

IMPORTANCE OF SERVICE QUALITY IN A COMPANY'S REGIONAL DEVELOPMENT – CHALLENGES AND OPPORTUNITIES

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MLADEN PANČIĆ

ASSISTANT PROFESSOR
JOSIP JURAJ STROSSMAYER
UNIVERSITY OF OSIJEK
FACULTY OF ECONOMICS
OSIJEK, CROATIA
pancic@efos.hr

IVAN KRISTEK

ASSISTANT PROFESSOR
JOSIP JURAJ STROSSMAYER
UNIVERSITY OF OSIJEK
FACULTY OF ECONOMICS
OSIJEK, CROATIA
ikristek@efos.hr

SAŠA ILIĆ

PANTURIST D.D.
OSIJEK, CROATIA
sasa.ilic.panturist@gmail.com

ABSTRACT

Regional development contributes to a company's productive investment which can be seen in all business areas. An example of productive investments are acquisitions which also bring opportunities of internal potential development, infrastructure, computer technology efficiency, but also various challenges caused by organizational changes. Every company aims to regional development, but in order for a company to stay on the market it has to face challenges put in front of it as well as maintain the level of service provided. In this paper, we will touch base on regional development in a few examples of future acquisitions, and all challenges and opportunities which will be put in front of a company through acquisitions and especially in a challenge of accomplishments and quality standards implementation in order to accomplish the same level of service quality in new organizations. An organization will successfully respond with the help of economy models carried out through organizational plans and PMI plans. We will be using amended Parasuraman model of service quality measurement for service quality measurement. Challenges and opportunities are closely related because they interfere with each other and it is important to emphasize that every challenge has its successful solution model through PMI plans. That way, opportunities, or better yet – added values are created which will have an impact on regional development and in that way sustainable development which is a goal of every country.

KEY WORDS: organizational opportunities, quality, service quality development, regional development, Parasuraman model.

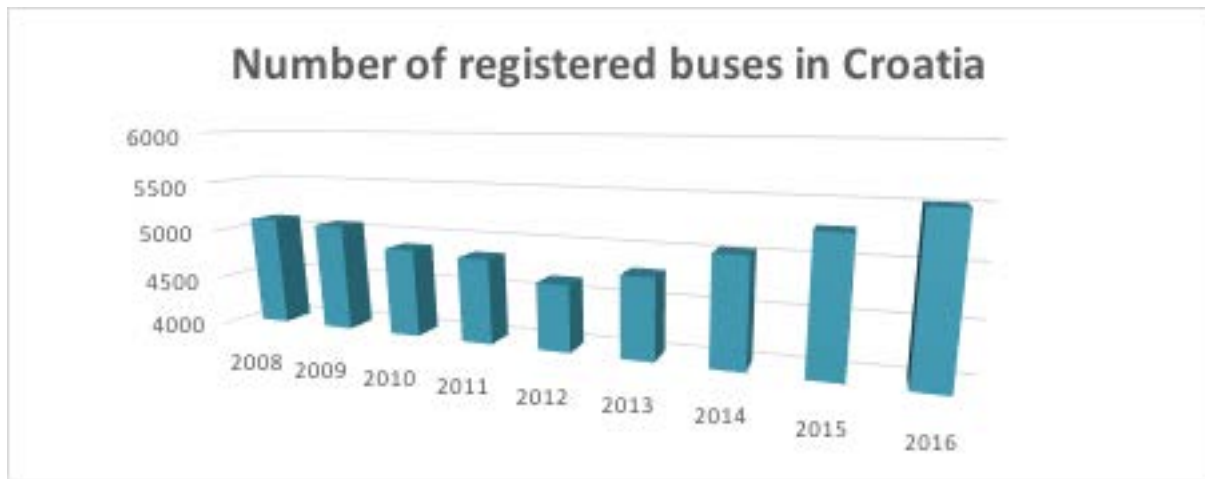
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1. INTRODUCTION

During the last decades there has been a lot of mergers and acquisitions in Croatia as well as in the world, with questionable result. In this working paper we will look at acquisition role and at merger of the companies in bus transportation, its integration, setting the goals by using Post Merger Integration (PMI) so the integration could increase total quality of the companies taken into account, and whose results we will monitor through future time as well as the influence on regional development of the company.

In the last several years in Croatia, the bus transportation started to change completely. Arrival of strong foreign competition and consolidation from one side, and arrival

of new start-up companies with innovative way of doing e-business, which do not own any buses, but have good implemented e-commerce to e-customer solutions that they offered to transportation companies with free capacities from the other side. Giving the fact that bus transportation business is low-profitable business, it is clear that turnover is very important as well as market share, and that is why we can expect that by liberalization of market there will be only few leading transportation companies left, and that would be those that have their own buses, and small companies will reorient themselves to low-cost services by using certain e-commerce solutions. We can also notice that in Croatia the situation has drastically changed in the period from the year 2008 to the year 2016 considering the number of registered buses and passengers driven.

Chart 1. Number of registered buses in Croatia from 2008 to 2016

Source: authors according to: „Državni zavod za statistiku RH“, Statističke informacije 2011-2017, Zagreb, str. 59-69

As one can notice from the Chart 1., according to statistical information from 2011 to 2017, the number of registered buses had been in decline until 2012, and from 2012 until 2016 it started to increase. In 2015 the number of registered buses surpassed number of registered buses in 2008 and is with tendency of growth. Bus transportation market has more and more important role in passenger transportation in Croatia, partly due to increase of international lines because of migration of passengers to other European countries, and also a great deal due to current situation in Croatian Railways Company.

2. ROLE OF POST-MERGER INTEGRATION IN MANAGING BUS TRANSPORTATION QUALITY

Mergers and acquisitions are happening based on the assumption that two merged companies will be worth a lot more than in the case they were operating as separate units, and weak effectiveness of successful merger is mostly dependant of human factor, cultural challenges and incorrectly managed post-acquisition integration phases.¹

Mergers and acquisitions are high-investment-volume transactions and they depend on many factors that can influence its success. That is why it is important to adhere to all set processes that are the key to success. If we look at the structure, in mergers and acquisitions we can differ three process phases. After concept-phase and transaction-phase, there is also integration-phase on which depends the whole result, i.e. success. Integration of the purchased company with the company that purchased it, comes to the last phase of process, and is at the same time the most difficult, the longest, and looking at the outcome of the result (success or failure), the key phase.²

In integration process, special attention has to be paid to implementing the standards of quality, and also to their regular follow-up by using Post-Merger Integration (PMI).

Below we will mention factors that are crucial for successful integration:³

1. New perspective for all employees

Each takeover of some company causes fear and insecurity of employees for their job and because of their changes. Therefore, important step of integration is to decrease fear and insecurity in the employees and to offer them new mutual perspective.

2. Maintaining independence and standardising structure

One shall not make changes in organisation and decrease freedom of functioning of Business Units. New system shall be implemented in standard structure of existing system and implement new roof central functions in order to establish structural compatibility and central reporting.

3. Transparency

When choosing staff for higher positions, one shall take into consideration their competences and professionalism, regardless the company they come from. In that way there will be sense of equality present within all employees.

4. Internationalisation of high-level staff

Holding regular meetings on higher levels, which include also employees from purchased companies. Involment is important, as well as the sense of belonging for all employees so they can take part and contribute to achieving new goals, vision and strategy on the level of one new system.

¹ Durand M.: Employing critical incident technique as one way to display the hidden aspects of post-merger integration, *International Business review*, 2015, str.1-16

² Marten K.U., Mathea M.: Ausgestaltung der Pruefung einer Post-Merger-Integration, *Zfmc-Controlling&Management*, 2009, str.19

³ Kramer J.: Aus der Praxis: Erfolgsfaktoren der Post-Merger Integration, *Gruppendynamik und Organisationsberatung*, Heft 1, 2006, str.79-84

5. On the way to mutual identity

At each merger there is one big central challenge existing, and that is how to create mutual identity. Here it is important for the new companies to understand that they need to separate from its identity and to take over new corporate identity.

To be able to follow the direction in which the acquisition and merger are going, as well as to measure its success, before the conclusion it is important to set up Post Merger Integration as the measure of successful merging and taking-over bus transportation companies, which is suggested below for bus transportation companies.

The following models in integration process are suggested, that we will be monitoring through certain period of time, and based on parameters, we will make conclusion regarding the success of increasing the quality and regional development of the company in the following scientific papers.

Table 1. PMI models in bus transportation

PMI 1 Corporate governance & Structure
Organisation structure
Real Estates
Client Relations
PMI 2 Commercial Transport & Tourism
Organisation of commercial department
Common pricing policy
Optimisation of regional transport
Tourist agencies
Define strategy for tourist agencies
Analysis and optimisation of business processes
Centralised sales management
Selling points and bus stations
PMI 3 Marketing & IT
Optimisation and integration transport
Common pricing policy
Optimisation and integration network (domestic, international and seasonal)
Implement common commercial reporting structure
Marketing
Define Marketing Strategy & Plan
Implement Brand and rebranding
Media - PR
Marketing strategy for the lines
Unified and set up common Web site & Social Media channels
Corporate web
Tourist Agency web
Social Media
Common Mobile App
Common loyalty system
Web sale - common web page
Bus selling tickets platform
PMI 4 Corporate Affairs
Communication

Internal communication plan & strategy
Intranet
Employees communication
External Communication
Vehicle
Stationary
Signage
Environment
Unified and set up common Web site& Social Media channels
Social Media
PMI 5 Engineering Fleet & Procurement
Engineering processes
Fleet
Equipment
Workshop
Procurement
Management and processes
Determine current procurement organization, rules and regulations
Plan further activities regarding collecting offers from supplier
Warehousing
Central contracts
PMI 6 Finance & Accounting
Accounting take-over
Procedures implementation in finance
Transfer pricing
Reconciliation of Accounting politics
Liquidity
Defining mutual function of financial controlling
PMI 7 Legal
Implementation of Legal reporting
Review of Court cases
Review of external legal costs
Compliance

Extraction Method: Principal Component Analysis.

Source: Authors

Passengers choose transportation according to certain characteristics and their personal needs, and choice of the type and sort of the vehicle depends on the passenger's needs, availability of transportation services provider, price of transportation services, velocity or time of transportation, safety and reliability of services, regulatory measures, safety in transportation and the whole concept of total service.

Therefore, suggested measures must be implemented and taken in the best possible way in order to keep confidence of existing customers, and to gain confidence of new customers considering the activities that are being taken on the market and looking at them by using PMI, as well as by consolidating market share on bus transportation market, setting for a goal to become the regional market leader in providing bus transportation services.

3. INSTEAD OF CONCLUSION

The most sensitive phase in acquisition and merger process is PMI phase. In order for PMI phase to be successful, besides employees' support we must also have clearly set plans and goals which must be implemented in accordance with persons responsible for each area. It is important, before the beginning of each PMI phase to define clear plans that must be measurable so one can follow in each moment the effectiveness of implementation in the new system. In PMI phase the most important factor is savings in all segments that needs to be shown through certain measure suitable to each PMI phase. Most common savings are related to implementation of mutual systems, purchase, real estate, optimisation of number of employees and making human resources in each sector stronger. At each acquisition and merger one shall not look exclusively through synergies that bring savings, but through revenue synergies that will bring additional and increase existing revenues as well.⁴

Strength of each successful organisation is in its human potentials, and that is specially applied to organisations that are providing passenger transportation services. Quality of service is crucial for passenger, and driving staff

has important role in achieving recognizable quality of service together with all other elements. In order to achieve the level of quality that is required by implementation of acquisition, the system of total quality management through system of enhancement, increase of flexibility, effectiveness and efficiency of services and each activity is needed. System of total quality control tries to ensure, create conditions that all employees reach one maximal effective and efficient goal by using mutual forces, create product and provide service at the time, on the place and in the way expected by a customers, and by that, it is meant the first and each following time.⁵

In order for mergers and acquisitions in bus transportation to be successfully implemented based on a model that we explained in our work, in our future research that we will conduct with certain time gap, we have to check efficiency of set standards in companies integration based on which we will be able to give measurable resume of implemented activities and finally give instructions related to success/failure of mentioned model of acquisition and merger in bus transportation.

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⁴ Giannopoulos M., Koufopoulos N. D.: The impact of post-merger integration on cost savings: the case of Greece, *J. Global Business Advancement*, Vol. 7, No. 4, 2014., str. 318.

⁵ Jurčević J.: Uloga upravljanja ljudskim potencijalima u unapređenju sustava kvalitete, *Poslovna izvrsnost*, Zagreb, 2007, Br. 2, str. 104