INVESTIGATING THE INTERRELATIONSHIP OF STRATEGIC DECISIONS AND CLIENT SATISFACTION: A CONCEPTUAL FRAMEWORK

Jianxi Cheng[1], David Proverbs, Chike Oduoza and Keith Potts

[1]Mott MacDonald, Sea Containers House, 20 Upper Ground, London SE1 9LZ

School of Engineering and the Built Environment, University of Wolverhampton WV1 1SB UK

Previous research findings have shown that strategic decisions made by construction clients have a significant impact on client satisfaction. However, the nature and significance of the impact are not clearly identified, and client satisfaction as a major determinant of project success has remained an elusive issue. This research draws upon findings of the literature review of an on-going research project and proposes a conceptual model of the interrelationship between strategic decisions and client satisfaction. A detailed literature review revealed that strategic decisions made by the client at various stages of the project vary in nature and significance and will have a long-term impact on project performance. The performance and service quality of service providers including consultants and contractors are widely seen as the antecedent and pre-requisite of client satisfaction. Key performance attributes of service providers including overall quality of service delivery, people and communications are identified as the main measurement criteria of client satisfaction. A conceptual model is then presented to reveal the interrelationship of strategic decisions and client satisfaction. It reveals that there exist interactions between the client and the service provider when a strategic decision is made by the client. The impact of strategic decisions on client satisfaction takes effect through the service provider's response to the decisions and their overall performance and service quality which ultimately determine the levels of client satisfaction. The findings of this research will improve the understanding of the client satisfaction phenomenon and facilitate service providers to improve their performance so as to increase client satisfaction.

Keywords: client satisfaction, literature review, performance, service quality, strategic decisions.

INTRODUCTION

The UK construction industry has seen inefficiency of production and dissatisfied clients for some considerable time (Banwell, 1964; Latham, 1994; Egan, 1998; Howell, 1999; Egan, 2002). Many aspects may be to blame but it is largely attributable to overrunning project costs, delayed completion, inferior performance of service providers including contractors and consultants (NAO, 2000; HSE, 2002; CJ, 2004). Previous research findings have shown that strategic decisions made by construction clients have a significant impact on client satisfaction (Naoum and Mustapha, 1995; Kumaraswamy and Dissanayaka, 1998). Poorly informed strategic decisions made by a client such as choosing a contractor without appropriate

[1] Jianxi.cheng@mottmac.com

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consultation or consideration may result in an under-performing project and ultimately cause client dissatisfaction. However, the nature and significance of the impact are not clearly identified. Although there are a range of models which may be employed in studying the levels of satisfaction of various members of the construction supply chain, only few have been identified as being particularly applicable to the assessment of satisfaction of construction clients (Gable, 1996). There has been little published on the use of formal models of service quality in association with the investigation of client satisfaction (Gunning, 2000) and, client satisfaction, as a major determinant of project success, remains as an elusive issue in the construction sector (Cheng and Proverbs, 2006).

This research aims to investigate the nature of strategic decisions and the significance of their impact on client satisfaction. A review of the literature of strategic decisions and client satisfaction is first conducted. A conceptual model is then developed to reveal the interrelationship of strategic decisions and client satisfaction.

Strategic decisions made by construction clients

Strategic decisions made by a construction client are usually complex and made with some uncertainty (Mintzberg *et al.*, 1976; Schwenk, 1984). They also vary across the whole life cycle of a construction project (Pinto and Prescott, 1988; Cheng and Proverbs, 2006), and are viewed as serving a particular purpose and in the long-term critically affect the performance of the project (Papadakis and Barwise, 1997).

There exist a number of strategic decision-making models in the construction industry which outline the processes and decision points involved in the delivery of construction projects (BAA, 1995; OGC, 2003a). Landmark reports (Latham, 1994; Egan, 1998; Kagioglou *et al.,* 2000; Egan, 2002; PP, 2005) have identified a lack of properly structured processes and client focus amongst other aspects as key inhibitors to the performance of the construction industry. Those reports also recommended taking a holistic view of the construction process to help eliminate these inhibitors and improve performance, for example, of construction consultants and contractors. Successful delivery requires an integrated process in which different stages of a project including design, construction, occupancy and maintenance are considered as a whole.

Strategic decisions made by a client throughout the project life cycle can be broadly categorised based on the timing/stages and the subject of the decisions (Phillips, 2000; Cheng *et al.,* 2006). There are various versions of these construction project stages and project processes, including the RIBA's Plan of Work (Phillips, 2000), the Generic Design and Construction Process Protocol (Kagioglou *et al.,* 2000) and bespoke processes developed by large client organisations' such as BAA (1995) and OGC (2003a). Although these models all aim to co-ordinate the whole project stages in one way or another, the RIBA Plan of Work, which sets out the design and construction process in a simplified linear fashion, is the most well-known model framework and most widely implemented in the UK construction industry. Amongst these various models, the underlying process has however arguably remained broadly the same and can be broadly divided into pre-design, design, tender, construction, occupancy & maintenance and disposal stages (Nelson *et al.,* 1999; Hughes, 2003).

Client satisfaction with service quality

The concept of client satisfaction in the context of the construction industry is generally adapted from principles of customer satisfaction in the context of business.

It involves subjective perceptions based on objective issues and is hence subjective in nature in the context of satisfaction measurement (Zeithaml *et al.,* 1990). Client satisfaction in the construction industry, is widely viewed as the measurement of the extent to which a client's expectations for a service or a project overall are met (Parasuraman *et al.,* 1988; Siu *et al.,* 2001; BSRIA, 2003). The measurement of client satisfaction is often associated with performance and service quality assessment in the context of projects or services received by the client (Parasuraman *et al.,* 1985, 1988; Soetanto and Proverbs, 2004). A number of models and techniques have been developed to facilitate the measurement of client satisfaction such as ServQual (Parasuraman *et al.,* 1985; 1988; Gunning, 2000), performance assessment (Soetanto and Proverbs, 2004), Business Excellence models (EFQM, 2005; Cheng *et al.,* 2006) and key performance indicators (KPIs) (RICS, 2004; CE, 2005).

Amongst those models, service delivery and quality is a critical element of satisfaction measurement (Gunning, 2000). The people involved in the delivery of services to the client, their skills and experience, goals and commitments will strongly influence the quality of services and overall service delivery and ultimately client satisfaction. Organisations, for example, consultants and contractors in the construction industry that strive for excellence, may communicate, reward and recognise, in a way that motivates staff and builds commitment to using their skills and knowledge for the benefit of the organisation and to achieve the full potential of their people at an individual, team-based and organisational level (EFQM, 2005). The people issue hence has a crucial impact on service delivery and is seen as a key criterion of measuring client satisfaction. Effective communications between the client and service providers also play an important role in the overall satisfaction of the client (Tavistock, 1965; Ahmed and Kangari, 1995; Wild, 2004). Communication within project-based environments presents special challenges and different perspectives highlight the diversity of communication problems facing those working within the project-based environments (Dainty *et al.,* 2006).

BASIC CONCEPTS UNDERLYING THE CONCEPTUAL MODEL

The concepts of strategic decisions and client satisfaction are complex in nature; let alone the interrelationship between them.

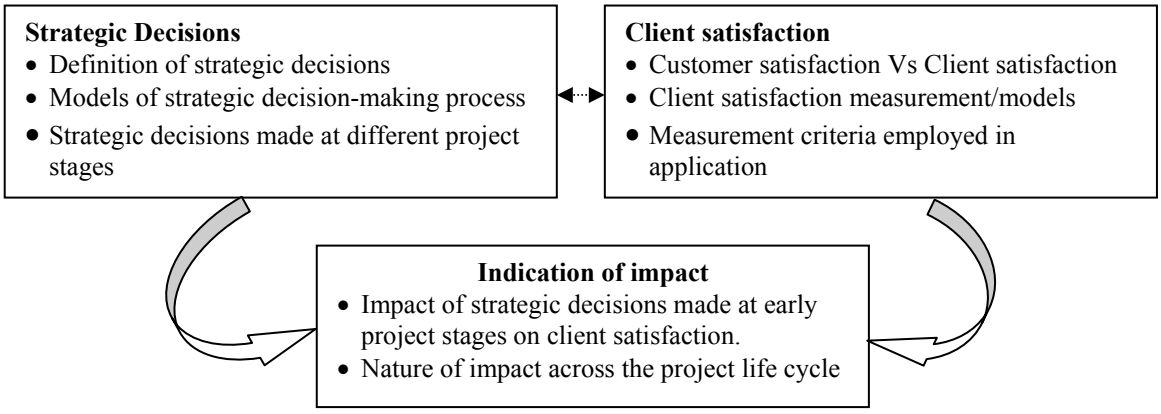

Figure 1: The outline of literature review

The findings of the literature review have been used to inform the development of a conceptual model, as outlined in Figure 1.

CONCEPTUAL MODEL DEVELOPMENT

Models are considered as simplified designs for visualising objects, processes, systems or concepts too complex to grasp (Fellows and Liu, 1997). Previous research found that strategic decisions made by a client at early stages (such as procurement strategy) have been found to have a significant impact on their levels of satisfaction (Rowlinson, 1988; Naoum and Mustapha, 1995). When a strategic decision has been made by the client, the service provider (a consultant or a contractor) has to provide responses, for example, to understand the client needs and try to meet/exceed the client expectations associated with the decision (Zeithaml *et al.*, 1990; Morris, 2002). The understanding of client needs, and the meeting of, and/or exceeding client expectations, along with the service delivery, people and communications with the client, will form the service provider's overall performance and service quality. Moreover, performance and service quality of service providers are widely seen as the antecedent and pre-requisites of client satisfaction and do indeed provide the basis for the measurement of client satisfaction (Parasuraman *et al.,* 1985, 1988; Fornell, 1992).The literature suggests that the assessment of client satisfaction is generally determined by the performance and service quality of service providers. Thus the interrelationship between strategic decisions and client satisfaction exists and a conceptual model can be developed.

Interrelationship between strategic decisions and client satisfaction

Once a strategic decision is made at each stage by the client, there will be interactions between the client and their service providers. These interactions form a crucial process of the implementation of client strategic decisions through which project requirements, imbedded in the strategic decision made, are communicated between the client and their service providers. Client needs are understood through this communication process (Dainty *et al.*, 2006) and service providers will have to respond to meet or exceed the client's expectations. Figure 2 presents a conceptual structure of the interrelationship amongst client strategic decisions, service providers' response, service providers' service quality and client satisfaction.

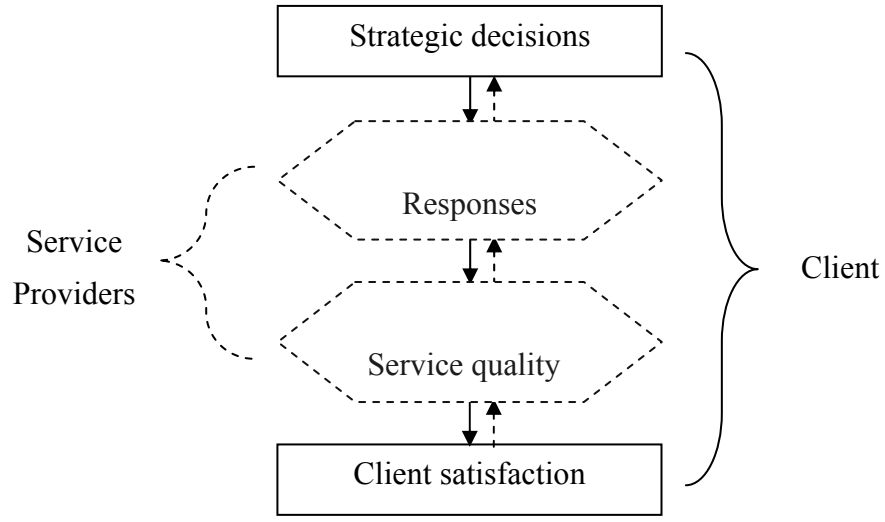

Figure 2.The conceptual structure of strategic decisions – satisfaction interrelationship (Adapted from Cheng & Proverbs, 2006)

Uninformed decisions, which are made by the client in the context of lacking sufficient support information and without appropriate consultation to service

providers, can lead to expensive mistakes and unfortunate consequences (Hassell, 2000). If an uninformed decision has been made by the client in which project requirements and client needs are not properly addressed, the service provider will not be able to understand the client needs sufficiently and will therefore be unable to provide an appropriate response. The real opportunity during early stages of a project is to explore the client needs and to reach a decision and project definition that more accurately represents these needs (Smith *et al.*, 1998). Needs for effective coordination and general management of the different stakes from the project team especially from the client are often not recognised (Boyd and Chinyio, 2006). This will likely result in dissatisfaction of one or more project parties unless the different stakes in a project are recognised and properly coordinated (Chinyio, 2007). Inappropriate responses from the service provider will have a negative impact on their services provided to the client and will form a defective and inferior service quality.

The client, in turn, will assess the quality of the services being provided based on their own perception. The measurement of service quality forms a significant part of the assessment of client satisfaction and service quality is often seen as an antecedent of, and related positively to client satisfaction (Fornell, 1992; Cheng *et al.*, 2006). Uninformed strategic decisions made by clients therefore will have a negative impact on client satisfaction.

A consistent approach across the client organisation needs to be established which will ensure business needs and opportunities are met by optimal decisions. Based on those processes, optimum strategic decisions then can be made by clients, which will positively influence the performance of service providers and their service quality. As a consequence, improved performance and service quality from service providers will ultimately lead to improved client satisfaction.

The conceptual model

Literature review has identified individual factors affecting the interactions between strategic decisions and client satisfaction. The conceptual structure illustrated in Figure 2 can be further expanded to develop a conceptual model which provides a detailed picture of the influence of strategic decisions on client satisfaction, as shown in Figure 3.

When a strategic decision, as part of the project life cycle strategies (LCS), is made by the client at a stage of a project, several key aspects, as discussed in previous sections, will form the basis of the client's decision-making function and make significant contribution to the decision itself. These key aspects include client characteristics, for example, decision-making mechanism and process (refer to Box A.1); client expectations, that is to say, importance of decisions (refer to Box A.2) and client perceptions, that is to say, effectiveness of decisions (refer to Box A.3).

A client's characteristics, for example, including decision-making processes and mechanisms at the decision-making phase (Box A.1) and size/sector/experience at the satisfaction measurement phase (Box A.7), have significant influence in providing the quality standard, or frame of reference (Smith *et al.,* 1969) (refer to Box A.4), which is used by the client to judge the performance and service quality of their service providers. The satisfaction determinants are linked with the frame of reference as well as its characteristics, expectations and perceptions which represent different means in the decision-making and the satisfaction measurement phase (refer to Box A.5, A.6 and A.7).

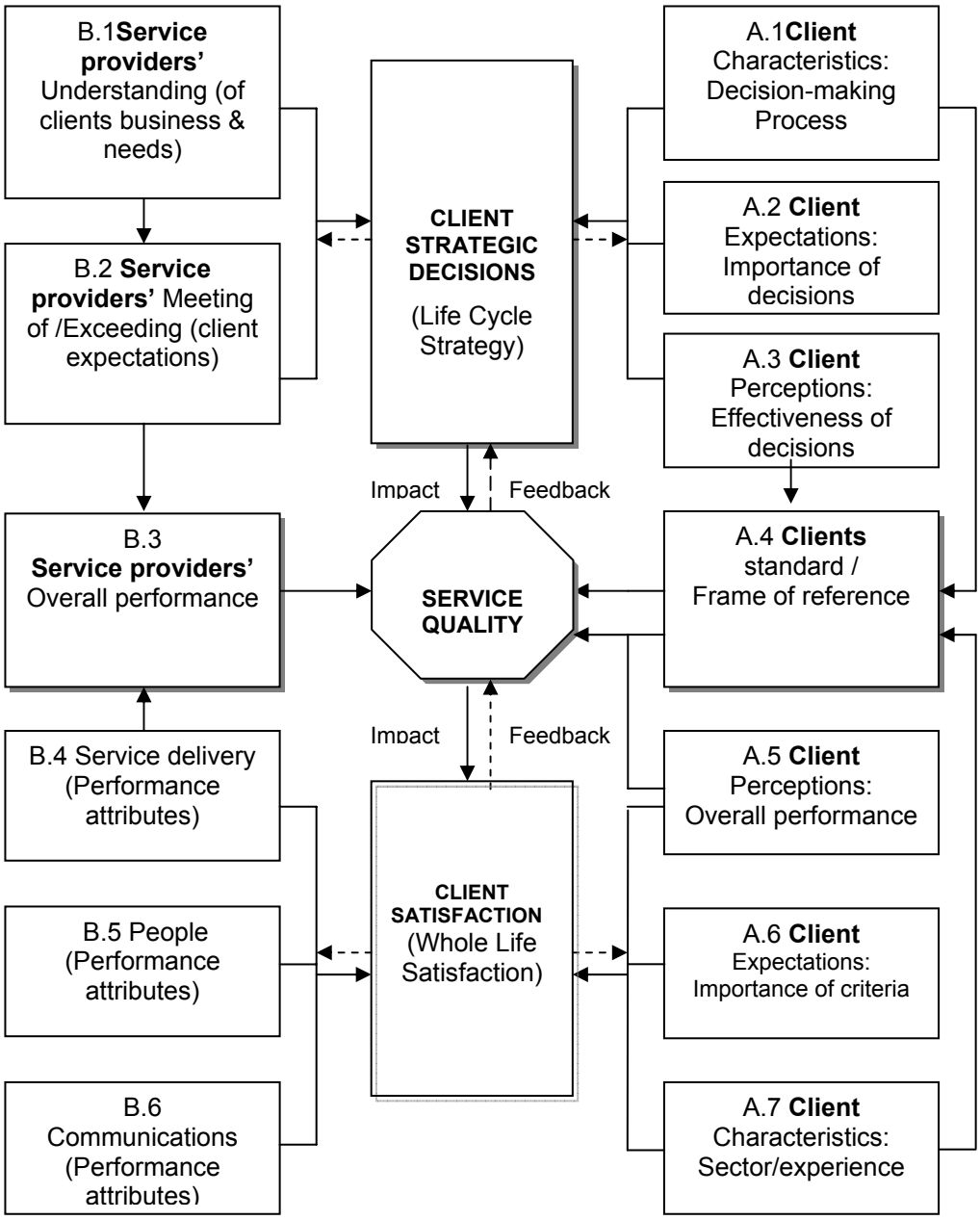

Figure 3: A conceptual model of the influence of strategic decisions on client satisfaction

In response to the client's strategic decisions construction service providers including consultants and contractors will need to obtain a proper understanding of client business and needs. The understanding of, and response to the client needs, illustrated as Boxes B.1 and B.2, have a fundamental impact on the overall performance/service quality of the service provider. Service providers' service delivery, people and communications with the client are the fundamental issues of their overall performance. Service providers' overall performance then provides the basis of their service quality, as shown in Box B.3.

Service quality is usually seen as an antecedent and pre-requisite of client satisfaction. A service provider's key performance attributes, for example, service delivery (refer to Box B.4), people (refer to Box B.5) and communications (refer to Box B.6), forms the overall performance output (refer to Box B.3) which determines the service quality

and represents the criteria for the measurement of client satisfaction (Gorse and Emmitt, 2004; Cheng *et al.,* 2006; Dainty *et al.*, 2006).

The impact of strategic decisions on client satisfaction thus takes effect through the service provider's response to client decisions and their overall performance. The service provider's performance will result in their perceived service quality, which ultimately determines the levels of client satisfaction. Considering the subjective nature of satisfaction assessment, the influence of the client itself, including their characteristics, that is to say, decision-making mechanisms, experience, size, location, sector and so on, cannot be ignored. Clients' expectations, perceptions and their frame of reference will dominate the results of client satisfaction assessment. Clients will be able to make optimum decisions by carefully taking into account their characteristics, expectations and perceptions, which make significant contribution towards their own satisfaction.

Consultants and contractors, as service providers to clients, can improve their quality performance to enhance client satisfaction levels, and in the context of project life cycle, take corrective actions to remedy problems in different stages to ensure predicted client satisfaction levels can be achieved. This refers to the feedback process which is initiated from the outcome of client satisfaction assessment (from Box Client satisfaction to Box B.5, B.6 and B.7).

Overall, a client's strategic decisions across the project life cycle, namely, life cycle strategies (LCS), have a major impact on the overall performance of the service providers (Soetanto and Proverbs, 2004) and their service quality and ultimately on client satisfaction (Cheng *et al.,* 2006). Client satisfaction at a particular project stage will make significant contribution towards clients' whole life satisfaction (WLS). Client satisfaction at any project stage, as part of a client's WLS, depends as much on the performance attributes of service providers as on the influence of strategic decisions and the client itself.

FEEDBACK FROM CONSTRUCTION CLIENTS

The developed conceptual model reveals the interrelationship between strategic decisions and client satisfaction and identifies practical measures for both clients and service providers. Clients can make optimum decisions by looking into their characteristics, needs and perceptions. Consultants and contractors, as service providers to the client, can improve their performance/service quality to enhance client satisfaction levels, and take corrective actions to remedy problems in different stages to ensure predicted client satisfaction levels can be achieved. However, the nature and significance of the impact require further investigation.

Detailed data have been collected through a UK-wide questionnaire survey of construction clients to test and develop this conceptual model further. Results of an exploratory analysis of these data suggest the conceptual framework is valid. The results reveal that a vast majority of clients are experienced construction professionals who understand their organisations' decision-making mechanisms and processes and are capable of making strategic decisions. Clients perceive the employees of service providers play an important role in forming the service quality provided to clients and consider communications as the most important tool to facilitate achievement of client satisfaction.

Understanding client business and satisfying their needs are the key issues for service providers to address so as to improve their service quality. Improved service quality

from service providers will positively underpin project performance and lead to heightened client satisfaction and perceived project success, which will benefit both clients and their service providers.

CONCLUSIONS

This research has reviewed two fundamental concepts, namely, strategic decisions and client satisfaction to inform the development of a conceptual model. A conceptual structure of strategic decision - satisfaction interrelationship has been presented. The conceptual structure has been further expanded to develop a conceptual model. The service provider's understanding of, and response to the strategic decisions and client needs, have a fundamental impact on the overall performance/service quality of the service provider in terms of their service delivery, people and communications with the client.

The conceptual model reveals that client strategic decisions made at various project stages have a significant impact on client satisfaction. The impact of strategic decisions on client satisfaction takes effect through the service provider's response to client decisions and their overall performance. The service provider's performance will result in their perceived service quality, which ultimately determines the levels of client satisfaction.

However, the rigour of the conceptual model will need to be further developed and tested. More detailed data analyses and modelling regarding strategic decisions and quality of services across the project life cycle are recommended.

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