

CHAPTER 2

CHAPTER 2 - LITERATURE REVIEW

2.1 Overview on Competency

What is competence? Competence could be said to be a set of attributes possessed by a person who is able to function. The attributes enable people to perform at an acceptable level of skill, organize their tasks, respond and react appropriately to the unexpected, perform a range of activities to fulfill a role in specific occupational area and transfer skills and knowledge to new situations.

What is competency? The word competency is derived from Latin word "Competere" which means 'to be suitable'. The competency concept was originally developed in Psychology denoting individual's ability to respond to demand placed on them by their environment. Ulrich defined competency as knowledge, skill or ability of employees relevant for organizational performance. Fletcher defines competency on the basis of 'what does the organization need for future successes? According to him competencies are business led, measurable and fiat for purpose. His model includes skills, knowledge, behavior, task management environment and customers. Interestingly loosely opens competency as a function of intelligence, education, experience, ethics and interest. His equation is:

Competency = Intelligence + Education + Experience + Ethics + Interest

Academicians have a way of expressing their definitions in models. A practicing HR professional can understand competency, as the minimum requirement an employee must comply with in order to deliver specific outcomes at a predefined standard. The competencies consist of four components called knowledge, skill attitude and capability. When we talk of competency it is imperative to know the levels of competency such as Practical Competency (An employee's demonstrated ability to perform a set of tasks, Foundational

Competence (An employee's demonstrated understanding of what and why he/ she doing) Reflexive Competence (An employee's ability to integrate actions with the understanding of the action so that he/ she learns from those actions and adapts to the changes as and when they are required) and Applied Competence (An employee's demonstrated ability to perform a set of tasks with understanding and reflexivity).

Organizations have conducted studies to identify the competencies that are important to success in a given job or cluster of jobs (Parry 1998). They apply the results of these studies to recruiting, training, counseling and evaluating employees. With these competency studies and refinements in assessment and validation techniques, organizations can now evaluate performance by analyzing his or her competencies and then do something about it. Unfortunately, few agree about what constitutes a "competency" in the first place.

Parry (1998) described competency as "a cluster of related knowledge, attitudes, and skills that affects a major part of one's job (i.e., one or more key roles or responsibilities); that correlates with performance on the job; and that can be measured against well-accepted standard. "He excludes traits (e.g., initiative, self-esteem, decisiveness) because, as a trainer, he likes to confine competencies to those that can be improved by training and development. Esque and Gilbert (1995) defined competence as "behaviors that assist the performer to overcome known barriers to achieving performance standards."

Burchell and Jenner (1996) argued for a broader-based definition of competence. Some authorities differentiate between competencies and skills (e.g., negotiating, counseling, interviewing), as skills tend to be situational and specific, whereas competencies are generic. Values (e.g., analytical, intuitive, action-oriented) are often confused with competencies because the two are so intertwined. Other

authorities make a distinction between soft competencies (e.g., personality traits) and hard competencies (job-specific abilities).

A competency need emerges when the acquired competency for efficient job performance is lower than that possessed by the worker (Agut, 2002). Those gaps could be solved through training or other measures, such as job enrichment, job content innovation (Peiro, 1999), job redesign (Bee and Bee, 1994), or enhancement of the organizational climate (Goldstein, 1993).

According to De Ansorena (1996) and Levy-Leboyer (1997), this construct includes two principal dimensions: on the one hand, competency covers individual characteristics (for example, motivation, attitudes, or personality traits) that involve coping with other less routine, programmed, and technical tasks that are also part of the job. This dimension has been termed generic competency and takes in the knowledge, skills, and attitudes, which basically consist of having knowledge about a topic and knowing how to apply it to the job. It allows the efficient performance of specific tasks, which mostly are routine, programmed, and of a technical nature.

2.2 Concept of Perception

According to Robbins, perception is a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment.

Perception emerges as that relatively primitive, partly autonomous, institutionalized, ratiomorphic subsystem of cognition which achieves prompt and richly detailed orientation habitually concerning the vitally relevant, mostly distal aspects of the environment on the basis of mutually vicarious, relatively restricted and stereotyped, insufficient evidence in uncertainty-gearred interaction and

compromise, seemingly following the highest probability for smallness of error at the expense of the highest frequency of precision (Brunswik, 1959).

2.3 Concept of Service

The concept of service comes from business literature. The provision of a service is basically an encounter between the service provider and user (Mills, 1990). Ramaswamy (1996) described service as 'the business transactions that take place between a donor (service provider) and receiver (customer) in order to produce an outcome that satisfies the customer'. Some researchers view service from the perspective of a system-thinking paradigm such as Lakhe and Mohanty (1995).

2.4 Concept of Quality

Some people define quality as simply conformance to requirements whereas others argue that this is an incomplete definition. The later view is particularly evident when your competition is able to ascertain and provide features that exceed expectations and delight customers. The word quality has much different definition ranging from the conventional to those that are more strategic. Conventional definition of quality usually describes a quality item as one that wears well, is well constructed and will last long time. Still another definition conveys the image of excellence, first-rate and the best. However managers competing in the international market are increasingly concern with the strategic definition of quality that is meeting the needs of customers.

Quality is fitness for use (Juran, 1982). Juran defined quality as market-driven and customer-oriented as it puts customer utility and satisfaction in focus. It raises the question of what should be included in the specification 'doing the right thing.' On the other hand, Crosby (1984) defined quality as conformance to requirements. He stated that in order to achieve quality, a company must

establish requirement specifications and once there are established the quality goal of various function of the firm is comply strictly with these specifications. This is quality management of 'doing things right'.

Parasuraman, Zeithaml, and Berry (1985) viewed quality as 'the degree and direction of discrepancy between customers' service perception and expectations'. Zeithaml (1988) noted that quality could be defined broadly as superiority or excellence.

2.4.1 Concept of Service Quality

Although researchers have studied the concept of service for several decades, there is no consensus about the conceptualization of service quality (Cronin & Taylor, 1992; Rust & Oliver, 1994). Different researchers focused on different aspects of service quality. Reeves & Bednar (1994) noted that 'there is no universal, parsimonious, or all-encompassing definition or model of quality'.

The most common definition is the traditional notion that views quality as the customer's perception of service excellence. It means that, quality is defined by the customer's imperceptions is a comparison of consumer expectations with actual performance (Gronroos, 1984; Lewis & Booms, 1990). On the other hand, Carlzon (1991) defines service quality concept as a matter of knowing your customers, designing services to meet customer satisfaction.

In a nutshell, it shows that service quality is more subjective than goods quality. Base on this, researchers refer service quality as 'perceived' quality and resulted in what can be called the perceived quality approach to define service quality.

2.4.2 Defining Tangible and Intangible Service Quality

Service quality is defined as the difference between expectation of service and perception of service actually received. Service quality reflects both the manner and the location of the service delivery. Customers often make inferences about service quality based upon tangible and intangible cues observed during interactions with the service provider.

The tangible aspects of service quality comprise all that the customer can see, touch, hear and smell when the services are delivered. It includes not only the physical output of the service but also the physical facilities, the equipment and the appearance of personnel. Service provider should consider facilities design and promote a positive employee image to current and prospective customers.

The intangible aspects of service quality comprise the manner in which services are delivered. Service performance describes all aspects of the delivery of services such as reliability, responsiveness, assurance and empathy.

2.4.3 Perception of Service Quality

Consumers tend to perceive the quality of a service by comparing the actual service experienced to what their expectations were before purchasing it. Service is judged to be unsatisfactory when expectation is not met; satisfactory when they are met and more than satisfactory when they are exceeded. Customers expect to receive value in the products and services they purchase or use. In this context, value can be defined as the relationship between what customers get in exchange for what they give. Although this has often been considered as the trade-off between price and quality, a detailed analysis shows that far more is involved. A customer may sacrifice convenience in search of lower price or higher quality. Therefore, in the global sense, the characteristic of quality service are those that enable customers to feel they have made a fair exchange and received value.

Research by Parasuraman, Zeithaml, and Berry in the early 1980s provides a strong foundation for understanding the attributes of service quality. They then identified ten determinants of service quality as follows:

- Tangibles – Appearance of physical facilities, equipment, personnel, printed and visual materials.
- Reliability – Ability to perform promised service dependably and accurately.
- Responsiveness – Willingness to help customers to provide prompt service.
- Competence – Possession of required skill and knowledge to perform service.
- Courtesy – Politeness, respect, consideration and friendliness of contact personnel.
- Credibility – Trustworthiness, believability, honesty of the service provider.
- Security – Freedom from danger, risk or doubt.
- Access – Approachability and ease of contact.
- Communication – Listening to customers and acknowledging their comments, keeping customers informed in a language they can understand.
- Understanding the customer – Making the effort to know customers and their needs.

Additionally, they link the concept of perceived service quality to the concepts of perceptions and expectations. Perceived quality is viewed as the degree and direction of discrepancy between consumers' perceptions and expectations (Parasuraman, Zeithaml, and Berry 1988). Thus, they proposed that the differences between perceived performance and expected performance of these ten dimensions determine overall perceived service quality.

2.5 Concept of Customer Satisfaction

Customer needs and expectation are constantly escalating as customers have their requirements met and learn of new possibility from competitors. The concept of customer satisfaction occupies a central place of marketing thought and practice. It may be defined as the state when customer needs, wants and expectations throughout the products or services life are met or exceeded, resulting in repurchase, brand loyalty and willingness to recommend (Goodman, 1988). The key to customer retention is to ensure customer satisfaction.

Kotler (1988) emphasized that the ultimate sign of a healthy company is that its customer satisfaction is high and keeps rising. He also asserted that customer satisfaction is the best indicator of the company's future profits.

Within his causal ordering, satisfaction is described as a 'past consumption evaluation of perceived quality....' (Anderson and Farrell, 1994) Rust and Oliver (1994) offer support for this position in their suggestion that quality is 'one of the service dimensions factored into the consumer's satisfaction judgment' as do Parasuraman et al.(1985, 1988) who specifically suggest that service quality is an antecedent of customer satisfaction.

Customer satisfaction is defined as the extent to which a purchase meets certain needs and resolves bothersome mental state, allowing the customer to return to a position of being ready to deal with other life matters (Mc Neal, 1982).

2.6 Measuring Perception of Service Quality

Among the most popular assessments tools of service quality is SERVQUAL, an instrument designed by the marketing research team of Berry, Paramasuran and Zeithaml. Through numerous qualitative studies, they evolved a set five dimensions, which have been consistently ranked by customers to be most important for service quality, regardless of service industry. These

dimensions are **tangibles, reliability, responsiveness, assurance** and **empathy**. From extensive research, PB&Z concluded that customers ranked the importance of two SERVQUAL dimensions consistently, regardless of service industry. Reliability is the most important contributor to service quality and tangibles are the least important. Introduced in 1988, SERVQUAL has been used in replication studies in a wide range of service industries: healthcare, banking, appliance repair and several other professions.

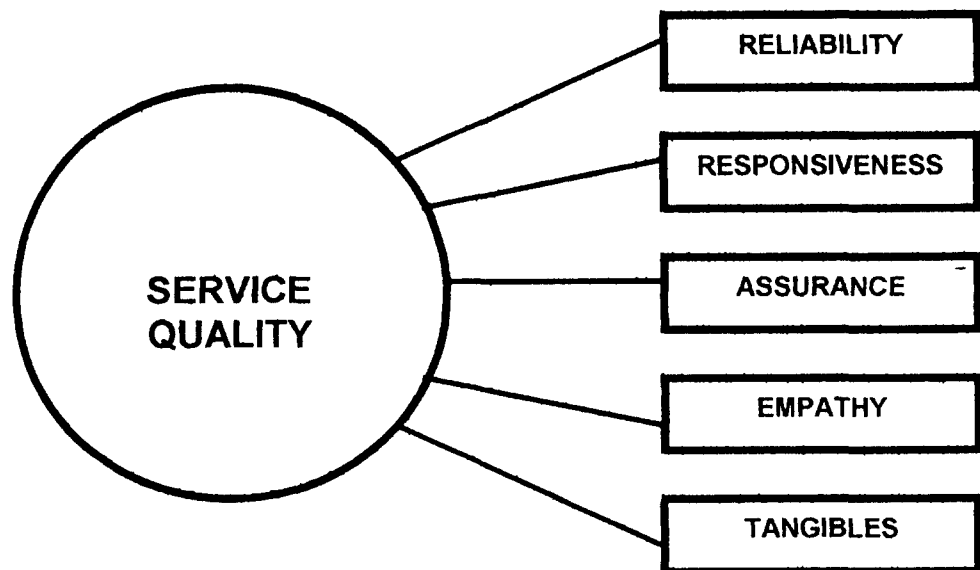


Figure 2.1- Elements of Service Quality

Base on the five SERVQUAL dimensions, the researchers also developed a survey instrument to measure the gap between customers' expectation for excellence and their perception of actual service delivered. The SERVQUAL instrument helps service providers understand both customer expectations and perceptions of specific services, as well as quality improvements over time. It may also help target specific service elements requiring improvement and training opportunities for staff. Analyzed at the item level, data drawn from application of the SERVQUAL instrument are rich with practical implications for a service manager.