



## **Operational Excellence and Customer Satisfaction in the Service Industry in Kenya**

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### **ABSTRACT**

Operational excellence can lead to customer satisfaction, which can help improve the profitability of a company. The main purpose of the study is to determine how the company can improve customer satisfaction through incorporating three basic principles of operational excellence in its operational strategy. The three operational excellence principles considered here are focus on service quality, lean methodology and Six Sigma. This research paper is in form of case study of a five star restaurant in Nairobi, Zen Garden Ltd. The research design is descriptive and cross sectional survey. The target population includes 250 customers, 115 employees and 6 directors of Zen Garden. Stratified sampling has been used to sample the target population. Data collection methods include questionnaires and observation. Quantitative methods like bar charts and pie charts have been used to analyze the data collected. A survey on SERVQUAL model was conducted to determine how focus on service quality can lead to customer satisfaction. Customers were asked to participate in the survey and service quality gaps have been identified. Recommendations on how these gaps can be filled have been given. Secondly questionnaires on 5s were given to employees of Zen Garden to determine how lean methodology can lead to customer satisfaction. Finally questionnaires were given to directors to determine the extent to which six sigma is being used at Zen and how it can lead to customer satisfaction. In order to implement the operational strategy, the critical success factors to achieve operational excellence have been identified by use of questionnaires to directors.

**Keywords:** Operational strategy, Operational excellence, Customer satisfaction, Service quality, lean methodology, Six sigma

### **1.1 Background of the study**

Customer satisfaction is a key performance indicator in service industry. Several authors have asserted that customer satisfaction not only leads to higher rate of customer retention but also improvement of a company's market share and profits (Hessamaldin 2008) (Jayawardena, 2010). Customer satisfaction has become an important concept to be understood in today's fast changing and competitive business environment where all organizations are struggling to retain their market share and achieve improved profitability. Even big companies like Amazon have confirmed in their success stories that they put their customers first in setting their strategies (Cohan, 2013).

According to (Lam and Zhang, 1999), customer satisfaction is achieved when the Customer's needs and wants are fulfilled. However customer needs and wants are always rapidly changing such that meeting them with scarce resources has become one of the greatest challenges for today's turbulent business environment (Oon & Ahmad, 2014). It is important that customer expectations are understood properly and measured to identify service quality gaps. The scarce resources can then be efficiently allocated to fill those gaps.

Operational excellence is a competitive weapon for any industry to achieve customer satisfaction (Rana Mohammad Shehadeh, 2016). Porter was the first one to do research on operational excellence (OE), followed by Treacy and Wierseman (A.Jaegera et al., 2014). They explained three values and disciplines that a market leader should succeed in, which include customer intimacy (best total solution), Product leadership (best product) and Operational excellence (best total cost) (A.Jaegera et al., 2014). The change from quality and total quality management to excellence is as a result of EFQM (European Foundation for Quality Management) (A.Jaegera et al., 2014). Many authors have written about organizations that use business excellence frameworks such as the EFQM Excellence Model 2010, Malcolm Baldrige Award and Australian Business Excellence Framework (ABEF, 2013) as holistic models to guide their strategy, business processes and business improvement (Brown, 2014).

EFQM defined excellence as "outstanding practice in managing the organization and achieving results" (Oon & Ahmad, 2014) (Breja et al., 2016). Over time the definition of Operational Excellence has evolved. According to (Oon & Ahmad, 2014), excellence is achieved when all stakeholders' demands are met or exceeded. According to (Awuor & Munyiva, 2013) Operational Excellence is when every employee of the organization is able to see the flow of value that is delivered to the customer and fixes the flow before it breaks. He further stated that it involves optimizing daily operations and aligning

them with the strategic objectives of the company and customer expectations. Lastly according to (A.Jaegera et al., 2014) it deals with efficiency in production, effectiveness in customer orientation and production process optimization. All definitions state that it deals with efficiency in operations and customer satisfaction.

The rapidly changing business environment puts pressure on the organizations to remain competitive by continuously improving products and services so that to produce them with lower costs as well as meeting social, legal and environmental requirements (Oon & Ahmad, 2014). Managers in the service sectors are under increasing pressure to not only make sure that their services are customer focused but also to ensure that there is continuous improvement in the performance of delivery of the service that they offer (Shahin, n.d.). To achieve excellence, organizations need to change the way they deliver value to customers through business operations. Therefore besides customer satisfaction, all managers are trying to achieve sustainable competitive advantage through efficient operational management (A.Jaegera et al., 2014).

Food and hospitality industry is full of turbulent environment and restaurant business is more competitive than ever. This paper studies on how restaurants can achieve customer satisfaction through incorporating three operational excellence principles in its operational strategy. These include focus on service quality, lean and six sigma principles. The case of Zen Garden Ltd, which is one of the most popular five star restaurants in Nairobi, Kenya, has been used to conduct this research study. The general objective of this study is come up with an operational strategy that will help Zen achieve operational excellence which will improve customer satisfaction as well as increase the profitability of the company. The operational strategy will focus on three operational excellence principles which include focus on service quality, Lean methodology and Six Sigma. The specific objectives of the study includes: to determine the effect of focus on service quality on customer satisfaction; to determine the effect of lean principles on customer satisfaction; and, to determine the effect of six sigma on customer satisfaction

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## 1.2 Statement of problem

Zen Garden has regularly been recognized as leaders in the hospitality industry. The company has received recognition for its Zen brand name and awards for overall performance as a company, dynamic workplace culture and contributions to the community (Zen Garden Ltd, 2017). Some of the recent achievements include being ranked 47<sup>th</sup> position in 'Kenya's Top 100 Mid-Sized Companies 2015', as well as winning the 'Taste Award for Best Pan Asian Kenya' two years consecutively. The Bamboo Oriental restaurant recently won Best Asian Restaurant in East Africa at The World Luxury Award 2017 (Zen Garden Ltd, 2017).

In contrast to this, in terms of profitability, the net profit margin in 2016 was 6%. The profit margin for previous years from 2012 to 2015 was between 10% to 15%. Generally food industries operate under cut throat competition and low margins are expected. Like any restaurant, the food cost and labor costs are the highest operating expenses at Zen. However this margin is very low because of the premium prices charged at Zen and because Zen is one of the most preferred restaurants in Nairobi and is always full of customers. Therefore for the business to be sustainable over time, some improvements are required to be seen in this performance.

It seems like despite having many competent employees, some of who include international executive chefs, and experienced staff, they seem to be working hard but not able to add value to the organization in terms of increase in the profit margin. There is need to do something different such that Zen can improve its profitability. This paper aims at coming up with an operational strategy that will help Zen achieve this. The paper identifies three operational excellence principles that Zen needs to incorporate in its operational strategy. These include focus on service quality, lean methodology and Six sigma.

### 1.2.1 Zen Garden Ltd company profile

Zen Garden Ltd is a five star restaurant in Nairobi which was started in 2008 by three entrepreneurs. With their mission of bringing the best quality Pan-Asian cuisines to Kenya, a mother and her two daughters, with the support of their family started a restaurant in their private property. The establishment comprises 2.5 acres of land and is made up of 3 spaces; Bamboo Oriental (a Pan-Asian Inspired Restaurant), Jade (an all day Tea & Coffee House) and Zen Square (large conference facilities that cater to the growing corporate clientele in Kenya) (Zen Garden Ltd, 2017).

Bamboo is an elegantly adorned fine-dining restaurant specializing in Pan-Asian cuisine. The Restaurant is a 250-seater establishment. The menu consists of a combination of Chinese, Thai and Japanese cuisines. It opens from 11:00 am and closes at 11:00 pm. Jade Coffee & Teahouse, is a charming café, overlooking the luscious gardens, accompanied by a children's play area, with an outdoor terrace and a garden lounge setting. This popular eatery seat 250 people and is open daily from 8:00 am to 7:00 pm. The Zen Square Conferencing, consists for 4 fully fledged meeting rooms and is the perfect venue to talk business away from the bustle.

Zen also hosts parties and events like Fashion high tea, which is one of the biggest charitable fashion event in Nairobi hosted by Zen every year. The annual turnover of the company is approximately Ksh. 250 Million and it has 115 employees.

## 2.2 THEORETICAL LITERATURE REVIEW

### 2.2.1 Hayes and Wheelwright Four Stage model

Since the paper aims at coming up with an operational strategy, this model cannot be ignored. This model was proposed by Hayes and Wheelwright in 1984 (Al-Rasby, n.d.) (Slack et al., 2010). He suggested four identifiable stages that reveal a company's position in terms of the strategies that it sets. It starts from stage one where operation's contribution to a company's success is very less to stage four where its contribution is so much that it gives the company competitive advantage. This model was developed for manufacturing context, however many authors have written its application in service context.

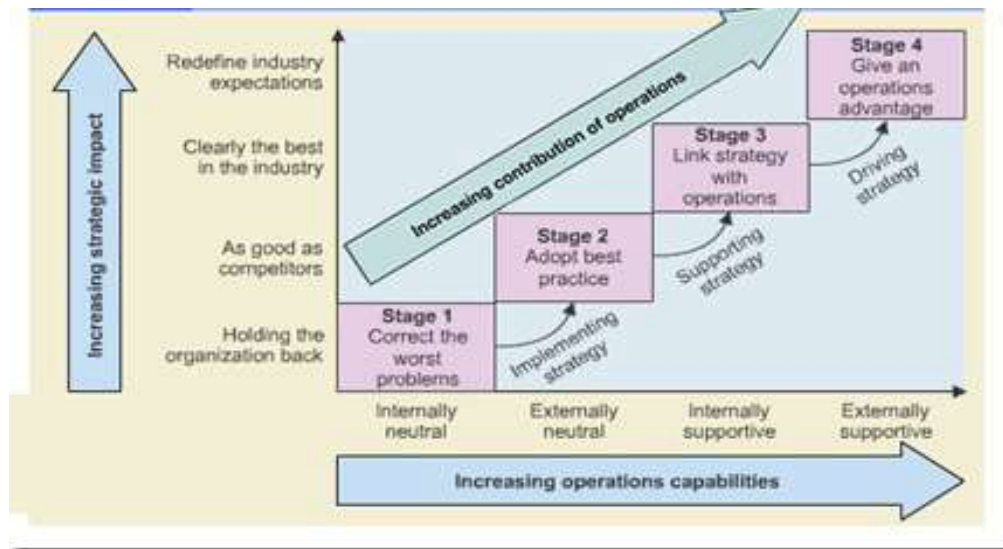


Figure 1: Four- stage model of operations strategy

Source: (Slack et al., 2010)

#### I. Stage one: Internally neutral

In this stage operation has no positive contribution to the competitiveness of the company. The operations hold company back from competing. The stage involves correction of worst problems of a company by minimizing anything that hinders efficiency. Mostly experts are called from out to achieve this and managers don't have any role in strategic decisions relating to strategic management (Hayes & Pisano, 1994). Operations are monitored through internal management control systems (Al-Rasby, n.d.).

Companies which are in this stage of strategy formulation have three disadvantages. First, since experts are called from outside, the solution will be one off and related to a particular problem rather than its contribution to the business and corporate strategy, as the experts from out will not have fully understood the corporate strategy. Secondly it seems like softer human factors have not been considered in the paradigm and organizations could face challenges in sustaining the system over time. It is important to note that any process that needs to be changed and improved will lead to resistance as most employees prefer the comfort of status quo (Taylor et al., 2013). Since human resource is a very important resource, the implementation of any system or an organizational change needs to be handled with care. Lastly this stage does not help to empower its employees to identify problems and does not build the skills and capabilities of the company managers because of their minimum role. Empowering employees and building skills and capabilities will help an organization excel, support and sustain the improvement plans which will help the company achieve the desired results. Even successful companies like Nestle believes in empowering its employees to identify improvements and drive efficiency (Gibbons, 2016).

#### II. Stage two: Externally neutral

In this stage companies go one step beyond stage one by following best industry practices. Their aim is to try to neutralize competitors for any competitive advantage that they may have by investing in best practices (Al-Rasby, n.d.). In a study by (Hayes & Pisano, 1994), he clarified that simply adopting best practices like lean is not a strategy to achieve competitive advantage. He justified this by giving two reasons. Firstly, companies always seem to be trying to catch up with the competitors even after continuously implementation of one new set of practices after another. This shows that competitive success is not achieved with adopting best practices as these are all programs that your competitors can copy easily to neutralize your competitive advantage. Secondly, it often happens that one after another problems keep coming up in companies and every time a solution to a new problem is sort, it ends up contradicting with the practise initially put in place (Hayes & Pisano, 1994). This shows the race of neutralizing competitive advantage of a company has no end and no strategic benefit. He therefore emphasized that a company should stop having false expectations of achieving any competitive advantage if its aiming to be "as good as" its toughest competitors. Instead, in today's turbulent competitive environment, an organization needs to set strategies that specify the kind of competitive advantage it wants to achieve rather than simply adopting best practices. This will give a company a clear goal of the

strategy and focus towards achieving that goal. Furthermore operational strategy should have clear competitive priorities and intended direction to long term success of a company should help a company do things better than its competitors to achieve the kind of competitive advantage that it is seeking.

### Stage three: Internally supportive

In this stage the operational strategy is aligned to the corporate strategy of an organization and any investments in operations made are aligned with the objectives of the corporate strategy (Hayes & Pisano, 1994). Companies in this stage have clearly defined competitive priorities and goals and even after having best operations they seem to be working towards improving their operations to maintain that.

### III. Stage four: Externally supportive

When an organization reaches this stage, it is known to be the best in the industry. The stage gives manufacturing a central role in the formulation and implementation of competitive strategies. Thus, operations- based competitive advantage is sought. Efforts are made to predict the potential of new manufacturing practices and technologies. Operations drive the strategy and its participation is seen in major marketing and engineering decisions. An example of a company which is in this stage is Apple. From owning its own chip manufacturing to controlling the total manufacturing through following strict software standards, it has adopted vertical integration and operates in a nearly closed eco system. This distinguishes itself from other companies. This way Apple manages controls its own value chain and generally regarded as the best in the industry (Nielson, 2014).

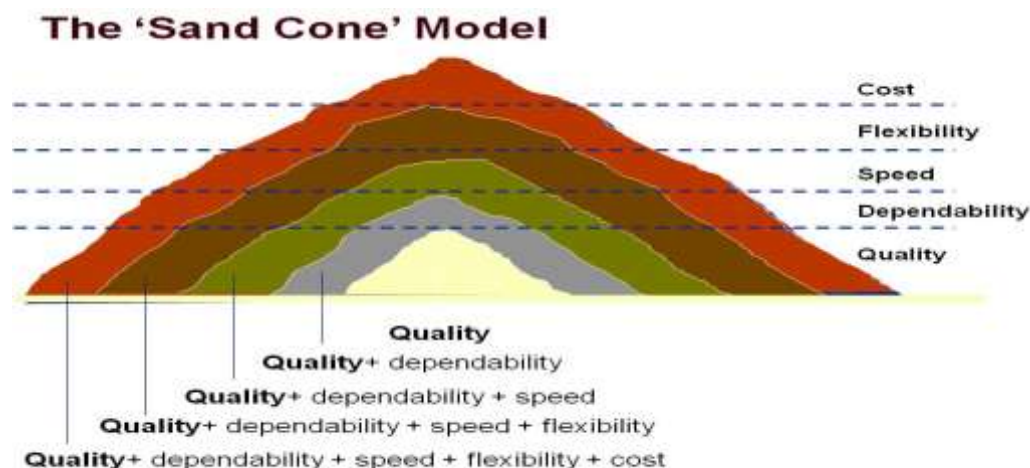
However while trying to seek new improvement programs and technologies, sometimes organizations overlook the true power of these programs, which is their ability to build new capabilities (Hayes & Pisano, 1994). In essence, operational strategy is about creating operating capabilities a company needs for the future (Hayes & Pisano, 1994). (Hayes & Pisano, 1994) asserted that in a static framework, solutions to problems are regarded as one-shot deal but in a dynamic setting, solutions are viewed as part of a longer term path of improvement. New technologies are adopted not just to solve an immediate problem or to be best in the market but also to build new skills and capabilities that become core competences. Such superior organizational capabilities provide a competitive advantage that is much more sustainable than one based on something you can build or buy. Unfortunately some would argue that such changes in priorities simply reflect the need for continuous improvement which might lead to continuous frustrations to managers and first line supervisors. However if culture of continuous improvement is not adopted in today's competitive business environment, then organizations can be overflowed with complacency and fail like the case of Kodak (Kotter, 2012).

Despite these drawbacks of the model, it is popular and widely acceptable especially to practitioners who can easily conceptualize the stage in the model to which their organization falls (Barnes & Zvesper, 2001).

#### 2.2.2 Sand cone model

One of the most important conditions required to achieve competitive advantage in today's competitive business environment is being agile (Wang, 2009) (Willis, 1998). A company is regarded as being agile when it has simultaneously achieved all performance objectives which include quality, delivery, speed, flexibility and cost (Wang, 2009). However according to (Wang, 2009) and (Boyer & Lewis, 2002) it is not possible to achieve agility in multiple dimensions because of scarce resources. When resources are scarce, focusing on multiple dimensions will lead to firms losing focus and waste resources and hence remain inferior in all dimensions. Trade-off model of Skinner also recommended managers to understand and choose their competitive priority thereafter all scarce resources can be focused towards achieving that objective. In essence, competitive priorities are a key decision making variable for all managers (Boyer & Lewis, 2002).

According to Sand cone model created by Ferdows and De Meyer in 1990, it is possible to be agile and excellent in multiple dimensions but in order to do that, the company's capabilities need to be developed in predetermined sequence (Ferdows & Meyer, 1990) (Wang, 2009). The capability building process can be visualized in a pyramid, whereby each of them forms a foundation for the development of the next (Wang, 2009). This model uses quality as the foundation to achieve other performance objectives like dependability, speed, flexibility and cost to achieve agility and customer satisfaction.



**Figure 2: Sand Cone Model**

Source: Ferdows & Meyer (1990)

One assumption of this model is that the existing capabilities will support new capabilities without affecting the existing ones (Ferdows & Meyer, 1990) (Wang, 2009). However this might not also be true as when a company starts new development, most of the focus goes to that development including the resources hence the existing capabilities might be affected in some way (Wang, 2009). For example Zen recently invested in Material control and new POS system. This made them focus on the system implementation where all the resources were used and for sure there was no focus on customer service quality at that time. The model is also criticized for ignoring contingencies factors that may occur (Ferdows & Meyer, 1990).

### 2.2.3 SERVQUAL model

In order to be able to focus on service quality as a competitive priority, it is important to understand service quality dimensions and how it can be measured. One of the most commonly used measures of quality is the SERVQUAL model. It is based on five determinants of perceived service quality, which include Tangibility, Reliability, Responsiveness, Assurance and Empathy (Jayawardena, 2010).

#### Five service quality dimensions (Jayawardena, 2010)

1. Reliability - This is the extent to which the service is performed dependably and accurately.
2. Responsiveness - This is the extent to which staff is willing to help customers and to provide prompt service
3. Tangibles – these are the visible physical facilities that a company offers like clean environment.
4. Assurance - This is the confidence that the employees give to clients with their knowledge of work and courtesy of performance
5. Empathy - This is when the customers are given attention and cared for.

Many authors have confirmed that measuring the difference between customers' expectations and company's perceived performance is a valid operational **measure** of service quality. Measuring service quality helps to identify non performing service quality dimensions as well as to assess the performance of the company in terms of the quality of service. It also helps to establishment clear standards for service delivery. Measuring customer satisfaction also helps in assessing existing management practices and identify areas where improvements are required (Jayawardena, 2010). SERVQUAL model helps to measure identify five service quality gaps which include the below:

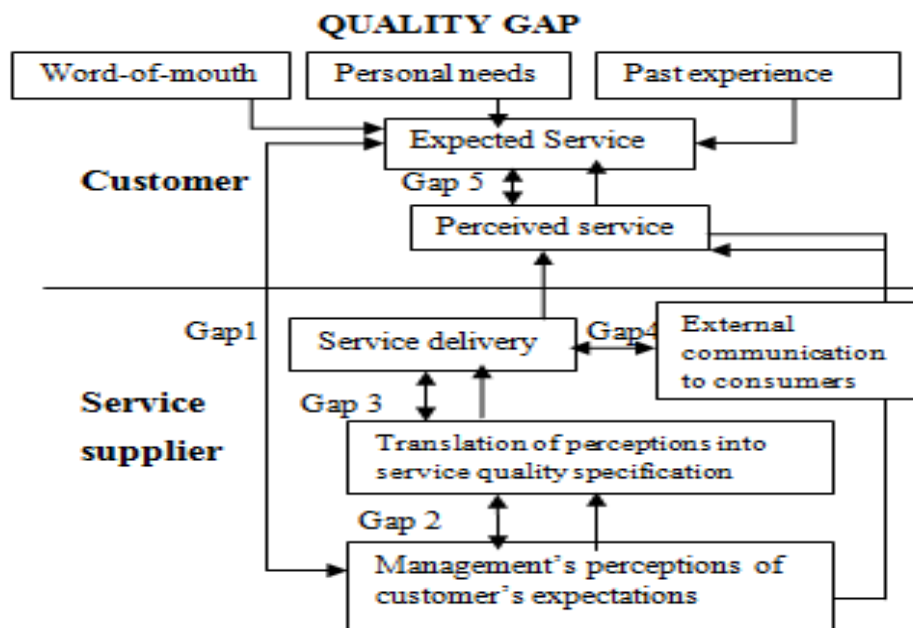
Gap1: between consumer expectation and management perception

Gap 2: between management perception and service quality specification

Gap 3: between service quality specification and service delivery

Gap 4: between service delivery and external communication

Gap 5: between expected service and experienced service



**Figure 3: Model of service quality gap source**

Source: Pratibha (2016)

One of the drawbacks of the model is that it will not give managers total needs, expectations and perception in service context. The reason for this is all customers perceive service quality differently and it is also affected by some factors like their culture, background, gender and age. Despite this drawback, the model is a universally accepted instrument which has been tried and tested by many organizations therefore can be used on a regular basis comparatively for benchmarking purposes (Bryceland and Curry, 2001) (Shahin, n.d.).

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## 2.3 EMPIRICAL LITERATURE REVIEW

### 2.3.1 Focus on service quality and customer satisfaction

Many researchers have asserted good service quality as one of the most important factors leading to customer satisfaction. Apart from that it is also a marketing tool and leads to customer loyalty and retention. Knowing how customers perceive and expect service quality, as well as being able to measure the customer satisfaction based on that can benefit organizations in both quantitative and qualitative ways (Jayawardena, 2010). However there have been several debates and concerns about Service quality in research literatures because of the difficulties in both **defining** it and **measuring** (Wisniewski, 2001). Several researchers have given different definitions of service quality. One of the most commonly used definitions is that service quality is the extent to which a service meets customers' needs or expectations (Jayawardena, 2010) (Shahin, n.d.). If customer expectations are greater than the performance of service delivery, then quality is perceived to be less than satisfactory and hence there is customer dissatisfaction and vice versa (Shahin, n.d.). Customers generally have many dimensions of meaning of quality and it is difficult to satisfy all the needs at once or every time. The best that service industries can do is to learn what customers expect from experience and try to reconcile that when setting up strategic quality management programmes (Jayawardena, 2010).

Measuring service quality helps in identification of the service quality gaps which help managers to plan cost-effective ways of closing the gaps by allocating their resources accordingly. Managers will also be able to identify the areas of service where customer's expectations are not only met but exceed. In such cases managers can review where such services are being over supplied and can plan redeployment of some resources to areas which are underperforming (Shahin, n.d.).

However this shows a continuous need of measuring customer experience. Unfortunately, the intangible nature of service and complex human behavior makes the measuring process a bit difficult. It also involves perceptions and expectations of customers which is very difficult to determine. Regardless of that, it is very important for companies to know how to measure the service dimensions from the consumers' perspective in order to better understand their needs and hence satisfy them.

### 2.3.2 Lean methodology and customer satisfaction

The concept of lean was introduced from Toyota Production System over 35 years ago (Antony, 2011) (Taylor et al., 2013). It is a process which is highly responsiveness to the needs and desires of customers. It makes any activity which is not capable of adding value to customer a target of change of elimination (Arfmann & Dr. Federico, 2014) (Sparrow & Otaye-Ebede, 2014). It aims at continuously improving a process by eliminating all non-value adding activities from a process to add value to the customer (Antony, 2011) (Longonia et al., 2013) (Arfmann & Dr. Federico, 2014) (Awuor & Munyiva, 2013) (R.J. de Koeijera, 2014). In essence, lean has two different types of goals, one which is internally focused and the other externally focused (Pettersen, 2009). Internally focused goals concern with cost reduction and efficiency in operations (Longonia et al., 2013) while externally focused aims at customer satisfaction (Pettersen, 2009). Both the goals directly or indirectly add value to the customers.

Recent studies on lean management contain a system approach, meaning they describe lean as a collection of practices (R.J. de Koeijera, 2014) which include Just-In-Time (JIT) manufacturing, quality management (QM), Total preventive Maintenance (TPM) and Human Resource (HR) management practices (Longonia et al., 2013). **JIT** is a manufacturing programme which aims to continuously reduce wastes in a process (Longonia et al., 2013). An example of a company that has successfully implemented this is Apple, which keep inventory of less than a week, making its operations more efficient as compared to its rival Samsung, which keep inventory of at least eight weeks (Wakabayashi, 2014). In a restaurant, practicing this helps to serve client fresh food as well as low prices due to efficiency, both adding value to customers.

**QM** is a manufacturing programme that continuously aims at improving and sustaining the quality of products and processes by involvement of management, employees, customers and suppliers in order to meet customer satisfaction (Longonia et al., 2013). It is an improvement approach that identifies and eliminates the causes of defect in any process by considering those elements in an output process that are critical for a customer. Many companies like Toyota have given quality the main priority for customer satisfaction.

**TPM** is a manufacturing programme aimed to maximize equipment effectiveness through planned preventive maintenance of equipment throughout its life through workers involvement and motivation (Longonia et al., 2013). This helps to improve processes and enhance smooth flow of work to improve service delivery to customers.

**HRM** practices like team work, job rotation, involvement and incentives help improve production and service delivery processes as employees who are well trained and empowered are critical factors to world class performance (Longonia et al., 2013). A world class performance will eventually lead to customer satisfaction.

However application and implementation of lean is challenging for many organization because of several reasons.

### **i. Understanding the definitions and meaning of lean**

Despite several advantages of lean methodology, it not free from critiques. Firstly some authors have considered understanding the definition and characteristic of lean to be vague (Taylor et al., 2013). Several different opinions and explanations on lean concept over the years have evolved the lean concept from lean production tool box to lean thinking. Some authors argue that it is not knowledge of lean methods that help organizations to improve, rather its knowledge on the daily operations and problems that management give attention to improve and end up calling it lean (Arfmann & Dr. Federico, 2014). Secondly with different opinions of the authors, there is no consistent definition of lean. This also makes it problematic when an organization practically tries to implement the concept of lean (Pettersen, 2009) (Longonia et al., 2013). This could be the reason why implementation of lean processes and sustainability of the changes are the two challenges faced by managers (Bambera et al., 2014) (Sparrow & Otaye-Ebede, 2014). Over the years deeper investigation indicate that mostly organizations hire consultants to implement lean systems. This shows failure of management to understand lean systems and failure of them adequately involving employees to succeed in the lean implementation (Taylor et al., 2013). Going lean is not only regarded as competitive capability is today's world but also regarded as a dominant paradigm of modern operations (Taylor et al., 2013). It is a continuous improvement process and needs to be implemented with great focus to ensure it is embraced by the organization well (Awuor & Munyiva, 2013).

### **ii. Application of lean to service industry**

A recent study by (Arfmann & Dr. Federico, 2014) questioned how organizations could assume that a model developed in manufacturing context and for manufacturing industry could work well in service industry. He stated that since the lean framework was developed for manufacturing sector, it fails to address the challenges faced by service sectors. He justified this by claiming that the model does not even consider the five characteristics of a service which are intangibility, perishability, inseparability, variability and lack of ownership. For example services cannot be stored like goods therefore the **pull concept** does not always apply in service sector. He claimed that the main challenge being faced by service sectors is how to push the services to the market without compromising on the service quality (Arfmann & Dr. Federico, 2014).

Despite several heated debates on the application of lean frameworks to service sectors, it will be hard to ignore the fact that today's service sector face many challenges that were faced in the industrial context that the models were developed. The greater of those two challenges in this turbulent business environment include high operating and overhead costs and increased customer expectations. Customers expect highest quality of service at lowest costs. This has made organization continuously look for ways to make their operations efficient. It is true that lean concepts were developed for and mostly used in manufacturing context, however there have been many recent studies of its successful application in non-manufacturing areas (Arfmann & Dr. Federico, 2014) (Stantona et al., 2014) (R.J. de Koeijera, 2014) (Bambera et al., 2014). And luckily, for this context, a restaurant is positioned in a unique way than other service sectors in that they are customer service providers as well as tangible finished goods manufacturers. Manufacturing in the kitchen involves production of food in batch processes that go through a process. Service on the floor involves the speed, quality and hospitality, which also involves a process that can be improved and made lean. This way it is also very interesting to note how the tangible factors in a restaurant like food and furniture compliment intangible element of service delivery. Furthermore the pull concept has been the fundamental for restaurants for many years, as food is cooked when ordered, applying the concept of demand pull-system so as to make the operations lean and JIT. For any meal to be served, the components of the meal need to be pre-prepared, which is inventory. The dupe slip is like Kanban pulling the customer order from the kitchen to the point of sale. This was applied historically without understanding the power of efficiency and profits each bring on daily basis.

Some major challenges relating to application of lean concept are still greatly faced by service sectors because in manufacturing industries, processes are visible and the wastes can be seen through observation, unlike service industries, where great skill is required to account for wastes. However while in manufacturing, tools such as value stream maps can be used to improve processes, in service industries as voice of customers and can be enhanced by tools such as questionnaires and value steam maps to identify areas in process that needs to be improved (Sarkar, 2009).

### **iii. Effect of lean on employees**

One of the major challenges in implementing lean systems includes resistance from employees. Many researchers have considered effect on the workers of implementation of lean (Stantona et al., 2014). Some studies have concluded lean to be 'mean' to employees and lean production has been linked to stress, increased injuries and decreased health for employees (Longonia et al., 2013). Some studies assert that Lean management (LM) controls employees rather than empowering them (R.J. de Koeijera, 2014). Lean practices such as JIT increases efficiency of production, however the reduction in slack and reduced cycle times increase workload and stress for workers and this seem to affect the health and safety of workers (Longonia et al., 2013). It also results in negative impact on some employees due to work intensification and disempowerment (Bambera et al., 2014). However some researchers asserted these studies may have been carried out in plants where lean systems were not properly implemented (Longonia et al., 2013). Lean practices benefit employees by improving their skills and involvement in process decisions (Bambera et al., 2014). Lean management is suppose to reduce workload hence save time and give time for employees to recover from the full days job (Rainey, 2006).

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## **2.4 Six sigma and customer satisfaction**

Six-sigma was introduced at Motorola by engineer Bill Smith in the mid 1980s (Antony, 2011).

It is derived from the Japanese concept of Kaizen (continuous improvement) and is quality improvement methodology which uses tools such as process mapping to identify and focus on reducing defects or variations in product or service quality (Stantona et al., 2014). Six Sigma is a top-down approach



in which management role includes selection of improvement projects based on financial and strategic goals, then implementing and monitoring these projects. It is an outside-in perspective whereby the customer needs are considered first (Awuor & Munyiva, 2013). This helps organizations to focus on the critical factors affecting customer expectations (Awuor & Munyiva, 2013). It involves defining, measuring, analyzing, improving and controlling.

Lean and Six sigma when combined is referred to as Lean Six Sigma (Stantona et al., 2014). (Antony, 2011). The main focus of lean is on material and information between the steps of processes while six sigma helps to address poorly performing activities within the processes to transform it to value adding within the process types (Antony, 2011). Six sigma is a quality system to reduce the number of defective parts in any device to six standard deviation from the mean (Bambera et al., 2014).

## 2.6 Conceptual framework

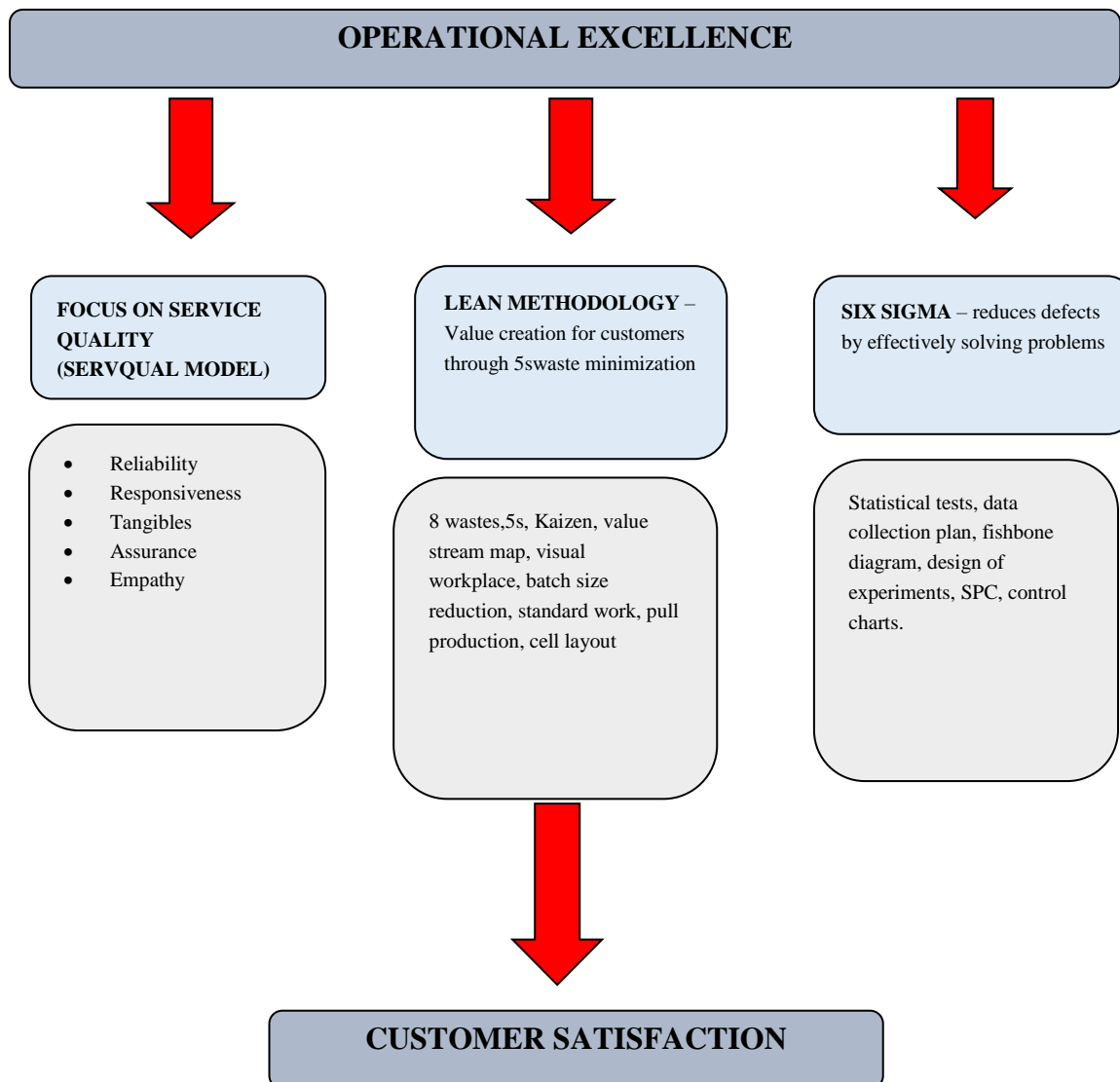


Figure 4: Conceptual framework of the study

The conceptual framework above clearly suggests that operational excellence principles such as focus on service quality, lean and six sigma principles will lead to customer satisfaction. If customers are satisfied, Zen Garden will be able to increase its market share and improve profitability. For this framework to work it is important to know the critical success factors affecting the implementation.

## 3.0 RESEARCH METHODOLOGY

This is a plan or outline used to give answers to a research problem. This paper used both cross sectional survey and descriptive design. Cross sectional survey helps to study a certain population and understand wider picture. Descriptive design helps to yield a great deal of information through reviews of the fact finding (Awuor & Munyiva, 2013).



Sampling helped to select some elements of the population to represent the whole population. Stratified sample design was used. This is used when the researcher wants to specify a certain group from the population. Out of 250 daily external customers of Zen, 100 have been sampled. These are regular clients who have credit accounts with Zen and the ones who regularly book events. It was easy to request them to fill out the customer satisfaction survey as Zen has their email addresses. All the 115 employees were asked to fill out questionnaires since the number was less and all staff was easily available to help me. Out of the 6 directors, 3 have been sampled for this research study. The three are working directors who are mostly present at the restaurant.

Primary data was collected by use of questionnaires and observation. Questionnaires were used since they addressed specific questions. Closed questions were used as they were easier to analyze. The questionnaires were pre-tested to confirm the flow and ease of understanding of the subject matter. Revised questionnaires were then administered. A survey on SERVQUAL model was carried out to assess the customer satisfaction. Observation was very helpful as I am a full time employee of the company and observing different scenarios and situations and putting my own comments on the relevant questions that I had was very helpful to draw my conclusions. Secondary data was collected from both printed and electronic sources, which include journal articles, electronic articles from periodicals and books.

The data collected was analyzed using Ms Excel to draw graphs like bar charts and pie charts. SPSS software was used to calculate correlations between different variables. A descriptive analysis was done from feedback received from respondents.

### **3.0 RESEARCH RESULTS AND ANALYSIS**

#### ***4.3.1 Focus on service quality leading to customer satisfaction***

All the directors have confirmed in the questionnaires that their main competitive priority is quality. It is clear from here that they believe in Sand cone model where if quality will be a strong base foundation, they will be able to excel in other performance objectives. The reliability gap is the largest of all the service quality gaps. Before making any conclusion based on this, a detailed analysis is done on the same. In order to draw conclusions on the analysis, it has been assumed that the customers who agreed or strongly agreed to the statements were satisfied while the ones who neither agreed nor disagreed, disagreed or strongly disagreed to the statements are dissatisfied.

Analysis revealed that 29% of the respondents strongly agreed that Zen serves fresh and good quality of food. 63% agrees to this statement. 6% neither agreed nor disagreed. 1% disagreed and 1% strongly disagreed. 92% of customers are satisfied, while 8% are not. From my observation, Zen gets fresh vegetables and juices delivery daily to serve fresh food. All the grocery stock is also kept for one week to keep good quality and freshness. However the meat is usually frozen. The chefs need to check how to practice Just in time for preparing meat dishes to improve on freshness of meat dishes. Furthermore Zen has standard recipes for preparation of food and has international executive chefs to maintain the food quality. However Zen needs to check regularly if the standard procedures are sustained.

The findings also revealed that 19% of respondents strongly agreed that Zen gives value for money for its services. 31% agreed to this statement, 17% neither agreed nor disagreed. 21% disagreed and 11% strongly disagreed. 50% of the customers are satisfied, while other 50% are not. Before drawing conclusion on why customers feel this way, it is important to analyze other service dimension to check which of them correlates to this.

50% of respondents strongly agreed that Zen provides variety of menu items. 43% of respondents agreed to this. 6% neither agreed nor disagreed while 1% disagreed. 93% of customers are satisfied with this while 7% are not. Zen provides variety of menu items as checked from its website (Zen Garden Ltd, 2017).

54% strongly agreed that there is accuracy in delivery of food. 36% agreed to the statement. Only 7% neither agreed nor disagreed and 3% disagreed. This shows 90% of the customers are satisfied with this while 10% are not. Zen waiters have good communication skills and note down in book the orders given by customers. Orders are verbally confirmed with customers. The POS system allows waiters to punch in the orders which are printed in the kitchens to avoid verbal confusion. Any specification is also added like extra hot, cold and mild and the chefs follow that when preparing the dishes. This ensures accuracy as much as possible.

39% strongly agreed that Zen has flexibility in operating hours. 41% agreed to this. 17% neither agreed nor disagreed and 3% disagreed. 80% of customers are satisfied with this while 20% are not. Maybe the reason why some customers disagree is because Jade restaurant closes by 6:30 pm and once it's closed, customers can not order the menu items offered by Jade.

On average, 38% strongly agreed to reliability of service that Zen offers, 43% agreed, 11% neither agreed nor disagreed, 6% disagreed and 1% strongly disagreed. 81% of customers are satisfied with reliability of service at Zen while 19% are not. The main areas to improve is on giving value to customers and being more flexible on the operating hours.

67% of the respondents strongly agreed that Zen has welcoming staff. 27% agreed to it, 4% neither agreed nor disagreed and only 1% disagreed. 94% of customers are satisfied by welcoming staff and only 6% are not satisfied. This shows Zen Garden has trained staff well to welcome guests. Two managers are always located at the entrance to welcome guests immediately they see them and hosts direct them to their tables.

53% of the respondents strongly agreed that there was timely response to their special requests. 21% agreed, 20% neither agreed nor disagreed and 6% disagreed. This shows 74% of the customers are satisfied, while 26% are not. This could be because staff are not empowered enough to take decisions on

special requests. Zen management needs to see how staff can be more empowered through communication to take faster decisions and respond to special requests.

59% strongly agreed that they got timely information on queries. 23% agreed to this, 14% neither agreed nor disagreed and 4% disagreed. 82% of customers are satisfied with this service while 18% are not. This shows Zen Garden staff is well informed on the operations and are able to give timely information, but more staff training is required to improve this.

63% of the respondents strongly agree that there is timely serving of food. 29% disagree to this. 7% neither agree nor disagree and 1% disagreed. 92% of customers are satisfied while 8% were not. Standard recipes and procedures followed by Zen staff allow timely serving of food. For an improvement to be seen in this, management can do process mapping of the processes involved in cooking and serving so that the processes can be made lean to improve the service.

54% of the respondents agreed that there was timely issuance of bills. 36% agreed to this. 7% neither agreed nor disagreed and 3% disagreed. 90% of respondents are satisfied while 10% were not. Zen has two cashiers to ensure timely bills and receipts are issued even when it's busy.

On Average, 59% strongly agree that they are satisfied with responsiveness of service. 27% agreed to this. 11% neither agreed nor disagreed and 3% strongly disagreed. 86% of the customers are satisfied while 14% are not. The main areas to focus on to improve this include timely response to special requests and timely information on enquiries. Staff training, development and empowerment will help improve this. It was observed that 59% of the respondents strongly agreed that Zen offers pleasant ambience. 29% agree to this. 3% neither agree nor disagree, 7% disagree and 3% strongly agree. 88% of the customers are satisfied with this while 12% are not.

On average 61% of respondents strongly agreed to Zen having neat and well dressed staff. 24% agreed to this, 6% neither agreed nor disagreed while 4% disagreed and 4% strongly disagreed. 85% of customers are satisfied with this while 15% are not. If need be they need to get staff new uniform or maybe change the color of the uniform or the style to make it more professional.

It was noted that 66% strongly agreed that Zen has clean floors, tables and crockery. 26% agreed to this. 3% neither agreed nor disagreed while 4% disagreed and 1% strongly disagreed. 92% of the customers are satisfied while 8% are not. Zen has a lot of cleaners to keep the restaurant clean. Zen needs to ask the cleaning supervisor to recheck if proper cleaning procedures are in place to take care of the 8% of customers who are not satisfied with this.

Analysis revealed that 57% of the respondents strongly agreed that Zen has good quality tableware and crockery. 30% agreed to the statement and 7% neither agreed nor disagreed while 3% disagreed and 3% strongly disagreed. 87% of the customers are satisfied with this while 13% are not. Some of the tableware and crockery as old as since Zen started. The directors travelled to China this year to order for new furniture and crockery, therefore the 13% of the dissatisfied customers will be taken care of soon.

On average 57% of the respondents strongly agreed that Zen has elegant furniture and internal decors. 23% agreed to this, while 11% neither agreed nor disagreed to this statement, 3% disagreed while 6% strongly disagreed. Total of 80% of customers are satisfied while 20% of respondents are not satisfied which the furniture and internal decors. Zen is going to import new furniture from China soon to replace the old furniture.

On average, 60% of respondents strongly agreed that they are satisfied with the tangibles of Zen. 26% agreed to this. 6% neither agreed nor disagreed, 4% disagreed and 3% strongly disagreed. A total of 86% of customers are satisfied with the tangibles while 13% are not satisfied with this service. Zen needs to invest in new furniture, internal decors and new staff uniform to improve on the tangibles. And in order to improve the ambience, it needs to improve on all other tangibles. The table shows that all tangibles are positively correlating to each other. Zen needs to improve on all to improve on customer satisfaction.

		Pleasant ambience	Clean floors tables crockery	Good quality tableware and crockery	Elegant furniture and internal decors	Neat and well dressed staff
Pleasant ambience	Pearson Correlation	1	.740**	.634**	.580**	.504**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	70	70	70	70	70
Clean floors tables crockery	Pearson Correlation	.740**	1	.769**	.593**	.569**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	70	70	70	70	70
	Pearson Correlation	.634**	.769**	1	.720**	.452**
	Sig. (2-tailed)	.000	.000		.000	.000

Good quality tableware and crockery	N	70	70	70	70	70
Elegant furniture and internal decors	Pearson Correlation	.580**	.593**	.720**	1	.441**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	70	70	70	70	70
Neat and well dressed staff	Pearson Correlation	.504**	.569**	.452**	.441**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	70	70	70	70	70
**. Correlation is significant at the 0.01 level (2-tailed).						

It was observed that 61% of respondents strongly agreed that Zen has experienced and professional staff. 27% agreed to this statement. 11% neither agreed nor disagreed while no respondent disagreed or strongly disagreed to this statement. 87% of the customers are satisfied that Zen has experienced and professional staff while 11% is not satisfied. Zen has hired very experienced and qualified international chefs and waiters. Zen has always tried to retain the best chefs and waiters to keep up this standard.

It was analyzed that, 73% of the respondents strongly agreed that Zen has polite staff. 19% agreed to this statement. 7% neither agreed nor disagreed, while only 1% strongly disagreed. 92% of customers are satisfied with this while only 8% are not. Employees on the floor are generally trained to be very polite. This helps to build and maintain good relations with the clients which in turn helps to maintain customer loyalty and satisfaction. Further, 63% of respondents strongly agreed that Zen gives detailed attention to client request. 26% agreed to this. 10% disagreed and 1% strongly disagreed to this. 89% of customers are satisfied while 11% are not. Zen staff is trained to give detailed attention to all client requests.

Analysis also showed that 63% strongly agreed that Zen staff were capable of answering queries. 24% agreed to this. 10% neither agreed nor disagreed. 1% disagreed and 1% strongly disagreed. 87% of customers are satisfied with this while 13% are not. Zen needs to redo training on the general questions asked by clients and what to answer to them. 70% of respondents strongly agreed that Zen provides safe atmosphere. 17% agreed to this statement. 6% neither agreed nor disagreed, while 7% strongly disagreed. 87% customers are satisfied while 13% are not. The management needs to recheck the security measures like security guards protocols on checking and a detailed survey on this can be done to understand other reasons. Overall, 89% of the customers are satisfied with the assurance of service that Zen provides while 11% are not satisfied.

#### i. Empathy

On analysis of findings, 73% of the respondents strongly agreed to the availability of staff to serve them. 20% agreed to the statement, 4% neither agreed nor disagreed and 3% disagreed. 93% of the customers are satisfied with this while 7% are not. Zen Garden normally has enough staff on the floor to serve clients. May be the ones who didn't agree might have experienced this on busy weekends. In addition, 72% of the respondents strongly agreed that staff gave attention to clients. 18% agree to this, 6% neither agreed nor disagreed, 3% disagreed and 1% strongly disagreed. 90% of the customers are satisfied with this while 10% are not. Generally Zen staff is very keen on giving attention to clients by putting the hosts right at the entrance of the restaurants and guiding them through their sitting areas. The waiters try as much as they can to serve tables immediately and also the managers on floor keep going to tables of clients asking if they are fine

On average, 63% of respondents strongly agreed that Zen staff is flexible to serve client requests. 30% agreed to this. 7% neither agreed nor disagreed. No respondent disagreed or strongly disagreed to this. 93% of customers are satisfied with this while 7% are not. Zen staff is always encouraged to be flexible to client requests and they are trained on that. In addition, 59% of respondents strongly agreed that Zen staff is quick in rectification of service failure. 26% agreed to this. 14% neither agreed nor disagreed while 1% Disagreed. 85% of the customers are satisfied with this service while 15% are not satisfied. When there is disappointment through service failure, a quick rectification is required. Zen needs to communicate and train staff on how to rectify service failure immediately and empower staff to take some decisions on the floor.

On analysis, 64% of the respondents strongly agreed that Zen Garden is flexible in payment modes and terms. 21% agreed to this. 13% neither agreed nor disagree. No one disagreed to this. 85% of the customers are satisfied with this service while 15% are not. Zen has several modes of payment some of which include cash, Visa, Mpesa and regular clients also pay by cheques. Zen is flexible on payment terms because it allows regular and big clients to open credit account and give credit terms of up to 30 days.

On average, 66% strongly agreed to good empathy being offered at Zen. 23% agreed to it. 9% neither agreed nor disagreed. 2% disagreed. The total satisfied customers were 89% while the ones dissatisfied were 11%. For Zen to improve on empathy of service, they need to focus on how they can improve flexibility on payment modes and terms and how they can empower and train staff more so that they can be quicker in rectification of service failure.

### 4.3.2 Lean methodology (5s) leading to customer satisfaction

Some of the lean practices that Zen has tried to adopt is 5s.

#### i. Sort

Sorting work stations is important because it helps to keep what is required and helps to remove unnecessary items. Keeping unnecessary items in the work stations is not only a cost to the company as the items occupy extra space, but also brings a lot of confusion when looking for the required things. From the questionnaires on sorting, it can be seen that Zen does practice regular sorting of unnecessary items.

On average, 56% of the respondent confirmed that there sorting procedures in place. 34% of the respondents said there were no procedures and 10% of the staff was not sure. The total percentage of no and not sure is 44%. It is most likely that some departments practice this and some don't.

#### ii. Set in order

Specific storage space and clearly labeled areas saves a lot of time and confusion. It makes work place more organized. From the survey it can be seen that Zen has clearly labeled work stations and areas to some extent.

On Average, 64% of the respondent confirmed that procedures were in place to set things in order. 21% of the respondents confirmed the procedure didn't exist and 15% were not sure. Since 36% of the respondents said that there were no clearly labeled areas and some were not sure, it means there is room for improvement.

#### iii. Shine

Keeping working areas clean is important. From the survey it can be seen that Zen Garden does practice clean practices. 71% of the respondents confirmed that there were proper cleaning procedures in place. 16% confirmed that they didn't exist and 14% were not sure.

#### iv. Standardize

Standardizing work procedures saves time and confusion and ensures quality of work done is sustained. 78% of the respondent confirmed that their work procedures were standardized. 19% of the respondents said there were no standardized procedures and 3% were not sure.

#### v. Sustain

When a new system, policy or procedure is put in place, if there are no procedures to sustain it, then the system will collapse. When a system collapses it's a cost to the company as a lot of time and resources are put in place to implement it.

58% of the respondent confirmed that there were procedures in place to sustain 5s. 29% of the respondents confirmed these procedures didn't exist and 13% of the staff was not sure.

From all the 5s indicator, this is the weakest. It clearly shows that Zen Garden started adopting the 5s to be lean, but there are not able to achieve the expected results because there are no proper procedures in place to sustain the system. The effect of this will be that the 5s is not fully implemented and will not be able to add value to the organization for long term.

A correlation analysis was done on the 5s. Since Yes, No and Not sure were not measurable, for the purpose of this analysis, they were rated as follows: No – 1, Not sure 2, Yes – 3.

**Table 4 : Correlation analysis of 5s**

		Sort	Set in order	Standardize	Shine	Sustain
Sort	Pearson Correlation	1	.116	.208*	.189	.349**
	Sig. (2-tailed)		.252	.039	.060	.000
	N	99	99	99	99	99
Set in order	Pearson Correlation	.116	1	.186	.379**	.347**
	Sig. (2-tailed)	.252		.066	.000	.000
	N	99	99	99	99	99
Standardize	Pearson Correlation	.208*	.186	1	.352**	.347**
	Sig. (2-tailed)	.039	.066		.000	.000
	N	99	99	99	99	99
Shine	Pearson Correlation	.189	.379**	.352**	1	.421**

	Sig. (2-tailed)	.060	.000	.000		.000
	N	99	99	99	99	99
	Pearson Correlation	.349**	.347**	.347**	.421**	1
Sustain	Sig. (2-tailed)	.000	.000	.000	.000	
	N	99	99	99	99	99

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\*. Correlation is significant at the 0.01 level (2-tailed).

Both the directors confirmed that they have clear procedures in place to define customer complaints. This is done through social media, for example Zen has a face book page where customers are allowed to post their complaints. It seems there are no clear ways to measure customer complaints as one director said maybe there are procedures to measure customer complaints and one said there weren't. The face book page allows customers to rate the services of Zen, but doesn't allow them to select the category of the complaint. This could provide better ways of measuring the complaint. Both directors confirmed that there were procedures to analyze customer complaints. It is a bit unclear how they analyze the complaints if there weren't proper procedure to measure the complaints. Maybe this could be asked in interview. One director said there were no proper procedures to improve on customer complaints while one said maybe there are procedures to improve on customer complaints. One director said there were procedures to control customer complaints while the other one said there weren't procedures for the same.

## 5.0 CONCLUSIONS AND RECOMENDATIONS

### 5.3 Conclusion

Operational excellence can lead to customer satisfaction which can help increase bottom-line figures of a company. Operational excellence is a results oriented strategic process of continuous improvement. It involves creating efficiency in all operational processes such that the efforts of the employees can be aligned to the business strategic objectives of an organization to create value for the customers, the organization and the employees themselves.

To achieve operational excellence, it is important for Zen to have competitive priority. Focus on service quality as competitive priority can help form strong foundation to achieve other performance objectives of the company. This helps Zen to have visions and goals that it wants to achieve for customer satisfaction and work towards those. This confirms that focus on service quality as a base foundation will help put the scarce resources in good use and it will form a base to build and achieve other performance objectives with time for the company to become agile.

It is evident from the research paper that competitive position right now is adopting best practices and also linking strategy with operations. Lean methodologies can help to improve the quality of service by eliminating all non-value adding activities. The focus on improving service quality through lean principles will direct the efforts of employees towards improving processes and improving service quality to add value to the customers. In trade off theories its suggested to achieve one, the other has to be foregone, but lean helps to achieve both quality and cost benefits at the same time, making an organization agile and increasing customer satisfaction.

Six sigma will help identify non performing service quality dimensions and take appropriate measures to improve on them. By continuously addressing and improving on customer complaints, Zen will be able to add value for customers and satisfy customers. If customer loyalty is maintained, then customers will keep coming to Zen Garden. Six sigma when used with lean methodology will help improve business processes to improve customer service.

### 5.4 Recommendations

The competitive priority that it currently has is focus on service quality, which is still recommended as focus on quality which eventually helps it to achieve other performance objectives. However for Zen to focus on the quality as a base foundation, it needs to be clear on quality means from customer's perspective and also from company perspective. Service quality needs to be defined well and be measured continuously to know customer satisfaction.

Secondly Zen needs to have clear visions and goals on what it wants to achieve and communicate the same to its employees so as to have shared vision for better performance. For this to be possible, Zen needs entrepreneurial leaders who can have a vision of the possibilities of what Zen can achieve and be able to commit themselves as well as align others to the required discipline in order to make the visions a reality. Having such leaders can in itself become a competitive advantage to achieve operational excellence.

Continuous review of best practices and improvement plans is important so as to achieve and sustain the results. This is achieved through effective leadership, teamwork and problem solving techniques while taking into account customer expectations and employee empowerment. In the journey to continuous improvement, change is compulsory. An agile organization will be able to adapt and implement to changes faster than the competitors such they can meet their ever changing customer expectations before their competitors such that operational excellence become a competitive advantage. The systems put in place needs to be regularly monitored and evaluated based on a model of continuous improvement to assess what the organization has

managed achieving and what needs to be achieved. This will help Zen to have proper procedures in place to sustain a system put in place and continuously work on it to improve it. This will also help to establish a culture of learning and continuous improvement. The management and directors of Zen need to keep communicating to staff on the expected changes and reasons for the same to avoid any resistance. Furthermore the main aim of adopting best practices like lean should not be to be as good as competitors but to build future capabilities that will help in continuous improvement and sustain the performance of the company.

Since Human Resource is very important, engaging line managements to see how HRM can add value to the customers and organization and having right HRM capability during and after the improvement plans is recommended. The employees on the ground get better as they practice the system and their feedback and input is important to improve the processes. Building trust on staff, staff participation and encouragement is important.

### **5.5 Recommendation for further research**

Since the definition and measurement of service quality dimensions is both complex and challenging, it is recommended to do a further research on these using different models to understand the concept better. Since Zen has different units like Bamboo oriental restaurant, Jade and Zen Square, it will be recommended to do further analysis on each of these units to identify which unit is weakest in terms of the operational excellence implementation to focus on those units. It is recommended to do further research on processes and process mapping at Zen Garden. This will help company to identify the processes that can be revised to eliminate non-value added activities.

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