Lanac profitno orijentisanih usluga
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Ključne reči: poslovni model, inovacija, organizacija, usluga

Abstract: The main focus of this paper is to highlight the importance of the business model in service. The business model concentrates on creating and appropriating value from the business. It describes the basic strategy of an organisation to create economic value. It is a basic template for how an organization can compete in a market, as well as the way a company will generate projected profits, and how an organization handles internal and external stakeholders. Business models are a very important function in every organisation. In order for an organization to be as successful as possible, they need to be innovative so that they can respond to the organisation's given environment. The final part of the paper gives guidelines respectively.

Keywords: business model, innovation, organisation, services

Introduction

The business model as a term was first mentioned in a 1957 article (Bellman et al. 1957) then in the title and abstract of a 1960 article (Jones, 1960). According to Chesbrough and Rosenbloom (2002), the concept of the business model is rooted in Chiller's 1962 strategy book and structure who then popularized the concept of business strategy. However, it was not until the late 1990s that the concept of the business model began to be used more frequently and was associated with e-commerce and the emergence of the so-called new economies (Wirtz et al., 2015).

Zott, Amit, and Massa (2010) provide an overview of business model types in e-commerce, while Fielt (2014) describes the development of the business model concept in more detail. Business models have evolved most within the land of business economics, to be precise, management, with Chroneer, Johanson, and Malmstrom (2015) citing three stages of business model area development. The first, development phase, involves defining business models (eg Amit and Zott, 2001), the second stage details the elements of business models (eg Petrovic, Kittl, and Teksten, 2001), while the third stage presents the business model as a comprehensive and integrated framework (e.g., Osterwalder and Pigneur, 2010). The chain of profit-oriented services was developed by a group of researchers.

A chain of profit-oriented services

The Service Profit Chain (in the following text as SPC) is a theory and business concept developed by a group of researchers at Harvard University in the 1990s. The concept was first introduced as a 1994 Harvard Business Review article by James L. Heskett, Thomas Jones, Gary Loveman, V. Earl Sasser and...
Leonard Schlesinger and 3 years later was the subject of a book, The Service Profit Chain (SPC) - About how leading companies link profit and growth to loyalty, satisfaction and value, the book was published in 1997. In the book, the authors discuss why there is this strong and direct link between employee satisfaction and customer loyalty and profitability. The basic idea behind the profit chain is that there is a direct link between profit, growth, customer loyalty, customer satisfaction, delivery value, employee capability, satisfaction, loyalty and productivity chain.

Profit and growth are stimulated primarily by customer loyalty. Loyalty is a direct result of high customer satisfaction. Satisfaction depends largely on the value of the services provided to the clients. Value is created by satisfied, loyal and productive employees. In the end, employee satisfaction is the result of high quality support services and policies that empower employees to serve their customers well - this is also an essential quality. If we want to influence the higher level (growth and profit), then we must first base ourselves on the lower level, internal quality.

Profit and Growth: The vast majority of successful service companies have a purpose other than profit to profit and growth that are only tangible outcomes of execution toward that higher end. Customer Loyalty: It has been found that a high degree of customer loyalty is the number one factor driving profit and growth in the service business. Customer Satisfaction: Obviously there is no loyalty unless there is high satisfaction first. Satisfaction is closely linked to expectations. When we get what we expect, we are basically happy.

Value: For a service experience that provides basic satisfaction, it must have customer satisfaction. There are many examples in the world of companies that are lost along the way and have forgotten that it is not about what the company believes in delivering, but what the consumer expects to receive.

Employee Productivity: The ability to understand and translate what customers are really looking for and turn that desire into delivering the right products and services.

Employee loyalty: Retaining great people in their positions over time directly affects our ability to deliver value.

Employee Satisfaction: The obvious first step to great loyalty is basic employee satisfaction. Basic satisfaction is closely linked to the context of work - the environment in which jobs are performed.

Internal Quality: In order to reach a basic level of satisfaction and, hopefully, over time, more than that, we need to work on the context of the job and the content of the job. Getting context and content is fuelled by the team cycle.

**The elements of SPC**

Customer loyalty and satisfaction in practical terms, it can be said that enthusiasm and loyalty signify a very high level of satisfaction. But we need to differentiate between them because they are driven by different factors. If we thought that the relationship between loyalty and satisfaction is linear, therefore more satisfaction results in an equal increase in loyalty. Unfortunately, this is not the case at all. We can best illustrate this by looking at a graph of the relationship between loyalty and satisfaction. One of the most prominent theories that explain the connection between company employees, customers, and how they relate to the overall performance of the company is SPC.

This framework, proposed by Heskett et al. (1994), is an integrative framework that indicates that employees are satisfied, able to deliver high quality services that will meet or exceed customer expectations, creating customer satisfaction; satisfied customers, in turn, would become loyal to the firm, leading to improvement business through outcomes such as buyout and negotiation. This framework, which is particularly suitable for firms in the service sector because of the interaction between the front line of workers and consumers, is a cross-section of research in the fields of human resources, organizational behaviour and marketing.

The unique nature of services, including simultaneous production and consumption, the untouchability of service processes and outcomes, and the involvement of consumers in manufacturing service (Bowen & Schneider, 1988), emphasize the importance of interaction between the front line of employees and
customers. Therefore, front-line performance of employees, or their behaviours, help and serve customers to address their needs (Liao & Chuang, 2004), directly influences the perception of service quality and customer satisfaction. This framework is used because of the saturation of the service sector worldwide. For example, services account for 60% of world gross domestic product (GDP) and are dominated by economies in most countries (e.g., 70% of GDP in Canada, 78% in the UK, 72% in Japan, and 80% in the United States) (The World Factbook, 2011).

An important assumption is proposed by Heskett et al. (1994), who argue that there is a causal consequential arrangement between connections within the SPC. However, there is very little empirical evidence to support this claim. In order to support the framework as a whole, this would require data collected sequentially from multiple sources (i.e. employees, clients and businesses) that would allow testing for lag effects. However, there are a few exceptions that have tried to support all connections. Loveman (1998) provided an empirical examination of the entire chain from a banking context and found support for all links. Similarly, Harter, Schmidt, and Hayes (2002) conducted a comprehensive study in approximately 8,000 business units, which established a link between employee satisfaction and different customer outcomes, such as customer satisfaction - loyalty and hard work (profit). However, this was a meta-analytic study, conducted on the basis of survey data collected throughout, making it impossible to relate units and customer experiences. Finally, Lee, Leung, and Cheng (2011) collected data from over 200 high-contact service centres and found that most of the proposed relationships in the for-profit service chain are highly significant, supporting Heskett et al. (1994) original proposal. However, in this study, store employees provided information about levels of customer satisfaction and loyalty versus customers themselves, which limits the accuracy of conclusions. Therefore, there is a need for a study that tests links in the chain by simultaneously collecting data from employees, users and businesses.

**Customer results at SPC**

Service quality, customer satisfaction, service loyalty, and solid performance: According to Heskett et al. (1994), the SPC proposes that, if a high quality service is provided to users, many beneficial outcomes result. For example, after numerous positive encounters with services, a sense of satisfaction will be felt by the customer, leading to useful outcomes such as buying the service and advocating through referrals and positive words, which directly affects the firm’s performance. Delivering high quality service is important for every business, but especially for service based services. Service quality or the perceptions that come from comparing customers to their expectations before meeting the service satisfies or exceeds their perceptions of the actual experience (Grönroos, 1990) is one of the most important and purely researched topics in service marketing (Zeithaml, 2000).

Perceptions of high quality service have been found to be essential for both consumer and business outcomes. Continuously exceeding customer expectations enables the company to improve customer loyalty, giving the company a competitive edge (Zeithaml, Bitner, & Gremler, 2006). Parasuraman et al. (1988) found that clients base themselves on their perceptions of service quality in five different dimensions. The dimensions that are considered important for clients in assessing service quality are reliability, sustainability, safety, empathy and tangibility. Reliability refers to the trust and ability of the company to perform the service appropriately, responsiveness refers to the willingness of the service provider to assist customers and provide prompt service. Insurance is about the knowledge and kindness of employees and their ability to inspire confidence in their customers. Empathy refers to the caring, individualized attention that a service provider provides to its customers.

Lastly, tangible things refer to things physically observed by clients. Unlike the tangible elements of service quality, which may be similar among close competitors, the intangible aspects, which are entirely dependent on encountering the service, can open a significant gap between firms that have the potential to become a source of sustainable competitive advantage (Kuei, 1999).

Therefore, if comparing customers with their expectations before meeting the service satisfies or exceeds their perceptions of the actual experience (Grönroos, 1990), it is likely to result in customer satisfaction. Customer satisfaction, "consumer response to fulfilment, the degree to which the level of fulfilment is pleasant or unpleasant” (Oliver, 1997, p. 28) was an important aspect for business users. Although empirical research has supported the relationship between service quality and satisfaction (e.g. Silvestro & Cross, 2000), there is debate as to whether service quality and customer satisfaction represent the same
construction in addition to causality between the two constructs. However, since service quality is a cognitive state and customer satisfaction is an affective state (Carrillat et al., 2009), it has not only been shown to represent different constructs (Carrillat et al., 2009; Parasuraman et al., 1988), based the view that cognition precedes emotions in the causal chain of psychological processes provides a sound rationale that quality of service truly predicts customer satisfaction (Oliver, 1997).

Multiple studies have supported various parts of the SPC user side. For example, a number of studies have identified rated service quality as one of the key drivers of customer satisfaction and loyalty-based outcomes (e.g., Bloemer, de Ruyter, & Wetzels, 1999; Boulding, Kalra, Staelin, & Zeithaml, 1993; Carrillat et al., 2009; Cronin et al., 2000; Taylor, Nicholson, Milan, & Martinez, 1997; Zeithaml, Berry, & Parasuraman, 1996). Therefore, it is vital that businesses are successful in producing high quality services.

One of the key elements considered in a successful service-based business is front-line employees (Davidson, 2003; Tsaur & Lin, 2004). Front-line employees, also known as frontier keys or contact employees, deal directly with customers during a service encounter. In the human resource management literature, numerous scholars have argued that a company's human capital (i.e., highly skilled and highly motivated workforce) has the potential to be a source of competitive advantage (e.g., PM Wright, McMahan, & McWilliams, 1994).

Prior research supports the idea that front line employees make a significant contribution to service quality, and thus to customers, attitudes, and intentions (e.g., Bitner, Booms, & Tetreault, 1990; Salanova et al., 2005). Front-line employees are important because they act as a "link" between the organization and its customers (Schneider, White, & Paul, 1998); however, they act more than simple informants. In this way, employees are aware of the values on the front line of the organization, they play an active role in understanding, filtering and interpreting information and resources in and from the organization (Zeithaml, Bittner, Gremler, Mahaffey, & Hiltz, 2007). They perceive and respond to whether the company’s communication of value and delivery of quality service truly meets the needs of clients, which ultimately affects the perception of service quality. These employees are constantly faced with unique situations, which poses a significant challenge because it reflects that each situation is different because no two clients are exactly alike.

Each client presents a different set of needs, and the employee is required to properly understand these needs and adjust their behaviour to respond accordingly (Solomon, Surprenant, Czepiel, & Gutman, 1985). For service organizations, this issue is further amplified when a company has several business units. Customer service can vary significantly across units within the same organization, and this variability helps to explain differences in customer loyalty across the organization (Fleming, Coffman, & Harter, 2005).

Front-line employees are also important because they act as representatives of the organization. Front-line employees play an active role in service encounters because they act as the face of the organization and for this reason, front-line employee performance is critical to customer perceptions of service quality and ultimately customer outcomes such as satisfaction and loyalty (Dimitriades, 2007; Gracia, Figures, & Grau, 2010). This is important because happy, long-term customers "buy more, take less company time, are less price-sensitive, and bring in new customers" (Reichheld, 1996). It is important to find that modest increases in service quality and customer satisfaction based on interactions with front line employees are likely to lead to a significant increase in financial performance (Gruca & Rego, 2005), due to customer retention, loyalty and capital (Reichheld, 1996; Zeithaml, 2000).

This further motivates firms to decipher ways to motivate employees to consistently perform above customer expectations. Satisfied, motivated and dedicated front-line employees are a powerful engine for delivering quality of service and customer satisfaction, and such workforce is considered a valuable tool for developing a loyal customer base (Pfeffer, 1998). After that, it is important to understand the role of frontline employees in enhancing a firm's competitive advantage that contributes both to improving service performance and ultimately to the success of the firm.
Employees and SPC

Worker satisfaction: Heskett et al. (1994) suggested that employees who are satisfied with their job are more likely to provide better services than those who are not. It is believed that employee satisfaction, defined as "a pleasant or positive emotional state arising from the evaluation of work or work experience" (Locke, 1976, p. 1300), is achieved through various HRM practices (P.E. Spector, 1997). For service employees, these practices are designed to enhance employee competencies, motivation and performance in providing quality service to external customers.

Such practices include extensive training services, information sharing, self-management and participation teams, quality-dependent compensation, job design for quality work, performance-based performance assessment, internal service, discretionary services, selective employment and job security (Liao, Toya, Lepak and Hong, 2009). Logic suggests that if organizations design work systems that ensure employees have the knowledge, skills, and abilities to meet client needs, they will be happier with their business, less likely to leave (e.g., Gordon & DeNisi, 1995) and more likely to provide good customer service experience during subsequent meetings (Loveman, 1998).

The research supported this claim in whole or in part. Participants' perceptions of decision-making, reward equity, and growth opportunities were found to be positively related to their development of perceived organizational support, which in turn was positively related to job satisfaction and organizational commitment, also as lower turnover (Allen et al., 2003). Subsequently, because the organization treats its employees well, service employees are likely to treat customers better (Schneider & Bowen, 1985).

Extension of SPC

 Despite the suggested links in the service chain, some authors have suggested that job satisfaction is a relatively poor predictor of job performance (e.g. Bond & Bunce, 2003; Iaffaldano & Muchinsky, 1985), which leaves researchers looking for an additional or better predictor of employee behaviour. From a practical standpoint, this is especially important for service organizations, as solid performance is significantly associated with front-line employee performance. However, while satisfaction was not in his predictive ability, we cannot negate the importance of employees who are satisfied with their job. Therefore, it may be that the relationship between employees' attitudes and their later work at their job may be more complicated than previously thought.

In recent years, employee engagement has emerged as a new construct, identified as related but distinct from employee satisfaction at the job level (Ferniez, 2007), and some consider it a better prediction of the firm's overall performance (Harter et al., 2002). Similar to job satisfaction, engagement is a positive emotional and attitudinal response to personal job-related experiences. However, job satisfaction does not cover the full range of affective responses to one's work (Van Katwyk, Spector, Fox, & Kelloway, 2000). Satisfaction is the assessment of an employee at his or her salary rate, benefit level, degree of flexibility in one's job, while being treated fairly. Engagement, on the other hand, represents employee enthusiasm, passion and commitment to their work and organization, willingness to invest and spend discretionary effort to help the employer succeed (Erickson, 2005; Macey & Schneider, 2008).

According to Kelloway, Barling, Inness, Francis, and Turner (2010), a passion for a business consists of a high level of engagement and excitement from the business itself. If an individual is passionate about their work, they are expected to work on a daily basis and get involved in their work, volunteer for a longer period of time and be happier and more fulfilled when engaging in their work. Employees with positive attitudes toward their workplace are likely to convey those attitudes toward customers and participate in the discretionary effort required to serve high-level clients. For frontline employees, workers are likely to be extended during the interaction they have with clients, as engaged workers tend to be more productive and contribute more positively to the financial success of the firm.

Conclusion

The Service Profit Chain is a theory and business concept developed by a group of researchers at Harvard University in the 1990s. The concept was first introduced as a 1994 Harvard Business Review article by
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Therefore, front-line performance of employees, or their behaviours, help and serve customers to address their needs, directly influences the perception of service quality and customer satisfaction. Despite the suggested links in the service chain, some authors have suggested that job satisfaction is a relatively poor predictor of job performance, which leaves researchers looking for an additional or better predictor of employee behaviour. From a practical standpoint, this is especially important for service organizations, as solid performance is significantly associated with front-line employee performance.

**Literature**


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