



## Service Quality Performance Measurement Tool in Islamic Non-Profit Organisation: An Urgent Need

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### Abstract

This study examines the service quality performance measurement tools introduced in the previous literature. This study, subsequently propose a new performance measurement tool engineered from the best performance measurement tool that fit into the Islamic perspective within the non-profit organisations. Using content analysis, this study assesses relative strengths and weaknesses of five performance measurement tools in order to determine which instrument would best fit in the Islamic non-profit organisation perspective. The results of the analysis show that most studies have relied on SERVQUAL (1985). Further review shows that the potential best fit model that could adapt to Islamic non-profit organisation is Carter Instrument. This study subsequently re-engineered Carter Instrument to develop INOPERF (Islamic Non-profit Organisation PER Formance). The findings in this study provide guidelines to Islamic non-profit organisations in Malaysia to measure service quality.

**Key words:** Service quality; Performance measurement; Non-Profit organisation; Islamic

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### INTRODUCTION

One of the increasing important roles in the economy of many nations is the provision of quality service to consumers. The provision of service quality is a key

element in measuring the performance and success of an organisation. Managers in the service sector are under increasing pressure to demonstrate that their services are customer-focused and that continuous performance improvement is being delivered. Such provision has not only linked to the increased profitability but extended to repeating sales generation, positive feedback and customer loyalty. In addition, the emergence of service quality as an effective strategic force has often become the main issue on the agenda of the management (Abdullah, 2005). This has led to many interesting parties among the practitioners and researchers to examine issues surrounding service quality and subsequently, trying to find the best model that fit into the respective context.

In the current service quality literature, much attention on the issue of service quality often relates to customers' attitudes towards services in the private and public sectors (for example: Lassar *et al.*, 2000; Brysland & Curry, 2001; Kang *et al.*, 2002). Most of these studies adapted the instruments developed by Parasuraman *et al.* (1985) and the results of these studies provide consistent findings that service quality is an important determinant to success of an organisational. Other studies followed Parasuraman *et al.*'s efforts in developing service quality performance measurement tools and this has led to the introduction of SERVPERF, HEDPERF and Carter Instrument among others. These models were developed in various setting and industries.

Non-profit organisations have started to receive many attentions by researchers on the importance of service quality. Such attention is due to the recognition that consistent with the profit-making organisation, non-profit organisation should also be aware not only on the importance of transparency and accountability but also on providing quality service to its customers. Further, in Malaysia, the existence of Islamic non-profit organisations has called for development of appropriate service quality performance measurement tool to be used in the Islamic context. Few studies have attempted in examining service

quality in Islamic perspective (such as Shafie *et al.*, 2004; Dusuki & Abdullah, 2007; Mohd Tahir & Abu Bakar, 2007). They attempted to include Islamic dimension to the existing service quality instruments. However, the results are not favourable as the instrument adapted from the profit-making organisation context may not be applicable to Islamic non-profit organisations. This study aims to further examine this issue.

The remainder of this paper is structured as follows. The next section provides a review of relevant literature. Section 3 outlines the research design. The results are presented in section 4. A summary and conclusion are provided in the last section.

## 1. LITERATURE REVIEW

Service quality is commonly defined as the extent to which a service meets customers' needs or expectations (Lewis & Mitchell, 1990; Dotchin & Oakland, 1994; Asubonteng *et al.*, 1996; Wisniewski & Donnelly, 1996). Service quality can thus be defined as the difference between customer expectations of service and perceived service. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customers' dissatisfaction occurs (Parasuraman *et al.*, 1985; Lewis & Mitchell, 1990).

A body of the literature has developed several approaches to measure service quality. Further review of these studies provided indication that there is no general agreement on the measurement of the concept. The earliest model developed is developed by Parasuraman *et al.* (1985) used to measure service quality in the retail industry. Many studies have adopted this model for measuring service quality in various service industries such as Blanchard and Galloway (1994); Lassar *et al.* (2000) and Brysland and Curry (2001).

Parasuraman *et al.*'s model which is known as SERVQUAL operationalises service quality by comparing the perceptions of service received and expectations. SERVQUAL as the most often used approach for measuring service quality has been to compare customers' expectations before a service encounter and their perceptions of the actual service delivered (Gronroos, 1982; Lewis & Booms, 1983; Parasuraman *et al.*, 1985). The SERVQUAL instrument has been the predominant method used to measure consumers' perceptions of service quality.

In the SERVQUAL instrument, the scale was developed from an initial pool of 97 items generated through a series of focus group sessions conducted with consumers (Parasuraman *et al.*, 1988). The initial pool of 97 items was reduced to 22 to form the SERVQUAL scale with a reported reliability above 0.90 (Parasuraman *et al.*, 1988). The scale was said to tap five different underlying dimensions of customer service termed using a seven point likert scale measuring both customer expectations and perceptions (Gabbie & O'Neill, 1996). The model was

later refined in 1991 examining 44 attributes of service quality related to perceptions and performances. However, this instrument does not include Islamic dimension.

Many studies have adopted this model for measuring service quality in various service industries such as Blanchard and Galloway (1994); Lassar *et al.* (2000) and Brysland and Curry (2001). Othman and Owen (2001) argued that SERVQUAL has become a popular instrument to measure service quality due to its applicability of techniques in measuring and managing service quality. In SERVQUAL model, however, satisfaction is the result of expectation *less* perception. The same survey scale (a Likert scale) was used to measure both expectation and perception, simply subtracting the perception score from the expectation score. A positive result means that expectation is major than perception, consequently the customer is unsatisfied; and when the result is minus, the customer is satisfied. Othman and Owen (2001) argued that SERVQUAL has become a popular instrument to measure service quality due to its applicability of techniques in measuring and managing service quality.

Cronin and Taylor (1992) criticised SERVQUAL by arguing that service quality is only influenced by perceptions. Based on this argument, they developed SERVPERF to be used in an Australian small-business setting. SERVPERF is different to SERVQUAL as it examines the perceptions of service quality while the later includes comparing perceptions of the service received with performances. Cronin and Taylor (1992) found that SERVPERF measurement performs better than any other measure of service quality as it provides ability to provide an accurate service quality score than SERVQUAL (Abdullah, 2006). However, this performance measurement tool is used in small business setting which raise the issue of its applicability in large organisation.

Abdullah (2005) introduced HEDPERF in compliment to SERVPERF that provides a more comprehensive-based measuring scale that capture determinants of service quality within higher education sector. HEDPERF consists of 41-item instrument which has been tested unidimensionality, reliability and validity using exploratory and confirmatory factor analysis. However, this performance measurement tool is limited to the education sector and still at its premature stage. Due to its application in the education sector, whether this could be used in the non-profit organisation sector is questionable.

Other researchers have also attempted to introduce new models to performance measurement of service quality. For example: Teas (1993) produces two alternatives of perceived service quality performance measurement. These two alternatives are named EP and normed quality (NQ). Teas concluded that EP instrument which measures the gap between perceived performance and the ideal amount of a feature outperforms SERVQUAL and NQ. Chen and Chao (2006) pointed out a model known as Kano to categorise attributes of the product based on how

well it is able to satisfy customer needs. In the model, it is distinguished three types of desired product that can affect customer satisfaction in terms of attractive, one dimensional, must be, indifferent and reverse.

Tan and Pawitra (2001) introduced SERVQUAL-Kano's-QFD, a more comprehensive model on measuring service quality. They integrated approach involving SERVQUAL, Kano's model, and quality function deployment in order to assist organisations to evaluate customer satisfaction, to guide improvement efforts and to expedite development of innovative services through the identification of attractive attributes and embedding them into future services. However, despite the suggestion that SERVQUAL can be adapted to any service organisation, it is impossible to construct a global measurement approach as each organisation is unique and therefore, different model is needed (Robinson, 1999). In support to Robinson's argument, is there any model introduced in the literature fit into the Islamic perspective?

Othman and Owen (2001) introduced Carter Instrument to measure service quality in the banking industry with specific focus on Islamic banking. They developed this model to incorporate Islamic dimension to the existing SERVQUAL and consequently, introduced a dimension known as 'Compliance with Islamic Law'. This dimension includes attributes such as Islamic law and principles, provision of free interest loans and provision of Islamic products and services among others. They applied their model to a case study and found a positive link between quality, satisfaction and service encounter. Their findings proved that Carter instrument is valid in measuring service quality. Shafie *et al.* (2004) adapted Carter instrument in a Malaysian setting and found similar findings to Othman and Owen (2001). However, the setting used to examine the applicability of Carter instrument is limited to Islamic banking industry.

The findings in Othman and Owen's (2001) and Shafie *et al.*'s (2004) in using Carter instrument in Islamic banking industry may not be applicable to Islamic non-profit organisation due to the different principles and cultures between Islamic profit organisations and Islamic non-profit organisations. Further examination of the literature shows that there is yet an instrument that is designed to cater non-profit organisations in examining service quality. Since Carter instrument is the only instrument of measuring service quality in the Islamic perspective, it would be interesting to examine whether Carter instrument could be re-engineered to accommodate Islamic non-profit organisations.

## 2. RESEARCH METHODOLOGY

### 2.1 Research Objectives

This study attempts to compare and contrast five performance measurement tools on measuring service

quality. The five measurement tools include SERVPERF, SERVQUAL, SERVQUAL-Kano's-QFD, EP and Carter Instrument. These five measurement tools were chosen because of their direct relevance to this study in measuring consumers' perception of service quality. Other performance measurement tools such as HEDPERF were not included due to the significant different setting. HEDPERF was catered for education sector.

The primary objective of this study is to assess relative strengths and weaknesses of each instrument in order to determine which instrument would best fit in the Islamic non-profit organisation perspective. The findings would eventually used in engineering INOPERF to measure service quality in the Islamic non-profit organisation sector.

### 2.2 Research Instrument and Data Collection

This study uses content analysis on 100 articles that have examined various service quality performance measurement tools. The articles were reviewed and examined to determine the dimensions of the performance measurement tool, the application to sector or discipline, the scope of measurement and the replication of the model in other studies among others. All the available articles on service quality in various research literatures were listed using the database search program *EBSCOHOST*.

## 3. RESULTS

One hundred articles were reviewed and examined. The articles were first reviewed to determine the relevance to this study. A checklist was prepared to assist in determining the relevance of the articles. The checklist includes types of performance measurement tool used, the disciplines of the study employed, service quality, types of research instrument adopted and the setting used in the study.

After the completion of the checklist, it was determined that only 89 articles are directly relevance to this study. Subsequently, this study analysed the performance measurement tools adopted in the articles and identified the attributes and components of each performance measurement tool in measuring service quality. Table 1 provides the number of articles that employed the performance measurement tools chosen in this study.

**Table 1**  
**Application of Performance Measurement Tools for Service Quality**

	Performance Measurement Tools	N
1	SERVQUAL	47
2	SERVPERF	34
3	SERVQUAL-Kano's-QFD	2
4	Kano	4
5	Carter Instrument	2
	Total	89

Based on Table 1, out of the 89 articles reviewed, 47 of the articles have used SERVQUAL as the performance measurement tool in their study. Thirty four of the articles have criticised the reliability of SERVQUAL and proposed the use SERVPERF. Other articles denoted SERVQUAL-Kano's-QFD (2) and Kano (4) as their performance measurement tool. Only 2 articles used Carter Instrument. The results indicate that most researchers prefer to use SERVQUAL. The limited number of the articles using SERVQUAL-Kano's-QFD and Carter Instrument could be attributed to the recent development of these performance measurement tools.

All of the articles provide performance measurement tool similar to SERVQUAL. The dimensions used in SERVQUAL include:

- (1) Tangibles: Physical facilities, equipment and appearance of personnel.
- (2) Reliability: Ability to perform the promised service dependably and accurately.
- (3) Responsiveness: Willingness to help customers and provide prompt service.
- (4) Assurance: Knowledge and courtesy of employees and their ability to inspire trust and confidence.
- (5) Empathy: Caring and individualised attention that the firm provides to its customers.

This study subsequently examined Kano model. The dimensions used in Kano include:

- (1) Attractive: Fulfilment of this category would lead to increased customer satisfaction.
- (2) One dimensional: Customer satisfaction will increase and so does the opposite if this is fulfil.
- (3) Must be: In many ways, service must be competitive and if not met, customers would not be interested in the products offered.
- (4) Indifferent: Presence or absence does not cause any satisfaction or dissatisfaction to customers.
- (5) Reverse: Presence causes customer dissatisfaction and whose absence results in customer satisfaction.

A further review of the performance measurement models chosen in this study however, is not applicable to Islamic organisations. In order to cater for Islamic organisations, Carter Instrument was developed to improvise SERVQUAL and other instruments. The Carter Instrument adapted the dimensions in SERVQUAL with an additional dimension developed to include Islamic value. The dimensions in Carter Instrument include:

- (1) Assurance Ability of staff to provide courteous and knowledgeable service.
- (2) Reliability Performance of service in a dependable and accurate manner.
- (3) Tangibles Availability and appearance of facilities and personnel.
- (4) Empathy Willingness of staff to understand the needs of customers.

- (5) Responsiveness Willingness of staff to assist customers and provide prompt service.

- (6) Compliance Based on Islamic principle

However, Carter Instrument was developed to be adopted in Islamic profit making organisations specifically the banking industry. A performance measurement tool needs to be developed for Islamic non-profit organisation. Studies have suggested that there should be an extra dimension for non-profit Islamic organisation. The dimension should be known as "Compliance to Islamic principles".

Amongst the items proposed for this dimension include but not limited to:

- Not involve in any interest paid/ taken activities;
- Investment only in Islamic compliance financial institution;
- Financial transactions only with Islamic compliance financial institution;
- Appoint in-house religious advisors dispose non-*shariah* compliant earnings;
- Fulfil its social role as well as promote Islamic finance;
- No contradictory to Islamic teaching;
- Incorporate Islamic business ethical principles;
- Ability of *Zakat* distribution in economic development of the Muslim community in terms of reduction in income inequality and poverty;
- Proper and transparent distribution of *Zakat*;
- The extend the organisation able to transform the economically of the needy;

Based on reviewing the articles, it is not impossible to re-engineer the performance measurement tool introduced by researchers to develop a performance measurement tool for Islamic non-profit organisation. This motivates this study to examine further on this issue and subsequently provide the solution for the following question:

Can a performance measurement tool known as INOPERF (Islamic Non-profit Organisation Performance) be created for Islamic non-profit organisations?

## CONCLUSION

This study aims to analyse the relevant of service quality performance measurement that is currently in the literature to be used to measure the service quality performance of Islamic non profit organisation. Review of literature discovered that despite being extensively used, model such as SERVQUAL, SERVPERF, SERVQUAL-Kano's-QFD, Kano and Carter instruments are not suitable for non-profit Islamic setting organization. Subsequently, this study proposed that the original model of SERVQUAL should be re-engineered to include Carter Instrument in order to develop INOPERF (Islamic Non-profit Organisation Performance) to match with the role of non-profit Islamic organisation to alleviate poverty and reduce income inequality, where it also preserves the dignity

of the poor as it relieves them from begging, asking for charity and sympathy. The findings in this study provide guidelines to Islamic non-profit organisations in Malaysia to measure service quality.

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