

# **A Study on Relationship Between Service Quality and Business Performance**

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## **Abstract**

This research aimed to explore the connection between customer service and organizational performance within the field of business management. The study focused on three key components of customer service: customer satisfaction, service quality, and employee responsiveness. Data collection was done through surveys. The results indicated that most participants acknowledged that effective customer service practices had a positive impact on their organization's overall performance and customer loyalty. In summary, the findings highlight the importance of understanding how customer service contributes to improving organizational performance. This insight can help managers and business professionals identify the factors that enhance service delivery and promote long-term business success.

**Keywords:** Customer Satisfaction, Service Quality, Employee Responsiveness, Customer Service, & Organizational Performance.

## **1. Introduction**

One of the major challenges that many organizations face today is maintaining high levels of customer service while achieving strong performance outcomes. In the modern business environment, rapid technological advancements and increased competition have changed how companies interact with their customers. According to Zeithaml, V.A., Parasuraman, A., & Berry, L.L., customer service plays a crucial role in shaping organizational success, as it directly influences customer satisfaction, loyalty, and overall profitability. Excellent customer service not only enhances a company's reputation but also strengthens its long-term sustainability by building strong customer relationships. This paper reviews the results of ongoing research on the relationship between customer service and organizational performance to provide insights and recommendations for industry practitioners. Delivering consistent and high-quality service has become a global concern for managers, who continually strive to meet customer expectations in an ever-evolving marketplace. There is ample evidence that organizations with effective customer service

systems tend to experience higher customer retention and improved performance compared to those with poor service quality.

### **Literature review**

Customer service has long been recognized as a critical factor influencing organizational performance, encompassing elements such as responsiveness, reliability, and empathy (Parasuraman, Zeithaml, & Berry, 1988). High-quality customer service not only strengthens customer satisfaction but also contributes to improved financial performance and long-term business growth (Heskett et al., 1994). Poor service delivery, on the other hand, can lead to customer dissatisfaction and a decline in organizational reputation (Zeithaml et al., 1996).

Later studies, such as that by Ladhari (2009), emphasized that customer satisfaction acts as a bridge between service quality and organizational success. Companies that consistently deliver superior customer experiences are more likely to retain customers and achieve competitive advantage. The advancement of digital technologies has further transformed the nature of customer interactions. According to Rahman and Azhar (2020), the use of online communication tools and automated systems has enhanced service efficiency and responsiveness across industries.

The global COVID-19 pandemic in 2020 reshaped customer expectations and service delivery models. Nguyen et al. (2021) found that organizations that maintained empathetic and transparent communication with customers during the crisis reported stronger performance outcomes. This period highlighted the growing importance of adaptability and human connection in service delivery.

In response to these evolving challenges, Ali and Raza (2022) observed that organizations investing in employee training and motivation improved both customer satisfaction and operational performance. Engaged and well-trained employees are more likely to provide high-quality service and resolve issues effectively. More recently, Wang and Han (2023) concluded that customer service excellence remains a key driver of organizational performance, directly influencing customer loyalty, profitability, and overall business sustainability.

### **Research methodology**

#### **Research Design :-**

The study used a survey approach and a quantitative methodology to collect information from a diverse group of individuals. Non-probability sampling techniques were employed to select participants, with a focus on employees working in customer service, sales, and management departments. The total sample size for the study was **108 respondents**, and the research was conducted in the **Mumbai and Pune** regions.

#### **Research Samples :-**

Respondents with varying professional backgrounds, particularly those involved in customer interaction roles, participated in the study. Participants came from educational and professional disciplines such as business management, marketing, and information technology, and represented different age groups: **18–**

25 years, 25–35 years, and 35 years and above.

A total of **120 questionnaires** were distributed, and **108 valid responses** were received. The collected data was used to analyse perceptions regarding customer service practices and their impact on overall organizational performance.

## Data collection method

### Primary Data (Questionnaire)

### & Secondary Data (Journals, Books & Magazines, Reference Books)

A structured questionnaire containing demographic details and relevant items was used to collect data for the study. The questionnaire was designed to measure the following aspects:

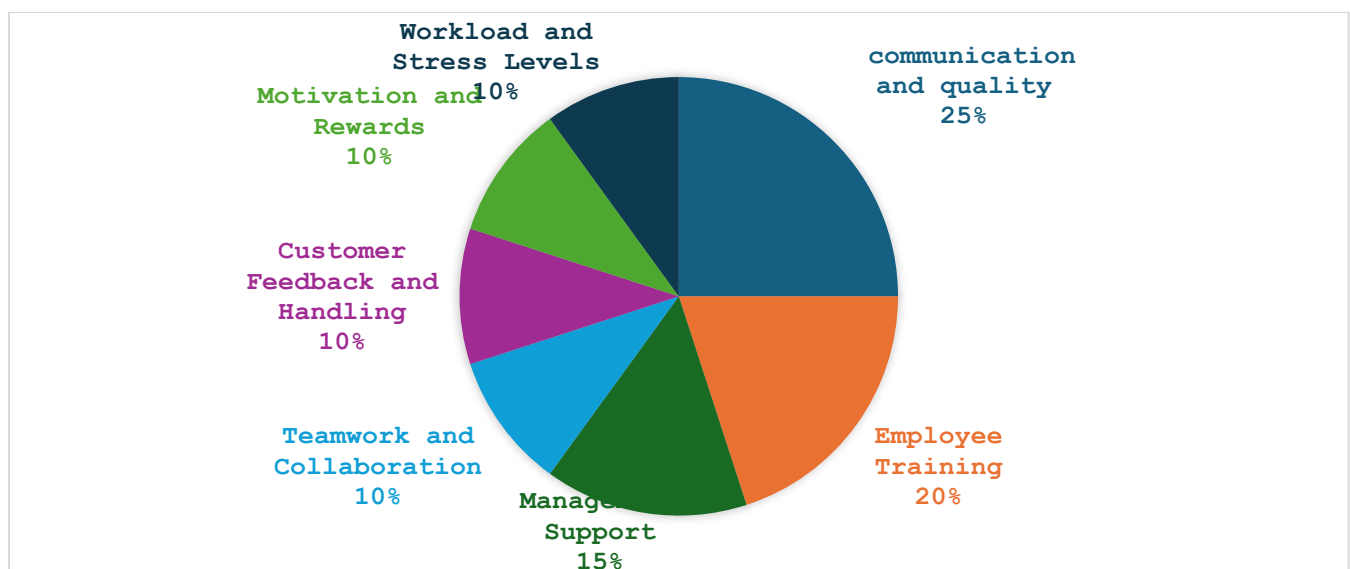
- The impact of customer service quality on overall organizational performance.
- The level of customer satisfaction and its influence on business growth.
- Employee responsiveness and communication effectiveness in service delivery.

A **Likert scale** ranging from “*Strongly Disagree*” to “*Strongly Agree*” was used to record responses, allowing the researcher to gain a clear understanding of participants’ perceptions regarding customer service and its effect on organizational performance.

## Data analysis

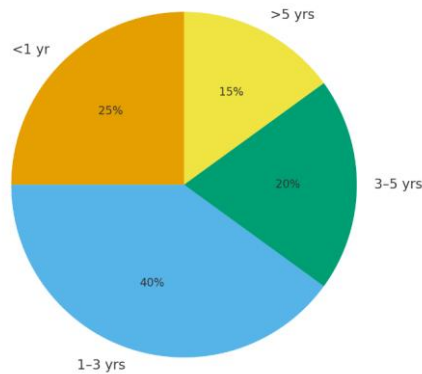
The Statistical Package for the Social Sciences (SPSS) was used to analyze the collected data. Responses and demographic information were compiled using descriptive statistics to provide an overview of customer service factors influencing employee performance. The analysis focused on identifying key aspects that affect service quality, employee motivation, and overall organizational productivity.

## Factors Influencing Customer Service Performance



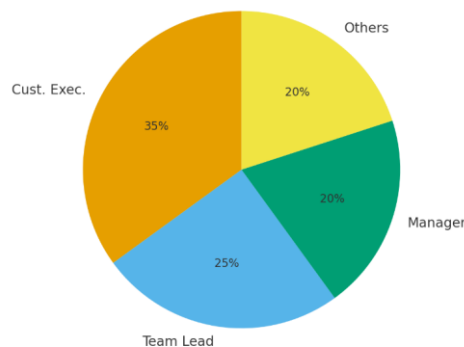
**Figure 1 :** This chart shows that most respondents (40%) have been with the company for 1–3 years, indicating moderate experience in customer service operations.

Figure 1: How long have you been working with this organization?



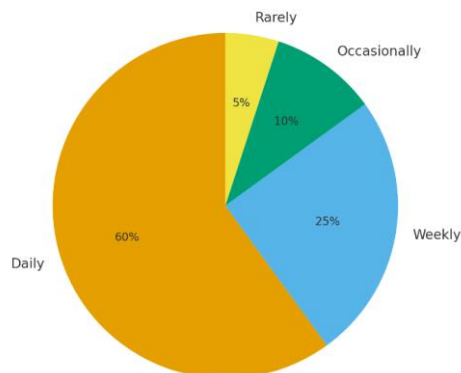
**Figure 2 :** Most respondents are customer support executives, ensuring a balanced perspective from employees directly involved in service delivery.

Figure 2: What is your job role in the organization?



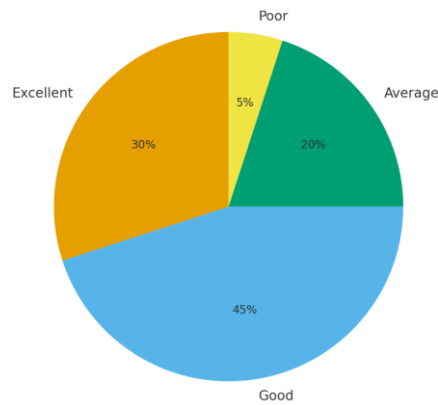
**Figure 3 :** The majority (60%) interact with customers daily, which highlights the importance of effective service management.

Figure 3: How often do you interact directly with customers?



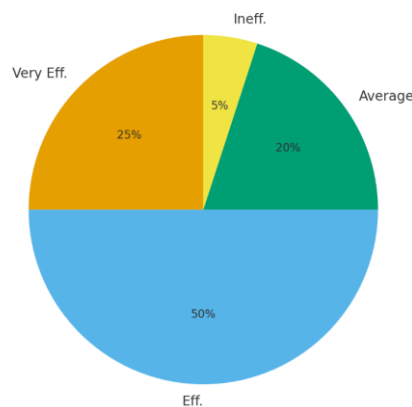
**Figure 4 :** Nearly 75% of respondents find the company’s customer service policies good or excellent, showing positive employee sentiment.

figure 4: how would you rate your company's customer service policies?



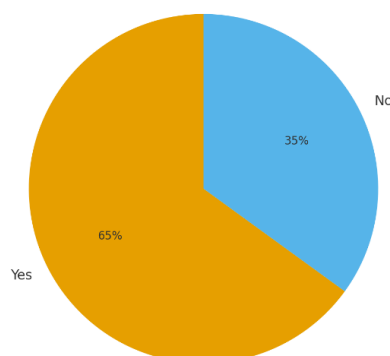
**Figure 5 :** Most employees believe complaint handling is effective, which is crucial for maintaining service quality.

figure 5: how effectively does your organization handle customer complaints?



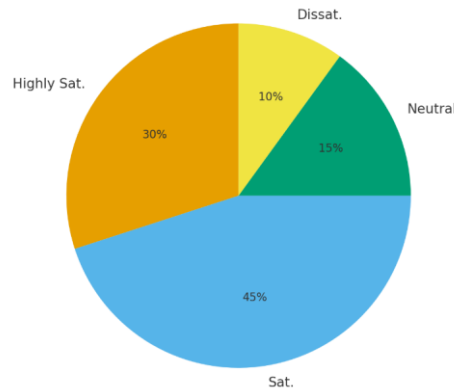
**Figure 6 :** A majority of 65% confirm they receive regular training, emphasizing the organization investment in skill enhancement.

figure 6: Do you receive regular training for customer service improvement?



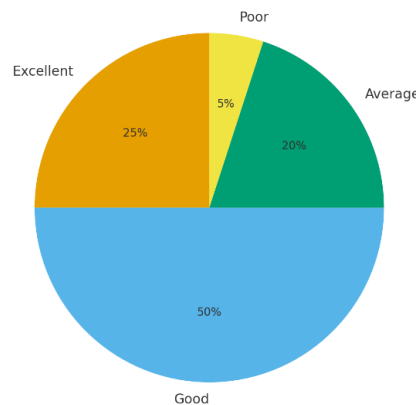
**Figure 7 :** About three-fourths of the respondents are satisfied with available tools, showing adequate technological support.

Figure 7: How satisfied are you with the tools and technology provided for service?



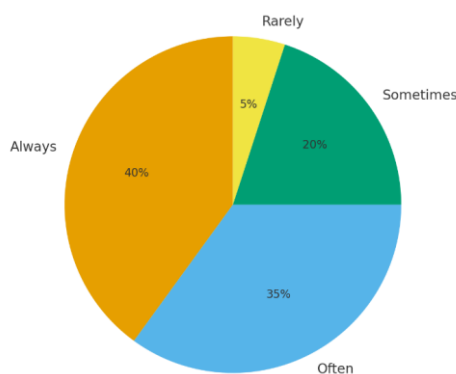
**Figure 8 :** Teamwork is rated positively by 75% of participants, indicating collaboration as a key performance factor.

Figure 8: How would you rate teamwork in delivering customer service?



**Figure 9 :** Feedback is frequently used by employees to enhance performance, underlining a feedback-driven culture.

Figure 9: How often does customer feedback help improve your performance?



## Recommendations

### ☐ **Enhance Customer Feedback Mechanisms**

Regularly collecting and analyzing customer feedback helps identify service gaps and performance issues. Businesses should implement digital feedback tools and post-service surveys to continuously monitor satisfaction and address concerns promptly.

### ☐ **Comprehensive Customer Service Training**

To ensure consistent service quality, organizations must invest in regular training programs focusing on communication skills, empathy, complaint resolution, and product knowledge. This not only boosts employee confidence but also enhances customer trust.

### ☐ **Performance Evaluation and Incentive Programs**

Linking employee performance metrics to customer satisfaction scores can motivate staff to perform better. Rewarding high-performing employees through recognition or incentives can encourage a customer-first culture across the organization.

### ☐ **Integration of Technology in Service Delivery**

Implementing CRM (Customer Relationship Management) systems and chat-based support tools can streamline operations, reduce response time, and personalize service experiences. Automation should complement, not replace, the human touch in customer interaction.

### ☐ **Focus on After-Sales Service and Relationship Building**

Maintaining engagement even after the sale fosters loyalty and repeat business. Companies should establish dedicated after-sales teams to handle follow-ups, feedback, and support, ensuring customers feel valued beyond their purchase.

## Challenges

- ☐ Inconsistent customer service quality
- ☐ Limited training and skill development
- ☐ High customer expectations and competition
- ☐ Lack of performance monitoring and feedback systems
- ☐ Poor coordination between departments

## Conclusion

Consistent with earlier studies, the findings indicate a strong positive relationship between effective customer service and overall organizational performance. The results show that high-quality service delivery directly influences customer satisfaction, loyalty, and long-term profitability. Employees who receive proper training, recognition, and support tend to perform better and contribute to improved service standards.

Furthermore, the study highlights that organizations must invest in continuous skill development, technology integration, and efficient feedback systems to enhance both customer experience and employee productivity. By maintaining consistent communication, monitoring performance, and addressing customer concerns promptly, companies can strengthen their market reputation.

Ultimately, improving customer service is not just a departmental goal but a strategic necessity for sustainable business growth and competitive advantage.

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