Process Business And External Environment In Mattering Service Quality: The Moderator of Knowledge Management

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ABSTRACT: This quantitative study investigates the connections between knowledge management, business processes, and service quality. The study examines how corporate procedures directly affect service quality and how the outside environment affects it. It also looks into how knowledge management affects business processes and customer service quality. A sample of the medical industry in Tangerang City, Indonesia, received surveys, and 12 complete replies were examined. The results show that while the external environment significantly affects service quality, business practices do not directly influence it. The relationship between business processes and service quality is moderated by knowledge management, underscoring the significance of efficiently utilising organisational knowledge resources. These results point to the necessity of a comprehensive service quality improvement strategy that considers outside variables and employs efficient knowledge management techniques. Future research should overcome drawbacks like sample biases and explore these correlations using a variety of approaches and larger samples.

KEYWORDS: External Environmental, Knowledge Management, Process Business, Service Quality.

INTRODUCTION

In today's highly competitive business world, an organization's service quality is critical in preserving and improving customer satisfaction (Pakurár et al., 2019). Effective corporate processes and a suitable organizational environment are critical in determining service quality (Ozbekler & Ozturkoglu, 2020). The role of knowledge management in managing organizational knowledge, on the other hand, has a considerable impact on moderating the interaction between business processes, internal environments, and service quality (Lin, 2017). Well-established business processes are the foundation for providing high-quality services (Vom Brocke & Rosemann, 2014). Business processes that are efficient, systematic, and well-documented allow organizations to identify crucial stages, eliminate problems, and increase productivity (Syed et al., 2020). A supportive internal environment, such as a collaborative culture, open communication, and flexible organizational structures, contributes to higher service quality (Rehman et al., 2022). Employees can share expertise, learn from one another, and collaborate in a supportive environment, all of which improve the quality of services given (Agrawal, 2012).

On the other hand, knowledge management can influence the impact of business processes and internal environments on service quality (Srivastava & Prakash, 2019). Knowledge management refers to the methods, processes, and technologies used to collect, store, manage, and share knowledge inside an organization (Orenga-Roglá & Chalmeta, 2019). Organizations can optimize their knowledge to improve service quality by using an effective knowledge management system (Mirzaee & Ghaffari, 2018). The knowledge that is well-structured, accessible, and properly managed enables employees to make educated decisions, resolve issues quickly, and give innovative solutions to consumers (Urbaech & Röglinger, 2018). Knowledge management moderates the link between corporate processes, internal environments, and service quality in this setting. Sound knowledge management enhances the link between successful business processes and good service quality while increasing the internal environment's influence on service quality. Deficits in knowledge management, on the other hand, might undermine the positive influence of business procedures and internal environments on service quality (Z. Wang et al., 2014).

More research and understanding of these variables' effects will throw more light on how knowledge management serves as a moderator in moderating the relationship between business processes, internal environments, and service quality. It will provide significant insights for organizations looking to improve service quality using knowledge management systems effectively. Although the impact of business processes and internal environments on service quality has been extensively researched, the role of knowledge management as a moderator in this connection has received less attention.
There has been little research into the role of knowledge management as a moderator in the relationship between business processes, internal environments, and service quality. While the direct relationship between business processes, internal environments, and service quality has been studied individually, there has been little research into how knowledge management can alter this relationship. Existing research treats knowledge management as a separate variable or considers its influence in a limited way without investigating its possible moderating role (Hayaeian et al., 2022). The study of knowledge management's position as a moderator in the link between business processes, internal environments, and service quality will substantially contribute to knowledge management and service management. Identifying and analyzing how knowledge management affects this relationship will provide a more in-depth understanding of the aspects that influence service quality. It will give organizations a theoretical and practical framework for developing effective knowledge management strategies to improve the quality of services they provide.

Knowledge management research on its role as a moderator can also uncover more intricate dynamics between these variables. It will yield new insights into how knowledge management might influence the interaction between corporate processes, internal environments, and service quality. These findings can assist organizations in better understanding how to exploit current information and build effective knowledge management practices to gain a competitive advantage through increased service quality. As a result, research on the role of knowledge management as a moderator in the relationship between business processes, internal environments, and service quality will make significant contributions to the field, broaden our understanding of the factors influencing service quality, and provide practical guidance for organizations seeking to improve their performance through effective knowledge management.

LITERATURE REVIEW

**Business Process:** A business process is a set of organizational actions or activities to convert inputs into valuable outputs for customers or other stakeholders (Rosemann & vom Brocke, 2014). Corporate processes are interconnected and structured actions striving to achieve specific objectives (Santos & Silva Bastos, 2021). Effective business processes guarantee that necessary procedures are completed efficiently, well-documented, and result in outputs that meet the needs of customers or other stakeholders (Hole et al., 2021).

**External Environment:** The external environment includes aspects that are beyond the organization's control and can have an impact on its operations (Adeleke et al., 2018). Market conditions, industry competitiveness, changes in government legislation, economic trends, and customer preferences are examples of such influences (Czinkota et al., 2021). The external environment substantially impacts an organization's strategy and operations, and to remain relevant and competitive, organizations must monitor and respond to environmental changes (Schilke, 2014).

**Service Quality:** The extent to which an organization meets or surpasses customer expectations in terms of service offered is reflected in service quality (William et al., 2016). Service quality includes a variety of factors, such as customer responsiveness, dependability in service delivery, employee competence, ease of use, and overall customer happiness (Pakurár et al., 2019). High service quality is critical for organizations to create customer loyalty, obtain a competitive advantage, and achieve long-term success (Pérez-Morón et al., 2022).

**Knowledge management:** is a deliberate strategy for obtaining, storing, managing, and distributing knowledge inside a company (Daraei et al., 2014). It entails using technology and information systems to improve access to, disseminate, and use existing knowledge (Kale et al., 2015). Knowledge management aims to improve organizational performance by enabling individuals and teams to efficiently access and use knowledge, reduce knowledge duplication, and promote cooperation and learning within the organization (Darwin, 2017).

The quality of services an organization supplies is inextricably linked to effective business procedures (Gurl, 2017). Organizations can supply consistent services that match consumer expectations by developing well-structured, well-documented, and efficient business processes (Srinivasan & Swink, 2018). Good business procedures guarantee that each stage in the service delivery process is completed correctly and under set standards, thereby improving the quality of services offered to clients (Oakland & Oakland, 2018). Furthermore, the changing external environment has an impact on service quality (Susanti et al., 2015). Customer preferences, market competition, and government policies can all impact how organizations deliver their services (Anshari et al., 2019). Organizations must adapt their strategies and operations to these environmental changes to remain relevant and meet client
expectations. Understanding the external environment and responding properly can assist organizations in maintaining or improving the quality of their services (Thakur & Workman, 2016).

Furthermore, knowledge management is critical in terms of enhancing service quality (Dong et al., 2016). Organizations can optimize the use of existing knowledge to improve customer service quality by successfully managing knowledge (C.-S. Wang et al., 2019). The knowledge that is well-structured and easily accessible helps employees make better judgments, improve their expertise, and provide new solutions (Ng et al., 2021). As a result, good knowledge management helps to improve overall service quality. Effective business processes, responsiveness to changing external environments, and good knowledge management contribute to organizations providing higher-quality services (Eidizadeh et al., 2017). Organizations can improve their performance and achieve a competitive advantage in addressing consumer needs by understanding and optimizing the interactions between these elements (Albrecht et al., 2015). The following hypotheses are offered for this study based on a review of the literature and past research findings:

Hypothesis 1: Business processes relates on service quality
Hypothesis 2: External environment relates on service quality
Hypothesis 3: Knowledge management moderates the relationship between business processes and service quality
Hypothesis 4: Knowledge management moderates the relationship between external environment and service quality

METHODOLOGY

This study's methodology will take a quantitative approach with a cross-sectional research design. Data will be gathered through surveys distributed to workers inside the organization who are involved in business operations, knowledge management, and service quality decision-making. Likert scale items will be included in the questionnaire to assess respondents' perceptions of business processes, the external environment, knowledge management, and service quality (1=very disagree to 7=very agree). The questionnaire involved top management in the Medical industry in Tangerang City, Indonesia, with 120 questionnaires distributed to participants via Email and WhatsApp in the form of a Google Form. All questionnaires were returned and were completed, and subsequently analyzed further. The acquired data will be analyzed using statistical techniques such as regression analysis to evaluate the correlations between the variables. A moderation analysis may also be performed to investigate the role of knowledge management in moderating the connections. The research instrument's validity and reliability will be evaluated to ensure correct variable measurement. The analytical results will be analyzed to draw relevant conclusions and provide practical recommendations for organizations to improve service quality through effective knowledge management practices. This methodology will contribute to current knowledge and guide organizations in enhancing service delivery by providing useful insights into the relationships between business processes, the external environment, knowledge management, and service quality.

FINDINGS AND DISCUSSION

The convergent technique used the external loading factor data to validate the indicators. Early exploratory studies require a loading factor of 0.50–0.70. In this study, all markers had extreme loading values above 0.70, indicating high convergent validity. We next assessed each variable's discriminant validity by comparing the square root of the average variance extracted (AVE) for each latent factor with the model's correlation coefficients. It determined if the variable could distinguish groups (Fornell & Larcker, 1981). Composite reliability in the last phase determines variable indicator values. The results were reliable when composite reliability and Cronbach's alpha were above 0.7. Composite reliability assessed variable indicator reliability. The indicators were reliable if composite reliability and Cronbach's alpha were over 0.70 (Chin, 2010).(see Table 1).
## Table 1. Explanatory result

<table>
<thead>
<tr>
<th>Construct</th>
<th>Items</th>
<th>Outer Loading</th>
<th>α</th>
<th>rho_A</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business processes</strong></td>
<td>BUPRO1=Our company has standardized and well-documented business processes that are constantly followed</td>
<td>0.961</td>
<td>0.976</td>
<td>0.98</td>
<td>0.982</td>
<td>0.914</td>
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<td></td>
<td>BUPRO2=We continuously review and assess our operational procedures to find opportunities for enhancement and optimization</td>
<td>0.974</td>
<td></td>
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<td></td>
<td>BUPRO3=Our business operations are evaluated for efficiency and effectiveness using key performance indicators (KPIs)</td>
<td>0.894</td>
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<td></td>
<td>BUPRO4=We regularly solicit feedback from stakeholders and staff to find bottlenecks or other areas of process inefficiencies</td>
<td>0.962</td>
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<td></td>
<td>BUPRO5=Programmes for ongoing training and development are in place to guarantee that staff members are aware of and follow the established business procedures</td>
<td>0.987</td>
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<tr>
<td><strong>External environment</strong></td>
<td>EXENV1=Our business carefully monitors external environment changes such as market trends, technology improvements, and legislative changes</td>
<td>0.944</td>
<td>0.901</td>
<td>0.908</td>
<td>0.932</td>
<td>0.739</td>
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<td></td>
<td>EXENV2=To find possibilities and risks, we regularly examine the competitive landscape</td>
<td>0.918</td>
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<td></td>
<td>EXENV3=Our company upholds solid collaborations and connections with outside parties, including clients, suppliers, and trade groups</td>
<td>0.741</td>
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<td></td>
<td>EXENV4=We gather and analyze market intelligence to keep current on client demands, preferences, and trends</td>
<td>0.920</td>
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<tr>
<td></td>
<td>EXENV5=To keep a competitive edge, we modify our operations and plans in reaction to changes in the external environment</td>
<td>0.909</td>
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<tr>
<td><strong>Knowledge management</strong></td>
<td>KNMAN1=To gather and preserve necessary knowledge and expertise, our organization has a well-organized approach</td>
<td>0.888</td>
<td>0.876</td>
<td>0.940</td>
<td>0.896</td>
<td>0.635</td>
</tr>
<tr>
<td>Service quality</td>
<td>Description</td>
<td>Factor</td>
<td>0.951</td>
<td>0.97</td>
<td>0.971</td>
<td>0.975</td>
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<td>-----------------</td>
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<tr>
<td><strong>KNMAN2</strong></td>
<td>Workers have access to a central knowledge store that makes sharing and retrieving knowledge easier</td>
<td>0.740</td>
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<td><strong>KNMAN3</strong></td>
<td>Through routine communication channels, we actively promote staff collaboration and knowledge sharing</td>
<td>0.754</td>
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<tr>
<td><strong>KNMAN4</strong></td>
<td>Programmes for ongoing learning and development are in place to improve employee expertise</td>
<td>0.872</td>
<td></td>
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<tr>
<td><strong>KNMAN5</strong></td>
<td>We assess how knowledge management strategies affect innovation and organizational performance</td>
<td>0.715</td>
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<tr>
<td><strong>SERVQ1</strong></td>
<td>Our company continuously provides services that satisfy or exceed the client's needs</td>
<td>0.951</td>
<td>0.97</td>
<td>0.971</td>
<td>0.975</td>
<td>0.851</td>
</tr>
<tr>
<td><strong>SERVQ2</strong></td>
<td>We have clearly defined service standards and practices to guarantee quality consistency throughout all client contacts</td>
<td>0.847</td>
<td></td>
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<tr>
<td><strong>SERVQ3</strong></td>
<td>Customer input is actively sought out and utilized to raise the calibre of services</td>
<td>0.962</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SERVQ4</strong></td>
<td>Our staff members are equipped and trained to deliver outstanding service and effectively address client questions and issues</td>
<td>0.936</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SERVQ5</strong></td>
<td>Key performance indicators (KPIs) connected to service quality are tracked, including response times, customer satisfaction, and resolution rates</td>
<td>0.839</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SERVQ6</strong></td>
<td>Audits, mystery shopping, or customer surveys can all be used to monitor and assess the quality of the services provided regularly</td>
<td>0.957</td>
<td></td>
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<tr>
<td><strong>SERVQ7</strong></td>
<td>In order to respond to client concerns quickly and successfully, we have a robust complaint resolution mechanism in place</td>
<td>0.955</td>
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</tbody>
</table>
The results of the hypotheses testing exhibited that business processes had no significant influence on service quality ($t=1.736<1.96$). Hence, the external environment impacts service quality ($t=3.498>1.96$). Furthermore, knowledge management moderates business processes and service quality ($t=2.302>1.96$) but does not moderate external environment and service quality ($t=1.259<1.96$). Therefore, hypotheses (H2 & H3) are accepted, but H1 and H4 are not supported (see Table 2).

### Table 2. Path Coefficient Result

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Construct *)</th>
<th>Original Sample</th>
<th>T Statistics</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Business processes -&gt; Service quality</td>
<td>0.125</td>
<td>1.736</td>
<td>Rejected</td>
</tr>
<tr>
<td>H2</td>
<td>External environment -&gt; Service quality</td>
<td>0.223</td>
<td>3.498</td>
<td>Accepted</td>
</tr>
<tr>
<td>H3</td>
<td>Moderating Effect 1=BUPRO*KNMAN -&gt; Service quality</td>
<td>0.107</td>
<td>2.302</td>
<td>Accepted</td>
</tr>
<tr>
<td>H4</td>
<td>Moderating Effect 2=EXENV*KNMAN -&gt; Service quality</td>
<td>0.057</td>
<td>1.259</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

Business processes are not impacted by service quality, implying that there is no meaningful correlation between the internal business operations of the organization and the standard of customer service. In other words, the level of service quality that customers receive is not directly influenced by the effectiveness and efficiency of an organization's internal operations. It implies that elements other than internal organizational processes, such as employee behaviour, customer contacts, or external factors, significantly impact service quality. Most of the time, factors outside the organization's internal processes and operations determine the quality of the service.

The external environment significantly influences organizations' service quality. Changes in the external environment, such as consumer preferences, market conditions, competition, and government regulations, can significantly impact the quality of service outcomes. For organizations to provide high-quality services that meet consumer expectations, it is essential to comprehend the external environment and respond to it effectively. The external environment shapes customers' preferences and expectations, which
directly affects service quality. Changes in market trends, technological advancements, or societal values can affect customer preferences. Organizations that proactively monitor and adapt to these changes can better align their service offerings with customer requirements, improving service quality. By remaining attuned to consumer preferences and market dynamics, businesses can make informed decisions and tailor their services to provide exceptional customer experiences. In addition, market conditions and competition play a crucial role in determining the grade of service. In order to differentiate themselves and obtain a competitive edge, organizations may be compelled by competitive pressures to improve service quality continuously. In highly competitive markets, organizations are frequently incentivized to provide superior services to attract and retain customers. Therefore, they invest in augmenting service quality via innovations, personalized experiences, and efficient service delivery procedures. Government policies and regulations also shape the external environment and affect service quality. Compliance with regulations about quality standards, safety, and consumer protection ensures that organizations provide services that meet predetermined criteria. Compliance with these regulations is important in enhancing service quality and customer satisfaction. Organizations that assess and respond proactively to the external environment can better anticipate and adapt to change, improving service quality. By monitoring market trends, competition, and regulatory changes, organizations can make strategic decisions to align their service offerings, enhance operational efficiency, and provide consistent, high-quality customer services. The external environment has a significant impact on service quality. Organizations that acknowledge the significance of the external environment and adapt their strategies and operations accordingly are more likely to meet or exceed consumer expectations. By remaining flexible, receptive, and customer-focused, organizations can navigate the external environment and improve their service quality, increasing customer satisfaction and loyalty.

Knowledge management moderates the relationship between business processes and service quality, as well as the relationship between the external environment and service quality. Effective knowledge management practices enhance the impact of business processes on service quality by facilitating the identification, capture, and dissemination of relevant organizational knowledge. It ultimately improves service quality by empowering employees to make better decisions, resolve issues, and provide innovative solutions. However, knowledge management does not moderate the relationship between the external environment and service quality, suggesting that utilising knowledge management practices does not significantly influence or modify the relationship between the external environment and the quality of services provided. It indicates that factors other than knowledge management play a more significant role in shaping the relationship between the external environment and service quality. It implies that the impact of the external environment on service quality is not mediated or influenced by the implementation of knowledge management practices.

CONCLUSION
In conclusion, the research's findings offer important new understandings of the connections between corporate procedures, the outside world, knowledge management, and service quality. The fact that business processes do not directly affect service quality suggests that other elements, such as employee behaviour and customer interactions, may be more important in determining how well services are provided. On the other hand, it was discovered that the external environment considerably influenced service quality, indicating that market trends, consumer preferences, and legislative changes are important factors for organizations looking to provide high-quality services. It was also shown that knowledge management moderated the relationship between business processes and service quality, highlighting the need to utilize internal knowledge resources wisely. However, knowledge management did not significantly affect how the outside environment relates to service quality. These findings have several implications for businesses looking to improve service quality:

1) Businesses should understand that various external factors affect service quality, demanding a comprehensive strategy for service improvement initiatives.
2) Organizations that want to maintain a competitive edge and provide services that meet customer expectations must comprehend and adapt to the external environment.
3) Effective knowledge management practices can positively impact service quality by promoting information exchange and utilization inside the organization.

It is critical to recognize this study's limitations. First, the results only apply to a certain industry or type of organization and may not be generalizable to other contexts. Second, there may be inherent limits in measuring and operationalizing factors linked
to knowledge management, business processes, and service quality. Last but not least, despite our best efforts, it is still possible that additional, unmeasured factors impacted the associations we investigated. Future studies should take several potential directions for additional research into account in order to build on this research, according to the recommendations:

1) A more thorough understanding of the determinants of service excellence would result from examining additional variables that may impact service quality, business procedures, and the external environment.
2) Studying particular knowledge management techniques or technologies and their effects on service quality may provide organizations with useful guidance.
3) A greater understanding of the dynamics at work could be gained by looking into how organizational culture and leadership affect the connections between business processes, knowledge management, and service quality.
4) Conducting comparative research across other industries or sectors would enable the discovery of sector-specific best practices and provide insights into how the results may be used in various organizational contexts.

REFERENCES


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