, 1985).

Schein (1985, p. 7) defines culture and thus establishes the significant relationship between common experiences and organisational culture:
“Culture should be viewed as a property of an independently defined stable social unit. That is, if one can demonstrate that a given set of people have shared a significant number of important experiences in the process of solving external and internal problems, one can assume that such common experiences have led them, over time, to a shared view of world around them and their place in it. There has to have been enough shared experience to have led to a shared view, and this shared view has to have worked for long enough to have come to be taken for granted and to have dropped out of awareness. Culture, in this sense, is a learned product of group experience and is, therefore, to be found only where there is a definable group with a significant history [emphasis added].”

Figure 4.1: Similarities between Lewinian Experiential Learning Model and Problem Solving Process
Source: Combined from (Kolb, 1984, p. 21, p.33) and (Pounds, 1965)

Given that the purpose of this research is to produce implications for Total Quality Management practices by means of utilising holistic analysis of context specific stories and experiences of informants, Schein’s definition recommends a cultural approach to data collection as well as qualitative research strategy. Similar to Schein, Janesick (1994, p.212) reminds us of the holistic, systematic and cultural perspective of qualitative design: “qualitative design is holistic. It looks at the larger picture, the whole picture, and begins with the search for understanding the whole.” Likewise, a “qualitative design looks at relationships within a system or culture”. Therefore, this research utilises the methods of ethnographic interview. However, describing a culture with its all complex meaning systems and underlying aspects as in the pure
ethnographic research (Spradley, 1979) would be digressing from the main purpose of the research.

### 4.6 The Ethnographic Interview

Spradley’s following suggestions are considered to be appropriate for the purpose of the research: “Decision-making theory could be informed by first discovering the cultural rules for decision-making in a particular organization” (Spradley, 1979, p.12) and likewise, “We need to know how decisions are made in corporate board rooms, something that could be discovered by ethnography” (Spradley, 1979, p.16)

This research utilises methods of ethnographic interview to “discover patterns of meanings in what an informant says” which “requires constant analysis of utterances, taking them apart to find the tacit relationships and patterns” (Spradley, 1979, p. 53). Rather than “discrete stages”, constant analysis of information is performed in iterative process each of which “requires constant feedback from one stage to another” (Spradley, 1979, p. 93). The iterative process as illustrated in Figure 4.2, utilises the P-D-C-A cycle (Shewhart, 1931; Deming, 1986) to support the next stage with feedback of analysis. Janesick also emphasises the need for an iterative approach as “Qualitative design requires ongoing analysis of the data” (Janesick, 1994, p.212).
Implications for TQM Practices of CSI

Before elucidating each element of the phases, the following three aspects of research design as an initial groundwork will be explained.

## 4.6.1 Purposeful Sampling

For the size of the sample, Patton (1990, p. 184-185) argues that "...there are no rules for sample size in qualitative inquiry ... the sample like all other aspects of qualitative inquiry must be judged in context-the same principle undergirds analyses and presentation of qualitative data" and he further comments that "the validity, meaningfulness and insight generated from qualitative inquiry have more to do with the information-richness of the cases selected and the observational-analytical capabilities of the researcher than with sample size".

For the sampling process of this research, “criterion sampling” method is utilised in collecting “information-rich cases from which one can learn a great deal about issues of central importance to the purpose of the research, thus the term purposeful sampling” (Patton, 1990, p. 169). As the “criterion sampling” method suggests, all the pre-determined criteria below have been employed in the sampling of data and informants:

1. **Informant Sampling**: has been determined considering that this research values the experiences and stories of particular people in the organisation. As explained earlier in page 58, these people are deciders and the influencers. For ethnographic interview, Spradley (1979, p. 46) suggests five criteria to “locate an informant”, integrated under the next heading.

2. **Data Sampling**: Lincoln and Guba (1985, p. 202) recommend sample selection “to the point of redundancy...In purposeful sampling the size of the sample is determined by informational considerations. If the purpose is to maximise information, the sampling is terminated when no new information is forthcoming from new sampled units; thus redundancy is the primary criterion”.

The research required four iterative phases of data collection to satisfy the redundancy criterion. The following Figure 4.3 explains the main elements of each phase.
<table>
<thead>
<tr>
<th>Phase</th>
<th>Elements of the Phase</th>
<th>Stage of Cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase I</td>
<td>QF: Question Formation</td>
<td>Plan</td>
</tr>
<tr>
<td></td>
<td>DC: Structural Interview</td>
<td>Do</td>
</tr>
<tr>
<td></td>
<td>FT: Full Transcription</td>
<td>Check</td>
</tr>
<tr>
<td></td>
<td>DA: Domain Analysis</td>
<td>Act</td>
</tr>
<tr>
<td>Phase II</td>
<td>QF: Question Formation</td>
<td>Plan</td>
</tr>
<tr>
<td></td>
<td>DC: Semi-structural Interview</td>
<td>Do</td>
</tr>
<tr>
<td></td>
<td>FT: Full Transcription</td>
<td>Check</td>
</tr>
<tr>
<td></td>
<td>DA: Domain Analysis</td>
<td>Act</td>
</tr>
<tr>
<td>Phase III</td>
<td>QF: Question Formation</td>
<td>Plan</td>
</tr>
<tr>
<td></td>
<td>DC: Semi-structural Interview</td>
<td>Do</td>
</tr>
<tr>
<td></td>
<td>FT: Full Transcription</td>
<td>Check</td>
</tr>
<tr>
<td></td>
<td>DA: Domain and Taxonomic Analysis</td>
<td>Act</td>
</tr>
<tr>
<td>Conclusive</td>
<td>QF: Question Formation</td>
<td>Plan</td>
</tr>
<tr>
<td></td>
<td>DC: Semi-structural Interview</td>
<td>Do</td>
</tr>
<tr>
<td></td>
<td>FT: Full Transcription</td>
<td>Check</td>
</tr>
<tr>
<td></td>
<td>DA: Conclusive Analysis</td>
<td>Act</td>
</tr>
</tbody>
</table>

Figure 4.2: The Four Phases of the Research

4.6.2 Locating an Informant

Ethnographic interviews are conducted with "key informants" who have knowledge of the issues and situations in which the researcher is interested. Interviews with such "experts", the research gains a valid picture of the structure and process of the cultures and groups under study (Sarantakos, 1994). Spradley (1979, p.25) defines informants as "native speakers [who] speak in their own language or dialect" and are the sources of information for the researcher. He argues that the most persistent problems arise from the failure in locating a good informant and suggests five "minimal requirements" for selecting a good informant (Spradley, 1979, p.46):

1. *Current Involvement*: requires that the informant is involved in the cultural scene. The term "cultural scene" refers to the company environment where informants were employed during research. The interviews were conducted in the environment of the company for the researcher to engage in the current involvement.

2. *Enculturation*: requires that the informants should be thoroughly enculturated to the cultural scene. All the located informants were in the company for minimum five years.
3. *An Unfamiliar Cultural Scene*: “The most productive relationship occurs between a thoroughly enculturated informant and a thoroughly unenculturated” researcher (Spradley, 1979, p. 50). Having never been in the company before, the researcher was totally unenculturated.

4. *Adequate time*: The informant for the research were able to share adequate time for research and accessible as well. During the field inquiry, the informants of the research were available and accessible for the data collection.

5. *Non-analytic*: Spradley (1979, p. 52) recommends two types of “excellent” informants (a) who “use their language to describe events and actions with almost no analysis of their meanings or significance” and (b) “who offer insightful analysis and interpretations of events from the perspectives of the native ‘folk theory’”. Among seven informants, five of them provided only descriptions while other two provided both descriptions and insightful analysis of events from their perspectives. The fourth phase of the research deeply concentrated on these two informants.

### 4.6.3 Strategies for the Informant ⇔ Researcher Relationship

This research combines the psychological and ethnographical recommendations for the informant-researcher relationship. The process of interviews utilised strategies of Spradley (1979, p. 59) as well as other strategies[^9] that are argued to be fundamental and applicable for all interviews. The strategies below are implemented in harmony with strategies of Spradley (1979):

1. **Avoiding Certain Biases of Researcher**: Denzin and Lincoln (1994) reveal that being locked into his or her own view may trap the researcher. Hence, the similar recommendation of both Spradley (1979) and Denzin and Lincoln (1994, p. 371); taking the informants’ account by explaining “It does not matter how I feel, it’s your opinion that is important. I really don’t know enough about this to say anything. You are the ‘expert’”, were utilised during fieldwork.

[^9]: Strategy is the path to a specific purpose or mission.
2. **Utilising interpersonal skills**: Interviewing informants requires a cluster of interpersonal skills including “asking questions, listening instead of talking, taking a passive rather than an assertive role, expressing verbal interest in the informant and showing interest by eye contact and other non-verbal means” (Spradley, 1979, p. 46)

3. **Understanding Theories-in-use**: Argyris and Schön (1974 and 1978) make a distinction between two different theories of action: “theories-in-use”, what people do, as opposed to “espoused theories”, what people think they do. Argyris, Putnam and Smith (1985, p. 82) suggest, “as many approaches to social inquiry emphasise, human beings can be understood to act according to rules that they can not state [theories-in-use]”. Therefore, the aim of this study is to understand the informants’ theories-in-use, namely the nature of what actions they take under particular conditions and why intangibles are important in selecting a bank (e.g., “how do decision makers evaluate prospective banks”).

4. **Balancing the Activity Level**: During the interview, an increase (reduction) in a participant’s activity level produced an increase (decrease) in the activity level of the other participant (Heller et al., 1966; Matarazzo et al., 1968). The phenomena occur due to fundamental factors such as the involvement of mutual or shared interactions (Weins, 1976) and transactional and reciprocal nature of interview process (Heller et al., 1966). Therefore, the researcher persuaded and encouraged the informant with the help of high activity level.

5. **Making Use of Good Mood**: Heller (1971) suggests that the mood of the participants affect each other’s moods in the same direction. Bandura (1986) calls this phenomenon as “social facilitation” and reveals that if the researcher is tense, anxious, defensive and aloof, the informant tends to respond alike. Therefore, during the interview, the researcher constantly intended to create conditions of openness, warmth, acceptance, comfort, calmness and support (Kaplan and Saccuzzo, 1993).
4.7 The Phases of Iterative Process of Research Design

4.7.1 Question Formation (PLAN)

The research commenced by forming structural questions to collect broad and general information from where the domains of intangibles implicit in experiences and stories could be collected in the next phases of the research. In other words, the research made use of inductive approach to data collection and analysis (Denzin and Lincoln, 1994). With an appropriate understanding of the relevant theoretical literatures and with a properly defined research question, the first set of questions were carefully designed, worded and reviewed in advance of fieldwork (Rifkin, 1996c; Banerjee, 1996b). Subsequently, the answers to these questions from the informants created new issues to generate questions for and domains to focus on.

This iterative process was retained during the field inquiry while the data from full transcriptions were being examined and analysed to form questions for the next phase. The research carefully examined contradictory evidence when encountered, critically analysed assumptions pertaining to the issues of field inquiry and theory and navigated the direction of questions according to the satisfaction of collected data of various domains. Each question has two main parts, the explanation and the question statements.

This research utilised the principles below for phrasing questions before and during field inquiry:

**Structural Questions:** Denzin and Lincoln’s (1994, p. 366) provide a definition for structural questions “capturing precise data of a codable nature in order to explain behaviour within pre-established categories”. Their definition reveals that structural questions contribute to domain and taxonomic analysis by providing suitable data. Spradley (1979, p. 120) recommends three important principles for building structural questions:

1. **Explanation Principle:** Before asking, questions are explained in order to assist informants, provide time for thinking and make it easier to understand.
2. **Repetition Principle**: In order to collect all the "included terms"\(^{10}\) of a domain, structural questions are asked repeatedly.

3. **Context Principle**: Adding contextual information "aids greatly in recall and will avoid the problem of making an informant feel he is being tested with a series of short questions" (Spradley, 1979, p. 125)

4. **Cultural Framework Principle**: The structural questions are phrased in cultural and personal terms. That is, the phasing of the questions is from the informant’s words.

5. **Concurrent Principle**: Due to constant repetition, structural and descriptive questions are used concurrently to reduce the boredom and tediousness. Hence, the research utilised structural and descriptive questions in all interviews.

**Descriptive questions**: were mostly phrased during the interviews. They take "advantage of the power of language to construe settings" (Frake, 1964a, p.143). They are used by means of gathering descriptions of events, experiences, processes and structures of life. Spradley (1979, p.78) recommends four important principles for building descriptive questions that contribute to the development of rapport between informants and the researcher:

1. **Repeat explanations**: The explanations in Appendix C have been repeated to "pay great dividends" (Spradley, 1979, p. 81)

2. **Restate what informants say**: In building questions and providing explanations for the informant, the words of each informant were in order to implicitly communicate "I understand what you are saying; I am learning; it is valuable to me" (Spradley, 1979, p.81). In order to raise a question during an interview, certain words and phrases of the informant were noted. Denzin and Lincoln (1994, p.371) also agree on using language and specific terms of the informants for creating a "sharedness of meaning" in which "both interviewer and respondent understand the contextual nature of the interview".

3. **Expand explanations**: In order to expand the length of the response, Spradley (1979, p.85) recommends expanding the length of the explanations of

\(^{10}\) Domain and Taxonomic Analysis of Data (ACT) in page 71
descriptive questions. The length of the explanations of a descriptive question varied according to the information needs of the research.

4. **Ask for use rather than meaning:** Expressions such as “What do you mean by that?” or “Why would you do that?” or “Why did you do that?” embodies a hidden judgement which communicates, “You haven’t been clear; you haven’t explained adequately; you are hiding the true reason for what you told me” (Spradley, 1979, p.82). Therefore, such expressions were avoided during question formation. Instead, phrases such as “What made you do that?” or “How did you happen to do that?” were used (Kaplan and Saccuzzo, 1993, p. 231).

For the purpose of conducting a satisfactory interview with adequate information, statements which Kaplan and Saccuzzo (1993) call “evaluative/judgemental” and “probing” were avoided during the communication between informant and researcher.

1. **Evaluative/Judgemental Statements** such as “good, bad, excellent, terrible, disgusting, disgraceful, brilliant” judges and, hence inhibit the informant which puts the informant on guard that limits his or her ease in revealing important information by communicating “I don’t approve of this aspect of you” or “I am the ‘expert’ and I approve this aspect of you” (Kaplan and Saccuzzo, 1993).

2. **Probing Statements** demand more information than the interviewee is willing to provide voluntarily. The questions that begin with “why” are the most common way of phrasing a probing statement. Wiens (1976) notes that “why” questions have judgemental qualities and the informant tends to react in defensive way. Similar questions that could be perceived as threat or embarrassment also raise defensive routines11 (Argyris, 1990, p. 25) in organisations.

### 4.7.2 The Process and Strategies of Interview (DO)

It seems that there are various understandings of ethnographic interview. According to Denzin and Lincoln (1994, p. 366), ethnographic interview is “an attempt to understand the complex behaviour of members of society without imposing any a priori

---

11 Defensive Routines refer to the actions or policies that prevent individuals or segments of the organisation from experiencing embarrassment or threat.
categorization that may limit the field of inquiry” while Hymes (1974) see it as a speech event. Taking a completely different perspective, Spradley (1979, p. 58) defines ethnographic interview as “a series of friendly conversations into which the researcher slowly introduces new elements to assist informants to respond as informants”. Although there seem to be various perspectives on ethnographic interview, this research takes advantage of all views in order to collect experiences and stories regarding intangibles of the company-bank relationship (Rifkin, 1996b & 1996c).

The implication of the fact that “there is no single interview style that fits every occasion or all respondents” (Denzin and Lincoln, 1994, p. 366) has been twofold for this research. These implications are explained in the following lines.

1. Both structural and semi-structural interviews are used (Figure 4.3).

2. The researcher considered the differences among informants and took a proactive approach to “make proper adjustments for unanticipated developments” (Denzin and Lincoln, 1994, p. 366) such as tailoring the phrasing of questions for each informant using the words and phrases of that informant (Spradley, 1979).

Miles and Huberman (1994, p. 10) defined three important criteria for well-collected data:

1. They focus on naturally occurring, ordinary events in natural settings, so that what “real life” is like can be strongly handled.

2. The data is rich and holistic and has strong potential for revealing complexity.

3. Qualitative data, with their emphasis on people’s “lived experience” are fundamentally well suited for locating the meanings people place on the events, processes and structures of their lives.

To maintain well-collected data, the process of interviews utilised three main strategies of Spradley (1979, p. 59):

1. Explicit Purpose: This research did not provide the informants the ultimate purpose of the research by means of preventing biased and limited descriptions and stories from informants (Banerjee, 1996a & 199b). Instead, as Spradley (1979, p.59) puts it: “Each time they [informant and researcher] meet it is
necessary to remind the informant where the interview is to go”, the informants were provided with the aims of each phase such as “I am directly interested in your practical experiences about how you select a bank for [Company Name]”.

2. *Ethnographic Explanations*: From the first encounter to the last, explanations were offered to each informant. These explanations foster the efficiency of the interview. They also encourage and motivate the informant for providing the adequate information. The utilised explanations of the research are in Appendix C.

3. *Ethnographic Questions*: Throughout the research, a diverse set of questions has been asked for data collection. These questions can be mainly grouped as (a) Descriptive Questions and (b) Structural Questions. For the examples of descriptive and structural questions as well as questions of structural and semi-structural interviews, please refer to Appendix D.

### 4.7.3 Full Transcription of Data (CHECK)

During the field inquiry, the informants’ responses to researcher were thoroughly tape-recorded. In addition, cues of non-verbal communication as well as certain points that emerged from the responses of informants were taken down as notes to phrase any prospective questions for semi-structural interview. The tape-recorded conversations were transcribed on daily bases and the conformance of transcriptions to the tape-recorded data was double-checked. Several computer-aided software\(^{12}\) were utilised in order to improve the quality of recorded voices of informants.

In the direction of Spradley’s (1979) recommendation, the verbatim principle was used for the transcription of the recorded data. The verbatim principle refers to the transcription of what people say word-by-word. Therefore, the following symbols bear the meanings in transcriptions and these symbols appear in analysis (Briggs, 1986, p. 129)

... The informant interrupted the researcher with his or her utterances.

[ ] Material enclosed within brackets is placed within text by the researcher to clarify meanings as well as elements of non-verbal communication.

\(^{12}\) Creative Mixer, Ensemble Studio and Wave Studio are assembled by Creative Labs Technology Inc.
4.7.4 Domain and Taxonomic Analysis of Data (ACT)

At this step, the data of transcriptions are ready for analysis in order to answer the research question and form new questions for the interests of the research area. These transcriptions of informants’ utterances are collections of their descriptions and stories pertaining to intangibles and relevant aspects. Hence, the data are potential to reveal the service intangibles, their importance for the company-bank relationship, which intangibles are seen as the characteristics of the relationship and which intangibles are considered in the evaluation and assessment of prospective banks. Ethnographic research describes trends in the area of study, provides typologies and categories (Sarantakos, 1994). Although it is possible to analyse “any phenomenon” in various ways, “informants have already learned a set of categories into which their culture is divided” (Spradley, 1979, p.92). In addition, Spradley (1979, p. 102) notifies that informants’ utterances embody tacit knowledge, which needs analyses:

"Informants do not talk in domains but sentences which skip rapidly from one domain to another. They do not, when speaking, arrange words in categories based on the relationship of inclusion, but arrange them in linear fashion, one word after another. In addition, although informants know the domains (including cover terms, included terms, and the relationship of inclusion) of their culture well, this knowledge is tacit, outside everyday awareness [emphasis added]"

Therefore, the employment of domain, taxonomic, contradictory evidence analysis revealed such tacit knowledge, relationships, categories and elements. Moreover, the results of following methods of analysis provided feedback for the formation of questions (plan):

a. Domain Analysis: involves a search for the domains, which are larger units of cultural knowledge. The domain is the “cover term” of the elements connected with a “semantic relationship” (For further information on the types of semantic relationships considered in research, please refer to Appendix D). An element in each domain is called the “included term”. All domains have at least two or more included terms (Spradley, 1979).
Implications for TQM Practices of CSI

Methodology

Figure 4.4: The Elements and Structure of a Domain
Source: Adapted from (Spradley, 1979)

a. **Taxonomic Analysis**: involves a search for the internal structure of the domains and leads to the identification of contrast sets. In other words, the analysis reveals the taxonomic structure and the relationships of all the terms of the domains (Spradley, 1979).

b. **Analysis of Contradictory Evidence**: In a given phase, conflict analysis was used to find contradictory evidences. Hence, conflict analysis requires a cumulative approach to the data analysis process that scrutinises collected data of all phases.

The holistic approach to qualitative data and methods rejects the credibility of interpretations (as analyses) of data artificially separated and detached from the meaning of the entire data at hand (Patton, 1990). Rather, it values and recommends consideration of particular events in context specific settings and their relationship interconnected to the whole picture derived from the whole data (Guba and Lincoln, 1989). As Patton puts it, “the whole phenomenon under study is understood as a complex system that is more than the sum of its parts; focus on complex interdependencies not meaningfully reduced to a few discrete variables and linear, cause-effect relationships [emphasis added]”. In other words, the holistic approach is based on the complete (undivided) understanding of the complex meaning system grounded in qualitative data (Glazer, 1978; Strauss and Corbin, 1990) enriched by the context (Mey, 1993; Thomas, 1995).

Therefore, analyses of the social circumstances (of the company) can not merely rely on the interpretations of the transcribed data at hand, but also the social settings that provide the context and hence, give the meaning to data. Thus;

1. Providing the reader with the entire transcription is useless without considering the complex meaning system grounded in qualitative data that is enriched by
the context. By doing so, the transcriptions merely say what they mean without meaning what they say.

2. The challenging task for the researcher is unfolding and revealing the implicit interconnections between the particular social circumstances and the whole understanding of the social case (the company under study) with the circumstances and context. That is, employing systems approach to data analysis (Patton, 1990).

To exemplify the implications of these points for the research, consider the following example from Mey (1993, p.186):

Example 1:
A: “I have a fourteen year old son”
B: “Well that’s all right”
A: “I also have a dog”
B: “Oh I’m sorry”

Have you been able to make sense out of the conversation? The reason why B utters “Oh I’m sorry” is not clear in this example. Consider the following example from Thomas (1995, p.13):

Example 2:  A: “Have you seen the dog bowl?”
B: “No, but I’ve seen it play several good innings”

In fact, these conversations make no sense at all, unless the reader is provided with the context of the conversations. In the first example, A is trying to rent a flat. The property owner does not mind the children, however when he hears that A has a dog, he indicates that A’s prospects as a future rent-holder are rather dim by uttering, “I’m sorry”.

In the second example, B is a well-known cricket commentator and A is his wife. The term “dog bowl” refers to a specific term in the sport of cricket. In other words, “dog bowl” is an included term for the cover term “cricket”.

As Mey (1993, p. 58) confirms “No matter how natural our language facilities or how convention-bound their use, as language users we always operate in contexts”, it can be clearly seen from the examples above, it is critical to analyse the context of the data. Therefore, this research interprets the whole phenomenon provided by data triangulation.
In order to illustrate an analysis of transcription, the following example shows the process of analysis for the three specific questions of this research. The utterance below is not an excerpt from the data collected for this research. (Line numbers are in brackets and identified intangibles are expressed in italic words.)

Consider the following utterances regarding the evaluation of banking services. The accountant clerk of the company contacts the personnel of the bank everyday for regular tasks.

“I pick statements and they should be there enveloped and ready to pick up, most of the times they are not ready or they, uhm, they lost them, so I have to wait and stay, I also have to pick up draft, it should be typed up and ready, um several times they hadn’t typed it up yet so I had to sit there and wait them to type it up and then they make mistakes on the first time so I had to sit there and wait for them to retype it so they got it right.”

The descriptions [1-6] reveal that Company A needs to have the “statements” [1] and the “draft” [3] picked up at a certain time [1,3]. However, what is pronounced as “they are not ready” [2], “they lost them” [2], “I have to wait and stay” [3-4], “they hadn’t typed” [4] and “they make mistakes” [5] refers to a lack of ability to perform the promised service dependably and accurately. This lack of ability refers to the unreliability of the services performed by the bank.

Furthermore, a closer inspection suggests a pattern of events derived from the interactions of accountant clerk and the personnel of the bank. That the statements and draft are “most of the times” [2] not available when needed by Company A is telling.

4.8 Summary

This chapter has thus outlined the methodology used in the present research. A qualitative approach is applied for field inquiry and analysis. The research utilises methods of ethnographic interview and analysis as well as triangulation in order to enhance the credibility and validity of the findings. The research concentrates on a relationship between a client organisation and a supplier bank. The informants of the research are deciders and influencers of a client that is in a modified rebuy situation. The informants provided the descriptions of their experiences and stories regarding the banking services they experienced.
Chapter Five

5. Analysis and Results

“For the most part we do not see first and then define. We define first and then see.”
Lippmann

5.1 Introduction

A careful and disciplined application of the appropriate research methodology presented in the previous chapter supplied this research with a variety of data from a diverse set of information sources. In order to present the analyses, this research provides the reader with the representative data from the entire data at hand. The separation of significant and exemplar data from the non-significant or redundant enhances and fosters

1. the presentation of arguments that are strongly supported with representative data,
2. the organisation of the data that enables evaluating the meaning of data in context,
3. the generation of significant analysis and findings for the sake of implications and conclusions.

The following paragraph provides the reader with a template of the presentation of utterances from informants. Additionally, it demonstrates the richness of meaning and information in data.
Implications for TQM Practices of CSI

Analysis and Results

During the presentation of analyses and evaluations:

1. Line numbers refer to the utterances of the informants and they are enclosed in brackets such as [3-6] or [3 and 7].

2. Sentences or words in quotations are exactly taken from the utterances of informants or from company documents.

The sections that follow focus on three central and specific research questions:

1. What are the critical service intangibles for decisions of selecting a bank?

2. Why are intangibles important in selecting and evaluating a bank?

3. What are the implications for Total Quality Management practices of those critical service intangibles?

The following paragraphs describe where the data has been naturally generated when the researcher originally encountered it and thus, establish a contextual platform for the three questions above.
5.2 Southern Pathology

5.2.1 Southern Pathology: The Chronology of Transformation

Southern Pathology is a private medical pathology organisation founded in 1982. Operating in NSW as one of the major companies, Southern Pathology holds 3.65% share of the NSW pathology market. Started profiting in 1986, the company started growing continuously averaging 10% per annum growth and the expected figure for 1996 is 8% per annum. It comprises two laboratories based in Wollongong and Nowra with 17 permanent collection centres scattered from the Victorian border to Engadine along the south coast. Southern Pathology is a medium sized company employing 180 people recently. Its head office and main laboratory are located in Wollongong.

In 1990, Southern Pathology commenced an organisational transformation in order to adopt the philosophy and the practice of TQM. The understanding and commitment to TQM started from the executive level and trickled down to shop-floor level. The organisation altered to a higher consciousness level in TQM by adapting the NIES How-To Model, originally based on the Juran approach to the philosophy and implementation of TQM (Juran, 1988).

Since 1990, the chronology of the milestones (Figure 2.8) helped compose Southern Pathology’s understanding of TQM. Hence, Southern Pathology developed four main principles (Andersen and Legg, 1993, p.48; Andersen, 1993, p. 5):

1. Customer focus in all processes
2. Continuous improvement in all processes within the system
3. Total Involvement
4. Use of measurement and statistical thinking to document improvements

The four principles of TQM and the core values orchestrated along the path of milestones since 1990 seem to build a unique interpretation and understanding of TQM for Southern Pathology. These milestones indicate a major commitment to learning the principles of TQM within the organisation, which yield to understanding customers and their needs as well as the use of relevant statistical methods appropriate for demonstrating of continuous improvement.
Executive briefing on the principles of TQM for Managing Director and instructions for senior staff by Prof. Günter Arndt and M McLean

Extension of educational process for TQM to over fifty percent of the organisation.

Presentation of first quality circles. Establishment and development of eleven quality circles in the next six months. These quality circles introduced 34 recommendations, of which approximately 30 have been adapted.

Introduction of suggestion system that employs a three-part form. The awareness of "total involvement" led to the initiation of suggestions by everybody in the organisation. For resolution, suggestions were referred on to any other person in the organisation. Subsequently, in order to ensure satisfactory resolution, the Quality Council has been reviewing a copy of the resolved suggestion or the "treasure".

Preparations for the assessment for AS 3902 (ISO 9002) accreditation commenced.

Initiation of various in-house workshops with major emphasis on customer focus along with QFD\textsuperscript{13} and Statistics.

The development and utilisation of first staff survey.

Accreditation of AS 3902 Quality System, hence Southern Pathology became the first pathology laboratory in Australia to receive AS 3902 Quality System Accreditation. Commitment to Participate in Australian Quality Award in 1995.

Development of advanced customer focus with the analysis of customers' requirements and development of measures.

Self-Assessment for the First Australian Quality Award (J. Wyatt).

Initiation of the first customer focussed Benchmarking Research and the establishment of planning system.

Southern Pathology received the "commendation for high achievement" medium enterprise in the competition of Australian Quality Award

The increasing awareness of TQM principles in Southern Pathology seems to permeate "planning, group activities and individual work practices". It can be easily seen that Southern Pathology believes in the potential benefits derived from the implementations of and commitment to TQM.

\textsuperscript{13} QFD: Quality Function Deployment is "a systematic way of ensuring that the development of product features, characteristics and specifications, as well as the selection and development of process equipment, methods and controls, are driven by the demands of the customer or marketplace" (Eureka and Ryan, 1988, p.2)
In order to achieve these benefits by TQM practices, Southern Pathology made significant managerial and financial commitments as well as investment in time. For instance, Southern Pathology directed activities and spent efforts for education of staff in basic quality principles and assistance with small group activities before the implementation of the quality systems accreditation process (Andersen, 1993).

My analysis and interpretations of not only the chronology of milestones, but also my observations of the company environment described in the next section reveal that Southern Pathology has been experiencing a transformation of organisational culture that embodies TQM philosophy, its values-paradigms and practical methods. Consequently, due to the former premise as well, the increasing commitment within Southern Pathology led to an increasing consciousness level of the paradigms of TQM.

TQM seems to have provided Southern Pathology with its own understanding of the paradigms of TQM. These include customer focus in the design, establishment and operation of processes, continuous improvement in all processes, total involvement at organisational level and total quality control as a monitor of performance. For a continuous "quality journey" and appropriate organisational transformation to TQM, these four main paradigms have been acknowledged and adopted. Therefore, the members’ interpretations and evaluations of their experiences pertaining to relationships between Southern Pathology <-> ANZ and prospective banks have been changing in a way these four main paradigms require. For instance, the following interpretation of the finance manager regarding the regular service at the local branch of ANZ unfolds an interpretation with a “customer focused” perspective and awareness:

“When you walk in the other branch ... quite often they tend to be rude because we are a large customer and take their time, you know, you are taking a lot of their time and this is a pain in the neck. Many many years ago when I was working for a bank, they taught us that ‘A customer is not an interruption to your work, they are your work’, and that has to be a part of your customer service, but at this bank, they don’t seem to teach that”

The finance manager of Southern Pathology seems to have generated a constant impression [1] of the behaviours and attitudes of employees of local branch. His interpretations such as “rude” [1] and “take time” [2] are embedded in the intangible

---

14 For philosophy of TQM, the term paradigm refers to “universally recognized scientific achievements that for a time provide model problems and solutions to a community of practitioners” (Kuhn, 1962)
aspects of the service. These perceived behaviours and attitudes pertaining to the delivery of regular service, in this context, conflict with his understanding of the paradigm of customer focused approach to service delivery. His inference “they don’t seem to teach that” [6] refers to not being aware of one of the core values of TQM, in his words: “they [customers] are your work” [5].

The following utterances are another evidence of employing a customer-focused perspective in interpretations. In his words, he contrasts the model of his understanding of a high quality service with the service provided in the local branch of the ANZ Bank.

“When our customer walks in, we want the best people there to serve the people, we don’t want something about his [service provider] wandering around our products or what ever to say ‘I don’t know. We’ll get back to you’ [He imitates a dull person at the local branch]. We want the person [service provider of Southern Pathology] there, to be able to service whoever comes in with whatever problem they’ve got. That’s the way I exactly feel about myself you know. When I walk in to the bank [the local branch], I want to be serviced. [Now he starts describing his impressions about what happens] I don’t want to be peopleled around and ask from person to person until someone sitting over there says ‘uhhmm, I know the answer to that one’.”

The data above brings to light the strong evidences supporting the argument: Deciders of Southern Pathology consider a TQM approach to their interpretations and evaluations of their observations and experiences. Consequently, this approach affects the decisions regarding the selection of a bank. At this very moment, one may think that the argument is limited to a single decider and discipline15 of TQM. However, similar utterances supporting the existence of TQM governed interpretations of observations and experiences for other deciders are presented under the following headings.

In the following section, informants of the research and the environment of Southern Pathology are presented. This section provides the reader with the elements of the circumstances for Southern Pathology and context of the events.

15 The word discipline encompassed the four disciplines of TQM for Southern Pathology.
5.2.2 Southern Pathology: The Environment and Informants

The Environment of the Company:

The head office of Southern Pathology was the focus of the research. The company consists of three main parts that are operating in the same environment:

(a) The area of patient treatment and service (PTSA)

(b) The laboratory where sample body tissues are processed for hospitals and patients

(c) The offices where functions such as finance, accounting and marketing are steered.

The laboratory and the offices are operating in the same environment.

This allows operators of the laboratory and PTSA to instantaneously contact with the people in offices in cases of a problem, needed items and information sharing. On the other side, this allows the officers to assess, monitor and control the operations and services of the laboratory as well as the PTSA. Moreover, a jointly running environment allows the involvement of everybody and the development of a suggestion system that runs mutually. The outputs of quality control charts regularly printed and displayed in the offices are indicators of the applying total quality control methods within the main office Southern Pathology.

The information above suggest that the organisation of the company environment discloses opportunities for total involvement within Southern Pathology, improving awareness of customer focus through understanding of customer, total quality control of the processes and operations.

The Informants of the Research:

Southern Pathology assigned three managers for contacting, assessing, negotiating and finally deciding the bank for future relationship. During the interview of these three managers, they suggested to the researcher to interview four other influencers.

The managers: The three managers are managing director, general manager and the finance-administration manager. These managers are aware of the serious problems in the relationship with the bank and are upset about certain vital aspects of the relationship. These problems, obstacles and constrains as well as pleasing and
successful aspects of the relationship are analysed and interpreted a couple of pages later.

For financial and information needs, all three managers contact with the “Accountant Manager” of ANZ from the “regional office”. ANZ assigns an “account manager” for each organisational customer (Please refer to Figure 5.3). Westpac provides a “network of Commercial Managers” and assigns a “commercial manager” for each customer to continue the “partnership relationship”. Similarly, National Australia Bank provides a “Relationship Manager” for the same purpose.

_The managing director_ assesses and evaluates financial information such as “finance market”, “interest rates in the future”, “treasury updates”, “predictions about inflation” and “economic forecasts”, as a part of the “strategic planning process”. Southern Pathology obtains such financial information from financial services of ANZ Bank. He meets the representatives of prospective banks and discusses the issues of the anticipated relationship. Moreover, he evaluates proposals, reports, brochures as well as the representatives of prospective banks.

The managing director steers the business relationship and has the power of final decision-making. He is responsible for approving required financial aspects with the conditions informed by ANZ Bank. For instance, the amount of borrowing, the use of borrowing (vehicle(s), analyser machine(s) or even a new practice), amount of required security and interest rate. The “account manager” approaches him for the approval of the conditions regarding the purchase of financial resources or information.

The managing director is the person who has experienced a 20 years relationship with the ANZ bank, and hence is able to articulate the problems, opportunities, advantages and disadvantages of the relationship.

_The general manager_ is responsible for marketing activities. He is not in a powerful position for decision-making regarding the selection of a bank. Mostly he was not available for contact during the research. He hired an “independent broker” for leasing finance. The “independent broker” searches for the best rates, hence he brings alternatives for financing and leasing.

---

The finance and administration manager is responsible for determining the financial needs and provide Southern Pathology with the information and financial resources. He often contacts “account manager” of ANZ bank, the “Nissan Leasing Company” and other financial institutions for obtaining information regarding offers such as interest rates, amount of required security and availability-accessibility of the resources. He evaluates all the offered “deals”, negotiates with each financial institution and makes a decision.

The finance-administration manager often experiences the processes and outcomes of the performed service of ANZ bank and other alternative financial institutions as well. He is responsible for “establishing the line of credits” for Southern Pathology and providing the prospective bank with the information required for determining the “borrowing capacity” of Southern Pathology.

In the following lines, he describes his general approach to establishing a relationship with a prospective bank by means of evaluating it.

“So we have to tell them [prospective banks] what our business is, tell them what we want, ask them what their [service and credit] fees are that’s going to be for us, whether we are going to get a special rate or not I don’t know, and then ask them to submit to us with their all charges or anything like that and what sort of a service they are going to provide to us for the money that we are going to pay [then, he further moves to another subject]”

He contacts the bank and provides the information (he thinks is necessary) for the bank to reply with a “deal” that includes the amount of “service and credit fees” [2] and “special rate” [3]. In the next step of the process, he requires that the bank provides a detailed “deal” with conditions that are twofold: (a) financial aspects such as “all charges” [4] and other conditions, (b) the details of the banking services [5]. Finally, he compares the provided conditions with the amount of required “money” [5-6] for the conditions. Therefore, he considers the criterion worth what paid for.

The Influencers: are four account clerks. They deal with ordinary and daily tasks that require contacting the “girls at the front desk” and “girls behind the tellers” of the “local branch” on daily basis. The entire data suggest that although the “account clerks” perform a variety of routine tasks, their impressions and conclusions about the

---

The tasks that account clerks perform are: to “pick statements”, “pick up bank draft” and “cheque books”. They take and reconcile cheques, get financial information, carry the “deposits” to the bank, order the “transfer of money”. Beside these tasks, they deal with the problems caused by the “local branch”.

Figure 5.2 represents the result of the analysis derived from the entire data as a pattern that unfolds the structure of the influence among the deciders and influencers. The structure suggests that the direction of the influence is a consequence of the structure of hierarchy within Southern Pathology (Please refer to Figure 5.3). A deeper analysis reveals that the managing director is indirectly influenced by the “account clerks” who regularly accomplish tasks in-cooperation with the “local branch” of ANZ and evaluate the performance of the service provided by the “the girls of the local branch”. The general manager and mostly the finance-administration manager directly inform the managing director regarding the quality of the service rendered by “local branch”.

The analysis of the hierarchical structure of Southern Pathology, the tasks-responsibilities of managing director and the entire transcriptions of the managing director’s utterances suggest that the managing director is significantly more aware of
the relationship between Southern Pathology and the “regional office” of ANZ Bank rather than the performance of the “local branch” and its evaluation of “account clerks”.

![Diagram of organizational levels](image)

Figure 5.3: The Relationship between Southern Pathology and ANZ Bank
In terms of Organisational Levels

### 5.2.3 Southern Pathology: The Relationship with ANZ Bank

The managing director of Southern Pathology chose ANZ Bank in 1967 due to having earlier connections with a bank manager. In 1982, the bank manager offered the current managing director with an over-draft for establishing a practice of pathology services. Consequently, a formal relationship among Southern Pathology and ANZ was established.

ANZ Bank is a supplier that provides “money” or the information to make more money. It is critical to compare and contrast the functions of banks as a supplier with a manufacturer as a supplier. In common, a bank and a manufacturer should provide a certain amount of product that conforms to the requirements until a deadline. For instance, Toyota would require from Goodyear a certain amount of tyres at a certain level of quality that conforms to particular specifications including the deadline. In return, Goodyear would charge Toyota a certain amount of money. In the case of Southern Pathology, the ANZ bank should provide a certain amount of money that conforms to particular specifications including the deadline. In return, the ANZ bank would require a certain rate of interest along with a certain amount of security for the risk.
Although both of the suppliers provide their client a *certain amount of resource* that conforms to specifications given the deadline, in one respect they differ from each other. The ANZ bank as a supplier should also provide the information to make as much money (*resource*) as possible whereas a manufacturer would not mostly operate for this purpose. Pertaining to this distinction is the agreeing view of the managing director: “the ultimate test of the bank is how much money it makes for you both in the short term and the long term”.

The banking requirements of Southern Pathology are mainly over-draft\(^{18}\) and leasing finance\(^{19}\). For overdraft, Southern Pathology has a “long standing arrangement” with the ANZ bank. However, for leasing finance, the finance-administration manager and/or “an independent broker” can search for “the best rates” and conditions available offered by financial institutions other than the ANZ bank, such as “Nissan Finance” and later compare them to the deal of ANZ bank. Consequently, Southern Pathology has several alternatives for borrowing money whereas for overdraft, Southern Pathology is tied to the ANZ bank with a “long standing arrangement” and hence, has no alternatives. Keeping this point in mind, that Southern Pathology is “looking at the possibilities of re-financing with another bank and either partially or completely” is due to the matter of having or not having alternatives.

Despite “the dissatisfaction with the present bank”, Southern Pathology has not been searching for another bank for a “new relationship”. Early in 1996, two “major banks”, namely Westpac and National Australia Bank approached Southern Pathology with representatives, proposals, brochures and advertisements. The managing director states that the banks “stimulated us [Southern Pathology] to look again at their banking requirements and also our choice of banks”. As a consequence, Southern Pathology responded the banks with separate meetings and discussions. Although, the managing director additionally responded to advertisements of St. George Bank and City Bank, the main concentration of the deciders has been on Westpac and National Australia Bank. Thus, searching for and establishing a “new relationship” has been a pressing matter for Southern Pathology.

---

\(^{18}\) The arrangement for the overdraft allows to circulate more amount of cash than Southern Pathology deposited in the “local branch” of ANZ bank.

\(^{19}\) Leasing finance allows Southern Pathology to borrow a certain amount of money for purchasing new assets.
The section that follows elucidates what the service intangibles are, and why they are critical for Southern Pathology in selecting a prospective bank. It provides the conflicting patterns (implicit in data) that derive from Southern Pathology's interpretations and evaluations of ANZ banking services.

5.3 Analysis of Conflicting Evidence

A comparison of the patterns that emerged from the data at hand discloses two main conflicts. The first conflict pertains to a significant discrepancy of perceived service quality between the "regional office" and "local branch" of ANZ bank. The second conflict is regarding the critical cues of conflicting intangibles that are implicit in the service of "regional office". The analysis of the emergent patterns suggests that both of the conflicts are detrimental to the relationship between Southern Pathology and the ANZ bank. They appear to be symptoms of a critical and implicit problem that undermine the growth and future expansion of Southern Pathology.
5.3.1 A Significant Discrepancy between the Perceived Service Quality of Regional Office and Local Branch

A transcript of a conversation between the researcher (R) and three “accountant clerks” (AC) follows. The transcript introduces three distinctive descriptions of events between the “accountant clerks” and “girls of local branch”. They were asked to describe the process of how they interact with the “girls of local branch” for regular services such as processing the cheques and obtaining information. The “account clerks” provided their descriptions of experiences about (1) how the “girls at the local branch” responded to a problem regarding “lost cheques” (2) how the “girls of the local branch” respond and provide service for the “account clerks” and (3) why the general manager of Southern Pathology had to contact the manager of “local branch” regarding the problem of “lost cheques”. During the interviews, the “accountant clerks” could not remember and provide any positive aspect of the relationship with the “local branch”. (During the analysis, the reader is provided with the intangibles in italic word format)

AC1: “If there are extra amount of cheques that we know from the way we reconcile, that there can’t be a cheque missing, they process the cheques through a machine, the machine choose up the cheques, they state to us that we should actually get a fresh cheque from our patient, our customers, so that they debit our account and it’s not our fault, so we have had quite a few occasions where they tried to do that, where we are saying we are happy to contact the patient but it should be a bank letter stating they lost the cheque, a lot of us talk to our patients thinking we lost one of their cheques which makes them quite cranky, plus we’ve got to go chasing money to get that credit it back again, so we’ve got, you know, the bank wrongly treated us there and that’s been going on and off, we still had to recover it over and over and over, and that passed to our accountant to talk to their accountant about it.”

[The second “account clerk” takes the turn to describe the responses of the girls in the “local branch”. Her interruption by the third “account clerk” who continues the words of the second, appears to be an indicator a confirmatory reaction to the question.]

AC2: “[she starts talking in a complaining manner] The feeling you get when you talk to them is, yuk, they are not friendly. Most of the time we go to the bank, we get the same feel and it is the same...”

AC3: “they say things to each other about us, like if they make a mistake they go “uhm, this is a funny one, why do I give it to the girls?” and that’s us, and we are standing there, we don’t think it’s funny, if the cheque’s lost! [she looks
irritated] I don’t think it’s funny, and they say it in a way we can hear it. We just take it [what they say] and walk out. We can’t say any thing to them, we are never rude to them.”

[The first accountant clerk takes the turn and describes the endeavours of general manager from Southern Pathology to contact the manager of “local branch” about the issues above.]

AC1: “The girls have mentioned couple of times when they have been way out about it and then we’ve got our general manager involved at one stage because they’ve just been lying there, comments and that should have been solved because he has actually spoken to their manager and he was going to speak to his staff about it, their attitude and their behaviour to us but no change occurred.”

R: “Can you tell me also nice things about the local branch?”

AC4: “Not really, they are not nice people to, they don’t talk to you nice, they don’t treat you nice, they just do their job, some of them are really slow, they are not just very organised to do their stuff, things that should be there and ready, aren’t ready, then you have to wait for them. They fill out all the cheques and we take it up and they have to stamp it to make sure the money is right, and um, I just go with them to make sure nothing happens, to get the needed stuff, is it ready or is it there or, they remember doing it, they can’t find it, and stuff like that.”

Intangibles regarding the problem of losing cheques: A number of intangibles can be articulated throughout the analysis of the problem of losing cheques. Southern Pathology needs to have the cheques of its patients processed and the value of the each cheque should be deposited in the local branch. On the perceptible side, the “girls” at the “local branch” lose the cheques of Southern Pathology’s patients regularly, hence the account clerks have to “recover it over and over and over” [10-11]. The regularity of the incident discloses a pattern suggesting that the “girls of the local branch” could lose prospective cheques as well. These behaviours of “girls at the local branch” need to be recognised as unreliability of the outcomes of the service.

Denying that the “girls of the local branch” lose the cheques of the patients of Southern Pathology [24 “lying”] is an issue of goodwill and responsiveness that values understanding and responding to Southern Pathology’s needs. Rather than recovering the service by processing the cheque and apologising to the patients [7 “bank letter stating they lost the cheque”] of Southern Pathology about their fault, the “local branch”
deliberately tries to exploit the closeness of Southern Pathology to its customers [5-6] by reinforcing Southern Pathology to “get a fresh cheque from our [Southern Pathology] patient” [4]. The AC’s words “they tried to do that” [6] reveal that indeed, the “local branch” deliberately tried to recover their own loss [4-5 “debit our account”] rather than recovering Southern Pathology’s service. This approach of “local branch” to the relationship with Southern Pathology evidences a lack of goodwill as well as a lack of responsiveness.

The former analysis discloses the roles of Southern Pathology in the supply chain (Figure 5.5). The ANZ bank functions as both a client and a supplier. Southern Pathology demands resources of capital and information from the ANZ bank. In this respect, Southern Pathology is a client of the ANZ bank. On the other hand, Southern Pathology is a supplier of pathology services for patients and hospitals that require information such as reports and analysis of tissues by means of diagnosing the diseases and their development. This dual role of Southern Pathology in the chain of supply raises the question: “How does TQM contribute to the competence of the performance of the dual roles that are vital for the survival of Southern Pathology?” As far as this research is concerned, an answer to this question is an issue of implications for TQM Practices. Accordingly, an answer to this question is available under the heading: “A Holistic View on the Analysis”.

![Figure 5.5: The System of Organisational Interaction From Southern Pathology’s Point of View](image)

The complaints of the second and third “account clerks”, that the unfriendliness of the “girls in the local branch”, is telling. Their utterances speak of lack of courtesy and irresponsive approach to service recovery by connecting it to the critical incident of...
loosing of cheques [18]. The “girls in the local branch” are “not friendly” [14]. They deliberately irritate the “account clerks” [16-19]. They behave in a “rude” [21] manner. They become “quiet cranky” to “account clerks” [8]. Finally, both their “accountant” [12] and their “manager” [25] did not consider and respond to Southern Pathology’s further endeavours of inquiry. From these points, the “local branch” does not acknowledge that Southern Pathology is their customer. The ill attitude [8, 14, 21], lack of empathy [8, 16-19, 21], lack of goodwill and responsiveness of people in the “local branch” of ANZ bank is a significant evidence of a lack of customer focus that brings along a constellation of mutual intangibles such as trustworthiness and credibility.

That the problem of losing cheques “should have been solved” [24] and that the AC of Southern Pathology still has to “recover it over and over and over” [11] shows that the people in “local branch” did not solve the problem [26]. Instead, the problem seems to have matured to become chronic which, as a result, generates important burdens for Southern Pathology. When the problem appears (1) Southern Pathology does the recovery that the bank should do by convincing its patients [6] that the bank lost the cheque and it will be recovered. Southern Pathology aims to prevent loss of customers [7-8] as well as penetration of bad “word-of-mouth” among other customers. (2) Southern Pathology aims to prevent loss of revenue [9 “chasing money”] due to the problem of lost cheques. Finally (3), to recover both the patients and revenue, Southern Pathology uses its own resources such as time and human resources. As the data at hand show, the three burdens for Southern Pathology arises from the intangibles generated by the “local branch”.

The data regarding the fourth account clerk can be understood as a matter of trustworthiness. Throughout her descriptions, she refers to the people in local branch as “they” [28-29, 31-32, 34]. Her descriptions reveal that, among the “account clerks” of Southern Pathology, there is a consistent perception of an ill attitude [28-29] of people in “local branch”. Moreover, she puts it: they are “not just very organised” [29-30], they “can’t find it” [34], things “aren’t ready” [31] and “stuff like that” [34-35] which reveals that she has considerable reasons not to trust the people in “local branch”. Her evaluations are a matter of competence that refers to having the required skills and knowledge to perform the services. It can be seen from her words “I just go with them to make sure nothing happens, to get the needed stuff” [33] is the act of controlling the
outcomes and the process of service delivered. Namely, there is a lack of *trustworthiness*.

A conversation between the researcher (R) and the finance-administration manager (FAM) of Southern Pathology follows. The conversation concentrates on the service provided by the “regional management” of ANZ bank. Review of the second conversation clarifies that, the FAM frequently interacts with the “account manager” of the “regional office” and can articulate the aspects of the leasing finance services.

FAM: “The people that we are currently with are very good, as far as, you know, any queries I have got, I just pick up the phone, talk to a guy in charge, and I can get answers, if not straight away, within the couple of hours. (Thinks) Value for money goes more that just, you know, the dollars that you are charging here and it is the service as well that they have got to provide you. I don’t have any problem at the moment getting credit from them, would be a car or a vehicle or something like that, the line of credits is there, it is established, uhhmm, any time I want any information from them, it is there, it is ready, it is available. [And he describes the usual process of how FAM borrows money from bank]. Because we’ve got our line of credits established, we just phone up and say ‘we want to borrow $100,000’, we fill in the details and invoice, then it will be off. We don’t have bad experiences really, and I think as long as you’ve got a good credit rating, you don’t have bad experiences.”

R: “I see, and…”

FAM: “The management side of it [regional office] is great, it is good there, they hadn’t let me down yet, management side is excellent, the customer service where we are depositing money in [local branch] becomes a problem. The management part looks after loans, and your assets and things like that. And they do all the financial marketing, everything from there.”

R: “Do they tell the local branch for the percentage of the interest rate and amount of security?”

FAM: “We don’t do that with the local branch as far as we are concerned, that all comes out of the, well, it’s like a head office and it’s the regional office.”

R: “So the regional office offers you an interest rate?”

FAM: “That’s right, and the local branch does the everyday normal transactions going on. The regional office is like the brain. Most of the things come out of the management side of it, the regional office, they deal with you straight away. There is no problems, each manager’s got about 20 customers to deal with, we get a much better personal service, and it’s only when going to the
local branch, you are just not a customer there [local branch]. They don’t fully understand what this company means to ANZ bank.”

“They [people from the management side] come to us on a lot of occasions, the main core thing, you know, when you go to the loans, when you are talking about our accounts and things like that, they come to us. So, I guess from that point of view they care, they know that we are busy people and they don’t want us to be hassled by going down there [regional office], so from that side of it they are caring people, but that’s the regional department. When you walk in the other branch, you are just in an other place, I don’t believe it!, you don’t get the confidence you get from the other side of the bank, you don’t get any special treatment or any other things like that. Quiet often they tend to be rude because we are a large customer and take their time, you know, you are taking a lot of their time and this is a pain of the neck. Many many years ago when I was working for a bank, they taught us that ‘A customer is not an interruption to your work, they are your work’, and that has to be a part of your customer service, but at this bank, they don’t seem to teach that.”

R: “Please tell me about the things the management side does satisfactory or better than satisfactory?”

FAM: “Well, the way that they treat us down there at the regional office, and the way that they (provide) immediate service, you are always served reasonably quickly, they find out what we want to know straight away. These would certainly take a long way in selecting a bank, I would consider very much though.”

It is crucial to recognise a sentence spoken. The words of FAM read, “I don’t believe it!” [38]. His utterance urges a significant discrepancy between the services of “regional office” and “local branch”. A closer inspection of the conversation unfolds certain important differences that could be attributed to intangibles. The FAM pronounces his evaluations of the services of “regional office” as “good” [15], “great” [15] and “excellent” [16]. His evaluations emerge a relevant question for this analyses “What makes him divulge this information?”

FAM provides information that distinguishes the financial services of “regional office” and “local branch”. Because “the line of credits” [7, 10] is established, the “regional office” supplies Southern Pathology with the required amount of “money” [10-11], provides the conditions of borrowing money [2-3], lease a “car or a vehicle or something like that” [6-7], takes charge of “loans” [18] and “assets and things like that”
Implications for TQM Practices of CSI

and finally perform all the “financial marketing” [19] for Southern Pathology. The relevant issue here is, to what extent the people in “regional office” are able to perform these services?

Unlike the people in “local branch”, the people in “regional office” make the information available [2-3, 8] and accessible [2-3, 8] for the FAM for leasing purposes of Southern Pathology. He is provided with an “immediate service” [49] and he is “always served reasonably quick” [49-50]. Compared to the problematic services [17] of “local branch”, the “regional office” does not cause “any problem” [5-6, 28] in terms of “getting credit” [6] from the “local branch”. That the people in regional office “hadn’t let me [FAM] down yet” [15-16] is a contribution to the understanding of the fact that the “management side is excellent” [16]. For Southern Pathology, all these issues of the process of service delivery convey “confidence” [39] which pertains to assurance. However, the approach of the people in “local branch” to the process of service delivery lacks communicating this “confidence” [39-40].

Contradictory evidence in the data pertains to responsiveness. The people in “regional office” often [32] go to Southern Pathology to provide the loans. This behaviour of the “regional office” people, when combined with their understanding of Southern Pathology’s information needs [50], can be seen as (1) understanding that Southern Pathology people are “busy” [36] and (2) they shouldn’t be “hassled by going to” [36] the regional office. In this respect, people of “regional office” understand [50 “find out”] and respond to the information needs of Southern Pathology. Both the points introduced in this paragraph and the points above are relevant to being customer focussed. While the “regional office” is seen as customer focussed [1-50], the “local branch” is not seen as customer focussed [30-31, 42-45]. From this point of view, conclusions of FAM confirms to the significant difference in being customer focussed.

Exhibition of these aspects of delivered service can be understood to have contributed to the fact that “the people” [1] in “regional office” are recognised to be “very good” [1] and “caring” [37]. On the other hand, the “account clerks” of Southern Pathology are irritated by the “girls in the local branch” who “often” [40] tend to behave in a “rude” [40] manner. FAM refers to this point as getting a “much better personal service” [29] from the “regional office” in comparison to “local branch”. That he is
aware of the quality of service provided in “local branch” indicates that he is influenced by the “account clerks”.

The following sections address that although the FAM is considerably more engaged in leasing and borrowing services and often contacts “regional office” of ANZ bank, both the general manager and the managing director of Southern Pathology are to a certain extent also aware of the issues verbalised by FAM. The following short utterances introduce the managing director’s descriptions of the “account manager” from the “regional office” of ANZ bank:

1 “Our account manager is a nice individual, appreciative, very empathetic, very good at a personal level, very credulous, available and accessible, he will come up here personally and deliver documents and things, and that’s not a trouble.”

While he verifies most of the points above, a distinctive aspect in his description is how his evaluations of the “account manager” [1-2] and his services [2-3] contrast with how the “accountant clerks” evaluate “girls at the local branch” and their services.

Although the “regional office” and the “local branch” provide different financial services, the deciders of Southern Pathology require consistency among their [“local branch” and ‘regional office”] approach to the relationship accompanied with improving service quality. In other words, both the “regional office” and “local branch” of ANZ should be responsive, understanding, assuring, conveying goodwill-confidence, deliver trust and be reliable. However, the comparison above suggests a discrepancy that is contrasted as regional office is “much better” [29] and “excellent” [16] versus “you are just not a customer” [30] at the local branch, rather than an “excellent” versus “excellent”. The FAM and general manager attributes this discrepancy to a lack of communication between the “local branch” and the “regional office”.

Finally, a comparison of the functions of “local branch” and “regional office” discloses that unlike the “local branch”, the regional office is the “brain” [26]. In this context, what the FAM pronounces as “things” [26] and “that all comes out of” [22] refer to decisions being made by the people of “regional office”. The people of “regional office” decide the conditions such as interest rates and amount of security for borrowings and leasing finance, cost of each cheque, service fees and credit fees.
5.3.2 A Critical Conflict among the Aspects of Perceived Service Quality of Regional Office

Review of the following conversations clarifies a second critical conflict pertaining to intangibles that are implicit in the services of “regional office”. It is important for the reader to keep in mind that the services of the “regional office” are evaluated as superior and “excellent”.

A transcription of a conversation between the researcher (R) and the FAM follows. The informant here, FAM, begins to describe an important problem regarding an imbalance between the amount of required security and the amount of borrowings. His interruption of the researcher’s coming question implies the significance of his story.

R: “I can see that you consider certain rational criteria such as, um, the interest rate, service and credit fees… [that they charge]”

FAM: “There is one step further from that as well, the current bank that we have, want a lot of security, in fact, they want more security than what we borrow. [Gives a pause for this small conclusion] So we’re looking at the moment to find that the other banks that are around require [his tone and volume of voice increases for the next two word and puts a strong emphasis] less security, which they release our assets for what ever, for investment or further borrowing. At the moment the bank we are currently with, tied us up with more assets than what we have as borrowing, so there is an imbalance than what we have.”

R: I hear you mentioning about an imbalance. I understand that it is because of the amount of security that your bank requires. Tell me a specific example about how the amount security causes an imbalance.

FAM: “Take for instance this building, this building might be worth say 2 million dollars for instance, I mean I am not saying that is the correct figure, but they lend us maybe a million dollars on the value of this building, so we have got 50% of borrowings less than what the building is worth. [In a slightly angry way that communicates “I had enough of it”, he slowly increases the pitch of his voice in every word and then pauses here shortly and slowly says] So it is far too much from what we borrow, so we should be looking to say to them ‘Look we think you have over, you have got too many of our assets tied up, we would like you to release some of them’, so that we can do with them what ever we like, I mean it shouldn’t be that bank that dictates to us. They should have this sort of thing. If you have only borrowed a million dollars,
you should only have to supply a million dollars worth of assets that covers that set, you know what I mean?

R: So...

FAM: So if they have 2 millions of assets for 1 million of set for a loan, that’s not fair! So they are taking us, not quiet to complain us, but that are tying us up, I mean, if we want to expand, very difficult for us because they have got our assets, [corrects his word] more assets than they require tied up with the existing loans that we’ve got.”

Whenever Southern Pathology needs to borrow a certain amount of cash [page 93 lines 2-11], the FAM contacts the “local branch” [3,4] that requires a certain amount of “security” to provide “the loan” [28, 42]. Recalling that the people in the “regional office” [the “brain’] determine the amount of “security”, the repeating utterances of FAM, such as “a lot of” [4], “more” [4] and “far too much” [20] need to be recognised as intolerability. The ratio of the required amount of security compared to the amount of borrowings [“not fair” 29] does not fit to the traditional tenor of FAM’s business ethics. It creates an “imbalance” [10] that Southern Pathology does not want to afford [20-22]. Due to the “far too much” [20] amount of required “security”, Southern Pathology is not able to borrow the adequate amount of loans. In other words, this capturing [“tied up” 21] of Southern Pathology’s “assets” [21] seriously limits to the capacity of borrowing for Southern Pathology and thus undermines further growth [30].

Although the purpose of borrowing “loans” from the ANZ bank is utilising this “loan” as a catalyst for growth [average 10% per year], this imbalance causes a vital problem for Southern Pathology: It is “very difficult for” [30] Southern Pathology to grow. The option of changing the “current bank” and search for alternative banks that “require less security” [6-7] denotes the significance of the problem for Southern Pathology.

When the question “What makes you hire an independent broker?” is directed to the general manager and the question “What makes you contact other financial institutions?” is directed to the FAM, both of them have the same answer: “We don’t trust them [the regional office of ANZ bank]”.

It is hard to explain the critical contradiction that still may be implicit to the reader. The analyses in the previous section showed that on the surface, the deciders of Southern Pathology evaluate the people in the “regional office” as being capable of
understanding the needs of Southern Pathology. Moreover, people in the “regional office” communicate this understanding with the help of their behaviour that embodies courtesy and empathy. Furthermore, they communicate this understanding with being available and accessible as well as the information that they provide. However, at a deeper level, what holistic view enlightens and therefore what needs to be recognised is: the people of the “regional office” of the ANZ bank do not act on the needs and requirements that have the most priority for Southern Pathology. A further explanation is in the following two paragraphs.

When the pieces of the picture are combined, a missing critical intangible clarifies the contradiction. This intangible is what is missing in both the ten dimensions of Service Quality (Parasuraman, Zeithaml and Berry, 1985 and 1990) and the universal five dimensions of Service Quality (Zeithaml et al., 1990, p. 25-26). Reliability, as one of the dimensions, refers to the “ability to perform the promised service dependably and accurately” (Zeithaml et al., 1990, p. 25-26). In this definition, “accurately” pertains to the “promised service”. However, as the analysis of the conversation clarifies, what is promised may not necessarily match with what the customer exactly wants. Thus, the missing intangible pertains to a combination of understanding the customer and reliability. That is, making the adequate efforts to understand the customers’ needs and the ability to provide the product that matches these needs, dependably and accurately. Therefore, the existence of this intangible recommends the supplier to understand the responsibility of being the supplier and supply what the client wants.

This research entitles this missing intangible as wisdom of quality.

To clarify the critical role of the missing intangible, the following perspective should be considered. For most of the organisations and for Southern Pathology, one of such a vital issue pertains to the salience of growth in a business. Southern Pathology wants to provide equal amount of “security” for the required amount of “borrowings” [23-25] as opposed to providing 100% more security than the amount of required “borrowings” [16-17]. What needs to be remembered is that since Southern Pathology started profiting in 1986, the company started growing continuously averaging 10% per annum growth and the expected figure for 1996 is 8% per annum. Therefore, rather

---

20 This argument reminds us the definition of quality. Quality is defined as fitness for use (Juran et al., 1974 & 1988), conformance to customer expectations (Lewis et al., 1983) and meeting and/or exceeding customers’ expectations (Feigenbaum, 1961; Grönroos, 1983; Zeithaml et al., 1985a; Buzell & Gale, 1987, Oakland, 1989)
than undermining the growth of Southern Pathology, the services of the “regional office” should foster and nurture the growth of Southern Pathology.

One may think critically and ask two questions. The second question could be an answer to the first question.

1. “What makes the people in the “regional office” of ANZ to dictate [23] Southern Pathology regarding the provision of the required amount of security?”

2. “Could it be that the ANZ bank dictates Southern Pathology in order to tie up more assets of Southern Pathology? So that the ANZ bank can exploit these assets for the sake of profit maximisation?”

During the field inquiry, the simultaneous analysis led to the formation of these two questions. The answers seem to be the top of an iceberg; namely, a symptom of an implicit problem. This symptom required the collection of extra data. A comprehensive analysis of this symptom and its findings are in the next chapter.

The utterances of FAM brings to light the reasons why changing the ANZ bank to another is almost impractical. His utterances reveal that it is not feasible to change the ANZ bank due to several reasons. The data speaks for itself:

FAM: “Most companies have their own banks established and they utilise that bank, it’s very very difficult and expensive to change banks when you establish with your credits and things like that, it’s very very expensive and difficult to change a bank because you’ve got deregister mortgages and things like that and re-register them with the new bank, and say it becomes a very expensive proposition to change a bank. So you’ve gotta change it for the right reasons and you’ve gotta be pretty unhappy with the bank before most companies change banks. So at the moment, as I say we are looking at it from a few areas, you know, from the, too many assets being tied up on loans and from expenses’ point of view”

What is compelling for the point of changing the ANZ bank is a series of comments that seem to dismiss the option of changing the ANZ bank. Southern Pathology must afford “deregister mortgages” [36] of ANZ bank. Southern Pathology must “re-register them” [37] with the new bank. Southern Pathology must pay back the loans for the releasing of its assets [41-42]. Thus, it is “very very difficult” [34, 36],

21 The word product encompasses both services and goods.
“very very expensive” [36]. When he considers all these aspects of the option, it becomes a “very expensive proposition” [38] to change the ANZ bank. Therefore, his comments seem to dismiss the option of totally changing the ANZ bank.

5.4 A Juxtaposition of the “Captivity” and “Partnership” Relationship

The managing director’s 20 years of experience with the ANZ bank and its services are recognised as a potential to answer the two questions stated at the end of the former section.

The domain and taxonomic analysis of the entire data (Figure 5.6) clarify (1) the characteristics of the current relationship (2) the characteristics of an anticipated relationship between a major bank and TQM company. The analysis below unfolded that the characteristics of the captivity relationship embody a constellation of intangibles that are mostly detrimental to the competence of the operations of Southern Pathology. They undermine the growth of Southern Pathology.
Most of the Characteristics Embody Intangible(s)

On the other hand, the characteristics of the partnership relationship embody a constellation of intangibles that are mostly expected to be beneficial to the competence of the operations of Southern Pathology. They are perceived to encourage and foster the growth of Southern Pathology.

The wicked point is that these intangibles, as argued in the literature review, are difficult to articulate and clarify. They are camouflaged in the captivity relationship.

5.4.1 CAPTIVITY Relationship

Descriptions of how Southern Pathology can be closed down in the short-term follows. The managing director (MD) describes a story parallel to how any major bank such as the ANZ bank can close down Southern Pathology. He also reveals that

1 MD: “We would say, um, that we just can not predict how it will happen, I mean if for instance there
2 was a large run on the bank, or if they said if for instance the health budget was awaited? down
in august with the new government, and they said “Well, we think now you are in a high risk situation”. They could turn around and require us to repay the loans. All our outstanding loans. Now that’s the sort of things the banks can do. And they have done it with the farming communities within Australia. They have put a lot of people into receivership and some people were only able to have very small amount of money, and could have easily work through their way that, but they have just closed them down and sold out their properties. So they are not talking total quality (Starts laughing in a sad way. Hah haa haaaa hah ha ha ha haaaaaaa) They shutdown the business and sold out the properties. If they decide it, they have the ability to close us down tomorrow. They say to us “We give you 28 days to pay all of your outstanding loans”. We can turn around and find alternative finance here or pay the loans out which is not really feasible, um, or they just close us down. That’s how they captivate you. You really are captive of the bank which you are using so it’s very hard to change. Say here is a business going on now, our business is going now for 14 years, we’ve been profitable every year since 1986. It’s a stable and on going relationship waiting to be developed and locked in. They’ve locked it in by captivity rather than partnership.

I still think it is hard to totally trust the bank given the history and given where they are coming from, because they are pretty hard nose business people and they look on it in a short-term cycle and they do not necessarily look at it in a long-term cycle. I have just been reading a book by David Packard, Hewlett Packard, called the HP way, and very interesting because they funded themselves through out the history and they left the profits in the organisation so that they never had need to go external borrowings. The system in Australia is different, certainly in the mid 80s when the tax rates were very high, 68%, it was very encouraging for people to go to the banks and to borrow money made a lot of sense in the past tax situation. But I think now, the tax rates have dropped down and that makes less sense. I suppose at the end of the day, I am trying to achieve a situation when I have no indebts at all to a bank and then I can choose where I deposit my money rather than, and I would be free to move, where in present indebtedness it is very difficult. So until that [partnership] situation occurs, I still have only limited amount of trust in banks. Because of the past history. I have seen them operate, they still operate in the same way and they stake us, it is just that we haven't to be a grocery?. And therefore they look more favourable on us, but I'm sure they would close any business which wouldn’t performing, they just close, come up one day and close it. Where as I think they would be much better of doing by going to the partnership, help them out along time before they need to close, it would make a lot of sense economically in that way. It’s not the way they do it.”

On the surface, the reason for captivity seems to be the amount of loans that are infeasible [12] for Southern Pathology to repay [4] in case of a threat of closing down [10-11, 13]. However, a closer inspection suggests a superior reason. Rather than the infeasibility [12] of the loans, it is the intention of the ANZ bank to deliberately force Southern Pathology accepts high amount of security whenever monetary resource is needed. If the part of the picture from both FAM and MD are combined, the resulting picture reveals a vicious cycle of captivity relationship generated by the ANZ bank.

First, “farming communities” [5-10] have been closed down and their properties have been sold. Observations of the MD “I have seen them operate, they still operate in
the same way” [30-31] suggest a pattern of regular events. Therefore, the current way
of how banks operate is perceived as an important risk [“stake” 31] of being closed
down [32-33]. Consideration of these aspects denotes a perception of a significant
possibility of a “closing down” [10-11, 32-33] threat.

Finally, The ANZ bank uses two critical captives of Southern Pathology in order
to force Southern Pathology to accept the amount of required security in borrowings.
These are (1) the tied assets [FAM revealed] of Southern Pathology and (2) the legal
records showing the amount of borrowings [4, 11, 28] to be repaid. In order to have the
assets released, Southern Pathology must repay the loans, which is not feasible. On the
other hand, finding “alternative finance” [12] would result in having more assets tied
up. Therefore, it is “very difficult” [29] for Southern Pathology to escape from this
vicious cycle of “captivity” [13, 16-17] relationship. In these respects, this paragraph
suggests an answer to the first question22.

The managing director discloses these points in his following interpretations:

“When the amount of security is high, I can’t borrow so much and I don’t think I can borrow
much and therefore it puts me into a mind set whereby if they come around here and say
‘What’s happening here, why don’t you pay each loan off’ which is what they have been saying
for the last few years that they want movement or all the loans that they want paid off, then it
doesn’t make sense to me as an individual to turn around and say ‘Well, I want to borrow more
money’. So I pull into my shell. I go along the spiral in the wrong way [with his hand, shows
the spiral and the line to the center] and instead of growing, I go in and say ‘well, let’s get the
bank out of the system’ and fund ourselves from our resources.”

The analysis of his interpretations unfolds a pattern of active vicious cycle that
constrains growth of Southern Pathology. High amount of security limits the amount of
borrowings [“can’t borrow” 36] and discourages [“doesn’t make sense to me” 37-38]
borrowing for Southern Pathology. This limitation and discouraging causes Southern
Pathology to demand an inadequate amount of borrowings [“I pull into my shell” 40-41]
and hence, be unable [“wrong way” 41] to utilise necessary amount of resources for a
potential growth. Due to this lack of utilisation of resources, Southern Pathology can
not grow at the rate that the market enables. Therefore, Southern Pathology
contemplates [42-43] a termination of the current relationship in order to recover a
potential future loss.

22 “What makes the people in the ‘regional office’ of ANZ to dictate [23] Southern Pathology regarding the
provision of the required amount of security?”

Copyright ©1996 by I. Hakan YILMAZ
Exhibitions of these two points above can be understood to contribute to the diagnosis of the relevant intangible and why this intangible is critical. A metaphor may contribute to the understanding of this intangible. Parasuraman and Berry (1991) propose levels of relationship marketing that serves to keep the customer loyal in the long-term. The purpose of deployed and implemented strategies at the first level pertains to the provision of compelling financial benefits to a client. For instance, a bank may offer lower interest rates and less amount of security in order to keep a client loyal. The second level of relationship marketing is enhanced to include both social and financial benefits compelling to a client. For instance, in addition to such financial benefits, the supplier would offer a personalised friendly service and keep in touch with the client to learn the needs and requirements of a client. At this point, the intangibles would be friendliness, courtesy, availability and accessibility of the staff. Both of the levels of relationship marketing encourage the client to remain loyal to the relationship with the supplier.

In the case of the relationship between Southern Pathology and the ANZ bank, dictating the client is the intangible embedded in the services of providing loans. As the intangible courtesy requires behaviours that communicate politeness, respect and friendliness, the intangible dictating the client requires behaviours that communicate accepting, obeying and following the bank’s requests. This intangible implicitly communicates the captive situation of the client and enables the client to remain captive rather than loyal. The intangible is critical for the client in that occasionally the client can be paralysed to implement the decisions for the survival of the organisation.

It would appear reasonable to conclude that dictating the client is a critical intangible that functions as a catalyst that reinforces the client to remain as a captive in a relationship.

5.4.2 PARTNERSHIP Relationship

A description that reveals one of the main principles of Partnership relationship follows.

MD: “The ideal relationship should be partnership. Well, it’s interesting because, I use ATMs, you know the electronic cash machines, um, for just cash and I need cash. In terms of talking finance and dollars and review of accounts, than I much prefer, clearly I have got to do that to person, it depends very much on the individual, I mean I think if you have got a good interested manager who understands your business, that’s really what I’m trying to do, is to give him an insight or her an insight into my business and then I expect them to move towards this
partnership and they should see that it is in their interest to give us money to grow. Huh, they can’t see the potential for buying the place next door. It does not impress me.” [This example points wisdom of quality]

Consider the utterances of MD concerning the relationship [4-7] between Southern Pathology and the account manager [4,5]. The utterances of MD such as “understands your business” [5], “insight into my business” [6] and “good interested manager” [5] can be recognised as implying the need for the intangible understanding and communicating the needs and requirements of the client through understanding the business of the client. As opposed to the captivity relationship, partnership relationship requires understanding of the client’s needs and requirements of businesses [6]. The significance of this intangible is evident by other scholars who agree on the critical importance of understanding the needs of a customer (Zeithaml et. al., 1990; Oakland, 1993; Day and Hiram, 1994; Cowling and Newman, 1995; Harte and Dale, 1995)

5.4.3 One-way Communication

A transcript of a story pertaining to informing the borrowing capacity follows. Review of the story and interpretations of MD discloses one of the crucial intangibles of ANZ bank’s approach to the relationship. Namely, this approach is one-way communication in terms of sharing information. The story is a convincing case that emerges a “clandestine approach” [14] employed by the ANZ bank in sharing information.

MD: “I think that if a bank for instance were to give me an indication of my creditworthiness and how they looked at me and said ‘We think that if you came to us with a proposal, you will have the ability to borrow this amount of money’. They never say that. They say ‘You put up a proposal and we’ll look at it’. So I mean, I don’t know whether I can put up the proposal for $5,000, $10,000, $100,000, $1,000,000 or $10,000,000. I mean I just have no idea and needed, they don’t want to commit themselves, I am just asking them to give an indication of the sort of borrowing capacity that I will have. If I wanted to buy a new building, now 3 years ago I wanted to buy the place next door and it was $300,000 dollars. Uhmm, they wanted it to be based on the value at the time that they have got a value to look at it, and they said ‘Look, this is only worth this much’. It actually sold at auction for more than they thought. Now I personally regret not having a lot more open relationship with the bank there, because I, it’s more valuable to me than the value they put on it. They just looked on the bricks and mortar. There is an example of somewhere where they actually sighted and um [pauses a few seconds], how can I put it [pauses to think more], uhmm. clandestine approach. They use information secretive, in fact I think that subsequently caused us a problem because we would like to have those premises to expand and it basically stopped our ability to expand on that building. They said that they would lend me money to the tune of the value, evaluation that they had obtained, and the evaluation they obtained was a standard real-estate evaluation as if just someone looking at premises where from my point of view because it is next door, it was worth more. And therefore I would have been prepared to pay more. So that’s an example of how banks
using their traditional rules and not fully discussing it with me and not saying ‘well look, if you
wanted to, you could borrow this much money’ which I am pretty sure that I could have
borrowed more than the evaluation of the building. But they didn’t want me to do that, and
that’s all what they can weigh to me. So they’ve never told me that I could have borrowed
more. So that’s an example of how they constrain our future growth. Next door is now a drug
rehabilitation centre. We have complaints from people that come here and they are getting
problems with the people next door and it’s limiting our expansion! We could have expanded
into that area next door. The bank just took a look at its real estate value without considering
what its value was in our particular circumstances. The next door has an extra 40 or 50 car
parking spaces. It could have revealed the pressure on this area enormously (He means that
building could improve the way we did our business, now we are suffering, our customers are
unhappy because of people next door and are complaining them to us. Also people related to us
can’t find parking spaces). And one of the biggest problems we have is parking. So from our
point of view we would have been prepared to pay much more than the actual real estate value.

The case of “using information secretive” needs to be understood as providing a
set of lack of intangibles. The approach of one-way communication not only
undermines the further growth of the client, but also undermines the earning of revenue
due to the lack of resources (such as information).

The case of buying “the place next door” needs to be recognised as not only an
issue of not delivering what is promised dependably and accurately, but also an issue of
possessing the skills, knowledge and expertise to perform the promised service. In
other words, the outcomes of the “clandestine approach” to the delivery of information
and money respectively as resources for Southern Pathology needs to be understood as
an matter of reliability and competence. For Southern Pathology, the salience of
growing and expanding on certain practices is evidenced from aiming to expand
on the next building in order to enhance the competence of its practices. The
accomplishment of this aim firstly needs further information from the ANZ bank such
as “borrowing capacity” and “evaluation” of the place next door. Secondly, the ANZ bank should provide the required amount of money to “buy the
place next door” [8]. Given the role of the bank in terms of providing resources for its
client, consider the following promises that the ANZ bank made.

1. ANZ bank promised to provide the value of the place next door. However, the value of the place was higher than the prediction of the ANZ bank.

2. ANZ bank promised to inform the “borrowing capacity” of Southern Pathology by being its supplier [6-7 “asking them to give an indication”].
However, ANZ bank has never [3, 24] provided this information for Southern Pathology so that Southern Pathology could make decisions of investment, buying a practice and buying an asset.

3. ANZ bank promised to “lend” [16-17] Southern Pathology the required amount of money [22-23] to buy the place next door. However, it was another organisation that bought the place in the auction [10].

4. By promising all the three points above, the ANZ bank consequently appears to have assured Southern Pathology that Southern Pathology will be able to buy the place next door and expand.

ANZ bank made four promises however kept none of them. This failure in keeping promises pertains to the intangibles of lack of competence and reliability. Moreover, it is important to recognise how the intangible assurance23 differs from the intangible security24. Although ANZ bank seems to have assured Southern Pathology that Southern Pathology will be able to buy the place next door, ANZ bank was not able to secure Southern Pathology from:

1. The risk of failure in buying and therefore suffering the lost revenue of growth and expansion.

2. The danger of suffering the consequences [25-33] of failure in buying the place next door.

This failure could be attributed to a lack of commitment [“they don’t want to commit themselves” 6], which seems to arouse from a lack of communication and lack of understanding. The ANZ bank’s lack of understanding the needs and requirements of Southern Pathology seems to derive from the lack of communication pertaining listening these needs and requirements.

This failure in keeping promises seems not to be specific to the case of “borrowing the place next door”. Rather, what MD pronounces as “They never say that” [3], “I don’t know” [4], “I have no idea” [5], “regret not having a lot more open relationship” [11], “clandestine approach” [14], “use information secretive” [14], “not fully discussing with me” [21] and “they have never told me” [24] can not be neglected

23 The intangible assurance pertains to conveying trust and confidence.
24 The intangible security refers to the client’s freedom from risk or danger.
in concluding that generally ANZ bank has almost a one-way communication approach to the relationship which as a result, dramatically undermines the growth of Southern Pathology.

A presentation of the aspects above clarifies the critical role of the following constellation of missing intangibles: Lack of reliability and competence, lack of assurance and security, lack of communication and understanding. Therefore, the expansion of Southern Pathology is limited [27] and future growth is constrained [25]. The findings of the analysis above could provide an answer to the question “Could it be that the ANZ bank dictates Southern Pathology in order to tie up more assets of Southern Pathology? So that the ANZ bank can exploit these assets for the sake of profit maximisation?”

5.4.4 Exploitation of Client

Analysis of the following three transcriptions reveals a possible exploitation purposefully done by the ANZ bank. The contradictory evidence below emerges a matter of exploitation, which seems to be a consequence of captivity relationship. The following utterances contrast how the outcomes of processing money contradict in various services.

MD: “Whether it is actually exploitation or not, I think there is an amount of exploitation when in fact they say that they will turn money around in 7 days and won’t give you the benefit of interest. But in reality they do it immediately and instantaneously! It doesn’t actually take 7 days a cheque to clear. I can’t believe that in 1996 they have automated machinery and things like electronic equipment and they say it takes 7 days! I just don’t believe it! So, I think that they exploit in that sense and they also exploit by not sticking to the what I said before, they should make their money by constant margin and then lending more money. I don’t think that my bank is any worse than any other in the sense that they all do it to a greater or lesser extent. Certainly what I hear from other people um, all the major banks do it. They have a very conservative and risk averse type approach to assessment of what you can borrow. There would have been times when I would have gone to other investments and maybe bought other practices. But I didn’t know, I still don’t know, for instance if I went to the bank with a proposal to borrow $10,000,000 to buy another practice, I don’t know whether they would say ‘yes’, ‘no’ or what. I have no indication to what potential borrowing capacity. They will just say and look at you like something out of Kremlin [in Russia] and say ‘you put a proposal’ and they don’t give a feedback on your creditworthiness and things like that. If they were more honest and said ‘look, this year your figures are down, your creditworthiness is not as high as last year’, I would say ‘Right!’ and take immediate action. But they [In a complaining manner] never say! They never say anything!”

Copyright ©1996 by I. Hakan YILMAZ
An analysis of the issues above from the eyes of the client urges a possible intangible aspect of the service. The intangible aspect of the service seems to stem from:

1. The perception of a discrepancy [2-6] between the outcomes of various services: The required time to process cheques compared to the required time to transact money with the help of computers is telling. The discrepancy between the expected duration for the processing of cheques ["instantaneously"] 3] and the duration informed by the banks ["they say it takes 7 days"] 5] can be seen to contribute to his sense of following bold reasoning ["I just don't believe it"] 5]. It is this reasoning that he confesses of his being exploited [1, 6] by the bank.

2. It is possible to clarify the perception of over-extracting a margin [6-7] from the clients. Consider the following three significant exemplars of how banks exploit their clients, as the ANZ BANK appears to be doing.

MD: “Well clearly the banks in business are making money, and they are borrowing money at, um, 6% and making it at 12%, and then they are making 6% margin. Now I believe there is a balance there in between there are making a margin on the money they borrow, however looking at the client’s requirements and advising them on the best way of borrowing money, so that it doesn’t cost the client a large amount of money, for example in the past I have been locked into, um, loan arrangements where by I paid an interest rate higher than the market for some years without being told by the bank. Another good example is, where I have got money on a check account or current account, which would be better of from an 11 am at full deposit, which is at least down to 6%. The banks slow to recognise that, they don’t normally pass that on to the client, but they do not mention to the client. Another good example of course is the common currents where the bank gets money in [he means he is going to explain about it, he is serious and his voice is considerably louder here], and, um, they [the banks] take up to 7 days before processing it, where as in reality, we know that the banks process it immediately, and um, it shows up a debit on the account, which it counts very rapidly, so they basically they have got the use of free money from that period of time [pauses to conclude]. These are common things I am sure all the people would feel that this is not the right way.

The MD provides three distinct cases with this research. These cases are exemplars of how the banks exploit their clients including Southern Pathology. A common point to these four cases reveals a pattern of exploitation that holds an intangible as mentioned above. He reminds the function of the banks as “advising” [23] the client “the best way of borrowing money” [23] in order to prevent a large amount of cost. This function of “advising” refers to a two-way communication recognised by McKechnie (1992) to be a critical aspect of service delivery. Reflecting this salience of
providing information to clients, the cases above clarifies that the bank has a one-way approach to the relationship. In the first case, the bank captivated ["locked into" 24-25] Southern Pathology into a "loan arrangement" [25]. Rather than informing Southern Pathology about the average interest rate of the market [two-way communication], the bank did not provide this information. The bank used this information secretively ["clandestine approach" or one-way communication]. As a result, Southern Pathology paid the ANZ bank an interest rate, which is "higher than the market" [25].

One may critically think and suggests two options to reveal the reason: (1) the bank was also not aware of the interest rate. However, a bank is a financial institution that is specialised on financial markets. Therefore, the possibility of this option is considerably low (2) although the ANZ bank was aware of this situation, it deliberately did not provide Southern Pathology with this information in order to receive the return of the higher interest rate from Southern Pathology. Therefore, a possible exploitation of the monetary resources of Southern Pathology emerges from this option.

The other two examples also disclose a clandestine approach to the provision of information for the client. Namely, they are symptoms of one-way communication. Consider the following utterances "they don’t mention that to the client" [29], "they take up to 7 days before processing” [31-32].

On the surface, it seems to be reasonable to conclude that the banks apply a one-way communication approach to their relationship with their clients. However, a deeper inspection of the holistic case of Southern Pathology suggests that in certain aspects of the services they provide, the banks deceive their clients by either providing false information ["take up to 7 days before processing” 31-32] or do not provide the necessary information ["without being told by the bank” 26]. Therefore, the bank exploits [charging higher interest rate 25, using the interest of the money and not sharing it with the client 28] the resources of their clients.

In conclusion, the exhibition of the analysis of these cases revealed new detrimental effects of the one-way communication approach: Exploitation of the resources of the client with the help of the intangible.
5.4.5 Good Relationship with Account Manager

The following conversation provides cues for how banks utilise certain intangibles as nice and beautiful masks to hide their faces that shows exploitation and captivity:

R: “Please tell me about the relationship of Southern Pathology with the account manager.”

MD: “Yea, it is interesting when I think about it, that the, he is one of the major reasons, because um, we are impressed by him, um, what has happened in the past, he’s directly with banking, is that, it’s been what we call in English ‘good cop and bad cop’, that you have the policemen that works in teams, and one works as Mr. Nice guy and the other one is nasty one. It’s directly what happened with the bank is that, he built up a nice relationship with the local manager [of Southern Pathology] and says ‘we’ve got to put this upstairs to Melbourne or where ever for final review because this is about my limit’”

R: “So he is the good cop.”

MD: “He is the good cop”

R: “The other one is…”

MD: “The one who says ‘this does not led up’ is the bad cop. The good cop keeps the good relationship. He says ‘Look, I am terribly sorry these people upstairs are terribly dreadful’, and then, um, that’s how life goes on.

What MD pronounces as “good cop” [4, 10, 12, 14, 16] and “Mr. Nice guy” [5] refer to the account manager of the regional office. The “good cop” is responsible for providing [“put this upstairs” 7] the main head office [“upstairs” 7] of the ANZ bank with the proposals of their clients. However, the “bad cops” in Melbourne have the authority and power to evaluate and accept or reject the proposal.

There are certain points that seem to contribute to formation of a picture that is related to the use of intangibles. It is important to recall the descriptions of the account manager in the previous pages. These descriptions contributed to the understanding of why he is regarded as impressive [3] for the deciders of Southern Pathology [“we” 3]. Moreover, by taking the proposal from Southern Pathology’s and putting it up [7], he is concerned with the requests and needs of Southern Pathology. Finally, when the bad cop replies as “this does not led up” [12], the “good cop” pretends to step over the line and pass to the side of Southern Pathology. He shifts the burden to the “bad cop” [13] by communicating, “I wanted it to happen but they said no”. When he says “we” [7] and “these people upstairs are terribly dreadful” [13], he is perceived to act as a member of Southern Pathology. He is perceived to speak on behalf of Southern Pathology.
The deciders of Southern Pathology do not communicate directly with the “bad cop” who is regarded as “terribly dreadful” [13]. They always communicate with the “good cop”. The good cop “is a nice individual, appreciative, very empathetic, very good at a personal level, very credulous, available and accessible, he will come up here personally and deliver documents and things, and that’s not a trouble”. This is how the good cop behaves. This description suggests courtesy, understanding, empathy, availability and accessibility as the intangibles of the services he provides during his interaction with the deciders of Southern Pathology. These intangibles are evident in the description of the “good cop” and have a significant role in building and keeping the good relationship with Southern Pathology. It is this relationship that becomes “one of the major reasons” [2] why Southern Pathology is with the ANZ bank, despite the exploitation, captivity, the growth and expansion being limited, not providing the borrowing capacity and not sharing the information.

The analyses above endeavoured to unfold why intangibles have a vital role in the development [6] and retainment [12] of a relationship with a client.

5.4.6 Lack of Customer Focus

A critical interpretation of the degree of customer focus for ANZ bank follows.

MD: “As I say they sent 2 letters that they are going to survey us, neither which they have actually sorted out for us to participate a survey by the bank. I have never actually participated a survey by the bank to say what I want! And you are the first! [Ha hah ha ha haaaaaa] and you are not the bank, this is the bad part! [In a complaining manner] Well, they haven’t got a systematic process in place whereby they can understand what their customers actually want, and they are not customer focused and they would solve a lot of their problems if they developed a customer focus! They don’t! I see customer focus number one. I mean some of them are unpalpable [impalpable], that means they don’t wanna do it because they don’t see how they could provide the service that people wanted. But there are lots of other things that they could do, and they are not asking. So they don’t know what sort of things these things are! That is actually a very powerful opportunity to concentrate on what people want. But I don’t know who the other clients of the bank are. I mean many years ago the bank had at least half a dozen people down at Christmas to drink and get to know who the other clients were! They don’t do it any more! They stopped it. I don’t even know who the other clients of the bank are, maybe they haven’t got any other clients! Maybe I am the only one!”

It is necessary to recall that the managing director has had 20 years of relationship with the ANZ bank since 1967. Since 1967, he argues that the ANZ bank did not ever [“never” 16] ask him to state his wants and needs [17]. In 1996, two months before the
fieldwork started, Southern Pathology had received two letters informing that the ANZ bank will survey Southern Pathology to acquire information about the needs and wants. However, although the fieldwork finished at the end of May, the ANZ bank had not surveyed Southern Pathology.

The descriptions and conversations presented in this chapter provided various cases urging a lack of customer focus. The data above verifies this emergent point. The banks lack a "systematic process" to understand "what their customers actually want" [18-19]. The banks "don't" [21] develop a customers focus. This lack of customer focus along with a lack of supporting system communicates Southern Pathology that ANZ bank has a serious deficiency that inhibits learning its clients' needs and requirements and consequently and responding to these needs by improving the quality of its services. Therefore, the scarcity of beneficial intangibles can be attributed to this lack of customer focus.
5.5 A Holistic View on the Analysis: The Role of TQM

A conversation between the managing director (MD) and the researcher (R) follows. The conversation concentrates on the issues of TQM and provides a summary of the conclusions derived from the stories.

The researcher (R) asks questions that are formed of the verbatim words of MD descriptions (Please refer to Appendix AB). He makes reasonings and repeats the reasonings that MD provided during previous interviews. His strategy is to repeat the utterances of MD in order to remind him certain aspects and hence, get more information. Then he provides MD with the explanations of his prior analysis and MD comments on these. The data speaks for itself and sums particular points covered previously:

R: “From your stories, I came to understand an important point, uhmm about trust. In the long term, due to lack of things such as not advising you the best way of borrowing money, not advising you to shift your account on from the high interest rate to the other one and not providing you the amount of your borrowing capacity, you seem to develop a certain amount of, a certain level of trust…”

MD: “or lack of trust. Building trust is an ongoing thing and it takes time, and one of the problems is, even though they may offer a much better arrangement, at the back of my mind, I think, well, ‘are they going to be any better than the people that we’ve got already?’, uhmmm, now, they have to demonstrate to me, that they are listening to their customers, that’s one big thing, and that they are responding to that, that they are offering those sort of things, if they are actually going to manage the account, rather than just get it in and forget about it, it means more work to them, but means a better long term relationship.”

R: “If they for example, offer you uhmm, the things that take place in the partnership relationship such as being able to offer you to analyse and understand your business, and then help you decrease your costs, increase your money or save money, and they prove it with documents from other customers and if they also prove you that they are customer focused, doing regular focus groups or what ever it should be to remain customer focused and that over this information they are giving feedback and generating some outputs that increase the efficiency and effectiveness of doing business of their customers and provide some new options, new products, new on-line computer systems, that is responding to their customers which makes you do your business easier and...
better. If they had provided some documents or other types of proofs to you about these, how would these increase your trust?"

MD: "It would increase significantly and it would grow over years, so that just presenting documents today would not necessarily mean that you trust the bank, trust takes time, trust takes several years, just to develop it, whether you are working with someone present or with the future bank, it would still need several years to develop it."

R: "So whoever comes here or whichever bank comes here, what ever they do, you will never be able to say “Okay…”"

MD: "‘I trust bank B and I don’t trust bank A’, that’s the problem people find themselves in, and especially when you talk to other people who might be with the other bank, I mean that’s what you do is that you go and talk to people, say for instance we are looking at Westpac, well I know people that have been sold up by Westpac, they had to sell their farm and uhmm, they were nearly went bankrupt, it was relatively a small amount of money, now I think that was unfair, bad, I don’t trust them as a consequences of that. So that therefore when they come in here and offer a better deal, I think “well, is it really better?” and that’s why there is a barrier to change, that’s another factor in the barrier of changing banks, it’s not just the captivity, it’s the fact that, is there, ‘are you going to a better situation or is it only just being sold here as a better situation?’"

I think you get a feel for how customer focused they are and they can say they are customer focused and they can say “we run customer focus groups”, but you don’t really understand how responsive they are, until you had a long-term relationship. You get a feel for reliability over time and you also get a feel for efficiency over time. Those are the things that build over time."

R: "They don’t come instantaneously?” [he needs further explanation]

MD: "No, they can’t really. I mean the presentation and the openness of information, they can almost do instantaneously. They can just start sharing information with you. And certainly Westpac has been more open with me than the ANZ. So that therefore I think ‘well, that sounds better’ and starting to build a trust relationship, improve the relationship. The relationship is not only about trust, a whole lot of things. So, the sharing of information: Yes, they can do that immediately, they can have a good proposal, they can make it clear, but the proposal that they have actually presented, is still, in terms of, we would need more information before giving you a definite proposal, so that you know, you can’t catch it, it’s not really there, the proposal, they are not committing themselves to it.
So, uhmm, the other thing of course is the development of the relationship with the local account manager, I think that takes time too. I mean if he would have called around just to discuss *figures* on a regular basis, and say ‘well, we’ve been looking at your figures and we are interested in what happened here’ or ‘look, you are going really well, we think you should look at other opportunities. Your borrowing capacity is this. You could actually look at expanding or buying something else. Buying the place next door. Think of your future expansion’. Where as the whole concern is more about the *reduction* of *dept* and thereby decreasing the exposure. That’s been the driver in present, that’s been different.

**R:** “From our interviews, one of the things I can see is that you seem to be able to articulate the problem in the current relationship with the bank, between you and your bank, and this problem seems to occur due to their approach to the relationship such as a captivity approach, a clandestine approach, or exploitation, inadequate customer focus could be some of the points, so we have summarised that under captivity relationship. Please tell me if you can remember any other such characteristics of the current relationship. Can you remember any or articulate any other characteristics?”

**MD:** “I think what you’ve got there is pretty much everything. I may sound, I mean I have been really saying what irritates me, what upsets me about the bank and I think you’ve got all those points, yes and I mean there is the opportunity as we’ve said before for them to, for instance, uhmm, Westpac just gave me an analysis of our *industry* [the way he says communicates “surprising for me”], the *pathology* industry, they receive from an independent researcher, they gave it to me, it is very interesting to see the information that they get from other sources on our industry. In this particular case, it was quiet accurate, but they also showed me what information they get on health-care industry *generally* and that was *dreadful*. And I mean, that clearly influences how they think! Now if they start going to this mutually advantageous and partnership type situation, then we could turn around and say ‘well, look, we think this is good for us but the other information you are getting is *rubbish*’. Uhm, and that may influence how they think, if they hear from people who are *actually* working in that area, they are getting free advice from us, that the information that they pay for in *some* circumstances is very good and in other circumstances is not worth to pay what is written on. And they make decisions, they would, if for instance, they were dealing with a doctor, a general practitioner, they might say ‘we read this background information that we’ve got from our independent source and we are not going to lend you any *money* or we are going to lend you a *lot* of money’. Whatever it is, it is based...
Implications for TQM Practices of CSI

Analysis and Results

on wrong information. We have better information than the bank in this particular area.”

R: “So, with the wrong information they have got, they can decide…”

MD: “their policy and the borrowing capacity. Once the partnership agreement occurs, it’s not all one way, it’s not all the bank’s benefitting us, it is also us giving more reliable information to the bank.”

R: “What I hear you mentioning is: In the current relationship, it could be that the bank gets some external information from independent researcher and do not necessarily share this information with you…”

MD: “they haven’t [in an exited way] they have never done it!”

R: “however, the bad aspect of the relationship seems to be that they can consider such information in deciding your borrowing capacity, your interest rate, your amount of required security and the offers they provide you without making you aware. They can consider such information in making decisions but don’t make you aware that they take into consideration such rubbish information. I can not label it, can you label it…”

MD: “you want a label for that, uhmmmm”

R: “When you are in a partnership relationship [MD: “Hmm”], you could tell the bank, ‘don’t take it into consideration [MD: “Hmm”], this is rubbish information [MD: “Hmm”], forget it!’ ”

MD: “Not just for us, for other clients as well, uhmm, how can we label that? If we call it information sharing is really, ‘two-way information sharing’, that really covers it, that we can give them information about our industry, which is much better than the information they are getting, they could actually get it for free, if they came and asked us [pauses and concludes]. We’d give it to them. Because we think it would improve the understanding of us, if we were partners, understanding our business, why we need money to buy place next door, because we have figures to demonstrate that we’re going to grow 8 percent. That’s the prediction for the next 5 years is that we will grow, requirement for our services will grow 8 percent a year which is 6 percent more than the OECD figures on increase in GDP. So that we are a growth industry and uhmm, in a low growth situation we are relatively high growth industry. And they should take care of us. So that’s the sort of information they should know, maybe they do know, but I don’t know that they know, because they haven’t told me that they know [If the bank did not communicate that they “know”, that is intangible for Southern Pathology]”

R: “and you don’t also know if they know the right information or not?”
MD: “Exactly. Their figures, Westpac’s figures, they are right, they say 8 percent, but the ANZ figures may say 2 percent or 1 percent or zero, minus, we don’t know.”

R: “And according to this zero or minus percentage, they may infer “okay, this is not a growing industry. We should take their borrowing capacity and shift it to other growing industries that we see are growing. This is not a growing one, so don’t lend them as much, lend the money to other growing industries”

MD: “You see, traditionally the banks always look at security and real estate, net tangible assets, bricks and mortar, and they said ‘we won’t value goodwill, we won’t value intellectual property, we won’t value brain power, we won’t value information’. Now, everyone these days, I think, increasingly realising that the value of bricks and mortar and real estate is relatively less, the value of capital is relatively less, it’s the information and the knowledge, that’s the big thing, and therefore they’ve got to change the way they think about lending, I mean look at Microsoft, what do you think? How do you think Microsoft would have gone in Australia? He wouldn’t have got the money to start up. They would have said, you know ‘Your borrowing ratio is too high’. If Bill Gates have been an Australian, he couldn’t have done it. That’s the point that I make where as the American banks are saying [starts imitating a cowboy] “hey man! this is a great idea, let’s go for it!” and they would have been happy to banking, they would have seen, yes it might have been a slightly high risk, but maybe they lent it with higher interest rate, the borrowing capacity, however would have been much greater, they would have encouraged him to expand, no one has ever encouraged me to expand, no one! The bank has never encouraged me to expand. I’ve had the opportunity of buying other practices, buying adjacent premises, they’ve never said ‘Great! Go and do it’. They said [here he starts imitating a moron talking, he talks with a constant low voice] “Present the proposal, give us the security, we’ll look at it”. [and concludes:] “One way communication”. “

It’s all been backed up by real estate, every last little cent that they owe, that I owe them is supported by real estate investment, so that if, this whole organisation comes to zero, and they turn around and say “we’ll take the real estate”. The security is very good”

R: “So, could it be also something like this? They don’t have the fiduciary responsibility, they don’t take the responsibility of…”

MD: “well, the way interest works is, that, you are meant to get fixed return for lending capital, and that’s in contrast to Islamic side of things so that, uhm, they don’t as long as they’ve got their capital recovered, they don’t care. It’s the same situation that occurred with the farmers, that they decide based on
information that they get, which no one knows where they get it from, and
uhm, that they just make decisions and they can close you down [using rubbish
information]. I know people that have been closed down because they owed
bank $25,000 dollars. Now the bank, the assets might have been in knowledge,
the bank turns around and says ‘$25,000 dollars or we are closing you down!’
So, that’s the problem.”

The informant [71-180] here, MD, provides a distinctive contrast between the
elements of “one-way communication” [163-164] and “two-way communication” [120],
and further explicates the consequences of the two for Southern Pathology. The story
elucidates an understanding of the mechanisms of how and for which purposes the
banks generally use information.

The bank provided Southern Pathology with “an analysis of the pathology
industry” [82-83] and “information” on “health-care industry” [87]. That the Westpac
bank provided this information which they “generally” [87] utilise, reveals that the
banks are aware of certain industry indicators, trends, predictions and market shares.

However, what is relevant and needs to be considered is whether the banks share
such information with their clients. A careful examination of the conversation clarifies
that; banks are redundant to provide such information. What is pronounced as “they
haven’t” [108] and “they have never done it” [108] is another verification of the
characteristic: “one-way communication”. In fact, what MD discloses is that the banks
conceal [“never” 108, 131-134] this information. This concealing can be recognised as
a “one-way communication” approach to the relationship that needs to be incorporated
with other two interrelated evidences from data:

1. It is critical to examine whether such “information” [87], “analysis” [83]
provide appropriate and useful information about the industry where the client
in concern operates in. In this case, the situation of “quiet accurate” [86]
analysis of the pathology industry needs to be differentiated from the
“dreadful” [88] and “rubbish” [91] information on health-care industry in two
respects: (a) Although the analysis on pathology industry is temporary [“in this
particular case” 86], the information on health-care is considered permanent
[“generally” 87, “not just for us, for other clients as well” 119]. (b) The judger
of the information on health-care and pathology industry is a client that
operates in the same industry. Considering that the client has “better
information than the bank in this particular area” [100], the utterances “dreadful” [88] and “rubbish” [91] could be understood as incorrect-inaccurate.

2. The banks consider the findings of correct or incorrect-inaccurate information from various resources and make decisions [95, 101-102] about their clients. Decisions pertaining to their “policy” [102], “borrowing capacity” [102] and other important issues [110-111]

On the other side, the client is not aware [135-136] of this concealed use of information. Consequently, warning the bank and providing significantly more accurate information by means of preventing the organisation from the consequences [“closing down” 176, allocating insufficient borrowing capacity, 125] of decisions made according to incorrect-inaccurate information, seems to be impracticable for the client.

Representations of these aspects above as well as a lack of encouragement [158-163] to expand, contribute to the understanding of a client perceived disdainful approach [143-146] to relationship. That the banks do not consider the client as long as they recover their capital [173] and vice versa they close them down [173-179], is telling. This disdainful approach to the relationship seems to be another intangible that derives from the lack of customer focus and a one-way communication approach. This disdainful approach becomes increasingly critical overtime:

1. It is impossible for the client to calculate the value of unrecoverable opportunities that are missed due to implicit decisions based on incorrect-inaccurate information. [As in a case of buying other practices]

2. It is possible for the client to calculate but impossible to recover the value of an opportunity that is missed due to implicit decisions based on incorrect-inaccurate information. [As in the case of buying the place next door]

3. The client trusts no bank [41] (lack of trustworthiness) and this is a barrier to change [41].

R: “Having said you can articulate such problems, you have a successful TQM implementation and you are highly involved in TQM practices. Could you please describe me how TQM helps you deal with these problems or overcome such problems in your current relationship with your bank?”

MD: “Well, it’s interesting because, one of the areas we are weak in, in, we, we look, we do self evaluation of our organisation to see where we are strong
where we are weak, and one area where we are weak in terms of improving the quality of goods and services supplied to us! It is mainly in the laboratory where we need to have very good (reagence) [should be a raw-material], but also the bank supplies us with money and therefore they are our supplier. And therefore it’s important for us to go back and talk to them, now presently they are not talking the same language, they are not talking continuous improvement, they are not talking customer focus. Even though we might get a letter, they have never actually asked me these sort of questions, so how do they know what I think? [His utterances were raising the question “Is the bank interested in or value what SP people think and feel?”] they’ve never asked me. You’ve asked me more than the bank has ever asked me. So they don’t know how I feel, and until they improve, then it’s very hard to apply TQM methods, but what we would like to do is to have a meeting with them, a focus group, when they turn around and say ‘What do you think of us?’, that would be very good. That’s one thing Westpac is offering. Once a month we can go and do focus group with them. But not withstanding that, once I get a copy of your thesis, I’ll pass it onto the bank, tell them this is what I think, I think they’ll be amazed, so that might be one way of how we can improve our relationship with either our existing bank or switch to another bank.”

It’s interesting in the latest state budget, I don’t know whether you saw it yesterday, one of the things that they have proposed is, they remove the cost of paying stamp duty of changing banks. So that they are actually encouraging people to switch banks more, well for $100,000 loan, it’s about $300, but uhm, that’s targeted at people who want to change from one bank to another, now that’s the hook, the low 12 months interest rate and then variable rate after, I personally don’t think its a huge benefit but I mean it’s an indication of how people are thinking, that they want to free up banking system so that it is easier for people to change banks to take their mortgages somewhere else if they are not happy.”

R: “So what I can understand is, you are looking for a bank that has or that understands the philosophy of TQM?”

MD: “Well, that’s what we would look for, yes, if we can relate to a bank, it’s really customer focused, yes, that would be a major factor, customer focused and keen to improve, and that everyone is involved and they use measurement to demonstrate the improvement, I mean that’s what we regard as TQM. So, yes, that would be a major factor.”

R: “The main problem seems to me that, the problem comes from their part…”

MD: “I think so”
Implications for TQM Practices of CSI

Analysis and Results

R: “It is something that they should be solving, and because you are not in them, you’re not in the bank, you can not modify their approach, you can only tell them what’s going on…”

MD: “And they sit there like the Kremlins and with the arms crossed, and they say “Thank You!!””

R: “And nothing happens”

MD: “[deliberately repeats in a slow and clear way] nothing happens”

R: “And they say “A-ha, that’s interesting” and they take down notes, that’s all, and nothing happens?”

MD: “I don’t see any change, I don’t see any surveys, I don’t see any action on any of these things. They sent me only some information, they sent me the treasury updates and things like that, but apart from that, nothing. They haven’t really sat down and said at any point ‘Look, you can borrow this money at this rate and that’s a better rate for you than your present rate and we think you might like to consider that’. I still take the responsibility but the suggestion should come from them.”

During the conversation [181-240], an impressive issue arises from the confessions of MD. Although it is the responsibility of the supplier to improve the quality of its goods and services, he wisely acknowledges that this responsibility should be shared [188] in a partnership relationship. Accordingly, he admits that Southern Pathology has a weakness in the realisation of improving the quality of the ANZ bank’s goods and services.

On the other hand, recalling that a partnership relationship embodies a two-way communication (Figure 5.6) approach [191], what he utters as “presently they are not talking the same language” [192] emerges certain articulated barriers to this improvement of ANZ bank’s services. In addition to previous articulated barriers such as one-way communication, exploitation, captivity, clandestine approach, secretive use of information, lack of recognition and discouraging growth, these barriers include lack of continuous improvement [192-193] and lack of customer focus [193-197].

All these barriers of the relationship are characteristics that hinder an implementation of a mutual practice of two-way communication and customer focus as the main streams of the relationship. Consequently, these barriers also hinder the improvement the quality of the ANZ bank’s goods and services. As a result, unless the
ANZ bank supports a paradigm of customer focus, these barriers (pervasive to this research) will presumably abide.

Exhibition of the points above can contribute to the understanding of why Southern Pathology ["we" 218] is looking for a bank that is highly involved in TQM. Whether a bank is highly involved in TQM [218-222], namely is committed to its values-paradigms with the implementation of its surrounding methods and tools is a major criterion [219, 222] for Southern Pathology. As he suggests, TQM embodies "customer focus" [219], committed to (continuously) improve [220], applies total involvement [220] and applies the required tools and methods to monitor-demonstrate and communicate these improvements [220-221]. This is the TQM understanding of Southern Pathology.

Finally, the abiding barriers appear to form burdens for Southern Pathology that endeavours to apply TQM methods [198-199]. Recalling the dual role of Southern Pathology in the supplier and customer chain (Figure 5.7), one wonders which methods and tools would contribute to the practical improvement of the goods and services of the ANZ bank.

![Figure 5.7: The Industrial Role of Organisation as both the Customer and Supplier](image)

The monitoring of improvements regarding a supplier's goods and services can be seen as a process that requires external results. This requirement emerges the necessity that ANZ bank participates. However, the one-way communication approach of ANZ bank is a barrier to this participation. Reflecting this requirement of external results, a fundamental dilemma arises:

"TQM focuses people's attention on internal processes rather than external results." (Bounds et al., 1994, p. 42). However, Southern Pathology needs to concentrate on external results derived from the service processes of the ANZ bank. These processes generate the results external to Southern Pathology. The external
results can be understood as the symptoms where as the processes as the root of the causes. Therefore, the processes external to Southern Pathology need to be improved. This conclusion, that the necessity to improve the external processes as opposed to internal processes, does not fit to the traditional understanding of TQM provided by Bounds et al.

- Andersen, S. E. J. (1993), An Evaluation of the Impact of AS 3902 Accreditation on Selected Indicators and perceptions of Quality in a Health Service (Pathology) Organisation, An MBA Dissertation, Department of Management, University of Wollongong, Australia

5.6 Appendices: Descriptions of Criteria in Selecting A Bank

5.6.1 Appendix A: Descriptions of Finance-Administration Manager

Below are the descriptions of criteria for selecting a bank and the descriptions of the services provided by local branch and regional office. The informant was provided with the original descriptions that he was able to correct and approve. The following descriptions are the final version. The descriptions mainly concentrate on which criteria are used for selecting and not selecting or rejecting.

CRITERIA for SERVICE:

- I should be serviced when I walk in the bank
- The bank provides service when I want it, not when they want to provide it to me
- When I ask a question they are able to answer me and when I ask for a service they are able to provide it (efficiently and effectively, next week or next month)
- Service (good service, an abusing service)
- Service (better service, worst service)
- Trust (the bank should deliver what they promise, not getting back to you)
- Information (ready and available at any time, not having it ready when you need it)
- Protection of confidential information (the bank assures the protection of confidential information, spread it around town - they shouldn’t spread it to anybody)
- The bank should pro-test everything for SP
- Guaranteed that they will be able to provide a line of credits at such a time and these assets to be secured
• The bank does what it says it will do: it doesn’t go back in its words
• They don’t send out information on accounts, statements are not on time and they are
  slow to respond and the bank changes its mind on the amount of money it will lend.
  The bank is unreliable

Reputation of the Bank:

• The bank has a very high reputation.
• I have never heard of that bank or they have a bad reputation.

Efficiency:

• They are efficient, respond rapidly to enquiries and don’t require a huge amount of
  information that is a week’s work for us.
• They are inefficient, slow to respond to inquiries and require huge amount of
  information

A Good Cop is an Account Manager:

• Our account manager is a nice individual, appreciative, very empathetic, very good at
  a personal level, very credulous, available and accessible, he will come up here
  personally and deliver documents and things, and that’s not a trouble. He first says
  “we’ve got to put this upstairs to Melbourne or where ever for final review because
  this is about my limit” and then says “Look, I am terribly sorry these people upstairs
  are terribly dreadful.”

Partnership Relationship: (Recognition, Sharing Information, Advising SP,
Providing Added Services, Customer Focus, Open Relationship, Loyalty)

• Recognition: the bank requires that we are successful and have a 10 year history of
  success
• Sharing: The bank lets us tap into their information systems. The bank provides
  financial information such as finance market, predicted interest rates in the future,
  predictions about inflation, economic forecasts
• Advising: The bank looks at SP ’s requirements and advises on the best way of
  borrowing money, so that it doesn’t cost SP a large amount of money to borrow.
  They have the ability to analyse our business and inform us without necessarily
  trying to run our business. They also have a natural tendency to advise us of the
  most cost effective way of doing business.
• Added Services: The bank provides added services treasury update and financial
  information (i.e. accounting, end of year tax planning). Accounting and tax planning
  should be done in joint ((?)) with the bank
• Fair: The banks says, “Well, that’s the test interest rate we can give you”, that’s
  accepted. They should give this test interest rate automatically rather than by
  negotiation only after.
• Understanding: The bank understands that we would like to build up a long-term
  relationship, which is mutually advantageous.
• **Positive Attitude**: The bank encourages me to expand in my business and grow (i.e. to take same (entrepreneur) risks, buying the adjacent real estate for further expansion)

**CAPTIVITY Relationship**: (Adversarial, Clandestine, Captivity, Exploitation, Impassive Communication, Short-Term Cycle Approach)

• **Exploitation**: Bank says that it takes 7 days turn cheques around and won’t give you the benefit of interest. But in reality, they do it immediately and instantaneously! They also exploit the customer by not sticking to making their money by the constant margin and then lending more money. They are extracting a greater margin from some of their customers and in this case from me.

• **Clandestine Approach**: The bank tends to keep the information close to their chest and only give it out reluctantly. They have a natural tendency to not necessarily advise us of the most cost effective way of doing business.

• **Lack of assistance with planning**: They do give financial information to an extent, but I suspect that they don’t understand the value of that to organisations and I'm sure that they could actually sell some information or alternatively give it to their clients who are regarded as high value and preferential.

• **Lack of recognition**: Banks don’t recognise that we are good customers, which should be reflected in our interest rates and the amount of security they require. They do not also seem to give us enough recognition of that level of financial information we have internally here.

• **Unfair**: It is only the ones that complain that get the reduced price and a discount. Some people know that and pursue it. The ones that make the biggest noise get the benefit. This is a cost to the customer in the time taken to complain.

• **Captivity**: If I have any borrowings or over-draft, I become a captive not a customer! The bank can close us down if they want to. That’s how they capture you.

• **Result1**: The bank sees SP as a means of getting the maximum margin on the money.

• **Result2**: I pull into my shell. Instead of growing, I don’t expand and develop the organisation. They constrain our future growth.

### Chapter Six

#### 6. Conclusions and Implications

"A conclusion is simply where you get tired of thinking"
1. The service intangibles could undermine the survival of the client in the long-term by paralysing the decision-making processes of the client organisation and generate barriers to transformation within TQM organisations. Therefore, this phenomenon is a major obstacle to continuous improvement and total involvement within the organisation.

2. The service intangibles could significantly constrain the future growth and further expansion of the organisation. Therefore, the funds required for the legitimacy of the transformation to TQM are threatened and could well be impaired due to the constrains. The organisation may face unrecoverable damages.

3. The client could make decisions for terminating the current supplier relationship and changing the supplier. Such a decision could certainly cause chaos within the organisation that risks a successful organisational transformation and cultural change.

Therefore, the activities to identify such intangibles are crucial for TQM organisations. On the other hand, the study revealed the characteristics of an anticipated relationship entitled "partnership relationship" which are similar to vertical and horizontal Keiretsu practices of industrial grouping. The partnership relationship depends mainly on two domains of characteristic (1) customer focus and (2) two-way information flow. A partnership relationship dominated by customer focus and two-way information embodies a constellation of service intangibles that brings along mutual benefits for the client and supplier. The findings suggest that the service intangibles of a partnership relationship are critical for three reasons:

1. The service intangibles could contribute to the survival of the client in the long run by improving the decision-making processes of the client organisation and eliminate certain barriers to transformation within TQM organisations. Therefore, this phenomenon may be a catalyst for continuous improvement and total involvement of the client organisation.

2. The service intangibles could significantly encourage the future growth and further expansion of the organisation. Therefore, the funds required for the legitimacy of the transformation to TQM are preserved and they could
increase. The organisation may identify and benefit from significant opportunities.

3. The client could make decisions for improving the quality of the supplier's goods and services. Such a decision would certainly be mutually beneficial and contribute to a successful organisational transformation and cultural change needed by TQM.

Reflecting on these reasons, adopting a partnership approach to client-supplier relationship could be a significant contribution to an organisation. Therefore, appropriate diagnosis of intangibles could contribute to the understanding of the relationship and consequently enhance the credibility of the organisational decisions.

Regarding this issue, a prospective window for TQM could derive from the utterances of the client's managing director:

> "One area where we are weak is (sic) in terms of improving the quality of goods and services supplied to us, supplied to us! It is mainly in the laboratory where we need to have very good reagence [could be a raw-material], but also the bank supplies us with money and therefore they are our supplier. And therefore, it's important for us to go back and talk to them. [emphasis as in original]."

Although it is the responsibility of the supplier (the bank) to improve the quality of its goods and services (Porter, 1985), the managing director wisely acknowledges that this responsibility should be shared [4] in a relationship with the supplier. The monitoring of improvements regarding a supplier's goods and services can be seen as a process that requires external results. Due to this requirement, the supplier bank should make the external results available for the client.

Certainly, TQM provides a supplier with the paradigms, methods and tools to improve the quality of its own goods and services (Oakland, 1993; Omachonu and Ross, 1994). However, an essential question arises from this research: "Does TQM provide a customer with the paradigms, methods and tools to improve the quality of the goods and services of a supplier?".

Bounds et. al. (1994, p. 42) argue, "TQM focuses people's attention on internal processes rather than external results". However, the client in concern needs to concentrate on external results derived from the service processes of the bank. The processes of the bank generate the results external to the client. The external results can be understood as the symptoms whereas the processes are as the root of the causes.
Therefore, the processes external to the client need to be improved. This conclusion, that the necessity to improve the external processes as opposed to internal processes, does not fit the traditional understanding of TQM provided by Bounds et al.

Furthermore, the three views of quality (Garvin 1988; Bounds et. al., 1994) below seem to take a common view that only considers the necessary paradigms for a supplier to improve the quality of its own goods and services (Figure 6.1):

1. In the Product-based view, quality of a manufactured product is defined in terms of a set of characteristics such as measure of capacity, inductance and resistance (Shewhart, 1931). The scope of this definition is limited to the characteristics of product manufactured by a supplier and does not include either the customer or the supplier-chain.

2. The Manufacturing based view of quality “focuses on manufacturing and engineering practices, emphasises conformance to specified requirements and relies on statistical analysis to measure quality” (Bounds et. al., 1994, p. 49). The scope of this definition is limited to the in-house practices performed by a supplier. It does not encompass the customer and supplier-chains.
3. The *User based* view provides a context for the manufacturing based view by adding the discrepancy between the product specification and customer needs. In other words, this view suggests meeting and/or exceeding customers' expectations (Feigenbaum, 1961; Grönroos, 1983; Zeithaml et al., 1985a; Buzzell & Gale, 1987; Oakland, 1989). Finally, this view also takes a supplier based perspective by suggesting to meet customer needs and neglects the supplier and customer chains.

The three definitions of quality above show that: *Most of the paradigms of TQM consider all organisations as a manufacturer of products. TQM provides methods, tools and approaches to understand and satisfy customers. Each individual in an organisation recognises people in the next organisation in the chain between production and retailing as its customer and strives to continuously improve the quality of its products and processes for its customer* (Figure 6.1).

However, in this view, one must remember that there are situations where an organisation is a customer (Figure 6.1). By looking backwards at the supplier chain (1) a customer evaluates tangible and intangible benefits offered by suppliers (2) and may wish to improve the quality of the supplier's goods and services in the direction this evaluation suggests. Paradigms for such evaluation and improvement seem to be missing from TQM, which gives the TQM approach a "blind side". Therefore, the following paradigms could be added with further research: "With two-way information flow, TQM moves forward in the customer chain and backwards in the supplier chain in order to improve the quality of all parties' goods and services that result in mutual benefits. Governed by these paradigms, TQM uses new tools and methods." Therefore, further research is needed in order to construct the necessary tools and methods for the paradigm above.

Consider the findings of supplier-client relationship of this research for pointing another further research area: In the case of a bank, the total market embodies all sub-markets which includes anything that can be converted to liquid cash such as assets, real-estate, company shares and bonds. In other words, the game is *profit maximisation*. Therefore, from the point of the bank, the client is a competitor! Thus, it could be argued that three main aggressive strategies govern the operation in the market are:
Implications for TQM Practices of CSI

Conclusions and Implications

(These following points could be propositions for further research on banking industry regardless of country or continent)

a) Captivate your clients by tying up their assets and lending money, which is infeasible for clients to pay back.

b) Make the clients blind to these strategies by soft selling with nice and empathetic account managers.

c) Continuously exploit your clients.

The supporting strategies aim to exploit (win-lose) the client and they would be:

1) Require high interest rates to maximise return on borrowings.

2) Require high amount of security to convert value of assets to liquid cash.

3) Espouse one-way information flow to prevent the client's growth by utilising useful information

3.1) Espouse clandestine approach to providing information

3.2) Use information secretively

4) Discourage growth of client to decrease the share of client in market

5) Shutdown businesses [businesses which you can not exploit any more] to take all the shares.

When these strategies above are useful, the following strategies are not useful because they are for partnership (win-win):

1) Understand the business of the client and offer appropriate conditions of borrowings so that the client demands more borrowings

2) Advise the most effective way of doing business so that the client grows and demands more borrowings

3) Provide added services so that the client grows and demands more borrowings

4) Encourage the growth of the client so that the client demands more borrowings

5) Share information with the client to get advice regarding the industries so that distribution of the resources across industries becomes more competent.
The banks determine the rules of the game. These rules are intangible to the clients and these rules are dashed into the services of the banks.

Whether such conditions of exploitation by captivity also exist for other organisations is a matter of further research. Further research for the presented propositions is needed. A quantitative approach by using questionnaire with open and close-ended questions could be considered regardless of the size of companies.

This thesis has shown the above major points for further research as well as (1) what the service intangibles are (2) why they are critical for a TQM organisation and (3) what the implications of these service intangibles of Total Quality Management Practices are.
List of References


Andresen, O. et al. (1983), *Danmark som servicesamfund (Denmark as a service society)*, Politikens Forlag, Copenhagen Denmark


Argyris, C. (1990), *Overcoming Organisational Defences: Facilitating Organizational Learning*, Allyn and Bacon, USA


Banerjee, S. (1996a), Personal Communication, University of Wollongong, Wollongong Australia, 10:00 am on March the 13th

Banerjee, S. (1996b), Personal Communication, University of Wollongong, Wollongong Australia, 10:00 am on March the 25th

Banerjee, S. (1996c), Personal Communication, University of Wollongong, Wollongong Australia, 09:30 am on April the 25th


Implications for TQM Practices of CSI


Berry, L., (1980), *Services Marketing is Different*, Business, May/June


Briggs, C. L. (1986), Learning How to Ask: A Sociolinguistic Appraisal of the Role of the Interview in Social Science Research Cambridge University Press, USA


Copyright ©1996 by I. Hakan YILMAZ

138
Crosby, P. B. (1979), Quality is free: The Art of Making Quality Certain, New American Library, NY
Deming, W. E. (1986), Out of the Crisis, MIT, Center for Advanced Engineering Study

Copyright ©1996 by I. Hakan YILMAZ


Edvardsson, B. (1986), Tjäster Som Konkurrensmedel I Industriell Marknadsföring, Karlstad: Service Research Center, University of Karlstad, Research Report 86:1


Feigenbaum, A. V. (1951), Quality Control: Principles, Practice and Administration, McGraw-Hill, NY


Copyright ©1996 by I. Hakan YILMAZ

140


Grönroos, C. (1979a), *Marknadsföring Av Tjanster (Marketing Of Services)*, Akademilitteratur/ Marketing Technology Center, Stockholm Sweden


Implications for TQM Practices of CSI

List of References and Bibliography


Copyright ©1996 by I. Hakan YILMAZ

142
Lehtinen, J.(1983), *Asiakasohjautuva Palvelutyys (Customer-Oriented Service Firm)*, Weilin and Göös, Espoo, Finland
Mey, J. L. (1993), Pragmatics: An Introduction, Blackwell Publishers, USA


Rifkin, W. D. (1996a), Personal Communication, University of Wollongong, Wollongong Australia, 10:30 am on March the 28th

Rifkin, W. D. (1996b), Personal Communication, University of Wollongong, Wollongong Australia, 15:00 pm on April the 10th

Rifkin, W. D. (1996c), Personal Communication, University of Wollongong, Wollongong Australia, 15:30 pm on April the 17th

Rifkin, W. D. (1996d), Personal Communication, University of Wollongong, Wollongong Australia, 11:30 pm on May the 2nd


Sarantakos, S. (1994), Social Research, Macmillan education Australia Pty Ltd., Hong Kong


Shewhart, W. A. (1931), Economic Control of Quality of Manufactured Product, D. Van Nostrand Company, New York


Spradley, J. P. (1979), The Ethnographic Interview, Holt, Rinehart and Winston, USA


Strauss, A. L. (1987), Qualitative Analysis for Social Scientists, Cambridge University Press, USA


Webster, F. E. Jr and Wind, Y. (1972b), *Organisational Buying Behaviour*, Prentice Hall, NJ


Yilmaz, I. H. (1994), *A Comparison of Consumer Satisfaction for High and Low Involvement Products (in Turkish)*, Senior Thesis, Department of Management, Technical University of Istanbul, Republic of Turkey


NA: The source of reference is from an electronic journal provider on the internet. OvidCDP is a full text electronic article providing software (Telnet 192.70.216.12). However, full information regarding a reference of an article is sometimes not available.

Bibliography

Albrecht, Karl (1988), At America’s Service: How Corporations Can Revolutionize the Way They Treat Their Customers, Dow Jones-Irwin, USA
Arndt, Gunter (1995), Performance Index Analysis: Analytical Techniques for Planning and Decision Making, TQM Course Notes, University of Wollongong
Arogyaswamy, Bernard and Ron P. Simmons. (1993), Value-Directed Management : Organizations, Customers, and Quality, Quorum Books, Westport, Conn
Implications for TQM Practices of CSI

List of References and Bibliography

---

Changing Environment, Thomas M. Bloch, Gregory D. Upah and Valerie Zeithaml, eds., Chicago: American Marketing Association


Coon, Dennis (1994), Essentials Of Psychology: Exploration And Application, 6th Ed., West Publishing, USA


Implications for TQM Practices of CSI

Lawton, Robin L., (1993), Creating a Customer-Centered Culture: Leadership in Quality, Innovation And Speed, Milwaukee Wis: ASQC Quality Press, USA
Monte, Christopher F. (1995), Beneath the Mask: An Introduction to Theories Of Personality, 5th Ed., Harcourt Brace College Publishers, USA


Vavra, Terry G. (1992), *Aftermarketing: How to Keep Customers For Life Through Relationship Marketing*, Business One Irwin, Homewood


Yilmaz, I. H. (1994), *A Comparison of Consumer Satisfaction for High and Low Involvement Products (in Turkish)*, Senior Thesis, Department of Management, Technical University of Istanbul, Republic of Turkey


Appendix A

Preliminary Investigation: Telstra Australia

At the initial stages of the research, a preliminary investigation has been accomplished in order to gain both theoretical and practical insight into the intangible and tangible aspects of products. For the investigation, a large scaled company that is highly involved in Total Quality Management was selected. This company is one of the Australia’s forthcoming corporations in telecommunications industry and the winner of Australian Quality Award. The preliminary investigation aimed to explore the relationship from the supplier’s point of view and which processes serve the company for the identification of product attributes for each customer of the company.

The National Quality Manager was interviewed about the relationships significant customers. The central point of interview was the development of an appropriate research methodology for “Identification of Critical Service Incidents and Product Attributes for Telstra Australia”. Thus, the processes involved in continuously measuring the needs, responding to customers and handling their requests-needs have been covered.

Additionally, the Regional Marketing Manager was interviewed on similar areas. Furthermore, additional questions were asked to the officers of the company. The interviews revealed that a supplier that is highly involved in TQM practices could legitimise its practices pertaining to tailoring the processes of servuction for each customer. It can understand, respond and communicate the customer with appropriate means. More importantly, the analysis and evaluation of the interviews along with the exchange of knowledge during discussions with Prof. Michael Hough [Commerce Faculty] and Prof. Gunter Arndt [Engineering Faculty] provided the following methodology. This methodology could be considered for further research on the area, preferably in the communications industry.

The methodology consists of two main phases as in the following two figures.

---

25 The term “product” encompasses both goods and services.
Implications for TQM Practices of CSI  Appendix A: Preliminary Investigation: Telstra Australia

**PHASE 1**
**INITIAL GROUND WORK**

1. Select an existing **PRODUCT**
2. Compile tangible and intangible aspects of the product information in terms of service delivery processes and consumption-production processes
3. Construct a skeleton of the service delivery processes
4. Classify the core and peripheral product and service characteristics
5. Compile market segmentation and target market information of customers
6. Determine the data collection methodology according to the customer information
PHASE 2
Analysis and Evaluation:

Form a series of questions to collect the critical incidents

Apply pareto analysis to identify the indispensable and dispensable aspects of the service and product

Apply content analysis to classify the incidents of the collected stories

Evaluate the magnitude of the identified incidents in processes

Determine the most important incidents of a service process

Place the incidents on the service delivery processes
Appendix B

Preliminary Investigation: Service Quality in MBNQAW

At the initial stages of the research, a parallel preliminary investigation has been accomplished in order to gain practical insights into world best practices of service quality and quality management. For the investigation, all quality managers of Malcolm Baldridge National Quality Award winner companies have been directly contacted and documents regarding the implementations to improve the quality of service have been maintained. The investigation revealed that each MBNQA winner has its own unique accepted paradigms and values of TQM that navigate their unique implementations, processes and methods; namely their practices of TQM.
Appendix C

Below are the utilised explanations of the research:

1. *Project Explanations*: “I am directly interested in your practical experiences about how you select a bank for [Company name]”. In each phase, this explanation was modified according to the aim of the phase.

2. *Motivational Explanations*: “I am really glad that you could talk to me today. I appreciate it”

3. *Confidentiality Explanations*: “In my research, I will not mention about your name and the banks we will be talking about. Also, I will not publish the information anywhere without the permission of [Company Name]. It is the practical experiences I am concerned with rather than the people or the banks”

4. *Recording Explanations*: “Also, before we start, I would like to take some of this down as notes. I would like to tape record the interview so that I can go over it again and now concentrate on our conversation. Would that be okay?”

5. *Question Explanations*: “Now I would like to ask you a slightly different questions”.

Copyright ©1996 by I. Hakan YILMAZ
Appendix D

Below is the list of the cues for semantic relationships among cover terms and included terms (please refer to Figure 6.2 and the following list). These cues are used for domain and taxonomic analyses in order to determine the hierarchy of cover terms and their included terms. The cues in the list have been utilised during the analyses and question formation stages of each phase.

PAPAGO SEMANTIC RELATIONSHIPS

Attribute: X is defined with respect to one or more attributes of Y (A scorpion has a tail with a stinger).

Contingency: X is defined with relation to an antecedent or concomitant of Y (To wash: If a person gets dirty, he washes himself).

Function: X is defined as the means of effecting Y (Tooth: that with which we chew things).

Spatial: X is oriented spatially with respect to Y (Bridge: build across a wash or gully).

Operational: X is defined with respect to an action Y of which it is a goal or recipient (Shirt: that which we wear).

Comparison: X is defined in terms of its similarity and/or contrast with Y (Bat: that which looks like a mouse).

Exemplification: X is defined by citing an appropriate Co-occurrent Y (To shine on: as when the sun goes over and gives us light).

Class inclusion: X is defined with respect to its membership in a hierarchical class Y (A crane is a bird).

Synonymy: X is defined as an equivalent to Y (Thirsty is wanting a drink).

Antonymy: X is defined as the negation of Y, its opposite (Rough is not smooth).

Provenience: X is defined with respect to its source, Y (Milk: we get it from a cow).

Grading: X is defined with respect to its placement in a series or spectrum that also includes Y (Monday: the one following Sunday).

Circularity: X is defined as X (To teach: when someone teaches us something, we call it to teach).

Figure 6.2: A List of Semantic Relationships for Domain Analysis
Source: Casagrande and Hale (1967)

In addition to the semantic relationships above, this research utilised the following cues of semantic relationship (Spradley, 1979):

1. Strict Inclusion
   X is a kind of Y

2. Spatial
   X is a part of Y

3. Cause and effect
   X is a result/cause of Y

4. Rationale
   X is a reason for doing Y


<table>
<thead>
<tr>
<th>5. Location for action</th>
<th>X is a place for doing Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Function</td>
<td>X is used for Y</td>
</tr>
<tr>
<td>7. Means-end</td>
<td>X is a way to do Y</td>
</tr>
<tr>
<td>8. Sequence</td>
<td>X is a step (stage) in Y</td>
</tr>
<tr>
<td>9. Attribution</td>
<td>X is an attribute/characteristic of Y</td>
</tr>
</tbody>
</table>

The following questions have been utilised in order to collect information for analysis.

The types of questions accompanies by their examples:

**Structured Interview:**

**Q1**: When was the last time you sought a new banking service or a new relationship with a bank?

**Q2**: How did SP search for banks?

**Q3**: I hear you mentioning that SP is in a process/stage/phase of selecting a bank for new banking services. I am interested in this new service that SP is about to buy. Tell me about it and why you need it.

**Q4**: I have evaluated various banks and their services only for my personal account, so I am not sure how you do it in your business. Tell me how you evaluate banks and their services for SP.

**Q5**: It is interesting to listen about how professionals evaluate banks and their services. I really wonder how you are assessing and evaluating banks and their services.

**Q6**: We have been talking about how you assess and evaluate banks for their services. Now I would like to ask you a slightly different kind of question. You have mentioned about the reliability of the bank and the willingness of the staff to assist and help SP. These seem to be hard to evaluate aspects of the service in selecting a bank. Could you tell me about experiences you have had about some other aspects of banking services that are hard to evaluate in selecting a bank?

**Q7**: Well, it seems to me that there are certain things that are not listed in the brochure or proposals from banks, you know, are concrete and measurable. What do you like and consider about a bank that is not listed in the brochure or proposal?

**Q8**: Considering your explanations, I can see that there are some vital or critical aspects such as..., ..., and ..., that you look for ..., in selecting banking services. Could you tell me about your experiences in discovering and learning these aspects of services that are vital in selecting a bank from a practical point of view?

**Semi-Structural Questions:**
The questions below are from semi-structural interviews: These questions have been tailored for each informant by using the informant’s words (Ethnographic approach). Following are sample questions of the field inquiry:

Q₁ : From your explanations, I hear you mention about some vital or critical aspects such as ..., ... and ... that you look for in selecting banking services. Could you tell me about your experiences in discovering and learning these aspects of services that are vital in selecting a bank?

Q₂ : In our previous meeting, you have mentioned about the importance of .... Please describe me one of your pleasant money borrowing experiences.

Q₃ : What made you think that it was a pleasant money borrowing experience?

Q₄ : Please tell me one of your unpleasant money borrowing experiences?

Q₅ : How did you happen to realise that it was an unpleasant money borrowing experience?

Q₆ : Please tell me a case when you had to “show everyone your profit and loss figures and other financial statements”? How do you feel about having to show your profit and loss figures?

Q₇ : I hear you mentioning about “good cop” and “bad cops” in the current bank. Please tell me your relationship with the “good cop” and his relationship with the “bad cop”

Q₈ : I hear you saying, “We would like to build up a long term relationship”. Please tell me what some of the important aspects of a long term relationship.

Q₉ : How did you happen to choose the second bank?

Q₁₀ : “If I had been in the bank with you, what would I have seen you doing?”

Q₁₁ : “Are these the characteristics of the current relationship”

Q₁₂ : “Are secretive use of information, clandestine, adversarial approach characteristics of one-way communication?”

Q₁₃ : “What are other characteristics of one-way communication?”
Appendix E

About the Confidentiality Issue

Experience doing research in multi-national corporations has made me sensitive to confidentiality issues. Executives from IBM, Bridgestone, Siemens, Hewlett Packard, Rank Xerox, Renault and Dupont, for examples participated in a recently completed 3 years study of TQM by colleagues and I.

I encountered sensitive concerns about confidentiality issues during this research when transferring our findings into books of 350 and 122 pages. We were aware of the importance of the information for the companies and were respectful of their rights and of the research ethics. We did not have any problem regarding confidentiality issues in this study. The executives’ fears of revealing their business secrets to their competitors dissolved, and we gained invaluable contributions when they recognised our extreme sensitivity about their rights for confidentiality.

I want to highlight the ways that I ensure the confidentiality of the information you provide:

• First, I am interested in the criteria that organisational decision-makers consider in repurchasing banking services, rather than the bank and the organisation.

• That is why I can use pseudonyms instead of real names of the banks, the company and its decision-makers. (e.g., Miss Decision Maker in Company A, Bank B etc.)

• Moreover, you will be given a draft copy of any writing that will be published, and nothing will be published regarding your work without your permission.

• Finally, there will be only one organisation from any particular business sector in the research. So, in case of your participation, there will not be any relationship to any other companies in your business.

The purpose of this study is to provide companies with insights on criteria involved in selecting and buying services in light of academic theory. The findings will be presented in my Masters Thesis and may be presented at ANZAM ’96 (Australia and New Zealand Academy of Management Conference to be held at University of Wollongong).

Thank you very much for your concern.

I. Hakan YILMAZ
Candidate MSc. TQM (Hons); BME

Prof. Gunter Arndt
Director, CAMIA

Copyright ©1996 by I. Hakan YILMAZ
Appendix F

Tacit Knowledge is a concept originally proposed by Hungarian philosopher Michael Polanyi contending that human beings acquire knowledge by actively creating and organising their own experiences, hence “knowledge can be expressed in words and numbers represents only the tip of the iceberg of the entire body of knowledge” (Nonaka and Takeuchi, 1995, p.60). Polanyi (1966, p.4) simply puts it “we can know more than we can tell” while Guba and Lincoln (1989, p.166) seem to reformulate this expression as “tacit knowledge is all that we know minus all we can say” and call the latter as “propositional knowledge”, which, they argue, “represents the limits of what can be studied within the conventional paradigm”.

Polanyi (1966) suggests that human beings create knowledge by means of involving themselves with objects. Involvements with objects occur through self-involvement and commitment or what he called “indwelling”. He elicits indwelling as:

“Tacit knowing now appears as an act of indwelling by which we gain access to a new meaning. When exercising a skill, we literally dwell in the innumerable muscular acts which contribute to its purpose, a purpose a constitutes their joint meaning. Therefore, since all understanding is tacit knowledge, all understanding is achieved by indwelling” (Polanyi, 1967: 160).

Thus, he pointed out that tacit knowledge is the inner essence of human understanding. In other words, it is what we know but can not articulate. In addition, Guba and Lincoln (1985, p.198) argue that “tacit knowledge becomes the base on which the human instrument builds many of the insights and hypotheses that will eventually develop (and that will cast as propositional knowledge) ... the tacit knowledge must be converted to propositional knowledge so that the inquirer can both think about it explicitly and communicate to others” (Lincoln and Guba, 1985: 198).

As far as this research is concerned, I retain three years of intensive experience (tacit knowledge) regarding a comprehensive research on TQM implementations of more than 100 organisations (please refer to Chapter 1 for details). Accordingly, I had the opportunity to convert the relevant tacit knowledge into propositional knowledge for the purposes of this research. Therefore, converting tacit knowledge had a significant role as well as the propositional (explicit) knowledge during the research process.
DUE TO THE CONFIDENTIALITY AGREEMENT WITH THE COMPANY UNDER RESEARCH, THE ANALYSIS CHAPTER OF THIS THESIS WILL NOT BE AVAILABLE FOR PUBLIC ACCESS UNTIL THE 1ST OF JULY 1998.

FOR FURTHER INQUIRIES, PLEASE CONTACT PROF. GÜNTER ARNDT FROM THE ENGINEERING FACULTY OF UNIVERSITY OF WOLLONGONG:

TEL: +61 42 21 3354
FAX: +61 42 21 3101
E-MAIL: G.ARNDT@UOW.EDU.AU