

Exploring the Mediation Effect of Service Quality Implementation on the Relationship between Service Quality and Performance: Managers' Perceptions in the Banking Industry in Jordan

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ABSTRACT

The aim of this study is to empirically examine the mediation effect of service quality implementation variables on the relationship between service quality and performance. A quantitative methodology was employed to test a model of service quality which was developed for the purpose of the study. The model included service quality dimensions, service quality implementation and banks performance. The research data were collected from managers working at commercial banks headquarters operating in Jordan. The results indicate that service quality dimensions are positively and significantly related to banks performance. The functional quality has a stronger effect on performance relative to technical quality. A major finding of this study is that service quality implementation variables mediate the relationship between service quality and performance. The study found that the service quality implementation variables have stronger mediation effect on the relationship between technical quality and banks performance than their effect on the relationship between functional quality and banks performance. Specifically, organizational factors partially mediate the relationships between functional quality and performance. Organizational factors partially mediate the relationship between technical quality and financial performance, meanwhile; this variable fully mediates the relationship between technical quality and customer performance. Further, marketing capabilities partially mediate the relationships between functional quality and performance, meanwhile; marketing capabilities fully mediate the relationships between technical quality and performance. Finally, corporate image partially mediates the relationships between functional quality and performance. Moreover, corporate image fully mediates the relationships between technical quality and financial performance; meanwhile; it partially mediates the relationship between technical quality and customer performance criteria. Research conclusions, contribution to services marketing knowledge as well as limitations, future research and recommendation were also discussed.

Keywords: Service Quality, Performance, Functional Quality, Mediating Variables, Service Quality Implementation, Banks, Jordan.

1. INTRODUCTION

During the past two decades, there has been much

research effort on the field of service quality as a major driver of business performance. It has become a key strategic issue on service management's agenda (Lai and Cheng, 2005). As service companies continue to seek unique sources of sustainable competitive advantage, service quality has been discussed conceptually as a

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potential alternative to traditional skills and resources (Bharadwaj et al., 1993), as well as empirically tested as a potential driver of improving performance (Rapert and Wren, 1998; Newman, 2001; Kang and James, 2004). Recent research has invested much effort on the conceptualization and measurement of service quality and its relationship with business performance (e.g., Cronin, 2003; Chumpitaz and Paparoidamis, 2005). Consequently, delivering a high quality of service has become a prerequisite for modern service businesses and an essential requirement for achieving sustainable competitive advantage (Rapert et al., 1998). Further, delivering a high quality of service has become a strategic approach for satisfying and retaining customers as well as building and sustaining profitable and long-term relationship with them (Cronin and Taylor, 1992; Ennew and Binks, 1996; Lee et al., 2000; Ting, 2004; Venetis and Ghauri, 2004). This research seeks to extend our understanding of service quality by examining the proposed relationship between the service quality and performance through mediating variables, which are related to service quality implementation. This research is applied on the banks that are operating in the Jordanian market. The banking industry in Jordan is going under major changes in terms of structure, entering new players, new deregulation and liberalizing the Jordanian economy. All these factors forced banks in Jordan to provide superior service quality to stay competitive in the marketplace and achieve a better performance. A relevant literature review was carried out on service quality, its implementation and performance and, then, hypotheses were generated. Next, the detailed methodology is described and the stated hypotheses were empirically tested. Finally, findings, results, and discussions as well as contributions, limitations, future research and conclusions were also included.

The Problem of the Research

The research problem aimed at investigating the proposed relationship between service quality and banks performance by studying the effect of service quality implementation factors that may affect such relationship.

Examination of the service quality literature review has revealed that there are gaps that need more investigation, which strengthened the foundation for conducting this study. First, conceptual and empirical research has indicated that the relationship between service quality and business performance is still controversial, and more empirical research on this relationship is needed. Some marketing scholars have argued for examining this relationship among different service industries, cultures, countries and specific situations (Anderson et al., 1994; Zeithaml et al., 1996; Rapert and Wren, 1998; Robinson, 1999; Zeithaml, 2000; McDougall and Levesque, 2000; Lasser et al., 2000; Lee et al., 2000; Newman, 2001; Cronin, 2003). Second, most research conducted in the field of service quality focused on investigating it from customers' perspectives with little research efforts devoted to understand service quality from management perspectives (Mu'alla, 1998; AL-Shurah, 2004). Third, although there is some research effort devoted to examine the indirect relationship between service quality and performance, most research carried out in the field of service quality is concerned with examining the direct relationship between service quality and performance or customer satisfaction. There is little empirical research that is designed to investigate the direct and indirect relationship between service quality and business performance (Anderson et al., 1994; Zeithaml et al., 1996; Zeithaml, 2000; AL-Shurah, 2004). Fourth, service quality literature has presented insufficient insights to the strategic role of service quality implementation on the relationship between service quality and performance. Fifth, there is dearth in academic research in Jordan that is devoted to investigate the direct and indirect relationship between service quality and performance from managers' perspectives in the banking industry. The majority of research efforts in the banking industry of Jordan is interested primarily in investigating service quality from customers' perspectives rather than managers' perspectives. Research on service quality in banking services sector (e.g., Mu'alla, 1998) and on other service industries (e.g., AL-Shurah, 2004) has strongly recommended measuring and investigating service

quality and performance from managers' perspectives as a fruitful area of research in Jordan. Based on the discussed literature, this study can formulate the following questions:

1. Are there any relationships between service quality dimensions (functional and technical) and banks' performance?
2. What are the factors that affect the implementation of service quality in the banks in Jordan?
3. Does the implementation of service quality mediate the relationships between the dimensions of service quality and banks' performance?
4. Does the effect of the mediating variables vary according to the various relationships between service quality dimensions (functional and technical) and banks' performance?

The Objectives of the Research

Based on the research problem and literature review, the research objectives are:

1. To investigate the relationship between the service quality dimensions (functional and technical) and banks' performance.
2. To understand the factors that affect the implementation of service quality.
3. To investigate if the relationship between the service quality dimensions (functional and technical) and banks' performance is mediated by factors related to the implementation of service quality.
4. To investigate if the effects of mediating variables vary according to the various relationships between the service quality dimensions (functional and technical) and banks' performance.

The Linkage between Service Quality and Performance

Several studies reported that service quality exerted a significant positive influence on service business performance which was assessed based on financial and non-financial measures (Phillips et al., 1983; Zeithaml et al., 1996; Zeithaml, 2000; Duncan and Elliot, 2002). Lewis (1993) argued that successful service quality has a

pivotal role in companies' sales, market shares, profits and business performance, in addition, the successful service quality had led to decreased costs and increased productivity. Rust et al. (1995) found that superior service quality helps generate greater revenues and yield greater profitability. Zeithaml et al. (1996) found that service quality has a strong positive effect on respondents' loyalty to the company. Ennew and Binks (1996) found that service quality dimensions, namely; the technical quality, functional quality, and general product characteristics were significantly affected and correctly signed with higher perceived quality and helped in reducing the potential for customer defection. Service quality affected customer relationships, loyalty and retention. Rapert and Wren (1998) found that service quality-based strategy had positively affected short-term increases in both the operating income and the growth in net revenues, and long-term sustainability. Service quality had a direct impact on both short- and long-term organizational performance measurements. In the same vein, Chang and Chen (1998) found that there is a positive relationship between service quality and business profitability. Service businesses that give service quality a high strategic priority have an advantage of securing medium and long-term benefits that confirm continuous improvements, premium prices, better customer value, and customer orientation leading to higher profits. Duncan and Elliott (2002) found that there is a positive relationship between service quality and financial performance in financial service institutions. More recently, Kang and James (2004) found that service quality consists of three dimensions, functional, technical and image. The image dimension works as a filter in service quality perception. They found that these dimensions affect the perceived quality of service and customer satisfaction. Chumpitaz and Papatoidamis (2004) found that service quality has positively affected marketing performance. Further, customer satisfaction has fully mediated the relationship between service quality and customer loyalty. Lai and Cheng (2005) found that quality management and marketing are complementary business approaches for improved

performance. Consequently, the above service quality empirical research has revealed that it exerted a positive impact on business performance assessed based on financial criteria (e.g. ROI, market share or profitability) or non-financial criteria (e.g. customer satisfaction and customer retention). Based on the literature review above, it can be hypothesized that:

H1: The service quality dimensions (functional and technical) are positively related to the following performance criteria: (a) financial criteria (b) customer criteria.

H2: The effect of functional quality is greater than the effect of technical quality on the following performance criteria: (a) financial criteria; (b) customer criteria.

Search for Mediating Variables

Examination of the service quality literature has revealed that it provides insufficient insights for the indirect relationship between service quality and business performance. A synthesis from the service quality and marketing literatures is employed to reveal factors that affect this indirect relationship. This study used a two-stage approach in order to understand this indirect relationship and build a model of service quality. First, extensive literature review was carried out to identify variables that may affect the proposed relationship. These variables are related to the implementation of service quality. Second, qualitative work was carried out on the banking industry in Jordan to find out what affects this proposed relationship. The qualitative work findings are very close to the issues of service quality implementation. Consequently, the fundamental argument in this study is that the relationship between service quality and performance is indirect and complex. This relationship could be better understood in the context of service quality implementation, this requires a deeper understanding of the issues important when managers actually implement service quality strategy, rather than prescribing methods and procedures by which service quality strategy implementation can be achieved (e.g., Harrington and Akehurst, 2000).

Qualitative Research

This research has conducted in-depth interviews with managers in the banking industry in Jordan to reveal factors that might affect the implementation of service quality (the in-depth interviews method is reported in the methodology section). There was consensus among the managers that service quality implementation is a major problem to achieve a high quality of service and achieve performance objectives. Managers agreed that, during the implementation stage, one of the major problems is how to get other departments in a bank to work together to provide superior service quality. Further, some managers pointed out to the abilities and competencies that a service quality team should possess to implement a strategy. Some managers focussed on having a distinctive image in the marketplace that helps a bank to provide a good quality of service. This has been supported by some statements and comments that are reported in this study in managers' language. For example, a general manager of a medium- size bank stated:

“One of the major barriers in providing superior service quality is departmental barriers and making co-operation between departments to serve our customers. It is a matter of employees' behaviour, motivation, teamwork, and top management commitment and support for service quality”.

A marketing manager in a big bank stated:

“We have got our service quality strategy and policy and even we have got quality certificates but the major problem is how to implement a service quality orientation, which is a strategic intent. A more important question is do we have the required capabilities and assets to implement our strategy? do we understand what our customers need and want? and do we have well - established and maintained relationships with our customers? then superior service quality happens in your bank”.

An assistant general manager for marketing and quality operations in a big bank stated:

“What are your capabilities, what are your

intangible assets and how is your reputation in the marketplace? You have got to have good relationships with your customers and you need to give them value for the money they pay. You have to keep your promises and understand your customers' needs and make yourself available to them. From my point of view, the whole bank is responsible for providing a good quality of service”.

Service Quality Implementation: Synthesizing Literature

Organizational Factors

Organizational issues include: shared responsibilities between the marketing function and other functions, integration between the functions, and top management commitment and support for service quality implementation. Ross and Shetty (1985) found that service quality requires direct involvement from chief executive and more focus on human dimension to get a service quality job successfully done.

Lovelock (1990) and Bateson (1990) focussed on the interaction and integration between operations management, marketing and human resource management for effective implementation of service quality. Gummesson (1991) called non-marketing people in the other functions in the organization who are responsible for serving the customer as “part-time marketers”. The part-time marketers’ concept holds that the marketing function should spread throughout the organization. Lewis (1993) argued that an integrated approach is necessary to integrate marketing, human resources management and financial managers to achieve a successful service quality. The top management has to be committed to service quality to satisfy and keep customers. Other support for the integration issue came from Doyle (1995) when he argued that creating a value for customers is not under the control of the marketing department. The primary task of the new role of marketing in cross-functional teams is cross-disciplinary “the main aim is to get the non-marketing specialists to appreciate the primacy of being market-driven”. Newman (2001) argued that investments in service quality are seen

as a route to competitive success. Commitment to service quality and customer service is very critical to achieve customer satisfaction. Venetis and Ghauri (2004) found that the relationship between service quality and building long-term relationships and customer retention is mediated by effective commitment to a service company. Based on the above discussion, it can be hypothesized that:

H3a: Organizational factors will mediate the relationship between the functional quality and financial performance.

H3b: Organizational factors will mediate the relationship between the functional quality and customer performance.

H3c: Organizational factors will mediate the relationship between the technical quality and financial performance.

H3d: Organizational factors will mediate the relationship between the technical quality and customer performance.

Marketing Capabilities

Marketing capabilities are very critical for the implementation of service quality and customer satisfaction. There are several studies that implicitly pointed out to the strategic role of marketing capabilities during the implementation stage. Gilmore and Carson (1992) argued that researchers on service quality focus on one dimension (service quality) of the service marketing mix elements. Integration with other elements of the marketing mix is necessary to achieve the maximum impact of service quality. Webster (1992) and Gronroos (1994, 1996), separately, focused on the relationship - marketing approach through building, enhancing and sustaining relationships with customers as an essential element for the effective implementation of marketing activities especially in service organizations. Day (1994) suggested that the holistic nature of quality management is of potential use for effective implementation of marketing activities. Day focuses on the strategic role of an organization’s marketing assets and capabilities for such effective implementation. Lasser et al. (2000)

argued that there has been a new research direction to test indirect relationships between service quality and customer satisfaction. They found that service failure and communications moderated the relationship between service quality and customer satisfaction. However, this moderation was limited to the functional quality dimension which is a complex one. Caruana et al. (2000) found that the relationship between service quality and customer satisfaction is moderated by customer value. Lee et al. (2000) found that the service quality is created during interactions between the service provider and the customer; however organizations should improve employees' responsiveness by increasing their knowledge, motivation and skills (marketing capabilities) as well as organizational policies. They found that the role of customer satisfaction partially mediated the relationship between service quality and repurchase intentions. Zeithaml (2000) argued that investments in service quality do not track directly to profits for two reasons, namely; first, service quality benefits are experienced in the long run rather than the short run, second, other elements of the marketing mix have a vital influence on company profits. Chumitaz and Paparoidamis (2004) found that industrial client satisfaction mediated the relationship between service quality and marketing performance. Based on the above discussion, it can be hypothesized that:

H4a: Marketing capabilities will mediate the relationship between the functional quality and financial performance.

H4b: Marketing capabilities will mediate the relationship between the functional quality and customer performance.

H4c: Marketing capabilities will mediate the relationship between the technical quality and financial performance.

H4d: Marketing capabilities will mediate the relationship between the technical quality and customer performance.

Corporate Image

An organization's image has been seen as an

important factor that affects the implementation of service quality. If an organization has a good image of providing a distinguished service quality and customer service, this would provide a positive attitude and reputation in the customer's mind which may facilitate the implementation of service quality. Gronroos (1984) argued that corporate image is an important element of service quality. Image works well to tackle the complexities created for service organizations by the unique characteristics of service and serves well when minor problems happen by functional and technical quality. Kang and James (2004) found that a company's image mediated the relationship between the service quality dimensions and the customer's perception of overall service quality that leads to customer satisfaction. They described a company's image as a filter of the overall service quality perception. In a recent paper, Jabnoun and Khalifa (2005) argued that some issues, such as image, have not been examined in any research on service quality. In addition, very few studies examined image as a mediating variable from managers' perspectives. Based on the above discussion, it can be hypothesized that:

H5a: Corporate Image will mediate the relationship between the functional quality and financial performance.

H5b: Corporate Image will mediate the relationship between the functional quality and customer performance.

H5c: Corporate Image will mediate the relationship between the technical quality and financial performance.

H5d: Corporate Image will mediate the relationship between the technical quality and customer performance.

Model of Service Quality

Figure (1) shows a model of service quality. The model includes three types of variables, namely; service quality dimensions as independent variables, bank performance as a dependent variable, and service quality implementation as a mediating variable. The rationale for

the research model is threefold. First, the discussed literature indicated that service quality is positively related to business performance; therefore this relationship will be examined in this study. Second, a significant stream of research indicated that this proposed relationship may be indirect and the implementation of service quality may mediate this relationship. Therefore, this indirect relationship will be examined. Third, the relationship between service quality dimensions and performance will be examined through three variables of service quality implementation to examine if they mediate this relationship. The rationale for including the service quality implementation variables in the model as mediating variables is that there is significant research evidence in the field of service quality that argued that its relationship is neither direct nor simple and other

variables have a role to play on this relationship. For example, Anderson et al. (1994) argued that the relationship between service quality and customer satisfaction has come under debate if it varies or depends on various settings. Zeithaml et al. (1996), Zeithaml (2000) and Lasser et al. (2000) argued that one of the highest priorities in service companies is to understand the impact of service quality on profitability as well as the other financial outcomes. The relationship between service quality and profitability is not simple and is a complex one. Ting (2004) found that bank-ownership moderated the relationship between service quality and customer satisfaction. The study recommended investigating more mediating variables on this relationship.

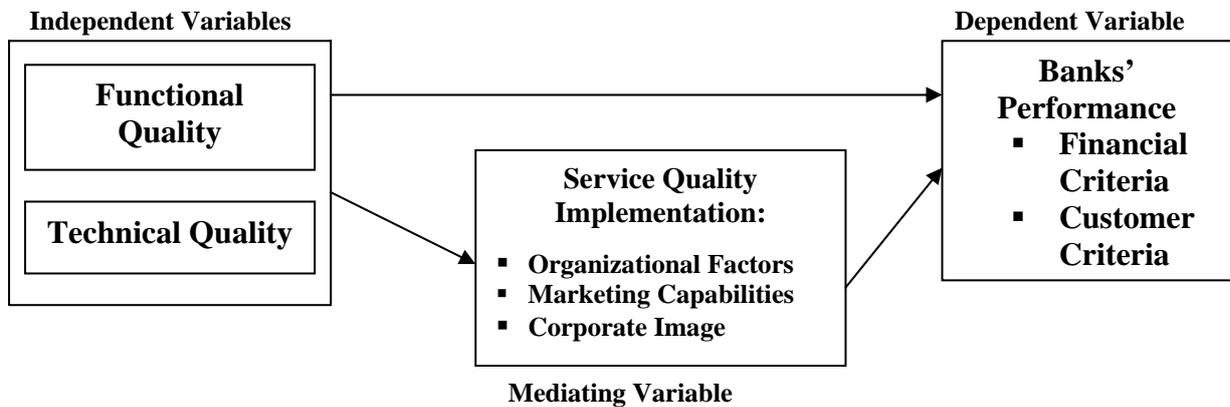


Figure (1): Model of Service Quality

2. RESEARCH METHODOLOGY

The Research Population and Sample

The population for this research is 24 commercial banks that are operating in Jordan and registered at the Central Bank of Jordan. The research sample includes all the managers working at banks' headquarters who are involved in developing and implementing service quality strategies. Each bank structure was examined to reveal number of managers working in it's headquarter and involved in formulating and implementing service

quality. This process revealed that there were 440 managers working at banks' headquarters from which 390 managers were relevant to answer the research questionnaire. The rationale for choosing several managers is that the nature of service quality requires making a move beyond the boundaries of the marketing or quality manager to develop and implement service quality strategies. Several managers from each bank's headquarters were included in the research sample in order to reduce bias of individual managers (e.g., Gronroos, 1984; Allred, 2001; Newman, 2001).

Data Collection Methods

Data were collected using both secondary and primary data collection methods. This research has conducted in-depth interviews with banks managers to reveal factors that might affect the implementation of service quality. 12 in-depth interviews were carried out with banks' managers during August-October 2005. The managers were asked about the factors that affected the service quality implementation in their banks as well as the importance of such factors on the proposed relationship between service quality dimensions and performance over the past three years. The interviews were semi-structured, conducted face-to-face at the managers' offices, and lasted between one and two hours. The interviewed managers were chosen based on (a) their titles and years of experience working in banks, (b) recommendations from other managers describing them as "experts" to be interviewed for their knowledge and experience in the marketing of banking services in Jordan. The qualitative data were analyzed using content analysis procedures and guidelines that are recommended by Miles and Huberman (1994), in which the transcripts were broken down to examine "shared thoughts" among all the interviews, which ranged from a phrase to sentences. A self-completion questionnaire was used as primary data collection method. The questionnaire used in the research survey was structured measured by five point Likert scale ranging from "strongly agree" to "strongly disagree" (Churchill, 2001; Aaker et al., 2001).

Operational Definitions of Main Research Variables

Functional Quality

The functional quality (How) is defined as how the technical quality is transferred to the customer. It is the way through which a service quality is being delivered to the customer (the functional or process quality dimension). Several factors affect the functional quality dimension, namely; the service firm internal and external design, the interactions between the customer and the service provider, firm resources, technology, people's abilities and quality, and the service process activities and

other traditional marketing variables. The functional quality dimension was operationalized based on the SERVQUAL dimensions developed by Parasuraman et al. (1985; 1988). This dimension is modified and used to measure functional quality. Modification of the instrument for different service settings was encouraged by the original developers of the instrument (Parasuraman et al., 1994) and other researchers (e.g., Carman, 1990; Cronin and Taylor, 1992). Functional quality was measured by 21 items (see appendix A).

Technical Quality

The Technical quality dimension is defined as the outcome of the service production process –interaction in which the resources are used (the technical or outcome quality of the process) e.g. the use of a safe deposit box in a bank. There have been few measures developed to assess the technical quality of banking services from managers' perspectives. Therefore, in-depth interviews with managers were conducted to generate items to assess technical quality. In addition, previous work was also consulted to develop technical quality items (Gronroos, 1984; 1988; Ennew and Binks, 1996; Kang and James, 2004). Technical quality was measured by 4 items (see appendix A).

Service Quality Implementation Variables

Organizational Factors

Organizational factors are defined as shared responsibilities and integration between the marketing function and other functions in the organization, and top management commitment and support for effective implementation of service quality (Lovelock, 1990; Bateson, 1990; Lewis, 1993). The service quality team reflects the main functional areas, and is well organized and coordinated. Furthermore, the team should have the necessary functional skills, abilities, and responsibilities for strategy implementation which all enhance the successful implementation of service quality strategy (Gronroos, 1988; Lovelock, 1990; Gummesson, 1991; Doyle, 1995). Organizational factors were measured by 5 items (see appendix A)

Marketing Capabilities

Marketing capabilities are defined as “complex bundles of skills and accumulated knowledge, exercised through organizational processes that enable firms to coordinate activities and make use of their assets”. Capabilities and organizational processes are closely entwined, because it is the organization’s capability that enables the activities in a businesses process to be carried out (Day, 1994, p.38). In addition to Day’s work, in-depth interviews were employed as well as others’ work to operationalize this construct (e.g., Webster, 1992; Gronroos, 1996; Caruana et al., 2000). For example, Webster (1992) and Gronroos (1996) focused on building relationships with customer; and Caruana et al. (2000) focused on providing customer value. Marketing capabilities were measured by 5 items (see appendix A).

Corporate Image

Corporate image is defined as the extent to which an organization has built and accumulated reputational knowledge in the minds of customers in the marketplace in which it operates. Reputational knowledge means having a distinctive reputation in providing distinctive service quality and customer service (Bharadwaj et al., 1993; Olavarrieta and Friedmann, 1999) which would help in implementing service quality (Gronroos, 1984; Kang and James, 2004). Corporate image was measured by 3 items (see appendix A).

Business Performance Assessment

Business performance should be measured multidimensionally in a broader perspective of business performance conceptualization in order to include different dimensions of the service quality. Multidimensionality means that evaluating the company’s performance should include financial-based measures (e.g. market share, sales growth) and customer-based measures (e.g. customer satisfaction). The financial-based measures are vital to reveal the ability of an organization to utilise its resources effectively and efficiently in order to achieve predetermined objectives. The customer-based

measures indicate the effectiveness of the organization in delivering value to its customers (Dess and Robinson, 1984; Venkatraman, 1990). Consequently, performance is defined as the extent to which banks use performance indicators to assess the effect of service quality and its implementation on their performance relative to close competitors in the past three years on a Likert scale. The dimensions of performance were operationalized as follows: (a) financial-based measures, it was operationalized based on work of Dess and Robinson (1984); Rust et al. (1995), and (b) customer-based measures, it was operationalized based on the work of Anderson et al. (1994); Kang and James (2004). Banks performance was measured by 6 items; 3 items measured financial-based measures and 3 measured customer-based measures of banks performance (see appendix A).

The Questionnaire Development and Design

The process of the questionnaire development and design was conducted through guidelines provided by marketing research literature and based on previous empirical research as well as some insights from the qualitative interviews carried out at an early stage of the study. The design of the questionnaire was pre-tested and then it was redesigned in an iterative process to achieve the most suitable design through conducting personal interviews for pre-testing the design and correcting problems. The most recommended methods of pre-testing the design of the questionnaire are the research procedures and undertaking the pilot study work as recommended by Oppenheim (1992); Aaker et al. (2001); Chisnall (2001). The pilot study was carried out on leading banks in Jordan through personal interviews with key banking figures. In this pilot study, refinements were carried out on the first draft of the research questionnaire, which led to changes in its design, format and layout as well as addition and deletion of some words.

The questionnaires were personally administered to the research sample at banks headquarters; the purpose of the research was explained and the respondents were left alone to complete the questionnaires, which were picked up later. As the population and sample of the research

survey are located in a small area, personally administered questionnaire is a good way of data collection (Sekaran, 2003). All banks' headquarters are located in the city of Amman, the capital of Jordan. Respondents were reminded three times by telephone calls. The primary data collection process lasted for about five months from December 2005 to April 2006 which included establishing contacts with the banks. All the contacted banks agreed to participate in the research survey. The administered questionnaires to banks' headquarters were 390 questionnaires from which 362 were returned; the response rate was 92.8%; the usable questionnaires were 346.

Research Data Analysis

Consistent with previous research (Gronroos, 1984; Rapert and Wren, 1998; Chang and Chen, 1998) the unit of analysis in the research was "the manager" who was located at the banks headquarters in Jordan. The rationale for using the manager as a unit of analysis is that the research is concerned with measuring managers' perspectives of service quality and its implementation rather than banks' perspectives. A recent study carried out by Lai and Cheng (2005) recommended that it was useful in service quality surveys to use several organizational members who were good informants of the quality/marketing interface and that's in order to minimize the respondent bias problem. In order to get the research data prepared for conducting a proper analysis, several procedures were taken, which were strongly recommended by a number of researchers (Hair et al., 1998; Malhotra, 2004).

Assessing Validity

There are different forms of validity that can be employed to assess the psychometric soundness of a scale; face validity, content validity, and constructive validity. **Face validity** is a subjective criterion reflecting the extent to which scale items are meaningful and appear to represent the construct being measured (Parasuraman et al., 1991). Face validity was assessed through bank managers in Jordan as well as academics at Jordanian

universities. Slight changes were accordingly carried out on a few items of the questionnaire. **Content validity** is the appropriateness of the research measures used to capture the full range of attributes of a specific construct or variable. The fundamental issue in content validity lies in the procedures that are used to develop the research instrument (Chisnall, 2001; Churchill, 2001). These procedures are: first, conducting a thorough examination of the previous empirical and theoretical work of service quality and performance upon which the operational definition for each variable or construct was set using multiple items to capture all its attributes; second, conducting the pilot study before starting the fieldwork; third, at the beginning of each section in the research instrument, complete instructions were provided to the respondents on how to complete the questionnaire. Other evidence was that the questionnaire was piloted on leading banks in Jordan.

Construct Validity. The evidence of construct validity is present when the pattern of correlations among variables confirms what is predicted by theory (Cronbach, 1970; Sekaran, 2003). Convergent validity was used to examine the construct validity of the research measures. If there was strong simple correlation between the components of service quality dimensions, then they are converging on a common construct, thereby providing evidence of establishing convergent validity (Narver and Slater, 1990; Churchill, 2001). The correlations matrix shown in table (1) reveals that there are fairly high and significant correlations between all the dimensions that constitute the service quality, service quality implementation, and banks' performance. Consequently, the correlations confirm the theory of service quality, service quality implementation and performance as was theoretically predicted; providing evidence of convergent validity. Other evidence for convergent validity of the research instrument is that the alpha coefficient values were all high and reliable. The alpha coefficients reflect the degree of cohesiveness among the scale items that provide an indirect indicator of convergent validity (Parasuraman et al., 1991).

Assessing Reliability

The reliability of the research constructs was assessed by examining the Cronbach’s Alpha Coefficient (Sekaran, 2003). Nunnally (1978) and Sekaran (2003) argue, separately, that if the alpha coefficients are above 0.60, they indicate sound and reliable measures. The criterion that is used in the research to examine the reliability of each variable is that if the variable reliability is less than 0.60, so it is considered to be of poor reliability. If the variable reliability is over 0.60, then it is

considered as a sound and reliable measure. Table (2) shows the reliability coefficients for the research constructs. Table (2) shows that the reliability coefficients of all the research variables were above the cut - off point, 0.60, of alpha used in this research. The reliability coefficients for all the variables ranged from 0.717 to 0.926. Consequently, the measuring instrument and the constructs are of sound and good reliability and can be relied upon to conduct the research data analysis.

Table.1. Intercorrelations between all the Research Constructs.

Variables	1	2	3	4	5	6	7
1. Functional Quality	1.00						
2. Technical Quality	0.649	1.00					
3. Organizational Factors	0.664	0.369	1.00				
4. Marketing Capabilities	0.666	0.531	0.620	1.00			
5. Corporate Image	0.599	0.392	0.525	0.661	1.00		
6. Financial Criteria	0.533	0.318	0.429	0.477	0.520	1.00	
7. Market Criteria	0.440	0.324	0.441	0.442	0.344	0.574	1.00

Note: All the Correlations in the Table are Significant at P less than 0.01.

Table.2. Reliability Coefficients for the Research Constructs

The Service Quality Dimensions	Number of items	Reliability Coefficients
Functional Quality	21	0.918
Technical Quality	4	0.717
Overall Quality: Functional and Technical	25	0.926
Service Quality Implementation Variables		
Organizational Factors	5	0.901
Marketing Capabilities	5	0.840
Corporate Image	3	0.749
Overall Service Quality Implementation	13	0.914
Performance Measures		
Financial Measures	3	0.835
Customer Measures	3	0.800
Overall Performance Measures	6	0.853

Testing the Study’s Model and Hypotheses

The statistical methods used to analyze the data and to test the stated hypotheses are descriptive statistics, reliability, correlations, multiple regression analysis, and regression partial correlation. Research data were suitable for regression analysis and were able to test the research

hypotheses in order to achieve the research objectives. The study’s model was tested using regression analysis on two separate stages. First, multiple regression was run to test the relationship between the service quality dimensions and performance. Second, partial regression analyses were employed to test the relationship between

each dimension of service quality and performance while controlling for each variable of service quality implementation to examine if its variables mediate the relationship.

The methodology used to test the effect of mediating variables is that of Baron and Kenny's (1986) methodology. Recent research (Preacher and Hayes, 2004) indicated that the majority of mediation analyses is guided by the procedures outlined by Baron and Kenny (1986). Further, previous research (e.g., Chang and Chen, 1998; Lasser et al., 2000; Kang and James, 2004; Chumitaz and Paparoidamis, 2004) in the field of service quality has employed this methodology for testing the effect of mediating variables. Consequently, the methodology used in this study to examine the effect of mediating variables is as follows; first, the original relationship between each dimension of service quality and performance is measured without controlling for the effect of mediating variables. Three dimensions must be examined on this relationship, these dimensions are: the magnitude of the r coefficient, the direction of the relationship (positive or negative) and its significance. Second, the regression partial correlation is conducted between each dimension of service quality and performance while controlling for the effect of each mediating variable. Third, the result of the regression partial correlation is in three alternatives; the first alternative is examining the magnitude of the r coefficient if it increases or decreases or remains the same. The second alternative is examining the sign or direction of the regression partial correlation. If the sign or direction is positive then the decrease or increase in the r coefficient is examined to decide the effect of the mediating variable.

If the sign or direction of the partial correlation is negative it indicates that controlling for the mediating variable has a negative effect on the original relationship between two variables. The third alternative is examining the significance of regression partial correlation which is indicated by examining the probability value, P value, of the test. This study used the conventional alpha, $\alpha = 0.05$, which can be compared with the P value of the partial

correlation test to examine if it is significant or not. If the P value of the partial correlation is less than 0.05; then the partial correlation is significant and the relationship between two variables is held while controlling for the effect of the mediating variable. The implication is that controlling for the mediating variable may affect the relationship between two variables but their correlation is still significant and the effect of the mediating variable on their relationship is determined by the magnitude of change in the r coefficient. This indicates that the mediation hypothesis is partially supported and the mediating variable partially mediates the original relationship between two variables. If the regression partial correlation is non-significant; the implication is that the mediating variable has a substantial influence or effect on the relationship between two variables and controlling for this variable is likely to make the original relationship non-significant. This indicates that the mediation hypothesis is fully supported and the mediating variable fully mediates the original relationship between two variables.

It is important to mention that this study acknowledges that the functional quality dimension is a multi-level and multidimensional construct that includes the five sub-dimensions to represent it. However, the functional quality in this study is considered a unidimensional construct and the decision was taken to use a composite score based on the five sub-dimensions to represent the functional quality dimension. The rationale for this decision is threefold. First, since one of the main hypotheses of the study is to examine the mediation role of service quality implementation on the relationship between service quality and performance (not the sub-dimensions of functional quality), it was necessary to take the composite score of each service quality dimension; functional and technical, in order to conduct the regression analysis with and without the mediating variables. Second, previous empirical research (e.g., Gronroos, 1984; Robinson, 1999; Lasser et al., 2000; Duncan and Elliot, 2002; Kang and James, 2004) used the functional quality as a unidimensional construct because its components are interrelated in an interactive

manner compositing the functional quality dimensions. Third, there are significant and positive correlations between the five dimensions of functional quality, which range between 0.474 and 0.588. This provides support for using the composite score of the functional quality to represent its comprehensiveness in the analysis.

3. ANALYSIS AND FINDINGS

The multiple and simple regression analyses were employed to test the research model and examine its hypotheses on two phases. Table (3) exhibits the multiple regression results of the functional and technical quality dimensions on the banks' performance. The findings indicate that there is a positive and significant relationship between the service quality dimensions and all performance indicators. Table (3) shows that the 24.4 % (R Square) of the variation in banks sales volume is explained by the quality dimensions. Table (3) also shows that the 20.6 % (R Square) of the variation in banks profitability and market share is explained by the quality dimensions. The analysis shows that the strongest effect of service quality on financial performance measures is on the bank's sales volume, 24.4% (R square), which indicates the crucial impact of service quality on sales volume.

Table (3) exhibits the multiple regression results of the quality dimensions on the banks' customer performance. The findings indicate that there is a positive and significant relationship between the quality dimensions and customer performance. Table (3) shows that the 20.7 % (R Square) of the variation in banks customer satisfaction is explained by the quality dimensions. Table (3) also shows that the 14.4 and 0.090 % (R Squares) of the variation in banks' ability to attract new customers and improve their image is explained by the quality dimensions, respectively. The analysis shows that the strongest effect of service quality on customer performance measures is on the bank's customer satisfaction, 20.7% (R square), which indicates the crucial impact of service quality on customer satisfaction. Consequently, the findings provide support for H1. Supporting this hypothesis provides significant support

for the service quality literature that advocated that service quality is positively related to business performance.

As can be seen from table (3), the findings indicate that the functional quality dimension exerts a stronger influence on banks performance than the technical quality dimension. The majority of variations (based on R Squares and Beta values) in banks performance were explained by the functional quality dimension. This is indicated by examining the standardized beta coefficients for all regression models shown in table (3), which are all significant and highly greater than the technical quality. For example, the beta coefficient for functional quality and sales volume is 0.56; meanwhile, it is 0.113 for technical quality. These findings provide strong support for H2. In other words, it seems that the managers focus heavily on the functional quality more than technical quality in providing their services. This provides a strong support for the literature that advocates that the functional quality of service is more important than the technical quality and the former has a greater effect on the banks performance. This is reasonable because the functional quality focuses on the interactions that take place between the service provider and the customer that relies on the way in which a banking service is delivered. In addition, the functional quality may differentiate a bank from another and may add substantial value to customers; then creating the necessary competitive edge. Meanwhile, the technical quality is very similar in the marketplace, and it is difficult to differentiate between the banks according to it.

The next step in the analysis is to examine if there is a mediating effect in the relationship between service quality dimensions and performance, as described by the service quality implementation variables. The regression partial correlation is employed to test the second part of the study model and examine the relevant hypotheses. The original value of regression coefficient between the functional quality and financial performance is shown at the bottom of tables (4, 5, and 6). The regression partial correlation results indicate that the organizational factors partially mediate the relationship between the functional quality and financial performance.

Table.3. Multiple Regression Analysis for Service Quality and Performance Criteria.

Dependent Variables	Sales Volume		Overall Profitability		Market Share	
Multiple Regression Results	R Square	Sig. F	R Square	Sig. F	R Square	Sig. F
	0.244	0.000	0.206	0.000	0.206	0.000
Independent Variables	Standardized Coefficients-Beta	Sig. T	Standardized Coefficients-Beta	Sig. T	Standardized Coefficients-Beta	Sig. T
Functional Quality	0.560	0.000	0.408	0.000	0.501	0.000
Technical Quality	0.113	0.196	0.067	0.458	0.078	0.384
Dependent Variables	Customer Satisfaction		Attracting New Customers		Improving Image	
Multiple Regression Results	R Square	Sig. F	R Square	Sig. F	R Square	Sig. F
	0.207	0.000	0.144	0.000	0.090	0.000
Functional Quality	0.448	0.000	0.348	0.000	0.217	0.025
Technical Quality	0.011	0.902	0.046	0.623	0.110	0.254

Table.4. Functional Quality and Sales Volume: The Original Regression Coefficient is 0.486 (0.000)

The Service Quality Implementation Variables	The Regression Partial Correlation- Rxy.z	Change in the Regression Coefficient Decreased By	The Regression Partial Correlation Significance	Effect of the Mediating Variables
			Partial P Value Sig	
Organizational Factors	0.326	0.160	0.000	Partial
Marketing Capabilities	0.303	0.183	0.000	Partial
Corporate Image	0.316	0.170	0.000	Partial

Table.5. Functional Quality and Profitability: The Original Regression Coefficient is 0.451 (0.000)

The Service Quality Implementation Variables	The Regression Partial Correlation- Rxy.z	Change in the Regression Coefficient Decreased By	The Regression Partial Correlation Significance	Effect of the Mediating Variables
			Partial P Value Sig	
Organizational Factors	0.337	0.114	0.000	Partial
Marketing Capabilities	0.250	0.201	0.001	Partial
Corporate Image	0.211	0.240	0.005	Partial

Table.6. Functional Quality and Market Share: The Original Regression Coefficient is 0.450 (0.000)

The Service Quality Implementation Variables	The Regression Partial Correlation-Rxy.z	Change in the Regression Coefficient Decreased By	The Regression Partial Correlation Significance	Effect of the Mediating Variables
			Partial P Value Sig	
Organizational Factors	0.270	0.180	0.000	Partial
Marketing Capabilities	0.274	0.176	0.000	Partial
Corporate Image	0.278	0.172	0.000	Partial

The regression r coefficients have decreased between the functional quality and financial performance when controlling for the organizational factors variable but all the relationships are still held significant. Consequently, hypothesis H3a is partially supported. The regression partial correlation results indicate that marketing capabilities partially mediate the relationship between the functional quality and financial performance. The regression r coefficients have decreased between the functional quality and financial performance criteria when controlling for marketing capabilities but all the relationships are still held significant. Consequently, hypothesis H4a is partially supported. The regression partial correlation results indicate that corporate image partially mediates the relationship between the functional quality and financial performance. The regression r coefficients have decreased between the functional quality and financial performance criteria when controlling for corporate image but all the relationships are still held significant. Consequently, hypothesis H5a is partially supported.

The original value of regression coefficient between the functional quality and customer performance is shown at the bottom of tables (7, 8, and 9). The regression partial correlation results indicate that the organizational factors partially mediate the relationship between the functional quality and customer satisfaction as well as attracting new customers. Meanwhile, the regression partial correlation results indicate that the organizational factors fully mediate the relationship between the functional quality and improving a bank's image. The regression r coefficients have decreased between the functional quality and customer satisfaction as well as attracting new customers when controlling for the organizational factors variable but the relationships are still held significant. Organizational factors have a substantial effect on the relationship between functional quality and improving a bank's image because controlling for this variable decreases the regression r coefficient where it becomes non-significant. Consequently, hypothesis H3b is partially supported.

**Table.7. Functional Quality and Customer Satisfaction:
The Original Regression Coefficient is 0.455 (0.000)**

The Service Quality Implementation Variables	The Regression Partial Correlation-Rxy.z	Change in the Regression Coefficient Decreased By	The Regression Partial Correlation Significance	Effect of the Mediating Variables
			Partial P Value Sig	
Organizational Factors	0.242	0.213	0.001	Partial
Marketing Capabilities	0.274	0.181	0.000	Partial
Corporate Image	0.395	0.060	0.000	Partial

**Table.8. Functional Quality and Attracting New Customers:
The Original Regression Coefficient is 0.378 (0.000)**

The Service Quality Implementation Variables	The Regression Partial Correlation-Rxy.z	Change in the Regression Coefficient Decreased By	The Regression Partial Correlation Significance	Effect of the Mediating Variables
			Partial P Value Sig	
Organizational Factors	0.175	0.203	0.021	Partial
Marketing Capabilities	0.193	0.185	0.011	Partial
Corporate Image	0.247	0.131	0.001	Partial

**Table.9. The Functional Quality and Improving Image:
The Original Regression Coefficient is 0.228 (0.000)**

The Service Quality Implementation Variables	The Regression Partial Correlation-Rxy.z	Change in the Regression Coefficient Decreased By	The Regression Partial Correlation Significance	Effect of the Mediating Variables
			Partial P Value Sig	
Organizational Factors	0.131	0.097	0.086	Full
Marketing Capabilities	0.075	0.153	0.328	Full
Corporate Image	0.138	0.090	0.070	Full

The regression partial correlation results indicate that marketing capabilities partially mediate the relationship between the functional quality and customer satisfaction as well as attracting new customers. Meanwhile, the regression partial correlation results indicate that marketing capabilities fully mediate the relationship between the functional quality and improving a bank's image. The regression r coefficients have decreased between the functional quality and customer satisfaction as well as attracting new customers when controlling for the organizational factors variable but the relationships are still held significant. However, marketing capabilities have a substantial effect on the relationship between functional quality and improving a bank's image because controlling for this variable decreases the regression r coefficient where it becomes non-significant. Consequently, hypothesis H4b is partially supported.

The original value of regression coefficient between the functional quality and customer performance criteria is shown at the bottom of tables (7, 8, and 9). The regression partial correlation results indicate that corporate image partially mediates the relationship between the functional quality and customer satisfaction as well as attracting new customers. Meanwhile, the regression partial correlation results indicate that the organizational factors fully mediate the relationship between the functional quality and improving a bank's image. The regression r coefficients have decreased between the functional quality and customer satisfaction as well as attracting new customers when controlling for the organizational factors variable but the relationships are still held significant. Corporate image has a

substantial effect on the relationship between functional quality and improving a bank's image because controlling for this variable decreases the regression r coefficient where it becomes non-significant. Consequently, hypothesis H5b is partially supported.

The original value of regression coefficient between the technical quality and financial performance is shown at the bottom of tables (10, 11, and 12). The regression partial correlation results indicate that the organizational factors fully mediate the relationship between the technical quality and sales volume and market share, respectively. Organizational factors have a substantial effect on the relationship between technical quality and sales volume and market share because controlling for this variable decreases the regression r coefficient where it becomes non-significant. The regression partial correlation results indicate that the organizational factors partially mediate the relationship between the technical quality and profitability. The regression r coefficients have decreased between the technical quality and profitability when controlling for the organizational factors variable but the relationship is still held significant. Consequently, hypothesis H3c is supported. The regression partial correlation results indicate that the marketing capabilities fully mediate the relationship between the technical quality and all financial performance types. Marketing capabilities have a substantial effect on the relationship between technical quality and financial performance because controlling for this variable decreases the regression r coefficient where it becomes non-significant. Consequently, hypothesis H4c is supported.

Table.10. Technical Quality and Sales Volume: The Original Regression Coefficient is 0.250 (0.001)

The Service Quality Implementation Variables	The Regression Partial Correlation-Rxy.z	Change in the Regression Coefficient Decreased By	The Regression Partial Correlation Significance	Effect of the Mediating Variables
			Partial P Value Sig	
Organizational Factors	0.122	0.128	0.109	Full
Marketing Capabilities	0.034	0.216	0.661	Full
Corporate Image	0.099	0.151	0.200	Full

Table.11. Technical Quality and Profitability: The Original Regression Coefficient is 0.332 (0.000)

The Service Quality Implementation Variables	The Regression Partial Correlation-Rxy.z	Change in the Regression Coefficient Decreased By	The Regression Partial Correlation Significance	Effect of the Mediating Variables
			Partial P Value Sig	
Organizational Factors	0.243	0.089	0.001	Partial
Marketing Capabilities	0.139	0.193	0.069	Full
Corporate Image	0.166	0.166	0.029	Partial

Table.12. Technical Quality and Market Share: The Original Regression Coefficient is 0.247 (0.001)

The Service Quality Implementation Variables	The Regression Partial Correlation-Rxy.z	Change in the Regression Coefficient Decreased By	The Regression Partial Correlation Significance	Effect of the Mediating Variables
			Partial P Value Sig	
Organizational Factors	0.117	0.130	0.125	Full
Marketing Capabilities	0.050	0.197	0.522	Full
Corporate Image	0.102	0.145	0.182	Full

The regression partial correlation results indicate that corporate image fully mediates the relationship between the technical quality and sales volume and market share, respectively. Corporate image has a substantial effect on the relationship between technical quality and sales volume and market share because controlling for this variable decreases the regression r coefficient where it becomes non-significant. The regression partial correlation results indicate that corporate image partially mediates the relationship between the technical quality and profitability. The regression r coefficients have decreased between the technical quality and profitability

when controlling for the Organizational factors variable but the relationship is still held significant. Consequently, hypothesis H5c is supported.

The original value of regression coefficient between the technical quality and customer performance is shown at the bottom of tables (13, 14, and 15). The regression partial correlation results indicate that the organizational factors partially mediate the relationship between the technical quality and customer performance. The regression r coefficients have decreased between the technical quality and customer performance when controlling for the organizational factors variable but the

relationships are still held significant. Consequently, H3d is partially supported. The regression partial correlation results indicate that marketing capabilities fully mediate the relationship between the technical quality and all customer performance types. Marketing capabilities have a substantial effect on the relationship between technical quality and all customer performance measures because controlling for this variable decreases the regression r coefficient where it becomes non-significant.

Consequently, hypothesis H4d is also supported. The regression partial correlation results indicate that corporate image partially mediates the relationship between the technical quality and customer performance. The regression r coefficients have decreased between the technical quality and customer performance when controlling for corporate image variable but the relationships are still held significant. Consequently, H5d is partially supported.

**Table.13. Technical Quality and Customer Satisfaction:
The Original Regression Coefficient is 0.302 (0.000)**

The Service Quality Implementation Variables	The Regression Partial Correlation-Rxy.z	Change in the Regression Coefficient Decreased By	The Regression Partial Correlation Significance	Effect of the Mediating Variables
			Partial P Value Sig	
Organizational Factors	0.167	0.135	0.028	Partial
Marketing Capabilities	0.114	0.188	0.136	Full
Corporate Image	0.230	0.072	0.002	Partial

**Table.14. Technical Quality and Attracting New Customers:
The Original Regression Coefficient is 0.272 (0.000)**

The Service Quality Implementation Variables	The Regression Partial Correlation-Rxy.z	Change in the Regression Coefficient Decreased By	The Regression Partial Correlation Significance	Effect of the Mediating Variables
			Partial P Value Sig	
Organizational Factors	0.150	0.122	0.048	Partial
Marketing Capabilities	0.098	0.174	0.200	Full
Corporate Image	0.169	0.103	0.029	Partial

**Table.15. Technical Quality and Improving Image:
The Original Regression Coefficient is 0.251 (0.001)**

The Service Quality Implementation Variables	The Regression Partial Correlation-Rxy.z	Change in the Regression Coefficient Decreased By	The Regression Partial Correlation Significance	Effect of the Mediating Variables
			Partial P Value Sig	
Organizational Factors	0.164	0.087	0.035	Partial
Marketing Capabilities	0.079	0.172	0.302	Full
Corporate Image	0.149	0.102	0.049	Partial

4. DISCUSSION

This study sought to examine the direct and indirect relationship between service quality and performance in banks operating in Jordan. A summary of the research hypotheses testing results is shown in table (16). The findings of this study indicate that service quality dimensions have a positive and significant effect on banks performance. Further, this study found that the functional quality dimension had a stronger effect on banks' performance relative to technical quality. The analysis and findings indicate that the relationship between the service quality dimensions and banks performance is indirect and is a complex one.

Table.16. Summary of the Research Hypotheses Testing Results

Hypotheses	Hypotheses Testing Results
H1	Supported
H2	Supported
H3a	Partially Supported
H3b	Partially Supported
H3c	Supported
H3d	Partially Supported
H4a	Partially Supported
H4b	Partially Supported
H4c	Supported
H4d	Supported
H5a	Partially Supported
H5b	Partially Supported
H5c	Supported
H5d	Partially Supported

The evidence provided in this study provides a strong support for the service quality literature (Anderson et al., 1994; Zeithaml et al., 1996; Zeithaml, 2000; Kang and James, 2004) that advocates that the relationship between service quality and performance is indirect and many other variables have an important role to play on it. The findings of this study indicate, generally speaking, that service quality implementation variables have mediated the relationship between the service quality dimensions

and performance; even their effects vary among service quality dimensions and performance measures. The regression partial correlation analyses indicate that organizational factors exert the strongest mediation effect on the relationship between functional quality and banks performance. This result is consistent with and supportive to organizational factors literature discussed in this study. In other words, functional quality requires shared responsibilities and integration between a bank's departments during the service delivery process to overcome problems created by the unique characteristics of services. Further, top management commitment and support is of strategic importance for functional quality especially in providing the necessary resources. The regression partial correlations results indicate that marketing capabilities have an important mediation effect on this relationship. This result has important implications since having distinctive marketing capabilities would enable a bank to deliver a distinctive service quality. For corporate image, it has some mediation effect on this relationship but the other two mediating variables exert a stronger effect. An important result to report here is that all the service quality implementation variables fully mediate that relationship between functional quality and improving a bank's image.

In general, the service quality implementation factors have stronger mediation effect on the relationship between technical quality and performance than their effect on the relationship between functional quality and performance. The regression partial correlation results indicate that marketing capabilities have the strongest mediation effect on the relationship between technical quality and banks performance. This result holds very important implications. For example, building and sustaining relationships with customers would make them tolerant with their banks if mistakes happen during the service delivery process. Moreover, understanding customer needs and wants would enable a bank to deliver a better quality of service and the customer would receive a superior outcome. The availability of effective marketing communications would enable banks to keep

their promises to customers and encourage spreading positive word of mouth to other customers. The results also indicate that corporate image has an important mediation role on the relationship between the technical quality dimension and performance. In other words, having a distinctive image and reputation in the marketplace (in the customers' minds) would help banks to overcome problems created by the unique characteristics of bank services and overcome peak demand problems.

5. CONCLUSIONS

This study sought to extend our understanding of the direct and indirect relationship between service quality and performance. Interesting results have emerged from the study. First, service quality has a positive and significant effect on performance. Second, the functional quality has a stronger effect on performance relative to technical quality. This provides strong evidence to the existing service quality literature that advocates that service quality has a positive influence on business performance. Third, the majority of relationships between service quality dimensions and performance are mediated either partially or fully by service quality implementation variables; even their effects vary among service quality aspects and performance measures. Fourth, the relationship between functional quality and performance is partially mediated by service quality implementation variables; with the exception that the relationship between functional quality and improving image is fully mediated. Fifth, the majority of relationships between technical quality and performance are fully mediated by service quality implementation variables.

The Study Contribution to Services Marketing Knowledge

This study contributes to the service quality literature in a number of ways. First, the study has sought to fulfil gaps that emerged from the service quality literature and to increase our understanding of the complex relationship between service quality, its implementation and

performance. Second, the study confirms the literature saying that service quality affects business performance, and functional quality has a stronger effect on performance relative to technical quality. Third, from a theoretical standpoint, this study has synthesized literatures of marketing and service quality to identify the service quality implementation variables that empirically affected the relationship between service quality and performance. Fourth, a unique contribution of this study is providing an empirical evidence for the mediation effect of service quality implementation variables on the relationship between service quality and performance. Fifth, from an empirical standpoint, this is the first study that examined the indirect relationship between service quality and performance from managers' perspectives in banks operating in Jordan.

Study Limitations and Future Research

Although the study's objectives are achieved, it has its own limitations. This study has been carried out in the banking industry in Jordan which implies that the ability to generalize its findings is limited to the banking industry in Jordan. A fruitful area of research is to replicate the study's model on other service industries in Jordan and other countries to test its ability to be generalized. Comparative studies with other service industries are a rewarding area of future research. The functional quality dimensions were primarily based on a modified scale of the SERVQUAL in this study, however; future studies may consider examining the effect of other functional quality dimensions on performance. This study investigated the effect of three mediating variables on the relationship between service quality and performance. An area of future research is to investigate if there are more mediating or moderating variables that may affect this relationship. This study found that the functional quality had a stronger effect on banks' performance than the technical quality effect. An important area of research is to examine why the contribution of technical quality to performance is still weak? This is to extend our understanding for the technical quality dimensions in several service industries.

Recommendations

Based on the empirical findings of this study, Jordanian banks' top managements can benefit from the following recommendations:

1. Banks should focus on the service quality dimensions (functional and technical) since they have a strong and positive effect on performance assessed based on financial-based measures and customer-based measures. This reveals the strategic importance of service quality for banks performance which should be a strategic intent in banks to achieve a success.

2. Banks need to recognize the fact that service quality dimensions are just part of the banking services quality. The other part is service quality implementation. This study found that organizational factors, marketing capabilities and corporate image are important drivers of banking service quality implementation. Consequently, service quality dimensions interact with service quality implementation variables in a complex way to achieve a success. Banks management need to recognize that the relationship between service quality and performance is indirect, and banks that implement service quality successfully would enjoy a better performance levels in terms of financial and customer measures.

3. Banks should recognize that service quality requires shared responsibilities and integration between a

bank's departments during the banking service delivery process to overcome problems created by the unique characteristics of banking services.

4. Banks need to recognize that the ability of a bank to achieve its strategic service quality intents on performance relies on service quality implementation activities and marketing capabilities. The focal issue here is that a bank's customer does not see service quality strategy but experiences its implementation that should be positive in the customer's mind. Consequently, banks managers need to comprehend issues of service quality implementation to maximize the impact of service quality on performance. This relies on the banks abilities to implement the intended service quality strategy that requires cross-functional teams, interdepartmental integration, understanding customers' needs, having superior customer relationships, positive word of mouth, excellent reputation, and superior customer service.

5. Banks need to adopt a comprehensive approach to formulate and implement service quality strategies and initiatives. Service quality is not the responsibility of marketing department or quality department it is the responsibility of everyone in the bank. This approach should enable banks to achieve their strategic financial and non-financial objectives on the long term.

Appendix A

Service Quality Dimensions:

Functional Quality
Tangibles
The cleanliness and appearance of our bank's facilities
Using up - to - date equipment
The appearance of our staff
The décor and atmosphere of our bank
Reliability
Delivering our banking services as we have promised to our customers
No delays in providing our banking services due to bureaucratic reasons and procedures
Performing our banking services right the first time
Delivering errors-free banking services

Responsiveness
Our staff being willing to help customers
Our staff having the competence and ability to explain our banking services and policies
Readiness to handle our customers requests and needs
Using customers' feedback to improve our banking services
Assurance
Confidentiality and privacy about our customers transactions
Well-trained employees who have the knowledge to answer customer questions
Courtesy and competence of our staff
Providing banking services quality that gives our customers value for their money
Empathy
Motivating and encouraging our staff to treat customers well
Knowing our customers on an individual basis
Understanding our customers needs thoroughly
Convenient opening hours and easy access to our bank's employees
Technical Quality
Fast handling of our banking transactions
Instalments facilities for our bank delayed debts payments
Frequent contact with our customers
Fast handling of our customers' complaints

Service Quality Implementation Variables
Organizational Factors
Shared responsibilities between marketing unit and other units for the service quality strategy implementation
Continuous integration and co-ordination between the bank's marketing unit and other units for the service quality strategy implementation
The service quality strategy team has an adequate representation from other units of the bank
Motivation of managers and employees to carry out the service quality strategy
Top management commitment and support to provide all necessary resources for the service quality strategy implementation
Marketing Capabilities
Distinctive ability of creating, sustaining and enhancing relationships with the bank's customers
Capabilities of thorough understanding of the customer needs and wants
Having pricing capabilities e.g., pricing below competitors, creativity and flexibility in the pricing approaches
Having distinctive capabilities of developing and implementing S Q strategies efficiently
Having distinctive marketing communications capabilities e.g., distinctive advertising, good word-of-mouth communications

Corporate Image
Distinctive bank reputation or image
Distinctive customer services to our clients
Distinctive bank service quality

Bank Performance:

Performance Measures
Financial Measures
Sales Volume
Overall Profitability
Market Share
Customer Measures
Customer Satisfaction
Attracting New Customers
Improving Image

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إستكشاف الأثر الوسيط لتطبيق جودة الخدمة على العلاقة بين جودة الخدمة والأداء: دراسة ميدانية من وجهة نظر مديري البنوك في الأردن

مأمون نديم عكروش *

ملخص

تهدف هذه الدراسة الى إختبار الأثر الوسيط لمتغيرات تطبيق جودة الخدمة المصرفية على العلاقة بين جودة الخدمة والأداء في البنوك في الأردن. ولتحقيق غرض البحث، تم تصميم منهجية علمية تعتمد على المنهج الكمي لإختبار نموذج لجودة الخدمة يتكوّن من ثلاثة أجزاء وهي: أبعاد جودة الخدمة، والعوامل المؤثرة على تطبيقها والأداء في البنوك. وتم تجميع بيانات البحث من مديري البنوك العاملين في الادارات الرئيسية للبنوك العاملة في الاردن. وتشير نتائج الدراسة الى أن هناك علاقة إيجابية وهامة بين أبعاد جودة الخدمة المصرفية وأداء البنوك، وأن الجودة الوظيفية لها أثر أكبر من الجودة الفنية على أداء البنوك. إن أحد أهم نتائج هذه الدراسة هو أن متغيرات تطبيق جودة الخدمة لها تأثير وسيط على العلاقة بين جودة الخدمة والأداء. وبيّنت الدراسة أن تأثير متغيرات تطبيق جودة الخدمة كمتغيرات وسيطة على العلاقة بين الجودة الفنية وأداء البنوك أقوى من تأثيرها على العلاقة بين الجودة الوظيفية وأداء البنوك. كما بيّنت الدراسة إن العوامل التنظيمية لها أثر وسيط جزئي على العلاقة بين الجودة الوظيفية والأداء المالي للبنوك. كما أن العوامل التنظيمية لها أثر وسيط جزئي على العلاقة بين الجودة الفنية والأداء المالي للبنوك بينما لهذا العامل الوسيط أثر وسيط كلي على العلاقة بين الجودة الفنية والأداء مقاساً بمقاييس العملاء. وبيّنت الدراسة أن القدرات التسويقية لها أثر وسيط جزئي على العلاقة بين الجودة الوظيفية والأداء بينما وجد لهذا المتغير تأثير وسيط كلي على العلاقة بين الجودة الفنية وأداء البنوك. وأخيراً بيّنت الدراسة أن صورة البنك لها أثر وسيط جزئي على العلاقة بين الجودة الوظيفية والأداء. ووجدت الدراسة أن صورة البنك لها أثر وسيط كلي على العلاقة بين الجودة الفنية والأداء المالي للبنوك بينما لهذا المتغير أثر وسيط جزئي على العلاقة بين الجودة الفنية والأداء مقاساً بمقاييس العملاء. وأخيراً تم بيان إستنتاجات البحث ومساهمته في المعرفة بحقل تسويق الخدمات إضافة الى محدداته وأفاق بحث مستقبلية وبعض التوصيات للبنوك.

الكلمات الدالة: جودة الخدمة، الأداء ، الجودة الوظيفية، المتغيرات الوسيطة، تطبيق جودة الخدمة، البنوك، الأردن.

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